

London Borough of Harrow Pension Fund

Annual Report and Financial Statements for the
year ended 31 March 2025



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INTRODUCTION

The main purpose of the Pension Fund Annual Report is to account for the income, expenditure, and net assets of the London Borough of Harrow Pension Fund ('the Fund') for the financial year to 31 March 2025. This Report also explains the administration and management of the Fund and its investment and funding policy objectives and asset allocation, as well as highlighting market and Fund performance.

Information about the economic resources controlled by the Fund is provided by the Net Assets Statement. The actuarial funding level is reported in Note 20 and in the Statement of the Appointed Actuary on page 50/51.

The Pension Fund Committee is responsible for overseeing the management, administration, and strategic direction of the Fund. The Committee regularly reviews the Fund's investment strategy seeking to achieve appropriate returns within acceptable risk parameters. This in turn minimises the amount the Council and other employers will need to make in contributions to the Fund to meet future liabilities.

The Fund is a shareholder of the London Collective Investment Vehicle Ltd (LCIV) (the organisation set up to run pooled LGPS investments in London in 2015) and holds £150,000 of regulatory capital in the company in the form of unlisted UK equity shares. The Pension Fund Committee has committed to investing in LCIV as and when suitable pool investment solutions become available through LCIV and has been active in the transfer of assets under management to LCIV to access new asset classes and to gain efficiencies and fee reductions.

Following the receipt of the Fund Actuary's report on the outcome of the 2022 Triennial Valuation in March 2023, the Pension Fund Committee continued to review its Investment Strategy. The main decision taken was to liquidate the Fund's holdings in the Insight Diversified Growth Fund and to replace this with an investment in the M&G Senior Asset Backed Securities Fund. Although the decision was taken late in the 2023-24 financial year, it was implemented in 2024-25 once the account opening formalities had been completed. There were further drawdowns against the earlier commitments to invest £68m of fund assets in the LCIV Infrastructure Fund (a total of £61.6m being invested at 31 March 2025), and to invest £50m in the LCIV Renewables Infrastructure Fund (of which £32.6m had been invested at 31 March 2025). In March 2023 the Committee decided to redeem its investments in the LaSalle Property Fund of Funds. The manager began the process of liquidating the underlying investments, which is continuing.

In line with the provisions of the Public Service Pensions Act 2013, the Council set up a Local Pension Board in 2015 to oversee the governance of the Pension Fund. During 2024-25, the Pension Board met three times and considered a range of reports on the work of the Pension Fund Committee, pension administration performance and pension fund governance arrangements.

Pension Board and Pension Fund Committee members attended training courses during the year to meet the knowledge and skills requirements of their respective roles.

The net assets of the Fund as at 31 March 2025 were £1,076.8m compared to £1,057.6m as at 31 March 2024. The Fund's overall investment return for the year was 3.1%, which was 2.3% below its benchmark return of 5.5%.



Sharon Daniels
Strategic Director of Finance (S151)
Date : 26th February 2026

Independent auditor's statement to the Members of London Borough of Harrow on the pension fund financial statements included within the London Borough of Harrow Pension Fund annual report

Report on the financial statements

We have examined the Pension Fund financial statements for the year ended 31 March 2025 included within the London Borough of Harrow Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including material accounting policy information.

Opinion

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of London Borough of Harrow for the year ended 31 March 2025 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

Respective responsibilities of the Strategic Director of Finance and the auditor

As explained more fully in the Statement of the Strategic Director of Finance's Responsibilities, the Strategic Director of Finance is responsible for the preparation of the Pension Fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to the Members of London Borough of Harrow as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of London Borough of Harrow.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of London Borough of Harrow describes the basis of our opinions on the financial statements.

Use of this auditor's statement

This report is made solely to the Members of London Borough of Harrow, as a body and as administering authority for the London Borough of Harrow Pension Fund, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the Members of London Borough of Harrow those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than London Borough of Harrow and London Borough of Harrow's Members as a body, for our audit work, for this statement, or for the opinions we have formed.



[Mark Kirkham \(Feb 26, 2026 16:36:14 GMT\)](#)

Mark Kirkham, Partner

For and on behalf of Forvis Mazars LLP (Local Auditor)

3 Wellington Place,
Leeds,
LS1 4AP

SCHEME MANAGEMENT AND ADVISORS

Administering Authority	London Borough of Harrow
Pension Fund Committee	Councillor David Ashton (Chair) Councillor Nitin Parekh (Vice Chair) Councillor Norman Stevenson Councillor Jerry Miles
Independent Advisers	Colin Robertson Richard Romain
Trade Union Observers	Varsha Patel - Unison Ann Jones – GMB Stella Walker - GMB
Officer	Sharon Daniels, Strategic Director of Finance (S151)
Actuary	Hymans Robertson LLP
Investment Consultant	Aon (until 31st July) & Mercer Limited (from 1 st August).
Investment Managers	LaSalle Global Partner Solutions BlackRock Investment Management (UK) Limited European Specialist Investment Funds (M&G) Pantheon Ventures Record Currency Management Limited London LGPS CIV Ltd
AVC Providers	Clerical Medical Utmost (Previously Equitable Life) Prudential Assurance
Auditor	Mazars
Performance Measurement	Pensions and Investment Research Consultants
Bankers	Natwest PLC

GOVERNANCE ARRANGEMENTS

The Council has delegated to the Pension Fund Committee various powers and duties in respect of its administration of the Fund. The Committee met four times during the year. It comprises four Councillors with full voting rights. Representatives from the trade unions are able to participate as observers of the Committee but do not have voting rights.

The Pension Fund Committee has the following terms of reference:

- 1) to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the Fund), save for those matters delegated to other Committees of the Council or to an Officer;
- 2) the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
- 3) to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
- 4) to establish a strategy for the disposition of the pension investment portfolio;
- 5) to appoint and determine the investment managers' delegation of powers of management of the fund;
- 6) to determine cases that satisfy the Early Retirement provision under Regulation 26 of the Local Government Pension Scheme Regulations 1997 (as amended), and to exercise discretion under Regulation 8 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended, subject to the conditions now agreed in respect of all staff, excluding Chief Officers;
- 7) to apply the arrangements set out in (6) above to Chief Officers where the application has been recommended by the Chief Executive, either on the grounds of redundancy, or in the interests of the efficiency of the service, and where the application was instigated by the Chief Executive in consultation with the leaders of the political groups.

The Committee is advised by two independent advisers and an investment consultant.

The dates of the Pension Fund Committee meetings, along with meeting agendas, reports and minutes are available on the Harrow Council website:

<https://www.harrow.gov.uk/>

In line with the provisions of the Public Service Pensions Act 2013, the Council has set up a Local Pension Board to oversee the governance of the Pension Fund. In particular it oversees:

- a) the effectiveness of the decision-making process
- b) the direction of the Fund and its overall objectives
- c) the level of transparency in the conduct of the Fund's activities
- d) the administration of benefits and contributions

The dates of the Pension Board meetings, along with meeting agendas, reports and minutes are available on the Harrow Council website:

<https://www.harrow.gov.uk/>

PENSION SCHEME ADMINISTRATION AND PERFORMANCE

Pension Administration Team overview

The Pensions Team acts as the main point of contact for any membership enquiries. The team is responsible for all aspects of Local Government Pension Scheme administration; setting up new members, monitoring and maintenance of scheme members' records, employer contributions payment of benefits, transfer payments and Additional Voluntary Contributions. The team is also responsible for monitoring and cleansing members' data to ensure it is fit for purpose and meets the requirements imposed on the Fund by the regulators, the Fund Actuary and HMRC. The team produces annual benefits statements, newsletters and maintains the pensions website.

<https://www.harrowpensionfund.org>

Performance Monitoring 2024-25

SERVICE	National Benchmarking Target	Harrow Achievement %
Issue letter notifying of dependent's benefit	5 days	36.36
Calculation and notification of ill health estimate	10 days	85.71
Calculation and notification of retirement benefit estimate	10 days	64.94
Issue letter to new pension provider detailing transfer-out quote	10 days	80
Calculate and notification of deferred benefits	10 days	48.69
Calculation and notification of retirement benefits	5 days	69.75
Process refund and issue payment	5 days	68.06
Calculation and notification of ill health benefits	5 days	73.33
Issue statutory notification on receipt of transfer funds	10 days	58.82

The Pension Board monitors pension administration performance quarterly. This includes monitoring the status of Annual Benefit Statements, breaches and projects like McCloud and Dashboard.

The Internal Dispute Resolution Procedure which deals with complaint over the administration of pension benefits by the administering authority. There were no complaints referred through the internal procedure during the year.

The costs of running the Pension Fund are shown below:

Process	2021-22	2022-23	2023-24	2024-25
Investment management expenses				
Total Cost (£000)	3,828	3,166	2,862	2,776
Total Membership (No.)	19,003	19,348	19,764	20,258
Sub Cost per member (£)	201	164	145	137
Administration costs				
Total Cost (£000)	888	703	794	1,040
Total Membership (No.)	19,003	19,348	19,764	20,258
Sub Cost per member (£)	47	36	40	51
Oversight & governance costs				
Total Cost (£000)	615	681	669	946
Total Membership (No.)	19,003	19,348	19,764	20,258
Sub Cost per member (£)	32	35	34	47
Total cost per member (£)	281	235	219	235

Investment management costs include fund manager fees and the additional costs of fund transition on restructuring and fund re-balancing. The slight reduction in total management expenses, which has occurred despite the rise in the value of investments during the year, reflects some minor movements in fees due to growth in assets but there have also been large decreases in fees charged by LaSalle and M&G (when compared to Insight). The former was due to assets under management decreasing as the manager returns assets to the Fund and the latter due to the manager fee for M&G being lower than Insight.

Administration costs cover the administration of pensions and are mainly staff salaries and business overheads including pension payroll and pension system administration costs. The increase in 2024-25 largely reflects the correction of an error where support costs related to 2023-24 and 2022-23 were not charged to the Fund. The understatement in previous years is not material and so is not corrected.

Oversight and governance costs include officer salaries, investment adviser's costs, independent advisor costs plus actuarial services and external audit. The increase in these costs in 2024-25, when compared to 2023-24, reflects an increase in actuarial costs for work preparing the fund for the 2025 valuation, a slight increase in external audit fees, higher investment consultant fees which reflects the work ongoing to review the investment strategy, and greater officer support to facilitate key procurement exercises and additional work that went into preliminary work for the 2025 triennial valuation.

INVESTMENT POLICY AND PERFORMANCE

Investment Policy

The objective of the Fund is to provide pension and lump sum benefits for scheme members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The sums required to fund these benefits, and the amounts actually held as investments (i.e. the funding position) are reviewed at each triennial actuarial valuation, or more frequently as required.

The assets of the Fund are invested with the primary objective of being to achieve a return that is sufficient to meet the funding objective, subject to an appropriate level of risk and liquidity. Over the long-term it is expected that the Fund's investment returns will be at least in line with the assumptions underlying the actuarial valuation. Related objectives are to seek to minimise the level and volatility of employer contributions necessary to meet the cost of pension benefits.

The Council has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2016. Their activities are specified in either detailed investment management agreements or subscription agreements and regularly monitored. The Committee is satisfied that the appointed fund managers, all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business, have sufficient expertise and experience to carry out their roles.

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property, and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks, including currency fluctuations.

The Committee aims to achieve its investment objective by maintaining a high allocation to growth assets, mainly equities, reflecting the security of the sponsor's covenant, the funding level, the long time horizon of the Fund and the projected asset class returns and volatility. Diversifying investments reduces the risk of a sharp fall in one particular market having a substantial impact on the whole Fund.

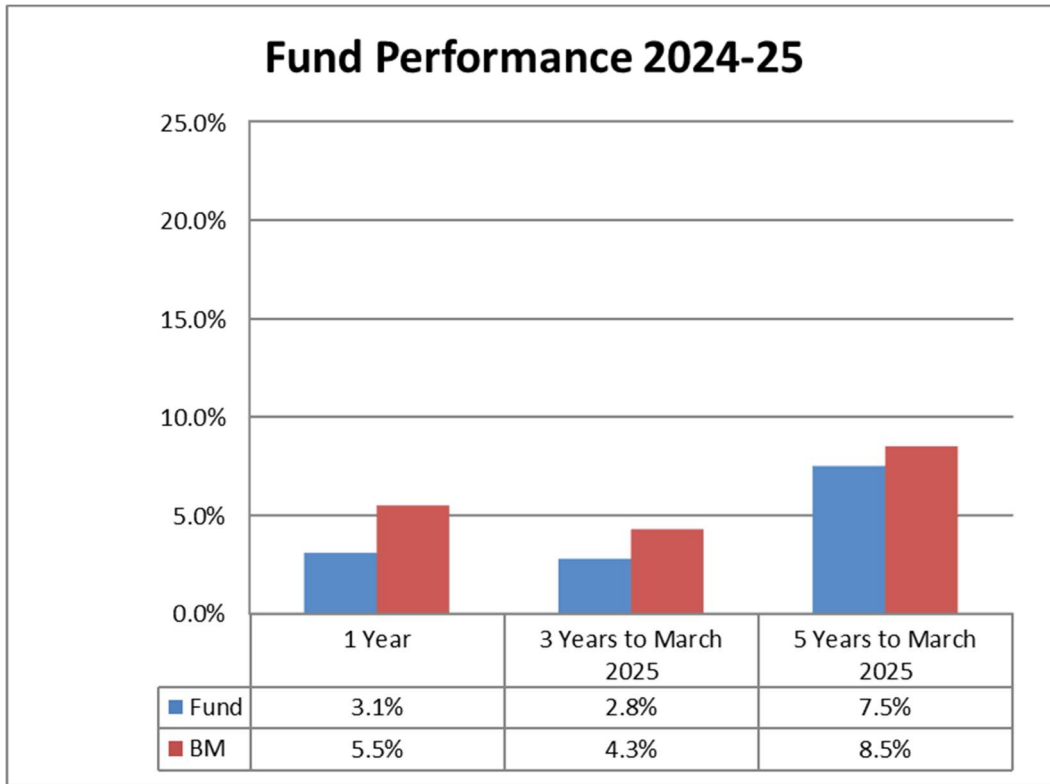
The following table compares the actual asset allocation as at 31 March 2025 to the agreed allocation.

Investment assets	Actual Percentage of Fund	Agreed Allocation
	%	%
Global equities-passive	25	24
Developed world equities-active	19	18
Emerging markets equities-active	7	8
Fixed interest securities	4	5
Global Bonds	5	5
Index linked securities	7	5
Private equity	1	1
Cash	3	0
Forward currency contracts	(0)	0
Asset Backed Credit (Formally Diversified growth)	6	5.5
Multi Asset Credit	11	10
Pooled property	2	6
Infrastructure	10	12.5
Total	100	100

Fund performance

The Fund uses Pensions and Investment Research Consultants (PIRC) as its independent investment performance measurement consultant.

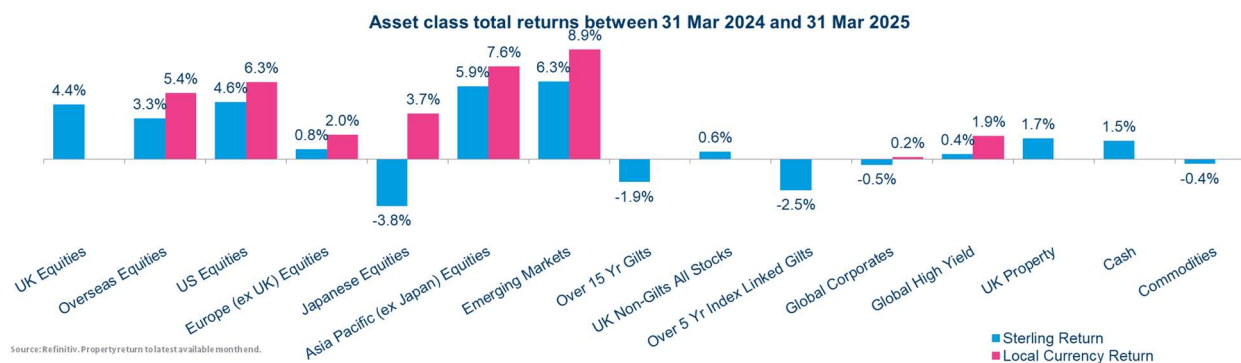
Investment returns over 1, 3, and 5 years at 31st March 2025 are shown below.



The Fund's return of 3.1% during 2024-25 was largely due to the performance of risk control sleeve, which grew moderately during the year.

The Fund, in common with all other LGPS funds, has its own unique benchmark and investment strategy. Active Equity managers have lagged the benchmark largely because much of the growth in equity markets was driven by a small number of stocks, and the Fund's active equity managers would normally be underweight in those stocks when compared with a passive fund which tracks the index.

Investment Market Commentary (provided by Mercer)



Investment Markets¹

Macro

The second quarter of 2024 saw inflation largely soften towards central banks' targets for most developed market ("DM") economies. This set the stage for a shift towards monetary policy easing. The ECB cut interest rates in June. Cooling inflation and a gradual loosening of labour markets in the US prompted bond markets to price in two cuts by the US Fed by the end of 2024. The timing of potential rate cuts by the Bank of England ("BoE") was pushed to August despite waning price pressures, as service inflation remains elevated. Despite this, bond yields rose over the quarter as inflation data initially surprised higher, especially in the US. Equity markets, except for Japanese equities, continued to rally, with emerging market equities ("EME") outperforming DMs. Political volatility remained high with a snap election called in the UK & France.

In the third quarter of 2024, DM central banks—including the Federal Reserve—cut interest rates. DM central banks were prompted to loosen monetary policy amidst the macroeconomic backdrop of cooling inflation & labour markets and slowing wage growth. Notably, the Bank of Japan ("BoJ") diverged from other DM central banks and hiked rates by 0.15% in July given the impact of robust wage negotiations on inflation. Market sentiment over the quarter tilted back towards a soft-landing as fears of a US recession—which gripped markets in early August—quickly subsided. Overall, bond yields declined across DM economies, while equities outperformed in response to rate cuts. That said, uncertainty around the US election and tensions in the Middle East sparked temporary volatility in financial markets.

In the fourth quarter of 2024, DM central banks continued to cut interest rates. In the US, although the Federal Reserve cut rates, a still-resilient macro backdrop prompted the Federal Open Market Committee (the "FOMC") to project fewer cuts in 2025 and 2026. Meanwhile, the European Central Bank (the "ECB") and BoE maintained a cautious tone in their rate cutting approach. Surprisingly, the BoJ kept interest rates unchanged through the quarter on uncertainty over future wage negotiations and the outlook for the US economy. Market sentiment continued to be driven by the soft-landing narrative in the US, despite uncertainty around policies under a Donald Trump-led presidency. Overall, bond yields rose across DM economies, while equities outperformed in response to rate cuts.

Continued rate cuts by most DM central banks, Deep Seek developments, European politics and tariffs were the key themes driving markets in the first quarter of 2025. While the Federal Reserve held rates unchanged in Q1 2025, it revised lower its GDP growth projections for the year on the back

of 'uncertainty around the economic outlook'. In Europe, Germany's political landscape and the approval of its €500bn fiscal package took centre-stage. Market sentiment continued to be driven by the soft-landing narrative in the US, as a result of uncertainty around policies under Trump's presidency. Overall, bond yields were mixed across DM, while global equities ended the quarter with negative returns.

Equities

On a year-on-year basis to 31 March 2025, sterling returns DM equities were positive at 4.8%. EM equities also had positive returns 10.1% and outperformed global equities.

Q2 2024 was another positive quarter for equity markets. Equity markets, especially in the developed world, continued to be narrowly led, by a small number of US technology stocks, the Magnificent Seven. Corporate earnings remained resilient while subsiding inflationary pressures created a more positive macroeconomic environment for equities. Within equities, EM outperformed DMs. Chinese and Latin American equities exhibited lacklustre performance as investors digested economic data. However, Asian equities outperformed, helped by Taiwan's exposure to AI-related names. India recovered after the surprise election results.

Q3 2024 has been another positive quarter for equity markets. However, volatility was heightened in early August. The quarter saw the ripple effects of the unwinding of the US dollar-Japanese yen carry trade, US employment data surprising to the downside with the unemployment rate rising. Despite this, subsequent US economic data remained upbeat. Global equities rose later in the quarter as major central banks continued to ease their respective policy rates, with the US Federal Reserve joining them. Chinese equities surged near the end of the quarter after authorities committed to provide further monetary and fiscal support to boost activity.

In Q4 2024, global equities generated positive returns in local and sterling terms, however posted negative returns in USD terms when measured by the MSCI World index. The start of Q4 2024 was volatile for global equities given the uncertainty ahead of the presidential election and concerns over the path of interest rates. Later during the quarter, US equities outperformed, welcoming Donald Trump's victory, while EMs and many other regional markets came under pressure mainly due to tariff fears. Economic weakness, political turmoil and limited exposure to artificial intelligence did not fare well for European equities. UK equities was also a detractor as number of domestically focussed sectors declined owing to concerns over the UK economic outlook. On the other hand, the weak yen, government stimulus plans and ongoing corporate reforms contributed positively to Japanese equities returns.

In Q1 2025, global equities declined in local and sterling terms as considerable uncertainty from tariff and growth concerns weighed on risk assets. Within equities, EM outperformed DMs. Initially during the quarter, the risk off sentiment and the potential tariff threats weighed on EM equities. Later, stronger Chinese equities, weaker US dollar and higher commodity prices supported the market. Chinese equities were higher as additional government stimulus measures supported the economy and advances in artificial intelligence ("AI") by Chinese companies boosted returns. US equities declined owing to softer economic data and increased trade uncertainty. Q4 earnings were broadly positive. Japanese equities declined on risk off sentiment. Within, European (ex-UK) equities sentiment improved following the German elections with hopes of a fiscal boost.

Overall, the positive momentum started to fade in the second half of the 12-month period owing to uncertainty around policies under Trump's presidency. Tariff threats and economic weakness added worries around the global economic outlook.

Bonds

On a year-on-year basis to 31 March 2025, UK government bond registered negative returns of 1.19%, while returns for UK corporate bonds were up 2.44%, after rising 6.15% in the same period a year ago. Inflation-linked bonds underperformed over the year, registering negative returns of 7.96%.

During the 12 months to 31 March 2025, global sovereign bond yields were mixed, US Treasury yields declined, while DM bond yields elsewhere rose. In the UK specifically, the BoE maintained a cautious approach, while warning of heightened uncertainty to the growth and inflation outlook on account of Trump's tariff and trade announcements. Sticky services inflation on account of strong wage growth and the government's long-term fiscal viability also remained a concern. The BoE delivered a total of 75 bps of rate cuts in the year, less than its European and US counterparts. Over the 12-month period to March 2025, UK 10-year gilt yields rose 0.74% to 4.68%.

UK real yields also rose over the 12-month period. 10-year real yields jumped 0.98% to 1.27% during the period, levels last seen in 2009. Market-based measures of inflation, as measured by the 10-year break-even inflation rate, fell 0.26% over the 12-month period, reaching 3.39% as of end-March 2025.

Both investment grade and high yield credit spreads tightened over the 12-month period to 31 March 2025, with lower rated investment grade credit tightening more than for higher rated credit.

Property

While the UK economic and political backdrop have been broadly stable, recent geopolitical events introduce a layer of uncertainty to the economic outlook. In the nascent real estate recovery, the UK is the most active market in the European region, providing helpful empirical evidence on pricing trends. Into 2025 buyers and sellers are increasingly finding common ground on pricing. For the first time in ten quarters equivalent yields have started to compress in certain sectors. The Bank of England is adopting a cautious stance on interest rate cuts, leaving debt costs still at relatively high levels for the moment, but the outlook remains for margins and rates to decrease further in the year. Taken together, these factors indicate that the recovery is becoming more pronounced.

In Q4, UK transaction activity surged by 50% quarter-on-quarter, marking the strongest quarter for transactions since 2022. The strongest increases were observed in the industrial sector (+53%) and residential, which increased by 47%. Additionally, transactions in "niche" sectors increased 80% quarter-on-quarter. Year-on-year, all major sectors reported an increase in deal volumes, with the industrial and retail sectors showing the strongest increases in activity. While office transactions increased compared to the same period last year, the increase was the lowest of all sectors on a year-on-year basis

The MSCI UK Monthly Property Index reported a positive gross (unlevered, asset-level) total return of 2.4% for the three-month period ending in February 2024. The residential and hotel sector recorded the strongest performance, each achieving a quarterly return of 2.9%. The retail sector followed closely, with a gross return of 2.8%, while the industrial sector recorded a return of 2.7%. While the office returns improved quarter-on-quarter, the sector remained the weakest performer with a return of just 1.2% over the three months to February 2025.

In Q4 2024, the MSCI/AREF UK All Property Index recorded its fourth consecutive quarter of positive performance, achieving a net total return of 2.0%. Long Income Funds showed a steady performance compared to Q3, while Specialist Funds saw a decline in performance relative to the previous quarter. On the other hand, Balanced Funds experienced an uptick in performance, achieving the strongest quarterly returns of the three categories.

Performance figures and commentary as at latest available at time of writing.

Equity Markets

At a global level, developed markets as measured by the FTSE World index, returned 4.8%. Meanwhile, a return of 10.1% was recorded by the FTSE All World Emerging Markets index.

At a regional level, European markets returned 3.8% as indicated by the FTSE World Europe ex UK index. At a country level, UK stocks as measured by the FTSE All Share index returned 10.5%. The FTSE USA index returned 6.2% while the FTSE Japan index returned -3.4%.

Equity market total return figures are in Sterling terms over the 12-month period to 31 March 2025.

Bonds

UK Government Bonds as measured by the FTSE Gilts All Stocks Index registered negative returns of 1.19%, while long-dated issues as measured by the corresponding Over 15 Year Index had a negative return of 8.16% over the year. The yield for the FTSE Gilts All Stocks index rose over the year from 4.20% to 4.87%, while the Over 15 Year index yield rose from 4.34% to 5.15%.

UK index-linked gilts posted negative returns for the period under review, with return on the FTSE All Stocks Index-Linked Gilts index down 7.96% and returns for the corresponding over 15-year index declining 15.33%.

Corporate debt as measured by the ICE Bank of America Merrill Lynch Sterling Non-Gilts index returned 2.44%.

Bond market total return figures are in Sterling terms over the 12-month period to 31 March 2025.

Commodities

The price of Brent Crude Oil fell to 14.5% from \$87.42 per barrel to \$74.78 over the one-year period. Over the same period, the price of Gold rose 41.1% from \$2214.3 per troy ounce to \$3125.25.

The S&P GSCI Commodity Spot Index returned -4.5% over the one-year period to 31 March 2025 in Sterling terms.

Currencies

Over the 12-month period to 31 March 2025, Sterling appreciated 2.2% against the US Dollar from \$1.263 to \$1.291. Sterling also appreciated 1% against the Yen from ¥191.19 to ¥193.02. Sterling appreciated 2.1% against the Euro, from €1.17 to €1.195 over the year.

STATEMENTS AND PUBLICATIONS

Governance Compliance Statement

The Local Government Pension Scheme Regulations 2013, Regulation 55 requires all administering authorities to produce a Governance Compliance Statement. This Statement must set out whether the Administering Authority delegates its function and, if so, what the terms, structure and operation of the delegation are. The Administering Authority must also state the extent to which a delegation complies with guidance given by the Secretary of State. The current Statement was agreed by the Pension Fund Committee on 9 September 2024 and can be found at link below

<https://www.harrowpensionfund.org/resources/>

Communications Policy Statement

The Local Government Pension Scheme Regulations 2013, Regulation 61 requires all administering authorities to produce a Communications Policy Statement. This statement sets out the Fund's strategy for communicating with members, members' representatives, prospective members and employing authorities, together with the promotion of the Scheme to prospective members and their employing authorities. The current Statement was agreed by the Pension Fund Committee on 24 March 2021 and can be found at link below.

<https://www.harrowpensionfund.org/resources/>

Funding Strategy Statement

Regulation 58 of the Local Government Pension Scheme (Administration) Regulations 2013 requires all administering authorities to produce a Funding Strategy Statement. The purpose of the Funding Strategy Statement is to explain the funding objectives of the Fund, in particular:

- How the costs of the benefits provided under the LGPS are met through the Fund;
- The objectives in setting employer contribution rates; and
- The funding strategy that is adopted to meet these objectives.

The Funding Strategy Statement is reviewed every three years at the same time as the triennial actuarial valuation of the Fund. An interim review of the Statement may be carried out and a revised Statement published if there has been a material change in the policy matters set out in the Statement or there has been a material change to the Investment Strategy Statement. The current Statement following the 2022 triennial valuation was approved by the Pension Fund Committee on 8 September 2024, and can be found at link below.

<https://www.harrowpensionfund.org/resources/>

Investment Strategy Statement

Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State.

This Statement provides details of the Fund's investment policies including:

- The suitability of particular investments;
- The choice of asset classes, and
- Approach to risk.

The Statement also details the Fund's compliance with the six principles set out in the Chartered Institute of Public Finance and Accountancy's publication 'Investment Decision Making and Disclosure in the Local Government Pension Scheme 2009 – a guide to the application of the 2008 Myners Principles to the management of LGPS Funds'.

The current Statement as approved by the Pension Fund Committee on 29 March 2023 can be found at link below.

<https://www.harrowpensionfund.org/resources/>

Local Government Pension Scheme Guide

A brief guide to the Local Government Pension Scheme can be found at the link below.

<https://www.harrowpensionfund.org/resources/brief-guide-to-the-lgps-2021/>

RISK MANAGEMENT

The Fund's primary long-term risk is that the assets will fall short of its liabilities (i.e. promised benefits payable to members). The Pension Fund Committee is responsible for managing and monitoring risks and ensuring that appropriate risk management processes are in place and are operating effectively. The aim of risk management is to limit risks to those that are expected to provide opportunities to add value.

The most significant risks faced by the Fund and the procedures in place to manage these risks are described below:

Governance and Regulatory Risk

The failure to exercise good governance and operate in line with regulations can lead to financial as well as reputation risk. These risks are managed through:

- Decisions are taken by the Pension Fund Committee in the light of advice from the Fund's Actuary, Investment Advisers and Investment Consultant and from officers;
- Regular reviews of the Investment Strategy Statement and Funding Strategy Statement that set out the high level objectives of the Fund and how these will be achieved;
- Tailored training for members;
- Reviews of the Pension Fund Committee agenda and papers by Harrow's Legal Department; and
- Establishment of the Pension Board.

Sponsor Risk

The Fund was in deficit at the 2022 triennial valuation. Strong investment performance and a reduction in the present value of liabilities since that date indicate that the position for the Fund as a whole has improved, although this may not be the same for all employers. However, as the scheme is open to future accrual, the key objective is to be fully funded in the future. The Actuary reviews the required level of contributions every three years, with the next review being carried out as at 31 March 2025. To protect the Fund and the Administering Authority, bonds and other forms of security are required from some of the Admitted employers.

Investment Risk

The Fund is invested in a range of asset classes as detailed in Note 14 to the accounts. This is done in line with The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which require pension funds to invest any monies not immediately required to pay benefits. These Regulations require the formulation of an Investment Strategy Statement which sets out the Fund's approach to investment including the management of risk. The largest asset class is listed equities, which has both a greater expected return and volatility than the other main asset classes. Potential risks affecting investments include:

Pricing Risk

The valuation of investments is constantly changing, impacting on the potential realisation proceeds and income. For example, the value of the Fund's investments decreased in value by 8.1% in 2019-20, largely due to the Covid-19 pandemic in the last quarter of the year, while they increased by 24.9% in 2020-21. Changes of a similar magnitude are possible in future, and this risk cannot be eliminated.

Procedures in place to manage the volatility of investments include:

- Diversification of the investments between asset classes, economic sectors and geographical areas to include equities, fixed interest and index linked bonds, property, infrastructure and private equity. The investment strategy is reviewed by the Pension Fund Committee and market conditions are reviewed to monitor performance at every meeting to determine if any strategic action is required;
- Global equities are managed by three active managers with different styles and one passive manager to reduce the risk of underperformance against benchmarks. The Investment Adviser provides quarterly reports on the performance and skills of each manager to the Pension Fund Committee; and
- The benefit liabilities are all Sterling based and to reduce the currency risk from non-Sterling investments, 50% of the overseas currency exposures in the equities portfolio are hedged to Sterling.

Liquidity Risk

Investments in some asset classes e.g., private equity, property, and infrastructure, can be illiquid in that they cannot be realised at short notice. Harrow has allocated more than 60% of its total assets to liquid assets. All cash balances are managed in accordance with the Council's Treasury Management Strategy and are all currently readily accessible without notice.

Counterparty Risk

The failure by a counterparty, including an investee company, can lead to an investment loss. This risk is mainly managed through wide diversification of counterparties and also through detailed selection of counterparties by external fund managers.

Actuarial Risk

The value of the liability for future benefits is affected by changes in inflation, salary levels, life expectancy and expected future investment returns. Although there are opportunities to use financial market instruments to manage some of these risks, the Pension Fund Committee does not currently believe these to be appropriate. Changes to the benefits structure in 2014 had reduced some of these risks, although the recent "McCloud Judgement" is likely to have an adverse impact. These risks are all monitored through the actuarial valuation process and additional contributions required from employers should deficits arise.

Operational Risk

Operational risk relates to losses (including error and fraud) from failures in internal controls relating to investment managers and internally e.g. administration systems.

Controls at external fund managers are monitored through the receipt of audited annual accounts for each manager together with annual assessments of the control environment including reviews of internal controls reports certified by reporting auditors which are reviewed by the Pension fund Committee.

Controls within the Administering Authority are reviewed by Harrow's Internal Audit Team.

INTERNAL CONTROLS

To mitigate the risks regarding investment management, the Council obtains independent internal controls assurance reports from the reporting accountants of the relevant Investment manager.

These independent reports are prepared in accordance with international standards. Any weaknesses in internal control highlighted by the control's assurance reports are reviewed and reported to the Pension Committee as part of the regular monitoring of risk.

The results of the latest reviews are summarised below.

Fund Manager	Type of report	Qualified	Reporting Accountant
LaSalle	ISAE3402	No	PWC
Blackrock	ISAE3402	No	Deloitte and Touche LLP
Insight	ISAE3402	No	KPMG LLP
Pantheon	ISAE3402	No	KPMG LLP
Record	ISAE 3402	No	RSM Risk Assurance Services LLP
M&G	ISAE 3402	No	PWC

London CIV provided a detailed report showing how it carries out its responsibilities in regard to oversight of managers, including how it reviews the control frameworks operated by each of its underlying investment managers. The report also summarises the internal control reports of all delegated Portfolio Managers. LCIV provided control reports for managers of the LCIV Funds in which Harrow was invested, as follows.

Manager	Fund	Qualified	Auditor
Longview	LCIV Global Equity Focus Fund	No	Ernst & Young
RBC	LCIV Sustainable Equity Fund	No	PWC
CQS	LCIV MAC Fund	No	RSM
Stepstone	LCIV Infrastructure Fund	No	Ernst & Young
Pimco	LCIV Global Bond Fund	No	PWC
JP Morgan	LCIV Emerging Market Equity Fund	No	PWC
Quinbrook	LCIV Renewables Infrastructure Fund	No	BDO
Stonepeak	LCIV Renewables Infrastructure Fund	No	Ernst & Young
Foresight	LCIV Renewables Infrastructure Fund	No	BDO

LCIV was satisfied that where exceptions were identified in testing of controls, an appropriate management response was made.

CONTACTS

Registered Address	Pensions Team London Borough of Harrow Forward Drive Harrow HA3 8FL
Administration Enquiries	Email: Pension@harrow.gov.uk Telephone Number: 020 8424 1186 Website: www.harrowpensionfund.org
Complaints and Advice	The Money and Pension Service Bedford Borough Hall 138 Cauldwell Street Bedford MK42 9AB Pensions Help line: 01159 659570 Website: www.moneyandpensionservice.org.uk The Pensions Regulator Customer Support Telecom House 125-135 Preston Road Brighton BN1 6AF Telephone Number: 0345 600 0707 Website: www.thepensionsregulator.gov.uk The Pensions Ombudsman 10 South Colonnade Canary Wharf London E14 4PU Telephone Number: 0800 917 4487 Email: enquiries@pensions-ombudsman.org.uk Website: www.pensions-ombudsman.org.uk
Tracing Service	The Pension Tracing Service The Pension Service Post Handling Site A Wolverhampton WV98 1AF Telephone Number: 0800 731 0175 Website: www.gov.uk/find-pension-contact-details

STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Harrow, that officer is the Strategic Director of Finance;
- To manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets; and
- To approve the Financial Statements.

The Strategic Director of Finance Responsibilities

The Strategic Director of Finance is responsible for the preparation of the Fund's Statement of Accounts in accordance with proper practices set out in the CIPFA Code of Practice on Local Authority Accounting.

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

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice on Local Authority Accounting;
- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that these Financial Statements present fairly the financial position of the London Borough of Harrow Fund of the Local Government Pension Scheme as at 31 March 2025 and its income and expenditure for the year then ended.

Sharon Daniels
Strategic Director of Finance (S151)
Date: 26th February 2026

Harrow Pension Fund Account as at 31 March 2025

2023/24		Notes	2024/25
£'000			£'000
	Dealings with members, employers and others directly involved in the fund		
(37,813)	Contributions	7	(39,443)
(4,485)	Transfers in from other pension funds	8	(4,836)
(192)	Other income	8A	(277)
(42,490)			(44,556)
44,577	Benefits	9	49,970
6,950	Payments to and on account of leavers	10	8,873
51,527			58,843
9,037	Net (additions)/withdrawals from dealings with members		14,287
4,325	Management expenses	11	4,762
13,362	Net (additions)/withdrawals including fund management expenses		19,049
	Return on investments		
(11,086)	Investment income	12	(14,100)
(105,020)	(Profit)/losses on disposal of investments and changes in the market value of investments	14A	(24,177)
(116,106)	Net return on investments		(38,277)
(102,745)	Net (increase)/decrease in the net assets available for benefits during the year		(19,228)
(954,822)	Opening net assets of the scheme		(1,057,567)
(1,057,567)	Closing net assets of the scheme		(1,076,795)

Net Assets Statement as at 31 March 2025

2023/24	Notes	2024/25
£'000		£'000
Investment assets		
1,024,470	Investments 14	1,035,652
4,386	Derivative contracts 14	4,145
19,334	Cash with investment managers 14	25,401
1,048,190		1,065,198
Investment liabilities		
(1,473)	Derivative contracts 14	(4,206)
1,046,717		1,060,992
11,554	Current assets 21	17,230
247	Long Term Debtors 21A	364
1,058,518		1,078,586
(951)	Current liabilities 22	(1,791)
1,057,567	Net assets of fund available to fund benefits at the period end	1,076,795

The accounts summarise the transactions of the Fund and deal with the net assets. The Fund's financial statements do not take account of liabilities to pay pensions and other benefits which fall due after the end of the Fund year. The actuarial present value of promised retirement benefits is disclosed at note 20.

Sharon Daniels
Strategic Director of Finance (S151)
Date: 26th February 2026

Notes to the Harrow Pension Fund

Accounts for the year ended

31 March 2025

NOTE 1: DESCRIPTION OF FUND

The Harrow Pension Fund ('the Fund') is part of the Local Government Pension Scheme ("LGPS") and is administered by the London Borough of Harrow. The Council is the reporting entity for the Fund.

a) **General**

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

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

It is a contributory defined benefit pension scheme designed to provide pensions and other benefits for pensionable employees of the Council and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Harrow Pension Fund Committee, which is a committee of the Council.

b) **Membership**

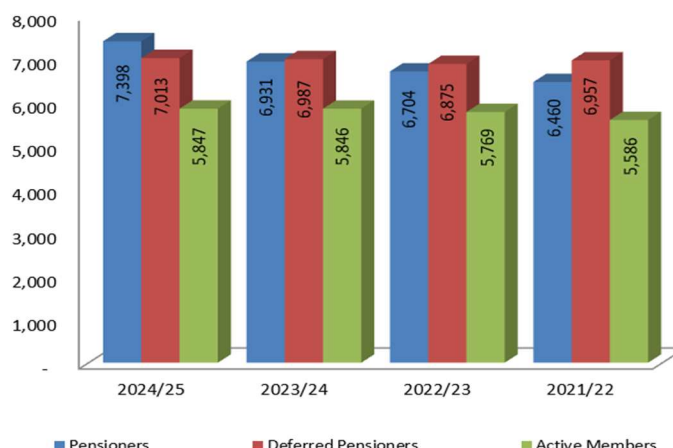
Scheme employers are required to auto-enrol new members of staff, and on a three yearly cycle to re-enrol those who have opted out previously. However, employees of those employers are able to opt out of the scheme should they wish to do so.

Organisations participating in the Fund include the following:

- **Scheduled bodies:** These are the local authority and similar bodies whose staff, are automatically entitled to be members of the Fund.
- **Admitted bodies:** These are other organisations that participate in the Fund under an admission agreement. Admitted bodies include voluntary, charitable, and similar bodies or private contractors undertaking a local authority function following outsourcing.

There are 52 employer organisations within the Harrow Pension Fund including the Council itself.

Membership of the Pension Fund



Employer	Status	PENSIONERS	DEFERREDS	ACTIVES	Total	%
Harrow Council	Scheduled Body	6758	5560	3561	15,879	78.38
Nower Hill	Scheduled Body	47	170	219	436	2.15
Stanmore College	Scheduled Body	127	159	104	390	1.93
Heathland and Whitefriars	Scheduled Body	41	94	228	363	1.79
Rooks Heath	Scheduled Body	41	108	139	288	1.42
Hatch End High	Scheduled Body	48	140	85	273	1.35
Canons High	Scheduled Body	19	88	154	261	1.29
Park High	Scheduled Body	25	102	103	230	1.14
Bentley Wood	Scheduled Body	16	89	107	212	1.05
Harrow High	Scheduled Body	22	61	94	177	0.87
Pinner High School	Scheduled Body	4	34	129	167	0.82
St Dominics 6th form college	Scheduled Body	53	44	56	153	0.76
Aylward Primary School	Scheduled Body	13	38	88	139	0.69
Priestmead School	Scheduled Body	9	15	90	114	0.56
St Georges Primary School	Scheduled Body	11	23	67	101	0.50
Salvatorian Academy	Scheduled Body	26	48	24	98	0.48
Welldon Park School	Scheduled Body	9	9	65	83	0.41
St John Fisher	Scheduled Body	8	18	56	82	0.40
St Joseph's Primary School	Scheduled Body	13	9	56	78	0.39
Earlsmead Academy	Scheduled Body	8	21	38	67	0.33
St Bernadettes	Scheduled Body	12	9	37	58	0.29
Avanti House Secondary School	Scheduled Body	0	6	51	57	0.28
Alexandra Academy	Scheduled Body	9	18	27	54	0.27
St Jerome	Scheduled Body	2	5	43	50	0.25
Sacred Heart High School	Scheduled Body	7	12	30	49	0.24
Krishna Avanti Academy	Scheduled Body	0	23	24	47	0.23
Jubilee Academy	Scheduled Body	1	22	13	36	0.18
Avanti House Primary School	Scheduled Body	1	16	19	36	0.18
Hujjat Primary School	Scheduled Body	0	1	20	21	0.10
Avanti School Trust	Scheduled Body	1	2	14	17	0.08
Tithe Academy Trust	Scheduled Body	0	0	10	10	0.05
NLCS	Community Admission Body	53	49	36	138	0.68
Evergreen	Admitted Body	0	2	17	19	0.09
The Pegasus Partnership	Admitted Body	0	2	5	7	0.03
ISS Shaftesbury	Admitted Body	4	2	1	7	0.03
Wates (linbrook)	Admitted Body	3	0	3	6	0.03
SOS Ltd	Admitted Body	0	2	4	6	0.03
Chartwells	Admitted Body	1	3	2	6	0.03
SOS Longfield	Admitted Body	1	2	2	5	0.02
Govindas	Admitted Body	0	3	2	5	0.02
Evergreen HH	Admitted Body	2	1	2	5	0.02
Brayborne Facilities Services	Admitted Body	0	0	5	5	0.02
PSC Group	Admitted Body	0	0	4	4	0.02
ISS Hatch End	Admitted Body	0	0	4	4	0.02
PSC Roxeth	Admitted Body	0	0	3	3	0.01
Evergreen AW	Admitted Body	2	0	1	3	0.01
PSC Vaughan	Admitted Body	0	0	2	2	0.01
ISS Bentley Wood	Admitted Body	0	0	2	2	0.01
Evergreen LBH	Admitted Body	0	2	0	2	0.01
ISS Sacred Heart	Admitted Body	1	0	0	1	0.00
ISS Nower Hill	Admitted Body	0	0	1	1	0.00
ISS Harrow High	Admitted Body	0	1	0	1	0.00
		7398	7013	5847	20,258	100

c) Funding

Full-time, part-time, and casual employees, where there is a mutuality of obligation and who have a contract of more than three months, are brought into the Fund automatically but have the right to “opt out” if they so wish. Casual employees with no mutuality of obligation are not eligible for membership.

Employee contribution rates are set by regulations and are dependent upon each member’s full time equivalent salary. Employee contributions attract tax relief at the time they are deducted from pay.

Employers participating in the Fund pay different rates of contributions depending on their history, their staff profile and any deficit recovery period agreed with the Fund. Employer contribution rates are reviewed as part of the triennial actuarial valuation. The last valuation took place as at 31 March 2022 and showed that the Fund was 96% funded. The deficit is to be recovered by additional employer contributions over the course of 20 years.

Benefits are funded by contributions and investment earnings. 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. Employee contributions are matched by employers’ contributions which are set based on triennial actuarial funding valuations. Currently almost all, employer contribution rates fall within the range 17.2% to 35.4% of pensionable pay.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump Sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up

From 1 April 2014, the Scheme became a career average (CARE) scheme, whereby members accrue benefits based on their pensionable pay in each year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details, refer to the ‘Brief Guide to the Local Government Pension Scheme’ attached as Appendix 5.

NOTE 2: BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2024-25 financial year and its position as at 31 March 2025. The Accounts have been prepared on a going concern basis on the assumption that the functions of the authority will continue in operational existence for the foreseeable future, and in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2024-25' issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based on International Financial Reporting Standards as amended for the UK public sector.

The Accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The Accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund account – Revenue Recognition

a) Contributions income

Scheme members' contributions are set by statute, while employer contributions are set by the Fund's actuary at the Triennial Valuation. Contributions, both from the scheme members and from employers, are accounted for on an accruals basis at the appropriate percentage rate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the Fund actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years, if significant, are classed as long term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations 2013 (see notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase Scheme benefits are accounted for on a receipts basis and are included in transfers in (see note 8).

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

c) Investment income

- i) Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

- ii) Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net asset statement as a current financial asset.
- iii) Changes in the net market value of investments are recognised as income and comprise all realised and unrealised gains/losses during the year.

Fund account – Expense items

a) Benefits payable

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

b) Taxation

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

c) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interest of greater transparency, the Fund discloses its Pension Fund management expenses in accordance with CIPFA's *Accounting for Local Government Pension Scheme Management Expenses (2016)*.

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the Pension's Administration Team are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and recharged as expenses to the Fund.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs relating to the oversight and governance of the Fund's investments are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and recharged as expenses to the Fund.

Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the values of these investments change.

Where an investment manager's fee invoice or fee information has not been received by the balance sheet date an estimate based on the market value of their mandate as at the end of the year is used for inclusion in the Fund account in 2024-25.

Net Assets Statement

a) Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of an asset are recognised in the Fund account. The exception to this is cash and short term debtors which are held at amortised cost.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (See note 16). For the purposes of disclosing levels of fair value hierarchy, the fund had adopted the classification guidelines recommended in 'Practical Guidance on Investment Disclosures (PRAG/Investment association, 2016)'

The Fund became a shareholder in the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London) in 2015 and holds £150,000 of regulatory capital in the form of unlisted UK equity shares – this is held at cost.

b) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. (See note 15). Derivatives are used by the Fund to reduce its exposure to the risk of fluctuations in currency values in its global equity portfolio. They are valued on the basis of the change in the relative values of sterling and the currency being hedged between the point at which the derivatives were purchased and the balance sheet date.

c) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers and custodians.

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

d) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date with the exception of current liabilities. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund. Current Liabilities are shown at amortised cost - given the short-term nature of these liabilities there are unlikely to be any gains or losses arising from these before settlement.

e) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the Fund actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

f) Additional Voluntary Contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential Assurance, Clerical Medical and Utmost (Previously Equitable Life) as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically intended for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4 (1)(b) of the Local Government Pension Scheme (Management and Investments of Funds) Regulations 2016 but are disclosed as a note only (Note 23).

g) Contingent Liabilities

A contingent liability arises where an event has taken place that gives The Funds possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of The Fund. 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.

h) Contingent Assets

A contingent asset arises where an event has taken place that gives The Fund 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 Fund.

Contingent assets are not recognized 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.

i) Debtors / Creditors

Debtors and Creditors Financial assets classed as amortised cost are carried in the net asset statement at the value of outstanding principal receivable at the year-end date plus accrued interest, if any.

j) Foreign Currencies

Assets and Liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Purchases and sales of investments and any investment income in foreign currencies have been accounted for at the spot market rates at the date of transaction. Surpluses and deficits arising on conversion or translation are dealt with as part of the change in market value of investments.

NOTE 4: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

No critical judgements used during 2024-25.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends, and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates. Estimation sensitivities are set out in note 16.

The items in the net assets statement at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Fair value – basis of valuation (Note 16)	As at the valuation date, it is considered that less weight can be attached to previous market evidence to inform opinions of value on level 3 investments. This is as a result of those valuations being based on unobservable inputs. Consequently, less certainty and a higher degree of caution should be attached to level 3 valuations.	Any reduction in investment values will result in a reduction in the Fund's net asset position. Level 3 Investments for 2024-25 are £135.25m

NOTE 6: EVENTS AFTER THE REPORTING DATE

These are events that occur between the end of the reporting period and the date when the financial statements are authorised for issue that provide new information about conditions that did not exist as of the balance sheet date. There were no material events after the reporting date for 2024-25 for which the accounts have been adjusted.

NOTE 7: CONTRIBUTIONS RECEIVABLE

By category

2023-24		2024-25
£'000		£'000
(8,623)	Employees' contributions	(9,022)
	Employers' contributions:	
(22,761)	Normal contributions	(23,575)
(6,071)	Deficit recovery contributions	(6,071)
(358)	Pension strain contributions	(775)
(29,190)	Total employers' contributions	(30,421)
(37,813)	Total contributions receivable	(39,443)

By type of employer

2023-24		2024-25
£'000		£'000
(28,373)	Administering Authority	(29,609)
(8,723)	Scheduled bodies	(9,200)
(529)	Community admission body	(484)
(188)	Transferee admission bodies	(150)
(37,813)		(39,443)

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

2023-24		2024-25
£'000		£'000
(4,485)	Individual transfers	(4,836)
(4,485)		(4,836)

NOTE 8A: OTHER INCOME

2023-24		2024-25
£'000		£'000
(192)	Other Income	(277)
(192)		(277)

NOTE 9: BENEFITS PAYABLE

By category

2023-24		2024-25
£'000		£'000
37,038	Pensions	40,566
6,779	Commutation and lump sum retirement benefits	8,618
760	Lump sum death benefits	786
44,577		49,970

By type of employer

2023-24		2024-25
£'000		£'000
41,632	Administering Authority	45,742
2,520	Scheduled bodies	3,508
313	Community admission body	439
112	Transferee admission bodies	281
44,577		49,970

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2023-24		2024-25
£'000		£'000
82	Refunds to members leaving service	106
6,868	Individual transfers	8,767
6,950		8,873

NOTE 11: MANAGEMENT EXPENSES

2023-24		2024-25
£'000		£'000
794	Administrative costs	1,040
2,862	Investment management expenses	2,776
669	Oversight and governance costs	946
4,325		4,762

NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

2024-25	Total	Management Fees	Other Fees
		£'000	£'000
Pooled Investments - Equities	1,424	1,318	106
Pooled Investments - Alternatives	683	651	32
Pooled Investments - Other	587	576	11
Derivatives	72	72	0
Custodian	10	10	0
	2,776	2,627	149

The Fund does not pay any of its investment managers through performance fee arrangements.

2023-24	Total	Management Fees	Other Fees
		£'000	£'000
Pooled Investments - Equities	1,221	1,131	90
Pooled Investments - Alternatives	831	805	26
Pooled Investments - Other	737	727	10
Derivatives	63	63	0
Custodian	10	10	0
	2,862	2,736	126

NOTE 12: INVESTMENT INCOME

2023-24		2024-25	
£'000		£'000	
(10,502)	Pooled Investments	(13,322)	
(584)	Interest on Cash Deposits	(778)	
(11,086)		(14,100)	

NOTE 13: EXTERNAL AUDIT COSTS

2023-24		2024-25
£'000		£'000
75	Payable in respect of external audit	102
75		102

NOTE 14: INVESTMENTS

Market value		Market value
31 March 2024		31 March 2025
£'000		£'000
	Investment assets (Pooled)	
566,415	Pooled equities investments	538,732
136,988	Pooled bonds investments	175,591
174,893	Pooled alternative investments	185,929
91,602	Pooled infrastructure	109,661
51,083	Pooled property investments	23,414
1,020,981		1,033,327
	Investment assets (Other)	
150	Equity in London CIV	150
3,339	Private equity	2,175
4,386	Derivative contracts: forward currency	4,145
19,334	Cash with investment managers	25,401
1,048,190		1,065,198
	Investment liabilities	
(1,473)	Derivative contracts: forward currency	(4,206)
(1,473)	Total investment liabilities	(4,206)
1,046,717	All investments	1,060,992

NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 31 March 2024	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Net change in market value during the year	Market value 31 March 2025
	£'000	£'000	£'000	£'000	£'000
Investment assets					
Pooled equities investments	566,415	3,106	(45,142)	14,352	538,732
Pooled bonds investments	136,988	47,083	(133)	(8,348)	175,591
Pooled alternative investments	174,893	61,000	(64,130)	14,166	185,929
Pooled property investments	51,083	0	(27,150)	(519)	23,414
Pooled infrastructure	91,602	18,094	0	(35)	109,661
Equity in London CIV	150	0	0	0	150
Private equity	3,339	0	(29)	(1,134)	2,175
Derivative contracts	2,913	0	(8,669)	5,694	(61)
	1,027,383	129,283	(145,253)	24,177	1,035,591
Cash with investment managers	19,334				25,401
Net investment assets	1,046,717				1,060,992

	Market value 31 March 2023	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Net change in market value during the year	Market value 31 March 2024
	£'000	£'000	£'000	£'000	£'000
Investment assets					
Pooled equities investments	484,745	3,019	(1,240)	79,891	566,415
Pooled bonds investments	134,377	3,944	(85)	(1,248)	136,988
Pooled alternative investments	165,151	0	(10,866)	20,608	174,893
Pooled property investments	59,898	0	(7,146)	(1,669)	51,083
Pooled infrastructure	72,462	16,391	0	2,749	91,602
Equity in London CIV	150	0	0	0	150
Private equity	4,052	0	(20)	(693)	3,339
Derivative contracts	13,747	0	(16,216)	5,382	2,913
	934,582	23,354	(35,573)	105,020	1,027,383
Cash with investment managers	11,433				19,334
Net investment assets	946,015				1,046,717

NOTE 14B: INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2024	Percentage of Fund	Manager	Investment assets	Market value 31 March 2025	Percentage of Fund
£'000	%			£'000	%
Investments managed/classed as pooled by London CIV					
129,933	12	LCIV	Developed world equities-active	128,030	12
111,973	11	LCIV	Alternative credit fund	121,748	11
78,419	7	LCIV	Sustainable equities	79,552	7
91,602	9	LCIV	Infrastructure funds	109,661	10
46,398	4	LCIV	Global bond fund	56,114	5
285,473	27	BlackRock	Global equities - passive	257,448	25
41,260	4	BlackRock	Bonds - index-linked active	72,493	7
72,590	7	LCIV	Emerging markets equities-active	73,701	7
857,648	82		Total LCIV	898,747	84
Investments managed outside of the London CIV					
51,083	5	LaSalle	Pooled property	23,414	2
17,777	2	BlackRock	Cash with investment managers	15,139	2
49,330	5	BlackRock	Bonds - fixed interest	46,985	4
62,920	6	Insight	Diversified growth fund	0	0
0	0	M&G	Alternative Credit Fund	64,181	6
1,557	0	JP Morgan	Cash with investment managers	10,262	1
150	0	LCIV	UK equities-passive	150	0
3,339	0	Pantheon	Private equity	2,175	1
2,913	0	Record	Forward currency contracts	(61)	(0)
189,068	18		Total - Managers	162,245	16
1,046,717	100		Total Investments	1,060,992	100

NOTE 14C: INVESTMENTS MORE THAN 5% of the net assets of the Fund:

Market value 31 March 2024	% of total fund	Investment assets	Market value 31 March 2025	% of total fund
£'000			£'000	
285,473	27	Blackrock Equity Beta Portfolio	257,448	25
49,330	5	BlackRock Inst. Bond Fund - Corp Bond 10 yrs	0	0
0	0	LCIV Global bond fund	56,114	5
62,920	6	Insight Broad Opportunities Fund	0	0
51,083	5	LaSalle Investors UK Real Estate Fund of Funds	0	0
129,933	12	LCIV Global Equity Focus Fund	128,030	12
111,973	11	LCIV Alternative Credit Fund	121,748	11
78,419	7	LCIV Sustainable Equity Fund	79,552	7
0	0	Blackrock Aquila life ovr 5yr UK idx lkd	72,493	7
91,602	9	LCIV Infrastructure Funds	109,661	10
72,590	7	LCIV Emerging Markets	73,701	7
0	0	M&G Senior Asset Backed credit fund	64,181	6
933,323	89	Total over 5% holdings	962,928	90

NOTE 15: ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has a passive currency programme in place managed by Record Currency Management Limited. The Fund hedges 50% of the exposure in various developed world currencies within the equities portfolio.

Analysis of Open forward currency contracts:-

Settlement	Currency bought	Local value	Currency sold	Local value	Asset value	liability value
		000		000	£'000	£'000
Up to one month	CHF	4,041	GBP	(3,541)	0	
Up to one month	EUR	11,467	GBP	(9,549)	52	
Up to one month	JPY	805,700	GBP	(4,137)	40	
Up to one month	NOK	7,417	GBP	(546)	0	
Up to one month	SEK	13,526	GBP	(1,041)	3	
Up to one month	SGD	763	GBP	(440)	0	
Up to one month	USD	118,327	GBP	(91,408)	283	
Up to one month	HKD	122,588	GBP	(12,174)	38	
One to six months	EUR	3,150	GBP	(2,633)	11	
One to six months	GBP	101	NZD	(224)	3	
One to six months	GBP	4,444	AUD	(9,037)	77	
One to six months	GBP	10,519	CAD	(19,162)	178	
One to six months	GBP	7,574	CHF	(8,521)	68	
One to six months	GBP	14,102	HKD	(137,323)	423	
One to six months	GBP	237	NZD	(532)	3	
One to six months	GBP	679	SGD	(1,153)	14	
One to six months	JPY	9,400	GBP	(48)	1	
One to six months	NOK	332	GBP	(23)	1	
One to six months	SEK	1,087	GBP	(79)	5	
Over six months	GBP	11,342	EUR	(13,493)	46	
Over six months	GBP	4,564	JPY	(855,400)	130	
Over six months	GBP	99,636	USD	(124,994)	2,769	
Up to one month	AUD	4,135	GBP	(2,012)		(14)
Up to one month	CAD	8,821	GBP	(4,759)		(9)
Up to one month	NZD	378	GBP	(167)		(1)
One to six months	AUD	767	GBP	(384)		(13)
One to six months	CAD	1,520	GBP	(851)		(33)
One to six months	CHF	439	GBP	(391)		(6)
One to six months	EUR	451	GBP	(381)		(4)
One to six months	GBP	12,196	HKD	(122,588)		(41)
One to six months	GBP	1,088	NOK	(15,166)		(27)
One to six months	GBP	2,111	SEK	(28,139)		(67)
One to six months	GBP	442	SGD	(763)		(0)
One to six months	GBP	6,201	USD	(8,112)		(85)
One to six months	HKD	14,735	GBP	(1,518)		(50)
One to six months	JPY	45,000	GBP	(237)		(3)
One to six months	SGD	390	GBP	(230)		(5)

One to six months	USD	13,334	GBP	(10,681)	(348)	
Over six months	GBP	20,588	EUR	(24,509)	(96)	
Over six months	GBP	8,436	JPY	(1,616,100)	(71)	
Over six months	GBP	178,971	USD	(235,209)	(3,332)	
Open forward currency contracts at 31 March 2025					4,145	(4,206)
Net forward currency contracts at 31 March 2025						(61)
Prior year comparative						
Open forward currency contracts at 31 March 2024					4,386	(1,473)
Net forward currency contracts at 31 March 2024						2,913

NOTE 16: 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 most appropriate 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 including pooled funds for global equities, corporate and UK index linked bonds and diversified growth funds	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Market quoted investments including pooled funds for global equities and diversified growth funds	Level 1	Published market price or other value ruling on the final day of the accounting period	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year end.	Exchange rate risk	Not required
Pooled Investments - Alternative Credit / Bonds	Level 2	Fixed income securities are priced based on evaluated prices provided by Independent pricing services	Fixed income securities are priced based on evaluated prices provided by Independent pricing services	Not required
Pooled investments - property funds	Level 3	Net Assets	Freehold and leasehold properties valued on an open market basis.	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
Pooled investments - Infrastructure	Level 3	Infrastructure assets are valued using the International Private Equity Valuation ("IPEV") guidelines usually from the underlying manager and independently audited. These audited valuations are usually 3-6 months old	Observable inputs include earnings and revenues. Unobservable Inputs can include comparable valuations	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
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation (2025)	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

Sensitivity of assets valued at Level 3

The Fund has determined that the sensitivity of the level 3 investments should be at the level determined by independent advisers for investments. Set out below is the consequent potential impact on the closing value of investments held at 31 March 2025 using data provided by PIRC.

	Assessed valuation range (+/-)	Valuation at 31 March 2025	Value on increase	Value on decrease
		£000	£000	£000
Private Equity	3.56%	2,175	2,253	2,098
Pooled investments - Infrastructure	3.56%	109,661	113,565	105,757
Pooled investments - property funds	7.07%	23,414	25,069	21,758
		135,250	140,887	129,613

	Assessed valuation range (+/-)	Valuation at 31 March 2024	Value on increase	Value on decrease
		£000	£000	£000
Private Equity	4.82%	3,339	3,500	3,178
Pooled investments - Infrastructure	5.01%	91,602	96,191	87,012
Pooled investments - property funds	6.84%	51,083	54,577	47,588
		146,024	154,268	137,778

NOTE 16A: 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 significant effect on the instrument's valuation is not based on observable market data.

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2025	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Pooled equities investments	538,732			538,732
Pooled bonds investments	119,477	56,114		175,591
Pooled alternative investments	64,181	121,748		185,929
Pooled property investments			23,414	23,414
Pooled infrastructure			109,661	109,661
Private equity			2,175	2,175
Derivative contracts: forward currency		(61)		(61)
Assets at amortised cost				
Cash Deposits / Other	25,401	150		25,551
Total	747,791	177,951	135,250	1,060,992

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Pooled equities investments	566,415			566,415
Pooled bonds investments	90,590	46,398		136,988
Pooled alternative investments	62,920	111,973		174,893
Pooled property investments			51,083	51,083
Pooled infrastructure			91,602	91,602
Private equity			3,339	3,339
Derivative contracts: forward currency		2,913		2,913
Assets at amortised cost				
Cash Deposits / Other	19,334	150		19,484
Total	739,258	161,434	146,024	1,046,717

NOTE 16B: TRANSFERS BETWEEN LEVELS 1 AND 2

None in the year ending 31 March 2025 nor in the year to 31 March 2024

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

Period 2024/25	Market Value 31 March 2024	Transfers into level 3	Transfers out of level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Gains/ (losses)	Market Value 31 March 2025
	£000	£000	£000	£000	£000	£000	£000
Private Equity	3,339	0	0	0	(30)	(1,134)	2,175
Pooled - Infrastructure	91,602	0	0	18,094	0	(35)	109,661
Pooled - property	51,083	0	0	0	(27,150)	(519)	23,414
	146,024	0	0	18,094	(27,180)	(1,688)	135,250

Period 2023/24	Market Value 31 March 2023	Transfers into level 3	Transfers out of level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Gains/ (losses)	Market Value 31 March 2024
	£000	£000	£000	£000	£000	£000	£000
Private Equity	4,052	0	0	0	(20)	(693)	3,339
Pooled - Infrastructure	72,462	0	0	16,391	0	2,749	91,602
Pooled - property	59,898	0	0	0	(7,146)	(1,669)	51,083
	136,412	0	0	16,391	(7,166)	387	146,024

NOTE 17: 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.

31 March 2024			31 March 2025		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
Financial assets					
566,415	0	0	538,732	0	0
136,988	0	0	175,591	0	0
174,893	0	0	185,929	0	0
91,602	0	0	109,661	0	0
51,083	0	0	23,414	0	0
150	0	0	150	0	0
3,339	0	0	2,175	0	0
4,386	0	0	4,145	0	0
0	29,888	0	0	41,019	0
0	1,247	0	0	1,976	0
1,028,856	31,135	0	1,039,797	42,995	0
Financial liabilities					
(1,473)	0	0	(4,206)	0	0
0	0	(951)	0	0	(1,791)
(1,473)	0	(951)	(4,206)	0	(1,791)
1,027,383	31,135	(951)	1,035,591	42,995	(1,791)
1,057,567		Grand Total		1,076,795	

NOTE 17A: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The table below summarises the net gains and losses on financial instruments classified by type of instrument.

31 March 2024		31 March 2025
£'000		£'000
	Financial Assets	
105,020	Fair value through profit and loss	24,177
0	Assets at amortised cost	0
105,020	Total Financial Assets	24,177

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

Risk and risk management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). 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 risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet its forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Committee reviews the Fund's risk register on a regular basis.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund's investment managers mitigate this price risk through diversification.

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's advisers, the Council has determined that the following movements in price risk are reasonably possible.

Assets type	Potential market movements (+/-) %
Equities	11.13
Bonds	9.27
Alternatives	3.56
Pooled Property	7.07
Private Equity	3.56

Had the market price of the Fund investments increased/decreased in line with the above the change in the net assets available to pay benefits would have been as follows:

Asset type	Value as at 31 March 2025	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Investment portfolio assets:				
Pooled equities investments	538,671	11.13	598,625	478,717
Pooled bond investments	175,591	9.27	191,868	159,314
Pooled alternative investments	185,929	3.56	192,548	179,310
Pooled property investments	23,414	7.07	25,069	21,758
Private Equity	2,175	3.56	2,252	2,098
Pooled Infrastructure	109,661	3.56	113,565	105,757
Equity - London CIV	150	0.00	150	150
Total	1,035,591		1,124,077	947,104

Asset type	Value as at 31 March 2024	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Investment portfolio assets:				
Pooled equities investments	569,328	10.71	630,303	508,353
Pooled bond investments	136,988	9.07	149,413	124,563
Pooled alternative investments	174,893	5.01	183,655	166,131
Pooled property investments	51,083	6.84	54,577	47,589
Private Equity	3,339	4.82	3,500	3,178
Pooled Infrastructure	91,602	5.01	96,191	87,012
Equity - London CIV	150	0.00	150	150
Total	1,027,383		1,117,789	936,976

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Council recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits.

The Fund's direct exposure to interest rate movements as at 31 March 2025 and 31 March 2024 and the impact of a 1% movement in interest rates are as follows:

Assets exposed to interest rate risk	Carrying amount at 31 March 2025	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	41,020	0	41,020	41,020
Fixed interest securities	46,985	470	47,455	46,515
Global bond fund	56,114	561	56,675	55,553
Total change in assets available	144,119	1,031	145,150	143,088

Assets exposed to interest rate risk	Carrying amount at 31 March 2024	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	29,888	0	29,888	29,888
Fixed interest securities	49,330	493	49,823	48,836
Global bond fund	46,398	464	46,862	45,934
Total change in assets available	125,616	957	126,573	124,658

This analysis demonstrates that changes in interest rates do not impact on the value of cash and cash equivalents balances but do affect the fair value on fixed interest securities.

Changes in interest rates affect interest income received on cash balances but have no effect on income from fixed income securities.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on its global equities pooled fund investments, some of which are denominated in currencies other than Sterling. To mitigate this risk, the Fund uses derivatives and hedges 50% of the overseas equity portfolio arising from the developed market currencies.

Following analysis of historical data in consultation with the Fund's advisers the Council considers the likely volatility associated with foreign exchange rate movements to be 6.70%.

A 6.70% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available as follows.

The underlying manager hedges currency exposure within its mandate.

Currency Exposure - asset type	Asset Value as at 31 March 2025	Change to net assets	
		Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas Pooled Equities	512,127	546,644	477,610

Currency Exposure - asset type	Asset Value as at 31 March 2024	Change to net assets	
		Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas Pooled Equities	534,133	570,134	498,132

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 assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions. However, the selection of high-quality counterparties, brokers and financial institutions by Fund managers should minimise the credit risk that may occur.

Cash deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's Treasury Management investment criteria.

The Council believes it has managed its exposure to credit risk and has had no experience of default or uncollectable deposits over the past five years.

The Fund's cash holding at 31 March 2025 was £41.0m (31 March 2024: £29.9m).

The maximum exposure to credit risk for 2024/25 is £41.0m (31 March 2024: £29.9m).

This was held with the following institutions.

Summary	Rating	Balances at 31 March 2024	Balances at 31 March 2025
		£'000	£'000
Bank accounts			
NatWest PLC	A+ (Fitch)	10,554	15,618
JP Morgan	AA (Fitch)	1,557	10,262
BlackRock	AAAmf (Fitch)	17,777	15,139
		29,888	41,019

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Council has immediate access to its Pension Fund cash holdings.

The Fund considers liquid assets to be those that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2025 the value of illiquid assets was £135.25m. This represented 12.75% of the total Fund assets (31 March 2024: £146.02m).

Refinancing risk

The Pension Fund does not have any financial instruments that have a refinancing risk.

NOTE 19: FUNDING ARRANGEMENTS

In line with The Local Government Pension Scheme Regulations 2013, the Fund's Actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022. The next valuation takes place as at 31 March 2025.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Taxpayers).
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- 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 aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2022 actuarial valuation, the Fund was assessed as 96% funded (94% at the March 2019 valuation). This corresponded to a deficit of £39m (2019 valuation: £52m).

Individual employers' contribution rates vary depending on the demographic and actuarial factors particular to each employer.

The valuation of the Fund has been undertaken using the projected unit method under which the salary for each member is assumed to increase until they leave active service by death, retirement, or withdrawal from service. The principal assumptions were as follows:

Financial assumptions

Other financial assumptions	2019	2022
	%	%
Price inflation (CPI)	2.3	2.7
Salary increases	3.0	3.7
Pension increases	2.3	2.7
Funded basis discount rate	4.3	4.4

Demographic assumptions

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. for both males and females. Based on these assumptions, the average future life expectancies at age 65 for the Employer are summarised

	Male	Female
Current pensioners	21.6	24.3
Future pensioners (assumed to be aged 45)	22.5	25.9

Commutation assumption

50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits

NOTE 20: 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, each 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.

In June 2023, a judgement was handed down in the High Court in the case of Virgin Media vs. NTL Pension Trustees II Limited that could have implications for defined benefit (DB) pension schemes going forward. The employer appealed the decision, and the court of appeal dismissed the company's appeal and upheld the original judgement in July 2024. The government announced in June 2025 that they intend to bring legislation forward to address the uncertainty about the implications for scheme liabilities that the judgement has created. The Fund cannot quantify the financial effect of the ruling. The Fund continues to monitor developments closely, including any further government/SAB legal or policy announcements and any guidance that may be issued by government or regulators. Once known the fund will take action.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also valued ill health and death benefits in line with IAS 19.

31 March 2024		31 March 2025
£m		£m
(1,139)	Present value of promised retirement benefits	(992)

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

IAS19 Assumptions used

	2023-24	2024-25
	% pa	% pa
Inflation/pensions increase rate assumption	2.8	2.8
Salary increase rate	3.8	3.8
Discount rate	4.8	5.8

NOTE 21: CURRENT ASSETS

31 March 2024		31 March 2025
£'000		£'000
	Short Term Debtors:	
1,000	Contributions due - employers	1,471
0	Sundry debtors	141
	Cash:	
10,554	Cash Deposits	15,618
11,554		17,230

NOTE 21A: LONG TERM DEBTORS

31 March 2024		31 March 2025
£'000		£'000
247	Lifetime Tax Allowances	364
247		364

NOTE 22: CURRENT LIABILITIES

31 March 2024		31 March 2025
£'000		£'000
(470)	Sundry creditors	(1,013)
(481)	Benefits payable	(778)
(951)		(1,791)

NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS

Employee Contributions 31 March 2024	Market value of Funds 31 March 2024		Employee Contributions 31 March 2025	Market value of Funds 31 March 2025
£'000	£'000		£'000	£'000
272	2,366	Prudential Assurance	200	2,142
7	455	Clerical Medical	2	245
0	184	Utmost (Previously Equitable Life)	0	193
279	3,005		202	2,580

NOTE 24: RELATED PARTY TRANSACTIONS

Harrow Council

The Fund is required under IAS24 to disclose details of material transactions with related parties. The Council is a related party to the Pension Fund. Details of the contributions/payments made to the Fund by the Council and expenses refunded to the Council are set out below.

The Pension Fund has operated a separate bank account since April 2011. All Transactions between the Council and the Pension fund are reconciled and settled with a cash transfer, on a monthly basis. Included within this is the Councils EES/ERS Contributions and CAYS payments.

31 March 2024		31 March 2025
£'000		£'000
(21,814)	Employer's Pension Contributions to the Fund	(22,780)
983	Administration expenses paid to the Council	1,331
(88)	Cash owed by PF to the Council	(530)
(1,798)	CAYs payments (Augmentation)	(1,860)

The Pension Fund administers the historic Compensatory Added Years payments (CAYs) awarded to Teachers and employees in the LGPS. These costs are charged directly to the Council monthly.

The overall value of these payments during 2024/25 was £2.848m (2024/24 £2.7859m) with £1.860m paid directly by the Pension fund (2023/24 £1.798m) and £0.988m directly by the Council (2023/24 £0.987m)

Governance

Responsibility for management of the Fund has been delegated to the Pensions Committee and the day-to-day operations of the Fund have been delegated to the Strategic Director of Finance (Section 151). No members of the Pension Committee are in receipt of pension benefits from the Harrow Pension Fund. Each member of the Pensions Committee and Local Pension Board are required to declare their interests at each meeting. The Chair of the Pension Committee is Cabinet member for Finance. The members of the Pensions Committee do not receive fees in relation to their specific responsibilities as members of the Pensions Committee.

NOTE 25: KEY MANAGEMENT PERSONNEL

The key management personnel of the fund are the Councils' Director of Finance (S151 Officer) and the Pension Fund Manager.

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

31 March 2024		31 March 2025
£'000		£'000
124	Short-term benefits	225

NOTE 26: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2025 totalled £26.0m (31 March 2024: £42.7m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held by Pantheon Ventures and commitments in the LCIV Infrastructure Fund and LCIV Renewable Infrastructure Fund.

Apart from the outstanding commitments detailed above, the Fund has no contingent liabilities at 31 March 2025 (31 March 2024 Nil.)

NOTE 27: CONTINGENT ASSETS

No contingent assets at 31st March 2025 compared to 31st March 2024 £0.354m

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2024/25 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Harrow Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2025	31 March 2024
Active members (£m)	377	421
Deferred members (£m)	180	217
Pensioners (£m)	435	501
Total (£m)	992	1,139

The promised retirement benefits at 31 March 2025 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. 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, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2025 and 31 March 2024. I estimate that the impact of the change in financial assumptions to 31 March 2025 is to decrease the actuarial present value by £176m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £2m.

**Financial assumptions**

Year ended	31 March 2025	31 March 2024
	% p.a.	% p.a.
Pension Increase Rate (CPI)	2.80%	2.80%
Salary Increase Rate	3.80%	3.80%
Discount Rate	5.80%	4.80%

Demographic assumptions

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

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.7 years	24.3 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	22.4 years	26.0 years

All other demographic assumptions are unchanged from last year and are as per the latest funding valuation of the Fund.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

Change in assumption at 31 March 2025	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	16
1 year increase in member life expectancy	4%	40
0.1% p.a. increase in the Salary Increase Rate	0%	1
0.1% p.a. increase in the Rate of CPI Inflation	2%	15

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2025' which identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Seven Law FFA C.Act

8 May 2025

For and on behalf of Hymans Robertson LLP