London Borough of Hillingdon

Statement of Accounts
for the year to 31 March 2026

London Borough of Hillingdon

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Contents	Page

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Leader’s Statement

Introduction by Councillor Steve Tuckwell, Leader of the Council

Welcome to Hillingdon Council's Statement of Accounts for 2025/26. These accounts provide an overview of the Council's financial performance during the year and set out its financial position at 31 March 2026.

Like many local authorities, the Council faced significant financial pressures during 2025/26 and, as part of its financial strategy, secured Exceptional Financial Support (EFS) from Government. The circumstances leading to this are explained elsewhere within these accounts. Throughout the year, however, the Council's priority remained unchanged: protecting frontline services, supporting residents and exercising careful stewardship of public finances.

The combination of sustained inflation, increasing demand for social care and housing services, and a funding system that has failed to keep pace with rising costs has created considerable challenges for councils across the country. Hillingdon has also continued to bear a disproportionate share of additional financial pressures associated with Heathrow Airport, including the costs arising from asylum accommodation, increased demand on local services and the action required to address the associated anti-social behaviour affecting local communities.

Against this backdrop, the Council protected essential frontline services while investing in the facilities, homes and support that help make Hillingdon a borough people are proud to call home.

The Council has maintained one of the lowest levels of council tax in Outer London while protecting the frontline services on which residents rely. Independent benchmarking continues to show that many council services are delivered at comparatively low cost without compromising quality, while a number of key services have also received strong ratings from external regulators. Together, these demonstrate the council's commitment to delivering value for money and high-quality public services, even in an increasingly challenging financial environment.

Residents rightly expect the Council to spend every pound wisely, deliver excellent everyday services and invest in the future of the borough. That expectation continues to shape every decision the council makes.

The past year also saw significant investment and progress across the borough.

The Council continued to support residents experiencing financial hardship through a range of Government-funded and locally administered schemes, including the Household Support Fund, winter fuel support, free school meal vouchers and the Holiday Activities and Food Programme.

Residents benefited from major investment in community infrastructure, including the opening of the Platinum Jubilee Leisure Centre in West Drayton and the relocation of Uxbridge Library to its new home within the restored Grade II listed Middlesex Suite at the Civic Centre.

Adult social care capacity was strengthened through The Hillingdon Care Company's acquisition of The Burroughs care home, increasing local provision and reducing reliance on more costly independent placements.

The expansion of Meadow High School created additional specialist places for children and young people with special educational needs and disabilities, with further investment planned to expand provision in the borough.

Alongside these projects, the Council invested £178 million in its housing programme during 2025/26, improving existing homes, continuing the regeneration of housing estates and supporting its commitment to delivering Hillingdon Homes for Hillingdon People.

These accounts demonstrate both the financial challenges faced during the year, and the action taken to strengthen the Council's financial resilience. Following agreement of Exceptional Financial Support with the Ministry of Housing, Communities and Local Government, General Fund balances and earmarked reserves increased from £7.6 million to £67.8 million, significantly strengthening the Council's financial resilience at the year-end.

Exceptional Financial Support provides the Council with the opportunity to strengthen its financial resilience while delivering the improvements needed to secure long-term financial sustainability. Through its Financial Modernisation Programme and Governance Improvement Plan, the Council is working at pace to strengthen financial management,

Leader’s Statement

governance and organisational effectiveness, supported by engagement with the Ministry of Housing, Communities and Local Government, the Local Government Association and sector partners.

Looking ahead, the Council's focus is clear: maintaining a sustainable financial position, protecting the high-quality services on which residents rely and continuing to invest in the borough's future. Alongside this, there will be a renewed emphasis on being brilliant at the basics, delivering the everyday services that matter most to residents consistently and well.

The Council will continue to put residents first, work at pace to deliver the improvements needed and remain focused on being brilliant at the basics, ensuring Hillingdon continues to be a borough where people choose to live, work, invest and raise their families.

Councillor Steve Tuckwell
Leader of the Council

Narrative Report

This document sets out the annual accounts of the London Borough of Hillingdon for the year ended 31 March 2026. The accounts are in the format for local authority accounts set by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

2.1 Organisational overview and external environment

Hillingdon, situated on the western edge of Greater London, is the second largest London borough, covering a total area of about 42 square miles. It is just 14 miles from central London and bordered by the counties of Buckinghamshire, Hertfordshire and Surrey, as well as the London Boroughs of: Hounslow, Ealing and Harrow. Hillingdon is home to Heathrow, one of the world's busiest airports, which normally caters for more than 60 million passengers a year.

The borough, Hillingdon, has some of the best sports and fitness facilities in London including Hillingdon Sports and Leisure Complex with a 50 metre indoor competition pool, leisure pool, outdoor lido, 100 station gym, athletics stadium and 400 metre running track, 3G floodlit pitches, sports hall and more. There are also 16 libraries, 3 theatres (1 open air), and over 200 green spaces covering approximately 1,800 acres, including Ruislip Woods, the Nature Reserve, and Lido. Construction of the new Platinum Jubilee Leisure Centre in West Drayton was completed and became open to the public in April 2026. The new facility, which is Hillingdon Council’s fourth sports centre, includes new swimming pools, a rooftop football pitch, and other sports amenities.

The Council's vision is ‘Putting Our Residents First’. This underpins its actions and decision-making process and is achieved by applying the following themes:

- Our People - Putting our residents first and at the heart of all that we do, promoting civic pride.
- Our Natural Environment - We will protect and enhance the borough's natural environment.
- Our Built Environment - We will continue to improve our buildings, roads and footways and ensure that new buildings fit with the surrounding environment.
- Financial Management - Maintain the solid approach to financial management that has delivered our success to-date, and which will be vital going forward.

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

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

The Council employs approximately 2,600 staff inclusive of part-time staff and has a population of around 329,185 (as per 2024 mid-year estimate) and has grown 15% since 2013. Hillingdon is an ethnically diverse borough with 33.3% of residents from Asian ethnic groups, 7.8% Black ethnic groups, 4.4% Mixed or Multiple ethnic groups, 48.2% White ethnic groups and 6.3% from other ethnic groups.

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

2.2 Financial Performance

General Fund

Over a number of years, the Council has adopted a strategy of doing all it can to maintain quality services whilst keeping the costs to residents as low as possible, through transforming how the Council operates and its consequent costs. However, like many local authorities across the country Hillingdon is facing financial challenges related to the increase of inflation rates across all of its service areas, utilities and running costs, as well as increases in demand for services following the Covid-19 pandemic and the impact of the recent Government National Insurance increase.

As these pressures intensified, the Council undertook a detailed review of its financial position and the sustainability of its medium-term finances. These pressures included a £31.5m Overspend position in relation to the 2024/25 Accounts leaving General Fund and Earmarked Reserves (excluding Schools) at an unsustainable level of £7.6m and by Period 6 of 2025/26 an overspend position of £36m.

In the summer of 2025, the Council's external auditors issued a Section 24 Statement citing concerns across: financial governance and oversight; budget setting and savings realism; financial management capacity; monitoring and accountability; and medium-term sustainability planning. This had already been identified by the Council and actions had been taken to address these issues.

Significant improvements are now underway. The Council's Governance Review Improvement Plan (GRIP) and the Finance Modernisation Programme (FMP), both introduced at the start of 2025, are strengthening financial controls, accountability and oversight.

As a consequence of the low level of reserves in the 2024/25 accounts and the 2025/26 reported financial position, the Council successfully applied to the Ministry of Housing, Communities and Local Government (MHCLG) for Exceptional Financial Support (EFS) to manage the current challenge. Without EFS, the Council could not have set a legally balanced budget in 2026/27 or been able to close the 2025/26 accounts. As part of this process, MHCLG engaged with CIPFA to undertake a review of the Councils financial position. This review was published in July 2026 with 18 recommendations.

MHCLG issued a Best Value Notice to the Council on 15 July 2026. This reflected the existing concerns already identified around financial sustainability and governance. It acknowledged the steps already taken to ensure improvement, including the GRIP and FMP processes, engagement with the Local Government Association, and the setting up of a voluntary Improvement Board, which met for the first time on 17th June 2026. The Board is comprised of a combination of Hillingdon elected members and officers as well as external board members from other Local Government bodies and the Local Government Association. The Board will provide the Council with external challenge and assurance. The Notice seeks regular assurance of progress, especially updates from the Council's improvement board. The Council remains in control of the improvement process.

In the June 2026 Cabinet Outturn Report, the Council reported a draft overspend of £28.985m, representing a positive movement of £7.763m on Month 10:

- £3.868m of this reduction is linked to underspending in Service Departments.
- £3.895m is a positive variance in corporate budgets of which the vast majority is linked to timing differences of Collection Fund transactions which become payable in 2026/27 and 2027/28.

Narrative Report

The table below sets out the 2025/26 draft outturn position as reported to Cabinet in June 2026 against the Month 10 Cabinet update reported in March 2026.

Table 1 – 2025/26 Outturn Position

Directorate	Outturn Budget (£,000's)	Outturn Position (£,000's)	Variance (£,000's)	Period 10 Forecast (£,000's)	Movement from Period 10 (£,000's)
Finance	34,097	38,984	4,887	39,326	(342)
Adult Services and Health	100,893	107,936	7,043	107,394	542
Children & Young People's Services	57,231	62,628	5,397	63,339	(711)
Place	44,484	41,994	(2,490)	44,250	(2,256)
Homes and Communities	7,665	13,920	6,255	16,217	(2,297)
Chief Operating Officer	18,581	19,364	783	18,293	1,071
Chief Executive's Office	9,113	9,392	279	9,267	125
Departmental Budgets	272,064	294,218	22,154	298,086	(3,868)
Corporate Budgets	(272,064)	(265,233)	6,831	(261,337)	(3,895)
Overall Total	-	28,985	28,985	36,749	(7,763)
Rebuilding Earmarked Reserves	-	7,350	7,350	-	7,350
Final Position	**-**	**36,335**	**36,335**	**36,749**	**(413)**

Following the negotiations set out above, the Government was “minded to” award the Council the following Exceptional Financial Support (EFS) amounts:

i. 2025/26 - £88m
ii. 2026/27 - £62m
iii. 2027/28 - £23m

The 2025/26 draft Outturn position is £28.985m, representing a positive movement of £7.763m on Month 10. As part of the 2024/25 closure process, £9.329m of Earmarked Reserves were used to support the General Fund with the view that these would need to be built back as part of the 2025/26 closure process. £7.350m of this positive movement will be used to build back the following Earmarked Reserves which were significantly reduced as part of the 2024/25 closure process:

i. Business Rates Smoothing Reserve (Payments in 26/27 & 27/28) - £3.500m
ii. Insurance Reserve - £2.000m
iii. Planning Reserves - £0.850m
iv. Risk Reserves (inflation Pressures) - £1.000m

The Council’s outturn position applies £83m of the EFS amount. This represents a £5m reduction of the initial “minded to” decision and will save the Council circa £0.4m a year in debt charges. This funding builds back reserves and finances the overspend:

i. General Fund - £40.000m in total
ii. Draft Overspend Position - £28.985m
iii. Rebuilding of Earmarked Reserves reduced in 2024/25 - £7.350m
iv. Rebuilding of Risk Reserve to ensure the Council has the funds to transform and move to a sustainable budget - £6.665m

The draft closing Reserves Position was as follows:

Table 2 – Closing 2025/26 Reserves Position reported to June Cabinet

	General Fund (£,000's)	Earmarked Reserves (£,000's)
Opening Position 2025/26	1,450	6,132
EFS Funding	40,000	
Movement ofGF to £40m	(1,450)	1,450
Risk Reserve (from EFS Funding)		6,665
Rebuilding Earmarked Reserves		7,350
Departmental Drawdown of Earmarked Reserves		(3,584)
Departmental Contributions to Earmarked Reserves		9,808
Closing Position 2025/26	**40,000**	**27,821**

Since the June 2026 Cabinet Outturn Report, there were the following minor changes to the Outturn position that are reflected in these accounts and the General Fund deficit reported in the Expenditure and Funding Analysis note.

These changes were as follows:

	General Fund (£'000's)
Draft Outturn Deficit June Cabinet Report	36,335
Item 8 Credit adjustment between General Fund and HRA	310
Employee car leasing scheme payroll accounting correction	(68)
Final General Fund Deficit reported in Expenditure and Funding Analysis Note	**36,576**
Rebuilding of Earmarked Reserves-GF transfer to EMRs noted in Cabinet Outturn Report	(1,450)
Adjustment to GF Balance to EMR transfer to cover above items	242
General Fund transfer to Earmarked Reserves included in Note 4 Adjustments Between Accounting Basis and Funding Basis Under Regulations	(1,208)

Following adjustments since the draft Cabinet Outturn report the final total General Fund Earmarked Reserves balance reported in Note 5 Earmarked Reserves in these accounts is £27,805k (a small net movement of £16k). The General Fund capital outturn was also reduced by £344k from the position reported to June Cabinet following the correction of one over accrual.

It is the Council's view that day-to-day operations continue to deliver value for money for our residents, with benchmarking data demonstrating that service expenditure per capita remains below our comparator group (which is predominantly the Outer London boroughs).

The Government's Fair Funding Review 2.0 shows that from 2026/27 funding will migrate outwards from Inner London boroughs to Outer London, with this review having been delayed due to the pandemic. Whilst it is recognised that the Council has had to operate within the funding settlement for 2025/26, it is also recognised that should the Fair Funding Review have taken place when originally planned, the Council's position is likely to have been significantly more favourable.

The outcome has produced new allocations for the three-year period from 2026/27. The Council was pleased that Hillingdon's funding needs have at last been recognised, with Core Spending Power rising from £290.3 million in 2025/26 to £395.6 million in 2028/29. However, this increase will be phased in over three years and assumes the full 4.99% Council Tax increases over this period.

The Council will continue to review service delivery and implement cost control measures where appropriate to contain the impacts of these adverse movements going forward but recognises the need for short-term Government support whilst the Council takes action to put itself on a more sustainable footing.

This outturn report reflected the deteriorating position both across London and nationally. London Councils, the collective of Local Government in the capital, estimated that boroughs would overspend against original budget plans by £800m in 2025/26.

The final outturn position is a £29.226m overspend position. This is a £7.521m improvement since month 10, split between:

- £3.868m of this reduction is linked to underspending in Service Departments.
- £3.895m is a positive variance in corporate budgets of which the vast majority is linked to timing differences of Collection Fund transactions which become payable in 2026/27 and 2027/28.
- £242k is an adverse change to the General Fund for adjustments after the draft outturn was published

The key drivers of this overspend have been:

Services Departments

- Adult Services and Health is overspent by £7.04m due to ongoing growth in demand for all service areas. Client numbers exceeded budget expectations, particularly in Learning Disabilities and Mental Health services.
- Homes and Communities is overspent by £6.26m due to rising levels of homelessness presentations and the challenges in securing alternative accommodation to prevent homelessness, particularly in the private rented sector. The Council has seen exceptional homelessness demand-related costs as a result of being a port authority.
- Children and Young People's Services is overspent by £5.40m due to additional demand for Children's Social Care and an underlying pressure on Asylum costs.
- Finance is overspent by £4.89m due to increased levels of interest payable and to the use of agency staff

Corporate Budgets

- Corporate budgets are overspent by £6.83m mainly due to unachieved savings being written off.

Housing Revenue Account

The Housing Revenue Account (HRA) delivered a breakeven reserve position with HRA general balances remaining at a total £15.1m at 31 March 2026 (unchanged from the previous year). In addition, the HRA holds earmarked reserves of £6.0m and £3.1m (£4.3m 2024/25) in the major repairs reserve (MRR) to fund future capital works.

There were 99 Right-to-Buy sales of Council dwellings in 2025/26 (65 in 2024/25). A loss of £1.1m is reported on sale/disposal of assets due mainly to a significant number of demolitions of former housing stock as part of the Hayes regeneration programme.

Capital Investment

The Council's programme of capital investment for 2025/26 totalled £252m (£263m in 2024/25) and was funded from a range of sources. These sources included grants and third party contributions (£92m), contributions from revenue resources (£28m), proceeds from asset sales (£27m), and prudential borrowing (£105m).

An underspend of £64m is reported against the 2025/26 General Fund capital programme, consisting of £15.5m cost underspends and £48.5m rephasing for various projects and programmes that are continuing into future years. HRA capital investment totalled £178.4m with £8.1m underspend approved to be rephased into 2026/27 for further investment.

Narrative Report

Investment during 2025/26 on the General Fund totalled £74.1m. Significant General Fund investment included £10.8m towards the construction of the new Platinum Jubilee Leisure Centre in West Drayton, completed in 2025/26. Other major projects included £12.1m on various carbon initiatives. A further £13.4m has been contributed towards expansion projects to increase provision for pupils with special educational needs (SEND). There was also spend of £13.1m on highways infrastructure and street lighting.

Within the HRA in 2025/26, total capital investment amounted to £178.4m including a significant acquisitions and developments programme totalling £116.9m and a further £19.1m invested in the continuing Hayes Estate Regeneration programme. In addition, £42.4m was expended in improvements to the existing council housing stock. Overall council housing stock increased by 85 units net of Right to Buy sales and demolitions.

Investment Strategy

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

The main risk when making service loans is that the borrower may be unable to repay the principal lent and/or the interest due, while a risk of investing in shares is that they may fall in value meaning that the initial outlay may not be recovered. To limit these risks, upper limits on the sums invested in each category have been set.

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

Over the period 2020-23 the Council provided financial support totalling £1,681k in the form of soft loans (i..e lower than market rates) to Greenwich Leisure Limited (GLL), with whom it holds the leisure operating contract. The purpose of this was to support the contractor during the pandemic and thereby protect public service objectives in the delivery of leisure services. The carrying value of the loan at 1st April 2025 was £1,373k (in 2022/23 a notional loss was recorded in the CIES representing the present value of the interest foregone over the life of the loan, resulting in a lower amortised cost than the outstanding principal). In 2025/26 the carrying value of the loan increased to £1,444k at 31st March 2026.

The Council has set up a Special Purpose Vehicle (SPV) called The Hillingdon Care Company (THCC) to run and manage The Burroughs Care Home. This vehicle went live in August 2025. The objective of the company is to address the increasing demand for nursing and dementia care places, manage escalating bed prices, and ensure that residents have access to quality care locally. THCC was incorporated at Companies House on 23 January 2025. A loan to the Company totalling £6m and an equity stake of £0.830m have been made. The loan began to be repaid in the second half of the 2025/26 financial year, reducing the loan carrying value to £5.987m.

Treasury Management

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

Narrative Report

Having begun the financial year at 4.50%, the Bank of England's Monetary Policy Committee (MPC) decreased Bank Rate to 4.25% in May 2025 with a 5-4 vote, reflecting a tightening stance on inflation and economic growth. The Bank Rate reduced further in August 2025 in a 5-4 vote to 4.00%. A further fall to 3.75% occurred in December 2025 which was maintained through to the end of the year. The MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term.

The Council adheres strictly to counterparties that have been agreed through the Treasury Management Strategy, consisting of other local authorities, instant access funds, and institutions with a credit rating A- or above. The total investment income for the year totalled £3,050k on day to day operationally managed and external investments (£3,126k in 2024/25). The weighted average balance of investments over the year was £70.39m (£62.62m in 2024/25).

Investment income returns for the year on internally managed cash yielded 4.02% (4.93% in 2024/25). The Council also continued as part of its investment strategy to invest £15m in more strategic pooled funds that return dividends, with an average return of 4.34% (4.25% in 2024/25). Rising market interest rates in recent years have reduced the fair value of bonds held within these strategic pooled funds. This has increased marginally by £22k in 2025/26 and the fair value at 31st March 2026 now reflects an unrealised loss of £1,057k.

The MHCLG IFRS 9 pooled investment fund statutory override for English authorities for fair value gains and losses on pooled investment funds held at 1st April 2024 was due to expire with effect from 1st April 2025 - the government has now extended this to 1st April 2029. Under the regulations, gains and losses resulting from unrealised fair value movements relating to treasury pooled investment funds, that otherwise must be recognised in profit or loss under IFRS 9, are not charged to the revenue account and must be taken into an unusable reserve account. This override extension means the current unrealised losses have time to recover over the medium term. The nature of this financial instrument means the fair value may rise and fall with short-term security and liquidity being less of a consideration. The key objectives instead being regular revenue income and long-term price stability. The Council would only seek to sell when market conditions were favourable, and holdings were at or above original investment values.

Although internal borrowing continued to be utilised during the year, external borrowing was also required during 2025/26 to finance capital expenditure and ensure liquidity was maintained. Overall, the total loan portfolio increased by £140.0m with total loan balances at year-end of amounting to £657.51m (£517.5m 2024/25) of which General Fund borrowing amounted to £317.4m (£232.9m 24/25) and HRA £340.12m (£284.6m 24/25) as set out in the table below (the figures below are principal sums and do not include accrued interest on loans):

	Balance on 31/3/2025 £m	New Borrowing £m	Debt Maturing £m	Balance on 31/3/2026 £m	Year-End Average Rate %
GF Loans					
PWLB Fixed Rate	125.89	134.00	(27.50)	232.39	3.81
Market Fixed Rate	15.00	0.00	(5.00)	10.00	4.25
Temporary LA Borrowing	92.00	116.00	(133.00)	75.00	4.80
Total GF Loans	**232.89**	**250.00**	**(165.50)**	**317.39**	
HRA Loans					
PWLB Fixed Rate	251.59	100.00	(39.48)	312.12	4.00
Market Fixed Rate	33.00	-	(5.00)	28.00	4.05
Total HRA Loans	**284.59**	**100.00**	**(44.48)**	**340.12**	
Total Loans	**517.48**	**350.00**	**(209.97)**	**657.51**	**4.07**
CFR (Excluding EFS)	586.94			677.97	
CFR (Including EFS)	N/A			760.97	

New loans totalling £100m were taken under the HRA to take advantage of the concessionary PWLB rate for HRA capital financing. There was £44m of debt maturing within the HRA portfolio offsetting this borrowing. New loans of £250m were taken under the General Fund of which £166m were replacing maturing debt including short term temporary local authority loans.

Over the year the Council's loan portfolio had an average interest rate of 4.07% (4.44% 2024/25). Interest paid on the loans portfolio including brokers fees over the year totalled £23.5m (GF £10.5m, HRA £12.9m), an increase of £6.9m from 2024/25 reflecting the higher debt levels.

As set out in the 2026/27 Budget Report in February 2026, the Council required Exceptional Financial Support (EFS) of up to £88m in 2025/26. EFS is not operational capital expenditure on new projects and programmes however it is delivered as a capitalisation directive enabling the Council to effectively treat revenue costs as capital, allowing those costs to be financed by borrowing and resulting in an increase to the Council's capital financing requirement (CFR) in a similar way to ordinary capital expenditure.

The Council's outturn position required £83m of the EFS amount to be applied to replenish general balances/reserves. Hence the CFR increases to £760.97m with the inclusion of EFS (31/3/2025 £586.94m).

Change in Accounting Practice

The most significant change in the 2025/26 Code was the introduction of indexation for non-current asset valuations. However, to set an up-to-date basis for applying indexation to asset values in future years, the Council has carried out full revaluations of all assets subject to valuation this year via external valuers and hence indexation has not been required to be applied in 2025/26.

Property, Plant and Equipment

A net loss on disposal of £1.8m has been recognised in the Comprehensive Income and Expenditure statement, comprising mainly a loss on HRA Council Dwellings due to a significant number of demolitions within the Hayes regeneration programme. Excluding Right to Buy sales in 2025/26 there were gross capital receipts amounting to £6.34m which included sales of four disposal sites of which three were General Fund.

2.3 Non-Financial Performance

Environment

The Council is committed to reducing its carbon footprint. A large-scale decarbonisation programme has been implemented across core council assets, including civic buildings and leisure facilities. This has delivered substantial reductions in carbon emissions while also lowering operational energy costs. Additionally, over 51,000 trees have been planted across the borough since 2020; the Council has replaced inefficient sodium bulbs for LED lanterns and has begun overhauling its fleet of vehicles to low emission models.

In April 2025, the Council agreed to formally adopt its revised Strategic Climate Action Plan 2025-28, with the key ambition "to become the greenest London borough, to protect and enhance the environment, and to provide a brighter prospect for future generations".

Leisure and Culture

In April 2025, the Council's Uxbridge Library opened its doors in a new location, formerly the Middlesex Suite. It is a multi-service hub, with improved accessibility to learning and digital resources. The library has an integrated museum showcasing Hillingdon artefacts and archives, telling the story of the borough's past.

The new Platinum Jubilee Leisure Centre in West Drayton was completed in February 2026 and opened to the public in April 2026, an investment into residents' health and wellbeing. It features a 25-metre swimming pool, gym, health and fitness suite, youth and community hub, and rooftop 5-a-side 3G turf football pitch. It is supported by a 135-space visitor car park.

In September 2025, the Council held its second Old Vinyl Factory Festival, welcoming more than 1,600 people to celebrate Hayes' musical heritage. The festival included live performances, vinyl record fair, street food market, and free activities and creative workshops for children.

Schools & Children's Services

More than £3 million has been invested into the Council's Schools Condition Building Programme. Roofing works at Whitehall Infant School in the Summer of 2025 are now complete, while several other schools are near completion if not already complete. The works were to prevent future water damage ensuring the schools can continue to operate and to improve insulation to deliver energy savings and reduce carbon footprint.

In October 2025, the Council completed work on 6 new children's homes with bespoke support services. They are capable of housing 12 young people up to the age of 18, allowing them to continue to attend schools or colleges, and maintain links to their support network. They have access to 24-hour support services in a safe and comfortable environment, preparing them for independent living.

October 2025 also saw the completion of the first phase expansion project at Meadow High School on Royal Lane, creating 98 new places for SEND children. The investment delivered a two-storey building, replacing temporary modular classrooms. The building provides new classrooms and specialist teaching spaces including sensory, hygiene, therapy, medical and quiet study rooms. The second phase is the creation of a new teaching building and satellite school at Northwood Road, increasing the Council's ability to accommodate the growing number of students with SEND.

Social Care

The Council has acquired The Burroughs in West Drayton, a care home, which will be managed by The Hillingdon Care Company. This was a strategic purchase allowing the Council to secure long-term provision and manage bed availability. The purchase was due to the growing demand for residential care and to reduce the borough's reliance on private provision.

A new service was launched in June 2025, Hillingdon Advice Partnership. The service is led by Age UK Hillingdon, Harrow and Brent, and works in collaboration with Disability Advice and Support Hillingdon (DASH), Bell Farm, and Nucleus. The aim is to provide residents with general and tailored information, advice, guidance, and health and wellbeing support.

Protecting Residents

May 2025 welcomed the completion of a project to make North Hyde Road greener and increase sustainable travel. Funded through Transport for London (TfL), improvements were made including a new 300-metre section of road towards the Fairey Avenue junction, an upgraded shared use footway for cyclists and pedestrians, and 10 new trees.

In June 2025, the Council obtained five closure orders for tenants' properties linked to significant anti-social behaviour and criminal activity. The order was granted by Uxbridge Magistrates Court under Section 80 of the Anti-Social Behaviour, Crime and Policing Act 2014. Other than the landlord, police, other emergency services or utility providers, no one can enter the properties without reasonable excuse.

People Resources

Lashonte Royal has won Newly Qualified Children's Social Worker of the Year 2025 at the Social Worker of the Year Awards in October 2025. In addition to her work in the Council, she supports individuals looking to join the profession through online events and webinars.

The Council is continuing to recruit and develop existing staff onto apprenticeship programmes across a range of services, with 224 apprentices across the Council in 2025/26.

2.4 Risks and Opportunities

The Council has continued to run efficient frontline services, which are well rated by external review bodies, with both Adult Social Care and Children's Social Care receiving good and excellent ratings from their respective regulators. This has been achieved whilst keeping Council Tax low, with Hillingdon having the second lowest charge out of the 20 Outer London Boroughs. Benchmarking across our comparator group (which is mainly Outer London Boroughs) demonstrates that the Council delivers value for money in service delivery, with below average per capita spend across the majority of services.

However, the financial challenges set out in this narrative statement have resulted in the Council applying for and receiving "in principle" agreement on 23rd February 2026 for Exceptional Financial Support (EFS) from the Government.

Seeking EFS from the Ministry of Housing, Communities and Local Government (MHCLG) is a mechanism available to local authorities when they have taken all reasonable steps to manage financial challenges themselves. The Council's finances as set out in the report present a position wherein the Council's expenditure will exceed its resources, and funding is required to properly close the 2025/26 Accounts and balance the 2026/27 budget. The Council's financial position has been reviewed by CIPFA on behalf of MHCLG and the report published in July 2026, and the Council has also convened a Voluntary "external" Improvement Board to oversee progress. As a consequence of these actions the Chief Finance Officer is of the view that it is not necessary to issue a Section 114 notice at this time.

Having recognised the ongoing challenges with stabilising the Council's budget, the Council has been working to deliver a Finance Modernisation Programme (FMP) that is targeting an improvement in the Council's financial capacity and capability across both the Finance department and the wider organisation. Part of this is addressing the future budget gap of circa £45-£50m early with initial meetings taking place between the Executive and Cabinet in July to ensure that by December and the budget consultation there is a proposal to bring the Council back into a financially sustainable position. The Council bought in Spend Control measures in the second half of 2025/26 to bring greater control over expenditure and these have continued into 2026/27.

The FMP has worked at pace during the 2025/26 financial year to ensure the basics, such as clear budget management processes are re-established. In July 2026 an updated forecasting module was launched and with this significant mandatory financial and system training for all budget managers. This will take most of 2026/27 to embed properly.

There were seven recommendations raised by Ernst & Young in their July report received by Audit Committee on 28 August 2025, issued under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014. These are included in the Governance Review Improvement Programme (GRIP) under workstream 1 and are being monitored and addressed with oversight from the Audit Committee. The majority of these recommendations have been implemented although there is still the need to properly embed them before full sign off. Further key recommendations arising from the Auditor's review will be incorporated as necessary.

The Government's Fair Funding Review 2.0 shows that from 2026/27 funding will migrate outwards from Inner London boroughs to Outer London, with this review having been delayed due to the pandemic. Whilst it is recognised that the Council has had to operate within the funding settlement for 2025/26, it is also recognised that should the Fair Funding Review have taken place when originally planned, the Council's position is likely to have been significantly more favourable.

The outcome has produced new allocations for the three-year period from 2026/27. The Council was pleased that Hillingdon's funding needs have at last been recognised, with Core Spending Power rising from £290.3 million in 2025/26 to £395.6 million in 2028/29. However, this increase will be phased in over three years and assumes the full 4.99% Council Tax increases over this period.

2.5 Looking Ahead – Strategy and Resource allocation

Looking into the medium term, the underlying savings requirement is driven primarily by inflation, demand-led pressures, and capital financing costs. An uplift in funding is projected over this period as a result of steady growth in the Council Tax taxbase alongside steady growth within Retained Business Rates. Following the Final Local Government Settlement for 2025/26, the Council's grant funding from Central Government increased by £12.9m over 2024/25. Funding for the next three years increases by a further £105.2m (based on Government calculations of Council Tax increases) but is staged each year rather than being received in full from 2026/27.

Although the new settlement is a welcome and positive one for the Council, there will still be significant challenges for the Council in balancing its Medium-Term Financial Strategy and it will require EFS to do so. The full £62m in 2026/27 will be required, as per the budget statement in February to balance the budget gap. However, the Council will look to reduce this requirement in year, if possible, through cost control and in 2027/28 minimise any use of the potential £23m of EFS through the 2027/28 budget proposals.

There is still significant pressure on the Dedicated Schools Grant budget (DSG). The Government has now agreed to fund 90% of the DSG deficit to 31st March 2026 of which the Council's overall balance at this point amounts to £75.8m. However, there is as yet no agreement on what happens to balances accrued after this time.

Looking forward, the Council's General Fund capital programme 2026/27 to 2030/31 has an approved budget of £268m, with £146m to be funded from Prudential borrowing, after prioritising use of grants and third-party funding, maximising application of developer contributions and where possible using capital receipts. Specific projects on the capital programme include school expansions, investment in home care capacity, refurbishment of the crematorium, carbon initiatives and investments into technology and highways. The five-year HRA capital programme totals £519m of which £134m is allocated to new acquisitions and developments to increase the housing stock and £190m on the continuation of the Hayes regeneration programme. A further £194m is allocated to improving the condition of the existing housing stock.

The Council is very much focussed on self-delivery of a sustainable Council and associated target operating model and is working with MHCLG and other partners to achieve this. Service delivery remains well managed, with spend per capita on front line services being below our comparator group (predominantly Outer London Boroughs).

2.6 Statements within the accounts

General

The movement in the Balance Sheet of £134.2m in year largely consists of reductions to net liabilities related to defined benefit pension schemes and increases to long term assets due to a combination of valuation movements and additions and enhancements to the asset base from capital expenditure in year.

Any minor movement in the underlying IAS19 pension assumptions results in a large swing in the overall deficit position. For 2025/26 an increase in the net discount rate from 5.80% (2024/25) to 6.20% (2025/26) has reduced the value placed on the Fund's liabilities and contributed to an overall favourable impact of £87.4m in reducing the net deficit on pension assets and liabilities recognised in the Balance Sheet.

The core accounting statements comprise: -

Comprehensive Income and Expenditure Statement

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

The statement shows a deficit of £30.4m (£131.0m deficit in 2024/25) on the provision of services for 2025/26. Of this, a deficit of £23.4m relates to General Fund balances, £1.3m on Schools balances and a deficit of £5.7m relates to the Housing Revenue Account.

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

Movement in Reserves Statement

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

Usable reserves increased by £43.9m to £135.6m in 2025/26. Within this movement there was an increase in General Fund balances of £38.6m following the application of £83m Exceptional Financial Support (EFS) offsetting the outturn deficit. General Fund earmarked reserves also increased by £21.7m following application of EFS. HRA balances remained unchanged and Schools reserves reduced by £1.3m. Other movements included a net drawdown of £7.1m capital grants from the Capital Grants Unapplied Reserve to support financing of capital projects. The capital receipts reserve reduced by £5.9m partly due to financing of £3.6m transformation costs under flexible use of capital receipts regulations.

Unusable reserves increased by £90.3m to £1.518bn in 2025/26, mainly due to increases of £65.9m in the Revaluation Reserve following a full revaluation of the corporate asset base, and a decrease in the Pension Fund liability of £102.2m, reflected in the Pensions Reserve increasing by the same amount. The Dedicated Schools Grant Adjustment Account increased by £9.9m reflecting the increase in the DSG deficit for 2025/26. The Capital Adjustment Account decreased by £67.8m mainly due to accounting for £83m Exceptional Financial Support.

To support the Movement in Reserves Statement, note 4 to the accounts shows the Adjustments between Accounting Basis and Funding Basis under Regulations. This note reverses the items of income and expenditure that are required to be credited or charged to the Comprehensive Income and Expenditure Statement, that do not affect the General Fund balance for Council Tax purposes. Total adjustments for 2025/26 were £75.8m within the General Fund, adjusting the General Fund position for Council Tax purposes to a closing balance of £40m (an increase of £38.6m) after the application of EFS.

Balance Sheet

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

The total net worth of the Council in 2025/26 was £1.653bn (£1.519bn in 2024/25). The largest items within the Balance Sheet consist of long-term assets valued at £2.41bn (£2.24bn in 2024/25), and within liabilities long-term borrowing of £463.1m (£387.8m in 2024/25). The main contributors to the movement came from the reduction in pension liabilities, and the increase in value of Plant Property and Equipment.

At 31 March 2026 the Council had a General Fund balance of £40m following the over spend at outturn and application of EFS and £27.8m of Earmarked Reserves excluding schools' balances, held for specific purposes (£6.1m in 2024/25). Further details on Earmarked Reserves can be seen in note 5 to the accounts.

Cash Flow Statement

This summarises all movements in cash and cash equivalents arising from both revenue and capital transactions with third parties. It excludes funds held in trust for others and the Pension Fund. There was an increase in cash and cash equivalents in 2025/26 of £47.3m.

Supplementary accounting statements comprise:

Housing Revenue Account (HRA) Comprehensive Income and Expenditure Statement

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

There was a deficit in 2025/26 on HRA services of £5.7m (£34.6m deficit in 2024/25) due mainly to valuation losses arising from housing acquisitions in the open market valued down to social housing existing use value. Valuation losses are unlikely to crystalise in the future where homes bought in the open market are sold back into that market. These council homes are likely to attract a higher price through modernisation and cyclical works that improve and maintain quality.

Statement of Movement on the Housing Revenue Account Balance

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

Overall, the HRA was break even in 2025/26, after adjustments made in the Statement of Movement on the HRA Balance and transfers to the Major Repairs Reserve.

Collection Fund Revenue Account

The Collection Fund is a separate account into which amounts raised from local taxation are paid through Council Tax and Business Rates, and from which payments are made to precepting authorities including the Council itself. An in-year surplus of £5.2m (deficit of £12.9m in 2024/25) is reported on Council Tax with a carried forward deficit of £5.5m (deficit £10.7m in 2024/25).

An in-year deficit of £14.5m (deficit of £39.1m in 2024/25) is reported on Business Rates, creating a deficit within the carry forward balance on NNDR to £30.3m (deficit £15.8m in 2024/25).

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

Pension Fund Accounts

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

This document also includes the following: -

Narrative Report

Statement of Accounting Policies

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

Notes to the Accounts

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

Annual Governance Statement

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

Glossary of Terms

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

Statement of Responsibilities for the Statement of Accounts

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Corporate Director of Finance:
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

Corporate Director of Finance's Responsibilities

The Corporate Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 ('the Code').

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

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

The Corporate Director of Finance has also:

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

Corporate Director of Finance's Approval of the Accounts

I certify that these accounts present a true and fair view of the financial position of the London Borough of Hillingdon, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('the Code'), as at 31 March 2026 and its income and expenditure for the year then ended.

Pete Carpenter
Acting S151 officer
6 August 2026

Independent Auditor’s Report

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

To be added

Main Financial Statements

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

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

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

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

Balance Sheet
This sets out the assets and liabilities of the Council as at 31 March 2026 but excludes the assets and liabilities of pension and trust funds.

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

Notes to the Main Financial Statements
Notes are provided to support the information in the main financial statements with additional detail of movement breakdown and analysis.

A key note is the Expenditure and Funding Analysis note which shows how council funding has been used in providing services in comparison to those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

Comprehensive Income and Expenditure Statement

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

		31 March 2026			31 March 2025		
		Expenditure	Income	Net Expenditure	Expenditure	Income	Net Expenditure
	Note	£'000	£'000	£'000	£'000	£'000	£'000
EXPENDITURE ON SERVICES							
Children, Families & Education		99,638	(20,041)	79,597	138,094	(21,904)	116,190
Community & Environment		74,536	(41,676)	32,860	71,440	(35,967)	35,473
Corporate Services & Property		37,365	(7,287)	30,078	47,579	(8,300)	39,279
Finance & Transformation		105,868	(66,159)	39,709	128,741	(78,609)	50,132
Health & Social Care		184,571	(119,531)	65,040	168,761	(109,161)	59,600
Planning, Housing & Growth		36,545	(24,766)	11,779	36,464	(23,915)	12,549
Schools		272,484	(261,958)	10,526	254,646	(235,673)	18,973
Housing Revenue Account		146,959	(93,268)	53,691	158,743	(85,444)	73,299
NET COST OF SERVICES		957,966	(634,686)	**323,280**	1,004,468	(598,973)	**405,495**
Other Operating Expenditure	*6*	820		820	853	-	853
Net loss/(gain) on disposal of non-current assets			1,826	1,826	-	(7,503)	(7,503)
Net Financing and Investment Income and Expenditure	*7*	30,861	(1,707)	29,154	25,294	(2,504)	22,790
Taxation and Non-Specific Grant Income	*8*		(324,651)	(324,651)	-	(290,595)	(290,595)
Other Income and Expenditure on the Provision of Services		31,681	(324,532)	**(292,851)**	26,147	(300,602)	**(274,455)**
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES		**989,647**	**(959,218)**	**30,429**	**1,030,615**	**(899,575)**	**131,040**
(Surplus)/Deficit on revaluation of Property, Plant and Equipment assets				(77,254)			(3,735)
Actuarial (gain)/loss on pension assets and liabilities	*43*			(87,404)			(59,722)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE				**(134,229)**			**67,583**

Movement in Usable Reserves Statement

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

	Note	General Fund		Schools	Housing Revenue Account			General Fund and HRA		Total Usable Reserves	Unusable Reserves	Total Reserves of the Authority
		General Fund Balance	GF Earmarked Reserves	Schools Earmarked Reserves	HRA Balance	HRA Earmarked Reserves	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve			
		£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2025		**1,450**	**6,132**	**7,850**	**15,101**	**6,811**	**4,302**	**18,240**	**31,817**	**91,702**	**1,427,532**	**1,519,234**
(Surplus)/Deficit On Provision Of Services		(37,204)	13,800	(1,310)	(4,923)	(792)	-	-	-	**(30,429)**	164,658	**134,229**
Adjustments between accounting basis & funding basis under regulations	*4*	75,754	7,873	-	4,923	-	(1,174)	(7,055)	(5,944)	**74,377**	(74,377)	-
Increase/(Decrease) in Year		**38,550**	**21,673**	**(1,310)**	**-**	**(792)**	**(1,174)**	**(7,055)**	**(5,944)**	**43,948**	**90,281**	**134,229**
Balance at 31 March 2026		**40,000**	**27,805**	**6,540**	**15,101**	**6,019**	**3,128**	**11,185**	**25,873**	**135,650**	**1,517,813**	**1,653,463**

	Note	General Fund		Schools	Housing Revenue Account			General Fund and HRA		Total Usable Reserves	Unusable Reserves	Total Reserves of the Authority
		General Fund Balance	GF Earmarked Reserves	Schools Earmarked Reserves	HRA Balance	HRA Earmarked Reserves	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve			
		£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2024		**26,845**	**3,280**	**11,355**	**15,101**	**6,811**	**3,186**	**7,065**	**45,339**	**118,981**	**1,467,836**	**1,586,817**
(Surplus)/Deficit On Provision Of Services		(95,806)	2,852	(3,505)	(34,581)	-	-	-	-	**(131,040)**	63,457	**(67,583)**
Adjustments between accounting basis & funding basis under regulations	*4*	70,411	-	-	34,581	-	1,116	11,175	(13,522)	**103,761**	(103,761)	-
Increase/(Decrease) in Year		**(25,395)**	**2,852**	**(3,505)**	**-**	**-**	**1,116**	**11,175**	**(13,522)**	**(27,279)**	**(40,304)**	**(67,583)**
Balance at 31 March 2025		**1,450**	**6,132**	**7,850**	**15,101**	**6,811**	**4,302**	**18,240**	**31,817**	**91,702**	**1,427,532**	**1,519,234**

Movement in Unusable Reserves Statement

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

	Note	Revaluation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Pensions Reserve £'000	Collection Fund Adjustment Account £'000	Accumulated Absences Account £'000	Dedicated Schools Grant Adjustment Account £'000	Pooled Investment Fund Adjustment Account £'000	Total Unusable Reserves £'000
Balance at 31 March 2025		**685,945**	**951,451**	**(446)**	**(122,837)**	**(12,765)**	**(6,842)**	**(65,895)**	**(1,079)**	**1,427,532**
(Surplus)/Deficit On Provision Of Services		77,254	-	-	87,404	-	-	-	-	**164,658**
Adjustments between accounting basis & funding basis under regulations	*4*	(11,666)	(67,850)	102	14,758	(473)	617	(9,887)	22	**(74,377)**
Increase/(Decrease) in Year		**65,588**	**(67,850)**	**102**	**102,162**	**(473)**	**617**	**(9,887)**	**22**	**90,281**
Balance at 31 March 2026		**751,533**	**883,601**	**(344)**	**(20,675)**	**(13,238)**	**(6,225)**	**(75,782)**	**(1,057)**	**1,517,813**

	Note	Revaluation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Pensions Reserve £'000	Collection Fund Adjustment Account £'000	Accumulated Absences Account £'000	Dedicated Schools Grant Adjustment Account £'000	Pooled Investment Fund Adjustment Account £'000	Total Unusable Reserves £'000
Balance at 31 March 2024		**698,005**	**1,002,804**	**(544)**	**(183,052)**	**8,658**	**(6,384)**	**(50,582)**	**(1,069)**	**1,467,836**
(Surplus)/Deficit On Provision Of Services		3,735	-	-	59,722	-	-	-	-	**63,457**
Adjustments between accounting basis & funding basis under regulations	*4*	(15,795)	(51,353)	98	493	(21,423)	(458)	(15,313)	(10)	**(103,761)**
Increase/(Decrease) in Year		**(12,060)**	**(51,353)**	**98**	**60,215**	**(21,423)**	**(458)**	**(15,313)**	**(10)**	**(40,304)**
Balance at 31 March 2025		**685,945**	**951,451**	**(446)**	**(122,837)**	**(12,765)**	**(6,842)**	**(65,895)**	**(1,079)**	**1,427,532**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories: The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to maintaining a prudent level of reserves and requirement to maintain any statutory limitations on their use. The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available if the assets were sold; and reserves that hold differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations.

	Note	31 March 2026 £'000	31 March 2025 £'000
Property, Plant & Equipment	*9*	2,168,698	2,011,189
Infrastructure Assets	*9A*	197,417	190,645
Intangible Assets	*9B*	3,994	3,197
Heritage Assets	*12*	6,741	6,683
Investment Properties	*13*	3,829	4,035
Right of Use Assets	*36*	7,505	5,403
Long Term Investments	*14*	23,323	18,516
Long Term Debtors	*17*	404	1,153
LONG TERM ASSETS		**2,411,911**	**2,240,821**
Short Term Debtors	*15*	77,987	80,149
Short Term Investments	*14*	671	1,043
Cash and Cash Equivalents	*20*	73,515	26,206
CURRENT ASSETS		**152,173**	**107,398**
Short Term Provisions	*21*	(6,333)	(6,457)
Short Term Borrowing	*14*	(190,307)	(123,988)
Short Term Creditors	*18*	(104,017)	(111,597)
Revenue Grants Receipts in Advance	*34*	(5,829)	(6,270)
CURRENT LIABILITIES		**(306,486)**	**(248,312)**
Long Term Provisions	*21*	(978)	(1,015)
Long Term Borrowing	*14*	(463,109)	(387,785)
Long Term Creditors	*19*	(3,672)	(3,508)
Capital Grant Receipts in Advance	*34*	(108,604)	(60,752)
Deferred Lease Liabilities	*36*	(7,098)	(4,778)
Net Liabilities Related to Defined Benefit Pension Schemes	*44*	(20,675)	(122,837)
LONG TERM LIABILITIES		**(604,136)**	**(580,675)**
NET ASSETS		**1,653,463**	**1,519,234**
Usable Reserves		135,650	91,702
Unusable Reserves	*22*	1,517,813	1,427,532
TOTAL RESERVES		**1,653,463**	**1,519,234**

Pete Carpenter
Acting S151 officer
6 August 2026

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

	Note	2025/26 £'000	2024/25 £'000
Net deficit on the provision of services	*23*	30,429	131,040
Adjust net (surplus) on the provision of services for non cash movements	*23*	(182,617)	(191,573)
Adjust for items in the net deficit on the provision of services that are investing or financing activities	*23*	111,172	89,131
Net cash flows from operating activities	*23*	(41,016)	28,598
Net cash flows from investing activities	*24*	133,353	143,423
Net cash flows from financing activities	*25*	(139,646)	(151,317)
(Increase)/Decrease in cash and cash equivalents		**(47,309)**	**20,704**
Cash and cash equivalents at the beginning of the reporting period		**(26,206)**	**(46,910)**
Cash and cash equivalents at the end of the reporting period		**(73,515)**	**(26,206)**

Statement of Accounting Policies

The Statement of Accounts summarise the authority's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. The authority is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, supported by International Financial Reporting Standards (IFRS).

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

GOING CONCERN

The Council is required to prepare an annual Statement of Accounts which summarises the Council's transactions for the 2025/26 financial year and its position as at the year-end of 31 March 2026. The Statement of Accounts must be prepared in accordance with proper accounting practices as per the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 supported by International Financial Reporting Standards (IFRS). As set out in the Code of Practice of Local Authority Accounting in the UK, local authorities are required to prepare their accounts on a going concern basis, as they can only be discontinued through legislative process. In accordance with the Code of Practice on Local Authority Accounting, the Council has nevertheless assessed whether any events or conditions exist that may cast significant doubt on its ability to continue to provide statutory services over the going concern period.

The Statement of Accounts has been prepared on a going concern basis. This assumes that the functions and services of the Council will continue in operational existence for the foreseeable future, being a period of at least twelve months from the date of authorisation of the financial statements, and so is based on the period up to 31 July 2027. In assessing the appropriateness of this basis, consideration has been given to the Council's financial position as at 31 March 2026 and at the point of the authorisation of these financial statements, its forecast financial position over the medium term, its liquidity and cashflow management arrangements, and the wider economic and funding environment within which the Council operates.

Financial position at 31 March 2026

The Council's financial performance for 2025/26 is set out in the Narrative Statement. The General Fund outturn position for the year is a deficit of £29.0m before rebuilding earmarked reserves.

The outturn deficit was driven by the factors set out in the Narrative Report:

As a consequence of the low level of reserves in the 2024/25 accounts and the initial 2025/26 reported financial position, the council successfully applied to the Ministry of Housing, Communities and Local Government (MHCLG) for Exceptional Financial Support (EFS) to manage its financial challenge. Without EFS, the council could not have set a legally balanced budget in 2026/27 or been able to close the 2025/26 accounts.

The Council's EFS submission sought support to:

- offset the forecast overspend in 2025/26;
- replenish General Fund and Earmarked Reserves;
- enable the Council to set a balanced budget for 2026/27; and
- ensure sufficient liquidity.

The following sums were approved "In Principle" in February 2026 by the Government:

- 2025/26 - £88m
- 2026/27 - £62m
- 2027/28 - £23m

Government has further clarified that, as part of the EFS process, the Council will undergo an external assurance review, and that further conditions may be attached to any capitalisation directions before they are finally issued by Government. MHCLG has engaged the Chartered Institute of Public Finance and Accountancy (CIPFA) to undertake the assurance review.

Statement of Accounting Policies

In the summer of 2025, in parallel to the Councils EFS application, the council's external auditors issued a Section 24 Statement citing concerns across: financial governance and oversight; budget setting and savings realism; financial management capacity; monitoring and accountability; and medium-term sustainability planning. This had already been identified by the council and actions had been taken to address these issues.

Significant improvements are now underway. The council's Governance Review Improvement Plan (GRIP) and the Finance Modernisation Programme (FMP), both introduced at the start of 2025, are strengthening financial controls, accountability and oversight. Progress has been reported through the Audit Committee during 2025/26.

Part of those improvements included the Council implementing in the autumn enhanced financial controls to manage in-year expenditure and limit further deterioration of the financial position. These included:

- a Spend Control Panel for all non-exempt expenditure above £500;
- a Contracts and Commercial Panel for procurement decisions;
- a Recruitment Approval Panel for all staffing activity; and
- specific review arrangements for placements within Housing, Adults' and Children's Social Care.

Outlook

The 2026/27 budget, picking up 2024/25 external audit recommendations, had substantially more rigour in its construction with greater depth in papers supporting Growth and Savings proposals. The Budget takes account of the following factors:

- Correction of long-standing budget shortfalls (which have resulted in previous years overspending positions) by adding £84m back into base budgets.
- Setting a realistic savings target of £22m (reflecting the level delivered in 2025/26).
- Takes account of the final 2026/27 local government finance settlement which increased funding to Hillingdon of £105.2m over the three-year period to 2028/29, including council tax assumptions, or £76.6m excluding the Government's assumptions made on council tax decisions. This is damped over three years.
- The cost of the EFS assumption made in closing the 2025/26 budget (use of £83m of the £88m "In-Principle" 2025/26 allocation).

In addition, the Government announced that "All local authorities with SEND deficits would be eligible in 2026/27 to receive a grant covering 90% of their High Needs-related DSG deficit accrued up to the end of 2025-26. This grant 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". At the 31 March 2026 the Council's SEND deficit was £75.8m, meaning that the Council will receive circa £69.6m of Grant in Autumn 2026. This leaves the Council with up to £6.2m to finance. The accounting for the DSG deficit will however remain subject to the statutory override until the end of 2027/28 and this budget is under pressure due to changes in legislation leading to additional demand.

Overall, this leaves a £62m budgetary shortfall for the 2026/27 financial year and an ongoing £50m shortfall for future years. The £62m shortfall will be covered by the 2026/27 "in Principle" EFS allocation which is referenced in the budget document.

The Council has setup a voluntary "Improvement Board" which met for the first time on the 17th June. This Board is externally chaired and includes Officers and Members from other Councils and the Local Government Association as well as Members and Officers from the Council. The Board will provide the Council with external challenge and assurance that, given its "in-principle" receipt of EFS, it is doing everything it needs to do to get to a financially sustainable position.

The Month 2 2026/27 Revenue Monitoring position is showing a marginal overspend position to budget. In addition, an updated Revenue Monitoring solution is being rolled out for Month 3 on the 3rd July. As part of the "roll-out process there is mandatory finance and "system" based training to ensure use of the new processes is maximised to ensure accuracy of forecasts.

Meetings are already taking place internally to bring forward proposals to bridge the ongoing £50m shortfall with a draft sustainable budget ready for external consultation in the late Autumn.

This provides a more certain medium-term funding outlook, which, combined with the Finance Modernisation Programme, will support the Council's objective of restoring financial resilience and reducing reliance on EFS over time. The Council's aim is to return to a balanced, self-sustaining financial position by 2028/29.

The Council actively manages its cashflow through daily forecasting and treasury management. A minimum level of £10m of liquid cash and deposits is maintained at all times, held in a combination of UK banks, Money Market Funds and the HM Treasury Debt Management Account Deposit Facility (DMADF). In addition, approximately £15m is held in strategic and long-dated pooled funds that can be accessed within four working days. The Council has the ability to obtain short-term borrowing from other local authorities and access to borrowing from the Public Works Loans Board, with sufficient headroom against its Capital Financing Requirement. The confirmation received from Government of an "in-principle" decision on EFS support provides the Council additional flexibility to manage liquidity and borrowing if required.

Council cash levels, including short term investments, at the 31 March 2026 was £74.2m and is presently forecast to be no less than £15m at the 31 March 2027. The Council plans to meet its cashflow requirements over the going concern assessment period, to the extent that they exceed the Council's available receipts, through external borrowing. The Council's borrowing limit has been increased by the award of EFS. The Council's 2026/27 Budget and Medium-Term Financial Strategy, which forecasts the Council will have total borrowings of £935.4m at 31st March 2027 against a capital financing requirement of £972.4m and an operational boundary for external borrowing of £1,115.0m. The Government announcement of DSG deficit contributions to be made in autumn 2026, subject to conditions, brings further confidence to the cash flow position of the Council. As such, any cash flow requirements over the period up to 31 March 2027 can, in the opinion of the S151 Officer, be managed and do not present a going concern issue for the Council.

Conclusion

The Council has experienced significant financial pressures which, in the absence of Government intervention, would have given rise to a material uncertainty in respect of its ability to maintain adequate reserves and liquidity. However, on 23 February 2026 the Government confirmed an agreement "in-principle" to provide EFS for the Council for the financial years 2025/26, 2026/27 and 2027/28, specifying the level of support that the Secretary of State is minded to approve. The final capitalisation direction remains subject to completion of an external assurance review and confirmation of any associated conditions, the Government's decision provides sufficient assurance that the Council will have access to the necessary financial support to enable the continued delivery of statutory services.

Having regard to the statutory nature of the Council, the continuation of its services, the agreement "in-principle" decision on EFS, and the Council's cash flow management and liquidity arrangements, the Council has concluded that it remains appropriate to prepare the 2025/26 Statement of Accounts on a going concern basis. The going concern assessment covers a period of twelve months from the date of authorisation of these financial statements, and through to 31 July 2027.

CAPITAL

1. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the balance sheet valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS). Property, Plant and Equipment are included in the balance sheet on the following basis:

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

Assets included in the Balance Sheet at fair value are re-valued regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum, assets are valued every five years. Investment Properties are revalued yearly at fair value.

From 1 April 2025, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requirements changed in respect of revaluations of property, plant and equipment. Where authorities do not have a rolling programme of revaluations in place and/or the assets are not non-property assets subject to indexation, authorities revalue their assets every five years, with annual indexation applied to assets during the four intervening years. Where authorities cannot obtain indices without undue cost or effort, authorities revalue those assets using a quinquennial revaluation, with a desktop revaluation in year three.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains (exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation loss previously charged to a service).

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

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

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

The de minimis value of £10k has been removed for capital purchases with all expenditure meeting the definition of capital expenditure to be accounted for as such. The £10k de-minimis remains for valuations. To reduce negligible enhancements on the asset register, capital expenditure below £10k will be accounted for as Revenue Expenditure Funded from Capital Under Statute where permissible and appropriate, ie it is financed as though it were capital expenditure but will not result in a change to the carrying amount of an asset on the asset register and Balance Sheet.

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

The equity investment in the 100% wholly owned subsidiary of Hillingdon First Limited is classified as capital expenditure and included in Long Term Investments within the Balance Sheet.

Impairment / Revaluation Loss

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

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

Depreciation

Depreciation is provided in the accounts in accordance with the International Accounting Standard (IAS) 16 and CIPFA guidelines. IAS 16 states that depreciation is to be provided on all Plant, Property and Equipment, other than for assets without a determinable finite useful life (i.e. freehold land, certain Community Assets and certain heritage assets) and assets that are not yet available for use (i.e. Assets Under Construction). The depreciation policy is that depreciation is calculated on a straight-line method and is based on the following useful lives approach unless specific information exists for an asset:

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

Where an item of Property, Plant and Equipment has major components with useful lives different to the main asset, and the cost of that component is material (20% or £1m), the asset is split into component parts and depreciated separately. As a result of asset componentisation, certain components may be classified under different classes within Property, Plant and Equipment. For example, Mechanical and Electrical components within buildings are classed under Vehicles, Plant and Equipment. Where component assets are replaced, the carrying value of the asset is reviewed with an estimate made on the carrying amount of the old component being replaced to be written out.

Revaluation gains are also depreciated with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

Disposals

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

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

When an asset is disposed or decommissioned, any loss or profit on disposal is recognised in other operating expenditure. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund or Housing Revenue Account Balance in the Movement in Reserves Statement.

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

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

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

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

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

Grants and contributions: Where grants and contributions are received that are identifiable for spend on Property, Plant and Equipment, the income is credited to the Comprehensive Income and Expenditure Statement under Taxation and

Non-Specific Grant Income. These are then transferred to the Capital Grants Unapplied Reserve if not used and the Capital Adjustment Account when applied. If the grants have a condition for repayment and remain unapplied at the end of the year, they are held on the Balance Sheet as creditors.

2. Heritage Assets

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

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

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

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

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

3. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events, such as software licences, are only recognised on the Balance Sheet when they are purchased or where internally developed and the Council can demonstrate:

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

Intangible assets are included at historical cost and only re-valued in line with IAS 38, where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. Intangible assets are amortised over their useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the net loss on disposal of non-current assets line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

4. Charges to Revenue for Non-Current Assets

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

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

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

5. Revenue Expenditure Funded from Capital under Statute

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

From 1 April 2016, extended to 31 March 2030 the Council is allowed under Guidance published by MHCLG to flexible use of capital receipts on areas of revenue cost which generate ongoing savings to the Council. In the case where revenue spend is identified as meeting the criteria to use flexible capital receipts, the Council will meet the cost of the reform through capital receipts generated during the same financial year. Where the Council has determined to meet this cost from capital receipts a transfer to the Capital Adjustment Account reverses the amounts charged to the Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement so there is no impact on the level of Council Tax.

6. Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s length. Properties are not depreciated but are re-valued annually according to market conditions at year-end. Gains and losses on revaluation are posted to the Net Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

7. Leases

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

The Council as Lessee

The Council classifies leases based on the substance of the surrounding contractual arrangement. Contracts, including contracts for the delivery of services, are analysed to determine whether they convey the right to control the use of a specified asset, through the right to obtain substantially all the economic benefits or service potential from the use of that asset, and to direct its use during the period of the contract. The Code has extended the requirements of IFRS 16 to include arrangements where there is nil consideration, peppercorn or nominal payments.

Initial recognition

Leases are recognised as a right of use asset with a corresponding lease liability at the date from which the asset is available for use or from 1 April 2024, the IFRS 16 transition date, if later. The leases are typically for fixed periods in excess of one year but may have extension options.

The Council initially recognises lease liabilities measured as the present value of future lease payments discounted using the implicit rate in the lease. Where the implicit rate in the lease cannot be determined, the Council uses its incremental borrowing rate, based on the expected term of the lease, as the discount factor.

The lease payments used in the determination of the lease liability include:

- fixed rental payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate at the adoption data
- amounts expected to be payable under a residual value guarantee
- the price payable under a purchase option if the Council is reasonably certain to exercise that option
- lease payments in an optional renewal period if the Council is reasonably certain to exercise that option
- penalties for early termination of the lease unless the Council is reasonably certain not to exercise the option for early termination.

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

Subsequent measurement

The right of use asset is subsequently measured using the fair value model. The Council considers that the cost model represents a reasonable proxy for the fair value of a right of use asset except where:

- assets are held under non-commercial leases, that is, leases where the Council is paying a peppercorn, nominal payments or nil consideration
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of greater than five years.

For leases not valued under the cost model, the right of use asset is carried at a revalued amount. The Council determines that the value of right of use assets held under index-linked leases have been adjusted for changes in the relevant index while assets held under peppercorn or nil consideration leases have been valued by a valuer with appropriate qualifications.

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

The lease liability is subsequently measured at amortised cost, using the effective interest rate method. The Council remeasures the lease liability when there is a change in:

- future lease payments arising from a change in the index or rate

- the estimated amount payable under a residual value guarantee
- the Council's assessment of whether it will exercise a purchase, extension or termination option, or
- a fixed lease payment.

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

Lease expenditure

Lease payments are debited against the lease liability. The Comprehensive Income and Expenditure Statement is charged each year with:

- interest
- straight line depreciation
- any asset impairments, and
- changes in variable payments that are not included in the measurement of the lease liability.

Right-of-use assets recognised under leases are subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life. This will include valuation where the cost model does not provide a reliable proxy for the current value of the right-of-use asset.

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

Low value and short-term leases

As permitted by the Code, the Council does not recognise a right of use asset or a corresponding lease liability for those leases where:

- the asset is considered to be a low-value item that cost less than £10,000 when new and is not highly dependent on or integrated with other items, and
- the term of the arrangement is less than 12 months taking into account the non-cancellable term of the arrangement plus any options to extend the arrangement that the Council is reasonably certain to exercise and any termination options that the Council is reasonably certain not to exercise.

Where leases are for items of low value, or the lease term is less than 12 months from commencement, amounts paid under the lease are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased item. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

The Council continues to classify leases as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the asset from the Council to the lessee. All other leases are classified as operating leases

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Net Loss on Disposal of non-current assets line in the Comprehensive Income and Expenditure Statement. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and

- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Unapplied Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

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

8. Infrastructure Assets

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

Recognition

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

Measurement

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

Depreciation

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

REVENUE

9. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. Disclosures will be omitted if the information is not material.

- The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

- Where the authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the applicable exchange rate.

10. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 working hours. Cash equivalents are investments that are held in instant access accounts, readily convertible to known amounts of cash with insignificant risk of change in value. Amounts held in fixed-term deposits not accessible within 24 working hours are not classified as cash equivalents, but as short-term investments. Any accrued interest will be treated in the same manner as the principal investment except for long-term investments with remaining terms in excess of 365 days; in these cases, accrued interest will be shown as short-term investments.

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

11. Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices when the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

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

12. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave, paid sick leave, other leave and non-monetary benefits, where material, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. Any accrual made is required under statute to be reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Account when the Council is demonstrably committed to either terminating the employment of an officer or group of officers.

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

Post-Employment Benefits

The Council participates in four defined benefit pension schemes-

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

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

Teachers' Pension Scheme

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

NHS Pensions Scheme

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

The Local Government Pension Scheme

- The pension liabilities attributable to the Council under the LGPS are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.

- Liabilities are discounted to their value at current prices.

- The Pension Fund assets attributable to the Council is included in the Balance Sheet at fair value:

    - Quoted securities – current bid price
    - Unquoted securities – professional estimate
    - Unitised securities – current bid price
    - Property – market value

- The change in the net pensions liability is analysed into the following components:

    - Service cost comprising:

        - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

        - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Operating Budgets.

        - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:

    - The return on assets – excluding amounts included in net interest on the net defined benefit liability (asset) the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure.

    - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Contributions paid to pension funds – cash paid as employer's contribution to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

13. Long Term Contracts

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

14. Private Finance Initiative (PFI) Contract

The Council had one PFI contract that expired in 2024/25 which related to an Academy school.

15. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions where conditions have not been satisfied are carried in the Balance Sheet as revenue or capital grants receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

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

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the demands that development places on local areas. CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure covering administration costs.

16. Inventories and Work in Progress

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

17. Schools

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

18. Fair Value

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

- Level 1 - Quoted prices
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - Unobservable inputs for the asset or liability

19. Contingent Liabilities

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

20. Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

21. Provisions and Reserves

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

Provisions

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

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

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When a payment for expenditure against a provision is made, the expenditure is charged directly to that provision. All provisions are reviewed each year.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Impairment Allowance

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

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund and/or HRA Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

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

In November 2020 a statutory instrument came into effect amending the Local Authority (Capital Finance and Accounting) Regulations (2003 Regulations) by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits. This relates to deficits in local authority accounts from 1st April 2020 onwards. The Council is not required to charge the deficit to a revenue account but instead records any such deficit in an account established solely for recording schools' deficits. This account is the Dedicated Schools Grant Adjustment Account and sits within Unusable Reserves. In-year deficits relating to Dedicated Schools' Grant are transferred to the Dedicated Schools Grant Adjustment Account through adjustments between funding and accounting under regulations.

22. Financial Assets

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

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

Amortised Cost

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

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

Soft Loans

Soft loans are when the Council makes loans to voluntary and applicable organisations at less than market rates. When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the applicable organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Fair Value through Profit or Loss (FVPL)

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

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

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

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

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

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

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

Fair Value through Other Comprehensive Income (FVOCI)

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

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

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

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

23. Financial Liabilities

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

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

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

24. Redemption of Debt

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

(a) Maturity loans - where the principal is repaid in full on the date the loan matures and interest is paid every 6 months. The accrued interest is shown as part of the carrying value of the loan on the Balance Sheet.
(b) Equal Instalment of Principal (EIP) Loans - where an equal instalment of principal based on the life of the loan is repaid every six months. Interest is paid every six months based on the outstanding balance. The accrued interest is shown as part of the carrying value of the loan on the Balance Sheet.
(c) LOBO (lender's option, borrower's option) loans - where the principal is borrowed at a fixed rate of interest for a specified period of time, after which the lender has the option to change the rate of interest and the borrower has the option to continue with the loan at the new rate or repay the principal before maturity without penalty. If the lender does not change the rate, the principal is repaid in full on the date the loan matures. In the interim, interest payments are made every six months. The accrued interest is shown as part of the carrying value of the loan on the Balance Sheet.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Net Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is calculated by discounting the revised contractual cash flows with the original effective interest rate. This is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

25. Minimum Revenue Provision

Where the Council finances its capital programme through borrowing it must set aside resources annually through a Minimum Revenue Provision (MRP). This is within the revenue budget to repay the debt in later years. MRP will generally be charged over the useful life of the assets, beginning in the year after the asset becomes operational. In all cases the Council will consider the most prudent method of providing for debt repayment. The annual MRP policy is included within the annual Treasury Management Strategy statement approved by Cabinet and Council in February. All MRP charges on previous and future borrowing are charged using the Asset Life Annuity method allowed within the statutory MRP guidance.

MRP will be chargeable on Exceptional Financial Support that is financed from debt with the first charge to be made in 2026/27.

The HRA makes a form of MRP to pay down its self-financing settlement debt over the 30-year business cycle on which the settlement is based as a provision for repayment of debt.

26. Collection Fund

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

- In its capacity as a billing authority the Council acts as agent; it collects and distributes income on behalf of the major preceptors and itself.

- While the income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors.

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

The Council Tax and NNDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NNDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

27. VAT

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

28. Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;

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

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

29. Exceptional Items and Prior Year Adjustments

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

Statement of Accounting Policies

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

Notes to the Main Financial Statements

1. EXPENDITURE AND FUNDING ANALYSIS

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

	Total Net Expenditure Charged to GF & HRA Balances	Adjustments between the Funding & Accounting Basis (Note 1A)	Earmarked Reserve Adjustments (Note 5)	Adjustments between Funding & Other Income and Expenditure on the Provision of Services (Note 1B)	Net Expenditure in Comprehensive Income and Expenditure Statement
2025/26					
General Fund	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Children, Families & Education	77,103	1,315	1,179	-	79,597
Community & Environment	30,842	3,396	(1,294)	(84)	32,860
Corporate Services & Property	20,933	9,257	(42)	(70)	30,078
Finance & Transformation	58,660	(6,604)	(1,000)	(11,347)	39,709
Health & Social Care	113,631	790	(3,514)	(45,867)	65,040
Planning, Housing & Growth	15,496	(1,066)	(2,463)	(188)	11,779
Corporate Funding	(280,089)	473	(6,987)	286,603	-
Total General Fund	**36,576**	**7,561**	**(14,121)**	**229,047**	**259,063**
Other Funds					
Schools	1,310	8,898	321	(3)	10,526
Housing Revenue Account	-	64,298	792	(11,399)	53,691
Total Other Funds	**1,310**	**73,196**	**1,113**	**(11,402)**	**64,217**
Net Cost of Services	**37,886**	**80,757**	**(13,008)**	**217,645**	**323,280**
Other Income and Expenditure on the Provision of Services	-	(75,206)	-	(217,645)	(292,851)
(Surplus)/Deficit on Provision of Services	**37,886**	**5,551**	**(13,008)**	**-**	**30,429**

Movement in Balances 2025/26	**£'000**
Opening General Fund and HRA Balance	37,344
General Fund Deficit	(36,576)
Exceptional Financial Support	83,000
HRA Surplus	-
Schools Reserve Movements	(1,310)
Other Earmarked Reserve Movements	13,008
Closing General Fund and HRA Balance at 31 March 2026	**95,466**

Notes to the Main Financial Statements

There were no changes to the Cabinet Member portfolios in 2025/26 and therefore no restatement of the 2024/25 EFA and associated Notes 1A, 1B and 2 Segmental Income and Expenditure have been required to align the comparator cost of service to the Council's management structure as at 31 March 2026.

2024/25	Total Net Expenditure Charged to GF & HRA Balances	Adjustments between the Funding & Accounting Basis (Note 1A)	Earmarked Reserve Adjustments (Note 5)	Adjustments between Funding & Other Income and Expenditure to the Provision of Services (Note 1B)	Net Expenditure in Comprehensive Income and Expenditure Statement
General Fund	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Children, Families & Education	79,923	36,629	(353)	(9)	116,190
Community & Environment	31,138	4,337	22	(24)	35,473
Corporate Services & Property	15,972	23,293	14	-	39,279
Finance & Transformation	59,618	(3,489)	547	(6,544)	50,132
Health & Social Care	113,704	2,697	(261)	(56,540)	59,600
Planning, Housing & Growth	13,398	(681)	66	(234)	12,549
Corporate Funding	(288,358)	21,423	(2,886)	269,821	-
Total General Fund	**25,395**	**84,209**	**(2,852)**	**206,470**	**313,223**
Other Funds					
Schools	3,505	15,471	-	(3)	18,973
Housing Revenue Account	-	80,420	-	(7,121)	73,299
Total Other Funds	**3,505**	**95,891**	**-**	**(7,124)**	**92,272**
Net Cost of Services	**28,900**	**180,100**	**(2,852)**	**199,346**	**405,495**
Other Income and Expenditure on the Provision of Services	-	(75,109)	-	(199,346)	(274,455)
(Surplus)/Deficit on Provision of Services	**28,900**	**104,991**	**(2,852)**	**-**	**131,040**

Movement in Balances 2024/25	**£'000**
Opening General Fund and HRA Balance	63,392
General Fund Deficit	(25,395)
HRA Surplus	-
Schools Reserve Movements	(3,505)
Other Earmarked Reserve Movements	2,852
Closing General Fund and HRA Balance at 31 March 2025	**37,344**

Notes to the Main Financial Statements

1A. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

2025/26	Adjustments for Capital Purposes (1)	Net Change for the Pensions Adjustment (2)	Other Differences (3)	Total Adjustments between Funding & Accounting Basis
	£'000	£'000	£'000	£'000
Children, Families & Education	4,890	(4,926)	1,351	1,315
Community & Environment	7,013	(4,511)	894	3,396
Corporate Services & Property	10,752	(2,000)	505	9,257
Finance & Transformation	(5,616)	(3,229)	2,241	(6,604)
Health & Social Care	583	(3,259)	3,466	790
Planning, Housing & Growth	(121)	(1,186)	241	(1,066)
Corporate Funding	-	-	473	473
Schools	(4)	(478)	9,380	8,898
HRA	78,054	(1,669)	(12,087)	64,298
Net Cost of Services	**95,551**	**(21,258)**	**6,464**	**80,757**
Other Income & Expenditure on the Provision of Services from the Expenditure and Funding Analysis	(83,333)	6,500	1,627	**(75,206)**
Difference between General Fund surplus or deficit and CIES (Surplus) or Deficit on the Provision of Services	**12,218**	**(14,758)**	**8,091**	**5,551**

2024/25	Adjustments for Capital Purposes (1)	Net Change for the Pensions Adjustment (2)	Other Differences (3)	Total Adjustments between Funding & Accounting Basis
	£'000	£'000	£'000	£'000
Children, Families & Education	33,260	(2,541)	5,910	36,629
Community & Environment	5,123	(1,896)	1,110	4,337
Corporate Services & Property	22,197	(701)	1,797	23,293
Finance & Transformation	(7,110)	(1,139)	4,760	(3,489)
Health & Social Care	334	(1,291)	3,654	2,697
Planning, Housing & Growth	(22)	(925)	266	(681)
Corporate Funding	-	-	21,423	21,423
Schools	(1)	(204)	15,676	15,471
HRA	94,679	(359)	(13,900)	80,420
Net Cost of Services	**148,460**	**(9,056)**	**40,696**	**180,100**
Other Income & Expenditure on the Provision of Services from the Expenditure and Funding Analysis	(84,825)	8,564	1,152	**(75,109)**
Difference between General Fund surplus or deficit and CIES (Surplus) or Deficit on the Provision of Services	**63,635**	**(492)**	**41,848**	**104,991**

(1) Adjustments for Capital Purposes

Net Cost of Services
This column adds depreciation, impairment and revaluation gains and losses in the services line

Other Income and Expenditure on the Provision of Services
Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from Other Income and Expenditure on the Provision of Services as these are not chargeable under generally accepted accounting practices.

(2) Net Change for the Pensions Adjustments

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

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

Other Income and Expenditure on the Provision of Services
Financing and investment income and expenditure - the net interest on the defined benefit liability which is charged to the CIES.

(3) Other Differences

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

Other Income and Expenditure on the Provision of Services
Financing and investment income and expenditure - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

Taxation and non-specific grant income and expenditure - represents the difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

1B. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

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

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

2025/26	Precepts and Levies	Interest Payable	Interest and Investment Income	Taxation & Non Specific Grant Income (excl. Capital)	Transfers	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Children, Families & Education	-	-	-	-	-	-
Community & Environment	-	(84)	-	-	-	(84)
Corporate Services & Property	-	-	-	-	(70)	(70)
Finance & Transformation	(820)	(11,023)	32	955	(491)	(11,347)
Health & Social Care	-	-	130	-	(45,997)	(45,867)
Planning, Housing & Growth	-	(188)	-	-	-	(188)
Corporate Funding	-	-	-	238,539	48,064	286,603
Schools	-	(3)	-	-	-	(3)
Housing Revenue Account	-	(12,919)	3,027	-	(1,507)	(11,399)
Net Cost of Services	**(820)**	**(24,217)**	**3,189**	**239,494**	**-**	**217,645**

NB Interest payable adjustments of £24,217k in the above table differs by £62k from interest payable of £24,155k reported in Note 7 due to notional interest adjustments reported under Net Financing and Investment Income and Expenditure within the CIES that were not included in the General Fund management outturn. These adjustments relate to interest on soft loan and employee car leasing scheme. Interest receivable also differs by £12k from the interest receivable figure within CIES reported in Note 7 due to notional interest on the employee car leasing scheme.

2024/25	Precepts and Levies	Interest Payable	Interest and Investment Income	Taxation & Non Specific Grant Income (excl. Capital)	Transfers	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Children, Families & Education	-	(9)	-	-	-	(9)
Community & Environment	-	(24)	-	-	-	(24)
Corporate Services & Property	-	-	-	-	-	-
Finance & Transformation	(853)	(7,000)	198	111	1,000	(6,544)
Health & Social Care	-	-	132	-	(56,672)	(56,540)
Planning, Housing & Growth	-	(234)	-	-	-	(234)
Corporate Funding	-	-	-	213,163	56,658	269,821
Schools	-	(3)	-	-	-	(3)
Housing Revenue Account	-	(9,926)	3,791	-	(986)	(7,121)
Net Cost of Services	**(853)**	**(17,196)**	**4,121**	**213,274**	**-**	**199,346**

Notes to the Main Financial Statements

2. SEGMENTAL INCOME AND EXPENDITURE

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

Segmental Income & Expenditure 2025/26	Fees charges and other service income	Interest and Investment Income	Depreciation	Interest Payable
	£'000	£'000	£'000	£'000
Children, Families & Education	(1,888)	-	-	-
Community & Environment	(33,545)	-	-	84
Corporate Services & Property	(7,240)	-	-	-
Finance & Transformation	(2,639)	(32)	-	11,023
Health & Social Care	(18,663)	(130)	-	-
Planning, Housing & Growth	(14,578)	-	-	188
Corporate Funding	-	-	-	-
Schools	(13,717)	-	-	3
Housing Revenue Account	(85,928)	(3,027)	14,853	12,919
Net Cost of Services	**(178,198)**	**(3,189)**	**14,853**	**24,217**

Segmental Income & Expenditure 2024/25	Fees charges and other service income	Interest and Investment Income	Depreciation	Interest Payable
	£'000	£'000	£'000	£'000
Children, Families & Education	(1,998)	-	-	(9)
Community & Environment	(29,435)	-	-	(24)
Corporate Services & Property	(8,141)	-	-	-
Finance & Transformation	(1,923)	(198)	-	(7,000)
Health & Social Care	(18,891)	(132)	-	-
Planning, Housing & Growth	(13,587)	-	-	(234)
Corporate Funding	-	-	-	-
Schools	(13,884)	-	-	(3)
Housing Revenue Account	(80,099)	(3,791)	14,068	(9,926)
Net Cost of Services	**(167,958)**	**(4,121)**	**14,068**	**(17,196)**

3. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2025/26	2024/25
Expenditure	**£'000**	**£'000**
Employee benefits expenses	236,923	233,785
Employee benefits of Voluntary Aided & Foundation Schools*	54,363	52,421
Other services expenses	535,678	531,487
Support service recharges	3,492	5,674
Depreciation, amortisation, impairment	127,510	181,102
Interest payments**	30,655	25,693
Precepts and levies	820	853
Change in the Fair Value of Investment Properties	206	(400)
Total Expenditure	**989,647**	**1,030,615**
Income		
Fees, charges and other service income	(178,198)	(167,958)
Interest and investment income	(3,202)	(4,126)
Income from Council Tax and Non Domestic Rates	(210,896)	(184,508)
Government grants and contributions	(570,243)	(537,102)
Strategic Pooled Fund Fair Value Adjustment	(22)	10
Hillingdon First Ltd Fair Value Adjustment	1,388	1,612
The Hillingdon Care Company Fair Value Adjustment	129	-
(Gain)/Loss on the disposal of assets	1,826	(7,503)
Total Income	**(959,218)**	**(899,575)**
(Surplus)/Deficit on the Provision of Services	**30,429**	**131,040**

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

**Interest payments include £24,155k in interest payable and similar charges and £6,500k net interest on the net defined benefit liability in respect of the pension schemes (see notes 7 and 43).

4. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS 2025/26

2025/26	General Fund Balance £'000	General Fund Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Reserve £'000	Capital Receipts Reserve £'000	Usable Reserves £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Pensions Reserve £'000	Collection Fund Adjustment Account £'000	Accumulated Absences Account £'000	Dedicated Schools Grant Adjustment Account £'000	Pooled Investment Fund Adjustment Account £'000	Unusable Reserves £'000
Exceptional Financial Support	(76,335)	(6,665)					**(83,000)**		83,000							**83,000**
Rebuilding of Earmarked Reserves	1,208	(1,208)					**-**									**-**
Amortisation of intangible assets	(655)						**(655)**		655							**655**
Depreciation of non current assets	(25,820)			(14,853)			**(40,673)**		40,673							**40,673**
Revaluation and impairment of non current assets	(186)		(85,996)				**(86,182)**	7,474	78,708							**86,182**
Statutory provision for the financing of capital investment (MRP & VRP) and HRA debt provision	8,066		7,943				**16,009**		(16,009)							**(16,009)**
Revenue expenditure funded from capital under statute (REFCUS)	(8,846)		(27)				**(8,873)**		8,873							**8,873**
Capital grants and contributions applied	22,108		60,998		9,106		**92,212**		(92,212)							**(92,212)**
Capital grants and contributions received transferred to Capital Grants Unapplied Reserve	2,051				(2,051)		**-**									**-**
Capital expenditure charged in year to balances				28,154			**28,154**		(28,154)							**(28,154)**
Use of Capital Receipts Reserve to finance new capital expenditure						30,951	**30,951**		(30,951)							**(30,951)**
Amounts written off on disposal of non current assets	(702)		(1,124)			(25,007)	**(26,833)**	4,192	22,641							**26,833**
Finance Lease Principal	1,097						**1,097**		(1,097)							**(1,097)**
Gain/Loss Investment Property	(206)						**(206)**		206							**206**
Premiums and discounts	28						**28**			(28)						**(28)**
Strategic pooled fund fair value adjustment	22						**22**								(22)	**(22)**
Soft Loan notional interest	74						**74**			(74)						**(74)**
Hillingdon First Limited and The Hillingdon Care Company Fair Value Adjustments	(1,517)						**(1,517)**		1,517							**1,517**
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(24,057)		(2,039)				**(26,096)**				26,096					**26,096**
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	37,647		3,207				**40,854**				(40,854)					**(40,854)**
Amount by which council tax income and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory	(473)						**(473)**					473				**473**
Dedicated Schools Grant (DSG)	(9,887)						**(9,887)**							9,887		**9,887**
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	629		(12)				**617**						(617)			**(617)**
Transfer to Reserve for Capital projects			12,127	(12,127)			**-**									**-**
Total Adjustments	**(75,754)**	**(7,873)**	**(4,923)**	**1,174**	**7,055**	**5,944**	**(74,377)**	**11,666**	**67,850**	**(102)**	**(14,758)**	**473**	**(617)**	**9,887**	**(22)**	**74,377**

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS 2024/25

2024/25	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Reserve £'000	Capital Receipts Reserve £'000	Usable Reserves £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Pensions Reserve £'000	Collection Fund Adjustment Account £'000	Accumulated Absences Account £'000	Dedicated Schools Grant Adjustment Account £'000	Pooled Investment Fund Adjustment Account £'000	Unusable Reserves £'000
Amortisation of intangible assets	(387)					**(387)**		387							**387**
Depreciation of non current assets	(28,479)		(14,068)			**(42,547)**	9,780	32,767							**42,547**
Revaluation and impairment of non current assets	(35,945)	(102,223)				**(138,168)**		138,168							**138,168**
Statutory provision for the financing of capital investment (MRP & VRP) and HRA debt provision*	10,006	7,545			6,771	**24,322**		(24,322)							**(24,322)**
Revenue expenditure funded from capital under statute (REFCUS)	(17,438)	(6)				**(17,444)**		17,444							**17,444**
Capital grants and contributions applied	38,302	39,019		(11,175)		**66,146**		(66,146)							**(66,146)**
Capital expenditure charged in year to balances			26,865			**26,865**		(26,865)							**(26,865)**
Use of Capital Receipts Reserve to finance new capital expenditure					27,824	**27,824**		(27,824)							**(27,824)**
Amounts written off on disposal of non current assets	(16)	7,519			(21,073)	**(13,570)**	6,015	7,555							**13,570**
Finance Lease Principal	1,023					**1,023**		(1,023)							**(1,023)**
Gain/Loss Investment Property	400					**400**		(400)							**(400)**
Premiums and discounts	28					**28**			(28)						**(28)**
Strategic pooled fund fair value adjustment	(10)					**(10)**								10	**10**
Soft Loan Charge	70					**70**			(70)						**(70)**
Hillingdon First Limited Fair Value Adjustment	(1,612)					**(1,612)**		1,612							**1,612**
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(33,197)	(2,756)				**(35,953)**				35,953					**35,953**
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	34,031	2,415				**36,446**				(36,446)					**(36,446)**
Amount by which council tax income and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(21,423)					**(21,423)**					21,423				**21,423**
Dedicated Schools Grant (DSG)	(15,313)					**(15,313)**							15,313		**15,313**
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	(451)	(7)				**(458)**						458			**458**
Transfer to Reserve for Capital projects		13,913	(13,913)			**-**									**-**
Total Adjustments	**(70,411)**	**(34,581)**	**(1,116)**	**(11,175)**	**13,522**	**(103,761)**	**15,795**	**51,353**	**(98)**	**(493)**	**21,423**	**458**	**15,313**	**10**	**103,761**

5. EARMARKED RESERVE TRANSFERS

	31 March 2024 £'000	Transfers In 2024/25 £'000	Transfers Out 2024/25 £'000	31 March 2025 £'000	Transfers In 2025/26 £'000	Transfers Out 2025/26 £'000	Transfer In From General Fund Balance 2025/26 £'000	Restoration of Earmarked Reserves from Exceptional Financial Support 2025/26 £'000	31 March 2026 £'000
Earmarked Reserves:									
Grants Unapplied	**1,198**	1,409	(453)	**2,154**	1,166	(1,799)			**1,521**
Member Initiatives	**1,085**	28	(910)	**203**	3	(71)			**135**
Other Reserves	**5,336**	1,262	(5,788)	**810**	13,268	(223)	1,208	6,665	**21,728**
Public Health Reserve	**661**	1,946	(18)	**2,589**	2,720	(888)			**4,421**
Business Rates Reserve	**(5,730)**	9,497	(3,767)	**-**	-	-			**-**
Barnhill PFI	**678**	-	(302)	**376**	-	(376)			**-**
Parking Revenue Account / New Roads & Street Works Reserve	**52**	-	(52)	**-**	-	-			**-**
Total General Fund Earmarked Reserves	**3,280**	**14,142**	**(11,290)**	**6,132**	**17,157**	**(3,357)**	**1,208**	**6,665**	**27,805**
Schools Reserves	**11,355**	1,344	(4,849)	**7,850**	2,063	(3,373)			**6,540**
Housing Revenue Account	**6,811**		-	**6,811**	-	(792)			**6,019**
Total	**21,446**	**15,486**	**(16,139)**	**20,793**	**19,220**	**(7,522)**	**1,208**	**6,665**	**40,364**

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

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

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

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

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

Housing Revenue Account Reserve
An earmarked reserve has been created to support the financing of future HRA developments.

6. OTHER OPERATING EXPENDITURE

	2025/26 £'000	2024/25 £'000
Precepts and Levies	820	853
Total	**820**	**853**

Notes to the Main Financial Statements

7. NET FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2025/26 £'000	2024/25 £'000
Interest payable and similar charges	24,155	17,129
Interest receivable and similar income	(3,202)	(3,125)
Hillingdon First dividend income	-	(1,000)
Strategic pooled fund fair value adjustment	(22)	10
Hillingdon First Ltd fair value adjustment	1,388	1,612
The Hillingdon Care Company fair value adjustment	129	-
Net interest on the net defined benefit liability	6,500	8,564
Changes in the fair value of investment properties	206	(400)
Total	**29,154**	**22,790**

8. TAXATION AND NON-SPECIFIC GRANT INCOME

	2025/26 £'000	2024/25 £'000
Council Tax Income	(155,974)	(135,065)
Non-Domestic Rates Income	(120,095)	(110,048)
Non-Domestic Rates Tariff payable to Central Government	57,114	56,281
Non-Domestic Rates Levy (receivable)/Payable to Central Government	8,059	4,324
Non-Ringfenced Government Grants	(28,599)	(28,765)
Capital Grants & Contributions	(85,156)	(77,322)
Total	**(324,651)**	**(290,595)**

9. MOVEMENT OF PROPERTY, PLANT & EQUIPMENT 2025/26

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant & Equipment £'000
Cost or Valuation as at 1 April 2025	**898,406**	**842,752**	**138,787**	**15,733**	**113,022**	**45,453**	**2,054,153**
Additions	101,930	-	14,391	-	-	-	**116,321**
Enhancements	46,902	11,072	(93)	1,070	48,255	62	**107,268**
Revaluation increases/(decreases) recognised in Revaluation Reserve	(23,076)	66,283	(336)	1,648	-	8,314	**52,832**
Revaluation increases/(decreases) recognised in Surplus/Deficit on Services	(89,711)	(4,461)	24	-	-	3	**(94,145)**
Derecognition - Disposals	(20,549)	(1,217)	(1,286)	-	-	(6,339)	**(29,391)**
Derecognition - Other	-	-	(2,852)	-	-	-	**(2,852)**
Assets reclassified within Property Plant and Equipment	-	-	-	-	-	-	**-**
Other Movements in Cost or Valuation	617	5,299	(1,313)	-	(13,072)	8,469	**-**
Cost or Valuation as at 31 March 2026	**914,520**	**919,728**	**147,322**	**18,450**	**148,205**	**55,961**	**2,204,186**
Accumulated Depreciation & Impairment as at 1 April 2025	**-**	**(9,060)**	**(32,668)**	**(565)**	**(9)**	**(662)**	**(42,964)**
Depreciation charge in 2025/26	(14,184)	(7,590)	(8,358)	-	-	(148)	**(30,280)**
Depreciation written out to Revaluation Reserve	10,189	10,136	3,246	-	-	819	**24,391**
Depreciation written out to Surplus/Deficit on Services	3,683	4,099	180	-	-	2	**7,963**
Derecognition - Disposals	312	157	1,286	-	-	796	**2,550**
Derecognition - Other	-	-	2,852	-	-	-	**2,852**
Assets reclassified within Property Plant and Equipment	-	-	-	-	-	-	**-**
Other movements in Depreciation and Impairment	-	796	53	-	-	(849)	**-**
Accumulated Depreciation & Impairment as at 31 March 2026	**(0)**	**(1,462)**	**(33,410)**	**(565)**	**(9)**	**(42)**	**(35,488)**
Balance Sheet amount 1 April 2025	**898,406**	**833,692**	**106,119**	**15,168**	**113,013**	**44,791**	**2,011,189**
Balance Sheet amount 31 March 2026	**914,519**	**918,265**	**113,912**	**17,885**	**148,196**	**55,919**	**2,168,698**

MOVEMENT OF PROPERTY, PLANT & EQUIPMENT 2024/25

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant & Equipment £'000
Cost or Valuation as at 1 April 2024	**861,554**	**913,358**	**107,046**	**15,560**	**59,225**	**42,897**	**1,999,640**
Additions	101,223	-	5,463	-	22,306	-	**128,992**
Enhancements	30,021	23,286	4,153	173	43,798	-	**101,431**
Revaluation increases/(decreases) recognised in Revaluation Reserve	735	1,551	(20,253)	-	(53)	2,717	**(15,303)**
Revaluation increases/(decreases) recognised in Surplus/Deficit on Services	(104,966)	(41,841)	(703)	-	(72)	4,102	**(143,480)**
Derecognition - Disposals	(5,763)	(73)	-	-	-	(7,012)	**(12,848)**
Derecognition - Other	(89)	(795)	(3,394)	-	(1)	-	**(4,279)**
Assets reclassified within Property Plant and Equipment	15,691	(52,734)	46,475	-	(12,181)	2,749	-
Assets reclassified (to) & from Held for Sale & Investment Properties	-	-	-	-	-	-	-
Cost or Valuation as at 31 March 2025	**898,406**	**842,752**	**138,787**	**15,733**	**113,022**	**45,453**	**2,054,153**
Accumulated Depreciation & Impairment as at 1 April 2024	-	**(7,716)**	**(30,561)**	**(553)**	**(9)**	-	**(38,839)**
Depreciation charge in 2024/25	(13,380)	(11,492)	(7,694)	(12)	-	(19)	**(32,597)**
Depreciation written out to Revaluation Reserve	10,484	4,927	3,437	-	-	123	**18,971**
Depreciation written out to Surplus/Deficit on Services	2,803	2,385	80	-	-	43	**5,311**
Derecognition - Disposals	90	1	-	-	-	-	**91**
Derecognition - Other	3	702	3,394	-	-	-	**4,099**
Assets reclassified within Property Plant and Equipment	-	2,133	(1,324)	-	-	(809)	-
Assets reclassified (to) & from Held for Sale & Investment Properties	-	-	-	-	-	-	-
Accumulated Depreciation & Impairment as at 31 March 2025	-	**(9,060)**	**(32,668)**	**(565)**	**(9)**	**(662)**	**(42,964)**
Balance Sheet amount 1 April 2024	**861,554**	**905,642**	**76,485**	**15,007**	**59,216**	**42,897**	**1,960,801**
Balance Sheet amount 31 March 2025	**898,406**	**833,692**	**106,119**	**15,168**	**113,013**	**44,791**	**2,011,189**

9A. INFRASTRUCTURE ASSETS

	2025/26 £'000	2024/25 £'000
Net Book Value as at 1 April	**190,645**	**187,054**
Additions	15,915	12,423
Depreciation charge	(9,143)	(8,832)
Net Book Value as at 31 March	**197,417**	**190,645**

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.

9B. INTANGIBLE ASSETS

Software Licences

	2025/26 £'000	2024/25 £'000
Cost or Valuation as at 1 April	**4,840**	**3,040**
Additions	1,470	2,132
Derecognition - Other	(132)	(332)
Cost or Valuation as at 31 March	**6,178**	**4,840**
Accumulated Amortisation as at 1 April	**(1,643)**	**(1,587)**
Amortisation charge	(673)	(387)
Derecognition - Other	132	331
Accumulated Amortisation as at 31 March	**(2,184)**	**(1,643)**
Net Book Value as at 1 April	**3,197**	**1,453**
Net Book Value as at 31 March	**3,994**	**3,197**

9C. ASSETS HELD FOR SALE

There are no assets held for sale for 2025/26, this was the same for 2024/25.

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

The Council undertakes a rolling programme that ensures all of its Property, Plant and Equipment is carried at current value or fair value as prescribed in the Code of Practice and that every asset is valued at least every 5 years. In 2025/26 a rolling programme of General Fund assets including investment properties and high value assets, were valued by external independent valuers Wilks Head & Eve LLP.

The Housing Stock was uplifted in value to reflect market conditions for all Council Dwellings by Jones Lang LaSalle Limited to reflect the value at 31 March 2026 through a beacon valuation process. Valuations are carried out in accordance with professional standards of the Royal Institution of Chartered Surveyors.

During 2025/26, the Council has recognised revaluation gains of £77.3m (£3.7m in 2024/25) directly to the revaluation reserve. The Council also recognised valuation losses of £86.2m (£138.2m in 2024/25) in the Surplus/Deficit on provision of services which was then reversed through the Movement in Reserves Statement to mitigate any impact on General Fund and Housing Revenue Account Balances.

Out of the total £2,381m (£2,216m in 2024/25) net book value recorded for PPE, Infrastructure Assets, Heritage Assets, Intangible Assets and Investment Properties, 82% (£1,949m) relates to valuations during 2025/26. For 2024/25 this was 78% (£1,711m)

Fair Value Hierarchy

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

11. COMMITMENTS UNDER CAPITAL CONTRACTS

As at 31 March 2026, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment during 2026/27 and future years budgeted to cost £79,043k.

Scheme	31 March 2026 £'000	31 March 2025 £'000
Housing	43,163	31,356
Housing Regeneration	1,429	1,771
New Vehicles	413	1,841
New Platinum Jubilee Leisure Centre, West Drayton	925	4,250
Other Capital Projects	5,783	8,099
Schools Expansions Programme	27,330	19,451
Total	**79,043**	**66,768**

- The council's HRA works to stock programme provides essential upgrades to the Council's housing stock, along with higher energy efficiency standards whilst improving the quality of life of tenants. The HRA also includes provisions for major adaptations to Council homes to support disabled residents.

- Housing Regeneration is the Regeneration Programme on the Hayes Town Centre and Avondale Road estates. The first contractual phase commenced in December 2022 and has £1,429k remaining. The first phase as at 31st March 2026 is almost complete, with further phases to commence in 2026/27.

- New Jubilee Leisure Centre, West Drayton is a major construction project budgeted at £37m, project achieved practical completion in January 2026. There are minor works remaining and final retentions due in 2026/27.

- The schools expansions programme is increasing SEND provision in the Borough with two Meadow High School projects at different sites. The self delivery scheme at Royal Lane achieved practical completion in September 2025 with some minor works and retentions due in 2026/27. The Northwood Road site scheme has been awarded with the main contract with foundation works completed. The main works are to be carried out in 2026/27.

12. HERITAGE ASSETS

At 31 March 2026 the Council held Civic Regalia and a statue 'Anticipation' at an insurance value of £636k. The Council owns the Battle of Britain Bunker that has been insured for £4,859k and there was capital expenditure of £28k in year to maintain the asset. As neither a current market valuation, nor a replacement cost is available due to the specialist nature of this historic asset, the insurance has been used as the basis for valuation. In addition, several artefacts held at the battle of Britain bunker site are held as heritage assets, which belonged to Battle of Britain flying ace Wing Commander Ronald Gustave Kellett who was stationed at RAF Northolt in 1940. These items have been valued at £200k based on auctions of similar items.

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

	2025/26 £'000				
	Art Collection	Anticipation Statue	Regalia	Battle of Britain Bunker	Total
Cost or Valuation as at 1 April	**200**	**62**	**544**	**5,877**	**6,683**
Additions	-	-	-	-	-
Enhancements	-	-	-	28	28
Revaluations	-	3	27	-	30
Cost or Valuation as at 31 March	**200**	**65**	**571**	**5,905**	**6,741**

	2024/25 £'000				
	Art Collection	Anticipation Statue	Regalia	Battle of Britain Bunker	Total
Cost or Valuation as at 1 April	**150**	**45**	**544**	**5,790**	**6,529**
Additions	-	-	-	-	-
Enhancements	-	-	-	87	87
Revaluations	50	17	-	-	67
Cost or Valuation as at 31 March	**200**	**62**	**544**	**5,877**	**6,683**

Heritage Assets of Particular Importance

The Battle of Britain Bunker is an underground operations room and is a historic landmark of national significance. The bunker played a crucial role in the air defence of the United Kingdom throughout World War Two by the No 11 Group Fighter Command. It was vital in directing RAF operations throughout the war with fighter aircraft operations being controlled from the bunker throughout the war but most notably during the Battle of Britain and on D-Day. The bunker was visited by both Winston Churchill and King George VI in 1940 and it was here that Winston Churchill on 16 August 1940 spoke the famous words "Never in the field of human conflict was so much owed, by so many, to so few".

Evacuations started in 1938 and the operations bunker was constructed in 1939. The bunker is located 60 feet below ground level and is accessed via a staircase of over 70 steps. Within the collection which belonged to Wing Commander Ronald Gustave Kellett, are medals awarded for distinguished acts of valour and courage such as the Distinguished Flying Cross (DFC) as well as flying logbooks. A number of items are displayed for residents to view while other items will be preserved researchers and historians to view to represent the historical importance and protect for generations to come. The Battle of Britain Bunker is signed up to the Museums Association's code of ethics. The site is alarmed and monitored with security services to protect the site and artefacts. Restoration and conservation works have been carried out on a number of exhibited artefacts within the bunker such as the wartime map.

13. INVESTMENT PROPERTIES

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

	2025/26 £'000	2024/25 £'000
Rental income from investment property	(276)	(307)
Direct operating expenses arising from investment property	52	55
Net gain	**(224)**	**(252)**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2025/26 £'000	2024/25 £'000
Opening Balance	4,035	4,267
Gain/(Loss) Fair Value adjustment	(206)	400
Disposal	-	(632)
Closing Balance	**3,829**	**4,035**

14. FINANCIAL INSTRUMENT BALANCES

FINANCIAL ASSETS

	Current		Long-Term		Total	
	31 March 2026 £'000	31 March 2025 £'000	31 March 2026 £'000	31 March 2025 £'000	31 March 2026 £'000	31 March 2025 £'000
Investments at Amortised Cost	651	1,043	-	-	651	1,043
Fair Value through Profit & Loss						
- Principal	-	-	15,051	15,049	15,051	15,049
- Fair Value Adjustment	-	-	(1,048)	(1,077)	(1,048)	(1,077)
- Hillingdon First Limited - Principal	-	-	2,597	4,209	2,597	4,209
- Hillingdon First Limited - Fair Value Adjustment	-	-	(1,388)	(1,612)	(1,388)	(1,612)
- The Hillingdon Care Company - Principal	-	-	830	-	830	-
- The Hillingdon Care Company - Fair Value Adjustment	-	-	(129)	-	(129)	-
THCC loan for care home acquisition	20	-	5,967	575	5,987	575
- GLL Soft Loan	-	-	1,444	1,373	1,444	1,373
Total Investments	**671**	**1,043**	**23,323**	**18,516**	**23,994**	**19,559**
Cash & Cash Equivalents at Amortised Cost						
- Cash held by the Council	14	17	-	-	14	17
- Bank Current Accounts	10,286	11,888	-	-	10,286	11,888
- Liquid Deposits	63,215	14,302	-	-	63,215	14,302
Total Cash & Cash Equivalents	**73,515**	**26,206**	**-**	**-**	**73,515**	**26,206**
Other Assets at Amortised Cost						
- Trade Receivables	69,965	59,366	4	4	69,969	59,370
- Loss allowance	(19,336)	(18,474)	-	-	(19,336)	(18,474)
- Lease receivables	169	68	293	157	462	225
Total Other Assets	50,798	40,960	297	161	51,095	41,121
Total Financial Assets	**124,984**	**68,209**	**23,620**	**18,677**	**148,604**	**86,886**

FINANCIAL LIABILITIES

	Current		Long-Term		Total	
	31 March 2026 £'000	31 March 2025 £'000	31 March 2026 £'000	31 March 2025 £'000	31 March 2026 £'000	31 March 2025 £'000
Loans at Amortised Cost						
- Principal sum borrowed	(185,122)	(120,349)	(472,384)	(397,131)	(657,506)	(517,480)
- Accrued Interest	(5,184)	(3,639)	-	-	(5,184)	(3,639)
- EIR Adjustment	-	-	9,275	9,346	9,275	9,346
Total Loans	**(190,307)**	**(123,988)**	**(463,109)**	**(387,785)**	**(653,416)**	**(511,773)**
Other Liabilities at Amortised Cost						
- Trade Payables	(63,040)	(33,482)	-	-	(63,040)	(33,482)
- Leases	(1,103)	(957)	(7,098)	(4,778)	(8,201)	(5,735)
Total Other Liabilities	**(64,143)**	**(34,439)**	**(7,098)**	**(4,778)**	**(71,241)**	**(39,217)**
Total Financial Liabilities	**(254,450)**	**(158,427)**	**(470,207)**	**(392,563)**	**(724,657)**	**(550,990)**

Notes to the Main Financial Statements

INCOME, EXPENSE, GAINS AND LOSSES

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

	2025/26	2024/25
	Surplus or Deficit on the provision of Services £'000	**Surplus or Deficit on the provision of Services £'000**
Interest Revenue		
- Assets measured at amortised cost	(964)	(1,187)
Dividend Revenue		
- Assets measured at fair value through profit and loss	(2,229)	(1,938)
- Dividend from Hillingdon First	-	(1,000)
Net Gains		
- Revaluation gains on assets measured at fair value through profit and loss	(31)	-
Interest & Investment Income and Revaluation Gains	**(3,224)**	**(4,125)**
Interest Expenses		
- Liabilities measured at amortised cost	23,465	16,521
- PFI & Lease Contracts	288	279
- Other	250	189
Other Expenses		
- Brokerage Fees	152	140
- Other Professional Fees		
Net Losses		
- Revaluation loss on assets measured at fair value through profit & loss	1,517	1,622
Interest Payable and Revaluation Losses	**25,672**	**18,751**
Net (Gain)/Loss for the Year	**22,448**	**14,626**

STRATEGIC POOLED FUND INVESTMENTS AT FAIR VALUE THROUGH PROFIT & LOSS

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

Equity Instruments designated at Fair Value through Profit & Loss

	Fair Value		Dividends		Transfer Gain/(Loss)	
	31 March 2026	31 March 2025	31 March 2026	31 March 2025	31 March 2026	31 March 2025
Long Term	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
- Ninety One Diversified Income Fund	4,489	4,438	198	220	51	(8)
- Columbia Threadneedle Strategic Bond Fund	4,734	4,741	221	191	(7)	21
- M&G Optimal Income Fund	4,720	4,743	232	227	(22)	(23)
Total Equity Instruments	**13,943**	**13,921**	**651**	**638**	**22**	**(10)**

The Council also holds £60k in other assets held at fair value. Movements in the fair value on these assets are expensed within the CIES in year and not included in the statutory override. In 2025/26 the fair value of these assets increased by £9k.

FAIR VALUES OF ASSETS AND LIABILITIES

Financial instruments

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

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

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

Financial liabilities

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

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

Fair Value

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2026, using the following methods and assumptions:

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2026, using the following methods and assumptions:

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

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

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

FAIR VALUE OF LIABILITIES

		31 March 2026		31 March 2025	
Financial Liabilities	**Fair Value Level**	**Carrying Amount £'000**	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
PWLB Loans	2	(538,869)	(513,748)	(370,185)	(347,068)
Market Loans	2	(38,515)	(37,604)	(48,607)	(49,562)
Local Authority Loans	2	(76,031)	(75,601)	(92,981)	(93,497)
Lease Liabilities	2	(8,201)	(8,201)	(5,735)	(5,735)
Trade Payables	N/A	(63,040)	(63,040)	(33,482)	(33,482)
		(724,657)	**(698,193)**	**(550,990)**	**(529,344)**

Overall, the fair value of liabilities is lower than the balance sheet carrying amount because the Council's debt portfolio includes a number of loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. Overall, there is a notional future gain (based on economic conditions at 31 March 2026) arising from a commitment to pay interest to lenders below current market rates.

FAIR VALUE OF ASSETS

		31 March 2026		31 March 2025	
	Fair Value Level	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Assets Held at Fair Value					
Money Market Funds	1	-	-		
Pooled Funds (Long-Term)	2	12	12	13	13
Strategic Pooled Funds (Long-Term)	2	13,943	13,943	13,921	13,921
Shares in Listed Companies (Long-Term)	1	48	48	37	37
Hillingdon First Limited - Equity	3	1,209	1,209	2,597	2,597
The Hillingdon Care Company - Equity	3	701	701	-	-
Financial Assets Held at Amortised Cost					
Short-Term Deposits & Deposit Accounts	N/A	651	651	1,043	1,043
Cash and Bank Current Accounts	N/A	73,515	73,515	26,206	26,206
GLL Soft Loan	N/A	1,444	1,444	1,373	1,373
Loan to THCC	N/A	5,987	5,987	575	575
Lease Receivables	N/A	462	462	225	225
Trade Receivables	N/A	50,633	50,633	40,896	40,896
		148,604	**148,604**	**86,885**	**86,885**

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

LOSS ALLOWANCE BY ASSET CLASS

	31 March 2026		31 March 2025	
	Gross receivable £'000	Simplified approach Loss Allowance £'000	Gross receivable £'000	Simplified approach Loss Allowance £'000
Lifetime Expected Credit Loss - Trade Receivables	69,965	(19,336)	59,366	(18,474)

Offsetting Financial Assets and Liabilities

Financial assets or liabilities are set off against each other where the Council has a legally enforceable right to do so. The Council's bank accounts held with NatWest Bank have a right of offset; for 2025/26 there were no accounts in an overdraft position where an offset was applied.

RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	31 March 2026 £'000	Realised gains/losses £'000	Unrealised gains/losses £'000	Sales £'000	Purchases £'000	Transfers out of Level 3 £'000	Transfers into Level 3 £'000	01 April 2025 £'000
Hillingdon First Limited - Equity	1,209		(1,388)					2,597
The Hillingdon Care Company	701		(129)		830			-
	1,910	**-**	**(1,517)**	**-**	**830**	**-**	**-**	**2,597**

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

The Council has invested £3.37m as equity shares in Hillingdon First Limited (HFL), a wholly owned subsidiary. Shares in HFL are not publicly traded so a market share is not readily available thus the fair value of the company has been independently determined to be £1.2m as at 31 March 2026 on the basis of future cash flows, business plan and the company's own accounts. This is an unrealised loss of £1.4m from the previous valuation.

Changes in any of these assumptions would influence the fair value of HFL, thus a 1% change in assumptions would mean a £12k change in fair value.

15. SHORT TERM DEBTORS

	31 March 2026 £'000	31 March 2025 £'000
Trade Receivables	50,630	40,892
Lease Receivables	169	68
Prepayments	5,530	7,725
Other receivable amounts	21,658	31,464
	77,987	**80,149**

Included within short term debtors is an impairment allowance for £46,483k (£48,969k in 2024/25) of which £19,336k relates to trade receivables and £27,147k relates to other receivable amounts.

16. DEBTORS FOR TAXATION

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

	31 March 2026 £'000	31 March 2025 £'000
Up to one year	8,353	9,240
One to three years	7,975	8,429
Over three years	16,126	17,945
	32,454	**35,614**

The total debtors figure of £32,454k in the above table is the gross debtor before bad debt provision. Bad debt provisions in respect of debtors for taxation amount to £21,674k and offset the "other receivable amounts" total in note 15.

17. LONG TERM DEBTORS

	31 March 2026 £'000	To Short Term £'000	Repayments £'000	Additions £'000	31 March 2025 £'000
Housing advances & associations	2	-	-	-	2
Sale of council houses	2	-	-	-	2
Other loans & advances	400	-	(912)	493	819
Developer contributions	-	-	(330)	-	330
	404	**-**	**(1,242)**	**493**	**1,153**

18. SHORT TERM CREDITORS

	31 March 2026 £'000	31 March 2025 £'000
Trade Payables	63,040	33,482
Lease Payables	1,103	957
Other Payables	39,874	77,158
	104,017	**111,597**

19. LONG TERM CREDITORS

Long Term Creditors consist of balances held under Section 106 and 278 Agreements and deposits. These amounted to £3,672k at 31 March 2026 (£3,508k at 31 March 2025).

20. CASH AND CASH EQUIVALENTS

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

	31 March 2026 £'000	31 March 2025 £'000
Cash and Bank Current Accounts	73,515	26,206
Total Cash and Cash Equivalents	**73,515**	**26,206**

21. PROVISIONS

	31 March 2025 £'000	Additional provisions made in 2025/26 £'000	Amounts used in 2025/26 £'000	Unused amounts reversed in 2025/26 £'000	31 March 2026 £'000	Short-Term Provisions £'000	Long-Term Provisions £'000
Non Domestic Rates Appeal Losses	4,093	-	(407)	-	3,686	3,686	-
Social Care Disputes	162	-	(75)	(87)	-	-	-
Insurance Provision	3,053	293	(87)	-	3,259	2,281	978
Other provisions	164	270	(50)	(18)	366	366	-
Total Provisions	**7,472**	**563**	**(619)**	**(105)**	**7,311**	**6,333**	**978**

Non-Domestic Rates Appeal Losses

See note 3 to the Collection Fund Accounts. The Collection Fund Share represents the Council's 30% obligation in relation to appeals over the rateable value of properties from NNDR purposes. The provision was drawn down by £407k for appeals in 2025/26.

Social Care Disputes

An amount of £75k was drawn down for the amount of a legal settlement in respect of one claim with the remaining £87k provision able to be released.

Insurance

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

- Property - £100k for combined risks
- Liability - £375k
- Motor Vehicles - £100k

The Council self-funds claims which fall under the excess thresholds. The insurance fund provision is to provide for outstanding claims against the Council as at 31 March 2026. The ratio of insurance provisions is approximately 70% short-term and 30% long-term.

Other provisions

The other provisions represent amounts set aside to meet potential future liabilities. New provisions made in 2025/26 include £270k for procurement work on savings delivery programmes.

22. UNUSABLE RESERVES

	31 March 2026 £'000	31 March 2025 £'000
Revaluation reserve	751,533	685,945
Capital adjustment account	883,601	951,451
Financial instruments adjustment account	(344)	(446)
Pensions reserve	(20,675)	(122,837)
Collection fund adjustment account	(13,238)	(12,765)
Accumulated absences account	(6,225)	(6,842)
Dedicated schools grant adjustment account	(75,782)	(65,895)
Pooled Investment Fund Adjustment Account	(1,057)	(1,079)
Total Unusable Reserves	**1,517,813**	**1,427,532**

22A. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

	2025/26		2024/25	
	£'000	£'000	£'000	£'000
Balance at 1 April		**951,451**		**1,002,804**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
- Charges for depreciation and impairment of non-current assets	(40,655)		(42,547)	
- Revaluation gains/(losses) on Property, Plant and Equipment	(86,182)		(138,168)	
Gains/(Losses) on Financial Instruments	(1,517)		(1,612)	
- Amortisation of intangible assets	(673)		(387)	
- Revenue expenditure funded from capital under statute	(5,231)		(17,444)	
- 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	(26,833)	(161,091)	(13,570)	(213,728)
Adjusting amounts written out of the Revaluation Reserve		11,666		15,795
Net written out amount of the cost of non-current assets consumed in the year		(149,425)		(197,933)
Capital financing applied in the year:				
- Use of the Capital Receipts Reserve to finance new capital expenditure	27,309		27,824	
- Use of Capital Receipts Reserve to reduce capital financing requirement	-		6,771	
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	83,106		65,859	
- Exceptional Financial Support to restore General Fund and Earmarked Reserves	(83,000)		-	
- Application of grants to capital financing from the Capital Grants Unapplied Account	9,106		287	
- Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	16,009		17,551	
- Finance Lease Principal	1,097		1,023	
- Capital expenditure charged against the General Fund and HRA balances	28,154	81,781	26,865	146,180
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(206)		400
Balance at 31 March		**883,601**		**951,451**

22B. REVALUATION RESERVE

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

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

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

	2025/26		2024/25	
	£'000	£'000	£'000	£'000
Balance at 1 April		**685,945**		**698,005**
Upward revaluation of assets	126,392		73,627	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(49,138)		(69,892)	
Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or (Deficit) on the Provision of Services		**77,254**		**3,735**
Difference between fair value depreciation and historical cost depreciation	(7,474)		(9,780)	
Accumulated gains on assets sold or scrapped	(4,192)		(6,015)	
Amount written off to the Capital Adjustment Account		**(11,666)**		**(15,795)**
Balance at 31 March		**751,533**		**685,945**

Notes to the Main Financial Statements

23. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2025/26 £'000	2024/25 £'000
(Surplus)/Deficit on the provision of services	**30,429**	**131,040**
Depreciation and impairment of non-current assets	(127,329)	(180,315)
Amortisation of intangible fixed assets	(387)	(387)
Pension Fund adjustments	14,758	493
(Increase)/Decrease in creditors	10,634	(14,788)
Increase/(Decrease) in debtors	(2,911)	(3,996)
Carrying amount of non-current assets sold	(26,855)	(13,569)
Recognition of Right of Use Leased Assets	-	5,500
(Increase)/Decrease in Investments	(928)	(1,536)
(Increase)/Decrease in Borrowing	(1,910)	(1,098)
Increase/(Decrease) in Provisions	162	(3,162)
Application of Capital Grants Received in Advance	(47,851)	21,285
Other non-cash items charged to the net Surplus or Deficit on the Provision of Services		
Total adjusting items	**(182,617)**	**(191,573)**
Adjustments for items included in the net Surplus or Deficit on the Provision of Services that are investing or financing activities:		
Proceeds from the disposal of plant, property and equipment, investment property and intangible assets	25,007	21,073
Capital Grants and other contributions credited to Surplus or Deficit on the Provision of Services	85,156	77,322
Billing Authorities - Council Tax and NNDR adjustments	1,009	(9,264)
Total included elsewhere on Cash Flow Statement	**111,172**	**89,131**
Net cash flows from operating activities	**(41,016)**	**28,598**

Interest received, interest paid and dividends received

	2025/26 £'000	2024/25 £'000
Interest paid	(22,669)	(15,856)
Interest received	3,185	3,094
Dividend received	-	1,000

24. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2025/26 £'000	2024/25 £'000
Cash Outflows		
Purchase of property, plant and equipment, investment property and intangible assets	238,152	241,221
Purchase of short and long term investments	5,769	981
Other payments for investing activities	-	-
	243,921	**242,202**
Cash Inflows		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(25,007)	(21,073)
Proceeds from short and long term investments	(405)	(384)
Capital grants received	(85,156)	(77,322)
Other receipts from investing activities	-	-
	(110,568)	**(98,779)**
Net cash flows from investing activities	**133,353**	**143,423**

25. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2025/26 £'000	2024/25 £'000
Cash Outflows		
Repayments of amounts borrowed	214,266	136,396
Capital element of finance lease rental and on-balance sheet PFI payments	1,097	1,023
Cash Inflows		
New borrowing taken	(354,000)	(298,000)
Billing Authorities - Council Tax and NNDR adjustments	(1,009)	9,264
Net cash flows from financing activities	**(139,646)**	**(151,317)**

Reconciliation of Liabilities arising from Financing Activities

	Opening Balance 1st April 2025	Financing Cash Flows	Changes which are not financing cash flows		Balance 31 March 2026
			Acquisition	Other non-financing cash flows	
	£'000	£'000	£'000	£'000	£'000
Short Term Borrowing	(123,988)	64,268	-	(130,587)	**(190,307)**
Long Term Borrowing	(387,785)	(204,000)	-	128,676	**(463,109)**
Short Term Leases	(957)	1,097	-	(1,243)	**(1,103)**
Deferred Liabilities Leases	(4,778)	-	(3,563)	1,243	**(7,098)**
Council Tax and NNDR Adjustments	1,010	(1,010)	-	-	**-**
Total	**(516,498)**	**(139,646)**	**(3,563)**	**(1,911)**	**(661,617)**

	Balance 1st April 2024	Financing Cash Flows	Changes which are not financing cash flows		Balance 31 March 2025
			Acquisition	Other non-financing cash flows	
	£'000	£'000	£'000	£'000	£'000
Short Term Borrowing	(102,797)	13,396	(37,181)	2,594	**(123,988)**
Long Term Borrowing	(246,273)	(175,000)	-	33,488	**(387,785)**
Short Term Lease & PFI	(590)	590	(957)	-	**(957)**
Deferred Liabilities Lease & PFI	(4,934)	433	(1,234)	957	**(4,778)**
Council Tax and NNDR Adjustments	(8,254)	9,264	-	-	**1,010**
Total	**(362,848)**	**(151,317)**	**(39,372)**	**37,039**	**(516,498)**

26. EXTERNAL AUDIT COSTS

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

	2025/26 £'000	2024/25 £'000
Fees payable in regard to external audit services carried out by the appointed auditor	446	434
External audit services fee variation	248	104
Fees payable for the certification of grant claims and returns:		
Housing Benefit Subsidy	105	112
Teachers Pension	13	13
Capital Receipts Pooling	10	10
Total External Audit costs	**822**	**673**

In 2025/26 the external auditor for the Statement of Accounts is Ernst and Young (EY). The fee of £446k is the base fee scale for the 2025/26 audit published by the Public Sector Audit Appointments (PSAA). The proposed fee variation of £248k relates to additional work required for the audit of the 2024/25 accounts and has been submitted to the PSAA for review.

EY are also the external reporting accountant for the Housing Benefit subsidy assurance process up to the financial year 2023/24 and the fee of £105k is the estimated fee charged in 2025/26 for the 2023/24 subsidy audit being undertaken this year, final fee to be confirmed. Grant Thornton are reporting accountants for the Teachers Pension and capital receipts pooling certifications. The fees paid in 2025/26 relate to work carried out this year in respect of the 2024/25 certifications.

Notes to the Main Financial Statements

27. PARKING REVENUE ACCOUNT

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

	2025/26 £'000	2024/25 £'000
Income	(9,827)	(8,697)
Expenditure	5,143	4,914
(Surplus)/ Deficit	**(4,684)**	**(3,783)**
Allocation of Income from COVID-19 Funding	-	-
Allocation of income from EMR	-	-
Contribution to transport services	4,684	3,783
Total (Surplus)/ Deficit	**-**	**-**

28. MEMBER ALLOWANCES

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

	2025/26 £'000	2024/25 £'000
Salaries & Allowances	1,280	1,272
Total	**1,280**	**1,272**

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

29. POOLED BUDGETS

Better Care Fund Pooled Budget

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

The Council and the ICB are required to enter into an agreement under section 75 of the National Health Service Act, 2006 to give legal effect to the financial and partnership arrangements within the plan. The Authority and NWLICB have defined within the Section 75 agreement confirmed funding levels required to operate these services, and they are reviewed on an annual basis as directed under national planning requirements. Some schemes are demand led and partners make relevant contributions depending on the type of services being accessed. There is a compulsory contribution that each party must contribute but additional funds can also be pooled. In 2025-26 £31,461k additional contributions (£58,483k in 2024-25) were added to the Pooled Budget.

The focus of Hillingdon's 2025/26 Better Care Fund plan is improving care outcomes for older people, adults of working age living with long-term conditions and unpaid carers of all ages. The focus of the plan is on prevention and early intervention rather than crisis management. Key outcomes include, for example, a reduction in admissions to hospital that are avoidable and also a reduction in permanent admissions to care homes for people aged 65 and above. Another intended outcome is a reduction in the time our residents spend in hospital once they are medically fit to return home.
All parties to the better care fund pooled budget agreement have joint control. The better care fund pooled budget is a joint arrangement solely for the purpose of working together, with no single body having power of control over the other parties to the agreement. Each partner then accounts for its share of income, expenditure, assets liabilities and cash flows in line with the agreement.

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

	2025/26			2024/25		
	NWL ICB £'000	LB Hillingdon £'000	Total £'000	NWL ICB £'000	LB Hillingdon £'000	Total £'000
BCF Grant	24,554	-	24,554	24,164	-	24,164
DFG Allocations	-	6,788	6,788	-	6,342	6,342
iBCF	-	7,468	7,468	-	7,468	7,468
Discharge Fund	2,591	1,745	4,336	2,591	1,745	4,336
Voluntary Contributions	2,286	29,175	31,461	3,097	55,386	58,483
	29,431	**45,176**	**74,607**	**29,852**	**70,940**	**100,792**

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

	2025/26			2024/25		
	NWL ICB £'000	LB Hillingdon £'000	Total £'000	NWL ICB £'000	LB Hillingdon £'000	Total £'000
BCF Grant	15,397	9,157	24,554	15,352	8,812	24,164
DFG Allocations	-	6,788	6,788	-	6,342	6,342
iBCF	-	7,468	7,468	-	7,468	7,468
Discharge Fund	2,591	1,745	4,336	2,591	1,745	4,336
Voluntary Contributions	2,286	29,175	31,461	3,097	55,386	58,483
	20,274	**54,333**	**74,607**	**21,040**	**79,752**	**100,792**

30. RELATED PARTY TRANSACTIONS

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

Central Government

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in note 34.

London Housing Consortium

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

West London Waste Authority

West London Waste Authority is a statutory waste disposal authority created in 1986 with membership of the London Borough of Hillingdon and five other London Boroughs. It is primarily funded by a levy paid by each of the six participating councils. The amount contributed for 2025/26 is included under the heading Precepts and Levies below.

Hillingdon First Limited

The Council has set up a 100% wholly owned subsidiary named Hillingdon First Limited (HFL), to provide affordable housing to residents of Hillingdon and contribute towards local regeneration. As part of the agreement the Council has committed to lend up to £35m to HFL. Any loan advance is subject to the Capital Release process and each project undergoes democratic approval. The Council has invested £3.37m as equity shares in Hillingdon First Limited (HFL). Shares in HFL are not publicly traded so a market share is not readily available thus the fair value of the company has been independently determined to be £1.209m as at 31st March 2026 (£2.597m as at 31st March 2025) on the basis of future cash flows, business plan and the company's own accounts.

The Hillingdon Care Company (THCC)

The Council has set up a Special Purpose Vehicle (SPV) called The Hillingdon Care Company (THCC) to run and manage The Burroughs Care Home acquisition was completed in August 2025 for a total sum of £5,750k (including a 10% deposit of £575k paid in 2024/25). THCC was incorporated with Companies House on 23 January 2025 and became operational during 2025/26. A loan agreement between the Council and THCC was signed in 2025/26 comprising a secured 40 year annuity loan of £6,000k to THCC to fund the acquisition (£5,750k) and working capital (£250k) for The Burroughs Care Home. In addition the Council invested £830k share capital in THCC in 2025/26.

The Pension Fund

The London Borough of Hillingdon Pension Fund is considered a related party. The employer's contribution to the Pension Fund in 2025/26 was £38,801k (£34,292k in 2024/25). The Council also recharged the Pension Fund £528k for staffing and overhead apportionment costs in 2025/26 (£507k in 2024/25). A precept of £307k was paid to the London Pension Fund Authority in 2025/26 (£349k in 2024/25).

Notes to the Main Financial Statements

Members and Chief Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2025/26 is shown in note 28.

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

2025/26		
Organisation	**Name**	**Payments made as at 31st March 2026 (£)**
London Council	Councillor Ekta Gohil	180,047
BELL FARM CHRISTIAN CENTRE	Councillor Stuart Mathers	38,084
HILLINGDON CITIZENS ADVICE BUREAU	Councillor Tony Burles	81,250
OUR PARKS	Councillor Richard Mills	11,770
FASSNIDGE MEMORIAL TRUST	Councillor Adam Bennett Councillor Reeta Chamdal Councillor Kamal Kaur Councillor Kelly Martin	21,468

2024/25		
Organisation	**Name**	**Payments made as at 31st March 2025 (£)**
London Councils	Councillor Jonathan Bianco, Councillor Ian Edwards, Councillor Martin Goddard, Councillor Eddie Lavery, Councillor Douglas Mills, Councillor Susan O'Brien, Councillor Jane Palmer, Councillor Ekta Gohil	497,089
Uxbridge Business Improvement District Ltd	Councillor Eddie Lavery	396,301
His Majesty's Prison And Probation Service	Councillor Jas Dhot	461,695
Bell Farm Christian Centre	Councillor Stuart Mathers	102,900
Local Government Association	Councillor Jonathan Bianco	63,492
Harlington Hospice Association	Councillor Kuldeep Lakhmana	26,000
Hillingdon Citizens Advice Bureau	Councillor Tony Burles	336,250
Our Parks	Councillor Richard Mills	24,944
Yiewsley Baptist Church	Councillor Stuart Mathers	24,166

Precepts/Levies

The following precepts and levies are considered related party transactions:

	2025/26 £'000	2024/25 £'000
Business Rate Retention - MHCLG	137,321	127,528
Business Rate Retention - GLA	153,966	142,985
Greater London Authority Precept	51,697	49,340
Greater London Authority Crossrail	12,637	11,951
West London Waste Authority Levy	14,225	13,794
TFL Concessionary Fares	8,056	7,230
Lee Valley Regional Park Authority	275	270
Environment Agency	252	249

31. OFFICER EMOLUMENTS

The number of employees in 2025/26 whose remuneration, excluding pension contributions, was £50k or more, are detailed below in bands of £5k. The bandings only include the remuneration of senior employees that have not been disclosed separately. The number of employees included in the totals that exceeded the £50k threshold due to lump sum termination payments are indicated in brackets. These employees left the employment of the Council during the financial year.

	LBH EMPLOYEES				SCHOOL EMPLOYEES			
	2025/26		2024/25		2025/26		2024/25	
Remuneration Band	Total	Due to Lump Sum	Total	Due to Lump Sum	Total	Due to Lump Sum	Total	Due to Lump Sum
£50,000 - £54,999	168	(2)	180	-	150	-	140	-
£55,000 - £59,999	127	(2)	123	-	103	-	85	-
£60,000 - £64,999	88	-	94	-	79	-	64	-
£65,000 - £69,999	51	(1)	48	(1)	63	-	31	-
£70,000 - £74,999	45	(1)	30	(1)	22	-	26	-
£75,000 - £79,999	12	-	14	(1)	23	-	17	-
£80,000 - £84,999	13	-	15	-	12	-	17	-
£85,000 - £89,999	11	(1)	6	-	20	-	18	(1)
£90,000 - £94,999	10	-	8	-	13	-	7	-
£95,000 - £99,999	6	-	6	-	7	-	4	(1)
£100,000 - £104,999	4	(1)	3	(1)	3	-	5	-
£105,000 - £109,999	2	-	4	-	3	-	1	-
£110,000 - £114,999	3	-	5	(1)	1	-	3	-
£115,000 - £119,999	3	-	2	-	2	-	1	-
£120,000 - £124,999	1	-	2	-	1	-	1	-
£125,000 - £129,999	3	-	-	-	1	-	-	-
£130,000 - £134,999	-	-	-	-	-	-	1	-
£135,000 - £139,999	2	(1)	-	-	-	-	1	-
£140,000 - £144,999	-	-	-	-	1	-	-	-
	549	**(9)**	**540**	**(5)**	**504**	**-**	**422**	**(2)**

Disclosure of Remuneration for Senior Employees (Schools): -

Details of school employees in the above table earning over £100,000 during 2025/26 is listed below.

Job Title	Pensionable Pay 2025/26	Pensionable Pay 2024/25	Due to Lump Sum
Headteacher - Harlington School	£121,477	£115,634	No
Deputy Headteacher - Harlington School	£100,575	Below £100,000	No
Headteacher - Deansfield Primary School	£127,382	£121,437	No
Headteacher - Oak Farm Primary School	£104,760	Below £100,000	No
Headteacher - Coleman Manor Primary School	£108,011	£102,214	No
Headteacher - Oak Wood School	£142,687	£131,812	No
Associate Headteacher -Oak Wood School	£106,436	Below £100,000	No
Headteacher - Botwell House Catholic Primary School	£118,213	£113,261	No
Headteacher - Bishop Winnington-Ingram CofE Primary Schoo	£110,015	£102,854	No
Headteacher - Lady Bankes Primary School	£115,622	£110,318	No
Headteacher - Highfield Primary School	£105,496	£100,775	No
Headteacher - Glebe Primary	£102,971	Below £100,000	No

Notes to the Main Financial Statements

Disclosure of Remuneration for Senior Employees (LBH): -

The following disclosure sets out remuneration for staff included in tiers 1 and 2 of the Council's management structure for 2025/26.

Group	Job Title		2025/26			
			Contracted Salary	Compensation for loss of employment	EER's pension Contributions	Total
	Chief Executive (T Zaman)		£231,950	-	£56,465	£288,415
	Corporate Director of Central Services (D Kennedy)		£184,260	-	44,855	£229,115
	Corporate Director of Children’s Services (J Kelly)		£183,520	-	£43,460	£226,980
	Corporate Director of Adult Social Care and Health (S Taylor)		£164,750	-	40,106	£204,856
	Chief Operating Officer (M Wallbridge)		£166,917	-	£40,633	£207,550
	Corporate Director of Place (K Whelan)		£174,530	-	£30,512	£205,042
Starters						
	Corporate Director of Finance (S Muldoon)	1	£89,149	-	£21,702	£110,851
	Corporate Director of Legal (DToohey)	2	£49,268	-	£11,874	£61,141
Leaver	Corporate Director of Finance (R Ennis)	3	£12,650	70,150	£0	82,800

1 Employment started 01/09/2025

2 Employment started 01/12/2025

3 Employment Ended 15/04/2025 - Interim appointment paid through an agency

Notes to the Main Financial Statements

The following disclosure sets out remuneration for staff included in tiers 1 and 2 of the Council's management structure for 2024/25.

			2024/25			
Group	**Job Title**		**Contracted Salary**	**Compensation for loss of employment**	**EER's pension Contributions**	**Total**
	Chief Executive (T Zaman)		£227,103	-	£54,732	£281,835
	Corporate Director of Finance (R Ennis)	1	£209,875	-	-	£209,875
	Corporate Director of Central Services (D Kennedy)		£180,349	-	£43,464	£223,813
	Corporate Director of Children's Services (J Kelly)		£176,106	-	-	£176,106
	Corporate Director of Adult Social Care and Health (S Taylor)		£159,132	-	£38,351	£197,483
	Corporate Director of Place (K Whelan)	2	£149,056	-	£35,922	£184,978
	Chief Operating Officer (M Wallbridge)		£159,132	-	£38,351	£197,483
Leavers	Corporate Director of Finance (A Evans)	3	£63,741	£84,870	£13,636	£162,247

1. Employment started 29/07/2024 - Interim appointment paid through an Agency
2. Employment started 10/06/2024
3. Employment ended 31/07/2024

32. EXIT PACKAGES

The number of exit packages that have been agreed by the Council during the year are listed below. These packages include redundancy costs, pension strain costs, ex gratia payments and other departure costs. The Council does not award added years pension contributions, but pension strain is incurred where a pension is taken early without actuarial reduction and is a cost to the Council, not a direct payment to the employee. Exit packages for senior employees are disclosed in the remuneration of senior employees (note 31 above).

Exit package costs by banding which include special payments and pension strain costs of £594k including school employees.

	LBH EMPLOYEES					
Cost Band	2025/26 No. of LBH Employees with Exit Packages Number	Number of Compulsory Redundancies Number	Number of Other Departures Agreed Number	Total Exit Payments to Employees £'000	Pension Strain Costs £'000	Total Exit Package Cost £'000
£0 - £20,000	17	15	2	151	-	**151**
£20,001 - £40,000	10	9	1	185	92	**277**
£40,001 - £60,000	2	2	-	20	91	**111**
£60,001 - £80,000	2	2	-	45	90	**135**
£80,001 - £100,000	-	-	-	-	-	**-**
£100,001 - £150,000	-	-	-	-	-	**-**
Over £150,000	1	1	-	-	167	**167**
	32	**29**	**3**	**402**	**439**	**841**

	LBH EMPLOYEES					
Cost Band	2024/25 No. of LBH Employees with Exit Packages Number	Number of Compulsory Redundancies Number	Number of Other Departures Agreed Number	Total Exit Payments to Employees £'000	Pension Strain Costs £'000	Total Exit Package Cost £'000
£0 - £20,000	21	17	4	179	31	**210**
£20,001 - £40,000	2	2	-	56	-	**56**
£40,001 - £60,000	4	3	1	101	62	**163**
£60,001 - £80,000	3	3	-	47	120	**167**
£80,001 - £100,000	2	1	1	104	75	**179**
£100,001 - £150,000	1	1	-	48	83	**131**
Over £150,000	-	-	-	-	-	**-**
	33	**27**	**6**	**535**	**372**	**907**

	SCHOOL EMPLOYEES					
Cost Band	2025/26 No. of Schools Employees with Exit Packages Number	Number of Compulsory Redundancies Number	Number of Other Departures Agreed Number	Total Exit Payments to Employees £'000	Pension Strain Costs £'000	Total Exit Package Cost £'000
£0 - £20,000	9	1	8	81	130	**212**
£20,001 - £40,000	2	-	2	29	25	**54**
	11	**1**	**10**	**110**	**155**	**265**

	SCHOOL EMPLOYEES					
Cost Band	2024/25 No. of Schools Employees with Exit Packages Number	Number of Compulsory Redundancies Number	Number of Other Departures Agreed Number	Total Exit Payments to Employees £'000	Pension Strain Costs £'000	Total Exit Package Cost £'000
£20,000-£40,000	-	-	-	-	-	**-**
£40,001 - £60,000	1	-	1	51	-	**51**
	1	**-**	**1**	**51**	**-**	**51**

33. DEDICATED SCHOOLS GRANT

As at 31 March 2020 the Council held a negative Dedicated Schools Grant balance of £15.0m within the Earmarked Reserves, which has increased to £75.8m as at 31 March 2026. In November 2020 a statutory instrument came into effect amending the Local Authority (Capital Finance and Accounting) Regulations (2003 Regulations) by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits. This relates to deficits in local authority accounts from 1st April 2020 onwards. The Council must now not charge the deficit to a revenue account but instead record any such deficit in an account established solely for recording schools' deficits. The new account is the Dedicated Schools Grant Adjustment Account and sits within Unusable Reserves. The new practice has the effect of splitting schools budget deficits from the General Fund into a new dedicated ring-fenced reserve.

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

Details of the deployment of the DSG receivable for 2025/26 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2025/26 before academy and high needs recoupment			426,539
Academy and high needs figure recouped for 2025/26			(199,173)
Total DSG after academy recoupment for 2025/26			**227,366**
Plus Brought-forward from 2024/25			-
Less Carry-forward to 2025/26 agreed in advance			-
Agreed initial budgeted distribution in 2025/26	59,951	167,415	227,366
In year adjustments	-	408	408
Final budgeted distribution for 2025/26	**59,951**	**167,823**	**227,774**
Less actual central expenditure	69,651		69,651
Less actual ISB deployed to schools		168,010	168,010
Absorbed by Local Authority 2025/26			-
In-year carry-forward to 2026/27	(9,700)	(187)	(9,887)
Carry-forward to 2026/27			
DSG unusable reserve at the end of 2024/25			(65,895)
Addition to DSG unusable reserve at the end of 2025/26			(9,887)
Total of DSG unusable reserve at the end of 2025/26			(75,782)
Net DSG position at the end of 2025/26			**(75,782)**

34. GRANT INCOME

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

REVENUE GRANT INCOME

	2025/26 £'000	2024/25 £'000
Revenue Grant Income Credited to Taxation and Non Specific Grant Income		
Section 31 Business Rates Grants	18,239	17,347
Revenue Support Grant	8,893	8,660
Services Grant	-	343
New Homes Bonus	86	541
Housing Benefit Administration Subsidy	955	1,026
Council Tax Support Hardship Award	-	9
Lower Tier Services Grant	396	396
UK Shared Prosperity Fund	30	279
Local Reform & Community Voices Grant	-	163
Total Non-Specific Revenue Grants	**28,599**	**28,764**

Notes to the Main Financial Statements

Revenue Grant Income Credited to Services	2025/26 £'000	2024/25 £'000
Department for Education		
Adoption and Special Guardianship Support Fund	72	63
Adult & Community Learning	2,087	2,026
Aim Higher	-	9
Best Start in Life	158	-
Children's Social Care Grant	993	-
Core Schools Budget Grant	-	109
Dedicated Schools Grant	225,508	199,951
Early Years Expansion	690	-
General Education Grants	5,009	3,913
Pay & Pension Grants	3,491	5,092
Early Years Entitlement and Wraparound Care Programme	-	550
Holiday Activities & Food Grant	1,094	1,106
PE & Sports Grant	803	874
Private Finance Initiative	-	1,112
Pupil Premium	6,688	6,566
School Improvement Monitoring & Brokering Grant	-	63
Section 31 Extended Personal Adviser Duty Implementation	144	398
Serious Youth Violence	-	10
Sixth Form & Adult Learning Grants	2,868	2,668
Staying Close	947	811
Staying Put Implementation	933	933
Universal Infant Free School Meals	2,523	2,502
Ministry of Housing, Communities and Local Government		
Homelessness Prevention Grant	6,130	3,522
Rough Sleeping Initiative	2,796	2,640
Asylum Dispersal Grant	3,430	2,363
Employer National Insurance Contributions	1,998	-
Homes for Ukraine	1,665	1,238
Troubled Families Grant	1,297	1,297
Criminal Justice Grant	1,290	1,261
Business Rates Cost of Collection Allowances	563	561
Redmond Review	160	50
COVID-19 Reopening the High Street Safely	5	10
UK Shared Prosperity Fund	794	1,359
Department for Environment, Food & Rural Affairs		
Air Quality	25	-
Extended Producer Responsibility	4,491	-
Food Waste Collections	109	-
Department of Health & Social Care		
Public Health Grant	-	19,914
Adult Social Care Support Grant	24,990	20,578
Better Care Fund	9,226	9,125
Improved Better Care Fund	7,468	7,468
Adult Social Care Discharge	1,745	1,745
Market Sustainability & Fair Cost of Care	4,555	4,555
Skills for Care	39	204
Substance Misuse Treatment and Recovery	110	-
Arts Council		
Music Education Hub	-	448
Department for Work and Pensions:		
Housing Benefit Subsidy	61,467	76,138
COVID-19 Winter Grant Scheme	3,647	4,139
Discretionary Housing Payments	665	664
Parenting Apart Programme	38	-
Home Office		
Chagossian British Citizens Fund	772	-
Funding for Unaccompanied Asylum Seeking Children	6,831	7,430
GLA		
MOPAC Grant	1,406	822
GLA Home Building Capacity Fund	83	-
Other		
Other Grants	23,620	2,754
Other Contributions	31,065	31,974
Total Grants Credited to Services	**456,488**	**431,015**
Total Revenue Grant Income	**485,087**	**459,779**

Notes to the Main Financial Statements

CAPITAL GRANT INCOME

	2025/26 £'000	2024/25 £'000
Capital Grant Income credited to the Comprehensive Income and Expenditure Statement		
Disabled Facilities Grant	6,788	6,342
Department for Education	5,486	14,466
Department for Energy Security and Net Zero	-	7,480
HS2	1,832	631
Greater London Authority	61,355	35,552
Ministry of Housing, Communities and Local Government	-	4,319
Transport for London	1,608	1,768
Department of Environment Food and Rural Affairs	94	-
Total Capital Grant Income	**77,163**	**70,558**
Schools Capital Contributions	1,074	1,892
Department for Transport	-	638
S106 Contributions	2,929	2,999
Community Infrastructure Levy	2,695	694
National Highways	1,154	5
Lawn Tennis Association	-	107
Sports England	-	418
Other Capital Contributions	141	11
Total Capital Grants and Contributions Received	**85,156**	**77,322**

Of the capital grant income applied to the Comprehensive Income and Expenditure account within Taxation and Non-Specific Grant income, £83,106k was used to fund the Capital Programme and £2,051k was transferred to the Capital Grants Unapplied Reserve for future use.

GRANTS RECEIVED IN ADVANCE

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the awarding body should condition for use fail to be met. The balances at the year-end are as follows:

	2025/26 £'000	2024/25 £'000
Capital Grant & Contribution Receipts in Advance		
Department for Education & Other Capital Grants and contributions	20,718	16,353
Housing Capital Grants including Green initiatives	62,664	17,214
S106	25,222	27,185
Total Capital Grant & Contribution Receipts in Advance	**108,604**	**60,752**

	2025/26 £'000	2024/25 £'000
Revenue Grant Receipts in Advance		
Home Office - Relocation & Assistance Scheme	1,939	1,571
MHCLG - Homes for Ukraine Scheme	997	1,850
Department for Education grants	736	1,008
Other	2,157	1,841
Total Revenue Grants Receipts in Advance	**5,829**	**6,270**

35. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2025/26 £'000	2024/25 £'000
Opening Capital Financing Requirement	**586,938**	**462,426**
Exceptional Financial Support	83,000	-
Capital investment		
Property, Plant and Equipment	223,589	230,422
Infrastructure Assets	15,915	12,423
Intangible Assets	1,470	2,132
Heritage Assets	28	87
Revenue Expenditure Funded from Capital under Statute	5,231	17,444
THCC care home acquisition and share capital	6,255	575
Leases:		
Right of Use Assets	3,326	1,020
Sources of finance		
Capital receipts	(27,309)	(27,824)
Government grants and other contributions	(92,212)	(66,146)
Sums set aside from revenue:		
Direct revenue contributions	(28,154)	(26,866)
Minimum Revenue Provision (MRP) / loans fund principal	(16,009)	(17,551)
Other Revenue Provision	(1,097)	(1,204)
Closing Capital Financing Requirement	**760,971**	**586,938**
Explanation of movements in year		
Increase/(Decrease) in underlying need to borrow :		
- unsupported by Government financial assistance	174,033	124,512
Increase/(Decrease) in Capital Financing Requirement	**174,033**	**124,512**

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

36. LEASES

Council as Lessee

From 1 April 2024, IFRS 16 Leases (as adopted by the CIPFA Code of Practice on Local Authority Accounting) requires that the rights to use items acquired under all leases are recognised as assets on the Balance Sheet, together with a liability for the payments to be made for the acquisition.

Right of Use Assets

The table below shows the change in the value of right-of-use assets held under leases by the authority:

	Land and Buildings	Vehicles Plant and Equipment	Total
	£000s	£000s	**£000s**
Balance at 1 April 2025	**4,970**	**433**	**5,403**
Additions	2,694	258	**2,952**
Remeasurements	251	144	**395**
Depreciation and Amortisation	(879)	(352)	**(1,231)**
Disposals	-	(14)	**(14)**
Balance at 31 March 2026	**7,036**	**469**	**7,505**

The balance of £7,505k as at 31 March 2026 is categorised as Right of Use assets on the Balance Sheet.

The Council's lease contracts comprise leases of operational land and buildings, plant and equipment and motor vehicles. Most are individually immaterial; however material leases include temporary accommodation leases at three sites to provide accommodation for homeless households. These comprise:

- four leases for up to 10 years for the use of 25 residential units of self-contained temporary accommodation at Great Central House, South Ruislip. Rents are fixed at £516k per annum in total for five years, rising to £620k per annum from 9th February 2029. This is reflected in the lease liability calculation.

- two leases for 17 flats in total at 163 Yiewsley High Street at a fixed total payment of £197k per annum. The existing lease arrangement was extended to May 2026.

- in April 2024 seven leases commenced for 10 years for the use of seven self-contained homes for temporary accommodation in Longford, for homeless households. A further 17 leases of 10-year duration were added during 2025/26 resulting in additions to Right of Use assets and associated lease liabilities of £2,631k.

Lease Liabilities Outstanding

Lease payments in respect of Right of Use Assets are apportioned between:

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

Lease liabilities recognised on the Balance Sheet exclude amounts for leases of low value items (below £10k) and short term leases that will or are expected to expire within one year from commencement.

Transactions under leases

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

Comprehensive income and expenditure statement	2025/26 £'000	2024/25 £'000
Interest expense on lease liabilities	288	279
Expense relating to short term leases	688	123
Expense relating to exempt leases of low value items	814	831
Cash flow statement		
Cash outflow on leases	1,023	1,023

Maturity Analysis of Lease Liabilities and Receivables

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments

	Lease liabilities				Lease receivables			
	2025/26		2024/25		2025/26		2024/25	
Maturity analysis	Gross Undiscounted	Principal	Gross Undiscounted	Principal	Gross Undiscounted	Principal	Gross Undiscounted	Principal
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Within one year	1,451	1,103	1,204	957	180	169	75	65
1 to 2 years	1,281	982	771	569	164	158	75	68
2 to 5 years	3,437	2,735	2,125	1,629	137	135	96	92
5 to 10 years	3,688	3,381	2,824	2,580	-	-	-	-
10 to 20 years	-	-			-	-	-	-
20 to 40 years	-	-			-	-	-	-
Over 40 years	-	-			-	-	-	-
Total	**9,857**	**8,201**	**6,924**	**5,735**	**481**	**462**	**246**	**225**

Lease liabilities of £1,103k within one year are included in Short Term Creditors within the Balance Sheet and the lease liabilities totalling £7,098k greater than one year are included as Deferred Liabilities within the Balance Sheet.

Lease liabilities and lease receivables include matching liabilities and receivables of £462k in respect of the employee car lease scheme, where costs are fully recovered from the staff via salary sacrifice off payroll.

Short Term or Low Value Leases - Lessee - Outstanding Obligations on 31 March 2026

Where leases are for items of low value, or the lease term is less than 12 months from commencement, amounts paid under the lease are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased item. For this purpose, items with a value of less than £10k when new are considered low value.

	2025/26 £'000	2024/25 £'000
Within 1 year	729	783
2 - 5 years	89	730
Total future lease payments	**818**	**1,513**

Low value items operating lease obligations include commitments held by Hillingdon maintained schools as well as those held by the Council.

Council as Lessor

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

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

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

Lease Receivables	2025/26 £'000	2024/25 £'000
Within 1 year	730	762
2 - 5 years	2,306	2,329
More than 5 years	6,880	7,305
Total future lease payments receivable	**9,916**	**10,396**

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

Transactions under leases

The authority made the following gains and losses as a lessor during the year:

	2025/26 £'000	2024/25 £'000
Lease income	1,197	1,034

37. LONG TERM CONTRACTS AND PRIVATE FINANCE INITIATIVE

Private Finance Initiative (PFI)

In December 1998 the Council entered into a 25 year contract with a private sector partner, Jarvis (Barnhill) Limited, to build and provide facilities management at Barnhill Community High School under a private finance initiative (PFI) arrangement. The PFI at ended during September 2024 and so there is no liability from 2025/26.

38. CONTINGENT LIABILITIES AND ASSETS

Contingent Assets

The High Needs Stability Grant forms a key part of the Government's ongoing response to sustained pressures within the high needs (SEND) funding system, providing targeted support to local authorities with significant Dedicated Schools Grant (DSG) deficits while reinforcing expectations around financial sustainability and service reform. As part of this process, the Council was required to submit a local SEND Reform Plan.

Dependent on approval of the SEND Reform Plan by the Department for Education, the authority expects to receive approximately £69.6 million in High Needs Stability Grant funding in 2026/27. This funding is critical in reducing the cumulative DSG deficit, which stands at £75.8 million as at 31 March 2026. Payment of the grant is anticipated in Autumn 2026, providing important in-year financial support. The Department for Education has not yet confirmed what funding arrangements or additional support will be in place for the 2026/27 and 2027/28 financial years, creating a degree of uncertainty for medium-term financial planning.

Contingent Liabilities

In 2025/26 the Council settled a claim that was undergoing legal proceedings and was previously reported under contingent liabilities. One new employment related claim for £200k has arisen during the year. These claims are unrelated to each other.

The Council has around 130 special educational needs and disabilities (SEND) tribunals occurring up to October 2027. This is an independent national tribunal that decides appeals against local authority decisions about the special educational needs of children and young people. The outcome of the tribunals are highly uncertain, however this presents a significant financial risk to the high needs block within the DSG.

39. EVENTS AFTER THE BALANCE SHEET DATE

Events taking place after the 31st March 2026 are not reflected in the financial statements or notes, unless they are of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions. Where events taking place before this date provided information about conditions existing at 31 March 2026, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events to report after the Balance Sheet date that deem adjustment in the figures reported in the accounts. However, the Council was issued a Best Value Notice by the Ministry of Housing, Communities and Local Government on 15 July 2026 for which further details have been disclosed in the Narrative Statement and Annual Governance Statement.

40. AGENCY

Collection of Mayoral CIL

The Community Infrastructure Levy (CIL) is a planning charge, introduced by the Planning Act 2008, as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. Following this, the Mayoral CIL (MCIL) was introduced to assist in financing Crossrail. The MCIL Levy was ratified on 29 February 2012 and applies to developments agreed after 1 April 2012. The levy is charged on most developments in Central London and is charged at £35 per square metre (MCIL1) or £60 per square metre (MCIL2) in Zone 2. Local planning authorities are responsible for collecting Mayoral CIL payments on behalf of the Mayor. The local planning authority is able to retain 4% of the levy to cover the costs of administration and collection. Contributions of £1,967k have been received in 2025/26 and £1,965k has been paid over to the charging authority (Transport for London) with £82k retained by the Council to cover administrative expenses.

41. SUMMARY OF TREASURY MANAGEMENT POLICY

The Council defines its treasury management activities as:

“The management of the Council’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

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

The Council's underlying need to borrow for capital purposes is measured by reference to the Capital Financing Requirement which represents the cumulative capital expenditure of the Council that has not been financed from internal resources.
The Council’s borrowing will be affordable, sustainable, and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

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

42. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial Instruments - Risks

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

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

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

The main risks covered are:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Credit Risk: Treasury

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

Credit Rating Definitions

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

Notes to the Main Financial Statements

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

	31 March 2026				31 March 2025			
	Rating at 31 March 2026*	Long Term £'000	Short Term £'000	Expected Loss £'000	Rating at 31 March 2025*	Long Term £'000	Short Term £'000	Expected Loss £'000
Credit Risk Exposures								
UK Banks:								
- Barclays Current Accounts	A+	-	1,280	-	A+	-	1,586	-
- Handelsbanken Current Account	AA	-	-	-	AA-	-	-	-
- HSBC Current Accounts	AA-	-	18	-	A+	-	(9)	-
- Lloyds Current Accounts	AA-	-	9,892	-	A+	-	8,978	-
- Lloyds Short-Term Deposit	AA-	-	651	-	A+	-	1,043	-
- NatWest Current Accounts	AA-	-	(2,265)	-	A	-	294	-
- Santander Current Accounts	A+	-	-	-	A	-	-	-
- PrePaid Financial	Unrated	-	1,360	-	Unrated	-	1,039	-
Sub Total		**-**	**10,936**	**-**		**-**	**12,930**	**-**
Investments where credit loss is not applicable								
Government & Local Authority Investments:								
- DMADF	AA-	-	63,215	N/A	AA-	-	14,302	N/A
- Cornwall Council	A+	-	-	N/A	A+	-	-	N/A
Money Market Funds	AAA**	-	-	N/A	AAA**	-	-	N/A
Pooled Funds (Long-Term)	Unrated	12	-	N/A	Unrated	13	-	N/A
Strategic Pooled Funds	Unrated	13,943	-	N/A	Unrated	13,921	-	N/A
Shares in Listed Companies (Long-Term)	Unrated	48	-	N/A	Unrated	37	-	N/A
Hillingdon First Limited	Unrated	1,209	-	N/A	Unrated	2,597	-	N/A
The Hillingdon Care Company	Unrated	6,668	20	N/A		-	-	-
Cash Held By Council	N/A	-	14	N/A	N/A	-	17	N/A
Sub Total		**21,879**	**63,249**	**-**		**16,569**	**14,319**	**-**
Soft Loan		1,452	-	(8)		1,373	-	(6)
Trade Receivables - Simplified Approach	N/A	4	69,965	(19,336)	N/A	4	59,366	(18,474)
Lease Receivables		293	169	-		-	-	-
Sub Total		**1,749**	**70,134**	**(19,344)**		**1,376**	**59,366**	**(18,480)**
Total		**23,628**	**144,319**	**(19,344)**		**17,945**	**86,615**	**(18,480)**

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

Notes to the Main Financial Statements

Loss Allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies. Loss allowances as at 31 March 2026 and 31 March 2025 have been calculated on treasury investments held at amortised cost but are immaterial and therefore no impairments have been made.

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

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

Borrowing

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

	31 March 2026				31 March 2025			
	PWLB £'000	Market £'000	Temporary Local Authorities £'000	Total £'000	PWLB £'000	Market £'000	Temporary Local Authorities £'000	Total £'000
Nominal Value	544,506	38,000	75,000	**657,506**	377,480	48,000	92,000	**517,480**
Premium	(9,275)			**(9,275)**	(9,346)	-	-	**(9,346)**
Accrued Interest	3,638	515	1,031	**5,184**	2,051	607	981	**3,639**
Amortised Value	**538,869**	**38,515**	**76,031**	**653,416**	**370,185**	**48,607**	**92,981**	**511,773**

Liquidity Risk

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

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

		31 March 2026			31 March 2025		
	Limit for Debt Maturity	Actual % Debt Maturity	Principal Repayment £'000	Principal and Interest Repayments £'000	Actual % Debt Maturity	Principal Repayment £'000	Principal and Interest Repayments £'000
Less than 1 year	50%	29.1%	190,307	215,315	24.2%	123,988	142,945
Between 1 and less than 2 years	50%	9.2%	60,122	78,253	22.5%	115,349	128,470
Between 2 and less than 5 years	50%	25.4%	165,792	205,395	15.8%	80,967	111,105
Between 5 and less than 10 years	100%	22.1%	144,355	176,621	14.1%	72,107	105,488
Between 10 and less than 20 years	100%	6.2%	40,515	69,817	11.2%	57,109	94,155
Between 20 and less than 30 years	100%	2.2%	14,325	38,470	1.0%	5,000	35,360
Between 30 and less than 40 years	100%	3.2%	21,000	34,446	4.9%	25,254	45,886
Between 40 and less than 50 years	100%	2.0%	13,000	14,811	4.5%	23,000	27,570
Over 50 years	100%	0.6%	4,000	4,077	1.8%	9,000	9,326
Total		**100.0%**	**653,416**	**837,206**	**100.0%**	**511,773**	**700,306**

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

Interest Rate Risk

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

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

If interest rates had been 1% higher (based on 2025/26 balances and with all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	553
Increase in interest receivable on variable rate investments	(735)
Decrease in fair value of investments held at FVPL charged against provision of services	657
Impact on Surplus or Deficit on the Provision of Services	**475**
Share of overall impact credited to the HRA	(371)
Decrease in fair value of investments held at FVOCI	-
Impact on Other Comprehensive Income and Expenditure	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(25,811)

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

Price Risk

The Council has a small historic holding of £60k classified as shares in listed companies. Based on the holding value at 31 March 2026 a 5% fall in share prices would result in a £3k charge to the Income and Expenditure Account. The Council's investment in pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's exposure to equities within its £15m strategic pooled funds being diluted as the investments are in diverse asset classes also including bonds. Based on the holding value at 31 March 2026 a 5% fall in share prices would result in transfer of £18k to Pooled Investment Fund Adjustment Account.

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

Foreign Exchange Risk

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

Financial Liabilities

The majority of borrowing made by the Council is sourced from the PWLB (£544,506k nominal value at 31 March 2026 all at fixed rates). Borrowing at fixed rates enables the Council to enjoy stability of costs in future years and helps improve budgetary processes. Fixed rates protect the Council from interest rate increases but in contrast exposes it to opportunity costs should rates fall. Borrowing at variable rates currently allows the Council to source debt at levels which are considerably lower than fixed rate debt. Sourcing debt from the PWLB allows the Council to reschedule or prematurely redeem debt and the portfolio is continually monitored to take advantage of opportunities that may present themselves periodically to reduce overall costs.

A total of £26,000k debt (nominal value) is held in "Lenders Option Borrowers Option" (LOBO) market loans. These have been set to provide varying periods of fixed rate ranges with subsequent options for the lender to change this rate on agreed dates. In 2026/27 two loans totalling £10,000k are scheduled for rate change options. In addition, the Council held £12,000k of fixed-rate market loans and £75,000k of Local Authority to Local Authority borrowing.

Although internal borrowing continued to be utilised during the year, external borrowing was also required during 2025/26 to ensure liquidity was maintained and finance significant capital expenditure. The total loan portfolio increased by £140,026k resulting in a total nominal balance at year-end of £657,506k.

Financial Assets

The Council had a weighted average balance of investments for 2025/26 of £70,390k including £15,000k in strategic pooled funds. Throughout the year deposits were placed in instant access accounts, pooled funds and in fixed-term deposits with varying maturity periods. This approach aimed to match investment maturities with expected expenditure and so spread interest rate risk. At year-end there were no deposits with maturities extending beyond one year and therefore all instruments are classified as variable.

In 2019/20 the Council made a long-term cash investment of £3,371k in shares in the subsidiary Hillingdon First. The objective of Hillingdon First Limited is to deliver a financial return to the Council and provide housing and or a commercial unit for sale or rent. It will achieve this by the generating of long-term sustainable revenue streams through the delivery of high-quality housing to meet the needs of Hillingdon's residents. The fair value of the investment is currently £1,209k.

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

Table 1 - Loans & Shares for Service Purposes

Hillingdon First Ltd	2025/26 Approved Limit £m
Loans	0-35
Shares	0-50
TOTAL	**50**

43. PENSION SCHEMES

Defined Benefit Pension Schemes

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

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

LGPS

The two LGPS scheme funds are:

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

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

Employees contributed at variable rates between 5.5% and 12.5% of pensionable salary. The employer's contribution rate set for 2025/26 is 24.1% with any pension strain costs being directly attributable to the service area, as was the case in 2024/25.

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

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme. This fund is administered by the Department for Education and provides teachers with defined benefits upon their retirement. The Council contributes towards the pensions by making payments to the fund based on a percentage of members' pensionable salaries. The employer's contribution rate for 2025/26 was 28.68% (the rate in 2024/25 was 28.68%). The total contribution to the fund by the Council in 2025/26 was £15,930k (£15,323k in 2024/25).

The Teachers' Pension Scheme is a defined benefit scheme. Although the scheme is unfunded, a notional fund is used as a basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted on the same basis as a defined contribution scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teacher's scheme. There was £355k paid in respect of on-going early retirement payments in 2025/26 (£349k in 2024/25)

NHS Pension Scheme

The Health and Social Care Act 2012 made provision for the transfer of public health services and staff from primary care trusts (PCTs) to local authorities. As a result of this transfer, the Council is responsible for deduction of pension contributions, both employees and employers from transferred staff. These contributions are forwarded on directly to the National Health Service Pension Scheme. The National Health Service Pension Scheme is unfunded and administered by National Health Service Business Services Authority (NHSBSA). It is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted on the same basis as a defined contribution scheme. The pension cost charged to the accounts is the contribution rate set by the NHSBSA. In 2025/26 the Council paid a total of £11.3k, (£13.6k in 2024/25) to the NHS Pension Scheme, representing 14.38% of pensionable pay.

The Department of Health and Social Care's transitional arrangement for the increase of employer contributions continued in 2025/26. This means that in 2025/26 all employers continued to pay 14.38% in employer contributions including 0.08% for the scheme administrator charge under the normal monthly payment process to the NHS Pension Scheme. This rate will continue to be paid in 2026/27.

Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	**LBH Pension Fund**		**LPFA Pension Fund**		**Total**	
	31 March 2026 £'000	**31 March 2025 £'000**	**31 March 2026 £'000**	**31 March 2025 £'000**	**31 March 2026 £'000**	**31 March 2025 £'000**
Cost of Services						
Current Service Cost	17,910	26,012	-	-	17,910	26,012
Past Service Costs (Including curtailments)	585	444	-	-	585	444
(Gain)/Loss Settlements	-	-	-	-	-	-
Administration Expenses	1,102	933	(1)	-	1,101	933
Financing and Investment Income and Expenditure:		-		-		-
Net Interest Expense	6,374	8,452	126	112	6,500	8,564
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	**25,971**	**35,841**	**125**	**112**	**26,096**	**35,953**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability comprising:						
Return on plan assets (excluding the amount included in the net interest expense)	(64,745)	2,846	(2)	(30)	(64,747)	2,816
Actuarial gains and losses arising on changes in financial assumptions	(12,010)	(187,338)	23	(62)	(11,987)	(187,400)
Other	50,089	(15,830)	(175)	(33)	49,914	(15,863)
Changes in the effect of the asset ceiling	(60,584)	140,725	-	-	(60,584)	140,725
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**(87,250)**	**(59,597)**	**(154)**	**(125)**	**(87,404)**	**(59,722)**
Movement in Reserves Statement	14,881	602	(123)	(109)	14,758	493
Actual amount charged against the General Fund Balance for pensions in the year:						
Employer's contributions payable to scheme	(38,801)	(34,292)	-	-	(38,801)	(34,292)
Contributions in respect of unfunded benefits	(2,051)	(2,151)	(2)	(3)	(2,053)	(2,154)
Total Employers Contributions Payable to Scheme	**(40,852)**	**(36,443)**	**(3)**	**(3)**	**(40,854)**	**(36,446)**

Inclusive of the asset ceiling adjustment the Comprehensive Income and Expenditure Statement reports an actuarial gain of £87,404k in 2025/26 (£59,722k actuarial gain in 2024/25). Any impact of foreign exchange rates will come through as a result of market value movements in asset holdings.

The actuary estimates that the Council will make payments of £26,589k in respect of contributions to the LBH Pension Fund during the financial year 2026/27

When the calculation results in an asset for the Council, the asset must be recognised at the lower of that asset and the asset ceiling, which is calculated as the net present value of future service costs less net present value of future contributions over the future working lifetime. Where the asset ceiling is the lower, an adjustment is required and is included as a remeasurement. The effect of the asset ceiling is to place a restriction on the amount of surplus which can be recognised. A surplus should only be recognised to the extent that the employer is able to recover the surplus either through reduced contributions in the future, or through refunds. The “surplus” will only be recovered through reduced contributions in the future as the LGPS is not closed to new members and also the Council will continue to make contributions indefinitely.

44. PENSION SCHEMES BALANCE SHEET DISCLOSURES

Reconciliation of present value of scheme liabilities

	LBH Pension Fund		LPFA Pension Fund		Total	
	31 March 2026 £'000	31 March 2025 £'000	31 March 2026 £'000	31 March 2025 £'000	31 March 2026 £'000	31 March 2025 £'000
Opening Benefit Obligation	1,223,702	1,246,314	1,497	1,746	1,225,199	1,248,060
Current Service Cost	17,910	26,012	-	-	17,910	26,012
Administration Expenses	1,102	933		-	1,102	933
Interest on defined liability	62,106	59,319	75	77	62,181	59,396
Contributions by Members	9,186	9,258		-	9,186	9,258
Remeasurement (gains) and losses:						-
- Actuarial (gains)/losses arising from changes in financial assumptions	(12,010)	(187,338)	23	(62)	(11,987)	(187,400)
- Other	51,321	(15,830)	(189)	(33)	51,132	(15,863)
Past Service Cost including Curtailments	585	444	-	-	585	444
Liabilities Extinguished on Settlements	-	-	-	-	-	-
Estimated Unfunded Benefits Paid	(2,051)	(2,151)	(2)	(3)	(2,053)	(2,154)
Estimated Benefits Paid	(51,413)	(53,984)	(193)	(228)	(51,606)	(54,212)
Interest on the effect of the asset ceiling	8,156				8,156	-
Changes in effect of the asset ceiling	(60,584)	140,725	-	-	(60,584)	140,725
Closing Defined Benefit Obligation	**1,248,010**	**1,223,702**	**1,211**	**1,497**	**1,249,221**	**1,225,199**

Reconciliation of fair value of scheme assets

	LBH Pension Fund		LPFA Pension Fund		Total	
	31 March 2026 £'000	31 March 2025 £'000	31 March 2026 £'000	31 March 2025 £'000	31 March 2026 £'000	31 March 2025 £'000
Opening Fair Value of Employer Assets	1,103,217	1,065,630	(855)	(622)	1,102,362	1,065,008
Interest Income on Plan Assets	63,888	50,867	(51)	(35)	63,837	50,832
Contributions by Members	9,186	9,258	-	-	9,186	9,258
Contributions by the Employer	38,801	34,292	-	-	38,801	34,292
Contributions in respect of Unfunded Benefits	2,051	2,151	2	3	2,053	2,154
Remeasurement (gains) and losses:						
- The return on plan assets, excluding the amount in the net interest expense	65,977	(2,846)	(11)	30	65,966	(2,816)
Assets Distributed on Settlements	-	-	-	-	-	-
Estimated Unfunded Benefits Paid	(2,051)	(2,151)	-	-	(2,051)	(2,151)
Estimated Benefits Paid	(51,413)	(53,984)	(195)	(231)	(51,608)	(54,215)
Closing Fair Value of Employer Assets	**1,229,656**	**1,103,217**	**(1,110)**	**(855)**	**1,228,546**	**1,102,362**

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

The LBH return on scheme assets is based on actual fund returns as provided by the administering authority at 4.5%.

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

Pension Scheme assets comprised

	LBH Pension Fund				LPFA Pension Fund				Total	
	Quoted in Active Markets (Level 1) 25/26 £'000	Not Quoted in Active Markets (Level 2&3) 25/26 £'000	Quoted in Active Markets (Level 1) 24/25 £'000	Not Quoted in Active Markets (Level 2&3) 24/25 £'000	Quoted in Active Markets (Level 1) 25/26 £'000	Not Quoted in Active Markets (Level 2&3) 25/26 £'000	Quoted in Active Markets (Level 1) 24/25 £'000	Not Quoted in Active Markets (Level 2&3) 25/26 £'000	31 March 2026 £'000	31 March 2025 £'000
Equity Instruments										
Consumer	-	-	-	-	(101)	-	(105)	-	(101)	(105)
Manufacturing	-	-	-	-	(102)	-	(97)	-	(102)	(97)
Energy & Utilities	-	-	-	-	(13)	-	(10)	-	(13)	(10)
Financial Institutions	-	-	-	-	(73)	-	(68)	-	(73)	(68)
Health & Care	-	-	-	-	(39)	-	(34)	-	(39)	(34)
Information Technology	-	-	-	-	(179)	-	(146)	-	(179)	(146)
Other	-	-	23	-	(19)	-	(9)	-	(19)	14
Debt Securities										
UK Government									-	-
Other	-	-	-	-	(49)	-	(35)	-	(49)	(35)
Private Equity	-	1,862	-	4,178	-	(60)	-	(49)	1,801	4,129
Real Estate	-	114,794	-	116,082	-	(114)	-	(75)	114,680	116,007
Investment Funds & Unit Trusts										
Equities	702,789	-	627,792	-	-	-	-	-	702,789	627,792
Bonds	191,977	-	183,284	37,659	-	-	-	-	191,977	220,943
Hedge Funds	-	-	-	-	-	-	-	-	-	-
Commodities	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	59,063	-	52,478	-	(130)	-	(93)	58,932	52,385
Other	-	112,621	-	72,109	-	-	-	-	112,621	72,109
Derivatives									-	-
Liability Driven Investments									-	-
Target Returns	-	-	-	-		(191)		(117)	(191)	(117)
Commodities									-	-
Cash & Cash Equivalents	-	46,551	-	9,613	(36)	(1)	(17)	-	46,513	9,596
	894,766	**334,890**	**811,099**	**292,119**	**(611)**	**(499)**	**(521)**	**(334)**	**1,228,547**	**1,102,363**

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

Pensions Assets and Liabilities recognised in the Balance Sheet

	2025/26 £'000	2024/25 £'000	2023/24 £'000	2022/23 £'000	2021/22 £'000	2020/21 £'000	2019/20 £'000
Present value of liabilities:							
LBH	(1,248,010)	(1,223,702)	(1,246,314)	(1,230,520)	(1,658,268)	(1,716,627)	(1,353,063)
LPFA	(1,211)	(1,497)	(1,746)	(1,893)	(2,312)	(2,607)	(2,711)
	(1,249,221)	**(1,225,199)**	**(1,248,060)**	**(1,232,413)**	**(1,660,580)**	**(1,719,234)**	**(1,355,774)**
Fair Value of Assets:							
LBH	1,229,656	1,103,217	1,065,630	972,089	1,044,447	979,636	837,351
LPFA	(1,110)	(855)	(622)	(321)	(68)	209	457
	1,228,546	**1,102,362**	**1,065,008**	**971,768**	**1,044,379**	**979,845**	**837,808**
Deficit in the scheme:							
LBH	(18,354)	(120,485)	(180,684)	(258,431)	(613,821)	(736,991)	(515,712)
LPFA	(2,321)	(2,352)	(2,368)	(2,214)	(2,380)	(2,398)	(2,254)
Total	**(20,675)**	**(122,837)**	**(183,052)**	**(260,645)**	**(616,201)**	**(739,389)**	**(517,966)**

Defined Benefit Pension Asset - Recognition and Measurement:

Hymans Robertson, the actuary to the London Borough of Hillingdon Pension Fund, has valued the Council’s pension fund at 31 March 2025 as a surplus meaning that the Council holds a pension asset rather than a liability. IAS19 states that where an entity has a surplus in a defined benefit pension plan, then it should measure the net defined benefit of the assets at the lower of:

(i) the surplus identified in the plan, or
(ii) the asset ceiling

Hymans Robertson LLP as appointed actuary has carried out the asset ceiling calculation for the 2025/26 accounts on the following basis:

Net present value of (employer) future service costs over the future working lifetime **less**

Net present value of (employer) future contributions over the future working lifetime

Applying the credit ceiling adjustment to the accounts has resulted in the overall net pension scheme position moving from a net pension liability of £120.485 million to a net liability of £18,354 million. The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £1,160m plus the effect of the asset ceiling £88.3m is offset by the scheme assets of £1,230m to give the net pension liability of £18.3m as disclosed on the Balance Sheet.

Calculation of the pension asset ceiling

Under International Accounting Standard 19 (IAS19) Employee Benefits, if the council's funded defined benefit obligation becomes an asset, then the amount that can be recognised in the accounts is restricted to the amount of the pension asset ceiling. The pension asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. This recognises that any asset arising at the date of the balance will most likely lead to a refund to the employer, or reduced contributions for a period of time.

The accounts must recognise the lower of the pension asset ceiling or the net defined benefit asset. The pension asset ceiling is calculated by working out the difference between the net present value of employer's future service costs and the net present value of future employer's contributions. If the net present value of future service costs is less than the net present value of future contributions, then the asset ceiling is set at £0.

Furthermore, under IAS19, the International Financial Reporting Interpretations Committee (IFRIC 14) requires an additional liability to be recognised where agreed past service contributions would give rise to a future surplus and not be available after they are paid (that is, available as a refund or reduction in future contributions).

The council's actuary have carried out the necessary calculations to determine what the funded liability amounts to and for 2025 to 2026 the value is £0. The pension liability including unfunded obligations is £18.4m

Economic benefit available as a reduction in future contributions	**31 March 2026 £'000**	**31 March 2025 £'000**
Net present value of employer future service costs over future working lifetime	732,871	799,155
Net present value of future employer contributions	1,018,359	1,112,829
Asset Ceiling (economic benefit available as a reduction in future contributions)	-	-

As the net present value of future employer contributions is greater than the net present value of employer future service costs, the economic benefit available as a reduction in future contributions is floored at £0. The asset ceiling is therefore £0.

Changes in the effect of limiting the net defined benefit asset to the Asset Ceiling	**31 March 2026 £'000**	**31 March 2025 £'000**
Net pension asset	88,297	40,329
Economic benefit available as a reduction in future contributions	-	-
Expected net asset once agreed past service contributions are paid	(88,297)	(140,725)
Net liability	**-**	**(100,396)**
Plus unfunded liabilities	(18,354)	(20,089)
Total net liability	**(18,354)**	**(120,485)**

In order to reduce the overall pension asset to the value of the pension asset ceiling, it is necessary to reflect a charge against the accounts. This charge appears in the Comprehensive Income and Expenditure Statement and is included under Other Comprehensive Income and Expenditure in the actuarial (gains) or losses on pension assets and liabilities.

45. PENSION SCHEMES BASIS OF ESTIMATION

Basis for estimating assets and liabilities

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

	LBH Pension Fund		LPFA Pension Fund	
	31 March 2026	31 March 2025	31 March 2026	31 March 2025
Financial Assumptions: (%				
Pension Increase Rate	3.00%	2.80%	2.85%	2.90%
Salary Increase Rate	3.50%	3.30%	3.85%	3.90%
Discount Rate	6.20%	5.80%	5.55%	5.40%
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
- Men	22	22	22	21
- Women	25	24	25	25
Longevity at 65 for future pensioners:				
- Men	23	22	24	23
- Women	26	26	26	26
Take-up of option to convert annual pension to tax free lump sum pre-April 2008	50%	55%	50%	50%
Take-up of option to convert annual pension to tax free lump sum post-April 2008	50%	55%	0%	0%

Sensitivity Analysis

The estimation of the defined benefit obligation is sensitive to principal actuarial assumptions used to measure the scheme. The sensitivity analyses below have been based on possible changes to principal assumptions occurring at the end of the reporting period and assumes all other assumptions remain constant. For example, the assumptions in longevity assume that life expectancy increases or decreases. The estimations on sensitivity analysis have followed the accounting policies of the scheme. The methods and types of estimations in sensitivity analysis have not changed from those in the previous period. Life expectancy is based on the Fund's Vita Curves with improvements in line with the Continuous Mortality Investigation (CMI) 2023 model

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	LBH Pension Fund		LPFA Pension Fund	
	% Increase to Employer Liability	Increase to Employer Liability	% Increase to Employer Liability	Increase to Employer Liability
Changes in Assumptions as at 31 March 2026		£'000		£'000
0.1% Decrease in Real Discount Rate	1%	16,709	0%	6
1 Year Increase in Member Life Expectancy	4%	46,389	15%	183
0.1% Increase in the Salary Increase Rate	0%	477	0%	-
0.1% Increase in the Pension Increase Rate	1%	16,224	0%	6

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

IAS19 remeasurements of plan amendments, curtailments and settlements

On 7 February 2018, the IASB issued amendments to IAS19 on accounting for plan amendments, curtailments and settlements ('events'). As set out in IAS19 and CIPFA guidance, it is the actuaries understanding that where an event is considered 'significant', the profit and loss account should be remeasured at the date of the event.

Where the event is not deemed to be significant, the actuary has not remeasured the profit and loss account in this year's disclosures. In the absence of any instruction or statutory guidance, the actuary has measured significance based on 5% of active membership being affected by for curtailments or more than 2% of the liability for settlements and plan amendments. If an alternative measure of significance were to apply, changes may be required to our calculations and disclosures, however the closing balance sheet position would remain unchanged. Analysis by the actuary shows there were no significant events for 2025/26.

Scheme and Impact on the Authorities cash flows

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

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

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

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

46. Assumptions Made About Future and Other Major Sources of Estimation Uncertainty

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

Notes to the Main Financial Statements

The items in the Council's Balance Sheet as at 31 March 2026 for which there is significant risks of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. Assets are subject to a 5-year rolling valuation and assumptions are made by the specialist valuer regarding market indicators and other data available to assess an asset's value. Assets of high value are valued annually to reduce this risk. Investment properties are required to be measured at fair value, reflecting market conditions at the end of the reporting period. The carrying amount of Property, Plant and Equipment at 31st March 2026 is £2,169m.	A fall in value of the Council's Property, Plant and Equipment would impact on the net worth of the Council, however, would not impact on the Council's usable balances. Fluctuations in the value of assets will not correlate with normal market conditions; however, a 1% movement in asset values would move the Council's balance sheet position by £21.7m.
Pensions Liability	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The IAS19 balance sheet is based on financial market values and future market expectation indicators as of 31 March 2026 to comply with the accounting standard. The financial markets at the accounting date will have taken worldwide economic considerations into account. Net assets of the fund available to fund benefits at the end of 31st March 2026 are £1,555m	The assumptions interact in complex ways. The actuaries review the assumptions triennially and changes are adjusted for in the accounts. Sensitivity analysis is represented in note 45 to the accounts.

Virgin Media Limited v NTL Pension Trustees II Limited High Court Case

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law.

The Court ruled that amendments made without the required section 37 confirmation are not valid, potentially impacting defined benefit schemes that were previously contracted-out on a salary-related basis. Therefore, potentially, any changes made by the trustees to the scheme between 1997 and 2016 could be invalid. As a result, there may be a further liability to the Employer's share of the Pension Fund for benefits that were reduced by previous amendments, if those amendments prove invalid.

The Council's actuaries have made no additional allowance within the accounting balance sheet for this June 2023 legal judgement, because at the time of preparing their covering report for 31st March 2026:

- the ruling only applied to the above-named private sector pension scheme
- the legal judgement was subject to appeal (however the Court of Appeal dismissed in July 2024 and the original ruling stands)

- it is unknown whether Section 37 certificates exist for prior LGPS scheme amendments
- it is unknown whether there would be any potential remedy required to public service schemes (including the LGPS)
- it is unknown what the impact of any potential remedy would be

Legislation permitting to this issue was included in the government's Pensions Schemes Bill (Amendments) tabled in September 2025. These amendments include new clauses implementing the Government's proposed remedy following the Court of Appeal decision in Virgin Media Ltd v NTL Pension Trustees. The remedy will enable trustees to obtain retrospective actuarial confirmation that historic changes to contracted-out benefits met the relevant statutory requirements.

47. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom and will be adopted in 2026/27:

a) Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage assets) issued in March 2024
b) Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS9 and IFRS7) issued in May 2024
c) Annual improvements to IFRS accounting standards – Volume 11 issued in July 2024, introduces narrow amendments to clarify, simplify, and correct minor inconsistencies across several IFRS standards, effective for annual periods beginning on or after 1 January 2026.
d) Contracts Referencing Nature-dependent Electricity (Amendments to IFRS9 and IFRS7) issued in December 2024.

It is likely there will be limited application of the above items in the local authority's accounts for 2026/27.

48. Critical Judgements in Applying Accounting Policies

Significant judgements are made by management in applying accounting policies, which could have a material effect upon the accounts.

Group Boundaries

The group boundaries have been estimated using the criteria associated with the Code. In line with this, the Authority has identified two subsidiaries. The authority has deemed that the activities of these entities are not material.

Other Financial Statements

Housing Revenue Account (HRA) (page 112)

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

The Collection Fund Account (page 116)

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

The Pension Fund Account (page 120)

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

Housing Revenue Account Income and Expenditure Statement

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and other income. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

	Note	31 March 2026 £'000	31 March 2025 £'000
Expenditure			
Repairs and maintenance		14,313	14,443
Supervision and management		30,509	26,778
Rents, rates, taxes & other charges		632	359
Increase in provision for bad debts		656	873
Depreciation of non current assets	*3*	14,853	14,068
Net revaluation loss		85,996	102,223
		146,959	**158,743**
Income			
Gross dwelling rents		(77,559)	(71,516)
Gross non dwelling rents		(2,322)	(2,296)
Charges for services and facilities		(5,779)	(6,033)
Contributions towards expenditure		(7,607)	(5,599)
		(93,268)	**(85,444)**
Net Cost of HRA Services as included in the HRA Income and Expenditure Statement		**53,691**	**73,299**
HRA Services share of Corporate and Democratic Core		1,507	986
Net Cost of HRA services		**55,198**	**74,285**
(Gain) on sale of HRA non current assets		1,124	(7,519)
Interest payable and similar charges		13,419	10,626
Interest & Investment Income		(3,027)	(3,791)
Capital Grant Income		(60,997)	(39,019)
(Surplus)/Deficit for the year on HRA services		**5,717**	**34,581**

Movement on the Housing Revenue Account Statement

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

	Note	31 March 2026 £'000	31 March 2025 £'000
HRA Balance 31 March		**(15,101)**	**(15,101)**
(Surplus)/Deficit for the year on HRA services		5,717	34,581
Adjustments between accounting basis & funding basis under regulations			
Gain/(Loss) on sale of HRA non current assets		(1,124)	7,519
HRA share of contributions to or from the Pension Reserve		1,168	(341)
Revaluation of Non Current Assets		(85,996)	(102,223)
Annual Leave Accrual Adjustment		(12)	(7)
Revenue Expenditure funded by Capital Under Statute		(28)	(6)
Provision for repayment of debt		7,943	7,545
Capital Grant Income		60,997	39,019
Net Increase before transfer to reserves		**(11,335)**	**(13,913)**
Transfer to Major Repairs Reserve		12,127	13,913
Transfer to/(from) Earmarked Reserve		(792)	-
(Increase)/Decrease in year on HRA		**-**	**-**
HRA Balance at 31 March		**(15,101)**	**(15,101)**
HRA Earmarked Reserve		(6,019)	(6,811)
Major Repairs Reserves	7	(3,128)	(4,302)
Total HRA Balances		**(24,248)**	**(26,214)**

Notes to the Housing Revenue Account

1. HOUSING STOCK

The Council was responsible at 31 March 2026 for managing dwellings (including shared ownership).
The stock was as follows:

	Total Properties 31 March 2026	Total Properties 31 March 2025
1 Bed Properties	3,858	3,849
2 Bed Properties	3,526	3,494
3 Bed Properties	2,820	2,780
4 Bed plus Properties	312	308
Total	**10,516**	**10,431**

2. VALUE OF HRA ASSETS

	Net Book Value 31 March 2026 £'000	Net Book Value 31 March 2025 £'000
Council Dwellings	914,520	898,406
Other Land & Buildings	2,409	2,018
Vehicle, Plant & Equipment	1,814	2,419
Surplus Assets	14,280	13,493
Intangible Asset	17	35
Assets Held For Sale	-	-
Assets Under Construction	73,154	55,939
Total	**1,006,194**	**972,310**

The vacant possession value of dwellings within the Council's HRA as at 31 March 2026 was £3,658m. This differs from the balance sheet value of £915m, which is based on the economic use value of social housing. The difference of £2,743m between these two figures shows the economic cost of providing housing at social rents over 30 year cycle compared to open market rents.

3. DEPRECIATION

Depreciation charged in year to the HRA

	Depreciation 31 March 2026 £'000	Depreciation 31 March 2025 £'000
Council Dwellings	14,184	13,380
Other Land & Buildings	37	27
Intangibles	17	17
Surplus Assets	10	12
Vehicle, Plant & Equipment	605	632
Total	**14,853**	**14,068**

4. CAPITAL EXPENDITURE

HRA Capital Expenditure during 2025/26 totalled £178,350k. This was financed by:

	31 March 2026 £'000	31 March 2025 £'000
Capital Receipts	27,309	16,456
Capital Grants & Contributions	70,104	30,086
Borrowing	52,784	104,833
Major Repairs Reserve	28,154	26,866
	178,351	**178,241**

Capital receipts from the sale of HRA Right to Buy dwellings properties during 2025/26 totalled £19,870k (including Section 42 lease premiums, a garage and repayments of discounts), net of admin fees of £282k. These funds have been fully retained by the Council.

5. RENT ARREARS

At 31 March 2026 the gross HRA rent arrears amounted to £6,456k (£4,979k in 2024/25).

6. IMPAIRMENTS

The impairments balance on all HRA debts as at 31 March 2026 was £4,158k (£4,047k in 2024/25). In year, there was an increase in the HRA bad debt provision of £565k and debts totalling £544k were written off.

7. MAJOR REPAIRS RESERVE

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

	31 March 2026 £'000	31 March 2025 £'000
Balance as at 1 April	4,302	3,187
Depreciation transferred to Reserve	14,853	14,068
Transfer to MRR	12,127	13,913
Capital programme funding	(28,154)	(26,866)
	3,128	**4,302**

The funds of £3,128k held in this reserve will be used to finance future capital expenditure on dwellings.

8. CONTRIBUTIONS TO PENSION RESERVE

The cost of employer's pension contributions in the HRA Income and Expenditure is reported in-line with IAS 19, which requires the current service cost, rather than the actual employer's contribution, be recognised. The HRA increase for 2025/26 was £1,168k.

9. EARMARKED RESERVE

The earmarked reserve was drawn down by £0.7m to partly cover the costs of replacing the housing information system, with the reserve balance reducing to £6.0m.

Collection Fund Account

The Collection Fund is an agent's statement that reflects the statutory obligation for the Council, as a billing authority, to maintain a separate Collection Fund. This statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Council Tax	**Note**	**31 March 2026 £'000**	**31 March 2025 £'000**
Council Tax Income		(207,223)	(193,994)
Contribution towards previous years' estimated Council Tax (Surplus)/Deficit	*1*	(2,708)	(1,326)
Write-offs Uncollectable Council Tax Debt		1,629	1,218
Write-back Uncollectable Council Tax Debt		-	-
Provision for Doubtful Council Tax Debts		(2,712)	11,989
London Borough of Hillingdon Council Tax Precept	*1*	154,127	145,751
Greater London Authority Council Tax Precept	*1*	51,697	49,340
Council Tax (Surplus)/Deficit for the Year		**(5,190)**	**12,978**
Opening Council Tax (Surplus)/Deficit Balance		10,709	(2,269)
Council Tax (Surplus)/Deficit for the Year		(5,191)	12,978
Brought Forward Council Tax (Surplus) / Deficit Balance		**5,518**	**10,709**

National Non-Domestic Rates (NNDR) & Business Rate Supplement (BRS)	**Note**	**31 March 2026 £'000**	**31 March 2025 £'000**
National Non-Domestic Rates Income		(405,702)	(387,171)
Business Rate Supplement Income		(12,505)	(11,962)
Contribution towards previous years' estimated NNDR (Surplus)/Deficit		(1,330)	19,455
Write-offs Uncollectable NNDR Debt		3,885	4,252
Write-back Uncollectable NNDR Debt		(152)	1
Provision for Doubtful NNDR Debts		80	2,179
Provision/(Release of Provision) for Backdated Appeal Losses	*3*	(1,356)	10,721
London Borough of Hillingdon Share NNDR Income	*2*	124,837	115,934
Greater London Authority Share NNDR Income	*2*	153,966	142,985
Central Government Share NNDR Income	*2*	137,321	127,528
Transitional Payment Protection Receivable		2,368	2,630
Payment to Greater London Authority in respect of BRS Income		12,494	11,951
NNDR Cost of Collection Allowance		563	561
BRS Cost of Collection Allowance		11	11
NNDR (Surplus)/Deficit for the Year		**14,479**	**39,075**
Opening NNDR (Surplus)/Deficit Balance		15,836	(23,239)
NNDR (Surplus)/Deficit for the Year		14,479	39,075
Brought Forward NNDR (Surplus)/Deficit Balance		**30,315**	**15,836**

Notes to the Collection Fund Account

1. Calculation of the Council Tax Base and 2025/26 Council Tax Revenues

The Council Tax Base is based upon the number of dwellings within the borough, analysed by valuation band and adjusted for reductions in expected tax yield arising from discounts, exemptions and the Council Tax Support Scheme. The Council Tax Base is set annually in advance of budget setting, with the 2025/26 base agreed by full Council on 16 January 2025.

Band	Estimated No. of Properties	Discounts & Exemptions	Council Tax Support Scheme	Net Estimated No. of Properties	Band D Equivalent Ratio	Band D Equivalent 2025/26	Band D Equivalent 2024/25
A	1,369	(184)	(190)	995	6/9	664	897
B	6,672	(1,203)	(1,190)	4,279	7/9	3,328	3,331
C	28,736	(3,572)	(3,682)	21,482	8/9	19,095	18,854
D	47,984	(3,625)	(3,985)	40,374	9/9	40,376	40,177
E	19,066	(1,553)	(793)	16,720	11/9	20,436	20,214
F	10,193	(886)	(191)	9,116	13/9	13,168	13,033
G	5,400	(715)	(43)	4,642	15/9	7,737	7,637
H	496	(33)	(4)	459	18/9	919	891
Total	**119,916**	**(11,771)**	**(10,078)**	**98,067**		**105,722**	**105,035**
					Adjustment for Non-collection	(1,057)	(1,050)
					Ministry of Defence Contribution	760	683
					Council Tax Base	**105,425**	**104,668**
					London Borough of Hillingdon Band D Council Tax (£)	1,462	1,393
					Greater London Authority Band D Council Tax (£)	490	471
					Total Band D Council Tax (£)	**1,952**	**1,864**
					Demand on Collection Fund (£'000)	**205,824**	**195,092**

Notes to the Collection Fund Account

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

	Balance 31 March 2025 £'000	2025/26 Precept £'000	Release of Prior Year Estimated Surplus £'000	2025/26 Council Tax Revenues £'000	2025/26 Surplus £'000	Balance 31 March 2026 £'000
London Borough of Hillingdon	8,014	154,127	(2,023)	(155,974)	(3,870)	4,144
Greater London Authority	2,695	51,697	(685)	(52,333)	(1,321)	1,374
Total	**10,709**	**205,824**	**(2,708)**	**(208,307)**	**(5,191)**	**5,518**

Notes to the Collection Fund Account

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

National Non-Domestic Rates are levied on the basis of the Valuation Office Agency's assessment of the Rateable Value of a non-domestic property. As at 31 March 2026 the aggregate Rateable Value across the 8,934 hereditaments within the borough totalled £835.3m, with rates payable determined by the National Non-Domestic multiplier which is set annual by Central Government. For 2025/26 the standard multiplier was 55.5p in the pound and for small businesses 49.9p in the pound.

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

	Balance 31 March 2025	2025/26 Budgeted Share of Income	Release of Prior Year Estimated Surplus	2025/26 Non-Domestic Rates Revenues	2025/26 Surplus	Balance 31 March 2026
	£'000	£'000	£'000	£'000	£'000	£'000
London Borough of Hillingdon	4,750	124,837	(399)	(120,094)	4,344	9,093
Greater London Authority	5,859	153,966	(492)	(148,117)	5,357	11,218
Central Government	5,226	137,321	(439)	(132,104)	4,778	10,005
Total	**15,835**	**416,124**	**(1,330)**	**(400,315)**	**14,479**	**30,316**

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

Non-Domestic Ratepayers can challenge the Valuation Office Agency's assessment of the Rateable Value for their property, which if successful will result in a reduction in future payments and in some cases a refund of previously levied rates. The Council's appeals provision reflects the current level of activity with the VOA in the Check, Challenge & Appeal process as well as making an estimation for future activity. Given the inherent uncertainty around the financial impact of such appeals, a provision of £12.3m has been established based on past experience. This represents a decrease of £1.3m on the previously held provision, reflecting the reduction in outstanding appeals against the 2017 list and 2025/26 being the final year of a three-year revaluation cycle.

Pension Fund Account

PENSION FUND ACCOUNT

	Note	31 March 2026 £'000	31 March 2025 £'000
Contributions	*4*	63,560	60,666
Transfers In from other pension funds	*5*	9,465	6,189
		73,025	**66,855**
Less: Benefits	*6*	(66,930)	(65,199)
Less: Payments to and on account of leavers	*7*	(14,705)	(11,110)
		(81,635)	**(76,309)**
Net additions/(withdrawals) from dealings with members		**(8,610)**	**(9,454)**
Less: Management expenses	*8*	**(10,160)**	(13,100)
Net additions/(withdrawals) including fund management expenses		**(18,770)**	**(22,554)**
Return on investments			
Investment income	*9*	24,629	17,573
Profit and losses on disposal of investments and changes in market value of investments	*10A*	140,149	52,595
Taxes On Income		(10)	(31)
Net return on investments		**164,768**	**70,137**
Net Increase/(Decrease) in the fund during the year		145,998	**47,583**
Net Assets at start of year		**1,409,537**	**1,361,954**
Net Assets at end of year		**1,555,535**	**1,409,537**

	Note	31 March 2026 £'000	31 March 2025 £'000
Investment Assets	*10*	1,554,732	1,406,412
Investment Liabilities	*10*	-	-
Total net investments		**1,554,732**	**1,406,412**
Current Assets	*11*	1,651	3,364
Current Liabilities	*12*	(848)	(239)
Net assets of the fund available to fund benefits at the end of the reporting period		**1,555,535**	**1,409,537**

The Pension Fund Accounts summarise the transactions of the scheme and show the net assets at the disposal of members. They do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at note 18.

Pete Carpenter
Acting S151 Officer
6 August 2026

Notes to the Pension Fund Account

1. DESCRIPTION OF THE FUND

a. General

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

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

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

b. Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside of the scheme. Due to government legislation, since 1 February 2013 all new employees who are not in the scheme are automatically enrolled. Members have the option to opt out of the scheme. Employees who have opted out are then re-enrolled every 3 years, when they can again opt out.

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

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

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

Admitted Bodies:

CCS Homecare Service

Cucina – Bishopshalt

Cucina – VLT Ryefield

East & North Herts NHS Trust

Energy Kidz Ltd

Greenwich Leisure

Hayward Services

- Guru Nanak School
- Ryefield School
- Field End Junior School
- Hermitage Primary School

Notes to the Pension Fund Account

Heathrow Travel Care

Hillingdon Care Contract

Hillingdon & Ealing Citizens Advice

HPS Services FM Limited

Service Master – Belmore Academy

KGB Cleaning – Highfield School

Glen Group Ltd – Meadow High School

The Pantry (UK) Limited (Frays Academy – St Matthews)

Junior Adventures Group (Sacred Heart)

Nucleus

Compass Catering (West Drayton Academy Catering)

Scheduled Bodies:

Barnhill Academy

Belmore Academy

Bishop Ramsey Academy

Bishopshalt Academy

Charville Academy

Douay Martyrs Academy

Eden Academy Trust

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

Elliot Foundation Trust

- Hillingdon Primary School
- John Locke Academy
- Pinkwell School

Guru Nanak Academy Trust

- Nanak Sar Primary School
- Guru Nanak Sikh Academy

Global Academy

Harefield Academy

Richmond, Harrow & Uxbridge College

Haydon Academy

UTC Heathrow

LBDS Frays Academy Trust

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

London Housing Consortium

Park Federation Trust

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

QED Academy Trust

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

Rosedale Hewens Academy Trust

Swakeleys Academy

VLT

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

Uxbridge Academy

William Byrd School

Willows Academy

London Borough of Hillingdon Pension Fund	31 March 2026	31 March 2025
Number of employers with active members	65	66
Number of employees in scheme		
London Borough of Hillingdon	5,280	5,445
Other employers	3,559	3,554
Total	**8,839**	**8,999**
Number of Pensioners		
London Borough of Hillingdon	7,215	7,445
Other employers	1,798	1,212
Total	**9,013**	**8,657**
Deferred Pensioners		
London Borough of Hillingdon	9,186	9,962
Other employers	5,364	4,562
Total	**14,550**	**14,524**

c. Funding

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

Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2026. Employers also pay contributions into the Fund based on triennial funding valuations. The last such valuation was as of 31 March 2022 - this covers the three financial years following 2022/23 (2023/24, 2024/2025 & 2025/26). Currently employer contribution rates range from 18.9% to 42.3% of pensionable pay, as per the 2022 valuation (New rates apply as per 2025 valuation from 1 April 2026).

d. Investments

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

e. Governance

The Fund is overseen by the Pensions Committee (comprised of Councillors) and the Pensions Board (comprised of an even number of employer and member representatives). The performance of the fund managers is monitored by the Pensions Committee (Four meetings in 2025-26) and governance is overseen by the Pensions Board (Three meetings in 2025-26). Pensions Committee and Pensions Board consisted of the following members in 2025/26:

Pensions Committee

Cllr Reeta Chamdal (Chairman)
Cllr Kaushik Banerjee (Vice-Chairman)
Cllr Keith Burrows – To 11 July 2025
Cllr Peter Smallwood – From 28 November 2025
Cllr Stuart Mathers
Cllr Tony Burles – To 11 July 2025
Cllr Labina Basit – From 11 July 2025

Pensions Board

Roger Hackett (Scheme Member Representative)
Tony Noakes (Scheme Member Representative)
Jack Francis-Kent (Scheme Membership Representative)
Shane Woodhatch (Employer Representative)
Vicky Trott (Employer Representative)
Anna Beattie (Employer Representative) To July 2025

2. BASIS OF PREPARATION

The accounts have been compiled in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 which is based on International Financial Reporting Standards (IFRS) as amended for the public sector and underpinned by the Local Government Pension Scheme Regulations. The accounts have been prepared on an accrual basis, except for transfer values, which are accounted for on a cash basis, and summarise the Fund transactions and report on the net assets available to pay pension benefits as of 31 March 2026.

The accounts do not consider obligations to pay benefits and pensions that fall due after the reporting date (31 March 2026). The Pension Fund Accounts have been prepared on a going concern basis.

3. ACCOUNTING POLICIES

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

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

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

d. Investment management expenses are recorded at cost when the fund managers/custodian invoice the fund on a quarterly basis or provide a fee schedule deducted at source. Expenses are recorded on an accrual basis. Where an investment manager's complete fee schedule has not been received by year end, an estimate based on the previous quarter's amount is included in the accounts. In 2025/26, no such fees are based on estimates. The fund also agreed with the following fund managers that their fees include elements of performance, Adams Street Partners, AEW UK, Macquarie Infrastructure Partners, Permira LLP, London CIV and Blackstone Investments.

e. Administration expenses are paid when invoiced by third party providers through the administering authority's payment system and recharged to the Pension Fund.

f. Interest on property developments - property is held in unit trusts for the Pension Fund, the return received is calculated in accordance with the unit price at the Net Assets Statement date.

g. Contribution Income
Normal contributions are accounted for on accrual basis as follows:
- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes, that rise according to pensionable pay.
- Employer contributions are set at a percentage rate recommended by the fund actuary for the period which they relate.

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

Additional employers' contributions in respect of ill-health are accounted for as part of the tri-ennial valuation exercise and employers' contribution rates adjusted accordingly for relevant employers. Early retirement strain costs are accounted for on accrual basis.

h. Benefits are accounted for in the period in which they fall due. All benefits are calculated in accordance with the statutory regulations in force at the relevant benefit date.

i. Transfers are accounted for on a cash basis, as the amount payable or receivable by the scheme is not determined until payment is made and accepted by the recipient. Group transfers are accounted for under the agreement upon which they are made.

j. Cash and cash equivalents are held in the custody accounts by fund managers as agreed in the individual Investment Management Agreements (IMA). Cash held is at the discretion of the manager but must not exceed the stipulated permitted range in the IMA.

k. Investment Income - dividends from quoted securities are accrued when the securities are quoted ex-dividend. Interest on cash deposits is accrued on daily basis.

Critical Judgements and Uncertainties

l. Unquoted Alternative Investments - Fair values of alternative investments are highly subjective in nature. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted alternative investments are valued by investment managers using methods such as IFRS fair value principles, discounted cash flow method and guidelines set out by the International Private Equity and Venture Capital Association (IPEV), of which the British Venture Capital Association is a founding member. The value of alternative investments as of 31 March 2026 was £281,877k (£269,998k on 31 March 2025).

m. Assumptions made about the future and other major sources of estimation uncertainty - The Pension Fund accounts contain estimated figures that are based on assumptions made by the Fund about the future or events that are otherwise uncertain. Estimates are made considering historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Notes to the Pension Fund Account

Items where there is a significant risk of material movements in value in the financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines or commensurate overseas equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. The fair value principles employed to value the underlying investments and the valuation policy remains unchanged. Both managers continue to use the latest valuation available from underlying investment managers, adjusting for any known cash flows and take into account any known and measurable impact. It is important to note that given the evolving situation and the quarterly cycle of private equity valuations, additional data needs to be accessible before a more accurate estimate can be made with regard to potential effects of market events on net asset values.	The total private equity investments in the financial statements are £2,355k. There is a risk that this investment may be under or overstated in the accounts.
Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Infrastructure - Macquarie Infrastructure Real Assets and LCIV Stepstone	Infrastructure Valuation represents the fair value of investments held at 31 March 2026. The valuations have been completed by MIRA (Macquarie Infrastructure Real Assets) in accordance with ASC 820-10 (Fair Value Measurements), under which the fair value is determined to be the price that would be received upon sale of the investments in an orderly transaction between market participants. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total infrastructure alternative investments in the financial statements are £74,742k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.
Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Private Finance - M&G and Blackstone	Private Finance investments are valued at par as they are mostly floating rate notes tied to LIBOR. Final valuation is undertaken by the analysts employed by the fund manager as they are not traded on the open market.	The total private finance investments in the financial statements are £33,547k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.

Item	Uncertainties	Effect if actual results differ from assumptions
Direct Lending - Permira Credit Solutions & LCIV Private Debt	Private Debt Investments are valued on a quarterly basis and in accordance with International Private Equity and Venture Capital valuation guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total Private Debt investments in the financial statements are £70,532k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.
Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Pooled Property - AEW UK & UBS Property	Pooled property assets are valued independently for the respective managers with a lot of subjective and unobservable inputs that may be affected by prevalent socio-economic issues. The underlying assets do not have the luxury of an open market transactional data like Equities and does result in valuation varying by wide degrees.	The total Pooled property investments in the financial statement is £100,701k. There is a risk the investments may be over or under stated in the accounts. These asset class of investments are not openly traded and a lot of unobservable inputs are utilised in the valuation of the assets. These unobservable valuation assumptions may have a profound effect on the actual pricing at year end thus skew shown valuation the fund accounts.
Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rates used, the rates at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of actuaries, Hymans Robertson, are engaged to provide the fund with expert advice about the assumptions to be applied. The IAS19 balance sheet is based on financial market values and future market expectation indicators as at 31 March 2026 to comply with the accounting standard.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in pension liability. An increase in assumed earnings would increase the value of liabilities and an increase in assumed life expectancy would increase the liability. This would not effect the Fund Account or Net Asset Statement, but would impact the Council Accounts. Below are the details of the sensitivity analysis to the method of assumptions used for year ended 31 March 2026 by the fund's actuaries.

Sensitivity to Unquoted Alternative Assets valuation and Pricing: Information on sensitivities of the valuation and pricing methodologies of these asset classes are disclosed in notes 14 and 16.

Sensitivity Analysis

Sensitivity to the assumptions for the year ended 31 March 2026	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.1% p.a increase in the Discount Rate	2%	23
1 year increase in member life expectancy	4%	57
0.1% p.a. increase in the Salary Increase Rate	0%	1
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	22

The principal demographic assumption is the longevity assumption. For sensitivity purposes, it is estimated that a 1-year increase in life expectancy would approximately increase the liabilities of the Pension Fund by around 4%.

4. CONTRIBUTIONS

By category	31 March 2026 £'000	31 March 2025 £'000
Employees	14,088	13,412
Employers Contributions:		
Normal	42,417	40,045
Deficit Funding	7,055	7,209
	63,560	**60,666**

Deficit Funding: At the actuarial valuation on 31 March 2022 the Fund was 88% funded, with the remaining 12% deficit to be recovered over a period of 20 years.

By authority	31 March 2026 £'000	31 March 2025 £'000
LB Hillingdon	43,236	41,503
Scheduled Bodies	20,013	18,667
Admitted Bodies	311	496
	63,560	**60,666**

5. TRANSFERS IN

	31 March 2026 £'000	31 March 2025 £'000
Individual transfers in from other schemes	9,465	6,189
	9,465	**6,189**

Notes to the Pension Fund Account

6. BENEFITS

By category	31 March 2026 £'000	31 March 2025 £'000
Pensions	(55,584)	(53,735)
Commutations and Lump Sum Retirement Benefits	(9,835)	(9,885)
Lump Sum Death Benefits	(1,511)	(1,579)
	(66,930)	**(65,199)**

By authority	31 March 2026 £'000	31 March 2025 £'000
LB Hillingdon	(57,454)	(56,183)
Scheduled Bodies	(8,547)	(8,462)
Admitted Bodies	(929)	(554)
	(66,930)	**(65,199)**

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	31 March 2026 £'000	31 March 2025 £'000
Refunds to members leaving service	(180)	(157)
Individual transfers out to other schemes	(14,525)	(9,230)
Bulk Transfers Out	-	(1,723)
	(14,705)	**(11,110)**

8. MANAGEMENT EXPENSES

The administering authority incurred costs in managing the Fund for the period ending 31 March 2026 as follows:

	31 March 2026 £'000	31 March 2025 £'000
Administrative Costs	(1,375)	(1,212)
Investment Management Expenses	(8,260)	(11,592)
Oversight and Governance	(525)	(296)
	(10,160)	**(13,100)**

8A. INVESTMENT MANAGEMENT EXPENSES BREAKDOWN

2025/2026	£'000 Total	£'000 Management Expenses	£'000 Performance Fees	£'000 Transaction Costs
Pooled Investments	(7,027)	(3,633)	(1,688)	(1,706)
Pooled Property Investments	(1,114)	(548)	-	(566)
Private Equity	(18)	-	-	(18)
	(8,159)	**(4,181)**	**(1,688)**	**(2,290)**
Custody Fees/Investment Advice	(101)			
Total	**(8,260)**			

2024/2025	£'000 Total	£'000 Management Expenses	£'000 Performance Fees	£'000 Transaction Costs
Pooled Investments	(6,854)	(3,635)	(1,660)	(1,559)
Pooled Property Investments	(4,632)	(3,100)	(42)	(1,490)
Private Equity	(49)	(82)	34	(1)
	(11,535)	**(6,817)**	**(1,668)**	**(3,050)**
Custody Fees/Investment Advice	(56)			
Total	**(11,591)**			

8B. EXTERNAL AUDIT COSTS

	31 March 2026 £'000	31 March 2025 £'000
Payable in Respect of External Audit	(168)	(93)
	(168)	**(93)**

External Audit costs are included in Oversight and Governance within Management Expenses. Any increase in external audit costs will be attributable to fee adjustment to reflect procurement outcome by PSAA/MHCLG

9. INVESTMENT INCOME

	31 March 2026 £'000	31 March 2025 £'000
Pooled Property Investments	3,078	4,359
Pooled Investments- Unit trusts and other managed funds	19,965	12,413
Interest on cash deposits	1,586	801
	24,629	**17,573**

10. INVESTMENTS

	31 March 2026 £'000	31 March 2025 £'000
Investment Assets		
Equities	0	27
Pooled investments	1,348,201	1,195,087
Pooled property investments	145,268	194,432
Private equity	2,355	2,993
Other Investment balances		
Cash deposits	58,523	13,793
Investment income due	385	80
Total investment assets	**1,554,732**	**1,406,412**
Net investment assets	**1,554,732**	**1,406,412**

Notes to the Pension Fund Account

10A. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

2025/26	Value 1 April 2025 £'000	Purchases at cost £'000	Sales proceeds £'000	Profits and losses on disposal of investments and Changes in market value of investments £'000	Value 31 March 2026 £'000
Equities	27	-	(15)	(12)	-
Pooled Investments	1,195,087	42,035	(29,283)	140,362	1,348,201
Pooled Property Investments	194,432	196,157	(238,115)	(7,206)	145,268
Private Equity	2,993	15	(871)	218	2,355
	1,392,539	**238,207**	**(268,284)**	**133,362**	**1,495,824**
	1,392,539	**238,207**	**(268,284)**	**133,362**	**1,495,824**
Other investment balances					
Cash Deposits	13,793				58,523
Investment Income Due	80				385
Adjustment to Market value Changes	-			6,786	
Total Investment Assets	**1,406,412**			**140,148**	**1,554,732**

2024/25	Value 1 April 2024 £'000	Purchases at cost £'000	Sales proceeds £'000	Profits and losses on disposal of investments and Changes in market value of investments £'000	Value 31 March 2025 £'000
Equities	29	-	(1)	(1)	27
Pooled Investments	1,156,787	315,432	(312,520)	35,388	1,195,087
Pooled Property Investments	190,460	220	(3,930)	7,682	194,432
Private Equity	5,521	14	(1,730)	(812)	2,993
	1,352,797	**315,666**	**(318,181)**	**42,257**	**1,392,539**
	1,352,797	**315,666**	**(318,181)**	**42,257**	**1,392,539**
Other investment balances					
Cash Deposits	8,316				13,793
Investment Income Due	269				80
Adjustments to Market Value Changes	-			10,338	-
Total Investment Assets	**1,361,382**			**52,595**	**1,406,412**

10B. ANALYSIS OF INVESTMENTS

	31 March 2026 £'000	31 March 2025 £'000
Equities		
UK		
Quoted	0	27
	0	**27**
Pooled funds - additional analysis		
Fixed income unit trust	242,940	231,038
Diversified Growth Funds	71,788	60,056
Infrastructure Funds	74,742	69,221
Global Equity	889,353	763,763
Limited liability partnerships	69,378	71,009
	1,348,201	**1,195,087**
Other Investments		
Pooled property Investments	145,268	194,432
Private equity	2,355	2,993
	147,623	**197,425**
Cash deposits	58,523	13,793
Investment income due	385	80
	58,908	**13,873**
Total investment assets	**1,554,732**	**1,406,412**
Net investment assets	**1,554,732**	**1,406,412**

10C. INVESTMENTS ANALYSED BY FUND MANAGER

Fund Manager	Market Value 31 March 2026 £'000	%	Market Value 31 March 2025 £'000	%
Investments Managed by London CIV Pool				
Legal & General Investment Management	843,061	53	779,602	55
London CIV Asset Pool	636,149	41	423,872	31
	1,479,210	94	1,203,474	86
Investments Managed Outside of London CIV				
Adams Street Partners	1,251	0	1,600	0
AEW UK	8,798	1	74,652	5
Blackstone Investments	33,349	2	20,705	1
LGT Capital Partners	1,105	0	1,393	0
M&G Investments	198	0	171	0
Macquarie Infrastructure	7,967	1	8,362	1
Permira Credit Solutions	7,903	1	11,214	1
UBS Global Asset Management (Equities)	22	0	50	0
UBS Global Asset Management (Property)	3	0	72,827	5
Other*	14,926	1	11,964	1
	75,522	6	202,938	14
Total	**1,554,732**	**100**	**1,406,412**	**100**

* Other includes pending trades, accrued income and cash held in custody accounts, independent of fund managers not mandated to hold cash. * No single holding within an investment represents more than 5% of total assets

10D. STOCK LENDING

The Fund's investment strategy sets the parameters for the Fund's stock-lending programme. At the year-end, there were no quoted equities on loan. (31 March 2025: £27k).

Counterparty risk is managed through holding collateral at the Fund's custodian bank. At the year-end the Fund held no collateral as there were no assets out on loan. (31 March 2025: £29k).

Stock-lending commissions are remitted to the Fund via the custodian. During the period the stock is on loan, the voting rights of the loaned stock pass to the borrower. There are no liabilities associated with the loaned assets.

11. CURRENT ASSETS

	31 March 2026 £'000	31 March 2025 £'000
Debtors		
Employers' contributions due	10	39
Employees' contributions due	37	137
Other	668	1,619
Cash balances	936	1,569
	1,651	**3,364**

12. CURRENT LIABILITIES

	31 March 2026 £'000	31 March 2025 £'000
Creditors		
Other entities	(848)	(239)
	(848)	**(239)**

Note: Other entities liabilities are due from the Pension Fund to bodies external to the government e.g., fund managers.

13. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Additional Voluntary Contributions paid by scheme members are not included in the accounts. The additional voluntary contributions are paid by scheme members directly to Prudential Assurance Company, who manage these monies independently of the fund and, as determined by the fund actuary, do not form part of the Fund valuation.

According to information provided by Prudential, £78k was received in additional voluntary contributions by members, in 2025/26 (£99k 2024/25) and AVC Fund value was £3,909k (£3,374k 2024/25). Any transfer of additional contributions into the Fund during the year are included in the employee contributions value as detailed in note 4.

	Market Value 31 March 2026 £'000	Market Value 31 March 2025 £'000
Prudential Assurance Company	3,909	3,374
	3,909	**3,374**

14. FAIR VALUE - BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of accounting period.	Not required	Not required
Pooled investments - overseas unit trusts	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	NAV-based pricing set on a forward pricing basis	Not required
Pooled Investments - Property Funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	NAV-based pricing set on a forward pricing basis	Not Required
Pooled Investments Property Funds	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Alternative Assets (Private Equity, Private Credit and Infrastructure	Level 3	Comparable valuation of similar companies e.g. in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018)	EBITDA multiple revenue multiple discount for lack of marketability control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

Having analysed historical data and current market trends, and consulted with fund managers, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held on 31 March 2026.

It is worth noting the sensitivity analysis below is just one of the possible changes to assets value due to the impact of factors affecting valuation methodology employed by the fund managers. Sensitivity being measured in this note differs from those in note 16 (other price risks).

Sensitivity of assets valued at level 3

	Valuation range (+/-)	Market Value 31 March 2026 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled investments - Limited Liability Partnerships (Infrastructure) a	10%	74,742	82,216	67,268
Pooled investments - Limited Liability Partnerships (Private Credit) b	10%	70,730	77,803	63,657
Pooled Property - UBS Property & AEW UREF	10%	100,701	110,772	90,631
Pooled Dislocation Fund - Balckstone	5%	33,349	35,016	31,682
Private Equity - d	5%	2,355	2,473	2,237
Total		**281,877**	**308,280**	**255,475**

a) The potential movement of 10% represents a combination of the following factors, which could all move independently in different directions: i) material changes in economic and financial assumptions. ii) discounted equity cash flow rate.

b) The assumed movement is based on pricing of loans in the secondary leveraged loan market, with widening/narrowing spreads resulting in price changes either way.

c) The assumed movement is based fluctuations in market prices for comparable assets, real estate market Illiquidity and counterparty default.

d) Movement in the assessed valuation range derive from changes in the underlying profitability of component companies, the range in the potential movement of 5% is caused by unexpected changes to cash flow forecast and discounts for lack of potential bids.

14A. FAIR VALUE HIERARCHY

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1
Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2
Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3
Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument’s valuation is not based on observable market data.

Notes to the Pension Fund Account

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

Values as at 31 March 2026	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets at Fair Value through Profit and Loss				
Equities	0	0	0	0
Pooled Investments	0	1,169,380	178,821	1,348,201
Pooled Property Investments	0	44,567	100,701	145,268
Private Equity	0	0	2,355	2,355
	0	**1,213,947**	**281,877**	**1,495,824**
Financial Liabilities at Fair Value through Profit and Loss				
Total	**0**	**1,213,947**	**281,877**	**1,495,824**

Values as at 31 March 2025	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets at Fair Value through Profit and Loss				
Equities	27	0	0	27
Pooled Investments	0	1,034,152	160,935	1,195,087
Pooled Property Investments	0	88,362	106,070	194,432
Private Equity	0	0	2,993	2,993
	27	**1,122,514**	**269,998**	**1,392,539**
Financial Liabilities at Fair Value through Profit and Loss				
Total	**27**	**1,122,514**	**269,998**	**1,392,539**

14B. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Level 3 Assets Reconciliation

Fund Managers & Asset Categories	Value 1 April 2025	Purchases at cost	Sales proceeds	Unrealised gains/(losses)	Realised gains/(losses)	Value 31 March 2026
	£'000	£'000	£'000	£'000	£'000	£'000
Private Equity - Adams Street Partners, LGT Capital Partners & UBS	2,993	15	(871)	853	(635)	2,355
Private Finance - M&G	171	-	-	27	-	198
Infrastructure - Maquarie & LCIV	69,221	5,288	(842)	864	211	74,742
Property - UBS Property,& AEW UREF	106,070	8,480	(5,586)	(8,197)	(65)	100,701
DGF/Dislocation - Blackstone	20,705	20,445	(14,790)	7,594	(605)	33,349
Direct Lending - Permira & LCIV Private Debt	70,838	6,249	(3,510)	(3,161)	116	70,532
Total Level 3 Assets	**269,998**	**40,477**	**(25,599)**	**(2,020)**	**(978)**	**281,877**

There were no transfers into Level 3 in 2025/26

14C. LEVEL 3 PRICING HIERARCHY DISCLOSURES

Quantitative Information on Significant unobservable inputs

Private Equity: Adams Street & LGT capital
The significant unobservable inputs used in the fair value measurement of privately held securities are Revenue multiples, EBITDA multiple, net income multiple and discount for lack of marketability and potential bids.

Private Finance: M&G
The assets are mostly floating rate notes and held at par value.

Infrastructure: Macquarie
The following quantitative information are considered for significant unobservable inputs, in valuation of infrastructure assets:

- The acquisition financial model is used as a base case.
- Update for any material changes in economic, operational, and financial assumptions.
- Discount equity cash flows at the sum of the risk-free rate and the appropriate risk premium (as determined by the implied risk premium at acquisition unless there is an inherent change in the riskiness of the underlying investments which may necessitate a change in the risk premium).

Direct Lending: Permira
The following key terms are confirmed as inputs for each yield analysis calculation:

- Cash / PIK (Payment in Kind) margin
- Frequency of interest payments
- Commitment and settlement date
- Contracted and expected maturity date

Pooled Property: AEW and LCIV/CBRE
Fair value is primarily derived using recent market transactions on arm’s length terms, where available and discounted cashflow of future earnings are taking into consideration, alongside observable and unobservable inputs.

Description of Valuation Process

Private Equity
The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. Private equity investments for which market quotations are not readily available are valued at their fair values by the Board of Directors. Private equity valuations are usually generated by the managers of the underlying portfolio of investments on a quarterly basis and are received with a delay of at least one-to-two months after the quarter end date. As a result, the year-end net asset value predominantly consists of portfolio valuations provided by the investment managers of the underlying funds at a specific date, adjusted for subsequent capital calls and distributions. If the Board of Directors concludes upon recommendation of the Investment Manager (after applying the above-mentioned valuation methods), that the most recent valuation reported by the manager/administrator of a Fund investment is materially misstated, it will make the necessary adjustments using the results of its own review and analysis. The valuation adjustments relate to events after the last capital account valuation statement received but based upon information provided by the investment manager and all other available unobservable inputs. In estimating the fair value of fund investments, the Investment Manager in its valuation recommendation to the Board of Directors considers all appropriate and applicable factors.

Private Finance: M&G
These assets are floating rate and are held to maturity, they are valued at par unless suffering from impairment. Impairments may be applied if an asset's credit rating deteriorates.

Direct Lending: Permira

- In each case, valuations are prepared in accordance with International Private Equity & Venture Capital Valuation ("IPEV") Guidelines
- All direct lending investments are valued on a mark-to-market basis at the date of valuation
- Where an investment is considered illiquid (level 3), a yield analysis is performed to infer a fair market value for that investment.
- Each valuation is reviewed to ensure:

    - Third party evidence to support pricing (such as Market data, broker quotes or Bloomberg pricing, as well as latest financials and capital structure; and any other adjustments to value) was evidenced.
    - That the valuations are prepared in a consistent manner with previous valuations and that any changes in methodology or valuation are clearly explained; and valuations are derived using methodology consistent with the IPEV guidelines.

Infrastructure: Macquarie
Valuations are calculated by the individual asset teams on a quarterly basis. The valuation process follows the British Venture Capital Association (BVCA) guidelines and is compliant with International Financial Reporting Standards (IFRS). The most generally accepted methodology of valuing infrastructure assets is by way of a discounted cash flow (DCF) analysis.

DCF-Based Market Valuation Process
Financial Model
The acquisition financial models of all the Fund's underlying investments will be externally audited prior to financial close. They will be used as the initial base financial models for the DCF analysis.

Update for Economic, Operational and Financial Assumptions
The economic assumptions in the financial models are adjusted every three months to reflect current market conditions. The main economic variables relate to interest rates, exchange rates and inflation.

The initial operational assumptions in each of the financial models are the acquisition forecasts. Any historical information (e.g., distributions received in an intervening period and year-to-date performance) will be updated within the model. In relation to forward-looking assumptions, the acquisition assumptions will continue to be used unless there is a material inconsistency between these assumptions and:

- The actual operational results to date
- The revised forecasts provided by management or approved by the board.

The financial assumptions in the model (e.g., cost of debt and capital structure) are also updated to reflect the actual debt put into place, current base rates and any material change in outlook with regards to future leverage.

Discount Rate
Equity cash flows are discounted at the acquisition internal rate of return, which is adjusted for changes in the relevant risk-free rate. The acquisition internal rate of return is the return, which is forecast under the acquisition case and price, reflecting the risks inherent in each of the investments. The difference between the acquisition internal rate of return and the risk-free rate at the date of acquisition equates to the risk premium, which is the risk compensation to equity holders.

Most of the Fund's assets are likely to see some decrease in the risk premium as assets are de-risked following acquisition. Such projects may have a changing risk "life cycle", whereby the risk changes as the asset matures. In addition, if there is a change in the inherent risk of an investment, then the risk premium may need to be reconsidered.

Pooled Property: AEW UREF and LCIV/CBRE
Pooled properties have been valued in accordance with RICS valuation – Professional Standards VPS4 (7.1) fair value and VPGA 1 valuations for inclusion in financial statements, which adopts the definition of fair value used by the International Accounting Standards Board:

"The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date."

The properties are valued individually, and the details of tenure, tenancies and floor area are considered for valuation purposes.

Dislocation Fund: Blackstone
Fair value guidance defines fair value, establishes a framework for measuring fair value, and establishes requirements for disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.
Investments in Investee Funds.
The fair value of investments in limited Consolidated Partnerships and investment funds and affiliated limited Consolidated Partnerships and investment funds ("Investee Funds") is generally determined using the reported net asset value per share of the Investee Fund, or its equivalent ("NAV"), as a practical expedient for fair value if the reported NAV of the Investee Fund is calculated in a manner consistent with the measurement principles applied to investment companies. In order to use the practical expedient, the AIFM has internal processes to independently evaluate the fair value measurement process utilized by the underlying Investee Fund to calculate the Investee Fund's NAV. Such internal processes include the evaluation of the Investee Fund's policies and related internal controls in place to estimate the fair value of its underlying investments that are included in the NAV calculation, performing ongoing operational due diligence, review of the Investee Fund's audited financial statements and ongoing monitoring of other relevant qualitative and quantitative factors.

Narrative and Quantitative description of sensitivity to changes in valuation methods and market conditions:

Private Equity
Market valuation method applied to investments is sensitive to four main components:

i) changes in actual market prices.
ii) interest rate risk.
iii) foreign currency movements; and
iv) other price risks

Private Finance (M&G)
The only possible sensitivity associated with private finance valuations and methodology is credit rating. This may result in an analyst impairing an asset if there is a change in the asset's credit rating.

Infrastructure: Macquarie
The economic assumptions in the financial models are adjusted every three months to reflect current market conditions. The main economic variables relate to interest rates, exchange rates and inflation.

Infrastructure: LCIV
See Direct Lending, LCIV Private Debt below

Direct Lending: Permira
The yield analysis methodology used to value the level 3 assets are sensitive to the following inputs:

- EURIBOR swap rates (up to 7 years)
- LIBOR swap rates (up to 7 years)
- ELLI (3-year discounted spread data)

These inputs are sourced directly from Bloomberg feeds or independently from Duff & Phelps (ELLI data) relevant to each period end date.

These inputs impact on: (1) the implied IRR calculations at the period end valuation date; (2) the forecast cash and/or PIK yields that track LIBOR or EURIBOR; and (3) ultimately the implied asset price calculated from these inputs as the period end to determine the valuation price.

Direct Lending: LCIV Private Debt
Investments are initially recognized at cost and subsequently measured at fair value. Investments are valued on a basis that the Manager considers fair and reasonable having considered the latest available valuation provided by the investment entity. The level of estimation uncertainty is significant, and actual values may differ significantly from estimates.

Purchases and sales are recognised when a legally binding and unconditional right to obtain, or an obligation to deliver, an asset or liability arises. All realised and unrealised gains and losses on investments are recognized as net capital gains/(losses) in the Statement of Total Return. Unrealised gains and losses comprise changes in the fair value of investments for the period.

Pooled Property – AEW UREF and LCIV/CBRE
Prevalent economic conditions may affect occupancy rate or possible default in rent payments and conversely affecting transaction values. Local authority intentions, planning proposals and onerous restrictions are some of the other factors to which Pooled Property assets transactions may be sensitive towards. These are:

i) Market price risk: Future values of investments in direct property and related property investments will fluctuate due to changes in market prices.
ii) Real Estate valuation changes: Property investments are illiquid assets and valuing is difficult.
iii) Credit risk: counterparty (to a financial instrument) or tenant (of a property) will cause a financial loss to the Fund by failing to meet a commitment it has entered with the Fund.

15. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

	Designated as fair value through P&L	Assets at amortised cost	Financial Liabilities at Amortised Cost	Total	Designated as fair value through P&L	Assets at amortised cost	Financial Liabilities at Amortised Cost	Total
	31 March 2026 £'000	31 March 2026 £'000	31 March 2026 £'000	31 March 2026 £'000	31 March 2025 £'000	31 March 2025 £'000	31 March 2025 £'000	31 March 2025 £'000
Financial Assets								
Equities	-	-	-	-	27	-	-	27
Pooled Investments	1,348,201	-	-	1,348,201	1,195,087	-	-	1,195,087
Pooled property investments	145,268	-	-	145,268	194,432	-	-	194,432
Private Equity	2,355	-	-	2,355	2,993	-	-	2,993
Cash	-	58,523	-	58,523		13,793	-	13,793
Other Investment balances	-	-	-	-	-		-	-
	1,495,824	**58,523**	**-**	**1,554,347**	**1,392,539**	**13,793**	**-**	**1,406,332**
Total	**1,495,824**	**58,523**	**-**	**1,554,347**	**1,392,539**	**13,793**	**-**	**1,406,332**

15A. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	31 March 2026 £000's	31 March 2025 £000's
Financial Assets		
Designated at Fair Value through profit and (loss)	140,149	52,595
	140,149	**52,595**

16. NATURE & EXTENT OF EXPOSURE TO RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities. Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency, and interest rate risks) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

The risk that the fair value of cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. To mitigate against market risk the Pension Fund invests in a diversified pool of assets to ensure a reasonable balance between different categories. The management of the assets are placed with a few fund managers with different performance targets and investment strategies. Each fund manager is expected to maintain a diversified portfolio in each asset class. Risks associated with the strategy and investment returns are included as part of the quarterly reporting to Pensions Committee where they are monitored and reviewed.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instruments or its issuer, or factors affecting all such instruments in the market. The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The potential losses from shares sold short are unlimited. The Fund's investment managers mitigate this price risk through diversification, and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy Statement.

Other price risk - Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, the Fund has determined that the following potential change in market price risk are reasonably possible for the relevant reporting periods.

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on Fund asset allocations. The potential volatilities are consistent with one standard deviation movement of the change in value of assets over the last three years. This can then be applied to period end asset mix.

Had the market price of the Fund investments increased or decreased in line with the percentage change below, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

Asset Type	Value as at 31 March 2026 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Equity	889,353	10.30%	980,956	797,750
Bonds	242,940	6.80%	259,460	226,420
Infrastructure	74,742	4.40%	78,031	71,453
Property	145,268	5.80%	153,694	136,842
Diversified Growth	71,788	4.90%	75,306	68,270
Private Debt	69,378	5.80%	73,402	65,354
Private Equity	2,355	10.90%	2,612	2,098
Total	**1,495,824**		**1,623,460**	**1,368,188**

Asset Type	Restated Value as at 31 March 2025 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Equity	763,790	12.00%	855,445	672,135
Bonds	231,037	8.50%	250,675	211,399
Infrastructure	69,221	5.60%	73,097	65,345
Property	194,432	6.20%	206,487	182,377
Diversified Growth	60,057	5.40%	63,300	56,814
Private Debt	71,009	4.90%	74,488	67,530
Private Equity	2,993	11.10%	3,325	2,661
Total	**1,392,539**		**1,526,818**	**1,258,260**

Note: This table was restated for better comparison with current year.

Interest Rate Risk - The risk to which the Pension Fund is exposed to changes in interest rates and relates to its holdings in bonds and cash. Based on interest received on fixed interest securities, cash, and cash equivalents.

The Fund's direct exposure to interest rate movements as of 31 March 2025 and 31 March 2026 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest Rate Risk Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of net assets available to pay benefits. A 100 basis points (1%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis that follows assumes that all other variables, in particular exchange rates remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

Notes to the Pension Fund Account

Assets exposed to interest rate risks	Value as at 31 March 2026	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Cash balances	59,459	595	60,054	58,864
Bonds - pooled funds	242,940	2,429	245,369	240,511
Total change in assets available	**302,399**	**3,024**	**305,423**	**299,375**

Assets exposed to interest rate risks	Value as at 31 March 2025	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Cash balances	15,362	154	15,516	15,208
Bonds - pooled funds	231,038	2,310	233,348	228,728
Total change in assets available	**246,400**	**2,464**	**248,864**	**243,936**

Currency Risk - The risk to which the pension fund is exposed to fluctuations in foreign currency exchange rates. The Pension Fund can set up a passive currency hedge where these risks are perceived to be adverse. As of 31 March 2025, the Fund had no currency hedge in place for those managers who do not hedge their own portfolios. The following table summarises the fund's currency exposure as of 31 March 2025 and as at the previous period ending 31 March 2024.

Currency exposure by asset type

Currency risk sensitivity analysis

Following analysis of historical data in consultation with PIRC Ltd, the Funds data provider, the Fund considers the likely volatility associated with foreign exchange rate movements to be 6.1%, based on the data provided by PIRC. A 6.1% fluctuation in the currency is considered reasonable based on PIRC's analysis of historical movements in month end exchange rates over a rolling twelve-month period. This analysis assumes that all variables, in particular interest rates, remain constant. Managers that hedge against currency risk are not included in this sensitivity analysis. A 6.1% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk	Asset Value 31 March 2026	Potential market movement	Value on increase	Value on decrease
		5.10%		
	£'000	£'000	£'000	£'000
Pooled Funds	889,353	45,357	934,710	843,996
Private Equity/Infrastructure	77,098	3,932	81,030	73,166
	966,451	**49,289**	**1,015,740**	**917,162**

Assets exposed to currency risk	Asset Value 31 March 2025	Potential market movement	Value on increase	Value on decrease
		6.10%		
	£'000	£'000	£'000	£'000
Pooled Funds	633,163	38,623	671,786	594,540
Private Equity/Infrastructure	72,214	4,405	76,619	67,809
	705,377	**43,028**	**748,405**	**662,349**

Credit Risk - Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund’s financial assets and liabilities.

The Pension Fund's entire investment portfolio is exposed to some form of credit risk, except for the derivative position, where the risk equates to the net market value of a positive derivative position. Credit risk can be minimised through careful selection of high-quality counterparties, brokers, and financial institutions. The Pension Fund is also exposed to credit risk through Securities Lending, Forward Currency Contracts, and its daily treasury activities. The Securities Lending programme is run by the Fund's custodian Northern Trust which assigns four different risk management oversight committees to control counterparty risk, collateral risk, and the overall securities lending programme. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending on the type of transaction. To further mitigate risks, the collateral held on behalf of the pension fund is ring fenced from Northern Trust. Securities lending is capped by investment regulations and statutory limits are in place to ensure no more than 25% of eligible assets can be on loan at any one time.

The prime objective of the Pension Fund treasury management activity is the security of principal sums invested. As such it will take a prudent approach to organisations employed as the banker and deposit taker. The Pension Fund will ensure it has adequate but not excessive cash resources to meet its objectives. The bank accounts are held with NatWest Bank, which holds an S&P long-term credit rating of A. Deposits are placed in the AAAm rated Northern Trust Money Market Fund which is ring fenced from the administering company. Credit ratings, market indicators and media coverage are monitored to ensure credit worthiness is maintained. The Fund's cash holding under its treasury management arrangements on 31 March 2025 was £15,362k (31 March 2024: £8,984k) and this was held with the following institutions:

Summary	Rating S&P	Balances as at 31 March 2026 £'000	Rating S&P	Balances as at 31 March 2025 £'000
Money market funds				
Northern Trust	AAAm	58,523	AAAm	13,793
Bank current accounts				
NatWest	A+	936	A+	1,569
Total		**59,459**		**15,362**

Liquidity Risk - The risk the Pension Fund will have difficulties in paying its financial obligations when they fall due.

The Pension Fund holds a working cash balance in its own bank accounts with NatWest as well as Money Market Funds to which it has instant access to cover the payment of benefits and other lump sum payments (£936k). At an investment level the fund holds a large proportion of assets in instruments which can be liquidated at short notice, normally three working days. As of 31 March 2026, these assets totalled £1,169,380k, with a further £58,523k held in cash in the Custody accounts at Northern Trust.

Refinancing risk

The key risk is that the fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

17. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund’s actuary undertakes a revaluation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last valuation took place as of 31 March 2025 setting rates for the period April 2026 to March 2029. The next triennial valuation will take place as of 31 March 2028.

In line with the triennial valuation the Fund updates its Funding Strategy Statement every three years. The key elements of the funding strategy are:

1. to ensure the long-term solvency of the fund, i.e., that sufficient funds are available to meet all pension liabilities as they fall due for payment.

2. to ensure that employer contribution rates are as stable as possible.
3. to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return.
4. to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so.
5. to use reasonable measures to reduce the risk to other employers and ultimately to the Council taxpayer from an employer defaulting on its pension obligations.

The funding level is the ratio of assets to liabilities at the valuation date. A funding level of less/more than 100% implies that there is a deficit/surplus in the Fund at the valuation date against the funding target. Funding plans are set to eliminate any deficit (or surplus) over the set time horizon and therefore get back to a funding level of 100%. To do so, additional contributions may be required to be paid into the Fund; these contributions are known as the “secondary rate”.

At the 2025 actuarial valuation, the Fund was assessed as 118% funded (88% at the March 2022 valuation). This corresponded to a surplus of £211m (2022 valuation: £167m) at that time. The improvement in funding position between 2022 and 2025 primarily due to higher assumed future investment returns in 2025.

Significant events

The figures in this report are based on our understanding of the benefit structure of the LGPS in England and Wales as of 31 March 2026. Details can be found at http://www.lgpsregs.org/.

Contribution rates

The table below summarises the whole Fund Primary and Secondary Contribution rates at this triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary, and the total of employer secondary rates expressed as a monetary amount, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate (%) 1 April 2026 - 31 March 2029	Secondary Rate (£)		
	2026/27	2027/28	2028/29
19.50%	-£1,028,000	-£1,057,000	-£1,087,000

The Primary rate above includes an allowance for administration expenses of 0.8% of pay. The employee average contribution rate is 6.6% of pay.

At the previous formal valuation on 31 March 2022, a different regulatory regime was in force. Therefore, a contribution rate that is directly comparable to the rates above is not provided.

The valuation of the Fund has been undertaken using a risk-based approach, this approach recognises the uncertainties, and risks posed to funding and follows the process outlined below:

Step 1: The Fund sets a funding target (or funding basis) which defines the target amount of assets to be held to meet the future cash flows. The assumptions underlying the funding target are discussed further in the next section. A measurement is made at the valuation date to compare the assets held with the funding target.

Step 2: The Fund sets the time horizon over which the funding target is to be reached.

Step 3: The Fund sets contributions that give a sufficiently high likelihood of meeting the funding target over the set time horizon.

Assumptions

Due to the long-term nature of the Fund, assumptions about the future are required to place a value of the benefits earned to date (past service) and the cost of benefits that will be earned in the future (future service). Assumptions fall into three categories when projecting and placing a value on the future benefit payments and accrual – financial, demographic and Commutation.

Financial Assumptions

A summary of the financial assumptions underpinning the target funding basis and adopted during the assessment of the liabilities of the Fund as of 31 March 2025 (alongside those adopted at the previous valuation for comparison) are shown below.

Description	31 March 2025	31 March 2022
Funding Basis Discount Rate	6.3%	4.1%
Benefit Increases (CPI)	2.3%	2.7%
Salaries Increases	2.8%	3.2%

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. for both males and females.

Based on these assumptions, the average future life expectancies at age 65 for the Employer are summarised below:

	Males	Females
Current pensioners	22.2 years	24.8 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	22.8 years	25.8 years

Commutation assumptions

A commutation allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits.

18. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The IAS19 balance sheet is based on financial market values and future market expectation indicators as of 31 March 2026 to comply with the accounting standard.

Description	31 March 2026 % per annum	31 March 2025 % per annum
Inflation /Pensions Increase Rate	3.0%	2.8%
Salary Increase Rate	3.5%	3.3%
Discount Rate	6.2%	5.8%

An IAS 26 valuation was carried out for the Fund as of 31 March 2026 by Hymans Robertson with the following results:

Description	31 March 2026 £m	31 March 2025 £m
Present Value of Promised Retirement Benefits	1,427	1,283
Active Members	399	419
Deferred Members	346	304
Pensioners	682	560

These figures are presented as required by IAS 26. They are not relevant for the calculations undertaken for funding purposes or other statutory purposes under UK pension legislation. This item is not recognised in the Net Asset Statement, hence is considered not to be in opposition to the assertion included in the Net Asset Statement surrounding future liabilities of the Fund.

The promised retirement benefits on 31 March 2026 have been projected using a roll forward approximation from the latest formal funding valuation as of 31 March 2025. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, the actuary is satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

Net Liability

The table below shows the total net liability of the Fund as of 31 March 2026. The figures have been prepared by Hymans Robertson, the Fund's actuary, only for the purposes of providing the information required by IAS26. They are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation. In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

Description	31 March 2026 £m	31 March 2025 £m
Present Value of Promised Retirement Benefits	(1,427)	(1,283)
Fair Value of Scheme Assets (bid value)	1,556	1,409
Net Liability	**129**	**126**

19. Going Concern

The Pension Fund accounts, and Notes have been prepared on a going concern basis. The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code (Code of Practice on Local Authority Accounting in the United Kingdom 2025/26) in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

The Fund's triennial valuation on 31 March 2025 reported a funding level of 118%. Currently, contributions and investment income are sufficient to fund benefits as they fall due without the need to liquidate investments. The Fund is currently operating with a cash flow surplus. If a need to obtain liquidity arises, approximately 71% of the Fund's assets are held in liquid investments.

A cash flow forecast covering the period 01 April 2025 to 31 March 2028 has been produced to confirm the solvent position and outlook of the Pension Fund over the period stated above.

Notes to the Pension Fund Account

20. RELATED PARTY TRANSACTIONS

It is required under IAS 24 "Related Party Disclosures" that material transactions with related parties which are not disclosed elsewhere should be included in a note to the financial statements. The London Borough of Hillingdon is a related party to the Pension Fund, represented by the Pensions Committee members. The committee is responsible for management of fund assets, including investment directions and administration of the fund. List of committee members may be found in Note 1C. The revenue contributions the Council has made into the Pension Fund are set out in note 4 to the Pension Fund accounts. No senior officer or Pension Committee member had any interest with any related parties to the Pension Fund.

Key Management Personnel

Two employees of the London Borough of Hillingdon held key positions in the financial management of the London Borough of Hillingdon Pension Fund. These employees are the Section 151 officer, and the Director of Pensions, Treasury & Statutory Accounts. Total remuneration payable to key management personnel is set out below:

	31 March 2026 £'000	31 March 2025 £'000
Short term benefits	26	125
Post employment benefits	2	116
	28	**241**

The Pensions Committee of the London Borough of Hillingdon Pension Fund ("the Fund") has prepared an Investment Strategy Statement (ISS) in accordance with the MHCLG Guidance on Preparing and Maintaining an Investment Strategy Statement.

As set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Pensions Committee will review this Statement from time to time, but at least every three years, and revise it as necessary. Also, in the event of a significant change, changes will be reflected within three months of the change occurring. The current version of the ISS is available on the pension fund pages of the Council's website: www.hillingdon.gov.uk and included in the Annual Report.

21. BULK TRANSFER

There were no bulk transfers in the year under review.

22. CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) as of 31 March 2026 totalled £87,506k (£78,201k on 31 March 2025).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the Private Equity, Infrastructure, Property and Private Credit parts of the portfolio. The amounts called by these funds vary both in size and timing over a period of up to six years from the date of each original commitment.

23. CONTINGENT ASSETS

Five admitted body employers in the London Borough of Hillingdon Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. Total value of bonds held come to £867,000.00.

24. POST BALANCE SHEET EVENTS

Events taking place after the 31st of March 2026 are not reflected in the financial statements or notes, unless they are of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions. Where events taking place before this date provided information about conditions existing on 31 March 2026, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

Annual Governance Statement 2025/26

Hillingdon Council
Annual Governance Statement 2025/26

1. EXECUTIVE SUMMARY

The London Borough of Hillingdon Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, safeguarding public money, and using resources economically, efficiently, and effectively. The governance framework comprises systems, processes, culture and values that direct and control the authority and engage with the community. The system of internal control is also designed to manage risk to a reasonable level.

This statement meets the requirements of Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 which requires an authority to conduct a review at least once a year of the effectiveness of its system of internal control and to include a statement reporting on the review with the published Statement of Accounts. Regulation 6(1)(b) requires that the statement is an Annual Governance Statement (AGS) which must be prepared in accordance with proper practices in relation to the accounts.

The governance arrangements in place during the 2025/26 financial year have been reviewed and this statement produced in accordance with the CIPFA guidance. The review was overseen by the Corporate Governance Board comprising key statutory officers and stakeholders.

Overall Opinion on Governance and being Fit for Purpose

The governance framework is aligned with the seven principles of good governance as identified in the CIPFA/SOLACE 2016 Framework set out below:

The Council's Local Code of Corporate Governance is reviewed annually and shown here:

Council constitution and delegations - Hillingdon Council

The governance framework has been in place for the year ended 31st March 2026 and up to the date of approval of the 2025/26 Statement of Accounts.

Annual Governance Statement 2025/26

Overall, this review concludes that given the number of significant factors highlighted within this report requiring improvement, alongside the “Limited Assurance” conclusion of the Council’s Internal Auditors, that internal control and governance systems as set out in the Local Code of Governance were not all at the required level during 2025/26 and those key areas of improvement identified below were actively remedied via the Financial Modernisation Programme (FMP) and Governance Review Improvement Plan (GRIP) during 2025/26.

1. Financial Governance and Oracle
2. Financial Sustainability
3. Directorate Governance
4. Capacity and Organisational Change
5. Performance Management Framework
6. Impacts of Heathrow Airport and Asylum

The Council is committed to improving governance on a continuing basis through a process of evaluation and review. The governance outlook includes the implementation of the Digital and Information element of the Chief Operating Officer Directorate to modernise systems and data across the Council, Council initiated transformation projects especially relating to Oracle and Finance where the 2026/27 budget had significant higher scrutiny than previous years and an updated monitoring solution for budget managers which will be further improved in the summer of 2026 to manage pressures and identify areas of innovation. The Council is dedicated to ensuring that governance will be fit for purpose.

Approved by:

Chief Executive	**Leader of the Council**
Date:	**Date:**

2. OUR ASSESSMENT OF EFFECTIVENESS

Conducting the Annual Review

The review of effectiveness was conducted through a combination of internal and external assessments as set out in the diagram below:

This review has been, and will continue to be, overseen by the Corporate Governance Group chaired by the Monitoring Officer and comprising the Chief Operating Officer, the Head of Democratic Services and the S151 Officer with input as and when required from the Head of Internal Audit and the Senior Democratic Services Manager. Progress on the GRIP has been reported to each Audit Committee during the 2025/26 year.

Alignment with Planned Outcomes and Value for Money

Arrangements are in place to support the Authority's delivery of planned outcomes and meet its responsibilities for value for money/best value.

All London's Boroughs are having to absorb unfunded cost pressures arising from the Government's increase in Employer National Insurance and the minimum wage, higher than forecast inflation and unanticipated and exceptional demand pressures for housing and social care. London Councils have reported that boroughs will overspend on their homelessness budgets by at least £500m in 2025/26 and they estimated that the total overspend by all London Borough Councils will be more than £800m. Seven London boroughs, including Hillingdon, received Exceptional Financial Support (EFS) in 2025/26 totalling £418m – a significant jump from the two London boroughs receiving EFS of £71m in 2024/25.

Unlike other local authorities, Hillingdon incurs additional costs as a result of being home to Heathrow Airport and the surrounding hotels commissioned by the Home Office during the pandemic, which have been used to house people seeking asylum. The Council is paying £3 million annually to support individuals seeking asylum as well as those evicted from hotels by the Home Office.

The Council is committed to a strategy of “Putting Residents First” requiring it to be responsive to residents’ needs for high quality universal and statutory services whilst doing all it can to keep council tax and charges as low as possible. This is achieved through transforming how the Council operates and lowering its consequent costs. The Council has set out budgets with proposed savings totals averaging £11.0m per year over the last 10 years but, owing to the present funding pressures, savings of £34.0m were required for 2025/26, with roll forward savings taking total planned delivery for 2025/26 to £38.8m. Of this, £20.2m were achieved by year end, £14.4m written out of the Council’s budget that could no longer be delivered while the remaining balance of £4.2m was carried forward and planned for delivery in 2026/27. A final £29.0m overspend position is projected for 2025/26.

As has been set out in the 2024/25 AGS, and monitoring reports during the 2025/26 financial year, the deterioration of the Council’s financial position, both in the 2024/25 outturn and then the 2025/26 forecast, compounded by ongoing levels of underfunding over past years, has led to a lack of reserves available to the Council to offset the deficit forecast in 2025/26, and ensure that the Council could balance the budget from its own resources in 2026/27 and going forward, or to provide financial resilience against unforeseen financial risks and impacts.

As a consequence of this, the Council made an application to MHCLG to request Exceptional Financial Support (EFS) to manage through the current challenging position. It was not possible for the Council to set a legally balanced budget in 2026/27 without the use of EFS, hence the budget is constructed on this explicit assumption. The Council received an “in-principle” agreement from MHCLG of EFS in February 2026 before the budget was debated by full Council. The “in-principle” amounts agreed by Government were £88m in 2025/26, £62m in 2026/27 and £23m in 2027/28.

The Government’s Fair Funding Review 2.0 - a new assessment of how much money local authorities should receive from the Government - identified Hillingdon Council as being significantly underfunded, and implicitly that this has been the case for several years. Whilst the Government’s intention has been to rectify this, the conclusion of the review was delayed by the Covid pandemic, but these amounts are now included in base budgets leading to an additional £105m in funding for the Council by the 2028/29 financial year.

The 2026/27 MTFS, including the above funding, sets out an ongoing budget deficit of circa £45m that will need to be closed by the 2028/29 financial year. The 2026/27 budget includes increases in the Council’s Fees and Charges but also a significant reinvestment in services. Service delivery within the Council continues to be well run, with the spend on frontline services being below its comparator group (predominantly Outer London Boroughs) whilst continuing to receive good ratings from external oversight bodies.

The Finance Modernisation Programme (FMP), devised in the autumn of 2024, has the aim of strengthening the Council’s financial capacity and capability across both the Finance department and the wider organisation. Within this programme there are a number of workstreams ranging from improvements to the Oracle financial system and improvements to the Council’s budgeting process to upgrading of the Council’s financial processes and procedures. Progress on the FMP is included within the GRIP document and reported to Audit Committee.

External Assurance Providers and Internal Audit’s Annual Conclusion

In total 40 pieces of Internal Audit work were delivered as part of the 2025/26 annual workplan. This included 24 assurance reviews, 11 advisory reviews and 5 grant claim audits. Of the 24 assurance reviews completed in the year, 20% resulted in a *substantial* assurance, 40% *reasonable* assurance, 36% *limited* assurance and there was one *no* assurance review.

Following a challenging year in 2024/25, the Head of Internal Audit noted there have been clear steps towards strengthening internal controls, risk management and governance arrangements across the Council during 2025/26. However, they also reflect that this is an area of continuous improvement and many of these actions are still evolving and not yet fully embedded. Overall, they have concluded a *limited* assurance opinion for 2025/26 but are optimistic they will see further improvements, and a reasonable assurance opinion is achievable if the current positive momentum is maintained.

During 2025/26 the Head of Internal Audit undertook a self-assessment against the Institute of Internal Auditors' Global Internal Audit Standards, the UK Public Sector Application Note, and the Code of Practice for the Governance of Internal Audit. No significant areas of non-compliance were identified, and this was reported to the Audit Committee in January 2026. Following the review, a Quality Improvement Action Plan was developed to further increase the effectiveness of the service and this will be taken forward during 2026/27.

On 24 July 2025, the Council's External Auditors Ernst & Young issued the Council with a Value for Money Update and Recommendations Under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014 (S24 Report). This report, and the External Auditors Final Audit Report received on the 27th February highlighted financial challenges and significant weaknesses in financial sustainability and the quality of Council information. The External Auditor made the following 7 formal statutory recommendations to the Council which were given consideration at the Council meeting in September 2025:

a) That the Council ensures it has detailed implementation plans supporting all of the planned savings included within its 2025/26 budget and future medium-term financial strategy and identifies and develops implementation plans for further savings which can be pursued should additional budgetary pressures emerge, or the Council fails to achieve all of its currently planned savings.

b) That the Council reviews its service delivery models to ensure that they are efficient, represent value for money and achieve the outcomes required for the resources invested. Where opportunities to improve service delivery models are identified, the Council should develop detailed plans for implementation of service delivery transformation and how the up-front transformation costs will be funded.

c) That the Council should balance its schools' budget to prevent further growth in its Dedicated Schools Grant (DSG) deficit. In the absence of confirmed alternative arrangements, the Council should also perform scenario planning for how it would manage the impact of the current deficit on its financial position when the current statutory override ends in March 2028.

d) That the Council review its financial forecasting processes to understand why significant financial pressures, over and above those anticipated and reflected in the Council's annual budget, emerge and ensure future forecasting reflects the lessons learned.

e) That the Council urgently establishes a clear understanding of its current financial position, including the extent to which that position has diverged from the assumptions underpinning the 2025/26 budget and may require immediate action to prevent further depletion of reserves during 2025/26.

f) That the Council urgently addresses the issues it has encountered with implementation of Oracle EPM to ensure that, at both individual budget holder and overall Council level, decision makers are able to access accurate and complete budgetary information to inform decision making.

g) That the Council continues at pace with the development and implementation of its Financial Modernisation Programme, as well as the wider Governance Review Improvement Plan, and ensures that the scope of these programmes addresses all of the weaknesses in current arrangements highlighted by the various internal and external reviews the Council has received.

One further recommendation was made in the final audit report received in February 2026:

h) That the Council reassesses whether the assumptions and forecasts underpinning its 2025/26 budget were sufficiently robust to support the conclusion that the Council has set a balanced budget for the 2025/26 financial year. If the Council is unable to conclude that it has a balanced budget, it should consider what further actions it may be required to take to comply with its statutory responsibilities.

Before these recommendations were issued, the Council had already taken immediate action and introduced the Governance Review Improvement Plan (GRIP), which sets out a programme for implementing these, and other recommendations (detailed further below). The progress on the GRIP is monitored at each Audit Committee meeting.

With this in mind Council resolved that:

a) the recommendations of the external auditor contained within the report issued under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014, be accepted.
b) the programmes of work and actions which were already in place to address the S24 Report recommendations, as clearly set out in the Financial Modernisation Programme (FMP) which commenced in February 2025, and the Governance Review Improvement Plan (GRIP) which commenced in March 2025, be welcomed and approved.
c) the Audit Committee, who have already been monitoring the progress of the FMP and GRIP, be instructed to continue to monitor the delivery of the actions and report back to Council in no later than 12 months, or earlier if required, to ensure the S24 Report recommendations have been fully addressed.

<u>How the Overall Opinion has been agreed</u>

This review of effectiveness has been conducted through a combination of internal and external assessments, including the Corporate Governance Group Review, Internal Audit Reports, and External Auditor Reports.

The review also took into consideration the operating environment during 2025/26. There has been a significant focus on developing new ways of working and fast paced change to address the increasing demand pressures in key areas such as adult social care, children and young people services and homelessness. This increased transformational work has been essential to ensure long-term stability. However, it also impacted on governance arrangements due to the limited resources available at a senior level, uncertainty around performance data and forward planning.

Overall, this review concludes that given the number of significant factors highlighted within this report requiring improvement, alongside the “Limited Assurance” conclusion of the Council’s Internal Auditors, that internal control and governance systems as set out in the Local Code of Governance that were not at the required level during 2024/25 have improved during 2025/26 but there is still work to be done in those key areas of improvement identified and this has being actively remedied via the FMP and GRIP.

These areas for improvement are set out in the sections below.

3. WHERE OUR GOVERNANCE NEEDS TO IMPROVE

Hillingdon Council has implemented a range of improvement actions to strengthen governance arrangements and control systems as part of its overall continuous improvement programme. A review of the effectiveness of the core governance arrangements identified the following issues in 2024/25, along with the actions to address them in 2025/26:

Gaps & failures identified during the year, and where core arrangements were not operating effectively	Actions taken to improve these areas
Financial Governance & the Oracle Project: Financial Governance arrangements were impacted during 2024/25 and into 2025/26 following the implementation of the Oracle system. Key areas of improvement required include: Greater understanding and ownership of budgets at a service level and addressing data quality issues and reliance on manual calculations and adjustments.	A Finance Modernisation Programme was put in place in April 2025, with the Oracle implementation element beginning in July 2025. This programme, and its implementation progress is reported to each Audit Committee. The programme deals with the depth and breadth of financial structures, systems and processes as well as the appropriate Governance arrangements.

Gaps & failures identified during the year, and where core arrangements were not operating effectively	Actions taken to improve these areas
Improving governance around major projects such as Oracle, including clear success and go/no go criteria, defined cut-over plans, data migration reconciliations, and benefits identification, realisation and monitoring. The EPM module and Council's forecasting process have also demonstrated issues which indicate a cumbersome and unreliable process which make it harder for budget holders to understand and manage their data and to take responsibility for their financial position.	Part of the improvement plan included an improved reporting process. An updated financial monitoring solution was implemented in September 2025. Further Oracle improvements that have been implemented in 2025/26, through an Implementation Board with associated implementation success criteria include: a. A revised use of Procurement functionality to ensure that Price and Quantity are correctly entered on Oracle delivered on 1st April 2026 - resulting in more streamlined use of the system. b. Delivery of the updated Oracle functionality to reflect the updates in the Procurement Act. This went live on 8th April 2026. c. The new Oracle EPM solution is in implementation and testing for use in 2026/27. This includes controls over establishment and agency staff as well as the ability for managers to drill down into transactions (something not available at the moment). The solution has been in the testing phase since early April and is expected that it will be cleared for use, following extensive training in late June, for the June Monitoring Cycle. d. Updated controls have been tested and are ready for implementation to ensure that Capital spending governance is improved. e. Work is underway to allow different ways to chase debt (dunning channels) to allow the Council to do more effectively as the most effective route is department specific. f. More punchout procurement access is being developed (including Amazon, with associated controls, to streamline procurement processes and costs. g. Work has continued on rationalisation of Oracle Licences. The Council holds Full Licences, Self Service Licences and Procurement Licences. The new EPM solution and other processes in place are reducing the requirement for Full licences and switching this to cheaper Self Service licences. These systems improvements are being integrated with recommendations relating to the improvement of Financial Governance, which are addressed in the GRIP document and include: stronger spend control measures, robust savings programmes, and training to embed awareness of financial responsibilities and financial regulations at all levels of the organisation.

Gaps & failures identified during the year, and where core arrangements were not operating effectively	Actions taken to improve these areas
Financial Sustainability: The delivery of detailed implementation plans supporting planned savings and a full review of service delivery models to ensure they are efficient, represent value for money and achieve the required outcomes. That the financial forecast process ensures pressures/issues are identified promptly to allow effective mitigation. In 2024/25 the Council faced increasing demand for front line services and a management reporting outturn position presented of £24.5m overspend. The 2025/26 financial year saw the overspend position increase significantly before plateauing in September 2025 at a £36.3m overspend position. Because of this position the Council has successfully applied for Exceptional Financial Support and has received an “in-principle” agreement of £173m over the 2025/26 to 2027/28 period. This however still leaves an ongoing gap of circa £45m to close from 2027/28.	The Council took steps in 2025/26 to manage down pressures. These included, as part of the Finance Modernisation Programme, the convening of three Spend Control Boards covering staff, spending and contracts. These have continued into 2026/27. The outturn position for 2025/26 which rose to a £36m overspend in September 2025 has remained at that level for the remainder of the financial year. The Council, following negotiations with DLUHC during 2025, has received a "minded to" award of Exceptional Financial Support (EFS) to help it on the path to financial sustainability. This has its own associated costs (which have been accounted for) and oversight requirements (which are still being defined). This funding ensures that the Council will deliver the 2026/27 budget and also rebuild reserves. The 2026/27 budget process assumed the use of £62m of EFS to deliver a balanced budget and £88m of funding to balance the 2025/26 overspend position and build back reserves that were at critical levels. The budget also includes £60m of growth to ensure that base budgets are matching demand requirements. Recommendations relating to the improvement of Financial Governance are addressed in the GRIP documentation reported to each Audit Committee and therefore in the public environment.
Directorate Governance: On a number of occasions during the year, senior management resources were reallocated to focus on strategic reviews and transformational projects. This impacted on the capacity within senior leadership teams to dedicate adequate time to collate, review and consider core governance reports and related actions. It also highlighted that inconsistencies in relation to reporting and governance arrangements had developed across directorates.	Plans to implement recommendations relating to the improvement of Directorate Governance were addressed in the GRIP document Workstream 2. Key actions have been delivered including embedding a consistent approach to directorate governance by utilising a new template agenda and action log and developing performance dashboards to provide accurate and timely information in line with agreed priority areas. Improvements in relation to the presentation and scrutiny of finance data within directorates are also being addressed as part of the Finance

Gaps & failures identified during the year, and where core arrangements were not operating effectively	**Actions taken to improve these areas**
	Modernisation Programme and GRIP document Workstream 1 with an updated suite of reports due to go live for the June monitoring cycle 2026/27.
Capacity and Organisational Change: 2024/25 initially, and then 2025/26 was a year of discovery and transformational change across the Council to identify new ways of working. This has resulted in many long-standing processes, policies and procedures becoming outdated and new processes will take time to be embedded within all day-to-day operations. It has been identified that the capacity within the Finance team, has weaknesses. Financial Processes were not working as smoothly as they should have been, which was already stretching capacity, and this has been exacerbated in the late delivery of the accounts and reflected in the disclaimer statements received.	The Business Design Authority implemented in 2024/25 was more established in 2025/26 to critically assess any business cases related to digital and intelligence projects. • This includes finance and procurement representatives to ensure value for money as innovation is planned and then delivered. • In addition, the transformation team has moved to work with the digital team and provide additional support in relation to change management. There is a project tracker in place to monitor the ongoing projects, outputs and benefits each month. • This has have also increased focus on change management and embedding changes into everyday practice. Action plans have also been developed to address specific areas of improvement and monitored through defined governance groups to ensure they are embedded in a timely manner. These groups include: • The Workforce Improvement Board, monitoring improvements around HR compliance, and • the Land and Property Group, implementing stronger asset management arrangements. The weakness around the capacity in the finance team is being progressed through the FMP programme which includes significant process improvements, including better use of Oracle Fusion. During 2025/26 external support was used (through Grant Thornton) to: • Undertake a critical review of the balance sheet – which led to £16m of restatements in the 2024/25 outturn report. • Quality assurance of the initial draft 2024/25 accounts which were submitted in September 2025. • Assistance in the delivery of a new monitoring solution which will be delivered early in the 2026/27 financial year. • The implementation of the new monitoring solution also includes significant training for both

Gaps & failures identified during the year, and where core arrangements were not operating effectively	Actions taken to improve these areas
	the finance teams and the business. • Work with finance management team to look at finance competencies with the aim of delivering a departmental restructure in late 2026 to ensure the teams are fit for purpose. However, up to that departmental restructure in 2026, additional resource will be sourced in order to ensure that the 2025/26 accounts are delivered by the end of June 2026 and properly quality assured.
Performance Management Framework: During 2024/25 significant work has been undertaken to collate performance data from key council systems and develop accurate performance dashboards to aid monitoring arrangements and effective decision making at both Corporate Management Team and Cabinet Member level. There are still areas of improvement to address, including aligning information to priority areas and working with services to improve forecasting information.	There is a dedicated Business Intelligence Team working with services and the Corporate Management Team to improve the accuracy of information and develop key performance indicators for key priority areas of review. This includes a balanced scorecard for all departments. linking key information in a single place. There are now Power BI dashboards in place across the Council. These dashboards are aligned with wider corporate and directorate objectives as part of the Finance and Business plans through the balanced scorecard.
Heathrow Airport: In being home to Heathrow Airport, the Council has a longstanding disproportionate responsibility to support unaccompanied asylum-seeking children (UASC). However, this has been further compounded by a growing number of British passport holders arriving at Heathrow and requiring Council assistance. The borough also has a high number of asylum seekers placed in hotels by the Home Office. As this occurs in an unplanned way, it is difficult to manage the impact of this through routine governance arrangements. The impact is on the statutory responsibilities the Council and other agencies have, and on local charities and volunteering, which receive insufficient financial support to cover the burdens faced, and in turn there is an impact on the ordinarily available support services in the borough for residents.	The Council is in regular discussion with the Home Office and Ministry of Housing, Communities and Local Government to address the financial impact. Further work is also being undertaken by the Homes and Communities directorate as part of their wider Temporary Accommodation Action Plan. In addition to this, given the Government's implicit agreement for an additional runway at Heathrow and the urgent pressure for the project to move forward, the Council convened a working group covering the full range of council services in March to ensure that any plan has had full input from the Council. This project is in its infancy and will significantly impact future years but significant work, and therefore resource, will be required in the first half of the 2026/27 financial year to establish this initial position.

Monitoring of Actions Plans to address these

The progress of these action plans will be monitored through:

- Monthly reviews by the Corporate Governance Group
- Regular updates to the Corporate Management Team and Directorate structure
- Oversight by the Audit Committee, including regular updates on the GRIP programme.
- Cabinet Portfolio Holder review and financial scrutiny by select committees

4. How we have improved our governance arrangements in 2025/26

The governance issues identified in the previous year's statement are set out below, together with how these have been addressed or if further action is required.

Areas for improvement 2025/26	**How these have been addressed and what further action is required**
Financial sustainability: The external auditors have highlighted the following areas for improvement: • The Council urgently establishes a clear understanding of its current financial position, including the extent to which that position has diverged from the assumptions underpinning the 2025/26 budget. • The Council reviews its financial forecasting processes to understand why significant financial pressures, over and above those anticipated, emerge and ensure future forecasting reflects the lessons learned. • That the Council reassesses whether the assumptions and forecasts underpinning its 2025/26 budget were sufficiently robust to support the conclusion that the Council has set a balanced budget for the 2025/26 financial year. If the Council is unable to conclude that it has a balanced budget, it should consider what further actions it may be required to take to comply with its statutory responsibilities.	The 2025/26 budget recognised the scale of the financial challenges at the Council to set a balanced budget, with £34m of savings required for 2025/26. This was an increase on previous years where the average savings delivered was £11m. The closure process for the 2024/25 financial year exemplified this position with an outturn position of a £26.8m deficit and total earmarked and General Fund Reserves of £7.6m. In liaison with Grant Thornton, the Council developed and is implementing a Finance Modernisation programme (FMP) to address deficiencies identified internally and externally. Progress on this plan is reported to each Audit Committee. The Council implemented an updated Oracle EPM monitoring solution in July 2025 and by the September the outturn position had stabilised at a £36m overspend position which remained until year end when it was revised down to £29m It also understands the limitations of the present solution and as such an updated solution will be implemented, along with substantial finance training, in the summer of 2026. The 2026/27 MTFP process has had more scrutiny that past years due to the Council's financial position, with several Departmental Star Chambers reviewing possibilities before the final proposals were put forward for

	consultation in December. This process included a thorough review of assumptions and deliverability of the associated savings plan. The Council did understand early in 2025 the gravity of its financial situation, and started negotiations with the Government on the prosect of receiving EFS. Following these negotiations, the Council has received a "minded to" award of Exceptional Financial Support (EFS) to help it on the path to financial sustainability. This has its own associated costs (which have been accounted for) and oversight requirements (which are still being defined). This funding ensures that the Council will deliver the 2026/27 budget and also rebuild reserves. The 2026/27 budget process assumed the use of £62m of EFS to deliver a balanced budget and £88m of funding to balance the 2025/26 overspend position and build back reserves that were at critical levels. The budget also includes £60m of growth to ensure that base budgets are matching demand requirements. The Council's monitoring officer has provided their view on the legality of the 2025/26 budget.
Council Delivery Models (including Oracle) The external auditors recommended that the Council: • Review service delivery models to ensure that they are efficient, represent value for money and achieve the outcomes required. Explore opportunities to improve service delivery models and develop detailed plans for implementation of service delivery transformation including how the up-front transformation costs will be funded. • Urgently addresses the issues it has encountered with implementation of Oracle EPM to ensure that, at both individual budget holder and overall Council level, decision makers are able to access accurate and complete budgetary information to inform decision making. • That the Council continues at pace with the development and implementation of its Financial Modernisation Programme, as well as the wider Governance Review Improvement Plan, and ensures	A Finance Modernisation Programme was put in place in April 2025, with the Oracle implementation element beginning in July 2025. This programme, and its implementation progress is reported to each Audit Committee. The programme deals with the depth and breadth of financial structures, systems and processes as well as the appropriate Governance arrangements. The 2026/27 Budget process reviewed and updated existing Service delivery models. These continue to be refined. Part of the improvement plan included an improved reporting process. An updated financial monitoring solution was implemented in September 2025. Further Oracle improvements that have been implemented in 2025/26, through an

<table>
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<td>that the scope of these programmes addresses all of the weaknesses in current arrangements highlighted by the various internal and external reviews the Council has received.</td>
<td>Implementation Board with associated implementation success criteria include:

• Revised use of Procurement functionality to ensure that Price and Quantity are correctly entered on Oracle delivered on 1st April 2026.
• Delivery of the updated Oracle functionality to reflect the updates in the Procurement Act. This went live on 8th April 2026.
• The new Oracle EPM solution is in implementation and testing for use in 2026/27.
• Updated controls have been tested and are ready for implementation to ensure that Capital spending governance is improved.
• Work is underway to allow different ways to chase debt (dunning channels) to allow the Council to do more effectively as the most effective route is department specific.
• More punchout procurement access is being developed including Amazon, with associated controls, to streamline procurement processes and costs.
• Rationalisation of Oracle Licences. The Council holds Full Licences, Self Service Licences and Procurement Licences. The new EPM solution and other processes in place are reducing the requirement for Full licences and switching this to cheaper Self Service licences.

These system improvements are being integrated with recommendations relating to the improvement of Financial Governance, including, stronger spend control measures, robust savings programmes, and training to embed awareness of financial responsibilities and financial regulations at all levels of the organisation.</td>
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<td>Quality of Council Information:

During their post year end audit of the 2024/25 Annual Accounts, the Council's External Auditors highlighted difficulties performing their audit procedures due to poor quality working papers and supporting information provided by the Council, and capacity limitations within the Council's finance team. This was consistent with concerns raised by the Council's Internal Audit team during the year, and the Council has not received unqualified accounts since 2021/22. The weaknesses in both financial and non-financial data quality increased the</td>
<td>

The Council has put in place quality assurance processes for the 2025/26 accounts process, learning from issues highlighted in previous years audits. This includes in the 2025/26 process the supporting information process when the External Auditors are requesting sampling evidence.

Going forward in 2026/27, the updated Oracle monitoring solution being implemented in July</td>
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risk that there are insufficient arrangements in place to ensure the Council takes properly informed decisions and supports challenge and transparency.	2026 will limit changes in Oracle, ensuring that issues highlighted are remedied in feeder systems correcting data at source. The Business Intelligence Team are working with services and the Corporate Management Team to improve the accuracy of information and develop key performance indicators for key priority areas of review. This includes a balanced scorecard for all departments, linking key information in a single place
That the Council should balance its schools' budget to prevent further growth in its Dedicated Schools Grant (DSG) deficit. In the absence of confirmed alternative arrangements, the Council should also perform scenario planning for how it would manage the impact of the current deficit on its financial position when the current statutory override ends in March 2028. Dedicated Schools Grant (DSG): Rising costs and increased demand for High Needs funding to support students with Special Education Needs and Disabilities have consistently impacted the Council's ability to manage within the government funding for this area. The DSG deficit is calculated to be nearly £66m by the end of 2024/25. Data quality issues were also uncovered in relation to historic cases, which impacted on the final outturn position.	The Government has updated its guidance on DSG and the Council is expecting to recoup 90% of its DSG deficit in the autumn of 2026 for periods up to 31st March 2026. The actual outturn for 2025/26 was just under £10m, which is significantly less than the initial projection. The Council is working with MHCLG on the detail required for the funding recoupment in the autumn. The Council is budgeting for the coverage of the 10% remainder of the existing deficit to the 31st March 2026, and awaits further guidance from Government if this arrangement is to remain in place in future years as the Council moves along its DSG recovery plan.
Capacity Constraints: A number of times over the year finance systems, processes and vacancies in the service have resulted in reports being submitted through governance processes without adequate time for accountable officers to take ownership of the presented detail and related actions. Similarly, elected members have not always had sufficient time to consider as fully as they may prefer.	Approaches to address staffing shortages were initiated, and the reimplementation of Oracle, the financial system, is underway to address identified challenges. The FMP provides support on creating and right sizing the capacity and capability required for the Council's finance function and associated practices. This includes in the updated monitoring solution mandatory retraining of budget managers and finance staff to ensure responsibilities are fully understood. The Oracle monitoring solution update being implemented in July 2026 will limit changes in Oracle, ensuring that issues highlighted are remedied in feeder systems correcting data at source.

	This was still being covered by Agency and other support mechanisms during the 2025/26 financial year but the finance restructure in the autumn of 2026 should help to rectify the position.
Heathrow Airport: By being home to Heathrow Airport, the Council has a longstanding disproportionate responsibility to support unaccompanied asylum-seeking children (UASC). However, this has been further compounded by the high number of asylum seekers placed in Hillingdon by the Home Office. As this occurs in an unplanned way, it is difficult to manage the impact of this through routine governance arrangements. The impact is on the statutory responsibilities the Council and other agencies have, and on local charities and volunteering, all of which receive no additional financial support, which then has an impact on the ordinarily available support services in the borough for residents.	The Council is in regular discussion with the Government and Heathrow Airport to start to understand the financial and operational impact of the proposed changes. Due to the magnitude of the changes proposed to services delivered to the residents and businesses of Hillingdon, and the tight potential timescales of delivery, the Council has constituted a cross-council working group to ensure all factors are understood.

<u>Other significant steps to improve governance.</u>

During 2025/26 a dedicated Corporate Governance Group (CGG) met to oversee corporate governance across the organisation, with a particular remit to monitor delivery of the Governance Review Implementation Plan (GRIP). The CGG ensures that significant governance weaknesses which may impact on the Council's objectives are appropriately identified, assessed, managed and reported to the Corporate Management Team where necessary. The CGG is chaired by the Monitoring Officer, and members include the Chief Operating Officer, the S151 Officer and the Deputy Monitoring Officer.

The GRIP is a working document, subject to continual change and updating which seeks to establish a series of actions to review and improve governance in three key workstreams:

1. Workstream 1: Financial Governance – a financial improvement plan has been established to capture and implement all the areas identified as being of concern in various internal and external reviews. These form the basis of a series of actions within the GRIP
2. Workstream 2: Directorate Governance (officer level decision-making) – work to standardise, streamline and improve corporate governance at a directorate level is underway.
3. Workstream 3: Democratic Governance (Member level decision-making, Constitutional) – an external, peer level review of the Constitution will be commissioned to ensure LBH is consistent with the very best practice.

5. Forward look on governance

Looking forward into 2026/27, the Council will continue to monitor progress against the Governance Review Improvement Plan and the three main workstreams. Additional action will be taken though the Corporate Governance Group to review any additional governance issues identified.

The Government's proposed new Local Government Funding formula and funding settlement for 2026/27 implementation identifies Hillingdon as being one of the most underfunded London Boroughs. Notwithstanding this prospect, the Council is committed to further cost reductions to ensure it remains a cost-efficient local authority and can close the £45m funding gap from 2027/28. Work has already begun on options to close the ongoing gap with associated implementation costs and resource requirements to include in the 2027/28 MTFP.

2025/26 has seen a net overspend of £29m against normal operating activities, and this when added to the 2024/25 overspend position with service operating budgets overspending by £26.8m sets out the magnitude of the Council's financial position. Inherent in these figures has been non-delivery of savings initiatives. The award of "in-principle" EFS funding gives the Council the financial capacity and time to reassess its financial position and put in place plans to bridge its £45m ongoing funding gap and move to financial sustainability in the upcoming 3-year MTFP period.

The Council continues to review all options to mitigate this pressure, which includes tighter spend control measures and ensuring that any windfall receipts are retained and not spent (to help mitigate EFS cost). The Finance Modernisation Programme and Finance Governance Workstream of the GRIP have both been key to improving financial management and governance across the Council, including the savings programme and better budget management and ownership across service areas. This also includes in 2026/27 the use of a balanced scorecard to ensure managers are correlating performance with the financial position.

It is expected that the award of "in-principle" EFS will bring further scrutiny and focus on the Council's financial and wider governance procedures from the 2026/27 financial year to ensure that the Council can find the optimum way back to financial sustainability. As part of this process, CIPFA have reviewed the Council's submission on behalf of MHCLG, with a Best Value Notice from MHCLG setting out their expectations being received on 15th July 2026. The notice expects the Council to continue to lead its own improvement.

The Council have set up a voluntary Improvement Board, which met for the first time on 17th June 2026. The Board is comprised of a combination of Hillingdon elected members and officers as well as external board members from other Local Government bodies and the Local Government Association. The Board will provide the Council with external challenge and assurance that, given its "in-principle" receipt of Exceptional Financial Support, it is doing everything it needs to do to get to a financially sustainable position. This requirement was exemplified in the Best Value notice.

The Council will continue to evaluate emerging legislation on key governance issues. In addition, compliance with the new procurement legislation will be monitored to ensure procedures remain fit for purpose and appropriate training rolled out where required.

The Council's new wholly owned company, The Hillingdon Care Company (THCC), began to host some of the Council's directly provided adult social care services in August 2025. The Council has put in place the appropriate governance arrangements, including proper oversight by the company directors on the one hand and the Council in its shareholder capacity on the other, in addition to sound financial management, compliance with company law requirements and related policies such as conflict of interest arrangements.

Glossary

ACCRUAL - A sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received/made by the end of the period.

ACCUMULATED ABSENCES ACCOUNT - Absorbs the differences arising from the statutory requirement to neutralise the impact on the General Fund Balance of accruing for compensated absences earned but not taken in year.

ACTUARIAL VALUATION - A valuation of assets held, an estimate of the present value of benefits to be paid, and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

ACTUARY - An independent professional who advises on the financial position of the pension fund.

AGENCY SERVICES - The provision of services by one body (the agent) on behalf of another that is legally responsible for providing the service.

AMORTISED COST - The initial measurement will be at fair value, normally the amount of the originating transaction such as the receipt or loan advance less transaction costs. The effective interest rate is then calculated to the amount in the balance sheet at initial measurement. The result in the balance sheet carrying amount (the amortised cost) and a profile of interest charges that might be different from the amounts specified in the contract as being for interest and principal.

ASSET - Something that will be used by the Council over a long period of time and has a lasting value (e.g. land, buildings, and roads). See also **COMMUNITY ASSETS, NON-CURRENT ASSET, INFRASTRUCTURE ASSETS, ASSETS HELD FOR SALE, NON-OPERATIONAL** and **OPERATIONAL ASSETS**.

ASSET CEILING (PENSIONS) - The pension asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. This recognises that any asset arising at the date of the balance will most likely lead to a refund to the employer, or reduced contributions for a period of time. The accounts must recognise the lower of the pension asset ceiling or the net defined benefit asset.

ASSETS HELD FOR SALE - Assets that are being actively marketed for sale and are expected to be sold within the next financial year.

BAD DEBT PROVISION – See “Impairment Allowance” below.

BALANCES - Unallocated reserves held to resource unpredictable expenditure demands.

BEST VALUE NOTICE - this is a formal notification from the Ministry of Housing, Communities and Local Government that the department has concerns regarding the authority and requests that the authority engages with the department to provide assurance of improvement.

BUDGET - A statement of the Council's plans for services expressed in money shown over one or a number of years.

CAPITAL ADJUSTMENT ACCOUNT - The Capital Adjustment Account represents the balance of capital resources set aside to finance capital expenditure awaiting the consumption of those resources (i.e. depreciation or impairment).

CAPITAL CHARGE - A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

CAPITAL EXPENDITURE - Spending on assets (e.g. land, buildings, roads etc.) that adds to and not merely maintains the value of an existing fixed asset.

CAPITAL RECEIPTS - The proceeds from the sale of land, buildings or other assets. Capital receipts can be used to pay for new capital expenditure, within rules set down by the Government, or to repay outstanding loans.

Glossary

CASH EQUIVALENT - Amounts held as short-term deposits which are readily convertible into cash.

CIPFA - The Chartered Institute of Public Finance and Accountancy is the professional accounting body that specialises in the public services.

COMMUNITY ASSETS - Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

CONTINGENCY - Money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

CONTINGENT ASSET - A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

CONTINGENT LIABILITY - A contingent liability is either:

a) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or

b) Past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

COUNCIL TAX - The local tax based on relative market values of residential property, which helps to fund local services.

CREDITORS / PAYABLES - Amounts owed by the Council for goods and services received where payment has not been made at the date of the balance sheet.

CREDIT RISK - Risk that other parties might fail to pay amounts due to the Council

CURRENT ASSET - An asset held, which will be consumed or cease to have value within the next financial year; examples are stocks and debtors.

CURRENT LIABILITY - An amount which will become payable or could be called in within the next accounting period; examples are creditors and cash overdrawn.

CURRENT SERVICE COST - The increase in the present value of Pension Fund Liabilities expected to arise from current year service.

DEBTORS / RECEIVABLES - Amounts owed to the Council for goods and services provided but not received at the date of the balance sheet.

DEDICATED SCHOOLS GRANT - A specific grant for funding of schools and is ring fenced to the Schools Budget.

DEPRECIATION - The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

DIRECT REVENUE FINANCING (revenue contributions to capital) - Resources provided from the Council's revenue budget to finance the cost of capital projects.

DISTRICT AUDITOR - An auditor employed directly by the Audit Commission to audit the accounts of local authorities.

EARMARKED RESERVES - Amounts set aside for a specific purpose or a particular service or type of expenditure.

Glossary

EFFECTIVE INTEREST RATE - The rate of interest that will discount the estimated cash flows that take place over the life of the instrument.

EMOLUMENTS - All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

EXCEPTIONAL FINANCIAL SUPPORT (EFS) - temporary financial assistance provided by the government to local authorities facing severe financial difficulties. It aims to help councils meet their financial obligations, continue delivering essential services, and avoid the need to issue a Section 114 notice, which is a bankruptcy notice.

EXCEPTIONAL ITEMS - Material items that fall within the ordinary activities of the Council that need to be disclosed in order to present the accounts fairly.

EXTRAORDINARY ITEMS - Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur.

FAIR VALUE - the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FEES AND CHARGES - Income raised by charging users of services.

FINANCE LEASE - A method of paying for capital expenditure where a rent is paid for an asset during its useful life. Finance Leases are treated as capital. See **OPERATING LEASE**.

FINANCIAL YEAR - The period covered by a set of financial accounts - the Council's financial year commences 1 April and finishes 31 March the following year.

GENERAL RESERVE - amounts remaining unspent on revenue account after taking account of all expenditure and income for the year. The General Reserve is required to enable the Council to meet potential business risks in the future so that services will not be affected financially should unexpected events occur.

GOING CONCERN - The concept that an entity will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assumes no intention to significantly curtail the scale of operations.

GOVERNMENT GRANTS - Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the Council.

GROSS EXPENDITURE - The total cost of providing the Council's services before taking into account income from government grants and fees and charges for services.

IMPAIRMENT - A reduction in the value of a fixed asset below its previously assessed value in the balance sheet.

IMPAIRMENT ALLOWANCE - Amounts set-aside in the accounts towards potentially irrecoverable debts. This amount reduces the value of the Debtors in the Consolidated Balance Sheet (previously known as "Bad Debt Provision").

INCOME - Amounts due that has been or is expected to be received.

INFRASTRUCTURE ASSETS - Fixed assets that have no alternative use and are intended to be held in perpetuity. Examples of infrastructure assets are highways and footpaths.

Glossary

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) - Statutory guidelines by which the accounts have to be prepared, implemented for the first time in the 2010/11 accounts.

INVENTORIES - The amount of unused or unconsumed stocks held in expectation for future use.

INVESTMENT PROPERTIES - Assets held solely for capital appreciation or to earn rental and not to meet service objectives.

INVESTMENTS - Short-term investments are those maturing within one year if the balance sheet date, any investments maturing more than one year after the balance sheet date are treated as long-term investments.

LOANS AND RECEIVABLES - Financial assets (excluding derivatives) that have fixed or determinate payments and that are not quoted in any in any active market. Loans and receivables are carried at amortised cost. The income and expenditure account is charged with interest receivable, impairment losses and any gain or loss on "de-recognition". Movements in fair value during the life of the asset are not recognised.

LIABILITIES - Money owed to individuals or organisations that will be paid at some time in the future.

LIQUIDITY RISK - The risk that the Council might not have funds available to meet its commitments to make payments.

MARKET RISK - The risk that the Council will loss out financially as a result in market factors such as interest rates or stock market movements.

MINIMUM REVENUE PROVISION - (MRP) - The minimum amount, which must be charged each year to the Council's revenue account to set aside funds to repay the principal sum of borrowing for capital purposes.

NATIONAL NON-DOMESTIC RATE (NNDR) - A levy on businesses based on a national rate in the pound multiplied by the ratable value of the premises occupied. NNDR is redistributed among all local authorities and police authorities on the basis of population.

NET BOOK VALUE - The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET EXPENDITURE - Gross expenditure less specific service income but before deduction of revenue support grant.

NET CURRENT REPLACEMENT COST - The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET REALISABLE VALUE - The open market value of the asset in its existing use (open market value in the case of non-operational assets), or sale proceeds for stocks and stores less the expenses to be incurred in realising the asset.

NON-CURRENT ASSET - An asset that has value beyond one financial year.

NON-DISTRIBUTABLE COST - These include overheads for which no user now benefits and should not be apportioned to services. Examples are spare computer capacity and empty offices. These also include pension costs in relation to scheme members' past service.

NON-OPERATIONAL ASSETS - Non-Current assets held by the Council not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties, assets under construction and assets that are surplus to requirements, pending sale or redevelopment.

Glossary

OPERATIONAL ASSETS - Non Current Assets held, occupied, used or contracted to be used on behalf of the Council or consumed by the Council in the direct delivery of the services for which it has a responsibility, whether statutory or discretionary or for the service or strategic objectives of the Council.

OPERATING LEASE - A lease under which the asset can never become the property of the lessee.

OUTTURN - Actual income and expenditure for a financial year.

PAST SERVICE COST - The increase in present value of Pension Fund liabilities arising in the current year from previous years' service.

PENSION FUND - The Fund for staff in the Local Government Pension Scheme, maintained on an actuarial basis, which makes pension payments on retirement of participants; it is financed by contributions from the employer and employees and from investment income.

PENSION INTEREST COSTS - Expected increases in present value of Pension Fund liabilities because benefits are due one year sooner.

POST BALANCE SHEET EVENTS - Those events, both favorable and unfavorable, which occur between the balance sheet date and the date on which the Director of Finance signs the Statement of Accounts.

PRECEPT - The charge made by one authority on another to finance its net expenditure.

PRIOR YEAR ADJUSTMENTS - Material adjustments applicable to prior years arising from changes in accounting policies or to correct errors.

PRIVATE FINANCE INITIATIVE (PFI) - A central government initiative that aims to increase the level of funding available for public services by attracting private involvement.

PROVISION FOR DISCOUNT AND PREMIUMS ON LOAN REDEMPTION - A provision to spread over an appropriate period discounts received and premiums paid when loans from the Public Works Loan Board are prematurely repaid.

PROVISION - An amount, set-aside in the accounts, for liabilities that have to be met but where timing is uncertain.

PRUDENCE - The concept that revenue is not anticipated but is recognised only when realised in the form of cash or other assets and full and proper allowance is made for all known and foreseeable losses and liabilities.

PUBLIC WORKS LOAN BOARD (PWLB) - A government agency that provides long term and medium-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

RELATED PARTY - Relationships between a senior officer or elected member or their families with another body that has, or might develop, a business relationship with the Council.

RESERVES - Money set aside by the authorities to meet particular expenditure in future years, which do not fall within the definition of provisions.

REVALUATION RESERVE - a new account opened on 1st April 2007 that records all accumulated gains from fixed assets held by the Council offset by that part of depreciation relating to the revaluation.

REVENUE EXPENDITURE - The day-to-day running costs incurred by the Council in providing services, for example payment of salaries to employees or purchase of materials.

Glossary

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE - A charge arising from capital expenditure but where there is no tangible asset. An example is grants given for private property improvement. The Council is permitted to borrow for such expenditure.

REVENUE SUPPORT GRANT - A grant paid by central government to aid local authority services in general, as opposed to specific grants, which may only be used for a specific purpose.

RIGHT OF USE ASSETS - an asset that represents the value of a leased asset that a lessee has the right to use during the lease term.

SOLACE - Society of Local Authority Chief Executives

SPECIFIC GRANTS - These are grants paid by various government departments outside the main formula. They include ring-fenced grants and specific formula grants.

SURPLUS ASSETS - Assets which are no longer in use by the Council, but which are not being actively marketed and are not expected to be sold within the next financial year.

TAXBASE - The number of Band D equivalent properties in a local authority's area. An authority's tax base is taken into account when it calculates its Council Tax, and when central government calculates entitlement to Formula Grant.

TRANSFER VALUE - A payment one superannuation fund makes to another when a member changes employment.

TRUST FUNDS - Money held in trust by the Council for a specified purpose.

USABLE RESERVES - Balances held by the Council which can be used to meet service expenditure.

UNUSABLE RESERVES - Balances held by the Council which cannot be used to meet service expenditure

USEFUL LIFE - The period over which the Council will derive benefits from the use of a fixed asset.

VIREMENT - The permission to spend more on one budget head when this is matched by a corresponding reduction on some other budget head, i.e. an authorised switch of resources between budget heads.

WORKS IN PROGRESS - Cost of work done on an uncompleted project at the balance sheet date.

YIELD - The amount of cash (in percent terms) of the return on investing activities