Newham London

Statement of Accounts 2018/19

People at the Heart of Everything We Do

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Version 6.4

Introduction and Narrative Report

The Council's Statement of Accounts

The Statement of Accounts for the London Borough of Newham provides a summary of the Council's financial position as at 31st March 2019. They have been prepared in accordance with the code of practice on Local Authority Accounting (the CIPFA Code) and while the format and content of the accounts is largely prescribed by the code, every endeavour has been made to balance the statutory reporting requirements with the desire to make them clear and understandable to all interested parties.

The narrative report provides the reader with key contextual information about the authority including its main objectives and strategies, the principal risks that it faces and plans in place to manage and mitigate these. It also provides a commentary on how the Authority (including the Group Accounts) has used its resources to achieve its desired outcomes in line with its objectives and strategies.

Introduction to Newham

The London Borough of Newham is situated in north east London, bordering the River Thames. It has a population of almost 360,000 residents and over 74% are economically active. However, almost 50% are considered to be in poverty after housing costs, compared to the national average of 22%.

Newham is a borough of amazing vitality and hyper-diversity across our communities, our workplaces and leisure spaces. Almost half of our residents are under 30, more than 200 languages and dialects are spoken, and as a consequence of the economic challenges and technological disruptions of recent years, around 2,000 new business emerge each year.

Newham contains most of the Olympic Park including London Stadium and as well as legacy projects centred around the Olympic site and significant redevelopment continues in other parts of the borough including Custom House, Canning Town and Royal Docks.

Despite having a high percentage of people of working age in the Borough, average weekly wages are comparatively low and parts of Newham are amongst the most deprived in London. More people in Newham rely on public services than in many parts of London or the UK.

Newham's Vision for the Future

The Council has a bold and radical vision to change Newham for the better and to build our future together.

Newham is a diverse, and aspirational borough with huge potential. By putting people at the heart of everything we do, we aim to enable all our residents to reach their potential and thrive within Newham, where people of all backgrounds come together as active and engaged citizens.

Newham is changing rapidly. Our part of East London is booming, with significant investment creating new jobs, new homes and new opportunities. But it is also a time of great uncertainty for many of our residents. London is one of the richest cities in the world, but too many of Newham's residents have to survive on low incomes. We are on the frontline of London's housing crisis, with the highest number of families in temporary accommodation in the country.

We want to make Newham a place where everyone can achieve their potential, and where everyone feels involved in their community. That means working hard to remove barriers, encourage aspiration, promote social integration and speak up for our community.

We will work differently by involving, engaging and listening to our local community; opening up our processes to scrutiny; and being open to change and improvement. We will work with our local residents, and genuinely involve them in decisions. We will also work in partnership to build on the strengths we already have in our community – adopting a community wealth building approach that seeks to invest locally and support the growth of our local economy and voluntary sector.

The Council has adopted a new Corporate Plan underpinned by the following key priorities to develop the new vision for its residents;

- **Bright futures -** supporting children and young people's aspirations, keeping them safe and removing barriers to success.
- **Building Communities -** a housing offer for residents that delivers more genuinely affordable homes in well-designed neighbourhoods.
- **Community Wealth Building -** a strong economy that supports local businesses, nurtures talent and provides opportunities for all.
- **An environment for all -** an attractive borough which encourages active lifestyles, social integration and civic responsibility.
- **Quality of life -** improving our health and social care system so it works for Newham residents.
- **An efficient and effective Council -** making Newham Council work better for everyone.

Our Leadership and Workforce

The council employs 3,672 people (excluding schools based staff) on full-time and part-time contracts, equating to a full-time equivalent of 3,031. This 18.7% reduction in the workforce since March 2018 is due to a transfer of over 500 staff to a newly formed company owned by Newham to provide contract catering and cleaning services and staff exits through retirement and redundancies at a cost of around £900k (see note 34 for more details).

2017/18 FTE's	Directorate	2018/19 FTE's
504	Adults And Housing Needs	375
535	Business and Growth	5
12	Chief Executive & Financial Sustainability	19
555	Children and Young People Service	591
754	Community and Environment	922
207	Enforcement and Safety	243
377	OneSource	345
216	Regeneration and Planning	208
570	Customer & Strategic Services	322
3,730	**Subtotal - Non-Schools**	**3,031**
3,769	Schools	3,542
7,499	**Total**	**6,573**

Financial Performance in 2018/19

Overview

The Council had a gross expenditure budget of just over £1.5bn and a net general fund budget of over £268m in 2018/19 to provide Council services.

The net general fund budget was funded through business rates (£172m), Council Tax (£76m), New Homes Bonus (£11m) and other smaller income streams.

The Council also has fixed assets valued at over £2.7bn and delivered a capital investment programme of £124m in 2018/19, which provided funding for new homes, highways and other regeneration projects.

Revenue Spending in 2018/19

The final Revenue Outturn position for 2018/19 was an underspend of £822k. The table below summarises the revenue expenditure for the Council by service as reported internally for management accounting and budgeting purposes. This differs slightly from the statutory presentation of revenue expenditure shown in the comprehensive income and expenditure statement.

Overall the surplus for the general fund and HRA is £8.9m as shown in the movement in reserve statement.

Services	Approved Budget	Outturn	Variance
	£'000	£'000	£'000
Chief Executive	1,113	1,098	(15)
Adults and Housing Needs	94,908	95,524	616
Children and Young People Service	99,618	100,337	719
Enforcement and Safety	7,175	7,665	490
Community and Environment	47,593	47,487	(105)
Externalised Business Units	0	(78)	(78)
Regeneration and Planning	7,937	8,003	66
Public Health	0	0	0
Customer & Strategic Services	4,642	3,404	(1,238)
Financial Sustainability	(942)	(674)	267
Repairs & Maintenance Service	1,000	535	(465)
Business and Growth	(3,458)	(2,713)	745
OneSource Shared	448	446	(2)
OneSource Non shared	(1,457)	(2,650)	(1,193)
Central Budgets	10,026	10,651	625
Total Expenditure on Services	**268,603**	**269,035**	**432**
Funding	(268,603)	(269,857)	(1,254)
Net General Fund Surplus	**0**	**(822)**	**(822)**
Surplus on HRA	**0**	**(8,144)**	**(8,144)**
Total Surplus for the year	0	(8,966)	(8,966)

The most significant areas of overspend were as follows:

- **Children's and Young Peoples Services (CYPS)** was overspent by £719k. This was primarily due to continued pressures within Looked After Children services (residential placements budget) and Public Health 0-19 health visitor services. These are national pressure areas.

- **Adults and Housing Needs** was overspent by £616k and this was mainly due to increasing costs in Temporary Accommodation services. This is a growing problem in Newham with increasing house prices and cost of rental within the borough. The number of people in temporary accommodation also increased from 4,892 last year to 5,201 this year.

- **Enforcement & Safety** was overspent by £490k due to a reduction in the level of parking income. A review is taking place to establish the causes and options for mitigation.

- **Business and Growth** overspent by £745k and this was caused by a reduction in income from investment properties. A rent review has been carried out to resolve this going forward.

These cost pressures were offset by underspends in **Customer & Strategic services** (£1.238m) primarily due to vacancies within the staffing structure and **OneSource Non Shared services** (£1.193m) where the underspends were due to the corporate landlord arrangements and delays to a number of routine repairs and maintenance works. A plan has been put in place to ensure these schemes are prioritised and progressed in 2019/20.

Performance Overview 2018/19

The below provides a brief oversight of any issues of note with regards to the Council's performance as at March 2019.

Children's Services

- **Single assessments for children's social care completed within 45 days of referral** – Performance during 2018/19 was 63.2%, which is a drop from the 74.5% achieved in 2017/18 and below this year's target of 90%. In comparison the average for London is 82.3% and England is 82.9%.

- **Number of children with Child Protection Plans –** This has reduced from 325 in 2017/18 to 284 in 2018/19. However, the proportion of those on a child protection plan for 12 months or more has increased from 20% to 22.2%. In comparison the average for London is 39.1% and England is 43.3%.

- **Looked after children** – There was a reduction in the total number of looked after children and an improvement in the stability of placements. There were 380 looked after children in 2018/19 compared to 403 in 2017/18.

Adults Services

- **Direct Payments -** 28.7% of customers were in receipt of a direct payment at the end of the year. This exceeded the 28.0% target. 100% of carers received a direct payment in the year.

- **Permanent admissions to residential and nursing care -** Newham continues to see low rates of admission. Both age categories (18-64 and 65+) met target and out-performed London and national averages.
- **Annual Review of care packages -** 75% of customers received an annual review against a target of 80% and 32% of carers were assessed or reviewed against a target of 60%.

Environment, Enforcement and Safety

- **Levels of Cleanliness -** There was a reduction in levels of cleanliness for litter and detritus but improvements in cleanliness scores for fly-posting and graffiti. In total, 61,314 fly-tips were collected by the council. There were 2,276 fixed-penalty notices issued for littering, fly-tipping and other offences, an increase of 9% on the previous year.

- **Anti-Social Behaviour -** Council-recorded ASB reduced by 6%, totalling 17,457 reports made by the public.

Housing, Regeneration and Community

- **Homelessness -** Following the introduction of the Homelessness Reduction Act 2017, the council received 3,909 homelessness applications in 2018/19 which is more than double the 1,909 applications received in 2017/18.

- **Temporary accommodation -** Numbers of residents in temporary accommodation also increased to 5,201 households from 4,892 in the previous year.

- **Leisure Centres** - Use of leisure centres increased by 4% to more than 1.7 million visits. Similarly, attendances at libraries increased by 5% to more than 1.7 million visits.

- **Planning Applications** - Newham out-performs London and national averages in terms of processing planning applications to timescale. 98% of major applications were determined in time and 100% of the 1,084 minor and other applications were determined in time.

Housing Revenue Account (HRA)

- The council owns 15,970 homes
- The outturn on the HRA account is an underspend of £8.144m; principally due to lower the budgeted spend on contingency, external contracts and property services.
- £100m was collected in rents and service charges in 2018/19 (£102m in 2017/18)
- Revenue spending on repairs, maintenance and management was £58m (£60m in 2017/18)
- Capital investment in the HRA was £36.9m (£20m in 2017/18)
- HRA Reserves were £72m as at 31 March 2019 (£64m as at 31 March 2018)

Capital Investment

The Council maintains a rolling capital investment programme such that projects are approved and scheduled over a time period of three financial years.

In 2018/19, the Authority undertook £124m worth of capital investment across the Borough. The charts below illustrate total capital expenditure analysed by service area and how this was financed:

Figure 1 *Capital Expenditure by Service area*

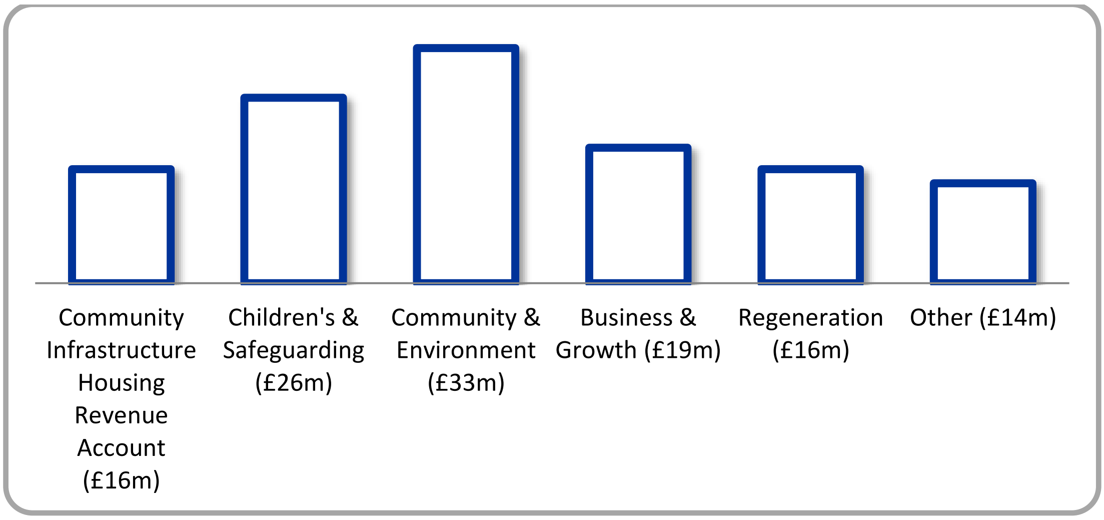
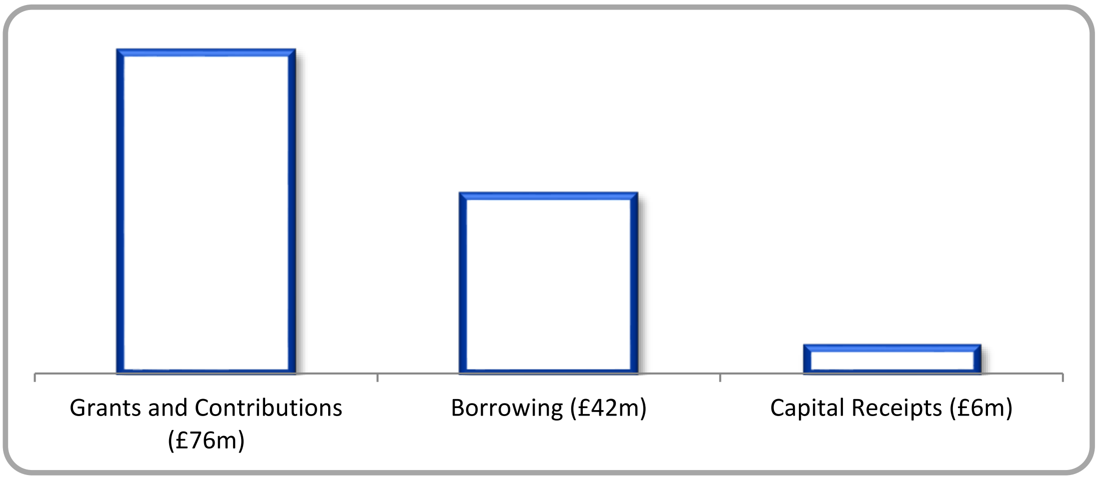
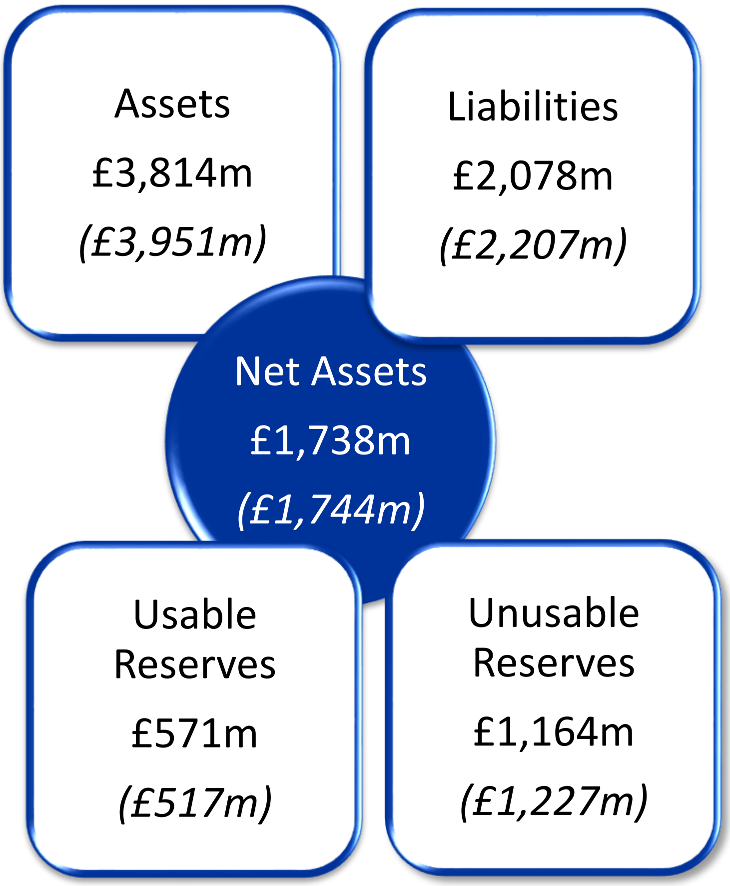


Figure 2 *Capital Financing*



Balance Sheet Position as at 31 March 2019

The diagram below illustrates the Authority's single entity Balance Sheet position as at the end of the year. The figures shown in brackets are for 2017/18.



Pension Liabilities

- The pension liability (£0.8bn) represents the difference between the estimated cost of pensions payable in the future (£2.1bn), and the value of assets in the pension fund (£1.4bn);
- The Pension Fund is revalued every three years to set future contribution rates. The latest valuation was at 31 March 2016;
- The funding level at 31 March 2016 was assessed as 85% (73% in 2013);
- The plan is to bring the funding level to 100% within 20 years;
- The Council paid £51.9m for LGPS pensions in year (£50.6m in 17/18).

Looking Ahead and Future Challenges

A net budget of £260.6m has been approved for 2019/20. This includes a 2.9% increase to Newham's element of Council Tax and an additional 2% levy for Adults Social Care precept.

The Council continues to face budget pressures from both central government funding reductions, driven by the ongoing central government austerity programme, and demographic pressures resulting in growing demand for Council Services. In the 2019/20 budget new savings of over £17m were agreed and the current Medium Term Financial Strategy (MTFS) suggests further savings may also be required in future years.

The continuation of the deep funding cuts faced by Newham over the last seven years has meant that Newham has seen a dramatic reduction in the level of funding from Central Government. From 2013/14 to 2019/20 Newham's Settlement Funding Assessment (SFA), which shows the amount of money the local authority will receive from central government through Revenue support grant and retained business rates, has fallen by £98.7m, or 40.3%.

Since 2011/12, significant savings have been required to meet revenue grant reductions arising from reductions in funding for local government as part of the ongoing austerity programme. Newham has had to deliver approximately £174m worth of savings since 2010/11 and these savings have been incorporated into Service Budgets, including those on transforming the way Newham delivers its services. Any reduction in the delivery of front line services is only considered as a last resort.

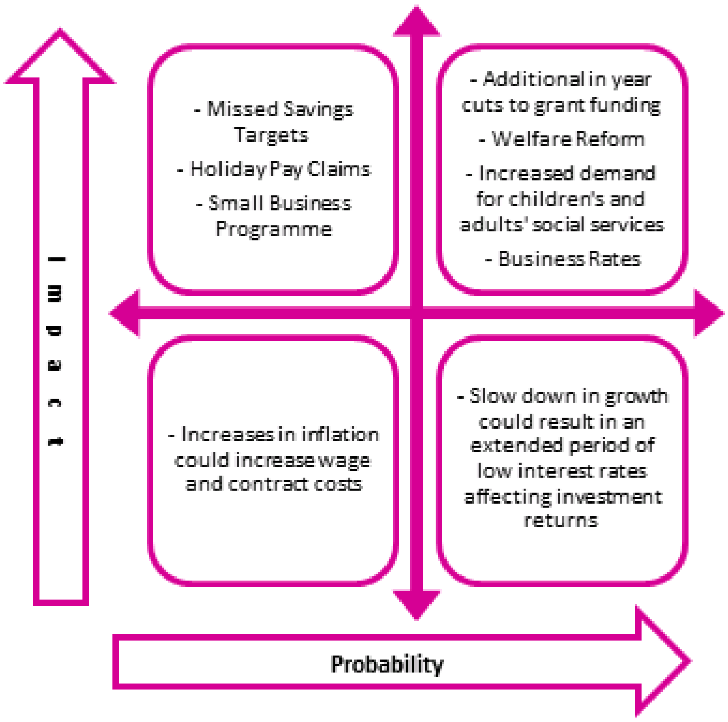
In 2018/19 Newham was part of the London wide Retained Business Rates Pooling Scheme and benefitted from an additional £9.3m funding which was invested in front line services. The London pooling arrangement will continue in 2019/20 and Newham expects to receive an additional one off sum of around £4m which will support front line services in 2019/20. Plans for Business Rate reset and the Fair Funding review are progressing and there is a risk that the additional business rates being retained by Newham due to the growth in businesses in the Borough may be lost.

Beyond 2020 there remains a significant degree of uncertainty on the level of public sector funding that will be available. The Government is currently consulting on the Fair Funding Review which may impact how resources are allocated to Local Authorities from 2020/21. This is not considering the total funding available, which is likely to continue to reduce, but rather how the shrinking pot is divided between authorities. The risk is that weight is given to factors which have less impact for Newham, potentially reducing our assessment outcomes,, however to mitigate this Newham is actively engaged in the consultation process and will continue to argue the importance of factors such as population growth, deprivation, etc to assess the needs.

Key Strategic Risks for 2019/20

All Council departments maintain a risk register covering operational and strategic issues which are assessed in terms of (1) the probability of the risk occurring and (2) the impact on the Council if it does. Risks are rated red, amber or green and reviewed on a monthly basis.

The Council's significant financial risks are set out below. Changes to grant funding, the new Business Rate Retention scheme and increasing demand for services have been assessed as having the most impact as well as being the most likely to occur, but all eight risks are reflected in the medium term financial plan and Council budgets.



No events have occurred since the year-end which would have a significant impact on the Council's finances or corporate plans. On 29 March 2017 the Government triggered Article 50, the formal mechanism to facilitate the UK leaving the EU by 2019 however, negotiations on a Brexit deal are ongoing and it is still not possible to estimate with any degree of certainty the potential impact on local authorities.

Explanation of the Key Accounting Statements

The key financial statements set out within this document include:

- **Movement in Reserves Statement (MiRS) –** This shows the changes in the Council's reserves during the year. Reserves are divided into useable and unusable reserves with the former being invested in capital projects or service improvements and latter being set aside for specific purposes.
- **Expenditure Funding Analysis (EFA) –** This shows how annual expenditure is used and funded from resources and accounted under local government statute as opposed to how it would accounted by private sector bodies under generally accepted accounting practices.
- **Comprehensive Income and Expenditure Statement (CIES)** – This summarises the expenditure and income for the year.
- **Balance Sheet –** This shows the Council's assets, liabilities, cash balances and reserves at the year-end date.
- **Cash Flow Statement –** This summarises the cash inflows and outflows arising from transactions for both capital and revenue income and expenditure;
- **Notes to the Financial Statements –** The notes provide more detail about the items contained in the key financial statements, the Authority's Accounting Policies and other information to help with the understanding of the financial statements;
- **Housing Revenue Account (HRA) –** This records the Authority's statutory obligations to account separately for the cost of the landlord role in respect of the provision of Housing managed directly by the authority;
- **Collection Fund –** The Authority is responsible for collecting council tax and non-domestic rates and for keeping a separate account to detail the amounts owing to and from the Council, the GLA and the MHCLG.
- **Pension Fund –** The Pension Fund Accounts show the contributions from the Authority, participating employers and employees for the purpose of paying pensions. The Fund is separately managed by the Authority, acting as trustee, and its Accounts are separate from those of the Authority.

Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this case, the responsible officer is the Chief Finance Officer.
- Manage its affairs in order to generate an economic, efficient and effective use of resources and to safeguard its assets; and
- Approve the Statement of Accounts.

The Responsibilities of the Chief Finance Officer

The Chief Finance Officer is ultimately responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing the Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the aforementioned Code of Practice.

The Chief Finance Officer has also:

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

In accordance with the Accounts and Audit (England) Regulations 2015, I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

Signature: Conrad Hall

Signature:

Conrad Hall

Corporate Director of Resources

Date: 10 January 2020

Luke Charters

Chair of Audit Committee

Date: 10.1.20

Independent Auditors Report

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

Opinion

We have audited the financial statements of London Borough of Newham for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- Related notes 1 to 47, and 61,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and related notes 48 to 58, and
- Collection Fund and related notes 59 to 60.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of London Borough of Newham and Group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the London Borough of Newham and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the narrative report set out on pages 3 to 12, other than the financial statements and our auditor’s report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

Basis for Qualified Conclusion

- Governance of programmes and projects

The Head of Internal Audit reported a lack of oversight and control over programmes and projects, which means assurance cannot be provided that these are being delivered to cost, quality and time standards. Given the level of expenditure of some of these programmes and projects, this is a significant financial risk.

The 2018/19 Annual Governance Statement reports significant governance issues concerning failure to ensure projects are delivering to Council objectives, lack of appropriate authorisation and monitoring across the Council, and lack of a consistent project management methodology across all projects.

The issue above is evidence of weaknesses in proper arrangements for informed decision making through demonstrating and applying the principles and values of sound governance over programmes and projects.

- Financial management and internal control

The Council made significant amendments to existing budgets and deployed additional funding to allow for spend in 2018/19 to be contained within budgets. The Council recognised the need to improve financial management and internal control in Newham.

The Council commissioned the Chartered Institute of Public Finance and Accountancy to carry out a financial heath check. The findings were reported in 2018 to the Council and included:

- Corporate strategy - there is no corporate plan or service plans, so there is a lack of clear vision and outcome measures.
- Risk management – the strategy and processes were out of date and not managed and reported consistently across the Council.
- Asset Management – there was no strategic vision or Asset Management Plan for the Council's property estate, with no Corporate Plan to provide direction on the management of assets.
- There was a lack of transparency on financial matters between members and officers. Savings targets were insufficiently planned and quantified.

Whilst the Council are acting to improve financial management and control, we conclude the Council did not have sufficient time to fully implement improvement actions to address significant weaknesses in arrangements in 2018/19. Our audit of the 2018/19 financial statements provides further evidence that weaknesses in financial management and control arrangements have not been addressed during 2018/19. The findings include:

- Three prior period adjustments.
- A significant level of errors identified during the audit.
- Financial control weaknesses for journal processes and records

The issues above are evidence of weaknesses in proper arrangements for planning finances effectively to support the sustainable delivery of strategic priorities, and in arrangements for managing risks effectively and maintaining a sound system of internal control.

- OFSTED

In February 2019, OFSTED rated the Council's Children and Young People's Services as Inadequate. There were significant failings identified across all areas of Children's Services.

The issue above is evidence of weaknesses in proper arrangements for acting in the public interest, through demonstrating and applying the principles and values of sound governance, and understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management, and for planning, organising and developing the workforce effectively to deliver strategic priorities.

Qualified conclusion

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, with the exception of the matters reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, London Borough of Newham put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Chief Financial Officer

As explained more fully in the Responsibilities for the Statement of Accounts set out on page 13, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the London Borough of Newham had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the London Borough of Newham put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for 2018/19 until the following has taken place:

The 2014/15, 2015/16, 2016/17 and 2017/18 certificates are yet to be issued.

We have yet to complete the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Until we have completed these procedures we are unable to certify we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of London Borough of Newham, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Borough of Newham and the London Borough of Newham's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst + Young LLP

Janet Dawson (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

London

January 2020

The maintenance and integrity of the London Borough of Newham web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Single Entity Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) records all of the Council's Revenue income and expenditure for the year. Expenditure represents a combination of statutory duties and discretionary spend focused on local priorities and needs. The CIPFA Code of Local Authority Accounting regulates how expenditure and income relating to services is classified in the CIES.

2017/18 Restated					2018/19		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Notes**	**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
192,292	(101,442)	**90,850**	Adults & Housing Needs		216,142	(106,613)	**109,529**
3,257	(2,999)	**258**	Business & Growth		1,681	(379)	**1,302**
631	-	**631**	Chief Executive		1,107	-	**1,107**
36,473	(51,665)	**(15,192)**	Central Budgets		10,804	(19,196)	**(8,392)**
4,344	(1,888)	**2,456**	Customer & Strategic Services		4,565	(555)	**4,010**
179,775	(41,269)	**138,506**	CYPS		119,105	(18,822)	**100,283**
346,831	(337,462)	**9,369**	Dedicated Schools Budget		271,970	(262,741)	**9,229**
19,815	(27,854)	**(8,039)**	Enforcement & Safety		43,392	(34,225)	**9,167**
8,425	(8,466)	**(41)**	Externalised Business Units		3,559	(3,586)	**(27)**
(996)	-	**(996)**	Financial Sustainability		3,636	(2,498)	**1,138**
76,362	(109,069)	**(32,707)**	Housing Revenue Account		86,467	(107,465)	**(20,998)**
226,437	(212,040)	**14,397**	Community & Environment		327,742	(278,002)	**49,740**
14,531	(14,751)	**(220)**	NCCS		421	286	**707**
9,444	(6,911)	**2,533**	oneSource		15,838	(12,285)	**3,553**
44,059	(28,412)	**15,647**	oneSource - Non Shared		22,578	(20,910)	**1,668**
6,816	(5,573)	**1,243**	Public Health		30,038	(31,111)	**(1,073)**
15,853	(7,935)	**7,918**	Regeneration & Planning		18,526	(18,069)	**457**
1,184,349	**(957,736)**	**226,613**	**Cost of Services**		**1,177,571**	**(916,171)**	**261,400**
		200,045	Other Operating Expenditure	11			155,854
		66,507	Financing and Investment Income and Expenditure	12			46,514
		(324,640)	Taxation and Non-Specific Grant Income	13			(335,136)
		168,525	**(Surplus)/Deficit on Provision of Services**				**128,632**
		(92,583)	(Surplus)/Deficit on Revaluation of PPE and Heritage Assets	26			**(28,858)**
		(61,412)	Remeasurements of the Net Pensions Defined Benefit Liability	45			**(91,196)**
		(153,995)	**Other comprehensive income and expenditure**				**(120,054)**
		14,530	**Total Comprehensive Income and Expenditure**				**8,578**

Group Comprehensive Income and Expenditure Statement

The Group Comprehensive Income and Expenditure Statement (CIES) records all of the Council's Revenue income and expenditure for the year and consolidation of subsidiaries income and expenditure. Expenditure represents a combination of statutory duties and discretionary spend focused on local priorities and needs. The CIPFA Code of Local Authority Accounting regulates how expenditure and income relating to services is classified in the CIES. Details of the Council's subsidiaries are included on note 39.

2017/18 Restated					2018/19		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Notes**	**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
192,292	(101,442)	**90,850**	Adults & Housing Needs		221,282	(111,544)	**109,738**
3,257	(2,999)	**258**	Business & Growth		1,171	131	**1,302**
631	-	**631**	Chief Executive		1,107	-	**1,107**
36,470	(51,665)	**(15,195)**	Central Budgets		10,564	(18,956)	**(8,392)**
12,152	(5,084)	**7,068**	Customer & Strategic Services		16,488	(12,695)	**3,793**
179,775	(41,269)	**138,506**	CYPS		116,287	(16,540)	**99,747**
346,831	(337,462)	**9,369**	Dedicated Schools Budget		271,490	(262,261)	**9,229**
19,815	(27,854)	**(8,039)**	Enforcement & Safety		43,019	(33,852)	**9,167**
8,425	(8,466)	**(41)**	Externalised Business Units		5,703	(5,931)	**(228)**
(996)	-	**(996)**	Financial Sustainability		3,636	(2,498)	**1,138**
73,019	(109,069)	**(36,050)**	Housing Revenue Account		81,476	(102,474)	**(20,998)**
226,437	(212,040)	**14,397**	Community & Environment		331,952	(283,697)	**48,255**
14,531	(14,751)	**(220)**	NCCS		159	548	**707**
9,444	(6,911)	**2,533**	oneSource		13,682	(10,129)	**3,553**
44,059	(28,412)	**15,647**	oneSource - Non Shared		21,142	(19,474)	**1,668**
6,816	(5,573)	**1,243**	Public Health		30,038	(31,111)	**(1,073)**
15,853	(7,935)	**7,918**	Regeneration & Planning		18,444	(17,987)	**457**
1,188,811	**(960,932)**	**227,879**	**Cost of Services**		**1,187,640**	**(928,470)**	**259,170**
		200,045	Other Operating Expenditure	11			**155,852**
		69,626	Financing and Investment Income and Expenditure	12			**51,187**
		(324,640)	Taxation and Non-Specific Grant Income	13			**(335,137)**
		172,910	**(Surplus)/Deficit on Provision of Services**				**131,072**
		215	Tax on Profit				**337**
		173,125	**(Surplus)/Deficit on Provision of Services after Tax**				**131,409**
		(92,583)	(Surplus)/Deficit on Revaluation of PPE and Heritage Assets	26			(28,858)
		(61,412)	Remeasurements of the Net Pensions Defined Benefit Liability	45			(91,196)
		(153,995)	**Other comprehensive income and expenditure**				**(120,054)**
		19,130	**Total Comprehensive Income and Expenditure**				**11,355**

Group and Single Entity Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and ‘unusable reserves’. Additional detail on these reserves is given in Note 25 and Note 26. The Surplus on the Provision of Services line shows the true economic cost of providing the authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for authority tax setting and dwellings rent setting purposes. The ‘Adjustments Between Accounting Basis and Funding Basis under Regulations’ line accounts for this difference and is detailed in Note 9. The Net Increase before Transfers to Earmarked Reserve line shows the increase on the General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Single Entity Reserves £'000	Group Reserves £'000	Total Group Reserves £'000
	(17,293)	**(155,329)**	**(55,784)**	**(58,718)**	**(83,059)**	**(71,293)**	**(441,476)**	**(1,317,237)**	**(1,758,713)**	**(7,343)**	**(1,766,056)**
Movement in Reserves during 2017/18 **(Restated)**											
(Surplus) or Deficit on Provision of Services	219,120		(50,595)		-	-	**168,525**	**-**	**168,525**	4,599	**173,124**
Other Comprehensive Income and Expenditure					-	-	**-**	**(153,995)**	**(153,995)**		**(153,995)**
Total Comprehensive Income and Expenditure	**219,120**	**-**	**(50,595)**	**-**	**-**	**-**	**168,525**	**(153,995)**	**14,530**	**4,599**	**19,129**
Adjustments between accounting basis and funding basis under regulations	(223,700)	(481)	42,337	(11,917)	(40,704)	(9,499)	**(243,964)**	**243,964**	**-**	(2,156)	**(2,156)**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(4,580)**	**(481)**	**(8,258)**	**(11,917)**	**(40,704)**	**(9,499)**	**(75,439)**	**89,969**	**14,530**	**2,443**	**16,973**
Transfers (To)/From Earmarked Reserves	9,522	(9,522)					**-**		**-**		**-**
(Increase)/Decrease In Year	**4,942**	**(10,003)**	**(8,258)**	**(11,917)**	**(40,704)**	**(9,499)**	**(75,439)**	**89,969**	**14,530**	**2,443**	**16,973**
Balance At 31 March 2018	**(12,351)**	**(165,332)**	**(64,042)**	**(70,635)**	**(123,763)**	**(80,792)**	**(516,915)**	**(1,227,268)**	**(1,744,183)**	**(4,900)**	**(1,749,083)**
Movement in Reserves during 2018/19											
(Surplus) or Deficit on Provision of Services	163,232		(34,600)				**128,632**		**128,632**	2,777	**131,409**
Other Comprehensive Income and Expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(120,054)**	**(120,054)**		**(120,054)**
Total Comprehensive Income and Expenditure	**163,232**	**-**	**(34,600)**	**-**	**-**	**-**	**128,632**	**(120,054)**	**8,578**	**2,777**	**11,355**
Adjustments between accounting basis and funding basis under regulations	(194,155)		26,388	6,080	(10,494)	(10,783)	**(182,964)**	**182,964**	**-**	**-**	**-**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(30,923)**	**-**	**(8,212)**	**6,080**	**(10,494)**	**(10,783)**	**(54,332)**	**62,910**	**8,578**	**2,777**	**11,355**
Transfers (To)/From Earmarked Reserves	30,068	(30,068)					**-**		**-**		**-**
(Increase)/Decrease In Year	**(855)**	**(30,068)**	**(8,212)**	**6,080**	**(10,494)**	**(10,783)**	**(54,332)**	**62,910**	**8,578**	**2,777**	**11,355**
Balance At 31 March 2019	**(13,206)**	**(195,400)**	**(72,254)**	**(64,555)**	**(134,257)**	**(91,575)**	**(571,247)**	**(1,164,358)**	**(1,735,605)**	**(2,123)**	**(1,737,728)**

Group and Single Entity Balance Sheet

	Notes	Single Entity 1 April 2017 Restated £'000	Single Entity 31 March 2018 Restated £'000	Single Entity 31 March 2019 £'000	Group Accounts 1 April 2017 Restated £'000	Group Accounts 31 March 2018 Restated £'000	Group Accounts 31 March 2019 £'000
Property, Plant and Equipment	14	2,982,490	2,860,364	2,750,499	2,982,556	2,880,735	2,792,619
Heritage Assets	15	3,658	3,658	3,658	3,658	3,658	3,658
Investment Properties	16	114,321	205,900	209,205	139,526	262,640	265,945
Intangible Assets	17	664	462	760	1,076	846	1,067
Long Term Investments	18	212,583	156,508	108,806	207,599	145,000	92,481
Long Term Receivables	22	70,688	137,359	168,463	49,430	55,706	59,979
Long Term Assets		**3,384,404**	**3,364,251**	**3,241,391**	**3,383,845**	**3,348,585**	**3,215,749**
Short Term Investments	18	279,188	410,395	377,513	280,089	410,395	377,513
Assets Held for Sale		-	-	460		-	460
Inventories	19	1,544	2,171	1,188	1,543	2,171	1,278
Short Term Receivables	22	113,732	129,203	98,100	122,174	152,772	126,218
Cash and Cash Equivalents	21	67,703	45,029	94,815	69,450	51,789	106,853
Current Assets		**462,167**	**586,798**	**572,076**	**473,256**	**617,127**	**612,322**
Cash and Cash Equivalents Overdrawn	21	(29,858)	(47,637)	(8,376)	(29,858)	(47,637)	(8,376)
Short Term Borrowing	18	(223,967)	(221,814)	(342,255)	(223,967)	(221,814)	(342,084)
Short Term Payables	23	(130,009)	(131,279)	(125,247)	(131,607)	(138,723)	(135,070)
Short Term Provisions	24	-	(3,192)	(5,178)	-	(3,192)	(5,178)
Current Liabilities		**(383,834)**	**(403,922)**	**(481,056)**	**(385,432)**	**(411,366)**	**(490,708)**
Long Term Provisions	24	(10,320)	(11,826)	(19,713)	(10,320)	(11,826)	(22,069)
Long Term Borrowing	18	(579,795)	(720,378)	(555,439)	(579,623)	(720,378)	(555,911)
Other Long Term Liabilities	37	(1,072,215)	(1,029,461)	(974,400)	(1,074,762)	(1,031,780)	(974,401)
Capital Grants Receipts in Advance	13	(41,694)	(41,279)	(47,254)	(40,908)	(41,279)	(47,254)
Long Term Liabilities		**(1,704,024)**	**(1,802,944)**	**(1,596,806)**	**(1,705,613)**	**(1,805,263)**	**(1,599,635)**
Net Assets		**1,758,713**	**1,744,183**	**1,735,605**	**1,766,056**	**1,749,083**	**1,737,728**
Usable Reserves	25	(441,476)	(516,915)	(571,247)	(408,819)	(521,815)	(573,373)
Unusable Reserves	26	(1,317,237)	(1,227,268)	(1,164,358)	(1,357,237)	(1,227,268)	(1,164,355)
Total Reserves		**(1,758,713)**	**(1,744,183)**	**(1,735,605)**	**(1,766,056)**	**(1,749,083)**	**(1,737,728)**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

Conrad Hall

Conrad Hall
10 January 2020

Group and Single Entity Cash Flow Statement

The Cash Flow Statement shows the changes in Cash and Cash Equivalents of the Authority during the Reporting Period. The Statement shows how the Authority generates and uses Cash and Cash Equivalents by classifying cash flows as Operating, Investing and Financing Activities. Net Cash Flows from Operating Activities is a key indicator of the extent to which the operations of the Authority are funded by way of Taxation and Grant Income or from the recipients of services provided by the Authority. Investing activities represent the extent to which Cash Outflows have been made for resources that are intended to contribute to the Authority's future service deliveries. Cash Flows arising from Financing activities are useful in predicting claims on future Cash Flows by providers of capital (lenders) to the Authority.

		Single Entity		**Group Accounts**	
		2017/18 Restated	**2018/19**	**2017/18 Restated**	**2018/19**
	Note	**£'000**	**£'000**	**£'000**	**£'000**
Net Surplus/(Deficit) on the Provision of Services		(168,525)	(128,632)	(173,124)	(131,409)
Adjustments to Net Surplus on the Provision of Services for Non-Cash Transactions	27	298,065	293,927	299,168	300,042
Adjustments to Net Surplus on the Provision of Services that are Investing and Financing Activities	27	(122,090)	(92,894)	(122,090)	(92,894)
Net Cash Flows from Operating Activities		**7,450**	**72,401**	**3,954**	**75,739**
Investing Activities	28	(185,394)	70,233	(178,939)	43,205
Financing Activities	29	137,491	(53,587)	139,545	(24,620)
Net increase or (decrease) in Cash and Cash Equivalents		**(40,453)**	**89,047**	**(35,440)**	**94,324**
Cash and Cash Equivalents at the beginning of the Reporting Period		37,845	(2,608)	39,592	4,152
Cash and Cash Equivalents at the end of the Reporting Period	21	**(2,608)**	**86,439**	**4,152**	**98,476**

1. Statement of Accounting Policies

1.1 General

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at 31 March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, to be prepared in accordance with proper accounting practices as defined in the Local Government Act 2003 (the 2003 Act). Proper accounting practices primarily comprise the *Code of Practice for Local Authority Accounting in the United Kingdom 2018/19* and the *Service Reporting Code of Practice for Local Authorities 2018/19*, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

1.2 Property, Plant and Equipment (PPE) and Investment Property

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. In the specific case of Voluntary Controlled Schools, where the School has control over the use of the assets, these will be treated as assets of the Council.

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

Local authorities are required to follow the fair value hierarchy prescribed by IFRS 13 to increase consistency and comparability in fair value measurements and related disclosures. This hierarchy categorises into three levels the inputs to valuation techniques used to measure fair value, these include:

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

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Until these conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account - an Unusable Reserve in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure Assets, Community Assets and Assets Under Construction – depreciated historical cost;
- Dwellings – fair value, determined using the basis of Existing Use Value for Social Housing (EUV-SH);
- Surplus assets – fair value, estimated at highest and best use from a market participant's perspective;
- All other assets – fair value, determined as the amount that would be paid for the asset in its Existing Use Value (EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently frequently (on a rolling five year basis) to ensure that their carrying amounts are not materially different from their year-end fair values. In addition, all assets are assessed for impairment at each year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

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

Where an asset has become operational during the year a revaluation of that asset is included within the next revaluation cycle the following year.

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

Impairment

Assets are assessed at each year-end to determine whether or not there is an indication that their values may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is at a level below the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

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

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

Depreciation

Depreciation is charged on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (such as Freehold Land and certain Community Assets) and assets that are not yet available for use (such as Assets Under Construction).

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

Depreciation is calculated on the following bases:

- Dwellings and Other Buildings – straight-line allocation over the useful life of the property as estimated by an external valuation specialist;
- Vehicles, Plant, Furniture and Equipment – straight-line allocation over their useful lives, as estimated at the time of purchase. Assets acquired under finance leases are depreciated over their lease term;
- Infrastructure Assets – straight-line allocation over 40 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, these components are depreciated separately.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale within Current Assets. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value deducting any selling costs. Where there is a subsequent decrease to fair value less selling costs, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the point of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

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

Amounts received for a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement) (England and Wales). Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Accounting for Schools

Consideration is given to all the schools in the borough as to whether they are held on the balance sheet. The main consideration is if control of the individual school is with the Authority or with another body. All community schools are controlled by the authority along with the two voluntary controlled schools, which are recorded on the balance sheet. However, it has been established that of the ten voluntary aided schools, control of eight of them remains with the diocese and therefore these eight are not on the Authority balance sheet.

The basis for inclusion or exclusion for PPE is determined as follows:

All Community Schools have been included within the Authority's Balance Sheet as a result of direct ownership.

The two voluntary controlled schools, West Ham Church of England and St James are owned by the authority. There are no lease arrangements on these.

Two Voluntary aided schools, St Antony's and St Francis are recorded within the Balance Sheet as these two Schools are Authority-owned. There are no lease arrangements with the diocese.

It has been verified that the other eight Voluntary Aided Schools are owned by the respective Diocese. The Authority's internal Property Services section has additionally confirmed that the Council has no lease obligations (as dictated by IAS 17 Leases or IFRIC 4 Determining Whether an Arrangement Contains a Lease) in respect of these Schools;

The Free School is not owned by the Council and has therefore been excluded. The control implications have also been assessed with an appropriate Balance Sheet decision made.

Investment Properties

Assets used solely to earn rentals or for capital appreciation (or both) are classified as investment properties. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Any gains or losses on revaluation are posted to the Financing and Investment Income and Expenditure line. The same treatment is applied to any gains and losses arising on disposal.

Rentals received from investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statute to have an impact on the General Fund balance. Therefore, the gains and losses are reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

PPE Valuations

The valuation of the Authority's property portfolio is completed by Wilks, Head and Eve LLP. The valuations are made in accordance with the International Financial Reporting Standards (IFRS) as applied to the United Kingdom public sector and as interpreted by the Code of Practice for Local Authority Accounting. These valuations are also made in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation standards. Fair Value is used as the basis for valuations with the exception of those assets where there is no market-based evidence to support the use of EUV to arrive at Fair Value. In these instances, the depreciated replacement cost (DRC) approach is used. Non-Housing Revenue Account properties are valued on a rolling five year basis and there are yearly beacon valuations for HRA assets.

1.3 Leases

Leases are classified as finance leases where the terms of the lease transfers substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for the purposes of lease classification unless the value of the land is negligible. Where the land has an indefinite economic life, the land element is normally classified as an operating lease unless title is expected to pass to the lessee by the completion of the lease term.

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

Finance Leases – the Authority as Lessee

Property, plant and equipment held under finance leases is recognised as an asset in the Balance Sheet at the inception of the lease at the lower of the fair value or the present value of the minimum lease payments. The asset is matched by a long-term liability reflecting the obligation to pay the Lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid upon entry into a lease are applied in writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The Authority uses assets under a long-term contract which is deemed to incorporate an embedded finance lease. The lease obligations and asset values have been assessed to have a De Minimis impact on the Authority’s accounts.

Annual lease rental payments are apportioned between:

- a charge for the acquisition of the interest in the asset (the principal element) which is recognised as a liability in the Balance Sheet at the start of the lease, matched with an asset in property, plant and equipment. The liability is written down as the rent is paid, and
- a finance charge to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement over the term of the lease, calculated so as to produce a constant rate of return on the investment.

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

Finance Leases – the Authority as Lessor

Where the Authority is the lessor of property, plant and equipment and the risks and rewards are judged to be passed to the lessee under a finance lease, the asset is eliminated from the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority’s net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), and matched by a long term debtor (for the lease asset) in the Balance Sheet.

In accordance with The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended (SI 2003/3146), for leases entered into after 31 March 2010, the lease payment receivable is treated as a capital receipt for the repayment of the principal sum, reducing the debtor and the finance income included in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, calculated so as to produce a constant periodic rate of return on the net investment. For leases entered into before 31 March 2010, rental income for finance leases is treated as revenue income where the lease was classified as an operating lease under the UK GAAP-based SORP.

Lease rentals receivable are split between:

- a charge for acquiring the interest in the property – applied to write down the lease debtor (together with any premiums received) and debiting the Capital Adjustment Account; and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement). The credit to the Comprehensive Income and Expenditure Statement is then matched by a debit to write down the Capital Receipts Reserve, whilst the reversal of the entry to the Comprehensive Income and Expenditure Statement in the Movement in Reserves Statement is offset by a credit to the Capital Receipts Reserve.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

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

Operating Leases – the Authority as Lessee

Lease rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased assets. Any hire purchase contracts that have similar characteristics to an operating lease are accounted for as an operating lease and disclosed in a note to the Statement of Accounts. Charges are accounted for on a straight-line basis over the term of the lease regardless of the actual payments stream.

Operating Leases – the Authority as Lessor

Where the Authority grants an operating lease in respect of an item of property, plant and equipment, the asset is retained in the Balance Sheet and subsequently depreciated over its useful life. Rental income from operating leases is credited as Other Operating Expenditure in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease, regardless of the pattern of payments. The initial direct cost of negotiating and arranging the lease may be added to the carrying value of the asset and charged as an expense over the term of the lease.

Any hire purchase contracts that have similar characteristics to a finance lease and are of a financing nature are accounted for as finance leases. Leases are classed as operating leases if assets are worth less than £500,000 or annual rental payments are less than £100,000. Property leases of up to twenty years are normally classed as operating leases. The estimated remaining life of property assets beyond the term of lease agreements is fundamental in determining if an asset should be recognised under a finance or an operating lease. Assets acquired under operating leases are not included in the Balance Sheet - lease rentals on these assets are charged directly to service revenue accounts and are outside the arrangements for capital charges to revenue.

1.4 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The Authority is not required to raise council tax to cover depreciation. However, there is a requirement to make an annual contribution from revenue towards the reduction of the overall borrowing requirement established (equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance).

1.5 Debt Redemption

Under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, the Authority is obliged to charge a prudent amount to council tax for redemption of debt, known as the Minimum Revenue Provision (MRP). Each year the Authority has to approve a policy for charging a prudent level of MRP in line with statutory guidance.

The Authority approved the following MRP policy in relation to the current financial year:

- the MRP charge in relation to borrowing for capital expenditure incurred prior to 2007/08 will be provided on an annuity basis; This will include retrospective application to 1st April 2008. Where there has been overprovision under the previous approach, the Council will equalise the difference through reduced MRP in future years up to the point that the MRP profile falls back in line with the annuity approach.
- MRP charged in respect of capital expenditure incurred since 2007/08 is charged using either:
    - the asset-life method based on an annuity over the estimated remaining useful life of the asset for "large and novel" projects (e.g. the acquisition of offices at Newham Dockside - Building 1000); or
    - under exceptional circumstances the equal instalments method may be applied;
- Furthermore, where appropriate, provision for MRP will commence when an asset becomes operational. Estimated life periods will be determined under delegated powers. The council may defer to the estimated useful economic life periods specified in the MRP guidance, but reserves the right to determine such periods and prudent MRP.
- As some types of capital expenditure incurred by the council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.
- In certain circumstances, capital expenditure may be funded by anticipated capital receipts. Where there is a degree of certainty that these receipts will materialise, MRP would be deferred, pending realisation of those capital receipts. The capital receipt when received would be applied to discharge the arising Capital Financing Requirement (CFR);
- MRP in relation to PFI or lease arrangements will be applied over the expected life of the underlying assets, taking into account any contractually obligated lifecycle repairs and maintenance.

External interest payable on the Authority's debt is debited to the Comprehensive Income and Expenditure Statement. However, in certain cases, the Authority continues to receive reimbursement for external interest and repayments of external loans (debt charges). This reimbursement is credited to the appropriate service revenue accounts, thus the relevant proportions of external interest and debt repayment are also charged to those revenue accounts.

1.6 Interest in Companies and Other Entities

The code requires local authorities with, in aggregate, material interest in subsidiaries and associated companies and joint ventures to prepare group financial statements.

Subsidiaries

An assessment of the council's interests has been carried out to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the council's control over the company or entity and the materiality of the interest. The council considers that it has a material interest in various entities detailed in Note 39 and has classified them as a subsidiaries. Accordingly Group Accounts are prepared. In consolidating the accounts, all transactions and balances between the council and the subsidiary are eliminated in full.

Associates and Jointly Controlled Entities

The Authority has interests in companies and other entities that have the nature of associates and jointly controlled entities that have been determined to be material. These interests are recorded as equity instruments at cost less any provision for losses and are detailed in note 39.

1.7 Financial Instruments – Loans and Investments

Financial Liabilities

Financial liabilities are recognised in the Balance Sheet when the Authority becomes party to the contractual provisions of a financial instrument, with these liabilities measured initially at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the majority of the Authority's borrowings, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowings are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. Where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount applicable is either deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is subsequently spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, (SI 2003/3146) allows the impact on the General Fund balance to be spread over future years. The Authority either spreads a premium over the term of the new loan taken out or alternatively allocates this over a ten year period (where a discount has been received).

Financial Assets

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

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

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (for example where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.
Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

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

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

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset. Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.8 Revenue Expenditure Funded from Capital under Statute

Revenue expenditure funded from capital under statute represents expenditure which may be capitalised under statutory provisions but which does not result in the creation of a non-current asset, such as expenditure on Renovation Grants and other forms of assistance to third parties. This expenditure is charged to the relevant service in the Comprehensive Income and Expenditure Statement and subsequently transferred to the Capital Adjustment Account by a transfer in the Movement in Reserves Statement to ensure that there is no overall impact upon council tax and grant levels.

1.9 Deferred Capital Receipts

Deferred capital receipts represent amounts from the disposal of non-current assets which have been deferred to future years where the Authority has granted a loan to assist the purchaser. As the loan (whether for mortgages or finance lease receivables) is repaid, the deferred capital receipt is written down once the capital receipt is realised.

1.10 Long-Term Debtors

Long-term debtors relate to loans made to house purchasers and Housing Associations.

1.11 Grants

Capital Grants

Where the acquisition or enhancement of a fixed asset is financed either wholly or in part by a government capital grant or other capital contribution, the whole amount of all capital grants and contributions is credited, on an accruals basis, as Taxation and Non-Specific Grant Income to the Comprehensive Income and Expenditure Statement provided that all conditions attached to the grant are met. If those conditions are not met, the income is immediately held as Capital Grants and Contributions Receipts in Advance in Payables within the Balance Sheet.

Capital grants credited to the Comprehensive Income and Expenditure Statement are reversed out of the General Fund Balance in the Movement in Reserves Statement. If the grant has not been used to finance capital expenditure in the year, it is posted to the Capital Grants Unapplied Account. If it has been used to finance capital expenditure, it is posted to the Capital Adjustment Account.

Revenue Grants

Whatever the basis of payment, specific revenue government grants, other contributions and donations are matched to the relevant service expenditure in the Comprehensive Income and Expenditure Statement, unless they have conditions attached that cannot be met immediately. If there are conditions which cannot met immediately, the income is credited to Revenue Grants Received in Advance in Payables.

Grants received to finance the general activities of the Authority or to compensate for a loss of income are credited to the Comprehensive Income and Expenditure Statement in the period that they are payable.

1.12 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. 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 occur or whereby the value of the obligation cannot be reliably determined.

Contingent liabilities are not recognised within the Balance Sheet but are disclosed in the relevant Statement of Accounts note.

1.13 Contingent Assets

A contingent asset arises where an event has taken place that offers the Authority 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 Authority. Subsequently, an inflow of economic benefits or service potential will occur.

Contingent assets are not recognised in the Balance Sheet but are identified within the relevant Statement of Accounts note.

1.14 Provisions and Reserves

Provisions

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

- the Authority has a present obligation as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Contributions to provisions are charged to the relevant service revenue account and are included within Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Provisions are measured at the best estimate (at the Balance Sheet date) of the expenditure required to settle the obligation, taking into account the relevant risks and uncertainties.

When subsequent payments are made, these are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes clear that a transfer of economic benefits will no longer be required (or a lower settlement than originally anticipated is made), the provision is reversed and credited back to the relevant service.

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

The Authority has established a number of specific provisions, including an Insurance Provision, to meet the estimated cost of insurance claims outstanding.

Reserves

Amounts set aside for specific future policy purposes or for contingencies are known as reserves. Reserves are created by appropriating amounts from the General Fund Balance in the Movement in Reserves Statement.

When expenditure to be financed from the reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

The Authority has both usable and unusable reserves. Usable reserves are those reserves that the Authority may utilise to provide services. Unusable reserves are retained to manage the accounting processes for non-current assets, financial instruments, and retirement and employment benefits, and do not represent usable resources for the Authority. Usable and Unusable Reserves are detailed in Notes 25 and 26 to the Statement of Accounts.

1.15 Receivables and Payables

The Authority's financial statements are prepared on an accruals basis, in that sums due to or from the Authority are reflected within the Statement of Accounts regardless of whether or not the cash amounts attached to these transactions have been received or paid. An exception to this policy involves electricity and other similar periodic supplies where apportionment is not made between years. This practice is applied on an annual basis for consistency and the overall effect on the Authority's financial statements is not deemed to be material.

All receivables and payables amounts relate to individual services and supplies, thus there are no significant estimates in the sums relating to receivables and payables shown within the financial statements.

1.16 Inventories, Work In Progress and Long-Term Contracts

The stock in the Council's stores (Inventories) is valued at the lower of historical cost or net realisable value.
Work in progress is valued based on the cost of work completed by the end of the year.
Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received within the contract during the financial year.

1.17 Cost of Central Support Services

The Council operates a Support Service Framework through which the cost of central support services is allocated to service revenue accounts using the most appropriate basis, including the time recorded by individual staff, office space areas occupied and the number of staff employed.

1.18 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. These include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current and permanent employees. These are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave including time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the next financial year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but subsequently reversed out through the Movement in Reserves Statement to ensure that holiday benefits amounts are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These amounts are charged on an accruals basis to the respective service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers, or of making an offer to encourage voluntary redundancy.

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

1.19 Post-Employment Benefits

The Authority participates in three separate pension schemes:

- Local Government Pension Scheme, for employees other than teachers, administered by the London Borough of Newham;
- Teachers Pensions Scheme, sponsored by the Department for Education (DfE); and
- National Health Service (NHS) Pension Scheme.

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

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of the London Borough of Newham pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions regarding mortality rates, employee turnover levels and current employees' projected earnings.

Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return on high quality corporate bonds).

The assets of the London Borough of Newham pension fund attributable to the Authority are included in the Balance Sheet at their year-end fair values and are defined by the following categories:

- quoted securities – current bid price;
- unquoted securities – professional estimate;
- unitised securities – current bid price;
- property – market value.

The movement in the net pension liability or asset is analysed into the following elements:

- Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned in the current year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement within central services;
    - net interest on the net defined benefit liability or asset i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability or asset that arises from the passage of time, as charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability or asset at the beginning of the period – taking into account any changes in the net defined benefit liability or asset during the period as a result of contribution and benefit payments.

- Re-measurements comprising:
    - the return on planned assets – excluding amounts included in net interest on the net defined benefit liability or asset as charged to the Pensions Reserve as Other Comprehensive Income or Expenditure;
    - actuarial gains and losses – changes in the net pension liability or asset that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is charged to the Pensions Reserve as Other Comprehensive Income or Expenditure.
- Contributions paid to the London Borough of Newham pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, and not accounted for as an expense.

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

NHS and Teachers' Pension Schemes

The arrangements for the NHS and Teachers' schemes mean that the Authority's liabilities for these benefits cannot be identified specifically. The two schemes are therefore accounted for as if they were defined contribution schemes, resulting in the fact that no liability for future payments of benefits is recognised within the Balance Sheet at year-end. The applicable revenue accounts are also charged with the employer's contributions payable to the NHS and DfE respectively.

Discretionary Benefits

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

1.20 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise from a change in accounting policy or in correcting a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or when the effect of the changes will provide more reliable or relevant information regarding the impact of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise), by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

A prior period adjustment generally requires the presentation of a third Balance Sheet to reflect the impact of restatement on the comparator balance sheet.

1.21 Value Added Tax

All transactions are disclosed net of any Value Added Tax (VAT), whether capital or revenue, unless for a specific reason certain VAT elements are not recoverable. As is the case for all Local Authorities, the Authority is able to recover a major part of VAT incurred from Her Majesty's Revenue and Customs (HMRC). Any balance due to the Authority is included within Receivables in the Balance Sheet.

1.22 Private Finance Initiative (PFI) Schemes

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment long-term assets needed to provide services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The Council has entered into PFI contracts to oversee the building of six schools and two housing initiatives in Canning Town and Forest Gate.

PFI accounting arrangements apply where control tests (a) and (b) below have been applied and met:

a) The Authority controls or regulates the services that the operator must provide with the asset, to whom it must provide them, and at what price; and
b) The Authority controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the term of the arrangement.

Assets under PFI accounting arrangements are accounted for at fair value and recognise the corresponding financial liability to reflect the requirement to pay for the asset over the period of the contract.

PFI assets are valued and depreciated in the same way as other asset categories.
In line with disclosure information required under the Code, the value of assets held under PFI arrangements and payments due are disclosed within the notes to the Statement of Accounts.

1.23 Cash and Cash Equivalents

Cash is represented by cash in hand and demand deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Demand deposits will include bank accounts where additional funds may be deposited and withdrawn at any time without prior notice e.g. a bank current account.

Cash equivalents are investments instantly repayable to the Authority on demand that are readily convertible to known amounts of cash with insignificant risk of change in value. These will be balances held in Call Accounts and Money Market Funds with associated accrued interest.
In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

1.24 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance (e.g. software licences) but are controlled by the Authority, is capitalised when it is anticipated that future economic benefits or service potential will flow from the intangible asset.

Intangible assets are measured initially at cost. Since the fair values of these assets cannot be determined by reference to an active market, these assets are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure statement. An asset is reviewed for impairment whenever there is an indication that the asset may be impaired, and any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

1.25 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not at the point when cash payments are made or received. Specifically:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies received and their consumption, these amounts are carried as Inventories within the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received as opposed to the point that payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge is made to revenue to reflect the value of the income that may not be collected.
- Most accruals are automatically generated by the feeder system concerned, but a de minimis is applied in respect of accruals raised manually unless material to grant funding streams or to individual budgets. The de minimis for 2018/19 remains at £100,000.

1.26 Accounting for Heritage Assets

Heritage Assets (including any associated revaluation gains and losses) are recognised and measured in accordance with the Authority's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets as detailed below. The accounting policies in relation to Heritage Assets that are deemed to include intangible elements are also presented below.

General

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

Art Collections

The art collection includes paintings, and these are reported in the Balance Sheet at year-end market values. An annual programme of valuations is established and items in the collection are valued by an external valuer. The assets within the art collection are deemed to have indeterminate lives and high residual values. On this basis, the Authority does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at purchase cost and donations are recognised at their valued amounts as provided by the external valuer, and with reference to appropriate commercial markets for paintings using the most relevant and recent information from auction sales.

Local Archaeology and Local and Social History
The Authority considers that obtaining valuations for the vast majority of machinery, equipment and other artefacts would involve a disproportionate cost in comparison to the benefits to the users of the Authority's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. The Authority does not recognise this collection of Heritage Assets on the Balance Sheet.

1.27 Accounting for Business Rate Supplements

The Authority acts as an agent for the Greater London Authority (GLA). A 4% allowance for administration of this function is recognised within the Comprehensive Income and Expenditure Statement. The net amounts owed to the GLA are held with Payables in the Balance Sheet.

2. Impact of changes within Accounting Standards issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the 2018/19 Code.

There following new accounting changes are in the 2019/20 code and may require additional disclosures in the 2018/19 accounts;

a) **IFRS 16 Leases**
CIPFA/LASAAC has delayed the implementation of IFRS 16 for local government to the 2020/21 accounts. However, it will have a wide-ranging impact as it ends the divide between operating and financial leases. This will require the local authority to recognise most leases on their balance sheet as right-of-use assets with corresponding lease liabilities.

b) **IAS 40 Investment Property: Transfers of Investment Property**
This provides further detail of what can be an investment property. The Council may have items that need reclassification to comply with this accounting change and this is under investigation.

c) **IFRIC 22 Foreign Currency Transactions and Advance Consideration**
There is no material impact on the Single or Group Accounts. This is always under review but neither the Single Entity nor the Group regularly enters into such transactions.

d) **IFRIC 23 Uncertainty over Income Tax Treatments:**

There is no impact on the single entity accounts and will not have a material impact on the Group Accounts.

e) **Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.** The Council has no financial instruments for which the impact Is material.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies outlined above, the Authority has made certain key decisions regarding complex transactions. The critical judgements made within this Statement of Accounts are:

- **Impairment**
There is a high degree of uncertainty regarding future funding for Local Authorities. The Medium-Term Financial Strategy (MTFS) described within the Narrative Report outlines the Council's strategies for generating the cost savings that will assist in addressing future funding shortfalls. In light of this plan, the Authority has determined that the uncertainty is not sufficiently quantifiable as an indicator that the assets of the Authority are impaired due to a need to close facilities and accordingly reduce service provision levels;

- **Leases**
  The Authority has to determine whether individual leases are operating or finance leases in nature, based upon assessment criteria set-out in IAS 17 "*Leases"* and IFRIC 4 "*Determining whether an arrangement contains a lease."* The relevant accounting policy applied to the lease is based upon the outcome of this assessment;

- **Investment Properties**
  The Authority has to decide whether Land and Buildings elements owned by the Authority should be classed as Investment Properties in accordance with IAS 40 "*Investment Property*." Based upon this assessment, the Authority has identified a number of assets that it holds solely for rental income or future capital appreciation purposes, or a combination of both factors, as Investment Properties. These assets are detailed within Note 16;

- **Group Entities**
  Based upon the criteria set-out in the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, the Council has undertaken a detailed review to assess the extent of group accounting relationships. The Authority has identified the entities that it consolidates on the basis of materiality in relation to the financial statements. Red Door Ventures Ltd, Future Newhomes Limited, The Language Shop Limited, Public Realm Services Limited, Mint Cleaning Group Holdings Limited, i-Xact Limited, Juniper Ventures Limited, Better Together Limited, London Network for Pest Solutions Limited, Early Start Education Limited, The Good Support Group Limited and Every Child (Achieving their potential) Limited are deemed to constitute a material group interest and these wholly-owned subsidiaries have been consolidated within the Group Accounts.

  The Authority also has a number of interests in other entities which have been deemed as falling outside the scope of consolidation on the grounds of significant influence and control in line with the Code. Furthermore, the Authority's interests in these entities in aggregate are not sufficiently substantial to warrant consolidation within the Group Accounts. These parties are outlined within Note 39;

- **Provisions**
  The Authority has assessed whether any potential exposure to losses should be accounted for as a year-end provision or a contingent liability based upon an analysis of significant possible liabilities using the criteria set out in IAS 37 "*Provisions, Contingent Liabilities and Assets*".

- **Government Grants**
  Judgement is required to determine whether the Authority can be reasonably assured that the conditions of grant and contribution monies received have been met before recognising these sums as income in the Comprehensive Income and Expenditure Statement. Where conditions require specific expenditure to have been incurred, the grant monies cannot be recognised until this point. Equally, where conditions outline that a grant or contribution must be repaid in the event of non-expenditure, the income is not recognised until the associated expenditure has been incurred;

- **Valuation of Land and Buildings**
  The year-end carrying values of Land and Buildings within the Authority's Balance Sheet involve a significant degree of judgement and estimation techniques. The Authority engages a specialist to value it's property portfolio. The results of this valuation exercise reflect the specialist's professional assessment of the conditions within the external property market;

- **Componentisation**
  Based on the valuation specialist's assessment, the Authority analyses Land and Buildings across several individual components in order to estimate depreciation;

- **Municipal Mutual Insurance (MMI)**
  On 13 November 2012, the directors of MMI triggered their Scheme of Arrangement and appointed Ernst and Young to manage their business affairs. Whilst Ernst and Young have notified the Scheme's creditors of an initial Levy, projections of any future liabilities falling due under the Scheme are subject to substantial uncertainty. Ernst and Young have obtained an actuarial valuation that determines a range of possible outcomes of this assessment. However, these are only best estimates, and are thus limited based upon the scale of information currently available.

- **Voluntary-Controlled Schools**
  The Authority has assessed whether or not schools deemed to be voluntary-controlled in nature should be included within the year-end Balance Sheet. In accordance with CIPFA guidance, the Authority has determined, following the assessment of each individual case on its merits, that only those schools which are in the direct ownership of the Authority should be disclosed within the Balance Sheet.

- **Accounting for Schools – Balance Sheet Recognition**
  The Council has not recognised non-current assets relating to Academies as it is of the opinion that these assets are not controlled by the Authority.

- **Accounting for Schools – Academies**
  When a school that is held on the Authority's Balance Sheet transfers to Academy status, the Authority accounts for this as a disposal for nil consideration on the date that the schools converts to Academy status, rather than as an impairment on the date that approval to transfer to Academy status is announced. During 2018/19, five maintained schools converted to academy status.

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

The Statement of Accounts contains estimated amounts that are based upon assumptions made by the Council regarding future events, or those that are otherwise uncertain. Accounting estimates are calculated which take into account a number of factors including historical experience, current trends and other relevant indicators. However, as some balances cannot always be determined with full certainty, actual results generated may be materially different from the original assumptions and estimates used.

The items within the Authority's 31 March 2019 Balance Sheet for which there is a significant risk of material adjustment in the forthcoming financial year are listed below:

Item	Uncertainties	Accounting effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful economic lives that are dependent upon assumptions regarding the levels of repairs and maintenance that will be incurred in relation to the individual assets. The present economic climate means that it is uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into question the useful lives assigned to certain assets.	If assets' useful lives are reduced, annual depreciation charges increase and the carrying values of these assets decrease at a quicker rate.
Self-Insurance	The Authority has recognised a year-end provision of £6.4m for future claims under its Self-Insurance provision. This amount is a component of the overall Insurance Reserve.	An increase in the estimated average settlement of 10% during the forthcoming year would increase the provision required by £0.6m.
Pension Liabilities	Estimation of the Authority's net liability in respect of year-end pension liabilities is driven by a number of complex judgements including the discount rate used, adjustments to long-term salaries, mortality age rates and expected returns on pension scheme assets. The Authority's consulting actuary (Barnett Waddingham) provides expert advice on the value of the Authority's year-end pension liabilities.	The principal factors influencing the valuation of the pension liability are the discount rate and the longevity (mortality rate) assumptions: (a) if the discount rate increases by 0.1%, this change reduces overall pension liabilities (in terms of the projected service cost element) to £45.5m; (b) if longevity increases by 1 year, this will increase liabilities (the projected service cost element) to approximately £48.1m.
Receivables	The Authority has estimated that £109.4m of the year-end value of Receivables should be impaired. This principally relates to Sundry and Parking Receivables (£53.1m), Council Tax (£22.0m), Housing Benefit overpayments (£14.5m) and Housing Rents (£15.8m). In the current economic climate, it is not certain that such allowances are sufficient.	If collection rates were to deteriorate, this may require an additional amount to be set-aside as an allowance to reflect non-collectability.

5. Material Items of Income and Expense

Included within the Comprehensive Income and Expenditure Statement are the following material amounts:

- £120.3m relating to the de-recognition of five schools that have converted to Academy status during 2018/19;

These charges are subsequently written-off to the Capital Adjustment Account (Note 26) through the Movement in Reserves Statement, ensuring neutral impacts on the General Fund and Housing Revenue Account balances in accordance with statutory accounting regulations.

6. Events after the Balance Sheet date

Since the balance sheet reporting date, the Council has concluded negotiations resulting in the refinancing of approximately £150m of its LOBO loans. This is expected to result in savings on debt financing costs in the future.

The Defined Benefit and Pensions Scheme liability and corresponding reserve has been updated since 31 March, to include an allowance which has been made for the recent Court of Appeal judgement in relation to the McCloud & Sargeant cases which relate to age discrimination within the Judicial & Fire Pension schemes respectively. The McCloud impact analysis report for London Borough of Newham Pension Fund was issued on 8 July 2019 and figures have been revised accordingly.

7. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. This analysis is for the single entity only and is not a primary statement and Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the single entity Comprehensive Income and Expenditure Statement. The group expenditure and funding analysis is not materially different to the analysis for the single entity and is therefore not presented.

2017/18 Restated Net Expenditure Chargeable to the General Fund	2017/18 Restated Adjustments between Funding and Accounting Bases	2017/18 Restated Net Expenditure in the CI&ES		2018/19 Net Expenditure Chargeable to the General Fund	2018/19 Adjustments between Funding and Accounting Bases	2018/19 Net Expenditure in the CI&ES
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
90,024	826	**90,850**	Adults & Housing Needs	95,194	14,335	**109,529**
258	-	**258**	Business & Growth	1,239	63	**1,302**
631	-	**631**	Chief Executive	1,098	9	**1,107**
17,040	(32,233)	**(15,193)**	Central Budgets	(8,010)	(382)	**(8,392)**
2,456	(1)	**2,455**	Customer & Strategic Services	3,404	606	**4,010**
82,502	56,004	**138,506**	CYPS	100,454	(171)	**100,283**
9,369	-	**9,369**	Dedicated Schools Budget	(11,979)	21,208	**9,229**
(8,319)	280	**(8,039)**	Enforcement & Safety	3,091	6,076	**9,167**
(41)	-	**(41)**	Externalised Business Units	(27)	-	**(27)**
(996)	-	**(996)**	Financial Sustainability	1,008	130	**1,138**
(23,698)	(9,008)	**(32,706)**	Housing Revenue Account	(21,087)	89	**(20,998)**
14,305	93	**14,398**	Community & Environment	42,511	7,229	**49,740**
(220)	-	**(220)**	NCCS	706	1	**707**
2,051	482	**2,533**	oneSource	1,007	2,546	**3,553**
11,930	3,717	**15,647**	oneSource - Non Shared	(5,360)	7,028	**1,668**
1,243	-	**1,243**	Public Health	(1,077)	4	**(1,073)**
5,668	2,250	**7,918**	Regeneration & Planning	(611)	1,068	**457**
204,203	**22,410**	**226,613**	**Net Cost of Services**	**201,561**	**59,839**	**261,400**
(217,522)	159,434	**(58,088)**	Other Income and Expenditure	(240,696)	107,928	**(132,768)**
(13,319)	**181,844**	**168,525**	**Surplus or Deficit**	**(39,135)**	**167,767**	**128,632**

7. Note to the Expenditure and Funding Analysis

The Group's expenditure and funding analysis is not materially different to the Authority's expenditure and funding analysis. The Authority's expenditure and funding is analysed as follows:

2017/18 Restated				2018/19		
Adjustments for Capital Purposes	**IAS 19**	**Total Adjustments**		**Adjustments for Capital Purposes**	**IAS 19 & Other**	**Total Adjustments**
£'000	**£'000**			**£'000**	**£'000**	**£'000**
820	5	**825**	Adults & Housing Needs	12,100	2,235	**14,335**
-	-	**-**	Business & Growth	-	63	**63**
-	-	**-**	Chief Executive	-	9	**9**
(10,222)	(22,011)	**(32,233)**	Central Budgets	1,208	(1,590)	**(382)**
-	(1)	**-**	Customer & Strategic Services	-	606	**606**
51,348	4,656	**56,004**	CYPS	(3,715)	3,544	**(171)**
-	-	**-**	Dedicated Schools Budget	19,178	2,030	**21,208**
279	1	**280**	Enforcement & Safety	3,462	2,614	**6,076**
-	-	**-**	Externalised Business Units	-	-	**-**
-	-	**-**	Financial Sustainability	-	130	**130**
(11,401)	2,393	**(9,008)**	Housing Revenue Account	(1,054)	1,143	**89**
(3,665)	3,757	**92**	Community & Environment	5,038	2,191	**7,229**
-	-	**-**	NCCS	-	1	**1**
478	4	**482**	oneSource	480	2,066	**2,546**
3,718	-	**3,718**	oneSource - Non Shared	6,598	430	**7,028**
-	-	**-**	Public Health	-	4	**4**
1,428	822	**2,250**	Regeneration & Planning	14	1,054	**1,068**
32,783	**(10,374)**	**22,410**	**Net Cost of Services**	**43,309**	**16,530**	**59,839**
136,609	22,825	**159,434**	Other Income and Expenditure from the Funding Analysis	87,119	20,809	**107,928**
169,392	**12,451**	**181,844**	**Surplus or Deficit**	**130,428**	**37,339**	**167,767**

1) Adjustments for Capital Purposes

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

„ Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets;

„ Financing and investment income and expenditure – the statutory charges for capital financing ie PFI payment and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices; and

-„Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

2) Net Change for the IAS 19 Pensions Adjustments

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

„ For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

- For Financing and investment income and expenditure –- this represent the removal of the net interest on the defined benefit liability that is charged to the CIES.

8. Expenditure and Income Analysed by Nature

The group expenditure and income is not materially different to the authority's expenditure and income. The authority's expenditure and income is analysed as follows:

2017/18 Restated £'000		2018/19 £'000
	Expenditure	
399,645	Staffing expenses	362,938
686,466	Other services expenses	789,636
52,732	Support service recharges	917
57,719	Depreciation and amortisation	55,618
(25,889)	Impairment and revaluation	566
76,855	Interest payments	75,595
19,914	Precepts and levies	19,508
196,637	Loss on the disposal of assets	137,121
1,464,079	**Total Expenditure**	**1,441,899**
	Income	
(320,576)	Fees, charges and other service income	(290,264)
(13,138)	Interest and investment income	(29,081)
(114,496)	Income from council tax, non-domestic rates, district rate income	(249,165)
(847,344)	Government grants and contributions	(744,757)
(1,295,554)	**Total income**	**(1,313,267)**
168,525	**(Surplus) or Deficit on the Provision of Services**	**128,632**

9. Adjustments Between Accounting Basis And Funding Basis Under Regulations 2018/19

This note details the 2018/19 adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The adjustments for the group are not materially different to the adjustments shown below:

	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	**£'000**
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehansive Income and Expenditure Statement:						
Depreciation of Property, Plant and Equipment	(34,918)	(20,399)				**55,317**
Revaluation (losses)/gain on Property, Plant and Equipment	619	(1,185)				**566**
Movements in the market value of Investment Properties	1,779	1,525				**(3,304)**
Amortisation of Intangible Assets	(301)					**301**
Capital grants and contributions applied	29,887	3,222				**(33,109)**
Revenue expenditure funded from capital under Statute	(24,277)	(243)				**24,520**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(142,072)	(17,503)				**159,575**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment		2,604				**(2,604)**
Voluntary provision for the financing of capital investment	14					**(14)**
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	4,571	23,003			(27,574)	
Application of grants to capital financing transferred to the Capital Adjustment Account					16,791	**(16,791)**
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	7,000	39,712	(40,426)			**(6,286)**
Use of the Capital Receipts Reserve to finance new capital expenditure			6,450			**(6,450)**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals						
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		(23,482)	23,482			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(260)					**260**
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		20,277		(20,277)		
Use of the Major Repairs Reserve to finance new capital expenditure				26,357		**(26,357)**
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	190					**(190)**
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(61,495)	(2,789)				**64,284**
Employer's pensions contributions and direct payments to pensioners payable in the year	25,340	1,752				**(27,092)**
Adjustment to the brought forward Pensions Reserve	8,442					**(8,442)**
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(5,831)					**5,831**
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2,843)	(106)				**2,949**
Total Adjustments	**(194,155)**	**26,388**	**(10,494)**	**6,080**	**(10,783)**	**182,964**

9. Adjustments Between Accounting Basis And Funding Basis Under Regulations 2017/18 Restated

This note details the 2017/18 Restated adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The adjustments for the group are not materially different to the adjustments shown below:

	Usable Reserves					
	General Fund Balance	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£'000	£'000	£'000	£'000	£'000	**£'000**
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehansive Income and Expenditure Statement:						
Depreciation of Property, Plant and Equipment/ Impairment of non current assets	(34,389)	(23,146)				**57,535**
Revaluation (losses)/gain on Property, Plant and Equipment	11,815	11,875				**(23,690)**
Movements in the market value of Investment Properties	(2,630)	3,156				**(526)**
Amortisation of Intangible Assets	(336)					**336**
Capital grants and contributions applied	36,542					**(36,542)**
Revenue expenditure funded from capital under Statute	(22,496)	(2,265)				**24,761**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(231,749)	(25,069)				**256,818**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	1,229					**(1,229)**
Voluntary provision for the financing of capital investment	10	1,898				**(1,908)**
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	12,676	414			(13,090)	
Application of grants to capital financing transferred to the Capital Adjustment Account					3,591	**(3,591)**
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	12,924	59,534	(54,806)			**(17,652)**
Use of the Capital Receipts Reserve to finance new capital expenditure			12,177			**(12,177)**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(150)		150			
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		(1,775)	1,775			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		23,020		(23,020)		
Use of the Major Repairs Reserve to finance new capital expenditure				11,103		**(11,103)**
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	240	(479)				**239**
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(44,925)	(8,177)				**53,102**
Employer's pensions contributions and direct payments to pensioners payable in the year	30,152	3,214				**(33,366)**
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,791					**(1,791)**
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	5,596	137				**(5,733)**
Total Adjustments	**(223,700)**	**42,337**	**(40,704)**	**(11,917)**	**(9,499)**	**243,483**

10. Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account (HRA) balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and HRA expenditure in 2018/19.

	Balance at 31/03/2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	**Balance at 31/03/2018 £'000**	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	**Balance at 31/03/2019 £'000**
General Fund Reserves							
Authority Transition Reserve	**(34,194)**	8,680	(11,918)	**(37,432)**	7,398	-	**(30,034)**
Borough-Wide Licensing Reserve	**(1,896)**	1,896		**-**	(10,567)	-	**(10,567)**
Capital Reserve	**(22,314)**	17,653	(6,955)	**(11,616)**	-	(2,967)	**(14,583)**
Capital Financing Reserve	**(38,097)**		(20,907)	**(59,004)**	-	(15,105)	**(74,109)**
Grant Reserve	**(8,349)**	10,059	(4,567)	**(2,857)**	-	(21,122)	**(23,979)**
Education PFI Reserve	**(882)**	152		**(730)**	-	(557)	**(1,287)**
Enterprise Zone Reserve	**(1,440)**	1,922	(482)	**-**	-	-	**-**
Highways Maintenance Reserve	**(1,498)**			**(1,498)**	-	(1,824)	**(3,322)**
Housign General Fund Reserve	**-**	-	(10,567)	**(10,567)**	10,567	-	**-**
HRA Bond Reserve	**(713)**	713		**(1)**	1	-	**-**
Insurance Reserve	**(4,765)**	1,069	(3,014)	**(6,710)**	510	-	**(6,200)**
Regeneration Reserve	**(581)**	606	(901)	**(876)**	876	-	**-**
Schools Balances Reserve	**(28,602)**	20,803	(16,970)	**(24,769)**	2,170	-	**(22,599)**
Trading Operations Reserve	**(472)**	802	(559)	**(229)**	-	(96)	**(325)**
Treasury Reserve	**(10,685)**	1,642		**(9,043)**	648	-	**(8,395)**
Warm Homes Healthy Project Reserve	**(841)**	841		**-**	-	-	**-**
Total General Fund Reserves	**(155,329)**	**66,838**	**(76,840)**	**(165,332)**	**11,603**	**(41,671)**	**(195,400)**
Housing Revenue Account (HRA)							
Total HRA Reserves	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Earmarked Reserves	**(155,329)**	**66,838**	**(76,840)**	**(165,332)**	**11,603**	**(41,671)**	**(195,400)**

10. Transfers To/From Earmarked Reserves (contd.1)

1) Authority Transition Reserve
This reserve is to facilitate service transformation and mitigate cost pressures anticipated in the Authority's Medium-Term Financial Strategy.

2) Borough-Wide Licensing Reserve
This reserve holds license income received from the Council's Borough-Wide Licensing Scheme, which aims to regulate the standard of private accommodation within the Borough. In accordance with statutory requirements, these monies are ring-fenced.

3) Capital Reserve
Budgeted revenue funding of the capital programme which has not yet been applied to schemes, either because the scheme has been re-profiled into later years or to allow greater flexibility in funding future service investment.

4) Capital Financing Reserve
The Capital Financing Reserve (separate to the Capital Reserve above) holds funds to provide additional capacity and flexibility to meet the needs of the Council's Capital Strategy.

5) Grants Reserve
Grants reserve including DSG balances

6) Education PFI Reserve
PFI to support Education Service

7) Enterprise Zone Reserve
The Royal Docks has been designated as an Enterprise Zone that offers incentives such as tax concessions to encourage business investment. These amounts represent business rates collected within the area that have been set aside for reinvestment and for future use by Local Enterprise Partnerships (LEP).

8) Highways Maintenance Reserve
This reserve is grant funding received from the Olympic Development Authority for highways works in the East Village.

9) HRA Bond Fund Reserve
Reserve to improve housing provision in the private sector under the Authority's General Fund housing powers.

10) Insurance Reserve
The Insurance Reserve forms part of the Authority's self-insurance arrangements, earmarked to meet future potential and
contingent liabilities (as distinct from the Insurance Provision - see Note 24).

11) Regeneration Reserve
Set up to promote economic regeneration in the Borough.

12) Schools Balances Reserve
Set up in accordance with Section 48 of the Schools Standards and Framework Act 1998, the Newham Scheme for Financing Schools provides for the carry forward of individual school surpluses.

13) Trading Operations Reserve
This reserve houses the accumulated surpluses on the Repairs and Maintenance Service (RMS) and Newham Catering and Cleaning Services operations.

14) Treasury Reserve
This reserve is to mitigate the impact on the Authority's budget for market volatility in respect of Treasury management activities over the term of the Medium-Term Financial Strategy (MTFS).

15) Warm Homes Healthy Project Reserve
Funding provided by the Olympic Delivery Authority to improve the thermal efficiency of private sector dwellings.

11. Other Operating Expenditure

The following table provides an analysis of the “Other Operating Expenditure” line in the Group and Single entity Comprehensive Income and Expenditure Statement:

2017/18 Restated £'000		**2018/19 £'000**
19,914	Levies	19,508
1,775	Payments to the Government Housing Capital Receipts Pool	23,482
178,356	Losses on the disposal of non-current assets	112,864
200,045	**Total**	**155,854**

12. Financing And Investment Income and Expenditure

Financing and investment income and expenditure for group is not materially different to the the single entity. The following table provides an analysis of the “Financing and Investment Income and Expenditure” line in the single entity Comprehensive Income and Expenditure Statement:

2017/18 Restated £'000		**2018/19 . £'000**
52,478	Interest Payable and Similar Charges	53,779
24,377	Pensions interest cost and expected return on pensions assets	21,816
(12,538)	Interest receivable and similar income	(10,801)
(7,389)	Income and expenditure in relation to investment properties and changes in their fair value	(16,399)
9,579	Other investment income and expenditure	(1,881)
66,507	**Total**	**46,514**

13.Taxation and Non-Specific Grant Income

The following table provides an analysis of the “Taxation and Non-Specific Grant Income” line in the Group and Single entity Comprehensive Income and Expenditure Statement:

2017/18 £'000		**2018/19 £'000**
(72,351)	Council Tax income	(76,226)
(42,143)	Business Rates (Retained share)	(172,939)
(160,514)	General Government Grants	(39,788)
(49,632)	Capital grants and contributions	(46,183)
(324,640)	**Total**	**(335,136)**

13.Taxation and Non-Specific Grant Income (contd.)

Grants Credited to Taxation and Non Specific Grant Income

2017/18 £'000		2018/19 £'000
	General Government Grants:	
(56,375)	Revenue Support Grant	-
(69,408)	Business Rates Top Up Grant	-
(1,153)	Education Service Grant	-
(11,664)	New Homes Bonus	(11,316)
(8,898)	Better Care Fund	(12,229)
(6,866)	Homelessness Support Grant	(7,351)
(6,150)	Other	(8,892)
(160,514)	**Total**	**(39,788)**
	Capital Grants and Contributions:	
(1,525)	MHCLG	-
(30,632)	Dept of Education	(4,493)
(1,550)	Dept of Health	(264)
(414)	Leaseholders	(361)
(2,450)	School Contributions	(2,279)
(19)	Other Entities	-
(1,478)	Greater London Authority	(25,865)
(8,774)	Transport for London	(12,262)
(293)	Section 106	-
(855)	Stratford Transport Implementation Group	(116)
(1,642)	Other	(542)
(49,632)	**Total**	**(46,182)**

Grants Credited to the net cost of services include:

2017/18 £'000		2018/19 £'000
	Revenue Grants:	
(260,126)	Housing Benefit Subsidy	(257,616)
(289,226)	Dedicated Schools Grant (DSG)	(240,852)
(18,365)	Pupil Premium	(13,393)
(31,932)	Public Health Grant	(31,111)
(37,549)	Other Grants	(115,815)
(637,198)	**Total**	**(658,787)**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the contributor in the event that conditions are not met. The balances at year-end are as follows:

Capital Grants: Receipts In Advance

2017/18 £'000		2018/19 £'000
(41,279)	Section 106	(47,254)
(41,279)	**Total**	**(47,254)**

14. Property, Plant And Equipment

The value of non-current assets shown on the balance sheet represents the value of assets held by the Authority.

Property, Plant and Equipment 2018/19

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Long term Surplus	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2018	1,203,913	1,224,166	68,231	339,176	24,898	137,855	11,776	**3,010,015**
Additions and enhancement	17,945	12,329	1,829	27,228	-	18,072	148	**77,551**
Accumulated Dep. Written off on revaluation to gross book value	(15,985)	(18,200)	-	-	-	(54)	-	**(34,239)**
Revaluation movement recognised in the Revaluation Reserve	15,263	14,874	-	-	-	(1,449)	-	**28,688**
Revaluation movement recognised in the Surplus on the Provision of Services	(482)	364	-	-	-	(448)	-	**(566)**
Derecognition - Disposals	(14,554)	-	-	-	-	-	-	**(14,554)**
Derecognition - Other	(2,871)	(135,056)	(4)	-	-	(4,362)	-	**(142,293)**
Other reclassifications	-	(2,500)	(543)	-	-	1,460	(4,550)	**(6,133)**
At 31 March 2019	**1,203,229**	**1,095,977**	**69,513**	**366,404**	**24,898**	**151,074**	**7,374**	**2,918,469**
Accumulated Depreciation and Impairment								
At 1 April 2018	-	(6,602)	(45,505)	(93,636)	-	(3,688)	(216)	**(149,647)**
Depreciation Charge	(16,159)	(22,365)	(8,130)	(7,402)	-	(1,261)	-	**(55,317)**
Accumulated Dep. Written off on revaluation to gross book value	15,985	18,201	-	-	-	54	-	**34,240**
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	**-**
Depreciation written out to the Surplus on the Provision of Services	-	-	-	-	-	-	-	**-**
Derecognition - Disposals	168	-	-	-	-	-	-	**168**
Derecognition - Other	6	2,548	4	-	-	28	-	**2,586**
Other reclassifications	-	-	-	-	-	-	-	**-**
At 31 March 2019	**-**	**(8,218)**	**(53,631)**	**(101,038)**	**-**	**(4,867)**	**(216)**	**(167,970)**
Net Book Value								
At 31 March 2019	1,203,229	1,087,759	15,882	265,366	24,898	146,207	7,158	**2,750,499**
At 31 March 2018	1,203,913	1,217,563	22,726	245,540	24,898	134,167	11,560	**2,860,367**

14. Property, Plant And Equipment

Property, Plant and Equipment 2017/18 Restated

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Long term Surplus	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2017	1,177,306	1,340,939	58,187	316,017	24,756	144,384	55,997	**3,117,586**
Additions and enhancement	13,220	15,944	2,270	23,159	142	12,923	6,307	**73,965**
Accumulated Dep. Written off on revaluation to gross book value	(15,708)	(23,441)	-	-	-	7	-	**(39,142)**
Revaluation recognised in the Revaluation Reserve	39,104	42,152	-	-	-	(24,553)	359	**57,062**
Revaluation recognised in the Surplus on the Provision of Services	(6,043)	67,532	-	-	-	(1,916)	(359)	**59,214**
Derecognition - Disposals	(16,193)	-	-	-	-	-	-	**(16,193)**
Derecognition - other	(2,510)	(224,647)	(36)	-	-	-	(11,748)	**(238,941)**
Other reclassifications	14,737	5,686	7,810	-	-	7,010	(38,780)	**(3,537)**
At 31 March 2018	**1,203,913**	**1,224,165**	**68,231**	**339,176**	**24,898**	**137,855**	**11,776**	**3,010,014**
Accumulated Depreciation and Impairment								
At 1 April 2017	-	(6,188)	(40,762)	(87,493)	-	(2)	(650)	**(135,095)**
Depreciation Charge	(15,981)	(27,398)	(4,773)	(6,143)	-	(3,240)	-	**(57,535)**
Accumulated Dep. Written off on revaluation to gross book value	15,708	23,441	-	-	-	(7)	-	**39,142**
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	**-**
Depreciation written out to the Surplus on the Provision of Services	-	-	-	-	-	-	-	**-**
Disposals	219	-	-	-	-	-	-	**219**
Derecognition - other	34	3,558	30	-	-	-	-	**3,622**
Other reclassifications	20	(15)	-	-	-	(439)	434	**-**
At 31 March 2018	**-**	**(6,602)**	**(45,505)**	**(93,636)**	**-**	**(3,688)**	**(216)**	**(149,647)**
Net Book Value								
At 31 March 2018	1,203,913	1,217,563	22,726	245,540	24,898	134,167	11,560	**2,860,367**
At 31 March 2017	1,177,306	1,334,751	17,425	228,524	24,756	144,382	55,347	**2,982,491**

14. Property, Plant And Equipment (contd.)

In addition to the Authority property balance and equipement, the Group includes £39.7m of assets classified as other land and buildings held within Future Newhome Ltd (Note 39).

The Authority's property portfolio is valued on a rolling basis by Wilks, Head and Eve LLP . The valuation bases are in accordance with the Statement of Asset Valuation Practices and Guidance Notes of the Royal Institute of Chartered Surveyors. Housing Revenue Account dwellings are valued at their existing use based on 'Beacon' valuation principles and then have a social housing adjustment made thus reducing the balance sheet value to 25% of the beacon value, as directed by CLG.

Included in the figures for other land and buildings are 45 Community schools (primary and secondary). The Council also provides revenue funding, through the Dedicated Schools Grant, for all schools in the Borough. The table below shows the numbers of schools in the Borough across various categories.

2017/18 Restated Number	Category of School	2018/19 Number
50	Community	45
8	Voluntary Aided	8
2	Voluntary Controlled	2
60	**Total**	**55**

Disclosure:

Capital Commitments

At 31 March 2019, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2018/19 and future years budgeted to cost £9.8m. Similar commitments at 31 March 2018 were £14.8m. The major commitments are;

Commitment	Cost £'000
Capital Maintenance Programme	397
Schools' Capital Programme (Forest Gate)	5,363
Schools' Capital Programme (other)	444
Lonsdale Court	45
Brasset Point	159
St George's Court & St Mary's Court	51
LBN Sinking Fund Programme	44
East Ham Town Hall	69
A13 Ramp Canning Town	243
Additional Supply Programme	453
Cyclical Preventative Maintenance Works	1,945
Urban Newham Revitalisation	320
Other minor schemes	284
Total outstanding commitments at 31 March 2019	**9,817**

There are additional £6.8m capital commitments as a part of the group accounts (see note 39)

PPE analysis showing those assets held at cost and those at valuation sub divided by last revaluation date as at 31/03/2019.

	Council Dwellings £'000	OL&B £'000	VP&E £'000	Infra £'000	CA £'000	LTS £'000	AUC £'000	Total PPE £'000
Carried at historic cost	-	-	15,882	265,366	24,898	-	7,158	313,304
Values at Fair value as at								
31/03/19	1,203,229	1,007,360	-	-	-	94,409	-	2,304,998
31/03/18	-	6,614	-	-	-	11,002	-	17,616
31/03/17	-	34,287	-	-	-	2,698	-	36,985
31/03/16	-	24,546	-	-	-	9,115	-	33,661
01/04/14	-	14,952	-	-	-	28,983	-	43,935
Total Cost or Valuation	**1,203,229**	**1,087,759**	**15,882**	**265,366**	**24,898**	**146,207**	**7,158**	**2,750,499**

Surplus Assets

The assets within surplus assets are based on the market approach current market conditions and recent sale prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to properties being categorised at Level 2 in the current value hierarchy.

15. Heritage Assets

	Civic Regalia £'000	Museum Art Collection £'000	Street Art £'000	Total £'000
Balance as at 1 April 2017	59	2,205	1,394	3,658
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
At 31 March 2018	**59**	**2,205**	**1,394**	**3,658**
Balance as at 1 April 2018	59	2,205	1,394	3,658
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
At 31 March 2019	**59**	**2,205**	**1,394**	**3,658**

Civic Regalia

Civic Regalia above refers to the Mayor's 18ct gold chain of office, with 4 plaques and enamelled arms and the Mayor’s 18ct gold and enamel badge of office. A Silver Gilt Mace with arms of East Ham, West Ham and Newham is also classified in Civic Regalia.

Museum Art Collection

Items classified within Museum Art Collection are:
- Bow Porcelain & Museum Collection
- Edward V1 Fine Royal Letters Patent
- Madge Gill artworks
- 5 Pieces of artwork by artists John Bettes, Charles Catton the Elder, John Wilson Carmichael, Andrea Casali and George Romney
- Victorian G.E. Railway boardroom table
- Bronze Portrait bust by Benno Schotz
- West Ham Memorial Document
- Railway items collection

Street Art Collection

The three items classified within Street Art are the Champions Sculpture, a Horse Sculpture and a Train Engine.

Five year summary of transactions

There have been no purchases of Heritage Assets during the past five years.

The only addition to Heritage Assets during the last 5 years is a donated asset which was added during 2013/14 and the Joan Littlewood Statue constructed in 2015/16. The Heritage Asset policy includes a deminimis value of £10k under which has not been included within the Balance Sheet. The value of assets excluded is £0.1m. Valuation of the heritage assets is in accordance with the Corporate Insurance Register. The Register holds values for those assets of material value or which are exposed to a particular risk.

Further information on the Collections

Newham Heritage Service aims to preserve, promote and interpret the rich diversity of Heritage in the London Borough of Newham and make it accessible to all. It aims to contribute to the quality of life in the Borough by promoting a sense of place, a feeling of belonging and of local pride, and to enhance Newham’s image both regionally and nationally.

The service currently holds:

15. Heritage Assets (contd.)

Local Archaeology

Extensive collections including items illustrating some of the earliest settlement in the area, resulting from rescue archaeology carried out in the Borough include;

- Roman finds from buildings and cemeteries. Roman pottery, especially fine wares.
- Post Roman/Medieval material showing the development of West Ham and Stratford and churches including St Mary's.
- Archaeological archives from excavations undertaken in Newham from the 1970s to 1990s.

- Policy: to collect archaeological material from Newham whether obtained by organised excavation, field walking, metal detecting, casual find or purchase but only provided that sufficient resources are available for post-excavation curation and care.

Local and Social History

General

- Large collection of approximately 5,000 items largely Victorian in date with some duplication of items.

- Policy: to collect pre 1800 material if available. To severely restrict the collection of Victorian items and to concentrate on 20th century and contemporary material, especially items relating to Newham's diverse ethnic communities not yet represented in the collections. Active collecting to be concentrated on these. This to be largely achieved through focussed projects or exhibitions.

Dress and Textiles

- Local collections of clothing, accessories, domestic textiles, sewing, knitting and haberdashery accessories. Approx 2,500 pieces.
- Policy: this collection will not be expanded except with items from Newham communities not already represented or something with an outstanding link to a local resident.

Local Archives and Photographs

- Collections include local manorial documents and transcripts and indexes of local parish registers. There is also the local pictorial survey. There is a bias to the Victorian and Edwardian eras. In addition there is the slide collection, a visual archive of the museum service's work since c1970 including local building records, items in the collection, exhibitions and events.

- Policy: to actively collect 20th century and 21st century photographs and ephemera.

Oral History

- The Service has collected oral reminiscences on tape and in written form both through Eastside Community Heritage and on its own account. Eastside and the Museum of London both hold relevant collections of material.

- Policy: to actively collect more material starting with the 'Your Moving Story' project. To set up further projects to produce material to feed 'The Newham Story' website. To encourage the production of content through the direct involvement of Newham community groups and individual residents or employees, both past and present.
- To liaise closely with Eastside Community Heritage and the Museum of London to prevent any duplication of material and to ensure its widest possible dissemination.

Railway and Transportation History

- Two locomotives on loan (no 2000 owned by P Elms, no. 229 owned by W. Parker). 'Dudley' the diesel Locomotive, LNER Gresley coach and other wagons and carriages. These are not included in the carrying value of assets in the accounts.

- 4,000 photographic negatives, slides and prints.
- Station furniture and fittings, approximately 80 items.

- Posters and ephemera produced by the Great Eastern Railway (GER) and its descendants, many related to the Stratford Works.

- Archive of plans and journals owned by the GER Society in the process of being transferred to the Essex Record Office.

- Policy: to concentrate on collecting items relating to recent, local railway developments especially the Cross Channel Rail Link at Stratford and items which illustrate the broader transport history of the Borough.

Fine and Applied Art

- There are approximately 50 paintings, largely of local people or places, with single paintings by artists including Romney, Kneller and Carmichael.

- There are also approximately 400 items, mostly pen and ink drawings, by 'Outsider Artist' Madge Gill.

- There is also a major collection (99 pieces) of Bow porcelain.

- Policy: to collect works of art depicting local scenes and the work of artists and craftspeople with strong local connections, particularly those from communities not already represented. Further acquisitions of local connections, particularly those from communities not already represented. Further acquisitions of Bow porcelain or artworks by Madge Gill to be considered on a case by case basis.

Buxton Table

- The service has collected the table around which William Wilberforce MP and others, including its owner Thomas Buxton MP, discussed and drafted the Bill for the Abolition of Slavery in the British Dominions, in 1833. Known as the Buxton Table.

16. Investment Properties

Investment properties are those assets held by the Council solely for rental income and/or capital appreciation purposes.

2017/18 £'000		2018/19 £'000
10,801	Rental income due from investment property	13,267

2017/18 £000		2018/19 £000
114,321	**Balance at 1 April**	205,900
91,446	Additions and Enhancement Expenditure	-
2,113	Net gains/(losses) from fair value adjustments	3,305
-	Transfers:	-
3,545	To Property, Plant and Equipment	-
(5,525)	Disposals	-
205,900	**Balance at 31 March**	**209,205**

The fair value of investment properties at 31st March are analysed as follows:

2017/18 In Borough £'000	2017/18 Out of Borough £'000		2018/19 In Borough £'000	2018/19 Out of Borough £'000
64,400	25,831	Retail unit	69,836	26,143
8,280	43,700	Office	8,394	44,836
16,990	18,000	Industrial unit	12,122	18,300
15,843	-	Land	16,633	-
6,541	-	Warehouse / Stores	6,574	-
3,551	-	Community Centre	3,587	-
956	-	Car Park	956	-
866	-	Depot	876	-
771	-	Cinema	771	-
87	-	Garages	87	-
84	-	Flats	91	-
118,369	**87,531**	**Balance at 31 March**	**119,927**	**89,279**

In addition to investment properties held by the Authority, the group balance sheet includes £56.7m (2017/18: £56.7m) of investment property held within Red Door Venture Ltd (note 39)

Valuations were carried out by the following: Wilks, Head and Eve LLP, Carter Jonas, Lambert Smith Hampton, Cushman & Wakefield and Savills and are valued to Fair Values as defined by IFRS 13.

Where an asset is valued to Fair Value, IFRS 13 requires the valuer to make additional disclosures regarding the valuation technique applied to measure the fair value and the nature of the inputs to that valuation technique, having regard to the fair value hierarchy prescribed within IFRS13.

It is confirmed that the valuation technique applied in respect of all fair value figures is the market approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets.

The inputs to this technique constitute **Level 2** inputs in each instance. Level 2 inputs are inputs observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

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

17. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

The carrying amount of intangible assets is amortised on a straight line basis. As in the current year, the amortisation of £0.3m charged to revenue in 2018/19 (£0.3m in 2017/18) was charged directly to users' costs centres where they were sole users or in cases where there was not sole usage to the IT Administration cost centre, and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are 5 years unless it is anticipated to be otherwise.

In accordance with the CIPFA Code, leased intangible assets are disclosed in this section after their initial recognition.

There are no internally generated assets.

Purchased 2017/18 £'000		Purchased 2018/19 £'000
	Balance at start of year	
4,091	Gross Carrying Amounts	4,224
(3,427)	Accumulated Amortisation	(3,762)
664	**Net carrying amount at start of year**	**462**
	Additions	
134	Purchases	599
(336)	Amortisation	(301)
462	**Net carrying amount at end of year**	**760**
	Comprising	
4,224	Gross Carrying Amounts	4,823
(3,762)	Accumulated amortisation	(4,063)

18. Financial Instruments

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

Financial Assets

	Non Current				Current						Total	
	Investments		Debtors		Cash and cash equivalents)		Investments		Debtors		Total	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018 Restated	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018 Restated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through Profit or Loss	15,806	-	42,559	36,238	-	-	-	-	-	-	58,365	36,238
Amortised cost	93,000	156,508	125,904	101,121	94,815	45,029	377,513	410,395	38,699	38,476	729,931	751,529
Total Financial Assets	108,806	156,508	168,463	137,359	94,815	45,029	377,513	410,395	38,699	38,476	788,296	787,767
Non-Financial Assets	-	-	-	-	-	-	-	-	59,401	90,727	59,401	90,727
Total	**108,806**	**156,508**	**168,463**	**137,359**	**94,815**	**45,029**	**377,513**	**410,395**	**98,100**	**129,203**	**847,697**	**878,494**

Financial Liabilities

	Non Current				Current						Total	
	Borrowings		PFI and Finance Lease		Cash and cash equivalents)		Borrowings		Creditors		Total	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through Profit or Loss	-	-	-	-	-	-	-	-	-	-	-	-
Amortised cost	(555,439)	(720,378)	(108,958)	(114,632)	(8,376)	(47,637)	(342,255)	(221,814)	(70,416)	(89,254)	(1,085,444)	(1,193,715)
Total Financial Liabilities	(555,439)	(720,378)	(108,958)	(114,632)	(8,376)	(47,637)	(342,255)	(221,814)	(70,416)	(89,254)	(1,085,444)	(1,193,715)
Non-Financial Liabilities	-	-	(863,905)	(914,829)	-	-	-	-	(54,831)	(42,025)	(918,736)	(956,854)
Total	**(555,439)**	**(720,378)**	**(972,863)**	**(1,029,461)**	**(8,376)**	**(47,637)**	**(342,255)**	**(221,814)**	**(125,247)**	**(131,279)**	**(2,004,180)**	**(2,150,569)**

*The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under ‘current liabilities’ or ‘current investments’.
This includes accrued interest on long term liabilities and investments that is payable in 2018/19.

18. Financial Instruments (contd. 2)

Reclassification and Remeasurement of Financial Assets as at 1st April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and remeasurements of carrying amounts then required.

	Carrying amount brought forward at 1 April	New classifications as at 1 April 2018	
		Amortised costs	Fair value through profit or loss
	£'000	£'000	£'000
Previous classifications			
Cash and equivalent	45,029	45,029	-
Loans and receivables	561,528	561,528	-
Unquoted equity investment at cost	11,508	-	11,508
FA's carried at contract amount	133,464	133,464	-
Reclassified amounts at 1 April 2018	**751,529**	**740,021**	**11,508**
Prior year adjustment	36,238	-	36,238
Reclassified amounts at 1 April 2018	787,767	740,021	47,746
Remeasurements at 1 April 2018	-	-	-
Remeasured carrying amounts at 1 April 2018	**787,767**	**740,021**	**47,746**

Effect of reclassification and remeasurement on the Balance Sheet

This note shows the new balances as at 1 April 2018 for financial assets that are incorporated into the Balance Sheet

	New classifications at 1 April 2018			
	Amortised costs	Fair value through profit or loss	Non Financial instrument balances	Total Balance sheet carrying amount
	£'000	£'000	£'000	£'000
Reclassified amounts at 1 April 2018	**740,022**	**47,745**	**90,727**	**878,494**
Long term investments	145,001	11,507	-	156,508
Long term debtors	101,121	36,238	-	137,359
Current debtors	38,476	-	90,727	129,203
Cash and Cash equivalents	45,029	-	-	45,029
Short term investments	410,395	-	-	410,395

Application of classification requirements at 01 April 2018
The following judgements were made in reclassifying financial instruments at 1 April 2018:

Unquoted equity of a carrying value of £11.507m have been reclassified from amortised cost to fair value through profit or loss as there is no expectation from this investment to obtain cashflow on specified dates which are payments of principal or interest and the business model is for this financial assets to achieve service objectives.

Soft Loans
The Authority has identified the following which may be categorised as soft loans (less than market rates):

	31 March 2018	31 March 2019
	£'000	£'000
Social Care	807	641
London Community Credit Union (LCCU)	531	558
Total	1,338	1,199

Carrying value of the LCCU loan is measured at fair value based on an amortised cost of 5% and social care loans are measured at cost. Loans have been considered for impairment losses. The calculated expected credit loss is not material therefore resulting in no change in carry value.

18. Financial Instruments (contd.3)

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consists of the following items:

	2017/18			2018/19		
	Financial Liabilities	**Financial Assets**		**Financial Liabilities**	**Financial Assets**	
	Liabilities Measured at Amortised Cost	**Financial Assets at Amortised Cost**	**Total**	**Liabilities Measured at Amortised Cost**	**Financial Assets at Amortised Cost**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Interest expense	49,662	-	**49,662**	53,779	-	**53,779**
Total expense in Surplus on the Provision of Services	**49,662**	**-**	**49,662**	**53,779**	**-**	**53,779**
Interest income	-	(12,538)	**(12,538)**		(10,801)	**(10,801)**
Total income in Surplus on the Provision of Services	**-**	**(12,538)**	**(12,538)**	**-**	**(10,801)**	**(10,801)**
Impact in Other Comprehensive Income						
Net loss/(gain) for the year	**49,662**	**(12,538)**	**37,124**	**53,779**	**(10,801)**	**42,978**

18. Financial Instruments (contd.4)

Financial Instruments - Fair Values

The fair value of Public Works Loans Board (PWLB) loans of £330m measures the economic effect of the terms agreed with the PWLB compared with estimated of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB redemption interest rates (PR Rate). The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining term of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB certainty rate (NL rate). A supplementary measure of the fair value as a result of PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a fair value is calculated on this basis, the carrying amount of £210m would be valued at £265m. But if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early redemption of £330m for the additional interest that will not now be paid. The exit price for the PWLB loan including the penalty charge would be £328m.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value. Other receivables and liabilities are carried on the Balance Sheet at amortised cost. Their fair value can assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:-

(i) estimated ranges of interest rates at 31 March 2019 for loans from the PWLB and for other loans receivables and payable have been applied based on new lending rates for equivalent loans at that date;
(ii) no early repayment or impairment is recognised;
(iii) where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
(iv) the fair value of trade and other receivables is taken to be the invoice or billed amount.

In regard to soft loans; fair value has been estimated by using a valuation technique based on an amortised cost of 5%.

Unquoted equity investment in Red Door Venture Ltd has been measured at fair value. Fair value has been based on the cost of equity. Due to early stages of its business model and a number of uncertain variables relating to this company it is difficult to value this company other than at cost of investment.
There has been no transfers between input levels during the year. There has been no change in the valuation technique used during the year.

Financial Assets

The fair value of financial assets is higher than the carrying amount because the Authority's portfolio of investments includes a number of loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2019) attributable to the commitment to receive interest above current market rates.

31st March 2018 Restated				31st March 2019	
Carrying Value £'000	PR Rate Fair Value £'000	Financial Assets	Fair Value level	Carrying Value £'000	PR Rate Fair Value £'000
145,000	150,019	Long-Term Investments	2	93,000	104,342
11,507	11,507	Long-Term Investments - equities	2	15,806	15,807
807	807	Long-Term Receivables - Soft Loans (Note 22)	2	1,198	1,198
9,521	9,521	Long-Term Receivables - Finance Leases (Note 22)	2	9,192	9,192
127,031	127,031	Long-Term Receivables - Other (Note 22)	2	158,073	158,073
293,866	**298,885**	**Total Included in Long-Term Assets**		**277,269**	**288,612**
410,395	410,395	Short Term Investments	2	377,513	377,513
38,476	38,476	Short-Term Receivables		38,699	38,699
45,029	45,029	Cash and Cash Equivalents (Note 21)	2	94,815	94,815
493,900	**493,900**	**Total included in Current Assets**		**511,027**	**511,027**
787,766	**792,785**	**Total Financial Assets**		**788,296**	**799,639**

Financial Liabilities

The fair value of financial liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

31st March 2018				31st March 2019		
	PR Rate				PR Rate/CV	NL Rate/CV
Carrying Value £'000	Fair Value £'000	Financial Liabilities	Fair Value level	Carrying Value £'000	Fair Value £'000	Fair Value £'000
218,714	343,593	Short Term Borrowing at amortised cost	2	339,908	647,035	
3,100	551	Short Term Borrowing PWLB at amortised cost	2	2,347	2,451	2,445
47,637	47,637	Cash and Cash Equivalents (Note 21)	2	8,376	8,376	
4,589	4,589	PFI and Finance Lease Liabilities (Note 23)	2	5,671	5,671	
84,665	84,665	Financial Liabilities at Contracted Amounts (Note 23)		64,745	64,745	
358,705	**481,035**	**Total Included in Current Liabilities**		**421,047**	**728,278**	**2,445**
512,904	1,151,096	Long-Term Borrowing	2	347,748	840,157	
207,474	325,987	Long-Term Borrowing PWLB	2	207,691	328,005	262,909
114,357	114,357	PFI and Finance Lease Liabilities (Note 37)	2	108,683	108,683	
275	275	Financial Liabilities at Amortised Cost (Note 37)		275	275	
835,010	**1,591,715**	**Total included in Long Term Liabilities**		**664,397**	**1,277,120**	**262,909**
1,193,715	**2,072,750**	**Total Financial Liabilities**		**1,085,444**	**2,005,398**	**265,354**

19. Inventories

2017/18				2018/19		
Stocks	**Work in Progress**	**Total**		**Stocks**	**Work in Progress**	**Total**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
1,692	**(148)**	**1,544**	**Balance b/f**	**2,171**	**-**	**2,171**
479	148	**627**	Purchases			**-**
		-	Expensed in year	(983)	-	(983)
2,171	**-**	**2,171**	**Balance c/f**	**1,188**	**-**	**1,188**

20. Construction Contracts

The Authority has no significant construction contracts to disclose at year-end.

21. Cash And Cash Equivalents

Cash comprises cash in hand and on-demand deposits. Cash will also include bank overdrafts that are repayable on demand and that are integral to the Authority's cash management.

Balances classified as 'Cash Equivalents' fit the definition of being short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The net balance of Cash and Cash Equivalents is made up of the following elements at the Balance Sheet dates:

Single Entity 2017/18	**Group Accounts 2017/18**		**Single Entity 2018/19**	**Group Accounts 2018/19**
£'000	**£'000**		**£'000**	**£'000**
69	69	Petty Cash	55	55
44,960	44,960	Cash at Bank (Schools)	22,760	22,760
-	6,760	Cash Equivalents	72,000	84,038
45,029	**51,789**	**Cash and Cash Equivalents**	**94,815**	**106,853**
(47,637)	(47,637)	Cash and Cash Equivalents overdrawn	(8,376)	(8,376)
(2,608)	**4,152**	**Total Cash and Cash Equivalents**	**86,439**	**98,477**

22. Receivables

2017/18					2018/19			
Single Entity			Group Accounts		Single Entity			Group Accounts
Gross £'000	Impairment Allowance £'000	Net £'000	Total £'000	**Short Term Receivables**	Gross £'000	Impairment Allowance £'000	Net £'000	Total £'000
26,435	-	26,435	26,435	Central Government Bodies	27,011	-	27,011	27,011
3,674	-	3,674	3,674	Other Local Authorities	5,314	-	5,314	5,314
27,496	(22,198)	5,298	5,298	Council Tax Payers	23,809	(22,027)	1,782	1,782
1,885	(713)	1,172	1,172	Business Rate Payers	2,789	(1,935)	854	854
14,816	(11,868)	2,948	2,948	Housing Rents	18,440	(15,771)	2,669	2,669
43,278	(7,253)	36,025	35,983	Sundry Receivables	41,992	(5,128)	36,864	64,982
22,927	(14,086)	8,841	8,841	Housing Benefit Overpayments	22,709	(14,508)	8,201	8,201
36,265	-	36,265	59,876	Prepayments	8,829	-	8,829	8,829
53,245	(49,982)	3,263	3,263	Parking	51,868	(47,988)	3,880	3,880
4,099	(1,648)	2,451	2,451	Leaseholders	3,909	(2,074)	1,835	1,835
2,831	-	2,831	2,831	Amount due from Pension Fund	861	-	861	861
236,951	**(107,748)**	**129,203**	**152,772**		**207,531**	**(109,431)**	**98,100**	**126,218**
				Long Term Receivables				
807	-	807	807	Soft Loans (Note 18)	1,198		1,198	1,198
9,521	-	9,521	9,521	Finance Leases (lessor)	9,192		9,192	9,192
5,326	-	5,326	5,326	Leaseholder Loans	4,469		4,469	4,469
82,517	-	82,517		Amounts due from subsidiary undertakings	110,073		110,073	317
36,238	-	36,238	36,238	Shared Equity Interest	42,558		42,558	42,558
2,950	-	2,950	3,814	Other long term receivables	973		973	2,245
137,359	**-**	**137,359**	**55,706**		**168,463**	**-**	**168,463**	**59,979**

23. Payables

The following table provides an analysis of amounts owed by the Authority as at 31 March.

Single Entity	Group Accounts		Single Entity	Group Accounts
2017/18			2018/19	
£'000	£'000		£'000	£'000
(6,143)	(6,143)	Council Tax Payables	(3,390)	(3,390)
(2,365)	(2,365)	NDR	(2,968)	(2,968)
(63,509)	(70,494)	Sundry Payables	(65,778)	(75,609)
(11,970)	(12,020)	Receipts In Advance	(9,275)	(9,275)
(4,589)	(4,589)	Finance Lease and PFI Liabilities	(5,671)	(5,671)
(14)	(14)	Other Balances	(17)	(17)
(9,266)	(9,266)	Employee Benefits	(12,216)	(12,216)
(495)	(495)	Revenue Grants Received In Advance	(623)	(623)
(22,866)	(23,275)	Central Government Bodies	(14,297)	(14,297)
(9,172)	(9,172)	Other Local Authorities	(11,012)	(11,012)
(890)	(890)	Pension Fund	-	
(131,279)	**(138,723)**	**Total**	**(125,247)**	**(135,078)**

24. Provisions

Provisions are amounts set aside to meet future material liabilities of uncertain timing or amount

Long term Provision

2018/19	**Insurance £'000**	**MMI £'000**	**Other £'000**	**Total £'000**
Balance at 1 April 2018	(5,456)	(905)	(5,465)	**(11,826)**
Additional provisions made in 2018/19	(984)		(7,326)	**(8,310)**
Amounts used in 2018/19		423		**423**
Balance at 31 March 2019	**(6,440)**	**(482)**	**(12,791)**	**(19,713)**

2017/18	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2017	(5,757)	(1,138)	(3,425)	**(10,320)**
Additional provisions made in 2017/18	(4,439)	(698)	(2,998)	**(8,135)**
Amounts used in 2017/18	4,741	930	958	**6,629**
Balance at 31 March 2018	**(5,455)**	**(906)**	**(5,465)**	**(11,826)**

Insurance Provision

The Insurance provision is required because some of the Authority's insurance policies are met by deposit premiums, under which insurers ask for additional sums some years after the original claim. Furthermore, balances are accrued each year to meet future known claims where the Authority self-insures. Depending on the claims, these payments may be made over a period of a number of years.

The Authority provides for each outstanding insurance claim separately and may recognise a reimbursement if recovery is virtually certain if this is appropriate for the type of claim.

MMI Provision

On 21st January 1994, the Authority entered into a scheme of arrangement under s.425 of the Companies Act 1985 with Municipal Mutual Insurance Limited (MMI), under which the Authority, along with other local authority members of MMI, might be required to reimburse MMI a proportion of claims paid by MMI since 1st October 1993. The value of Outstanding claims as at 31 March 2019 was £482k.

Under the Scheme, the administrator may impose a levy on scheme creditors following a trigger event. MMI have notified creditors of a proposed 25% levy to be based on the position at 31st March 2019, which will be due for payment in future years.

Other

The Council has a number of other provisions for known liabilities. The amounts above are estimates based on the best information available. These include:

Litigation

The Council has a number of on-going litigation cases, further information cannot be detailed due to legal sensitivities.

NNDR Appeals

The Council levies Business Rates to commercial premises within the Borough. This is based on a rateable value per property, as determined by the Valuation Office Agency. From time to time, ratepayers may appeal the rateable value of their premises. In accordance with the principles of agency accounting, the Council recognises its share (64%) of the provision for appeals within the Balance Sheet. As at 31st March 2019, this was £16.942m and split across Long Term (£12.117m) and Short Term (£4.825m) Provision (see below).

Short term Provision

	£'000
Balance at 1 April 2018	(3,192)
Additional provisions made in 2018/19	(1,986)
Amounts used in 2018/19	-
Balance at 31 March 2019	**(5,178)**

25. Usable Reserves

The Authority keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans. Reserves are reviewed as part of the budget process together with the Authority's agreed reserves policy in accordance with s.23 of the Local Government Act 2003.

Movements in the Authority's Usable reserves are detailed in the Movement in Reserves Statement. Unusable reserves are further detailed in Note 26. Earmarked reserves are detailed in Note 10.

2017/18 £'000		**2018/19 £'000**
(12,351)	General Fund	(13,206)
(64,042)	Housing Revenue Account	(72,254)
(123,763)	Capital Receipts Reserve	(134,257)
(70,635)	Major Repairs Reserve	(64,555)
(80,792)	Capital Grants Unapplied	(91,575)
(165,332)	Earmarked Reserves	(195,400)
(516,915)	**Total Usable Reserves**	**(571,247)**

The Group usable reserves are not materially different to the single entity usable reserves.

Usable Capital Receipts Reserve

The capital receipts are income from the sale of long-term assets and repayments of capital advances. Legislation requires that a proportion of these receipts are paid to Central Government. The remaining amounts can then be used to finance capital expenditure.

2017/18 £'000		**2018/19 £'000**
(83,059)	**Balance as at 1 April**	**(123,763)**
	Sale of Assets:	
(41,882)	Sale of Council Houses	(25,104)
(12,924)	Sale of other Land and Buildings	(15,288)
-	Transfer from DCRR	(34)
(54,806)	**Total Receipts**	**(40,426)**
	Use of Receipts:	
1,775	Payments to Housing Capital Pool	23,482
150	Disposal Costs financed from Receipts	-
12,177	Capital Receipts used for Financing	6,450
14,102		**29,932**
(123,763)	**Balance as at 31 March**	**(134,257)**

26. Unusable Reserves

31 March 2018 Restated £'000		31 March 2019 £'000
(808,312)	Revaluation Reserve	(753,358)
(1,289,504)	Capital Adjustment Account	(1,221,668)
8,609	Financial Instruments Adjustment Account	8,419
(45,759)	Deferred Capital Receipts and Credits Reserve	(51,783)
899,569	Pensions Reserve	837,123
(1,137)	Collection Fund Adjustment Account	4,694
9,266	Accumulated Absences Account	12,215
(1,227,268)	**Total Unusable Reserves**	**(1,164,358)**

Revaluation Reserve

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

1. Are revalued downwards or impaired and the gains are lost; or
2. Used in the provision of services and the gains are consumed through depreciation; or
3. Disposed of and the gains are realised.

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

2017/18 Restated £'000		2018/19 £'000
(822,527)	**Balance at 1 April**	**(808,312)**
(92,583)	Upward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(28,858)
15,651	Difference between fair value depreciation and historical cost depreciation	15,889
91,147	Accumulated gains on assets sold or scrapped	67,923
(808,312)	**Balance at 31 March**	**(753,358)**

Accumulated Absences Account

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

2017/18 £'000		2018/19 £'000
14,996	**Balance at 1 April**	**9,266**
(14,996)	Settlement or cancellation of accrual made at the end of the preceding year	(9,266)
9,266	Amounts accrued at the end of the current year	12,216
9,266	**Balance at 31 March**	**12,215**

26. Unusable Reserves (cont.1)

Financial Instruments Adjustments Account

The Financial Instruments Adjustment Account (FIAA) absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions.

Premiums and Discounts
The code requires that, unless directly attributable to a loan held at 31st March 2007, then all premiums and discounts carried on the balance sheet be written off to the General Fund balance at 1st April 2007. * Statutory regulations allow for the impact on council tax to be mitigated through a transfer to the Financial Instruments Adjustment Account. The balance of premiums and discounts is amortised to revenue in line with the provisions set down in the Authority's accounting policies.

*The Code requires that premiums and discounts arising from debt restructuring on or after 1st April 2007 shall be charged to the General Fund. Exceptions are permitted where they meet the modification criteria prescribed in the CIPFA Accounting Code of Practice. In these instances, they are valued at the carrying value of the new loan and amortised over the remaining period via the effective interest rate.

Soft Loans
The Code also requires that where the Authority has provided loans at less than market rates then these should be accounted for on a fair value basis. The difference between the fair value and loan amount is accounted for as an immediate charge to the Comprehensive Income and Expenditure Statement and the impact to be instigated through a transfer to the FIAA via the Movement in Reserves Statement. The fair value increases over the period of the loan and the annual impact is neutralised by writing down the balance to the General Fund balance via transfer from the FIAA via the MIRS.

Stepped Interest Loans
Under the Code, where the Authority has taken out loans with a stepped interest structure, the interest charge to the Comprehensive Income and Expenditure Statement is at the effective interest rate over the period of the loan. However, for stepped loans taken out before 9th November 2007, regulations permit authorities to charge interest to the General Fund balance at either:

a) The effective interest rate; or
b) The interest rate due for the financial year under the loan agreement.

Where the latter option is applied the difference between the interest chargeable at the effective interest rate is transferred from the General Fund balance to the Financial Instruments Adjustments Account via the Movement in Reserves Statement and released back to the General Fund balance for the remaining period of the loan.

The transactions reflected in the FIAA are as follows:

	2017/18			2018/19
£'000	£'000		£'000	£'000
	8,466	**Balance at 1 April**		8,609
445		Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	95	
(302)		Effective interest rate (EIR) adjustment on LOBO borrowing	(285)	
	143	**Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements**		(190)
	8,609	**Balance at 31 March**		8,419

26. Unusable Reserves (cont.2)

Pension Reserve

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

2017/18 £'000		2018/19 £'000
941,245	**Balance at 1 April**	**899,569**
	Adjustment to the brought forward Pensions Reserve	(8,442)
(61,412)	Actuarial (gains)/losses on pensions assets and liabilities	(91,196)
53,102	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	64,284
(33,366)	Employer's pensions contributions and direct payments to pensioners payable in the year	(27,092)
899,569	**Balance at 31 March**	**837,123**

Collection Fund Adjustment Account

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

2017/18 £'000		2018/19 £'000
172	**Balance at 1 April**	**(1,137)**
(1,309)	Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	5,831
(1,137)	**Balance at 31 March**	**4,694**

26. Unusable Reserves (contd.3)

Capital Adjustment Account

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

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

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

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2017/18 Restated £'000			**2018/19 £'000**
	(1,432,711)	**Balance at 1 April**		**(1,289,504)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
57,627		Charges for depreciation and impairment of non-current assets	54,281	
(23,690)		Revaluation gains on Property, Plant and Equipment	1,600	
336		Amortisation of intangible assets	301	
24,761		Revenue expenditure funded from capital under statute	24,520	
251,293		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	159,575	
	310,327			**240,277**
	(106,798)	Adjusting amounts written out of the Revaluation Reserve		(83,812)
	203,529	**Net written out amount of the cost of non-current assets consumed in the year**		**156,465**
		Capital financing applied in the year:		
(12,177)		Use of the Capital Receipts Reserve to finance new capital expenditure	(6,450)	
(11,103)		Use of the Major Repairs Reserve to finance new capital expenditure	(26,357)	
(36,542)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(33,109)	
(3,591)		Application of grants to capital financing from the Capital Grants Unapplied Account	(16,791)	
(1,908)		Provision for the financing of capital investment charged against the General Fund and HRA balances	(2,618)	
	(65,321)			**(85,325)**
	4,999	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(3,304)
	(1,289,504)	**Balance at 31 March**		**(1,221,668)**

27. Cash Flow Statement – Adjustments for Non-Cash Transactions

Single Entity 2017/18 Restated £'000	Group Accounts 2017/18 Restated £'000	Description	Single Entity 2018/19 £'000	Group Accounts 2018/19 £'000
57,537	57,537	Depreciation	55,317	56,449
(23,690)	(23,321)	Increase in Revaluation charged to the Comprehensive Income and Expenditure Statement	566	567
336	377	Amortisation	301	301
(19,740)	(19,740)	Movement in Impairment Allowance	1,683	1,683
(1,356)	(8,336)	Movement in Receivables	30,058	33,944
4,845	12,870	Movement in Payables	10,889	11,784
(627)	(627)	Movement in Inventories	983	893
19,736	19,736	Pension Liability	28,750	28,750
256,817	256,817	Carrying Amount of Non-Current Assets sold	159,575	159,575
4,698	4,698	Movement in Provisions	9,873	9,873
(526)	(2,406)	Movement in the value of Investment Properties	(3,304)	(3,671)
239	239	Financial Instruments Adjustments	(190)	(190)
(204)	1,324	Other Non-Cash Adjustments	(574)	84
298,065	**299,168**	**Total Adjustments for Non-Cash Transactions**	**293,927**	**300,042**
(122,090)	(122,090)	Investing and Financing Activities Adjustments to Net Surplus on the Provision of Services	(92,894)	(92,894)
175,975	**177,078**	**Net Cash Flows from Operating Activities**	**201,033**	**207,148**

The cashflow from operating activities include the following amounts:

Single Entity 2017/18 £'000	Group Accounts 2017/18 £'000	Description	Single Entity 2018/19 £'000	Group Accounts 2018/19 £'000
(12,538)	(14,435)	Interest received	(10,801)	(10,824)
52,478	57,494	Interest Paid	53,779	58,509
39,940	**43,059**	**Net Interest**	**42,978**	**47,685**

28. Cash Flow Statement - Investing Activities

Single Entity 2017/18 £'000	Group Accounts 2017/18 £'000	Description	Single Entity 2018/19 £'000	Group Accounts 2018/19 £'000
(165,546)	(225,774)	Purchase of Property, Plant and Equipment and Intangible Assets	(78,150)	(105,178)
(124,151)	(57,468)	Purchase of Short-Term Investments and Long-Term Investments	55,800	55,800
(550)	(550)	Other Payments for Investing Activities	-	-
54,806	54,806	Proceeds from the sale of Property, Plant and Equipment and Non-Current Assets	40,426	40,426
50,047	50,047	Other receipts from investing	52,157	52,157
(185,394)	**(178,939)**	**Net Cash Flows from Investing Activities**	**70,233**	**43,205**

29. Cash Flow Statement - Financing Activities

Single Entity 2017/18 £'000	Group Accounts 2017/18 £'000	Description	Single Entity 2018/19 £'000	Group Accounts 2018/19 £'000
138,430	138,430	Cash Repayment of Short-Term Borrowings and Long-Term Borrowings	(44,498)	(19,831)
(5,102)	(5,102)	Cash Payments to reduce Finance Lease and PFI Liabilities	(4,589)	(4,589)

4,163	6,217	Other payments for financing activities	(4,500)	(200)
137,491	**139,545**	**Net Cash Flows from Financing Activities**	**(53,587)**	**(24,620)**

30. Trading Operations

The Authority operates a number of trading accounts identified as those where the service managers are required to operate in a commercial environment and balance their budgets by generating income from other parts of the Authority and other organisations. A commercial environment is one in which the customer has the choice to use an alternative supplier to the Authority; and the Authority charges the user on a basis other than that solely to cover the costs of the service.

The Trading Accounts operated by the Authority during the year were:

2017/18				2018/19		
Expenditure £'000	**Income £'000**	**(Surplus) / Deficit £'000**		**Expenditure £'000**	**Income £'000**	**(Surplus) / Deficit £'000**
14,479	(14,751)	(272)	Newham Catering & Cleaning Services	422	286	708
328	(408)	(80)	Building Control	414	(509)	(95)
1,078	(1,128)	(50)	Markets	1,007	(1,058)	(51)
9,388	(640)	8,748	Repairs & Maintenance Service (RMS)	642	0	642
25,273	**(16,927)**	**8,346**	**Total**	**2,485**	**(1,281)**	**1,204**

Newham Catering and Cleaning Services (NCCS) provide catering management, cleaning, waste and pest control services primarily to schools within Newham. In 2018/19 this service is no longer provided by NCCS this is now provided by the wholly owned subsidiary - Juniper Ltd.

Building Control is responsible for ensuring that building work meets legally required standards and is authorised to make a charge and any surplus is used for future related work as laid out in the Building (Local Authority Charges) Regulations 2010.

Markets trading account charges clients for the administration of Market/Street trading duties and as such any surplus should be ring fenced for Market Activities in line with the London Local Authorities Act 1990.

RMS provides building repairs and maintenance services primarily for the Authority's housing stock.

31. Agency Services

Under section 101(I) of the Local Government Act 1972 (LGA 1972), a local authority may arrange for any other local authority to act as its agent and provide services. The Council carries out work on an Agency basis for which it is reimbursed.

	2017/18 £'000	**2018/19 £'000**
On behalf of the East London Waste Authority	26	26

32. Pooled Budgets

Introduced in April 2015, the Better Care Fund is the largest financial incentive to date for the integration of Health and Social Care. It requires Clinical Commissioning Groups (CCG's) and Local Authorities in each area to pool budgets and agree integrated spending plans determining how their Better Care Fund allocations will be most efficiently resourced. In 2015/16, Central Government committed £3.8 billion to the Better Care Fund, with many local areas contributing an additional £1.5 billion, taking the total spending power of the Better Care Fund to £5.3 billion.

In 2017/18, the government made funding available to local authorities, worth £1.5 billion by 2019/20, which is included in the BCF. In looking ahead to later years it is important that BCF plans are aligned to other programmes of work including Sustainability Transformation Plans (STPs), new models of care as set out in the NHS Five Year Forward View and delivery of 7-day services. The local flexibility to pool more than the mandatory amount has remained. This agreement has been formed in accordance with the provisions within Section 75 of the National Health Service Act 2006. A robust governance infrastructure is in place to monitor the schemes within the BCF. Schemes are monitored through the BCF Governance and Delivery Group with regular updates provided to the Health and Wellbeing board for the duration of the section 75 agreement.

The Joint Health and Wellbeing Strategy provides the platform for our vision to become realised through common and shared themes that are reflected in all local key initiatives including Integrated care, Transforming Service Together, Care Close to Home Delivery Plans, NHS Newham clinical commissining group (NCCG) Operating plan, Personal Health Budgets, Primary Care Co-commissioning, Carers Strategy and Sustainability Transformation Plans. The Authority and NCCG have defined within the Section 75 confirmed funding levels required to operate these services and they are reviewed on an annual basis. Some schemes are demand led and partners make relevant contributions depending on the type of services being accessed.

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

The following table analyses the funding provided and the expenditure met from Better Care Fund:

	2017/18 £'000	2018/19 £'000
Funding provided to the pooled budget:		
London Borough of Newham	(80,514)	(87,379)
NHS Newham Clinical Commissioning Group (NCCG)	(51,129)	(52,065)
Total funding	**(131,643)**	**(139,443)**
Expenditure met from the pooled budget:		
London Borough of Newham	80,514	87,379
NHS Newham Clinical Commissioning Group (NCCG)	51,129	52,065
Total expenditure	**131,643**	**139,443**
Net deficit/(surplus) arising on the pooled budget during the year	**-**	**-**

Below is a summary of the funding agreed with the CCG, Newham and governed by the LAs Health & Well Being

Scheme Name	2018/19 Total BCF Actuals £000s
Care Coordination	1,005
Rapid Response/SPA	1,000
Self Care Management	250
RAID and support	949
Existing Social Care	7,970
Continuing Care	5,318
NHS Funded Nursing Care	1,252
DFG/Capital	2,619
Equipment Services	3,021
Advocacy	323
Protection of Adult Social Care	4,496
Extension to Protection of Social Care	4,318
Care Act	1,000
Social Prescription/PPE	360
Supported Discharge	120
Rehab/Virtual Ward	1,700
Care Management	7,203
Care Packages/Placements	52,756
Community services	28,900
Public Health Commissioning (ASC)	5,643
Market Sustainability and Growth (ASC)	6,156
Out of Hospital / Admission Avoidance	1,756
Wheelchair Services	1,330
Total	**139,443**

33. Members' Allowances

The total of members' allowances and expenses paid in 2018/19 (excluding National Insurance Contributions) was £1,191k compared to £1,307k in 2017/18. Full details of members' allowances paid are available on the website and upon request in writing to Member Services, 4th Floor, West Wing, Newham Dockside, London E16 2QU.

https://www.newham.gov.uk/Pages/Services/Councillors-allowances-and-expenses.aspx

34. Officers' Remuneration

The Accounts and Audit (England) Regulations 2015 require local authorities to disclose the number of employees whose remuneration was £50,000 or more in the financial year, expressed in bands of £5,000. This includes the remuneration of senior employees which is shown overleaf.

2017/18 Non Teaching Employees	2017/18 Teaching Employees	2017/18 Total Employees	Earnings Band	2018/19 Non Teaching Employees	2018/19 Teaching Employees	2018/19 Total Employees
106	218	324	50 - 54,999	113	213	326
53	135	188	55 - 59,999	50	129	179
68	62	130	60 - 64,999	39	69	108
39	48	87	65 - 69,999	36	43	79
26	20	46	70 - 74,999	20	17	37
14	12	26	75 - 79,999	16	10	26
20	13	33	80 - 84,999	11	16	27
9	7	16	85 - 89,999	8	8	16
6	6	12	90 - 94,999	2	4	6
6	4	10	95 - 99,999	6	4	10
9	4	13	100 - 104,999	7	5	12
3	4	7	105 - 109,999	3	2	5
2	4	6	110 - 114,999	4	4	8
-	1	1	115 - 119,999	-	1	1
1	1	2	120 - 124,999	-	3	3
1	1	2	125 - 129,999	2	-	2
-	-	-	130 - 134,999	-	-	-
-	-	-	135 - 139,999	1	1	2
-	1	1	140 - 144,999	-	-	-
2	1	3	145 - 149,999	-	-	-
1	-	1	150 – 154,999	-	-	-
1	1	2	155 – 159,999	1	-	1
-	-	-	160 – 164,999	-	-	-
-	-	-	165 – 169,999	1	-	1
2	-	2	170 – 174,999	1	-	1
-	-	-	255 - 259999	1	1	2
369	**543**	**912**	**Total £50,000 and over**	**322**	**530**	**852**

34. Officers' Remuneration (contd.1)

Senior employees whose annual salary for the year was equal to or greater than £150,000 (pro-rata) or who were fulfilling a Statutory Chief Officer post (in accordance with the Local Government and Housing Act 1989) are listed below:

2018/19

Name and position		Salary Fees and Allowances	Expenses	Compensation for loss of employment	Council's contribution to Pension Fund	Total Remuneration
		£	£	£	£	£
Mr K Bromley-Derry - Chief Executive Officer	Note 1	44,199		196,333	4,102	244,634
Mrs K Kerswell - Interim Chief Executive Officer		127,379		-	-	127,379
Ms G Siggins - Executive Director of Strategic Commissioning		166,482			34,129	200,611
Mr N Bracken - Chief Operating Officer	Note 2	18,428		154,000	3,778	176,206
Mr S Letchford - Interim Director of Environment and Community		107,078			21,951	129,029
Mr M Hooper - Interim Director of Enforcement		106,281			21,788	128,069
Mrs J Sherwood - Interim Director of Regeneration and Planning		103,281			21,173	124,453
Ms J Moon - Director of Commissioning Education and Skills	Note 3	8,683			1,780	10,463
Ms P Javeri - Director of Techonology and Innovation		110,664			22,686	133,350
Mr D Fenwick - Director of Legal Service		137,951			27,758	165,709
Mr C Ansell - Director of Commissioning Support Unit		110,664			22,686	133,350
Ms D Morelli - Interim Director of Environment & Community		92,867			19,038	111,905
Ms S Roberts - Interim Director of Enforcement		82,704			16,954	99,658
Ms D Hindson - Executive Director of Financial Sustainability	Note 4	28,158		131,805	3,778	163,741
Ms M Peachey - Director of Public Health	Note 5	10,781		100,950	1,410	113,141
Total		**1,255,600**	**-**	**583,088**	**223,009**	**2,061,697**

Note 1 - Left 31/08/2018
Note 2 - Left 11/05/2018
Note 3 - Left 15/04/2018
Note 4 - Left 11/05/2018
Note 5 - Left 20/04/2018

2017/18

Name and position	Salary Fees and Allowances	Expenses	Compensation for loss of employment	Council's contribution to Pension Fund	Total Remuneration
	£	£	£	£	£
Mr K Bromley-Derry - Chief Executive Officer	171,292	-	-	36,943	208,234
Ms G Siggins - Executive Director of Strategic Commissioning	152,301	-	-	31,222	183,523
Ms D Hindson - Executive Director of Financial Sustainability	156,473	-	-	32,077	188,550
Mr N Bracken - Chief Operating Officer	149,672	-	-	30,683	180,354
Mr A Clements - Interim Assistant Chief Executive (External Partnerships) (Note 4)	100,067	-	-	20,514	120,580
Mr S Letchford - Interim Director of Environment and Community	90,422	-	-	18,536	108,958
Mr. M Hooper - Interim Director of Enforcement	100,632	-	-	20,889	121,521
Mr D Trainer - Director of Customer and Strategic Services (Note 3)	112,790	-	75,350	23,122	211,262
Ms J Sherwood - Interim Director of Regeneration and Planning	101,352	-	-	20,777	122,129
Ms M Peachey - Director of Public Health	123,790	-	-	25,377	149,167
Mrs J Burke - Director of Operations Children's Social Care & Safeguarding (Note 1)	117,369	-	74,400	19,654	211,423
Mrs J Moon - Director of Commissioning Education and Skills	104,196	-	-	21,360	125,556
Mrs J West - Managing Director for One Source	147,913	-	-		147,913
Mr J Thomas - Director for Commissioning (Childrens and Safeguarding) (Note 2)	92,499	-	41,395	10,476	144,371
Mrs P Javeri - Director of Technology and Innovation	104,128			21,321	125,449
Mrs D Armsby - Head of Planning and Regeneration (Note 5)	61,036	-	-	11,623	72,659
Mr D Fenwick - Director of Legal Services	126,322	-	-	25,325	151,647
Total	**2,012,254**	**-**	**191,145.00**	**369,898**	**2,573,297**

Note 1 - Left 09/03/18
Note 2 - Left 18/08/17
Note 3 - Left 16/03/18
Note 4 - Left 23/03/18
Note 5 - Left 01/10/17

34. Officers' Remuneration (contd.2)

Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£000s)	
	2017/18	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**
£0 – £20,000	93	14	11	12	104	26	1,086	240
£20,001 – £40,000	15	8	3	3	18	11	454	320
£40,001 – £60,000	1	3	4	1	5	4	232	178
£60,001 – £80,000	-	1	1	-	1	1	74	75
£80,001 – £100,000	-	-	-	-	-	-	-	-
£100,001 – £150,000	-	2	-	-	-	2	-	246
£150,001 – £250,000	-	2	-	-	-	2	-	350
Total	**109**	**30**	**19**	**16**	**128**	**46**	**1,846**	**1,409**

35. External Audit Costs

The table below details the amounts due to the Authority’s external auditors in respect of the following services.

	2017/18 £'000	**2018/19 £'000**
Fees payable to Auditors with regard to the external audit of the Authority	218	168
Additonal fees to Auditors with regards to the external audit of the Authority	-	-
Additonal fees to Auditors with regards to public objections to the accounts	-	-
Additional fees payable to Auditors with regard to the previous year's external audit of the Authority	59	207
Fees payable to Auditors with regard to the external audit of the pension fund	21	16
Additional fees payable to auditors with regard to the external audit of the pension fund (prior year)	0	16
Fees payable to Auditors with regard to the certification of grant claims and returns	35	35
	333	**442**

36. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant funding provided bey the Department of Education - the Dedicated School Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure included in the School Budget as per the School and Early Years Finance (England) (No 2) Regulations 2018. The Schools budget includes elements for a restricted range of services provided on an Authority-wide basis, and for the Individual Schools Budget, which is divided into a budget share for each school. Overspends on the two elements are required to be accounted for seperately.

		2018/19	
	Central Expenditure £'000	**ISB £'000**	**Total £'000**
Final DSG for 2018/19 before academy Recoupment			411,621
Academy figure recouped for 2018/19			(170,769)
Total DSG after academy recoupment for 2018/19			**240,852**
Plus: Brought forward from 2017/18			2,074
Less: Carry-forward to 2019/20 agreed in Advance			-
Agreed initial budgeted distribution in 2018/19	54,250	188,676	**242,926**
In-year adjustments			-
Final budget distribution for 2018/19	**54,250**	**188,676**	**242,926**
Less: Actual central expenditure	(53,592)		(53,592)
Less: Actual ISB deployed to schools		(188,676)	(188,676)
Plus Local authority contribution for 2018/19	491		491
Carry-forward to 2019/20	1,149	-	1,149

		2017/18	
	Central Expenditure £'000	**ISB £'000**	**Total £'000**
Final DSG for 2017/18 before academy Recoupment			401,521
Academy figure recouped for 2017/18	-	-	(111,203)
Total DSG after academy recoupment for 2017/18	-	-	**290,318**
Plus: Brought forward from 2016/17			5,962
Less: Carry-forward to 2018/19 agreed in Advance			
Agreed initial budgeted distribution in 2017/18	45,453	250,827	**296,280**
In-year adjustments	(1,219)	-	(1,219)
Final budget distribution for 2017/18	**44,234**	**250,827**	**295,061**
Less: Actual central expenditure	(42,160)	-	**(42,160)**
Less: Actual ISB deployed to schools	-	(250,827)	**(250,827)**
Plus Local authority contribution for 2017/18	-	-	-
Carry-forward to 2018/19	**2,074**	**-**	**2,074**

37. Other Long Term Liabilities

The group other long term liabilities is not materially different to the authorities other long term liabilities. The authorities other long term liabilities are made up of the following items. Further information on each line can be found in the notes referred to against each line.

	2017/18 £'000	**2018/19 £'000**
Finance Leases (Note 41)	(2,345)	(2,328)
HAA Mortgages	(275)	(275)
PFI Liability (Note 42)	(112,012)	(106,355)
Pensions Liability (Note 45)	(899,569)	(837,123)
Section 106	(15,049)	(28,319)
CIL	(211)	0
Total	**(1,029,461)**	**(974,400)**

38. Related Party Transactions

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

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

The Council has prepared this disclosure in accordance with its interpretation and understanding of IAS 24 and its applicability to the public sector utilising current advice and guidance.

Pension Fund

The Council oversees the administration of the Pension Fund. The Pension Fund can borrow from the Council. As at 31st March 2019, the Pension Fund owed the Council £0.86m and had £10m investments with London Borough of Newham.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2017/18 is shown in Note 33. Members of the Authority participate in and are members of a variety of other public bodies and community groups. The Council has well established mechanisms and procedures for preventing undue influence. Part of this mechanism is the disclosure of interests in the register of Members' interests which is open to public inspection on the Authority's website.

Members

Organisation	Payments made during 2018/19	Amounts owed at 31/03/19	Income received during 2018/19	Income due at 31/03/19	Member
	£'000	£'000	£'000	£'000	
Active Newham	2,113	-	5,032	3	Daniel Blaney Ken Clark
Aspers Stratford City Limited	-	-	20	-	Charlene McLean
Birkbeck University of London	18	-		-	Sir Robin Wales (Note 1)
Brick Lane Music Hall	-	-	18	-	Patrick Murphy
East London Waste Authority	20,270	-	1,019	-	Patrick Murphy Ken Clark Rachel Tripp
Lee Valley Regional Park Authority	183	-	1	-	Rachel Tripp
Local Government Association	57	-	-	-	Rachel Tripp Lester Hudson
London Councils	1,378	-	129	-	Lester Hudson Rachel Tripp Charlene McLean Sir Robin Wales
London Legacy Development Corporation	75	-	335	-	Rachel Tripp James Beckles Daniel Blaney Ken Clark Sir Robin Wales
Mind in Tower Hamlets And Newham	50	-	-	-	James Beckles
Newham College of Further Education	1,417	-	1	-	Anthony McAlmont James Beckles Quintin Peppiatt
Newham Health Collaborative Limited	134	-	-	-	Canon Ann Easter
Newham Watersmeet Woodcraft Folk	1	-	-	-	Sasha DasGupta
Red Door Ventures Limited	10,800	-	216	-	David Christie (Note 2)
Royal Docks Learning & Activity Centre	14	-	2		Patrick Murphy
Royal Docks Management Authority Limited	- 3	- 2,873	1	-	Ken Clark
Sparrows Childcare	-	-	1	-	Canon Ann Easter
Stratford Original Bid Company	352	-	28	-	Mas Patel (Note 3)
Theatre Royal Stratford East	432	-	3	1	Ken Clark

Note 1 - Stood down 07/05/18
Note 2 - Stood down 07/05/18
Note 3 - Stood down 07/05/18

38. Related Party Transactions (contd.1)

Officers

Organisation	Payments made during 2018/19 £'000	Amounts owed at 31/03/19 £'000	Income received during 2018/19 £'000	Income due at 31/03/19 £'000	Officer
Newham Learning Partnership (Project Co) Limited	10,290	-	51	-	Dave Baldock
Newham Transformation Partnership Limited	13,101	-	-	-	Dave Baldock
Public Realm Services Limited	6,529		4,321	116	Colin Ansell
The Language Shop Limited	5,121	-	865	-	Zoe Power

All transactions have been made on an arm's length basis and at commercial terms. Enquiries can be made with the Council regarding these transactions via Freedom of Information requests.

39. Council's Association with External Bodies

The Council has significant interests in a variety of entities, including Subsidiaries, Investments, Associates and Jointly Controlled Operations. Significant interests have been identified as:

Subsidiaries

Red Door Ventures Limited - A wholly-owned subsidiary company that was formed in March 2014 to facilitate the Authority's construction and investment in private rental properties within the Borough. Ordinary share capital constitutes 15,807,332 Ordinary shares of £1 each as at 31 March 2019 (11,507,332 £1 Ordinary shares as at 31 March 2018). In 2018/19, the company made a loss (reflecting trading with RDV Design and Build Limited, a subsidiary undertaking) of £2.7m (2017/18: loss of £2.2m). Net assets were £23.9m (net assets of £17.2m as at 31 March 2018). This entity is controlled by the Authority and is deemed to be material for the purposes of group consolidation.
Payments made during the year totalled £10.8m, and £0.2m income was received for the year.
There are currently 6 Board members. David Christie is connected to the Authority and is deemed to be a related party.
The renumeration for the highest paid director is £107k (2017/18: £181k)
Full details of Members and transactions with the Authority are disclosed in Note 38.
RDV's Directors that have held office between 1 April 2018 and 31 March 2019 are as follows:

Robin Atkin-House
Suzanne Forster
Sarah Gaventa
Joseph Montgomery
John Swinney
Kent Taylor
Lesley-Anne Alexander
David Christie
Patrick Shaw
Christopher Wood

A copy of RDVs' financial statements can be obtained by writing to:
Red Door Ventures
373 High Street
Stratford
London
E15 4QZ

BetterTogether Limited - Incorporated in January 2016, it is anticipated that this limited company will deliver the Authority's Shared Lives Programme. A single Ordinary £1 share is in issue, held by the Mayor and Burgesses of the London Borough of Newham. This company started trading in June 2016. Payments made during 2018/19 totalled £1.415m and £0.01m was owed as at 31st March 2019.

The company disclosed a profit after tax of £0.009m in 2018/19 and has net assets of £0.17m

There are 6 Board members, Sarah Havard, James Smith, Gisela Iveson and Anne Kasibante (Resigned 6 December 2018), P Lewis (Resigned 22 May 2018), R Patel (Appointed 22 May 2018), D Kelly (Appointed 25 September 2018), M Minter (Appointed 6 December 2018).

39. Councils Association with External Bodies (contd.1)

The Language Shop Limited - A wholly-owned company incorporated in February 2014 which offers translation and interpretation services. Share capital amounts to 100 Ordinary shares of £1 each.

The company has 4 Board members in place, and all are connected to the Authority as related parties. These Officers are Aprile Harman, Samuel Lingard, Jaimin Patel and Zoe Power.
Payments made during the 2018/19 totalled £5.1m, and income of £0.9m was received in the year.

During the year a loan of £160,000 was fully repaid to London Borough of Newham.

TLS's Directors that have held office during the year ended 31 March 2019 are as follows:

- AD Harman
- Samuel Lingard
- Jaimin Patel
- Zoe Power

A copy of TLS's financial statements can be obtained by writing to:

Chief Executive
1000 Dockside Road
Beckton
London
E16 2QU

The Language Shop Trustee Limited- A private dormant company limited by guarantee incorporated in January 2016. The company has 2 board members, Aprile Harman and Jaimin Patel.

Future Newhome Limited- A subsidiary company wholly-owned by the Authority, established to acquire a portfolio of property which will be offered at a range of discounts to market rents to people on a range of incomes. Future Newhomes Limited has been consolidated as a group company in the Authority's Group Accounts as this subsidiary represents a material investment in relation to the Authority's overall assets and liabilities profile. The Authority would be entitled to the assets of this limited company in the event of it being wound-up, once all debts and liability obligations had been met. The company commenced trading on 22 December 2016.

The company's 2018/19 financial results disclosed a loss of £1.9m (£1.0m loss in 2017/18), and net liabilities of £3.1m (£1.0m in 2017/18) and has £7.4m (£22m in 2017/18) of future capital commitments. There were 3 board members in the year to 31 March 2019, with 2 connected to the Council and deemed to be related parties: namely Sandy Hamberger (appointed 26 April 2017); and David Morris (appointed 18 April 2017). No payments made during 2018/19, and £0.6m was owed from this company as at 31 March 2019.

Future Newhome's directors that have held office between 1 April 2018 and 31 March 2019 are as follows:

- Sandy Hamberger - Appointed 26 April 2017
- David Morris - Appointed 18 April 2017
- W.F.M. Stokes - Appointed 22 May 2018

A copy of Future New Home's financial statements can be obtained by writing to:

Chief Executive
1000 Dockside Road
Beckton
London
E16 2QU

39. Councils Association with External Bodies (contd.2)

Public Realm Service Limited - A wholly owned subsidiary, established as a street cleaning services provider. This company was incorporated in July 2016 and currently has 3 board members in place. Profit after tax declared as £0.6m for 2018/19.

The Good Support Group Limited - A wholly owned subsidiary which provides high quality care and support activities to the authority and surrounding area. This company was incorporated in October 2016 and currently has 3 board members. Profit after tax declared as £0.2m for 2018/19.

London Network for Pest Solutions Limited- A wholly owned subsidary which provides pest control services. This company was incorporated in October 2016 and currently has 3 board members in place. Profit after tax declared as £0.2m for 2018/19.

Early Start Education Limited- Incorporated in August 2016, this company will provide residents with high quality early years education including free child care to those who are entitled. This is a wholly owned subsidary and there are currently 3 board members in place. Profit after tax declared as £0.02m for 2018/19.

Ixact Limited - A subsidiary company wholly-owned by the Authority, established as a cleaning services provider. Ixact Limited has been consolidated as a group company in the Authority's Group Accounts as this subsidiary represents a material investment in relation to the Authority's overall assets and liabilities profile. The Authority would be entitled to the assets of this limited company in the event of it being wound-up, once all debts and liability obligations had been met.
The companies 2018/19 financial results disclosed a profit of £0.22m, and net assets of £0.24m. There were 3 board members in the year to 31 March 2019, with 1 connected to the Council and deemed to be a related party: namely Nurun Nehar. Payments of £4.6m were made during 2018/19 and £0.3m was owed from this company as at 31 March 2019. The authority owes Ixact limited £18,001 (VAT inclusive) relating to market cleaning services for the month of March 2018.
The authority paid £267,156 as an advance for the payment of wages and salaries for the month of March 2019 which would be recovered.

i-Xact's Directors that have held office during the year ended 31 March 2019 are as follows:

ŸGraeme Waugh
ŸAnoop Goyal
ŸNurun Nehar

A copy of i-Xact's financial statements can be obtained by writing to:
Chief Executive
Central Depot
Folkestone Road
London
East Ham
E6 6BX

Mint Cleaning Limited - A subsidiary company wholly-owned by the Authority, established as a cleaning services provider. Mint Limited has been consolidated as a group company in the Authority's Group Accounts as this subsidiary represents a material investment in relation to the Authority's overall assets and liabilities profile. The Authority would be entitled to the assets of this limited company in the event of it being wound-up, once all debts and liability obligations had been met.
The company's 2018/19 financial results disclosed a profit of £0.32m, and net assets of £0.4m. There were 3 board members in the year to 31 March 2019, all connected to the Council and deemed to be related parties: named Sandy Hamberger (appointed 8 June 2017); Dean Pamenter (appointed 8 June 2017); and Brian Veale (appointed 8 June 2017). Payments of £4.6m was made during 2018/19, and £1.1m was owed from this company as at 31 March 2019.

Mint's Directors that have held office during the year ended 31 March 2019 are as follows:

ŸSandy Hamberger - Appointed 8 June 2017
ŸDean Pamenter - Appointed 8 June 2017
ŸBrian Veale - Appointed 8 June 2017

A copy of Mint's financial statements can be obtained by writing to:

Chief Executive
Central Depot
Folkestone Road
London
East Ham
E6 6BX

Juniper Pursuits Ltd
Juniper Pursuits Limited is a wholly owned subsidiary of Juniper Ventures Limited. The company's 2018/19 financial results disclosed a profit after tax of £0.5m, and net assets of £0.5m and has future capital commitments of £Nil.
Juniper Pursuits Ltd Directors that have held office between 1st April 2018 and 31st March 2019 are as follows:

ŸD Gibbs - Appointed 26 February 2019
ŸM C Hales - Appointed 27 February 2018
ŸB A Holland - Appointed 26 February 2019
ŸP Terry - Appointed 1 March 2018
ŸP Thorogood - Appointed 1 March 2018
ŸC Tyler - Appointed 26 February 2019
ŸK S Hobard - Appointed 1 March 2018, Resigned 25 February 2019
ŸS Parkinson - Appointed 1 March 2018, Resigned 6 February 2019
ŸJ Robinson - Appointed 1 March 2018, Resigned 1 August 2018

A copy of Juniper Pursuits financial statements can be obtained by writing to: 29 The Old Town Hall, 29 Broadway, Stratford, London E15 4BQ

39. Councils Association with External Bodies (contd.3)

Juniper Ventures Ltd
The controlling party is Mayor And Burgesses Of The London Borough Of Newham by virtue of 100% shareholding in Juniper Ventures Limited.
The company's 2018/19 financial results disclosed a profit after tax of £0.17m, and net assets of £0.04m and has future capital commitments of £Nil.
There are 6 board members in post as of 31/03/2019.

Juniper Ventures Ltd Directors that have held office between 1st April 2018 and 31st March 2019 are as follows:

- D Gibbs - Appointed 26 February 2019
- M C Hales - Appointed 27 February 2018
- B A Holland - Appointed 26 February 2019
- P Terry - Appointed 1 March 2018
- P Thorogood - Appointed 1 March 2018
- C Tyler - Appointed 26 February 2019
- K S Hobard - Appointed 1 March 2018, Resigned 25 February 2019
- S Parkinson - Appointed 1 March 2018, Resigned 6 February 2019
- J Robinson - Appointed 27 February 20017, Resigned 30 October 2018

A copy of Juniper Ventures financial statements can be obtained by writing to: 29 The Old Town Hall, 29 Broadway, Stratford, London E15 4BQ

Every Child (Achieving Their Potential)
Every Child is a wholly owned subsidiary of the authority. The company's 2018/19 financial results disclosed a profit before tax of £0.5m, and net assets of £0.5m and has future capital commitments of £Nil.
There are 4 board members.

Every Child (Achieving Their Potential) Directors that have held office between 1st April 2018 and 31st March 2019 are as follows:

- J E Fileti - Appointed 5 June 2018
- T E May - Appointed 1 May 2018
- N Spark - Appointed 28 December 2017
- S Spencer - Appointed 1 May 2018

Health & Care Space Newham Ltd
Health and Care Space Newham Ltd is jointly controlled by LBN and East London NHS trust. The company's 2018/19 financial results disclosed a profit after tax of £2.5m, and net assets of £2.5m and has future capital commitments of £Nil.
There are 4 board members.

Health & Care Space Newham Ltd Directors that have held office between 1st April 2018 and 31st March 2019 are as follows:

- A D Ireland - Appointed 28 February 2019
- S C Course - Appointed 1 March 2019
- G Siggins - Appointed 21 March 2018
- M Venkataran - Appointed 2 March 2019
- A Lines-Jobling - Appointed 6 April 2018, Resigned 1 March 2019

A copy of their financial statements can be obtained by writing to:
Attn: Health and Care Space Newham Ltd
Newham Dockside
1000 Dockside Road
London
E16 2QU

39. Councils Association with External Bodies (contd.4)

Investments

Active Newham - A Leisure Trust that has managed the Authority's leisure, sports and volunteering opportunities in Newham since January 2013. The Authority has 3 of 10 places on the Board of Trustees, and therefore no overall voting majority.

Full details of Members and their associated transactions with the Authority are disclosed within Note 38.

Total payments of £2.1m were made during 2018/19, and income of £5m was received during the year.

Newham Learning Partnership (Hold Co) Limited - Immediate parent undertaking of Newham Learning Partnership (Project Co) Limited. The company was formed as a Special Purpose Vehicle (SPV) for the construction and subsequent maintenance and management of two secondary schools in the Newham area under Private Finance Initiative (PFI) arrangements. The Authority holds 9% of the company's Ordinary shares and is therefore unable to exert significant influence over the company's decision-making processes.

Newham Learning Partnership (Project Co) Limited - A wholly-owned subsidiary of Newham Learning Partnership (Hold Co) Limited. The company provides construction and maintenance services to two secondary schools in Newham under a Private Finance Initiative (PFI) contract. The schools included under the PFI contract are Rokeby School and Lister Community School.

Total payments of £10.3m were made during 2018/19 and income of £0.05m was received during the year.

Newham Partnership Working Limited - A company limited by guarantee, this entity was incorporated in December 2011. The company's primary purpose is to provide Health and Safety, Human Resources, Information and Communication Technology (ICT) and other associated support services to local schools. In the opinion of the company's directors, there is no one single controlling party. The Authority has the ability to appoint 3 of the 19 Board members in place, and is therefore unable to exert significant influence over the entity.

Full details of Members and transactions with the Authority are disclosed in Note 38.

Newham Transformation Partnership Limited - This company was formed in December 2008 and provides design and construction services for new schools in Newham under the Building Schools for the Future initiative in addition to investing in joint ventures whose business activities include the provision of construction and maintenance services for new Borough schools. The company additionally supplies ICT services across a number of schools. Based upon a 10% shareholding, the Council is unable to control this entity.

Full details of Members and transactions with the Authority are disclosed in Note 38.

Total payments of £13.1m were made during the year and income of £Nil was received in 2018/19.

39. Councils Association with External Bodies (contd.5)

Newham Foundation – A company limited by guarantee, the Foundation was formed by the Authority and Newham College of Further Education in 2002 with the central aim of providing accommodation facilities and programmes for the improvement and development of education within the Borough. The Authority holds 19% of the overall voting rights established and is unable to exert significant influence over decision-making processes.

Full details of Members and transactions with the Authority are disclosed in Note 38.

Associate

oneSource Partnership Limited - A dormant company which has not traded since incorporation in April 2014. The company's Ordinary share capital is divided equally between the Authority (50%) and the London Borough of Havering (50%).

Full details of Members and transactions with the Authority are disclosed below under Joint Committees.

Jointly Controlled Operations

Choice Homes UK – A partnership between 6 Local Authorities and 2 Housing Associations that provides a choice-based lettings service to East London residents. Since formation in 2002, the function has grown ostensibly and now services other London Boroughs, in addition to geographical areas outside of London. The Authority is 1 of 8 partners involved in the arrangement. Each has an equal vote, and therefore no overall voting majority exists. The partners make collective decisions on strategic matters including service growth and development.

Joint committees

OneSource is a public sector shared back-office support service which is supported by members through a joint committee arrangement. The joint committee receive key reports and make strategic decisions about OneSource's operation. OneSource was set up with a view to making savings by eliminating duplication, reducing senior management costs and introducing more efficient processes. OneSource started on 1 April 2014, when the London Boroughs of Havering and Newham contributed almost all their support services for the two authorities including HR, ICT, Finance, Legal services, Exchequer and Transactional services, Asset Management and Business services (Newham's Exchequer service was subsequently removed during the course of 2016/17). On the 1st April 2016 the London Borough of Bexley joined the joint committee arrangement. Bexley joined in a more limited capacity than Havering and Newham with oneSource providing Finance (excluding procurement) and Exchequer and Financial Transactional services to the London Borough of Bexley

The oneSource outturn position for 2018/19 is disclosed below and is split between the Newham, Bexley and Havering Authorities. The Newham share is charged against the Comprehensive Income and Expenditure Statement.

oneSource	**2017/18**	**2018/19**
Net Expenditure	**£'000**	**£'000**
Exchequer and Transactional Ser	6,979	6,555
Finance	9,804	9,844
Business Services	2,293	1,621
Legal and Governance	3,437	2,225
ICT	7,895	8,934
Asset Management	2,959	2,345
Strategic and Operational HR	2,811	2,687
Total Net Expenditure	**36,178**	**34,211**
Cost Sharing:		
London Borough of Newham	17,103	15,740
London Borough of Havering	16,211	15,633
London Borough of Bexley	2,864	2,838
Total	**36,178**	**34,211**

As at 31 March 2019, the Authority was owed £0.754m from the London Borough of Havering and £0.067m due from the London Borough of Bexley. This amount is disclosed within the 'Other Local Authorities' heading in Note 22 Receivables.

The Newham Joint Committee Council Members are Councillors Fiaz, Gray and Paul, the Havering Joint Committee Council Members are Councillors Benham, Ramsey and White (D) and the Bexley Joint Committee Member is Councillor Leaf.

The following oneSource Chief Officers have joint managerial responsibility for services across both Authorities and as such have significant influence over the operational effectiveness and decision-making policies of this arrangement. Their roles are defined below:

Shared oneSource role	**Employing Organisation**	**Period**
Executive Director	London Borough of Newham	April 2018 - March 2019
Director of Asset Management	London Borough of Havering	April 2018 - March 2019
Director of Exchequer and Transactional	London Borough of Havering	April 2018 - March 2019
Director of Legal and Governance	London Borough of Newham	April 2018 - March 2019
Director of Human Resources	London Borough of Havering	April 2018 - March 2019
Director of Business Development	London Borough of Havering	April 2018 - March 2019
Director of Finance	London Borough of Newham	April 2018 - March 2019
Director of ICT	London Borough of Newham	April 2018 - March 2019

40. Capital Expenditure and Capital Financing

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

31 March 2018 £'000		31 March 2019 £'000
868,441	**Opening CFR**	**993,667**
	Capital investment	
73,965	Property, Plant and Equipment	77,551
91,446	Investment Properties	-
134	Intangible Assets	-
24,761	Revenue Expenditure Funded from Capital under Statute	24,520
241	Loans to Organisations	21,981
190,547		**124,053**
	Sources of finance	
(12,177)	Capital receipts	(6,167)
(40,133)	Government grants and other contributions	(49,902)
(11,103)	Major Repairs Allowance	(26,357)
(1,908)	MRP/loans fund principal including PFI / finance lease	(2,618)
(65,321)		**(85,044)**
993,667	**Closing CFR**	**1,032,675**

41. Leases

Authority as Lessor

Finance Leases

The Authority has leased out property at Stratford Centre, Caxton and Nene on finance leases with terms ranging from 77-136 years

The Authority has a gross investment in the lease, made up of minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long-term receivable for the interest in the property acquired by the lessee and finance income earned by the Authority.

Minimum Lease Payments	**2017/18 £'000**	**2018/19 £'000**
Finance Lease Receivable		
Current	-	34
Non - Current	9,251	9,192
Interest	28,623	28,251
Total	**37,874**	**37,477**

Gross Investment in Lease	**2017/18 £'000**	**2018/19 £'000**
Not later than one year	407	407
Later than one year and not later than five years	1,627	1,627
Later than five years	35,840	35,443
Total	**37,874**	**37,477**

Minimum Lease Payments	**2017/18 £'000**	**2018/19 £'000**
Not later than one year	-	34
Later than one year and not later than five years	-	139
Later than five years	9,217	9,053
Total	**9,217**	**9,226**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2018/19 £1.168m additional rents were payable to the authority.

Operating Leases

The Future minimum lease payments due under non – cancellable leases in future years are set out below:

	2017/18 £'000	**2018/19 £'000**
Within 1 year	13,239	12,453
Within 2 – 5 years	51,028	41,629
Over 5 years	60,320	225,429
Minimum Lease payments	**124,588**	**279,511**

The values quoted above are estimates in respect of five investment properties purchased in year and does not include other land and building leased by the authority, the actual income received is aggregated into the total rental income due from investment properties stated in Note 16.

41. Leases (contd.1)

Authority as a Lessee

Finance Leases

The Assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	2017/18 £'000	2018/19 £'000
Other Land and Buildings		
Stratford Workshop	3,659	3,659
Industrial Site	1,587	588
Total	**5,246**	**4,247**

The future minimum lease payments at the end of each reporting period are set out below:

	2017/18 £'000	2018/19 £'000
Finance Lease liabilities (net present MLP)		
Current	17	14
Non - Current (Note 37)	2,345	2,328
Finance Costs Payable in future years	3,584	3,472
	5,946	**5,814**

Minimum Lease payments

	2017/18 £'000	2018/19 £'000
Within 1 year	126	126
Within 2 – 5 years	504	504
Over 5 years	5,316	5,184
Minimum Lease payments	**5,946**	**5,814**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2017/18 £245k contingent rents were payable.

Operating Leases

The Future minimum lease payments due under non – cancellable leases in future years are set out below:-

	2017/18 £'000	2018/19 £'000
Within 1 year	1,249	23,426
Within 2 – 5 years	2,381	26,262
Over 5 years	17,663	8,439
Minimum Lease payments	**21,292**	**58,127**

42. Private Finance Initiatives And Similar Contracts

As at 31st March 2019, the Authority has five long-term contracts in place under Private Finance Initiative (PFI) arrangement, details of which are summarised below:

(i) Schools PFI 1

This is a 25 year contract to design, build and operate 3 Schools - Kingsford Secondary, Plaistow and Kaizen Primary Schools. At the end of the contract, control of the assets revert back to the Authority. The Authority has recognised these assets on the Balance Sheet.

(ii) Schools PFI 2

Schools PFI 2 is a second PFI scheme to build and operate Cumberland Secondary School. The contract is for 25 years and has 16 years left to run. At the end of the contract, control of the assets revert back to the Authority. The Authority has recognised these assets on the Balance Sheet.

(iii) Canning Town PFI

A 30 year contract for the refurbishment, maintenance and provision of landlord services for approximately 1,300 housing properties in Canning Town, East London. The Council has recognised these assets on the Balance Sheet.

(iv) Forest Gate PFI

A 20-year contract for the refurbishment, maintenance and provision of landlord services for approximately 1,300 housing properties in Forest Gate, East London. The Council has recognised these assets on the Balance Sheet.

(v) BSF Wave 1

This involves the design, building and operation of Lister and Rokeby Schools under Wave 1 of the Building Schools for the Future Programme. The scheme is for a term of 26 years, after which the assets will revert back to being controlled by the Authority. The assets are recognised on the Authority's Balance Sheet.

The value of assets held under the PFI schemes is summarised below:

	2017/18 Restated				**2018/19**	
Council Dwellings £'000	**Other Land and Buildings £'000**	**Total £'000**		**Council Dwellings £'000**	**Other Land and Buildings £'000**	**Total £'000**
86,443	119,945	**206,388**	Net book value at 1 April	86,111	149,264	**235,375**
1,390	1,156	**2,546**	Additions	1,290	1,248	**2,538**
(1,801)	(4,467)	**(6,268)**	Depreciation and impairment	(1,794)	(3,935)	**(5,729)**
991	32,630	**33,621**	Revaluation	2,228	1,434	**3,662**
(912)	-	**(912)**	Disposals	(614)	- 43,501	**(44,115)**
86,111	**149,264**	**235,375**	**Net book value at 31 March**	**87,221**	**104,510**	**191,731**

Movements in liabilities resulting from PFI or similar contracts are disclosed below:

	2017/18				**2018/19**	
Council Dwellings £'000	**Other Land and Buildings £'000**	**Total £'000**		**Council Dwellings £'000**	**Other Land and Buildings £'000**	**Total £'000**
(39,437)	(82,239)	**(121,676)**	Value at 1 April	(37,540)	(79,044)	**(116,584)**
1,897	3,195	**5,092**	Repayments made in year	1,230	3,342	**4,572**
(37,540)	**(79,044)**	**(116,584)**	**Value at 31 March**	**(36,310)**	**(75,702)**	**(112,012)**

42. Private Finance Initiatives And Similar Contracts (contd.1)

Future payments to be made

Payments

The Authority makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contracts at 31st March (excluding any estimation of inflation and availability performance) are shown below.

2018/19	Schools			Dwellings			Total		
	Repayment of Liability £'000	Interest £'000	Service Charge £'000	Repayment of Liability £'000	Interest £'000	Service Charge £'000	Repayment of Liability £'000	Interest £'000	Service Charge £'000
Payment in 2019/20	3,369	6,525	3,841	2,287	3,356	6,617	5,656	9,881	10,458
Payments within 2-5 yrs	18,169	22,623	14,383	9,521	10,949	28,335	27,689	33,572	42,719
Payments within 6-10 yrs	30,367	17,723	17,113	18,024	7,209	33,294	48,391	24,933	50,407
Payments within 11-15yrs	17,497	6,870	10,790	4,849	1,116	14,205	22,346	7,986	24,995
Payments within 16-20 yrs	6,301	616	2,176	1,629	93	2,922	7,930	710	5,098
Total future payments (excluding any future indexation)	**75,703**	**54,358**	**48,303**	**36,310**	**22,723**	**85,373**	**112,012**	**77,082**	**133,676**

2017/18	Schools			Dwellings			Total		
	Repayment of Liability £'000	Interest £'000	Service Charge £'000	Repayment of Liability £'000	Interest £'000	Service Charge £'000	Repayment of Liability £'000	Interest £'000	Service Charge £'000
Payment in 2018/19	3,342	6,823	3,634	1,230	3,463	7,592	4,572	10,286	11,226
Payments within 2-5 yrs	16,534	24,100	14,425	10,050	11,980	26,867	26,584	36,080	41,292
Payments within 6-10 yrs	30,308	20,456	18,141	16,149	8,871	35,604	46,457	29,327	53,745
Payments within 11-15yrs	18,193	8,360	12,021	7,421	1,650	17,171	25,614	10,010	29,192
Payments within 16-20 yrs	10,667	1,442	3,716	2,690	222	5,730	13,357	1,664	9,446
Total future payments (excluding any future indexation)	**79,044**	**61,181**	**51,937**	**37,540**	**26,186**	**92,964**	**116,584**	**87,367**	**144,901**

43. Termination Benefits

Termination benefits paid to staff whose employment was terminated in 2018/19 totalled £1.409m (£1.846m in 2017/18).

Further details can be found in Note 34 (Officers' Remuneration).

44. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency. It provides teachers with defined benefits upon their retirement and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2018/19, the Authority paid £10.6m (£13.2m in 2017/18) to Teachers' Pensions (the government agency responsible for administering teachers pensions throughout England and Wales) in respect of teachers' pension costs. The Authority is responsible for all pension payments relating to added years it has awarded upon early retirement outside the terms of the teachers' pension scheme, together with the related increases. These costs are accounted for on a defined contribution basis.

Public Health

The Health and Social Care Act 2012 transferred responsibility for Public Health to Local Authorities with effect from 1 April 2013. As a result, the Council now employs staff who pay into the NHS Defined Benefit Scheme. The scheme is administered by the Department of Health but is accounted for on a defined contribution basis.

In 2018/19, the Authority paid £779k (£529k in 2017/18) to the Department of Health Pension scheme in respect of pension costs.

45. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in post-employment schemes:

- The Local Government Pension Scheme, administered by London Borough of Newham - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.
- The Newham Pension Scheme is operated under the Regulatory Framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Investments and Accounts Committee of London Borough of Newham. Policy is determined in accordance with the Pension Fund Regulations. The Investment Managers of the Fund are appointed by the Committee. Members of the Committee are disclosed on www.newham.gov.uk.
- The principal risks of this defined benefit scheme are the longevity assumptions, statutory changes, structural changes (ie large-scale membership withdrawals), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and the Housing Revenue Account the amounts required by Statute as described in the Statement of Accounting Policies.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no planned assets built up to meet these pension liabilities.

Transactions Relating to Post-employment Benefits

The costs of retirement benefits are recognised in the reported cost of services when they are earned by employees, as opposed to when the benefits are eventually paid as pensions. However, the charge that the Authority is required to make against Council Tax is based upon the cash payable in the year, and therefore the true cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The transactions in this note have been recorded in the Comprehensive Income and Expenditure Statement and the General Fund and HRA balances (via the Movement in Reserves Statement) during the current year:

Multi-employer defined benefit plan

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2020 and will set contributions for the period from 1 April 2019 to 31 March 2024. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

On an Employer's withdrawal from the Fund, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulation 2013 which will determine the termination contribution due by the employer, on a set of assumptions deemed appropriate by the Fund Actuary.

In addition, as many unrelated employers participate in the Newham Pension Fund, there is an orphan liability risk. This is a risk where the employer leaves the Fund but does not have enough assets to cover their pension obligations and therefore the difference may fall on the remaining employers.

McCloud Judgement - Post Balance Sheet Events

The figures shown have taken into account the impact of the recent McCloud ruling and GMP equalisation.

45. Defined Benefit Pension Schemes (contd.1)

	2017/18			2018/19		
	Funded £'000	Unfunded £'000	**Total £'000**	Funded £'000	Unfunded £'000	**Total £'000**
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Service cost	27,759	-	**27,759**	43,370	(1,754)	**41,616**
Administration Expenses	966	-	**966**	852	-	**852**
Financing and Investment Income and Expenditure						
Net interest expense	23,925	452	**24,377**	21,269	547	**21,816**
Total Post Employment Benefit Charged to the Surplus on the Provision of Services	**52,650**	**452**	**53,102**	**65,491**	**(1,207)**	**64,284**
Remeasurement in Other Comprehensive Income and Expenditure						
Return on Fund assets in excess of interest	39,973	-	**39,973**	(69,351)	-	**(69,351)**
Change in financial assumptions	(100,391)	(994)	**(101,385)**	94,446	689	**95,135**
Change in demographic assumptions				(115,723)	(1,257)	**(116,980)**
Total Remeasurements in Other Comprehensive Income and Expenditure	**(60,418)**	**(994)**	**(61,412)**	**(90,628)**	**(568)**	**(91,196)**

	2017/18			2018/19		
Movement in Reserves Statement	Funded £,000s	Unfunded £,000s	**Total £,000s**	Funded £,000s	Unfunded £,000s	**Total £,000s**
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits	(52,650)	(452)	**(53,102)**	(65,491)	1,207	**(64,284)**
Actual amount charged against General Fund and HRA Balances for pensions in the year						
Employers' contributions payable to scheme	31,589	-	**31,589**	27,092	-	**27,092**
Retirement benefits payable to pensioners	-	1,777	**1,777**	-	-	**-**
Net adjustment between accounting basis and funding basis under regulations	**(21,061)**	**1,325**	**(19,736)**	**(38,399)**	**1,207**	**(37,192)**

Pensions Assets and Liabilities Recognised in the Balance Sheet

	2017/18			2018/19		
	Funded £,000s	Unfunded £,000s	**Total £,000s**	Funded £,000s	Unfunded £,000s	**Total £,000s**
Present value of the defined benefit obligation	2,068,109	23,676	**2,091,785**	2,074,325	21,901	**2,096,226**
Fair value of plan assets	(1,192,216)	-	**(1,192,216)**	(1,259,103)	-	**(1,259,103)**
Net Liability in balance sheet	**875,893**	**23,676**	**899,569**	**815,222**	**21,901**	**837,123**

45. Defined Benefit Pension Schemes (contd.2)

	2017/18			2018/19		
	Funded	Unfunded	**Total**	Funded	Unfunded	**Total**
	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Reconciliation of the Movements in the Fair Value of Fund Assets						
Opening fair value of assets	**(1,241,960)**	**-**	**(1,241,960)**	**(1,192,216)**	**-**	**(1,192,216)**
Adjustment opening Pensions Reserve/liability				(8,442)		(8,442)
Interest on assets	(32,935)	-	**(32,935)**	(29,813)	-	**(29,813)**
Return on assets less interest	39,973	-	**39,973**	(69,682)	-	**(69,682)**
Other actuarial gains	-	-	**-**	-	-	**-**
Administration expenses	966	-	**966**	1,092	-	**1,092**
Contributions by employer	(31,589)	-	**(31,589)**	(27,092)	-	**(27,092)**
Contributions by scheme participants	(9,606)	-	**(9,606)**	(8,340)	-	**(8,340)**
Estimated benefits paid	54,550	-	**54,550**	53,256	-	**53,256**
Settlement prices paid	28,385	-	**28,385**	22,134	-	**22,134**
Closing fair value of assets	**(1,192,216)**	**-**	**(1,192,216)**	**(1,259,103)**	**-**	**(1,259,103)**

	2017/18			2018/19		
	Funded	Unfunded	**Total**	Funded	Unfunded	**Total**
	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Reconciliation of the Movements in the defined benefit obligation						
Opening defined benefit obligation	**2,157,210**	**25,995**	**2,183,205**	**2,068,109**	**23,676**	**2,091,785**
Current service cost	56,437	-	**56,437**	45,595		**45,595**
Interest cost	56,860	452	**57,312**	51,082	547	**51,629**
Change in financial assumptions	(100,391)	(994)	**(101,385)**	94,443	689	95,132
Change in demographic assumptions	-	-	**-**	(115,723)	(1,257)	(116,980)
Experience loss/(gain)	(59,767)	-	**(59,767)**	-		**-**
Liabilities settled	(54,550)	-	**(54,550)**	(40,879)	(1,754)	**(42,633)**
Estimated benefits paid	2,704	-	**2,704**	(53,256)		**(53,256)**
Past service costs & curtailments	9,606	-	**9,606**	16,614		**16,614**
Contributions by scheme participants	-	-	**-**	8,340		**8,340**
Unfunded pension payments	-	(1,777)	**(1,777)**	-		**-**
Closing defined benefit obligation	**2,068,109**	**23,676**	**2,091,785**	**2,074,325**	**21,901**	**2,096,226**

45. Defined Benefit Pension Schemes (contd.3)

Assets

The return on the Fund (on a bid value basis) for the year to 31 March 2019 is estimated to be 8%.

The estimated asset allocation is as follows:

Employer asset share - bid value	31 March 2018		31 March 2019	
	£'000	%	£'000	%
Equities	773,638	65%	722,543	57%
Gilts	96,243	8%	74,011	6%
Other Bonds	119,313	10%	101,477	8%
Property	109,146	9%	127,401	10%
Cash	65,920	6%	133,955	11%
Other	27,956	2%	101,253	8%
Total	**1,192,216**	**100%**	**1,260,640**	**100%**

The following table provides a more detailed analysis of the Employer's assets as at 31 March 2019:

	Quoted/Unquoted	31 March 2019
Corporate Bonds		
UK	Quoted	8.0%
Overseas	Quoted	0.0%
Equities		
UK	Quoted	16.0%
Overseas	Quoted	34.2%
Property		
All	Unquoted	10.1%
Fixed Interest Government Securities		
UK	Quoted	2.4%
Overseas	Quoted	3.5%
Others		
Hedge Fund	Unquoted	1.5%
Private Equity	Unquoted	
Private Debt	Unquoted	3.9%
Venture capital	Unquoted	5.5%
Derivatives	Unquoted	0.1%
Diversified alternatives	Unquoted	4.1%
Infrastructure	Unquoted	
Commodities	Unquoted	
Cash/Temporary Investments	Unquoted	1.4%
Cash/Temporary Investments	Quoted	9.3%
		100.0%
Total		**100.0%**

45. Defined Benefit Pension Schemes (contd.4)

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method - an estimate of the pensions that will be payable in future years dependent upon employee assumptions including mortality rates and salary levels.

The liabilities of the Local Government Pension Scheme and the Newham Pension Scheme have been estimated by Barnett Waddingham, an independent firm of actuaries. Pension Fund estimates are based upon the latest full valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary are:

	2017/18		2018/19	
	Funded	Unfunded	Funded	Unfunded
Life expectancy from age 65 years				
Retiring today				
Males	22.6	22.6	21.6	21.6
Females	25.2	25.2	24.0	24.0
Retiring in 20 years				
Males	24.8	n/a	23.3	n/a
Females	27.5	n/a	25.8	n/a
Financial Assumptions				
RPI increases (%p.a.)	3.3%	3.3%	3.4%	3.4%
CPI increases (%p.a.)	2.3%	2.4%	2.4%	2.4%
Salary increases (%p.a.)	3.8%	0.0%	3.9%	0.0%
Pension increases (%p.a.)	2.3%	2.4%	2.4%	2.5%
Discount rate (%p.a.)	2.6%	2.4%	2.4%	2.2%

An estimate of the Employer’s future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). The approach has changed from the “spot rate” approach adopted at the previous accounting date to reflect national auditor preferences.

Similarly to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. The approach has changed from the “spot rate” approach adopted at the previous accounting date to reflect national auditor preferences.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 1.0% p.a. below RPI i.e. 2.4% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts and is consistent with the approach used at the previous accounting date.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. However, we have allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

45. Defined Benefit Pension Schemes (contd.5)

Sensitivity analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions itemised in the previous table. The analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the unit credit method.

	Impact on Defined Benefit Obligations		
	£'000	**£'000**	**£'000**
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligations	2,035,599	2,074,325	2,113,827
Projected service cost	45,497	46,611	47,753
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligations	2,077,975	2,074,325	2,070,701
Projected service cost	46,611	46,611	46,611
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligations	2,110,138	2,074,325	2,039,185
Projected service cost	47,752	46,611	45,496
Adjustment to life expectancy assumption	+ 1 Year	None	- 1 Year
Present value of total obligations	2,152,278	2,074,325	1,999,285
Projected service cost	48,098	46,611	45,170

Risk Management

The Fund recognises that the inherent risks involved in many of its activities and its governance arrangements, described in the preceding section, are designed to ensure that risk management is undertaken at the highest level.

The Fund's approach to Risk Management is covered in the following policies:

- Investment Strategy Statement
- Funding Strategy Statement
- Socially Responsible Investment Policy
- Communications Policy
- Governance Policy

These are included within the Pension Fund Annual Report. In addition, risks are measured and managed via a central Risk Register which is continually revised and updated. The Risk Register is an addendum to the Investment Strategy Statement. Both the Pension Fund Annual Report and Investment Strategy Statement can be found at www.newham.gov.uk.

Impact on the Authority's Cash Flows

The objective of the Scheme is that employers' contributions are maintained at a constant rate. The Authority has agreed a strategy with the Scheme's actuary to achieve funding level of 100% during the next 20 years. Funding levels are monitored on an annual basis. The next actuarial valuation should be carried out with an effective date of 31 March 2020 and the contributions payable by the participating employers will be reviewed as part of that valuation.

46. Contingent Liabilities

The following organisations are admitted bodies of the pension fund have a guarantee in place with the Authority to guard against the possibility of being unable to meet their pension obligations. The Authority guarantees to meet the pension obligations of these admitted bodies in the event of default:

Active Newham
Better Together
Change, Grow, Live
Early Start
Enabled Living
The Good Support Company
iXact
London Network for Pest Solutions
Mint
Public Realm Services

47. Nature and Extent of Risks Arising from Financial Instruments

Newham Council is an Authority defined by the Local Government Act 1972 as primarily providing statutory services to the local population on a not-for-profit basis. As such, few financial instruments are used by way of commercial business. However, the funding mechanism means that during the year, the Authority may hold substantial assets and liabilities. The Authority uses financial instruments to manage the risks arising from holding assets and liabilities.

The authority's activities expose it to a variety of financial risks, including:

Credit Risk: the possibilities that other parties might fail to pay amounts due to the authority.

Liquidity Risk: The possibility that the authority might not have funds available to meet its commitments to make payments.

Market Risk: the possibility that financial loss may arise for the authority as a result of changes in such measures as interest rates.

The Authority's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework as described within the Local Government Act 2003 and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued under the Local Government Act 2003. Overall these procedures require the Authority to manage risk in the following ways:

• by formally adopting the requirements of the Code of Practice;
• by approving annually in advance prudential and treasury indicators for the following three years limiting the Authority's overall borrowing:
  - its maximum and minimum exposures to fixed and variable rates;
  - its maximum and minimum exposures to the maturity structure of its debt;
  - its maximum annual exposures to investments maturing beyond a year; and
  - by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government Guidance.

These are required to be reported and approved at or before the Council's Annual Council Tax Setting Budget or before the start of the year to which they relate. These items are reported with the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported annually to Members.

The annual Treasury Strategy which incorporates the prudential indicators was approved by the Council on 28th February 2018 and the mid-year treasury Strategy was approved by Council on 10th December 2018 and is available on the Council website. The key limits within the Strategy were:
• The Authorised Limit for 2018/19 was set at £1,827m (*£1,827m 2017/18). This is the maximum limit of external borrowing or other long term liabilities
• The Operational Boundary was expected to be £1,725m (*£1,725m 2017/18). This is the expected level of debt and other long term liabilities
• The maximum amounts of net fixed and variable interest rate exposure were set at £1200m and £700m (£800m and £700m 2017/18)

These policies are implemented by a central treasury team. The Authority maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

47. Nature and Extent of Risks Arising from Financial Instruments (contd.1)

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poor's Ratings Services. The Annual Investment Strategy considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. An exception is made for part-nationalised banks. Additional selection criteria are also applied after this initial criterion is applied. Details of the Investment Strategy (part of the annual treasury management strategy mentioned above) can be found on the Council's website.

No breaches of the Authority's counterparty criteria occurred during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £540.500m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

31-Mar-18			31-Mar-19	
Long term	Short term	Credit Rating	Long term	Short term
£000s	£000s		£000s	£000s
-	-	AAA	-	(30,000)
-	(5,000)	AA-	-	(5,000)
(20,000)	(45,000)	A+	-	(92,000)
-	(45,000)	A	-	(10,000)
(40,000)	(20,000)	A-	-	-
-	-	BBB (UK government part owned)	(20,000)	(30,000)
(55,500)	(268,000)	Local authorities	(68,000)	(255,500)
(4,500)	(27,000)	Unrated -other	-	(25,000)
(25,000)	-	Unrated Corporate Bonds	(5,000)	-
(145,000)	**(410,000)**	Total Investments	**(93,000)**	**(447,500)**

Using the expected credit loss model the calculated loss allowance for investments at amortised cost is negligible therefore having no impact on the carrying value of investments.

Credit risk arise from the Council's exposure to other debtors; this excludes monies from government and public institutions. Payments for services are either required in advance or due at the time the service is provided.

Write off of debtors is subject to Council procedures.

The Council Long term debtor is mainly in relation to lease agreements, Loans to subsidiary undertakings and shared equity interest. Shared equity interest has been carried at fair value and therefore no requirement to calculate an impairment allowance. The lease agreement has been reviewed using a simplied approach for calculating the expected credit loss. Due to the low level of risk the loss allowance has been based on a lifetime expected credit loss based on probability of repayment. The calculated loss allowance for lease receivables is negligible therefore having no impact on the carrying value. Credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

For loans provided to subsidiary undertakings, expected credit loss has been based on the Council agreeing to defer counterparty loan repayments for a period during which the Counterparty's liquidity position is constrained. The credit loss results from the opportunity cost of not being able to reinvest the deferred repayments until a later date. The calculated expected credit loss is negligible therefore having no impact on the carrying value.

Other collateral and soft loans balances have been reviewed for expected credit loss and have been assessed based on the simplified approach looking at probability of default which has resulted in no change in carrying value.

The debtor balances as per Note 22 have been reviewed for loss allowance, providing details of material balances. These debtors have been grouped into

47. Nature and Extent of Risks Arising from Financial Instruments (contd.2)

Liquidity Risk

The Authority has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing for specified periods. The strategy is to ensure that no more than:
(a) 90% of fixed interest rate loans are due to mature within a five year period; and
(b) 90% of variable interest loans are due to mature within a two year period.

The maturity analysis of the Authority's financial liabilities is as follows:

	31 March 2018	31 March 2019
	Carrying Amount £'000	**Carrying Amount £'000**
Public Works Loans Board	213,804	210,039
Market debt	728,388	687,656
Total	**942,192**	**897,695**

Maturity analysis of financial liabilities

	31 March 2018	31 March 2019
	£'000	**£'000**
Less than 1 year	241,814	342,224
Between 1 and 2 years	52,041	14,814
Between 2 and 5 years	183,064	68,596
Between 5 and 10 years	4,854	12,494
More than 10 years	460,240	459,567
Total	**942,013**	**897,695**

The Authority has a number of market Lender Option, Borrowers' Option (LOBO) loans within it's borrowing portfolio. As at the 31st March 2019 39% of the total portfolio was made up of LOBO debt.

Newham has 16 LOBO loans - they are by type and nominal value

	31 March 2019
	£000
Vanilla LOBO (5)	95,000
Stepped LOBO (3)	30,000
Zero to Par LOBO (2)	40,000
Inverse Floating LOBO (6)	150,000
Total	**315,000**

The Authority has a number of market Lender Option, Borrowers' Option (LOBO) loans within its borrowing portfolio. The nature of LOBO agreements is that after an initial fixed period, at periodic intervals throughout the loan, the lender has the option of amending the interest rate. At this point, if the revised interest rate is deemed unacceptable by the Authority, as the borrower it has the option to repay the loan without penalty. To mitigate the risk of having to repay these loans ahead of the actual maturity date, the Authority keeps under review the potential for lenders to propose changes to the interest rate at the scheduled dates within each agreement. This is done through assessing the probability of the interest rates being revised both in the current market environment and during stressed market conditions. To date the probability of lenders seeking to revise interest rates on the Authority's LOBO loans has been low, although this may be influenced in the future by changes to the lenders appetite to reschedule their loan books.

Market Risk

Interest Rate Risk: The Authority is exposed to risks arising from movements in interest rates.

The Authority is exposed to risk in terms of its interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

Borrowing at variable rates - the interest expense charged to the Surplus / Deficit on the Provision of Services will rise.

Borrowings at fixed rates - the fair value of the liabilities will fall.

Investments at variable rates - the interest income credited to the Surplus /Deficit on the Provision of Services will rise

Investments at fixed rates - the fair value of the assets will fall.

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

The Treasury Management Strategy aims to mitigate these risk by setting an upper limit of £1,200m on net external debt that can be subject to fixed interest rates and £700m on net external debt subject to variable rates. At 31 March 2019 83% of the debt portfolio was held in fixed rate instruments, 17% in variable rate instruments.

Investments are also subject to movements in interest rates. The Authority is making use of money market funds which pay a variable rate of interest. This risk has to be balanced against actions taken to mitigate credit risk.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	2017/18	**2018/19**
	£'000	**£'000**
Decrease in interest payable on variable rate borrowings	(1,500)	(1,500)
Increase in interest receivable on variable rate investments	(5,091)	(5,095)
Impact on Comprehensive Income and Expenditure Statement	**(6,591)**	**(6,595)**

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

Price Risk: The Authority does not invest in equity shares and therefore is not subject to any price risk (i.e. the risk that the Authority will suffer loss as a result of adverse movements in the price of financial instruments). The Authority has investment in equity in relation to its own subsidiaries which is for the purpose of service delivery.

Foreign Exchange Risk: The Authority, has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Housing Revenue Account - Income and Expenditure Statement

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

2017/18 Restated £'000		**2018/19 £'000**
	Income:	
(82,549)	Rent from Dwellings (gross)	(81,281)
(3,905)	Rent from Other Properties (gross)	(2,677)
(9,734)	Tenant contributions to Services and Facilities	(9,405)
(5,566)	Leaseholder contributions to Services and Facilities	(6,562)
(7,315)	Government subsidy towards the financing of PFI Schemes	(7,540)
(109,069)	**Total income**	**(107,465)**
	Expenditure:	
18,736	Repairs and Maintenance	20,983
40,434	Supervision and Management	38,397
2,234	Rent, rates, taxes and other charges	2,355
23,213	Depreciation and amortisation of non-current assets	20,277
(11,961)	Revaluation of non-current assets	1,099
2,265	Revenue expenditure funded from capital under statute	243
99	Debt Management Costs	200
990	Movement in Impairment Allowance	2,708
76,010	**Total expenditure**	**86,262**
(33,059)	**Net income of HRA services as included in whole Authority Comprehensive Income and Expenditure Statement**	**(21,203)**
353	HRA services share of Corporate and Democratic Core	205
(32,706)	**Net income of HRA services**	**(20,998)**
	HRA share of the operating income and expenditure included in the whole Authority Comprehensive Income and Expenditure Statement:	
(33,319)	Gain on sale of HRA non-current assets	1,274
16,294	Interest payable and similar charges	16,562
(3,156)	Movement on the fair value and income - Investment Properties	(4,355)
515	(Surplus)/Deficit on Trading Activities	
(243)	HRA Interest and investment income	(857)
2,434	Net Interest on the net defined benefit liability	-
(414)	HRA share of capital grants and contributions receivable	(26,226)
(17,889)	**Total**	**(13,602)**
(50,595)	**(Surplus) for year on HRA services**	**(34,600)**

Statement of Movement on the Housing Revenue Account

2017/18 £'000		2018/19 £'000
(50,595)	(Surplus) on the HRA Income and Expenditure Statement	(34,600)
42,337	Adjustments between accounting basis and funding basis under regulations	26,388
(8,258)	**Net increase before transfers to or from reserves**	**(8,212)**
(55,784)	Balance on the HRA as at the end of the previous reporting period	(64,042)
(64,042)	**Balance on the HRA as at the end of the current reporting period**	**(72,254)**

48. Notes to the Movement on the Housing Revenue Account Statement

2017/18 Restated £'000		2018/19 £'000
(479)	Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with Statute	-
33,319	Gain on sale of HRA non-current assets	(1,274)
(4,963)	HRA share of contributions to or from the Pensions Reserve	(1,037)
(10,380)	Transfers from capital adjustment account	7,228
23,020	Transfer from the Major Repairs Reserve	20,277
1,820	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	1,194
42,337	**Net additional amount required by statute to be debited or credited to the HRA balance for the year**	**26,388**

Further details on the amounts required by Statute to be debited or credited to the HRA balance for the year can be found in Note 9.

49. Numbers and Types of Dwellings in the Housing Stock

2017/18 Number	Type of dwelling	2018/19 Number
3,245	Low rise flats	3,185
5,031	Medium rise flats	4,921
3,313	High rise flats	3,266
4,630	Houses	4,618
-	Shared Ownership	
16,219	**Total**	**15,990**

50. Balance Sheet Valuation of HRA Assets

31 March 2018 Restated £'000		31 March 2019 £'000
	Operational assets	
1,203,908	Dwellings	1,203,227
118,693	Other land and building	83,910
	Non-Operational assets	
66,058	Surplus assets not held for sale	82,055
33,894	Investment properties	35,419
360	Assets Under Construction	360
1,422,913		**1,404,971**

51. Vacant Possession

As at 31st March 2019, the vacant possession value of dwellings within the HRA was £4.813 billion (£4.816 billion as at 31st March 2018). The difference between vacant possession value and the Balance Sheet value of dwellings within the HRA shows the economic cost to government of providing council housing at less than open market rents, net of the impairment to the value of the housing Stock.

52. Major Repairs Reserve

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

2017/18 £'000		2018/19 £'000
(58,712)	**Balance at 1 April**	**(70,629)**
(15,855)	Depreciation: Stock	(16,037)
(7,165)	Non-stock	(4,240)
-	Difference between Notional MRA and Depreciation credited to the MRR as per 5 year transition	-
11,103	Major Repairs Reserve applied	26,357
(70,629)	**Balance at 31 March**	**(64,549)**

53. Capital Expenditure and Financing

2017/18 £'000		2018/19 £'000
	Expenditure	
20,020	Council Dwellings, Land and other Property	36,861
	Financing	
(11,103)	Major Repairs Reserve	(26,357)
(1,351)	RTB Receipts	(6,167)
(10)	Loans Fund	
(7,556)	Capital Grants and Contributions	(4,337)
(20,020)		**(36,861)**

54. Capital Receipts

2017/18 £'000		2018/19 £'000
20,667	Sales of Council Dwellings	25,104
21,215	Sales of Land and Other Property	8,288
41,882		**33,392**

55. Depreciation and Amortisation

2017/18 £'000		2018/19 £'000
15,855	Dwellings	16,037
3,989	Other land and buildings	3,083
-	Vehicles plant and equipment	-
3,157	Surplus assets not held for sale	1,157
23,001	**Total**	**20,277**

The total depreciation charge for Council assets during 2018/19 was £20.277m. This is £2.724m lower than 2017/18 and was due to increases in useful asset lives resulting from in year asset revaluations.

56. Impairment Losses

The Authority is required to disclose the value of impairment together with an explanation of any impairment losses in the financial year in respect of Land, Dwellings and Other Property within the Authority's HRA.

During 2018/19, there was no impairment losses recognised in the accounts (none in 2017/18).

57. Revenue Expenditure Funded from Capital Under Statute

This is expenditure which would be funded from revenue under normal accounting practice but is financed from capital resources under legislation. During 2018/19, HRA revenue expenditure funded from capital under statute totalled £0.243m (£2.264m in 2017/18).

58. Rent Arrears

The total gross rent arrears at 31 March 2019 was £9.255m increase of £0.985m (12%) from the balance of £8.270m at 31 March 2018. The Authority has made provision for possible uncollectable debts of £8.032m (£6.325m at 31 March 2018). The provision is based on the Authority's experience of write-offs over the last 5 years, known future debt to be written off and the estimated impact of future changes to the Housing Benefits system.

Collection Fund 2018/19

The Collection Fund is an agent's statement that reflects the statutory obligation on the London Borough of Newham (as the billing authority) to maintain a separate Collection Fund. The statement shows the transactions of the Billing Authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates. The surplus and deficit on the Collection Fund is shared between the preceptors: Central Government, Greater London Authority and London Borough of Newham. Any residual surplus or deficit at the end of the financial year relating to London Borough of Newham is taken into account in setting the level of Council Tax for the following year.

2017/18					2018/19			
Council Tax £'000	Business Rates £'000	Business Rates Supp. £'000	Total £'000		Council Tax £'000	Business Rates £'000	Business Rates Supp. £'000	Total £'000
				Income				
(95,078)			**(95,078)**	Income from Council Tax	(100,484)			**(100,484)**
	(152,145)		**(152,145)**	Income from Business Rates		(151,131)		**(151,131)**
	(4,952)		**(4,952)**	Transitional Relief - Business Rates		(1,532)		**(1,532)**
		(4,679)	**(4,679)**	Income from Business Rate Supp.			(4,990)	**(4,990)**
				Contributions towards previous years' Collection Fund deficit:				
	(4,282)		**(4,282)**	Central Government		(945)		**(945)**
	(2,569)		**(2,569)**	London Borough of Newham		(1,509)		**(1,509)**
	(1,713)		**(1,713)**	Greater London Authority		(2,575)		**(2,575)**
(95,078)	**(165,661)**	**(4,679)**	**(265,418)**	**TOTAL INCOME**	**(100,484)**	**(157,692)**	**(4,990)**	**(263,166)**
				Expenditure				
				Precepts				
	48,560		**48,560**	Central Government				**-**
68,555	44,215		**112,770**	London Borough of Newham	72,811	95,503		**168,314**
19,323	54,519		**73,842**	Greater London Authority	22,211	53,720		**75,931**
				Business Rate Supplement				
		4,670	**4,670**	Payment to Greater London Authority			4,981	**4,981**
		9	**9**	Cost of collection			9	**9**
				Charges to Collection Fund				
2,652			**2,652**	Write-offs of uncollectable amounts	681	0		**681**
(917)	544		**(373)**	Increase/(decrease) in bad debt provision	346	572		**918**
	14,511		**14,511**	Increase in provision for appeals		7,439		**7,439**
	381		**381**	Cost of collection		381		**381**
				Other transfers				
	577		**577**	Enterprise Zone		1,634		**1,634**
				Apportionment of previous year's estimated surplus				
			-	Central Government				**-**
2,951			**2,951**	London Borough of Newham	5,000			**5,000**
845			**845**	Greater London Authority	1,481			**1,481**
93,409	**163,308**	**4,679**	**261,395**	**TOTAL EXPENDITURE**	**102,530**	**159,249**	**4,990**	**266,769**
(1,669)	**(2,353)**	**0**	**(4,023)**	**(Surplus)/Deficit arising during the year**	**2,046**	**1,557**	**0**	**3,603**
(845)	4,362	0	**3,517**	(Surplus)/Deficit b/f at 1 April	(2,514)	2,008		**(506)**
(2,514)	**2,009**	**0**	**(506)**	**(Surplus)/Deficit c/f at 31 March**	**(468)**	**3,565**	**0**	**3,097**

Notes to the Collection Fund

59. Calculation of the Council Tax Base

The Council Tax is calculated per equivalent Band D property. In order to determine the number of equivalent Band D properties, the Council Tax Base is calculated. All properties are categorised into one of eight bandings depending upon the valuation of the property. An adjustment is then made for properties that are subject to discounts such as single person or non-residency. The resulting number of properties per valuation banding is then adjusted to calculate the number of equivalent Band D properties, using a defined ratio. Finally the tax base is adjusted to reflect an anticipated collection rate of 95.91%.

Restated 2017/18			**Council Tax band**			**2018/19**		
Number of chargeable dwellings	Band D equivalent dwellings	Council tax payable	Band	Ratio to Band D	Property value £	Number of chargeable dwellings	Band D equivalent dwellings	Council tax payable
3,053	2,034	830	A	6/9	up to 40,000	3,113	2,074	839
21,563	16,771	968	B	7/9	40,001 - 52,000	22,352	17,385	979
38,749	34,444	1,106	C	8/9	52,001- 68,000	40,091	35,636	1,119
15,873	15,873	1,245	D	1	68,001 - 88,000	17,936	17,936	1,259
2,771	3,387	1,521	E	11/9	88,001 - 120,000	3,047	3,725	1,538
628	907	1,798	F	13/9	120,001 - 160,000	668	966	1,818
104	174	2,074	G	15/9	160,001 - 320,000	139	232	2,098
15	31	2,489	H	2	320,001 and over	14	29	2,518
82,756	**73,621**					**87,360**		
	(3,011)			Less Allowance for Non-Collection			(2,495)	
	70,610			**Council Tax base**			**75,488**	

60. Income from Business Rates

Under the arrangements for uniform business rates, the Council collects National Non-Domestic Rates (NNDR) or business rates for its area, based on local rateable values and multipliers set by Central Government. There are two multipliers:
(i) the small business multiplier was 48.0p (46.6p in 2017/18); and
(ii) the standard multiplier was 49.3p (47.9p in 2017/18).
The total amount, less reliefs and other reductions, is shared between the Department of Communities and Local Government, who receive 0% (2017/18 33%), and the London Borough of Newham and Greater London Authority, who retain 64% (2017/18 30%) and 36% (2017/18 37%) respectively.

The total business rateable value for Newham at 31 March 2019 was £382,296,179 (2017/18 £378,154,465).

61. Prior Period Adjustment

During an internal review of year end practices we identified two areas where incorrect accounting treatment was being applied to account for certain groups of council assets. The areas affected relate firstly to the council's Newshare equity scheme, and secondly to the transfer and return of housing assets to the Arhag Housing Association. The overall impact of these errors is above the materiality threshold and thus required a prior period adjustment.

It was determined in collaboration with CIPFA FAN that the accounting for the Newshare shared equity scheme was failing to recognise deferred capital receipts/long term debtor balances as required by the CIPFA Code under 'Loans and Advances treated as Capital Expenditure'. While the cash element of the receipt was recognised and the asset was being correctly and fully written out of the balance sheet, the deferred capital receipt element and the resulting debtor were not being included in the Statement of Accounts (though both were being tracked internally).

In addition the short term leasing of a number of council dwellings to Arhag had not been correctly reflected on the balance sheet. These council dwellings had been written out from the balance sheet on commencement of the lease, however the substance of the transaction indicated that the council had not transferred substantially all the risks and rewards incidental to ownership of these assets. In order to rectify these errors and produce materially correct statements, notes and comparators the below prior year adjustments have been made to the 2017/18 opening balances and notes to the accounts.

Other changes include: (1) A number of assets which became operational during 2017/18 were incorrectly classified as assets under construction and thus a prior period adjustment was required to correct this. (2) Note 42 (Value of PFI assets) and note 50 (HRA Asset Balances) updated to reflect the audit changes agreed during 2017/18.

	2017/18 £'000	Adjustment £'000	2017/18 Restated £'000
Adjustments to 2017/18 Opening Balances			
Note 14 - PPE			
PPE - Dwellings	1,171,247	6,059	1,177,306
PPE - AUC	70,735	(14,738)	55,997
Note 26 - Unusable Reserves			
Capital Adjustment Account - Balance at 1 April	(1,432,052)	(6,059)	
Capital Adjustment Account - Balance at 1 April (AUC adjustments)		5,400	
			(1,432,711)
Note 26 - Unusable Reserves			
Deferred capital receipts reserve - Balance at 1 April	(8,292)	(18,586)	(26,878)
Note 26 - Unusable Reserves			
Revaluation Reserve - Balance at 1 April	(8,292)	(18,586)	
Revaluation Reserve - Balance at 1 April (AUC adjustments)		9,337	
			(17,541)
Note 22 - Receivables			
Long Term Receivables (Shared Equity Interest) - Balance at 1 April	0	18,586	18,586
Adjustments to 2017/18 Notes			
Note 14 - PPE 2017/18			
Cost/Valuation: Accumulated Dep. Written off on revaluation to gross book value	(15,582)	(126)	(15,708)
Revaluation recognised in the Surplus on the Provision of Services	(5,958)	(85)	(6,043)
Revaluation recognised in the Surplus on the Provision of Services - OLB	63,242	4,290	67,532
Revaluation recognised in the Revaluation Reserve - OLB	57,507	(15,355)	42,152
Depreciation Charge	15,855	(126)	15,729
Accumulated Depn and Imp: Accumulated Dep. Written off on revaluation to gross book value	(15,582)	126	15,708
Other reclassification - OLB	(5,378)	11,064	5,686
Other reclassification - AUC	(27,716)	(11,064)	(38,780)
Comprehensive Income and Expenditure Statement			
HRA	(32,919)	212	(32,707)
Community & Environment - Cost of Service Gross Expenditure	230,727	(4,290)	226,437
Other Operating Expenditure	218,326	(18,281)	200,045
Financing and Investment Income and Expenditure	65,878	629	66,507
(Surplus)/Deficit on Revaluation of PPE and Heritage Assets	(107,938)	15,355	(92,583)
Group Comprehensive Income and Expenditure Statement			
HRA	(36,262)	212	(36,050)
Community & Environment - Cost of Service Gross Expenditure	230,727	(4,290)	226,437
Other Operating Expenditure	218,326	(18,281)	200,045
Financing and Investment Income and Expenditure	68,997	629	69,626
(Surplus)/Deficit on Revaluation of PPE and Heritage Assets	(107,938)	15,355	(92,583)
Consolidated Movement in Reserves Statement			
(Surplus) or Deficit on Provision of Services - HRA	(33,155)	(17,440)	(50,595)
Adjustments between accounting basis and funding basis under regulations - HRA	24,897	17,440	42,337

(Surplus) or Deficit on Provision of Services - GF	223,410	(4,290)	219,120
Adjustments between accounting basis and funding basis under regulations - GF	(227,990)	4,290	(223,700)
Note 9 - Adjustments Between Accounting Basis And Funding Basis Under Regulations 2017/18			
Depreciation of Property, Plant and Equipment/ Impairment of non current assets	(23,020)	(126)	(23,146)
Revaluation (losses)/gain on Property, Plant and Equipment HRA	11,961	(86)	11,875
Revaluation (losses)/gain on Property, Plant and Equipment GF	7,525	4,290	11,815
Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	41,882	17,652	59,534
Expenditure Funding Analysis			
Adjustments between Funding and Accounting Bases - HRA	(24,898)	212	(24,686)
Adjustments between Funding and Accounting Bases - Community & Environment	4,734	(4,290)	444
Note 7 - Note to the Expenditure Funding Analysis			
Adjustments for Capital Purposes - HRA	(29,860)	212	(29,648)
Adjustments for Capital Purposes -Community & Environment	756	(4,290)	(3,534)
Note 8 - Expenditure and Income Analysed by Nature			
Other services expenses	703,906	(17,440)	686,466
Impairment and revaluation	(21,599)	(4,290)	(25,889)
Note 11 - Other Operating Expenditure			
Losses on the disposal of non-current assets	196,637	(18,281)	178,356
Note 12 - Financing And Investment Income and Expenditure			
Other investment income and expenditure	8,950	629	9,579
Note 18 - Financial Assets			
Debtors - Amortised cost	101,121	36,238	137,359
Housing Revenue Account - Income and Expenditure Statement			
Depreciation and amortisation of non-current assets	23,001	212	23,213
Gain on sale of HRA non-current assets	(15,038)	(18,281)	(33,319)
Note 48 - Notes to the Movement on the Housing Revenue Account Statement			
Gain on sale of HRA non-current assets	15,038	18,281	33,319
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	2,449	(629)	1,820
Note 26 - Unusable Reserves (Revaluation Reserve)			
Upward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services (AUC adjustments)	(107,938)	15,355	(92,583)
Difference between fair value depreciation and historical cost depreciation (AUC adjustments)	15,365	286	15,651
Note 26 - Unusable Reserves (Capital Adjustment Account)			
Charges for depreciation and impairment of non-current assets	57,501	126	57,627
Revaluation gains on Property, Plant and Equipment	(19,486)	86	(19,400)
Revaluation gains on Property, Plant and Equipment (AUC adjustments)		(4,290)	
			(23,690)
Adjusting amounts written out of the Revaluation Reserve (AUC adjustments)	(106,512)	(286)	(106,798)
Note 50 - Balance Sheet Valuation of HRA Assets			
Dwellings	1,198,061	5,847	1,203,908
Cash Flow Statement			
Single Entity - Net Surplus/(Deficit) on the Provision of Services	190,255	(21,730)	168,525
Transactions	(302,143)	4,078	(298,065)
Group Accounts - Net Surplus/(Deficit) on the Provision of Services	194,854	(21,730)	173,124
Group Accounts - Adjustments to Net Surplus on the Provision of Services for Non-Cash Transactions	(303,246)	4,078	(299,168)
Note 27 - Cash flow - Adjustments for non-cash transactions			
Single Entity - Increase in revaluation charged to CIES	(19,486)	(4,204)	(23,690)
Group Accounts - Increase in revaluation charged to CIES	(19,117)	(4,204)	(23,321)
Note 42 - Private Finance Initiatives and Similar Contracts			
Net Book Value (restated to reflect audited figures)	159,120	76,255	235,375
Note 50 - Balance Sheet Valuation of HRA Assets			
Net Book Value (restated to reflect audited figures)	1,470,334	(47,421)	1,422,913

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

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and the amount and disposition of the fund's assets and liabilities as at 31 March 2019; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the London Borough of Newham Statement of Accounts 2018/19, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

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Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Chief Financial Officer

As explained more fully in the Responsibilities for the Statement of Accounts set out on page 13, the Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of London Borough of Newham, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Borough of Newham] and the London Borough of Newham's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Suter
Ernst + Young LLP

Kevin Suter (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
10 January 2020

The maintenance and integrity of the London Borough of Newham web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

2018/19 Pension Fund Accounts

2017/18 £000		Notes	2018/19 £000
	Dealings with members, employers and others directly involved in the fund:		
50,467	Contributions	7	51,870
4,000	Transfers in from other pension funds	8	2,857
54,467			**54,727**
(52,768)	Benefits	9	(55,031)
(8,267)	Payments to and on account of leavers	10	(4,438)
(61,035)			**(59,469)**
(6,568)	**Net withdrawals from dealing with members**		**(4,742)**
(5,309)	Management expenses	11	(5,452)
(11,877)	**Net withdrawals including fund management expenses**		**(10,194)**
	Returns on investments		
18,614	Investment income	12	23,066
(398)	Taxes on income		(323)
6,611	Profit and losses on disposal of investments and changes in the market value of investments	14a	95,176
24,827	**Net return on investments**		**117,919**
12,950	**Net increase in the assets available for benefits during the year**		**107,725**
1,315,336	**Opening net assets of the Fund**		**1,328,286**
1,328,286	**Closing net assets of the Fund**		**1,436,011**

Net Asset Statement

2017/18 £000		Notes	2018/19 £000
1,253,077	Investment assets	14a	1,285,865
(1,162)	Investment liabilities	14a	(3,752)
74,768	Cash deposits	14a	102,568
1,326,683	**Total invested assets**		**1,384,681**
5,499	Current assets	21	53,193
(3,896)	Current liabilities		(1,863)
1,603	**Net current assets**		**51,330**
1,328,286	**Net assets of the Fund available to fund benefits at 31 March**		**1,436,011**

Notes to the Pension Fund Accounts

Note 1: Description of Fund

The London Borough of Newham Pension Fund ('the Fund') is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Newham. The Local Authority is the reporting entity for this Fund.

The following description of the Fund is a summary only, for more detail reference should be made to the Fund's Annual Report 2018/19.

a) General

The Fund 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 administered by the London Borough of Newham to provide pensions and other benefits for pensionable employees of the London Borough of Newham and a range of other scheduled and admitted bodies within the borough. Teachers are not members as they are included within other national pension schemes.

The Fund is overseen by the Investment and Accounts Committee (the Committee), of the London Borough of Newham supported by the Local Pension Board ('the Board').

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join or remain in the scheme, or to make personal arrangements outside the scheme.

During 2018/19 5 new employers joined the Fund.

Organisations participating in the Fund include:

- Scheduled bodies, which automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are a total of 61 employer organisations (see note 19) within the Fund including the Local Authority itself and 9 employers without active members. Membership details are as set out below:

31 March 2018 Original*	Membership	31 March 2018 restated	31 March 2019
46	Number of employers with active members	46	51
	NUMBER OF EMPLOYEES IN SCHEME		
7,073	London Borough of Newham	6,156	5,558
2,214	Other employers	2,585	4,197
9,287	**Total**	**8,741**	**9,755**
	NUMBER OF PENSIONERS		
7,018	London Borough of Newham	7,003	7,257
331	Other employers	340	431
7,349	**Total**	**7,343**	**7,688**
	NUMBER OF DEFERRED MEMBERS		
9,380	London Borough of Newham	10,007	10,188
1,038	Other employers	1,236	1,426
10,418	**Total**	**11,243**	**11,614**
27,054		**27,327**	**29,057**

*The 2017/18 membership numbers were updated by the administration provider as there was an error in the reporting function.

c) Funding

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 for the financial year ending 31 March 2019. Employee contributions are matched by employers contributions which are set based on triennial actuarial funding valuations. The last full valuation of the Fund was at 31 March 2016. Currently, employer contribution rates range from 12% to 25.5% of pensionable pay, the average employer rate is 20.5%.

d) Benefits

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

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

There are a range of other benefits provided including early retirement, disability pensions and death benefits. For more details, please refer to the Fund's scheme handbook available from http://www.yourpension.org.uk/handr/Newham-Publications.aspx.

Note 2: Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2018/19 financial year and its year-end position as at 31 March 2019. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19* ("the code") which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2018/19 for the Pension Fund.

The accounts 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, nor do they take account of the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in Note 20.

The accounts have been prepared on a going concern basis.

Note 3: Summary of Significant Accounting Policies

Fund account – revenue recognition

a) Contribution income

Normal contributions are accounted for on an accruals basis as follows;

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.

- Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contribution in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial assets.

b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the Fund.

Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (note 8).

c) Investment income

- Interest income is recognised in the Fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

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

- Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Asset Statement (NAS) as a current financial asset.

- Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

The Fund discloses its management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), all items of expenditure are charged to the Fund on an accruals basis as follows:

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

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

Investment management expenses

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments.

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 decrease as the value of these investments change.

Where an investment manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund account. In 2018/19 £0.861m of fees are based on such estimates (2017/18 £1.057m).

Private Equity management fees are estimated by taking a portion of the total management fees of the private equity partnership based on the percentage of the Fund holdings with the partnership. In 2018/19 £0.5m of fees is based on such estimates (2017/18: £0.4m).

Net assets statement

g) Financial assets

Investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the NAS 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 asset are recognised in the Fund account.

The values of investments as shown in the NAS have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).

h) Foreign currency transactions

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

i) 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.

j) Cash and cash equivalents

Cash comprises cash in hand in terms of temporary deposits, amounts held by the Fund's external managers and invested in money market funds.

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.

k) Financial liabilities

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

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

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (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 NAS (Note 20).

m) Additional voluntary contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the fund. AVCs are not included in the accounts in accordance with section 4(1) (b) of The LGPS (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 22).

n) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

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

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

Note 4: Critical judgements in applying accounting policies

Pension fund liability

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

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19.

Actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

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 reported. Estimates and assumptions are made taking into account historical experience, current trends and future expectations. The items in the NAS for which there is a significant risk of material adjustment in the following year are as follows.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the present value of total pension obligation in individual assumptions can be measured. For instance: • a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £44m • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £4.4m, and • a one year increase in assumed life expectancy would increase the liability by approximately £88m.
Private equity investments (Note 16)	Private equity investments are valued at fair value in accordance with *International Private Equity and Venture Capital Valuation Guidelines 2012*. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investment in the financial statements is £135m. There is a risk that this investment may be under or overstated in the accounts.

Item	Uncertainties	Effect if actual results differ from assumptions
Diversified alternative funds (Note 16)	The fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund of funds' directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total diversified alternative fund value in the financial statements is £58m. There is a risk that this investment may be under or overstated in the accounts. The custodian reports a tolerance of +/- 5% around the net asset values on which the hedge fund of funds valuation is based. This equates to a tolerance of +/- £2.9m.

Note 6: Events after the Reporting Date

There have been no events occurring after the reporting date that would have a material impact upon the Fund accounts.

Note 7: Contributions Receivable

2017/18 £000	By Category	2018/19 £000
12,301	**Employees contributions**	**12,640**
	Employers contributions:	
26,448	Normal contributions	28,077
10,030	Deficit recovery contributions	9,583
1,688	Augmentation contributions	1,570
38,166	**Total Employers contributions**	**39,230**
50,467	**Total**	**51,870**

2017/18 £000	By Authority	2018/19 £000
40,948	Administering Authority	35,041
2,910	Admitted Body	6,755
6,609	Scheduled Body	10,074
50,467	**Total**	**51,870**

Note 8: Transfers in from other Pension Funds

2017/18 £000		2018/19 £000
4,000	Individual transfers	2,857
4,000	**Total**	**2,857**

Note 9: Benefits Payable

2017/18	By category	2018/19
£000		£000
(41,949)	Pensions	(44,052)
(9,547)	Commutation and lump sum retirement benefits	(9,940)
(1,272)	Lump sum death benefits	(1,039)
(52,768)	**Total**	**(55,031)**

£000	By authority	£000
(50,588)	Administering Authority	(52,129)
(512)	Admitted bodies	(927)
(1,668)	Scheduled bodies	(1,975)
(52,768)	**Total**	**(55,031)**

Note 10: Payments to and on account of leavers

2017/18		2018/19
£000		£000
(256)	Refunds to members leaving service	(321)
(8,011)	Individual transfers	(4,117)
(8,267)	**Total**	**(4,438)**

Note 11: Management Expenses

2017/18		2018/19
£000		£000
(993)	Administrative costs	(630)
(3,754)	Investment management expenses	(4,304)
(562)	Oversight and governance costs	(518)
(5,309)	**Total**	**(5,452)**

Note 11a: Investment Management Expenses

Investment management expenses are further analysed below in line with the CIPFA Guidance *Accounting for Local Government Pension Scheme Management Expenses (2016).*

2017/18		2018/19
£000		£000
(3,586)	Management fees*	(4,026)
(168)	Custody fees	(145)
-	Transaction fees**	(133)
(3,754)	**Total**	**(4,304)**

*Management fees increased due to the Fund entering into new asset classes for private debt, real assets and structured equity.
**Previous year transaction fees were included with management fees as information was not readily available at that time.

Note 12: Investment Income

2017/18 £000		2018/19 £000
1,340	Fixed interest unit trust	2,575
30	Index linked	-
8,953	Equity dividends	9,208
3,347	Pooled property investments	3,489
3,354	Pooled fixed income	3,353
40	Private equity	-
677	Private debt	3,323
-	Real assets	4
361	Diversified alternatives	347
512	Interest on cash deposits	767
18,614	**Total**	**23,066**

Note 13: External Audit Costs

2017/18 £000		2018/19 £000
(21)	Payable in respect of external audit	(16)
(21)	**Total**	**(16)**

Audit costs form part of the management expenses (Note 11), they are shown here to provide more information.

Note 14a: Reconciliation of Movements in Investments and Derivatives

	Market value as at 31 March 2018	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market value as at 31 March 2019
	£000	**£000**	**£000**	**£000**	**£000**
Equities	476,499	101,981	(250,584)	73,958	401,854
Fixed interest securities	45,546	69,775	(35,111)	4,009	84,219
Pooled investments	424,129	27,328	-	5,224	456,681
Pooled property investments	131,197	10,727	(7,171)	10,220	144,973
Private equity/debt & real assets	65,404	77,012	(13,740)	6,360	135,036
Diversified alternatives	62,883	25,138	(34,263)	4,571	58,329
London collective investment vehicle	150	-	-	-	150
	1,205,808	**311,961**	**(340,869)**	**104,342**	**1,281,242**
Derivative contracts:					
Forward currency contracts	3,991	6,637	(2,353)	(7,339)	936
	1,209,799	**318,598**	**(343,222)**	**97,003**	**1,282,178**
Other Investment balances:					
Cash deposits	74,768			(1,150)	102,568
Investment income due	2,589			-	2,534
Amount receivable for sales of investments	40,536			(278)	854
Amounts payable for purchases of investments	(720)			(159)	(3,457)
Spot FX Contracts	(289)			(240)	4
	1,326,683			**95,176**	**1,384,681**

	Market value as at 31 March 2017	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market value as at 31 March 2018
	£000	**£000**	**£000**	**£000**	**£000**
Equities	451,979	156,285	(132,841)	1,076	476,499
Fixed Interest Securities	62,287	127,107	(128,985)	(14,863)	45,546
Pooled Investments	453,128	377,583	(415,855)	9,273	424,129
Pooled property Investments	95,113	61,190	(27,770)	2,664	131,197
Private equity/debt	37,283	40,277	(15,302)	3,146	65,404
Diversified alternatives	58,489	26,661	(19,579)	(2,688)	62,883
London collective investment vehicle	150	-	-	-	150
	1,158,429	789,103	(740,332)	(1,392)	**1,205,808**
Derivative contracts:					
Forward currency contracts	1,959	2,775	(7,692)	6,949	3,991
	1,160,388	**791,878**	**(748,024)**	**5,557**	**1,209,799**
Other Investment balances:					
Cash deposits	164,043			1,290	74,768
Investment income due	2,202			-	2,589
Amount receivable for sales of investments	1,034			286	40,536
Amounts payable for purchases of investments	-			205	(720)
Spot FX Contracts	6			(727)	(289)
	1,327,673			**6,611**	**1,326,683**

Note 14b: Analysis of Investments

Market Value as at 31 March 2018 £000	Analysis of Investments	Market Value as at 31 March 2019 £000
	Equities	
66,192	UK quoted	47,346
410,307	Overseas quoted	354,508
476,499		**401,854**
	Fixed interest securities	
-	UK public sector quoted	34,192
45,546	Overseas public sector quoted	50,027
45,546		**84,219**
	Pooled funds - additional analysis	
161,250	UK Equity unit trusts	182,882
106,413	Overseas fixed interest unit trusts	115,473
135,037	Overseas equity unit trusts	136,592
21,429	Overseas managed alternatives	21,734
424,129		**456,681**
	Pooled property investments	
83,459	UK pooled property investments	79,302
47,738	Overseas pooled property investments	65,671
131,197		**144,973**
	Private equity/debt & real assets	
35,308	Overseas private equity	39,965
30,096	Private debt	55,902
-	Real assets	39,169
65,404		**135,036**
	Diversified alternatives	
62,883	Diversified alternatives	58,329
62,883		**58,329**
	London collective investment vehicle	
150	London collective investment vehicle	150
150		**150**
	Cash and cash equivalents	
67,452	UK Cash and Bank Deposits	19,267
7,316	Overseas Cash and Bank Deposits	22,301
-	Temporary Deposits	61,000
74,768		**102,568**

Market Value as at 31 March 2018 £000	Analysis of Investments	Market Value as at 31 March 2019 £000
	Other investment assets	
4,144	Forward currency contracts	1,229
-	Spot FX contracts	4
2,589	Investment income due	2,535
40,536	Amount receivable for sales	854
47,269		**4,622**
	Investment liabilities	
(153)	Derivative liabilities	(295)
(289)	Spot currency contracts	-
(720)	Amounts payable for purchases	(3,457)
(1,162)		**(3,752)**
1,326,683	**Total investment assets**	**1,384,681**

Investments analysed by fund manager

Market value as at 31 March 2018 £000	%	Fund manager	%	Market value as at 31 March 2019 £000
		Investments managed outside of the London CIV asset pool		
198,008	14.9	Aberdeen Standard	11.8	163,925
22	-	Baring	-	22
4,612	0.3	Bluebay	1.2	16,430
6,312	0.5	Brightwood	0.5	7,278
5,219	0.4	Brockton	0.3	3,919
126,992	9.6	CBRE	10.2	141,591
-	-	Fiera Capital	2.3	31,835
43,441	3.3	HarbourVest	3.7	50,925
-	-	In-house temporary cash deposits	4.4	61,000
-	-	Kgal Capital	0.5	7,342
150	-	London Collective Investment Vehicle	-	150
483,443	36.4	Longview	30.1	417,011
21,429	1.6	Man FRM	1.6	21,734
65,146	4.9	Morgan Stanley	4.7	65,488
20,884	1.7	Northern Trust cash deposits	0.2	3,017
19,733	1.5	Permira	2.4	33,052
35,000	2.6	River & Mercantile	2.6	35,295
-	-	Robeco	0.4	5,189
		Investments aligned with London CIV asset pool		
296,292	22.3	Legal and General (LGIM)	23.1	319,478
1,326,683	**100**	**Total**	**100**	**1,384,681**

Individual investments exceeding 5% of net assets

	Market value as at 31 March 2018	% of total fund	Market value as at 31 March 2019	% of total fund
	£000	**%**	**£000**	**%**
Aberdeen World Opportunistic Bond	106,413	8.02	110,284	7.97
LGIM - <15YR Index-linked gilts	60,412	4.55	81,244	5.87
	166,825		**191,528**	

Note 14c: Stock Lending

The Fund does not carry out stock lending directly, and is an investor of a pooled fund with the passive equity manager, LGIM, who carry out stock lending as part of the Fund's activities. Stock Lending occurs in limited number of overseas equities index funds.

The Stock Lending programme is managed and administered by the custodian of the Funds (Citibank) within the risk control parameters set by LGIM. The programme has been operating for over 10 years and enjoys an indemnity from Citibank. Stock lending is only undertaken with counterparties who have satisfied the requirements in terms of market capability and minimum credit standing.

All income arising from stock lending less the custodian/administrator's costs are credited to the Funds lending the stocks. LGIM does not receive any revenue from the stock lending. As at 31 March 2019, the value of quoted equities on loan was £137m (2017/18: £135m). These equities continue to be recognised in the Fund's financial statements.

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.

The Fund currently has exposure to forward currency contracts and the purpose of this is to reduce the Fund's exposure to fluctuations in exchange rates. The Fund managers who use forward currency contracts are Aberdeen Standard and Morgan Stanley. A breakdown of forward contracts held by the Fund as at 31 March 2019 is given below:

Open forward currency contracts

Settlements	Currency bought	Local value	Currency sold	Local value	Asset value	Liability value
		000		**000**	**£000**	**£000**
Up to one month	GBP	54,828	USD	(69,899)	1,224	(14)
Up to one month	USD	3,523	GBP	(2,733)	5	(36)
One to six months	GBP	3,406	EUR	(3,945)	-	(2)
One to six months	GBP	39,154	USD	(51,521)	-	(243)
Open forward currency contracts at 31 March 2019					**1,229**	**(295)**
Net forward currency contracts at 31 March 2019						**934**
Prior year comparative						
Open forward currency contracts at 31 March 2018					**4,144**	**(153)**
Net forward currency contracts at 31 March 2018						**3,991**

Note 16: Fair Value – Basis of Valuation

All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of accounting period	Not required	Not required
Quoted bonds	Level 1	Market value based on current yields	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Overseas bond options	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required
Pooled investments-overseas unit trusts	Level 2	Closing bid price where bid and offer are published	NAV-based pricing set on a forward pricing basis	Not required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled investments-property funds	Level 3	Closing bid price where bid and offer are published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Pooled investments-hedge funds	Level 3	Closing bid price where bid and offer are published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Private (Unquoted) equity	Level 3	Comparable valuation of similar companies in accordance with *International Private Equity and Venture Capital Valuation Guidelines (2012)*	• Earnings before interest, tax, depreciation and amortisation 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 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

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2019.

Description of asset	Assessed valuation range (+/-)	Value as 31 March 2019	Value on increase	Value on decrease
		£000	£000	£000
Pooled investments-hedge funds	10%	23,383	25,722	21,045
Private equity	20%	39,965	47,958	31,972
Property funds	10%	111,257	122,382	100,131
Private debt*	10%	55,902	61,492	50,311
Real assets**	15%	39,169	45,044	33,293
Total		**269,676**	**302,598**	**236,753**

*Private debt is combined totals of the following managers; Bluebay, Brightwood & Permira
**Real assets is combined totals of the following managers; Fiera & KGAL

Note 16a: Fair Value Hierarchy

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

Level 1 –where the fair values are derived from adjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2 – Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3 – Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the 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 observable inputs**	
Values at 31 March 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial assets at fair value through profit and loss	435,039	577,761	269,676	1,282,476
Assets at amortised cost	103,178	2,778	-	105,956
Financial liabilities at fair value through profit and loss	-	(3,751)	-	(3,751)
Net financial assets	**538,217**	**576,788**	**269,676**	**1,384,681**

	Quoted market price	**Using observable inputs**	**With significant observable inputs**	
Values at 31 March 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial assets at fair value through profit and loss	507,130	521,478	183,913	1,212,521
Assets at amortised cost	74,742	40,582	-	115,324
Financial liabilities at fair value through profit and loss	-	(1,162)	-	(1,162)
Net financial assets	**581,872**	**560,898**	**183,913**	**1,326,683**

Note 16b: Reconciliation of Fair Value Measurements within Level 3

	Market Value as at 31/03/2018 £000	Transfers in/out of level 3 £000	Purchases £000	Sales £000	Unrealised gains (losses) £000	Realised gains (losses) £000	Market Value as at 31/03/2019 £000
Pooled investments-hedge funds	17,318	-	9,661	(4,753)	(513)	1,670	23,383
Private equity	35,307	-	6,065	(8,936)	2,111	5,418	39,965
Property funds	101,192	-	8,106	(7,172)	7,696	1,435	111,257
Private debt	30,096	-	31,122	(4,804)	(1,094)	582	55,902
Real assets	-	-	39,826	-	(657)	-	39,169
Total	**183,913**	-	**94,779**	**(25,663)**	**7,543**	**9,105**	**269,676**

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line of the Fund of account.

Note 17: Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and Net Asset Statement heading.

Market value as at 31 March 2018				Market value as at 31 March 2019		
Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000		Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
			Financial assets			
476,499	-	-	Equities	401,854	-	-
45,546	-	-	Fixed Interest Securities	84,219	-	-
424,129	-	-	Pooled funds	456,681	-	-
131,197	-	-	Pooled property Investments	144,973	-	-
65,404	-	-	Private equity/debt & real assets	135,036	-	-
62,883	-	-	Diversified alternatives	58,329	-	-
150	-	-	London collective investment vehicle	150	-	-
-	76,368	-	Cash and cash equivalents	-	153,286	-
4,144	-	-	Derivatives	1,229	-	-
-	-	-	Spot currency contracts	4	-	-
2,589	-	-	Loans and receivables	2,534	-	-
40,536	-	-	Amounts receivable for sales	854	-	-
-	3,032	-	Sundry debtors and prepayments	-	568	-
1,253,077	**79,400**	**-**	**Total Financial Assets**	**1,285,863**	**153,854**	**-**
			Financial liabilities			
(153)	-	-	Derivatives	(295)	-	-
-	-	(720)	Sundry creditors	-	-	(1,863)
(289)	-	(3,896)	Spot currency contracts	-	-	(3,457)
(442)	**0**	**(4,616)**	**Total Financial liabilities**	**(295)**	**0**	**(5,320)**
1,252,635	**79,400**	**(4,616)**	**Total**	**1,285,568**	**153,854**	**(5,320)**

Note 17a: Net Gains and Losses on Financial Instruments

31 March 2018 £000		31 March 2019 £000
	Financial Assets	
(1,392)	Fair value through profit and loss	104,340
1,781	Loans and receivables	-
	Financial Liabilities	
6,949	Fair value through profit and loss	(7,339)
(727)	Loans and receivables	(1,825)
6,611	**Total**	**95,176**

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

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

Note 18: Nature and Extent of Risks arising from Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). 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 the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Investment and Accounts Committee. Risk management policies are established to identify and analyse the risks faced by the Fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

Market risk is the risk of loss emanating 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, while optimising investment return.

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 Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis, and manage any identified risk in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter (OTC) equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

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

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the Fund investment strategy.

Other price risk – sensitivity analysis

In consultation with its investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for 2019/20, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

The following table demonstrates the change in the net assets available to pay benefits if the market price had increased or decreased by 10%.

Asset type	Market value as at 31 March 2019 £000	Value on 10% price increase £000	Value on 10% price decrease £000
Cash and cash equivalents	102,568	112,825	92,311
Investment portfolio assets:			
UK quoted equities	47,346	52,080	42,611
Overseas quoted equities	354,508	389,959	319,057
UK public sector quoted	34,192	37,611	30,773
Overseas public sector quoted	50,027	55,029	45,024
UK equity unit trust	182,882	201,171	164,594
Overseas fixed interest unit trusts	115,473	127,020	103,926
Overseas equity unit trusts	136,592	150,251	122,933
Overseas managed alternatives	21,734	23,907	19,560
UK pooled property investments	79,302	87,233	71,372
Overseas pooled property investments	65,671	72,238	59,104
Overseas private equity	39,965	43,962	35,969
Private debt	55,902	61,492	50,311
Real assets	39,169	43,086	35,252
Overseas diversified alternatives	58,329	64,162	52,497
London Collective Investment Vehicle	150	165	135
Other investment assets	4,622	5,084	4,160
Investment liabilities	(3,752)	(4,127)	(3,376)
Total investment assets	**1,384,681**	**1,523,149**	**1,246,212**

Asset type	Market value as at 31 March 2018 £000	Value on 10% price increase £000	Value on 10% price decrease £000
Cash and cash equivalents	74,768	82,245	67,291
Investment portfolio assets:			
UK quoted equities	66,192	72,811	59,573
Overseas quoted equities	410,306	451,337	369,275
Overseas public sector quoted	45,546	50,101	40,991
UK equity unit trust	161,251	177,376	145,126
Overseas fixed interest unit trusts	106,413	117,054	95,772
Overseas equity unit trusts	135,037	148,541	121,533
Overseas managed alternatives	21,429	23,572	19,286
UK pooled property investments	83,459	91,805	75,113
Overseas pooled property investments	47,738	52,512	42,964
Overseas private equity	35,308	38,839	31,777
Private debt	30,096	33,106	27,086
Overseas diversified alternatives	62,883	69,171	56,595
London Collective Investment Vehicle	150	165	135
Forward currency contracts	4,144	4,558	3,730
Investment income due	2,589	2,846	2,328
Amounts receivable for sales	40,536	44,591	36,483
Investment liabilities	(1,162)	(1,277)	(1,045)
Total investment assets	**1,326,683**	**1,459,353**	**1,194,013**

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 Fund's direct exposure to interest rate movements as at 31 March 2019 and 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate – risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment advisor has advised that long-term average rates are expected to move less than 100 basis points (1%) from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

Asset type	Market value as at 31 March 2019 £000	Value on 1% price increase £000	Value on 1% price decrease £000
Cash and Cash equivalents	102,568	103,594	101,542
Fixed interest securities	199,692	201,689	197,695
Cash balances	50,718	51,225	50,211
Total	**352,978**	**356,508**	**349,448**

Asset type	Market value as at 31 March 2018 £000	Value on 1% price increase £000	Value on 1% price decrease £000
Cash and Cash equivalents	74,768	75,516	74,021
Fixed interest securities	151,959	153,479	150,439
Cash balances	1,599	1,615	1,583
Total	**228,326**	**230,610**	**226,043**

Interest Receivable

Asset type	Market value as at 31 March 2019 £000	Value on 1% price increase £000	Value on 1% price decrease £000
Cash and Cash equivalents	767	775	760
Fixed interest securities	1,907	1,926	1,888
Total	**2,674**	**2,701**	**2,648**

Asset type	Market value as at 31 March 2018 £000	Value on 1% price increase £000	Value on 1% price decrease £000
Cash and Cash equivalents	512	518	507
Fixed interest securities	1,772	1,789	1,754
Total	**2,284**	**2,307**	**2,261**

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 10%. A 10% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows.

Asset type	Market value as at 31 March 2019 £000	Value on 10% price increase £000	Value on 10% price decrease £000
Overseas quoted equities	354,508	389,959	319,057
Overseas public sector quoted	50,027	55,029	45,024
Overseas fixed interest unit trusts	115,473	127,020	103,926
Overseas equity unit trusts	136,592	150,251	122,933
Overseas managed alternatives	21,734	23,907	19,560
Overseas pooled property investments	65,671	72,238	59,104
Overseas private debt	55,902	61,492	50,311
Total	**799,907**	**879,896**	**719,915**

Asset type	Market value as at 31 March 2018 £000	Value on 10% price increase £000	Value on 10% price decrease £000
Overseas quoted equities	410,306	451,337	369,275
Overseas public sector quoted	45,546	50,101	40,991
Overseas fixed interest unit trusts	106,413	117,054	95,772
Overseas equity unit trusts	135,037	148,541	121,533
Overseas managed alternatives	21,429	23,571	19,286
Overseas pooled property investments	47,738	52,512	42,964
Overseas private debt	30,096	33,106	27,087
Total	**796,565**	**876,222**	**716,908**

a) **Credit risk**

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The Fund has also set limits as to the maximum sum placed on deposit with individual financial institutions. In addition, the Fund invests an agreed percentage of its Funds in the money markets to provide diversification. Money market funds chosen all have AAA rating from a leading ratings agency, as shown below.

Summary	Rating	Asset value as at 31 March 2018 £000	Asset value as at 31 March 2019 £000
Held with Custodian			
Northern Trust Global Investments (NTGI) Cash Fund	AAA	46,701	-
Northern Trust custody cash accounts	AAA	28,067	41,568
Money market funds			
BNP Paribas		-	27,100
Federated Prime Rate	AAA	1,124	17,940
Standard Life	AAA	10	5,600
Bank current accounts			
Lloyds	AAA	465	78
Total		**76,367**	**92,286**

The Fund has experienced no defaults from fund managers, brokers or bank accounts over the past five years.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties. All contributions due at 31 March 2019 and 31 March 2018 (£1.91m and £0.87m respectively) were received in the first two months of the respective financial year.

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's cash holding under its treasury management arrangements at 31 March 2019 was £56.3m (31 March 2018: £76.4m).

The Fund also has access to an overdraft facility for short-term cash needs (up to seven days). This facility is only used to meet timing differences on pension payments. As at 31 March 2019 the balance on this facility stood at £0 (31 March 2018: £0). The Fund last used the overdraft facility in January 2019.

The Fund defines liquid assets as assets 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 2019 the value of liquid assets represented 79.8% of the total Fund value (31 March 2018: £85.2% of the total Fund assets).

b) **Refinancing risk**

The key risk is that the Authority will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategy.

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 2016. The next valuation will take place as at 31 March 2019.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the authority tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Normally this is three years but in some cases a maximum period of 12 years can be granted. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. When an employer's funding level is less than 10% of the 100% funding target, then a deficit recovery plan will be put in place requiring addition employer contributions.

At the 2016 actuarial valuation, the Fund was assessed as 85% funded (73% at the March 2013 valuation). This corresponded to a deficit of £201m (2013 valuation: £298m) at that time.

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

The contribution rates for each employer are as follows.

	Name of Body	Scheduled or Admitted	Contribution Rates %	Employee Contribution 2017/18 £000s	Employee Contribution 2018/19 £000s	Employer Contribution 2017/18 £000s	Employer Contribution 2018/19 £000s
1.	Active Newham	Admitted	17.6	13	11	115	112
2.	Agate Momentum Trust	Scheduled	18.6	8	56	27	177
3.	Better Together	Admitted	12.0	9	11	17	20
4.	Big Education Trust (formally School 21)	Scheduled	12.0	72	74	137	138
5.	Birkin Services	Admitted	17.7	-	-	2	1
6.	Bobby Moore Academy	Scheduled	12.0	6	27	11	67
7.	Boleyn Trust	Scheduled	23.8	141	318	471	1,216
8.	Brampton Manor Primary School	Scheduled	23.5	73	77	253	273
9.	Britannia Education Trust	Scheduled	22.1	17	23	55	92
10.	Burnt Mill Academy Trust	Scheduled	24.1	42	41	140	161
11.	Carpenters TMO	Admitted	15.0	6	-	1	(4)
12.	Change Grow Live	Admitted	14.7	4	5	9	10
13.	Chobham Academy	Scheduled	12.0	58	67	113	137
14.	Churchill	Admitted	25.3	1	2	9	11
15.	Community Schools Trust	Scheduled	19.3	50	102	145	307
16.	Compass – Sarah Bonnell**	Admitted	14.7	-	2	-	7
17.	Early Start	Admitted	14.5	15	62	32	144
18.	East London Arts and Music School*	Scheduled	-	-	-	1	-
19.	East London Science School	Scheduled	15.9	28	44	59	114
20.	Education Links Free School	Scheduled	13.5	7	13	15	30
21.	EKO Trust	Scheduled	15.1	120	137	275	341
22.	Enabled Living	Admitted	18.5	40	54	132	166
23.	Every Child**	Admitted	15.9	-	71	0	182
24.	FM Conway*	Admitted	-	-	-	(204)	-
25.	iXact	Admitted	20.2	86	118	305	417
26.	Juniper**	Admitted	20.3	-	716	-	1,974
27.	Langdon Academy	Scheduled	23.5	112	96	417	365
28.	Language Shop**	Admitted	12.0	-	25	-	43
29.	Leading Learning Trust	Scheduled	17.2	78	81	221	225
30.	Learning in Harmony MAT	Scheduled	19.8	193	214	631	708
31.	London Academy of Excellence	Scheduled	12.0	19	20	36	37

32.	London Borough of Newham	Administering Authority	20.5	9,829	8,340	31,119	26,701
33.	London Design and Engineering	Scheduled	12.0	21	32	37	58
34.	London Network for Pest Solution	Admitted	14.7	19	30	45	71
35.	Lunchtime Company*	Admitted	15.8	-	-	(50)	-
36.	Mint	Admitted	20.4	91	133	327	490
37.	Mitie	Admitted	20.2	6	4	17	13
38.	New Vision Trust	Scheduled	17.5	20	185	72	624
39.	Newham College of Further Education	Scheduled	16.7	375	409	912	969
40.	Newham Collegiate	Scheduled	18.4	5	20	14	56
41.	Newham Community Schools Trust**	Scheduled	19.3	-	57	-	168
42.	Newham Partnership Working	Admitted	20.2	181	171	530	471
43.	NewVic	Scheduled	14.2	161	170	349	370
44.	Oasis Academy	Scheduled	12.0	11	17	21	33
45.	Olive Dining	Admitted	22.4	6	114	37	37
46.	Our Lady of Grace MAT	Scheduled	25.5	59	72	248	294
47.	Pabulum	Admitted	22.9	2	15	8	64
48.	PRS	Admitted	17.1	118	120	380	390
49.	RM Education	Admitted	12.0	5	12	38	55
50.	Stratford Academy	Scheduled	15.6	44	53	111	135
51.	Tapscott Leading Trust	Scheduled	19.7	63	132	216	445
52.	The Good Support Company	Admitted	19.3	81	85	305	311
53.	Wilson Jones	Admitted	14.5	3	3	8	7
Total* **				**12,301**	**12,640**	**38,166**	**39,230**

* employers had no active members in either 2017/18 or 2018/19 ** new employers in 2018/19

*** table does not add down due to rounding.

The following employers have no active members, nor have they made any contributions to the Fund in either 2017/18 or 2018/19 but do have deferred, pensioner, dependent or frozen members;

- Community Links
- David Webster Ltd
- East London Waste Authority
- Greenwich Leisure Ltd
- Independent Housing Ombudsman
- Magistrates Court
- Newco Enterprises
- Stratford Renaissance Partnership
- Thames Gateway London Partnership

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase 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 in the 2016 Actuarial Valuation

	Assumed returns at 2016
Gilts	2.4%
Other bonds	3.3%
Cash / temporary investments	1.8%
Equities	7.4%
Property	13%
Infrastructure	5.4%
Alternative assets – LIBOR + 4%	5.8%
Discount rate	5.4%
Pay increases	3.9%
Pension increases	2.4%

Mortality assumptions

Future life expectancy based on the actuary's fund-specific mortality review was as follows.

Life expectancy from age 65		31 March 2019	31 March 2018
Retiring today	Males	21.6	22.6
	Females	24.0	25.2
Retiring in 20 years	Males	23.3	24.8
	Females	25.8	27.5

Commutation assumptions

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 75% of the maximum for post-April 2008 service.

50:50 option

Less than 1% of active members (evenly distributed across age, service length and salary range) have taken up the 50:50 option.

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 Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. 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 used valued ill health and death benefits in line with IAS 19.

2017/18 £m		2018/19 £m
(2,298.3)	Present value of promised retirement benefits	(2,377.4)
1,327.4	Fair value of scheme assets (bid value)	1,434.5
970.9	**Net Liability**	**942.9**

The liability includes an allowance has been made for the recent Court of Appeal judgement in relation to the McCloud & Sargeant cases which relate to age discrimination within the Judicial & Fire Pension schemes respectively. The estimated impact on the total liabilities at 31 March 2019 has been allowed for as a past service cost and has resulted in a slight increase in the defined benefit obligation as at 31 March 2019.

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial funding valuation (see Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates. Other key assumptions used are:

Assumptions used	**2017/18 %**	**2018/19 %**
Pension increases	2.3	2.4
Salary increase rate	3.8	3.9
Discount rate	2.55	2.4

Note 21: Current Assets

2017/18 £000		2018/19 £000
223	Contributions due – employees	458
645	Contributions due – employers	1,449
1,545	Sundry debtors	-
1,487	Prepayments	568
1,599	Cash balances	50,718
5,499	**Total Current Assets**	**53,193**

Note 22: Additional Voluntary Contributions

Market Value at 31 March 2018 £000		Market Value at 31 March 2019 £000
665	Clerical Medical	736
208	Equitable Life	195
873	**Total**	**931**

AVC contributions of £0.089m were paid directly to Clerical Medical during the year (£0.052m 2017/18). There have been no further contributions to Equitable Life in 2018/19 or 2017/18.

These amounts are not included in the Fund accounts in accordance with Regulation 4 (1) (b) of the LGPS (management and Investment of funds) Regulations 2016.

Note 23: Agency Services

The Fund pays discretionary awards to the former teachers of the London Borough of Newham, the amounts are fully reclaimed.

2017/18 £000		2018/19 £000
318	Payments on behalf of London Borough of Newham	315
318	**Total**	**315**

Note 24: Related Parties

The Fund is administered by the London Borough of Newham. During the reporting period, the Council incurred costs of £0.84m (2017/18: £0.92m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses (see Note 11). As at 31 March 2019 the Fund owed the Council £0.86m (2017/18: £2.83m).

Of the Investment and Accounts Committee members there is one active member of the LGPS, Joshua Garfield and three deferred members; Councillor John Gray (Chair), Councillor James Asser and Councillor John Whitworth.

Note 24a: Key Management Personnel

Key management personnel are members of the pension fund committee, the Interim Director of Financial Sustainability, the Director of Exchequer and Transactional Services and the Head of Pensions & Treasury for oneSource. Total remuneration payable to key management personnel which is recharged to the Fund is set out below:

2017/18 £000		2018/19 £000
37	Short-term benefits	38
1,039	Post-employment benefits	1,094
1,076	**Total**	**1,132**

Note 25: Contingent Liabilities and Contractual Commitments

Outstanding capital commitments for private debt, property, private equity and diversified alternatives at 31 March 2019 totalled £135m (31 March 2018: £142m). There are no contingent liabilities to report.

Three admitted body employers in the Fund hold insurance bonds and ten admitted bodies have a guarantee in place with the Authority to guard against the possibility of being unable to meet the pension obligations. These bonds/guarantees are drawn in favour of the Fund and payment will only be triggered in the event of employer default. No such defaults have occurred in 2018/19 (2017/18: nil).

New admitted bodies may be required to put an insurance bond in place if stipulated in the actuary's report. Admissions to the Fund are considered by the Investment and Accounts Committee.

Annual Governance Statement (AGS) 2018-19

Newham Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for. Newham Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions including arrangements for the management of risk.

Newham's Local Code of Corporate Governance is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government.* A copy of the Code is on the Council's website as Appendix 3 to the Council's Constitution, with the Council's Financial Regulations set out in Part 8 of the Constitution. These documents can also be obtained from the Council's Monitoring Officer.

This AGS complies with the Code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement of internal control.

Weaknesses and Improvements to Governance

There have been a number of control failures over previous years reported as Significant Governance Issues (SGI) in the relevant Annual Governance Statements. SGIs have included breaches of procurement processes, weak controls around financial management and failures around decision-making and programme management.

The new Mayor and Administration, following the May 2018 elections, wanted to urgently review the Council's financial and corporate governance arrangements in line with key manifesto pledges concerning enhanced transparency and accountability, good governance and better budgeting processes. The Mayor commissioned a number of initiatives to identify and improve any weakness around corporate governance, decision-making and financial controls. The following identifies those key initiatives taking place during the year:

CIPFA Review

The Council commissioned the Chartered Institute of Public Finance and Accountancy (CIPFA) to undertake a review of Newham Council's finances, as part of the Mayor's pledge to 'clean up the Council's budget'.

The subsequent CIPFA report detailed concerns around financial controls, with particular regard to a lack of control in capital expenditure. The report also pointed to a lack of a transparent financial vision, absence of corporate or service plans, and lack of corporate leadership including the construction of budgets.

CIPFA produced a five-stage action plan for the Council, published in November 2018. The report appeared in associated public committee reports and was published online[1] to increase openness and transparency. The report was also distributed to all Members of the Council directly by the Mayor.

[1] https://www.newham.gov.uk/Pages/News/Newham-Council-publish-CIPFA-report-revealing-weaknesses-in-financial-control.aspx

Olympic Stadium Investment

Under the previous Administration, Peter Oldham QC, was asked in December 2017 to review the reasonableness of decisions taken by the Council relating to its approval of a loan of £40 million for the conversion of the former London Olympic Stadium in Stratford.

Following the conclusion of the review by Peter Oldham QC, the report was published by Mayor Fiaz in July 2018 [2] [3]. Whilst he concluded that 'there was nothing unreasonable or unlawful in principle in the Council seeking to invest in the stadium by way of a loan' and that 'it is lawful for a local authority to decide to make an investment where the projected benefit of the investment outweighs the risk that it will not be repaid', his report also concluded that concerns raised by financial advisors at the time – namely that a £3 million annual return on a £40 million investment wasn't achievable – were ignored. Consequently, the final decision to invest £40 million in March 2013 was flawed, because it wrongly decided that one of its own self-imposed conditions for investment – the condition of an annual financial return of £3 million per annum – was met.

The Olympic Stadium report also contained a number of findings relating to the Council's decision-making that should be addressed in order to make improvements to the process. These included not delegating decisions of such significance to officers, improving the quality of reports to decision makers, and reducing the use of urgency procedures in making decisions. These measures have been delivered during 2018/19.

Internal Controls Commission

As highlighted in the 2016/17 AGS, there were instances of services not following procurement contract standing orders. A whistle-blowing incident at the Repairs and Maintenance Service (RMS -a service which primarily carries out inspections, repairs and works on homes and roads in the borough) resulted in a series of reviews by Internal Audit. The reviews focused not only on the procurement processes but wider financial and HR/workforce controls breakdowns.

As a result of control failings in RMS and wider governance issues across the Council highlighted in earlier sections, an Extraordinary Council meeting was held on 22 January 2019[4]. At that meeting, a report presented to Members highlighted weaknesses in controls and lessons to be learned and Council noted the Cabinet's proposal to establish an 'Internal Control Commission'. On 5 February 2019, Cabinet approved the establishment of an Internal Control Commission[5].

The purpose of the Internal Control Commission is to investigate the causes and solutions of the series of internal control failings in the Council. Specifically, the Commission has the remit to undertake the following:

- an assessment of the Council's existing Internal Control environment and to ensure lessons are learned from previous internal control failures and reviews;
- an assessment of how the Council's internal control environment failed to prevent the matters arising in the RMS investigations;
- recommending a model of best practice of Internal Control for the Council to adopt and implement;
- to develop an Action Plan for the Council to reach this model of best practice.

An independent Chair will lead the Commission, together with up to four additional members. Whilst the Commission will decide on the detail of its own work programme once it commences

[2] Announcement made at Full Council, June 2018 https://mgov.newham.gov.uk/mgAi.aspx?ID=63816
[3] Peter Oldham QC report https://www.newham.gov.uk/Pages/News/Newham-Council-publishes-independent-QC-report-on-flawed-decisions-made-by-previous-administration-regarding-40-million-.aspx
[4] https://mgov.newham.gov.uk/ieListDocuments.aspx?CId=295&MId=12433
[5]https://mgov.newham.gov.uk/documents/s125946/Internal%20Control%20Commission%20report%20to%20Cabinet%205Feb2019%20vers%204%20final.pdf

it's review in Autumn 2019, it is expected to take evidence from the Council's Overview and Scrutiny Committee Chair and Committee Members, Audit Board (Committee) Chair and Members, other councillors and officers, and to listen to submissions from external experts as to best practice in internal controls in local government. The findings of the Commission will be reported to Full Council once its work has concluded.

Corporate Wide Systems

Due to the shelf-life of support for oneOracle, a replacement system covering such areas as finance, payroll, HR performance management, training and procurement is required. The system will also modernise the back office with best practice work processes. This will lead to improved efficiency, and also improvement of governance through a better internal control environment.

Due to OneOracle having a number of implementation issues relating to the cost of the system and implementation timescales, together with reported operational issues (e.g. not maintaining a correct organisational staffing structure impacted on the efficiency of the system approval processes relating to HR and finance), strong project management and oversight of new systems is imperative and recognised by Members and senior management. Cabinet approved an upgrade of oneOracle to Fusion on 2 April 2019[6].

Corporate Plan

In response to the CIPFA report recommendations, new Mayoral priorities and Council senior management changes, a Corporate Plan has been developed and was agreed by Cabinet on 5 March 2019[7]. This is the first corporate plan in several years and reflects the transition the Council is making to ensure robust corporate-wide frameworks to enhance good governance in delivery, budget control and service area accountability and spend. While it reflects a transitional period for the financial year 2019/20; an updated version of the Corporate Plan will be presented to Full Council and the Cabinet in Spring 2020 as part a new three-year budget setting process that has commenced.

The Mayor is committed to changing the way the Council works, and adopting an approach which ensures regeneration brings greater benefits to the local community; increases investment in the local economy; listens to residents, local businesses and community groups and engages them in decision-making; opens up processes to scrutiny; and delivers improvements in services and ways of working.

The Plan established an overarching vision and core principles, which underpin the priorities of the Administration and will guide the work of the Council in 2019/20. The core principles are:

- People at the heart of everything we do
- Openness and transparency
- Efficient delivery and value for money
- Working in partnership
- Inclusion

The six priorities of the Administration are:

- Bright futures: supporting children and young people's aspirations, keeping them safe, removing barriers to success, with the Mayoral aim of '*making Newham the best place in the world for children and young people to grow up*'.

[6] https://mgov.newham.gov.uk/documents/s127127/01LBNOracleCabinetReportFinal3.pdf
[7]https://mgov.newham.gov.uk/documents/s126550/Appendix%201%20Corporate%20plan%20draft%20for%20cabinet%2005.03.19.pdf

- Building Communities - a housing offer for residents that delivers more genuinely affordable homes in well-designed neighbourhoods

- Community Wealth Building - a strong economy that supports local businesses, nurtures talent and provides opportunities for all

- An environment for all - an attractive borough which encourages active lifestyles, social integration and civic responsibility

- Quality of life - improving the Council's health and social care system so it works for Newham residents

- An efficient and effective Council: making Newham Council work better for everyone

The Corporate Plan is focused on what the Council does and guides development of service plans - reintroduced across each directorate during 2019/20. The Corporate Plan includes links to supporting and contributing to partner organisations strategies and plans, together with providing the basis for a performance framework which reports how, and how effectively, the priorities are being delivered.

To encourage citizen engagement, and to make the decision-making process of the Council more open and transparent, throughout 2018/19 Newham has been running a series of neighbourhood 'Citizens' Assemblies' in every locality of the Borough, with hundreds of attendees actively engaged in a process to:

- set the priorities for a local Community Plan shaping services
- discuss and work together with others to find solutions to local problems
- connect with other local people and share knowledge
- set up local projects
- find out what is happening in your local area
- give directions on how funding available to your area is spent

The findings coming out of citizen assemblies shapes priorities both locally and across the Borough, and also informs the development of both the Corporate Plan and subsequent Council service plans.

This initiative is part of the Administration's commitment to 'resetting the relationship' between the Council and residents, to ensure they are more engaged and involved in the decision-making of the Council. On 15 April, 2019[8], Council noted Cabinet's intention to set-up a Democracy and Civic Participation Commission, to run through 2019/20. The Commission will address the following questions in its terms of reference:

- How the Council ensures it has decision-making arrangements that are enabling, clear, co-ordinated, agile and take place at the right level.
- How the Council ensures transparency and accountability are in place in relation to the balance between resident and member democracy.
- How the Council understands and resolves the tensions and opportunities between representative and participatory democracy.
- How the Council improves the representative role whilst facilitating and enabling wider participation.
- What the role of the Councillor is in the context of communities doing more themselves.
- The most appropriate models of governance to meet the Council's aspirations.

[8] https://mgov.newham.gov.uk/documents/s127397/Council%20report%20April%2015%20-%20Democracy%20Commission%20final_.pdf

Corporate Performance

In 2018/19, the Council reported its performance in a detailed and transparent way to Cabinet. The reporting included the Council's performance against target, and the direction of travel, across a wide range of indicators. This approach, under the new administration, enables residents to now see how the Council is performing, and services are being held to account for delivery and driving improvement.

By the Council now regularly publishing performance statistics and indicators, it will make the Executive (Cabinet) and the senior management of the organisation more accountable to residents, and allow performance issues to be reported in public, with mitigations and actions to tackle poor performance communicated and further scrutinised in public.

Following approval of the Corporate Plan in March 2019, further improvements are being made to the Council's performance management framework with a focus on assessing the progress of key corporate plan activities as well as performance indicators.

Organisational Structure and Change

In February 2019, the Council started a formal consultation period on a restructure of its senior management team, with the aim of making Newham Council an organisation that can effectively support the Mayor's aim of 'putting people at the heart of everything we do', improve governance and management accountability throughout the Council, and move away from the previous Administration's programme of externalising Council services to create small businesses.

The formal consultation was based on a lengthy engagement process, which began in September 2018 and included 600 people attending Culture Change workshops, discussions with managers at Senior Leadership Forum (SLF) events, various meetings and conversations with the Mayor, Cabinet members, and the Corporate Management Team. A further 200+ questions were submitted during the formal consultation period.

A new structure was proposed and subsequently approved at Cabinet on 12 April 2019[9].

As a result, the Council will have seven directorates in the structure. Each directorate is designed to reflect and own the relevant corporate priorities of the Council and, with the new budget setting process, will ensure sufficient resources and capacity in the right areas.

- Brighter Futures
- Inclusive Economy and Housing
- Children and Young People
- Adults and Health
- Environment and Sustainable Transport
- Resources
- People, Policy and Performance

As this AGS covers 2018/19, the following reflected the roles and responsibilities with regards to the Council's overall organisational arrangements throughout 2018/19:

- The Mayor and Members are accountable for strategic and major policy decisions and hold officers to account for delivery against agreed outcomes and deliver political oversight with regards to the governance of the Council.
- The Chief Executive is responsible for ensuring the Council's overall governance and that the organisational structure is fit for purpose to deliver the Council's intended outcomes.

[9] https://mgov.newham.gov.uk/ieListDocuments.aspx?CId=294&MId=12525

- The Council's Executive Directors (now Corporate Directors) and Directors are responsible for determining and agreeing with the Executive and Council, where appropriate, the best methods of delivering the Mayoral and Council's priorities.
- The Managing Director of oneSource, a shared service operation with Havering and Bexley, is responsible for delivering a number of Council support services to Newham - at both a strategic and operational level. They include information technology, human resources, internal audit, procurement, legal and governance and asset and property management. OneSource also delivers financial management of the Council through supporting the Executive Director of Financial Sustainability (now Corporate Director of Resources), the Section 151 Officer, who reports directly to the Chief Executive.

Newham Change Portfolio Board

The Board is the governing board for all transformation programmes and projects throughout the Council. The Board aims to provide effective leadership and assurance to the Council in respect of the delivery of the Council's change portfolio, monitor~~s~~ and control associated risks.

Digital and ICT Strategy Related Boards

The Digital and ICT Strategy Board reports into the Newham Change Portfolio Board, and is the governing board for both the Council's Digital and ICT Strategies. The Board monitors risks and progress of all ICT projects including ICT Infrastructure related projects. A Smart Newham Board is chaired by the Mayor and provides Members' oversight to change and ICT programmes and projects.

Shared Services: oneSource

OneSource is London's largest shared service arrangement. It is a virtual entity governed by a joint committee model. OneSource was launched in April 2014, bringing together 22 support services, including Human Resources, ICT, Legal Services, Finance, Asset and Property Management from the London Boroughs of Havering and Newham. The London Borough of Bexley joined oneSource on 1 April 2016 delegating its financial services to the joint committee.

Staff remain employees of their respective Councils and work on behalf of a range of customers, including a number of the Newham externalised small businesses.

The Managing Director and oneSource directors are responsible for the operational delivery of oneSource services. OneSource performance is overseen by a joint committee of Councillors and has agreed service level agreements with a range of commissioning departments. The priorities of the new Administration have fed into a new oneSource improvement plan, with oneSource support to Newham having been partly focused on the former Administration's priorities of externalising Council services into small businesses.

Decision-making and Governance

The Council has a directly elected Mayor and Cabinet model of executive decision-making. All executive functions are exercisable by the Mayor, who may delegate those powers to the Cabinet, individual Cabinet members and officers. Full Council retains those functions which are prescribed as 'non-executive' and, if the law allows, may delegate those powers to committees or officers.

Both executive and non-executive functions may be delegated to the oneSource joint committee and onwards to officers.

Executive Decision-making: Mayor and Cabinet

The Mayor is directly elected every four years and is the Council's political leader as well as executive decision maker. The Mayor can appoint a Cabinet of up to nine other Members and in Newham during 2018/19, Cabinet comprised of nine Cabinet Members (Housing, Community

Neighbourhoods, Finance and Corporate Services, Health and Adults Social Care, Children Social Care, Education, Highways and Transport, Environment, and Crime and Community Safety) and the Mayor.

During 2018/19, the Mayor has appointed five Deputy Cabinet Members (Children Social Care, Education, Health and Social Care, Communities and Housing) and two Commissioners (Skills and Air Quality and Climate Change) to support and add capacity to the Executive. However, they are not members of Cabinet and have no decision-making powers.

The composition of Cabinet, Deputy Cabinet and Commissioner can occasionally change, with the current arrangement always available online[10].

In 2018/2019, the Mayor delegated executive powers through a refreshed Mayor's Scheme of Delegation, agreed at Mayoral Proceedings and Council in October 2018. A key change was that the Mayor delegated her executive powers to the Cabinet collectively for decisions reserved to the Executive. This meant that decisions previously made by the Mayor alone are now made by collective decision-making at Cabinet meetings.

Non-Executive Decision-making: Full Council and Committees

Full Council is the meeting of all 60 Councillors (plus the Mayor). Full Council has the powers reserved to it by law called non-executive powers.

These powers comprise:

- Agreement of the budget and Council Tax annually;
- Agreement of major policies reserved to it;
- Regulatory functions such as licensing and planning largely where they relate to individual applications and consents;
- Governance matters such as the Constitution, elections, the Code of Conduct and members allowances;
- Staffing and pensions matters and the appointment of the Chief Executive.

Except for the policy framework and the budget, most powers are delegated to member committees or officers. The delegations to committees are included in the Constitution and the delegations to officers are included in the Officers' Schemes of Delegation, changed to reflect the new Administration priorities, as detailed in the 'Executive Decision-making: Mayor and Cabinet' section.

Full Council meets 10 times a year and is chaired by the Chair of Council, not the directly elected Mayor.

Committees

Full Council delegates most of its operational functions to committees of members and officers. Committees are largely in the regulatory, conduct or governance areas, including licensing and planning where they determine individual applications applying the Council's policies.

The Council has advisory committees for functions such as ethical conduct and audit to allow the membership of non-councillors as co-opted members.

Committees are largely established under S101 of the Local Government Act 1972 and must comply with rules of procedure in the Constitution.

[10] https://www.newham.gov.uk/Pages/ServiceChild/Cabinet-and-Mayoral-Advisers.aspx

Overview and Scrutiny

The Council has one Overview and Scrutiny Committee. Scrutiny's role is to contribute to policy review and development and, secondly, to scrutinise the decisions of the Cabinet. It also has statutory powers to scrutinise health functions in Newham and this can be done jointly with other boroughs. All Councilors, with the exception of members of the Cabinet, can be members of the Council's Overview and Scrutiny Committee and Scrutiny Commissions.

The role of Scrutiny is that of a critical friend. Scrutiny has no decision-making powers but may require evidence and information to be provided. It may also "call in" executive decisions that have been made but not implemented. This allows Scrutiny to review decisions and make recommendations to the original decision-maker who must consider any recommendations before making a final decision.

The Overview and Scrutiny Committee is supported by four ongoing commissions in the themes of Crime and Antisocial Behaviour (ASB); Adults and Health; Education, Children and Young People; and Housing, Regeneration and Environment. An annual report on the work of scrutiny is published at the Annual Council Meeting in May.

Corporate Management Team (CMT)

CMT is the Council's senior management team and is held once a week. Membership includes the Chief Executive, Executive (now Corporate) Directors (including the Section 151 Officer), Directors, the Managing Director of OneSource and Monitoring Officer/Director of Legal and Governance. CMT's role is to ensure the Council has strategic direction at an officer level relating to operational management, and identifying interdependencies and ensuring a joined-up approach to cross cutting activities and Council projects (please see the significant Governance Issues for 2018/19 for related project management weaknesses identified in the Council).

Council Constitution

The Constitution sets out how the Council will discharge its statutory functions, the roles and responsibilities of members and officers and the process and governance of its decision-making. It also contains rules for governance of specific areas.

Codes of Conduct

The Council has a Code of Conduct for both Councillors and officers. It should be noted that the Committee on Standards in Public Life (CSPL) published its report on local government ethical standards in early 2019, with recommendations to promote and maintain high standards of conduct in local government. As a result, and if the recommendations are accepted by Government, an updated model ~~of~~ code of conduct should be available to local authorities in order to enhance the consistency and quality of local authority codes. The adoption of the updated model code should be voluntary and able to be adapted by local authorities.

The Council's current Code and Protocols relating to officers are supported by a requirement to make declarations of interest and to declare gifts and hospitality. Interests must be declared by officers above a certain grade and those in certain decision-making and procurement positions. Email alerts go to officers requiring a DOI when required. Officers are required to generally decline gifts and hospitality to ensure that officers are not inappropriately influenced. These Codes and processes are made available to staff at their induction; are on the Intranet; and online training is available to ensure every staff member understands their responsibilities. All declarations are made on-line and are automatically referred to the manager for approval under the on-line system.

Members must agree to abide by the Council's Code of Conduct for Members, which complies with the Localism Act 2011 and is based on the 7 Nolan Principles for conduct in public life. The Code's main obligations on members are:

- To register disclosable pecuniary interests [DPIs] and to disclose any interests in meetings where they are affected by a decision;
- Where a DPI is disclosed in a meeting and in other specified circumstances, to withdraw from the meeting when the item is considered and not participate in the decision-making;
- To register gifts and hospitality with an estimated value over £25 [declarations are recorded on the website];
- To comply with general principles of conduct when acting in their official capacity.

Details of Members' interests are available online and Members' obligations are set out in all public agenda papers. During early 2019, an interactive map of Members' Register of Interests was launched on the Council's public website, to make identification of Member interests on a geographical and place basis more transparent.

Any person may complain, in writing, that a member has breached the Code of Conduct. The Council's Monitoring Officer will determine whether the complaint should be investigated and, where a complaint is investigated, whether further action is necessary.

The Standards Advisory Committee [SAC] is an advisory committee, chaired by an independent Member, that receives reports from the Monitoring Officer on conduct matters and his decisions. It has no decision-making powers but may, on the Monitoring Officer's advice agree that an investigated complaint should be determined by a Hearing Sub-Committee. The Sub-Committee must be comprised of elected members which determines whether the Code has been breached and if so, the sanction. The Council has appointed Independent Persons who will be consulted during consideration of complaints.

Statutory Officers

The Council employs statutory officers to discharge specific functions. These include:

The Head of Paid Service (the Chief Executive), the Chief Finance Officer designated under S151 of the Local Government Act 1972 (The Executive Director of Financial Sustainability now changed to the Corporate Director of Resources) and the Monitoring Officer (Director of Legal and Governance). It should be noted that, during 2018, both the Chief Executive and the Section 151 Officer were interim positions, with a permanent Chief Executive and 151 Officer (Corporate Director of Resources) appointed in March and April 2019 respectively.

Each of the Statutory Officers has the power to refer certain matters to the Council. These officers meet regularly to discuss current issues and liaise regularly in between meetings on matters affecting the governance of the Authority. The statutory officers ensure the provision of professional advice on all key decision-making reports to ensure legal, financial, risk management, procedure and equality implications are addressed**.**

Under the provisions of the Children Act 2004, the Local Authority must appoint an officer, who has lead responsibility for children. During 2018-2019, this role was carried out by the Executive Director of Strategic Commissioning (in the new structure from summer 2019 this is carried out by the Corporate Director of Children and Young People). The Council is also required to appoint a lead Member for Children Services, which for 2018-2019 was Cllr Sarah Ruiz, a member of the Cabinet with the portfolio for Children Social Care, and in the role is supported by Cllr Carleene Lee-Phakoe, Assistant Cabinet Member for Children Social Care.

The Executive Director of Strategic Commissioning (in the new structure from summer 2019 this is carried out by the Corporate Director of Adults and Health) discharges the Council's responsibility for adults under the provision of S6 of the Local Authority Social Services Act 1970. Councillor Susan Masters, the former Cabinet Member for Health and Adult Social Care, was the lead portfolio holder for Adult Social Care during 2018/19. The Council also has a statutory Director of Public Health post, who reports into the Corporate Director of Adults and Health. The new structure means that the Adults and Health Directorate now holds the important work on public health with a new relationship to its' commissioning function to make it more direct and effective. Environmental Health and Commissioning of Sports and Leisure (ActiveNewham is

Newham's leisure partner) have been moved to this directorate to enhance its community public health focus.

Whistle-blowing and Personal Interests

The Council takes disclosures of wrongdoing, or malpractice (in any form), very seriously and will seek to ensure that employees acting in the public interest - who genuinely believe that wrongdoing is evident or has occurred - are able to make a disclosure in confidence, without fear of detriment or victimisation. The Whistle-blowing Policy has been reviewed, following control and governance issues as identified in the Significant Governance Issues section at the end of this document, and the policy is being again actively promoted through staff emails and intranet news articles, and 'sessions between managers and teams, to remind staff of the process for raising their concerns. The effectiveness of the policy and the type of issues raised are reviewed and monitored annually by the Council's Audit Committee, and also the Standards Advisory Board received an update on the Whistle Blowing policy and proposals in March 2019.

In addition, the Council has formally adopted an anti-bribery and corruption policy. The Council also has an online Declarations of Interest system which is promoted to all staff and monitored on an annual basis.

Complaints Process

The previous Complaints Team moved to Customer Service Operations in April 2018 and has redesigned its processes with more emphasis on long-term resolution as opposed to just dealing with 'the complaints'. The Team has been renamed to the Resolutions Team and through the transfer is benefiting from being part of a wider team, in which Customer Services Advisors are able to assist and utilise their knowledge, skills and system access to achieve quicker and more effective responses when customers contact the Council.

Within the new Council Structure, in Autumn 2019, the Complaints Team, Members' Enquiries Team, Customer Services, Freedom of Information and Data Protection Act Enquiries Teams will all be brought together into a single service, improving cross-training, the consistency of response, and improve capacity to deal with public and member enquiries.

Freedom of Information

The Council must respond to Freedom of Information (FOI) requests within 20 working days. The following table shows the Council's overall performance for 2017/18 and 2018/19. The Team has limited capacity due to two associated vacancies, which are being addressed. Every effort is being made to prevent this from adversely impacting on the Council's performance in terms of response times, especially taking into account another year of increase to the number of FOI requests received by the Authority. FOI responses continue to be cleared by the Team and at the relevant Director level in order to ensure accuracy and quality.

Year	Status	Quarter 1	Quarter 2	Quarter 3	Quarter 4
2017/18		427	483	423	525
	In Time	340	416	385	427
	Overdue	87	67	38	98
2018/19		494	475	437	476
	In Time	424	426	376	426
	Overdue	70	49	61	50

Information Requests under Provisions of the Data Protection Act

The Council must respond to requests within one month. The following table shows the Council's centrally recorded performance for 2017/18 and 2018/19. It is noted that DPA requests are dealt with by a team in the corporate service but also by social care services. Work is still outstanding to ensure all DPA requests are centrally logged for data completeness. The below data is only for corporate received information requests.

Year	Status	Quarter 1	Quarter 2	Quarter 3	Quarter 4
2017/18		58	59	88	84
	In time	57	58	85	68
	Overdue	1	1	3	16
2018/19		103	111	113	118
	In time	92	105	102	96
	Overdue	11	6	11	22

The Information Governance Team also processes around 1,000+ information sharing requests each year.

Procurement Gateway and Governance

The procurement of external contractors is an area of risk to all public authorities, having significant financial and strategic impact on the delivery of the Council's vision and outcomes. Procurement is also subject to EU and domestic regulation and increasing risk of legal challenge to individual processes and decisions. This requires clear and effective Contract Standing Orders to ensure compliance, which Newham has, and compliance in practice.

A Checkpoint process operates within the Council to ensure that the service leading a procurement is adhering to the Council's appropriate procurement processes and following relevant procurement legislation.

- Checkpoint is a three step governance process designed to help staff who commission high value contracts, works and goods above £181,176;
- Checkpoint ensures that the correct decisions and steps have been undertaken to achieve better procurement outcomes, and mitigate risks;
- It provides a checkpoint of three key points, overseen by a panel, with representatives from services including: Legal, Procurement and Finance, to offer expert advice, support and guidance;
- It makes sure the procurement process complies with the Contract Procedure Rules and The Public Contract Regulations 2015.

Data listing existing contract end dates is regularly given to Directorate Management Teams, or equivalent, to ensure procurements are planned for in advance and undertaken in accordance with the Council's Contract Standing Orders and Public Contracts Regulations 2015 to ensure timely procurement and mitigate the submission of waivers relating to Contract Standing Orders.

A Procurement Initiation Form (PIF), is required to be completed at the start of all procurements with a contract value of £25,000 or above, to ensure 'below threshold' contracts (in addition to above threshold contracts) are captured and undertaken in-line with Public Contracts Regulations 2015 and the 'below- threshold' regime.

Procurement, and contract management, training courses are available to council officers and take up has been encouraged at Directorate Management team meetings.

Corporate Health and Safety

The formal governance arrangements for Health and Safety across LBN are set out in the Health and Safety Policy. A Corporate Health and Safety Board meets quarterly and is chaired by the Director of Commissioning for Enforcement. Safety (in the new structure either the Corporate

Director of Environment and Sustainable Transport or Assistant Director or Community Safety). The Director is the key reporting line into the senior management structure and is a member of the Corporate Management Team. The Board deals with strategic and high level health and safety issues and monitors health and safety arrangements. The members of the H&S Board either Chair or are members of their respective service divisions to enable more operational aspects to be considered and allow a two way communication flow that highlights key risks and monitoring arrangements.

CMT is provided with quarterly updates on Health and Safety against an agreed action plan which highlights key risk areas.

The Council has a robust reporting procedure to the Health & Safety Executive (HSE) under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR). The reportable categories under RIDDOR are: deaths, specified injuries, over seven-day injuries to workers, injuries to non-workers if they are taken from the accident scene to a hospital, dangerous occurrences and reportable diseases.

The highest risks to the Council (and are unlikely to change in the near future):

- Fire;
- Lone Working / Violence;
- Stress;
- Musculoskeletal;
- Construction work;
- Asbestos Management;
- Works commissioned directly by schools.

In order to mitigate the above areas of risk, a Health and Safety Framework of audits are carried out by Corporate Health and Safety on behalf of Newham. The objective of the Framework is to strengthen the Health and Safety Management System and to provide the following:

- A RAG rated compliance assessment;
- Action Plans;
- Clearer reporting;
- Consistency across services;
- Flexibility for different clients and services;

The Framework Audits are based on the Occupational Health and Safety Standard 45001 (18001) and fits in with the requirements of the HSE model (HS(G)65). The model has been fully developed from within the Corporate Health and Safety Team taking advantage of utilising current systems.

The Framework assessment process is health and safety adviser led and involves a high level examination of the entire health and safety management system and associated arrangements. It focuses on the key aspects of each service area’s approach to managing occupational health and safety in the workplace and the outcome provides a structured path for continuous improvement towards best practice.

The assessment process is intended to ensure all appropriate aspects of occupational health and safety have been considered within the safety management system and how effectively such arrangements are being implemented against the set criteria. A subsequent RAG rated compliance assessment report is prepared to identify the strengths and areas for improvement within the health and safety management system and also to provide observations and recommendations, together with action planning, for consideration. Health and Safety Advisers are able to assist with support and advice etc. on implementation of the Action Plan.

Grading of a Service/Directorate/Council will be based on the Framework criteria as follows:

Green – 100% compliant
Amber – 80% or more compliant

Red – Less than 80% compliant

The accredited course has been rolled out across Newham – Managing Safely. The (Institute of Occupational Safety and Health) IOSH Managing Safely is designed for managers and supervisors in any sector, in any organisation. Its content is designed and quality-controlled by IOSH, the chartered body for health and safety professionals.

It is a nationally recognised level of competence which gives the Council a reassurance that managers and supervisors understand their responsibilities and are managing safely. It focusses on the practical actions they need to take and builds knowledge to tackle the safety and health issues they are responsible for. The course is delivered in house by accredited Corporate Health and Safety Advisers.

Some of the benefits of the course are:

- Greater productivity as fewer hours are lost due to sickness and accidents;
- Improved organisation-wide safety awareness culture and appreciation for safety measures;
- Active staff involvement to improve the workplace and Council activities (that affect staff and members of the public);
- Nationally recognised and respected certification for managers and supervisors.

A two day H&S for Managers course is also being rolled out in 2019/20 to cater for lower risk service areas. Additional H&S training is also provided for Lone Working, Resilience, Fire, First Aid and a range of bespoke courses.

Internal Audit

Annual Report from Head of Assurance 2018/19

The Assurance Team, part of a shared service with two other Councils, provides a number of services to the Council including; Internal Audit, Insurance, Risk Management and Counter Fraud. This report sets out the Head of Assurance's opinion on the overall adequacy and effectiveness of the Council's internal control framework, together with the details upon which the opinion is based. Each area has a contribution to the annual opinion as indicated below:

Internal Audit

The Audit Team has a plan of work that is discussed and agreed with the Corporate Management Team (CMT) and the Audit Committee. The Plan is kept under review during the year and is adapted to take account of changes in circumstances, the risks facing the Council and to assist in supporting services where weaknesses are identified. The Plan is intended to provide assurance to managers that the controls they have put in place address the Council's risks and that they are working effectively.

The Audit Team works in accordance with the Public Sector Internal Auditing Standards.

Summaries of audit reports are provided to the Audit Board on a regular basis, together with complete reports for audits with limited assurance opinions.

Counter Fraud

Members of the Audit Committee review the counter fraud policies to ensure that they are fit for purpose. These reviews form part of the Members' assessment of the system of internal audit, as required by the Accounts and Audit Regulations.

The Counter Fraud Team has a role in preventing, detecting and deterring fraud. It uses a number of methods to achieve these objectives. The section runs training courses and on line training packages, to raise awareness of the risk of fraud and to assist with fraud prevention. It uses publicity to help deter and prevent fraud by publishing case outcomes and the type of sanctions incurred. In terms of detection, the section participates in data matching with the National Fraud Initiative. Additionally, locally initiated data matching is carried out in discreet areas, to try to identify other types of frauds such as housing tenancy fraud.

Fraud investigations can be the result of a control weakness in the system. There is a system in place to report any such weakness to management, for them to take corrective action and put in place preventative controls to stop a reoccurrence. There is a close working relationship between the Internal Audit and Counter Fraud Teams and if there is a perceived weakness in control identified by the Counter Fraud Team, Internal Audit is made aware.

Risk Management

A revised Risk Management Strategy was presented to the then Audit Board on 12 February 2019, having been approved by the Corporate Management Team (CMT) on 22 January. Risk management is a key element of good management and corporate governance, which is essentially the way an organisation manages its business, determines strategy and objectives, and goes about achieving its goals.

The Council faces a significant number of risks and it is, therefore, important that officers recognise their responsibility to adopt a risk management process and demonstrate that they are fully committed to improving the effectiveness of risk management across the Council.

Implementation of the Risk Management Strategy by the Assurance Service will be a key piece of work that will be carried out in 2019/20. In terms of Service Continuity Plans, this has been highlighted as a Governance issue for 2018/19, please see the list of Significant Governance Issues section.

Head of Assurance's Opinion

The Head of Assurance is required to provide an annual opinion on the internal control environment and the level of assurance that can be gained from the work carried out by the service. This is achieved through an audit plan that has been focused on key strategic and operational risk areas, agreed with CMT and by the Audit Board. The Head of Assurance opinion does not imply that Internal Audit has reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of audit work formulated around a selection of key systems and risks. In addition, the Internal Audit Team may be asked to carry out pieces of advisory work, in which no assurance opinion is given, however, recommendations to mitigate risks identified, are made.

The basis for the Head of Assurance's opinion is derived from an assessment of the range of individual opinions arising from assignments contained within the Internal Audit risk based plan that have been undertaken throughout the year, together with the advisory work. This assessment takes account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses. A summary of Audit Opinions is shown in the following table:

Table 1 – Summary of Audit Opinions 2018/19

Category	Substantial	Moderate	Limited	Not applicable
LBN Systems Audits	6	5	1	8
LBN Schools Audits	3	5	0	0
Total	**9**	**10**	**1**	**8**

Based solely upon the audit opinions resulting from the internal audit programme of work undertaken during the year, this would indicate reasonable assurance could be provided that there is generally a sound system of internal control. However, although the number of limited reports finalised during 2018/19 is low, areas of significant weakness have been identified in other reviews, some of which are ongoing. Specifically, these are:

- Ongoing reviews of the key financial controls by Internal Audit have identified significant areas of weakness in the control environment;
- Payroll related issues have been identified in one business area that indicate potentially wider control issues across the Council;
- Similarly, assurance cannot be provided over the controls in place to manage expenditure in other areas, such as purchase cards;
- There is a lack of oversight and control over programmes and projects, which means assurance cannot be provided that these are being delivered to cost, quality and time standards. Given the level of expenditure of some of these programmes and projects, this is a significant financial risk;
- Risk management is developing within the Council. However, this work is at an early stage and, combined with the lack of a formal Corporate Plan until the end of the 2018/19 year, means that the risks facing the Council are not clearly defined at a strategic level. Without an understanding of the risk environment, it is not possible to assess the adequacy of the control framework in place to mitigate these.
- The CIPFA Finance Review, reported in November in 2018, identified a number of control issues across the Council. An action plan is in place within the Council to address these issues.

Therefore, the issues identified above mean that the overall opinion must be qualified, and limited assurance is provided on the internal control environment until it is demonstrated that action plans have been implemented, including the areas identified by CIPFA. The internal audit programme for 2019/20 includes reviews designed to provide assurance on the above areas.

Audit Board

During 2018/19, the Council had an Audit Board that comprised of elected Members drawn from Cabinet and other Members. Their role was to review and advise the Council on its Internal Control Framework and to hold those responsible for any apparent failures to account. A programme of internal reviews and audits were agreed with the Board.

Any report with a limited assurance opinion form was reported to the Board, and relevant officers were invited to go through the findings, field questions and outline intended actions. During the year, the Audit Board had called officers to its meetings to explain how they were progressing with internal and external audit recommendations. The Board had received a range of reports from the internal and external auditors to assist them in considering the effectiveness of the Council's Control Framework. The Board also received regular reports on risk management and counter fraud performance.

To increase independence of the then Board, in May 2018 it was agreed that a Member of the Cabinet could not act as Chair or Vice Chair of the Board. Related to the 22 January 2019, Extraordinary Council meeting it was recommended as part of strengthening auditing arrangements, increasing independent oversight of Council operations (mainly from Executive Members) was critical, and that the arrangements of the former Audit Board and Investment & Accounts Committee would be reviewed.

Proposals which came back to Council in May 2019 sought final approval for a reconstituted and decision-making Audit Committee with delegated authority in relation to accounts and audit / internal control functions and removal of requirement for any Executive Members to be on the Committee. The Investment & Accounts Committee then became the Pensions Committee.

External Audit

The Statement of Accounts is prepared in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and Service Expenditure Reporting Code of Practice (SerCOP). The accounts are then audited in accordance with the Local Audit and Accountability Act 2014, and the Code of Audit Practice issued by the National Audit Office.

Each year the Council receives a report from its external auditor on the results of the audit of the financial statements. The most recent audit letter indicated that the Council's financial statements give a true and fair view of the Council's affairs and of the Authority's income and expenditure and cash flows for the year, and have been prepared in accordance with the requirements of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Shares and Investments

The Strategic Investment Board

The Strategic Investment Board (SIB) is an operational meeting of Directors of the Council which is held once a month. The meeting is chaired by the Director of Business and Growth (or the Executive Director of Financial Sustainability), and has representation from Regeneration, Finance, Strategic Finance, Project Management Office, Asset Management and key Commissioners as required. SIB acts as a corporate gateway for projects seeking funding to ensure that there is corporate scrutiny and challenge applied to projects from project initiation stage through to approval of business cases. Schemes are administered through the Council's governance process (Verto). The Board is not a formal decision body of the Council. Directors act in their individual capacity to provide appropriate challenge and corporate oversight. Projects are ultimately approved via the relevant governance routes (Council, Cabinet, or officer Delegated Authority) once the project mandate and subsequent business case are signed-off by Directors who are members of SIB.

The Shareholder Board

The Shareholder Board exercises governance of and provides direction on the Council's investments and interests. It delivers Member oversight and management in relation to compliance with existing agreements, business plans and delivery of optimal value for money for residents. It leads on all owner / shareholder issues, the investment process and embeds its view throughout projects. Included is the governance arrangements for its portfolio of wholly owned companies currently numbered at 10; with turnover ranging from £1.3m - £23.2m p/a and staffed by over 1,060 employees. The companies are listed below:

- Early Start Education Limited
- Early Start Group Limited
- Every Child (Achieving their Potential) Limited
- Enabled Living Healthcare Limited
- Good Support Group Limited
- iXact Limited
- Juniper Limited
- London Network for Pest Solutions Limited
- Mint Cleaning Group Holdings Ltd
- Public Realm Services Limited

Each of the companies is managed by a board, which includes a Council-appointed non-executive director, meeting monthly and has its own audit arrangements in place. A conflict of interest could be construed to exist between a number of the companies and LBN surrounding issues with current procurement procedures (i.e. the companies having to tender for the main portion of their business which emanates from LBN). A process to establish a 'preferred bidder status' for these companies is under review.

The Councils asset delivery vehicles, Red Door Ventures and Future New Homes, both hold their own individual board meetings on a monthly basis and currently attend a separate Shareholder board once a month. Going forward the Council will be looking to streamline reporting and governance arrangements and combining the different boards into a more effective and efficient stand-alone board.

With the new administration not reflecting the previous priorities of the Council with regards to externalising services into small business, under the Council's Council Services to Small Business Programme, during 2019/20 an outsourcing review will be undertaken, to assess the current position against the administration priorities.

Learning and Organisational Development

The Council recognises that effective performance from every individual is critical to the delivery of excellent services for the people it serves. It recognises the importance of giving all employees clarity in relation to their job role, their individual contribution and that of their team through setting performance objectives. The appraisal scheme enables managers and staff to connect their objectives to the Council's behaviours and competency framework. This will be aligned to the Council's Corporate Plan, along with the Council's proposed values and behaviours (in development), as the Council continues the journey to change the culture in the organisation to ensure that people are at the heart of everything it does. The Council's performance development scheme enables managers and staff to discuss performance, goals, behaviours and competencies and any personal development needed to achieve them.

During 2019/20 the organisational structure of the Council will be aligned to deliver the Mayor's priorities. A new People Strategy will be implemented to ensure the Council recruits, retains, manages and develops its staff to ensure the Council puts people at the heart of everything it does. Greater emphasis will be placed on creating an organisational culture which supports and encourages talent development, with clear pathways for learning. Opportunities for staff engagement will be explored and development interventions will be matched to the Council's organisational values and behaviours and competencies. The new offer will include generic corporate courses to improve the Council's desire to become a truly diverse and inclusive organisation.

The Council is committed to inducting new employees effectively and provides induction guidance - exploring how to enhance this through the use of an e-learning platform, alongside a face-to-face session for new employees with senior management and Members which takes place on a quarterly basis. The Council has reviewed its Induction intranet presence to ensure it is up to date and relevant, part of this, a newly designed starter and leaver portal (online) has been launched to assist line managers more effectively. The Council has an agreed framework for managing people which articulates the Council's approach to leadership development, talent management and employee development, employee engagement, culture change and performance.

The Council is continually developing its e-learning delivery capacity and has developed on-line governance and financial training including compulsory modules in Codes of Conduct; Data Protection; Declaration of Interest; Fraud Awareness; Information Security, Safeguarding and Whistle-blowing. The range of modules will be expanded as required. Throughout 2019/20 the Council will be implementing new classroom led courses in recruitment and selection, unconscious bias, diversity and other courses that are identified of importance such as leadership and management skills – with the goal of funding cohorts of managers and aspiring managers to undertake development apprenticeships.

The then Audit Board and former Investment and Accounts Committee, included training as part of their agendas and agreed specific training plans for themselves annually. For some aspects of Council work, Members are required to undertake a period of study and pass a test to ensure they can demonstrate appropriate competence. This applies to Planning and Licensing arrangements, for example. For other positions, Members are supported through briefings and conferences.

Partnerships

The Council has partnership arrangements with NHS Newham Clinical Commissioning Group (CCG), with whom it works closely on proposals for arrangements for health governance and delivery across the Borough. The statutory Strategic Health and Well-being Board brings together Newham Council, NHS bodies and other organisations which provide health and social care in Newham and represent customers.

There are also partnership arrangements in place with the Police, Probation, Fire and Rescue and Youth Justice Services to help meet the targets for reducing crime and making Newham a safer and stronger community through the Community Safety Partnership. The adults and children's safeguarding boards are chaired independently bringing together the Council and other partners to focus on safeguarding and improving outcomes for those at risk of violence and abuse. The Employment and Enterprise Partnership Action Board focuses on facilitating joint partnership work between the public, private and third sectors, to enable Newham residents to access employment opportunities through job brokerage and skills development.

Newham's Education Partnership Board was formally established in November 2018 and provides a mechanism for education providers and the Council to engage on strategic decision-making about education, taking advice from other key stakeholders including parents, young people and governors.

In Autumn 2019, the Newham Safeguarding Children Partnership will start, formed of three statutory agencies – Newham Council, NHS Newham and the Metropolitan Police – working together with education as a fourth partner, in line with the requirements of the Children and Social Work Act 2017. The Mayor of Newham's Youth Safety Board brings together young people, residents, family members and professionals to advise the Mayor on approaches to making Newham a safer place for children and young people.

The Overview and Scrutiny function encompasses partnerships and includes the Inner North East London Joint Overview and Scrutiny Committee, which is a joint committee with other councils to review health matters affecting the sub-regional area. In February 2019, Newham took over as Chair of the Committee, and is supported by the Newham Scrutiny Team.

Significant Governance Issues

2018/19 – Update: Significant Governance Issues

Control Area	Governance Issue	Issue/Action Taken	Responsible Officer for subsequent action
Risk Management	Corporate Risk	**Issue:** Effective risk management has been inconsistently undertaken for a number of years. Risk registers are not systematically maintained across all Directorates, and a greater consideration of risks is needed during the decision-making process. At a corporate level, annual reviews have been undertaken of the corporate risk register, but sufficient actions taken to mitigate these level of risks cannot be demonstrated. **Action:** A revised risk strategy has been developed and agreed by the Corporate Management Team. Risk workshops are being undertaken at corporate and directorate levels. The internal audit team have committed to support the drive to re-establish effective risk management and are facilitating these sessions. A corporate plan has now been agreed, and this is being used as the basis for establishing the threats the Council faces to achieving its objectives. The lack of Corporate Plan has also hindered the development of risk management as, without clearly defined objectives, it is not possible to identify the threats to the achievement of these.	**Chief Executive**

Information Governance	Data Sharing	**Issue:** The Council distributed unredacted personal data to a group of partner agencies including statutory in January 2017. The data was around young people who were, or suspected, of being involved with gangs. Later that year, photographs of the unredacted information distributed to agencies was found in the possession of known gang members. The Council has been found to have contravened the Data Protection Act 1998 by the Information Commissioner's Office (ICO) as the data controller because it was not necessary to distribute the unredacted database and because the sharing of the information was not regulated by written policies, procedures and agreements. Following an investigation, on 1st April 2019, the ICO issued the Council with a Monetary Penalty Notice in the sum of £145,000 but reduced to £116,000 because an early payment was made. **Actions:** Policies and procedures have been updated, with mandatory training for staff. Data sharing agreements have been updated and data sharing practices improved. Risk assessments have been carried out around high risk processing of sensitive personal data, with Secure Mail software now available to all staff.	Ian Gibbs, Information Governance
High Needs Budget	Financial Risk	**Issue:** Predicted overspend in this budget due to pupil led pressures and historical approaches to funding, together with concerns around systems and processes in place to ensure schools are paid funds in a timely manner. **Action:** A sub group of schools forum is reviewing all high needs funding to ensure value for money, consideration of a new needs led banding system is being made. SEN and Finance are undertaking a data cleansing approach in dialogue with schools to ensure the correct funding is being made. Staffing in SEN are being put in place to ensure the accuracy and timeliness of funding going forward. A review of funding processes and systems is required.	Simon McKenzie Special Educational Needs and Disability

<table>
<tr>
<td>Children Social Care</td>
<td>External OFSTED Inspection</td>
<td>Issue: Ofsted published an inspection report in March 2019 on Children Social Service in Newham following an inspection of the service in February 2019. The Overall rating was: Inadequate;

• The impact of leaders on social work practice with children and families: Inadequate
• The experiences and progress of children who need help and protection: Requires Improvement
• The experiences and progress of children in care and care leavers: Inadequate

Ofsted however found that children identified as in need of help and protection are effectively safeguarded. It was also commented on that social workers know their children well and they highlighted the quality of help and protection provided by the disabled children's team; virtual school team; education outcomes for children in care, and how Newham understands and meets the emotional and mental health needs of children in care.

It is clear Newham needs to a greater degree support and invest in the needs, ambitions and aspirations of Newham's children and young people.

Action: The new administration is committed to a fundamental cultural and structural shift that will place the needs of young people at the very heart of the new administration's work. In the new proposed organisation structure two new roles will strengthen officer leadership and add greater capacity in children's services to ensure that the voice and ambitions of Newham's young people are reflected in the work delivered across all council services.

The council will also increase investment in young people's services – including £10.6m for children's services; £1.4m in youth services, and £1.3m in special education provision.</td>
<td>Corporate Director of Children & Young People</td>
</tr>
</table>

Corporate Governance	Service Continuity	**Issue:** There are a number of identified services without up-to-date Service Continuity Plans. **Action:** A review has been carried out of business continuity at a strategic level and CMT have agreed a list of priority functions for which robust service continuity plans are to be developed. Over 2019/2020, this approach will also enable the Council to understand broader critical requirements, dependencies and available resources. New software will be introduced to assist in data collection and planning.	Sheila Roberts Enforcement
Public Health	Financial	**Issue:** The management of the public health grant by LBN commissioners without the Director of Public Health's full involvement has been identified by Public Health England (PHE) as not in line with expectations and different to the standard practice employed by other Councils. PHE have also identified that the Director of Public Health should have greater involvement in the direction of spending and oversight of the Public Health Grant. The 2017-18 grant was signed off by the Section 151 Officer and the Executive Director for Strategic Commissioning. This assurance process is not the standard practice and this was noted by PHE. It is likely the 2018/19 grant assurance process will face similar challenges. **Action:** The Newham approach to the public health grant is being reviewed by the new administration and relevant Directors, including 151 Officer and Public Health Director.	Jason Strelitz Public Health

Corporate wide, supported by Central Services	Project Management and controls	**Issue:** In terms of the Internal Auditors opinion and the activities delivered by the Council's internal auditing programme, it has not been possible to provide assurance over the project management control environment and significant issues have been identified in the following areas: - Lack of adequate forward planning - Failure to ensure projects are delivering to Council objectives - Lack of appropriate authorisation and monitoring processes across the Council - Lack of a consistent project management methodology across all projects - Lack of visibility of projects, as a whole, across the organisation. **Action:** The governance structure for projects will be reviewed and a consistent approach to project management applied across the Council. The project portfolio will be regularly reviewed by the Corporate Management Team.	Chief Executive

Corporate wide, supported by Central Services	Financial Control	**Issue:** The Head of Assurance opinion within the AGS of the financial control environment is limited, based on significant issues identified during ongoing testing of the key financial systems and processes. The work undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA) to review Newham Council's finances also detailed concerns regarding financial controls, The report also pointed to a lack of a transparent financial vision, absence of corporate or service plans, and lack of corporate leadership including the construction of budgets. **Action:** CIPFA produced a five-stage action plan for the Council to follow, published in November 2018. Progress against the plan will be monitored by the Corporate Management Team and reported to Members, Internal audit are undertaking a programme of compliance based audits across the financial systems to provide ongoing assurance of the key financial controls in place within the Council.	

2017/18 – Update: Significant Governance Issues

The review process to support the production of the Annual Governance Statement for 2018/19 has provided the following updates to the Significant Governance issues identified in **2017/18;**

Control Area	Governance Issue	Issue/Action Taken	Responsible Officer for subsequent action
Procurement	Procurement	**2017/18 Issue:** The procurement of external contractors is an area of risk to all public authorities, having significant financial and strategic impact on the delivery of the Council's vision and outcomes. Procurement is also subject to EU and domestic regulation and increasing risk of legal challenge to individual processes and decisions. This requires clear and effective Contract Standing Orders to ensure compliance, which Newham has, and compliance in practice. Newham has mitigation "checkpoint process" in place that supports the procurement element and a new capital e-sourcing programme that provides an audit trail for the tendering process. However, the number of contracts being agreed through the waiver process are more than would be expected (200+) **Update:** Newham has a mitigation "checkpoint process" in place that supports the procurement element, and, the Council utilises a e-tendering and contract management portal that provides an audit trail for tendering processes undertaken and contracts awarded with a contract value of £25,000 or above A new waiver process was implemented within the council during October 2018. Each waiver submitted is now subject to an additional level of scrutiny and requires approval from the councils Corporate Director of Resources. The number of waivers submitted during 1 April 2018 up to 31 October 2018 was 41. Since the new waiver process has been implemented, the number of waivers submitted between 1 November 2018 and end of February 2019 has been 6. This is a reduction compared to year 2017/2018.	Mark Hobson / Suzanne Wightwick Procurement

Control Area	Governance Issue	Issue/Action Taken	Responsible Officer for subsequent action
		Summary detail relating to waivers submitted has been reported to CMT as part of an ongoing overall procurement update. In addition, the Council's Scheme of Delegation which came into force in November 2018, requires for all contract waivers to be reported to the meeting of the committee responsible for audit functions. These are reported quarterly.	
Financial Position	Service Overspends	**2017/18 Issue:** The Council has put in place a number of savings measures and income generating streams in order to manage its budget following ongoing central Government cuts, including the Transformation Programme and a long-term plan created to generate income through commercial activity and strategic investments. The Council budget, agreed in February 2017 for 2017/18, included a commitment to make savings from transformation. However, the income and expenditure forecast in August 2017, and figures from December 2017, indicated that not all of these savings targets would be met, and that additional cost pressures had arisen in CYPS. To address the issues, Management Action Plans were submitted across the council. Managers were required to quantify the plan for their area, so that performance against each plan could be measured. Whilst managers remain responsible for delivering their services within the approved budget, some targets were transformed into the 2018/2019 budget and additional income has had to be incorporated, the Council's financial position is still challenging. **UPDATE:** The budget proposals were presented to Cabinet in December 2018, with the balanced budget reflecting the need for improved financial strategy and planning as set out in the report from the Chartered Institute for Public Finance and Accountancy (CIPFA) in response to the Financial Review commissioned by the Mayor. The 2019/20 budget agreed by Council, February 2019: used a new reshaped in year 2018/2019 budget as approved by Cabinet on 15 November 2018 to reflect significant in-	Simon Reid / Radwan Ahmed **Finance**

Control Area	Governance Issue	Issue/Action Taken	Responsible Officer for subsequent action
		year financial pressures and identified as undeliverable savings proposals; that the assumptions for 2019/2020 and beyond were rebased to deal with the undeliverable savings from previous years' budgets and provide a sounder basis for financial planning in future years; and took into account the ongoing impact of austerity and the resulting savings which need to be made, the local pressures from population change and other demand pressures (particularly in Children and Young People's Services – which had been over-spending year on year) and the need to reprioritise resourcing to reflect these changes. The initiative aimed to establish the Council on a more sounder and credible financial footing.	
Health and Safety (H&S)	Key H&S Risks	**2017/18 Issue:** There are some challenges to ensuring that service areas are providing relevant health and safety information to the Corporate H&S Board in order for the Board to populate the key risk log and highlight any significant issues to SLT. The Board have regular meetings with representatives across the Council to ensure that: • Information is provided on audits to help identify key risks • A key risk log is maintained by the group to track any significant ongoing issues • The group are tasked with providing key information about risk assessments, training etc. • Key risk topics are a regular ongoing feature for feedback/action e.g. Fire Risk Assessments, Security, Asbestos, Lone Working, Stress etc. • The representatives on the Board are able to provide 2 way communications from the service areas which they represent. **UPDATE:** The expectations for H&S Board attendees and the importance of receiving updates on issues and compliance against deadlines when information is requested is continuingly expressed. The Corporate Management Team are provided with quarterly updates on Health and Safety against an agreed action plan which highlights key risk areas.	Corporate Director of Environment and Sustainable Transport

Control Area	Governance Issue	Issue/Action Taken	Responsible Officer for subsequent action
Housing /Telecare	Key H&S Risks	**2017/18 Issue:** There have been two fatalities of monitored service users during the year. Following the first incident in July 2017, a disciplinary investigation was carried out and two staff were dismissed. A second fatality occurred on 18 February 2018. The circumstances of the telecare response to the alarm raised, procedures and processes being followed are under investigation by the Housing Commissioning team and the service area has also been referred to Internal Audit for separate investigation. The current investigation is expected to be completed by mid-April 2018. **UPDATE:** An investigation of the 2nd fatality did not establish a direct link between the death of a service user and actions (or inactions) taken by telecare staff. The telecare service was reviewed by Internal Audit and whilst the service was found not to be operating within an adequate management and control framework and was deemed to have limited assurance, this audit took place ahead of the appointment of the Head of Independent Living (HoIL) in February 2019. The HoIL is responsible for the management of the Council's telecare, sheltered and tenancy sustainment services. One of HoIL key tasks is to carry out a fundamental review of the set up and operation of the telecare service. This review will be completed in 2019 and will address the recommendations from the audit report, some of which have already started to be implemented. Since the audit the telecare service has ended its contract with its biggest external client (Lifeline24). The contract was uneconomic for the Council, and inhibited the service provided to LBN service users and those of our other organisational clients.	Corporate Director of Environment and Sustainable Transport
Social Care Adults / CYPS	Case Recording System Statutory Reports	**2017/18 Issue:** Following the implementation of a new case recording system for Adults and Children's Social Care in Oct 2017, the system remains subject to ongoing development. Whilst the service is confident statutory reports will be delivered, significant development is still taking place in order to deliver the Short and Long Term Support	Corporate Director of Adults & Public Health

Control Area	Governance Issue	Issue/Action Taken	Responsible Officer for subsequent action
		(SALT) statutory data return for Adult Social Care, the Safeguarding Adult Collection (SAC) and Deprivation of Liberty Safeguards (DoLS) statutory returns. **UPDATE:** Adults Social Services are on-schedule to submit all returns on time (May/June 2019). The SALT Return is still in development, now with another provider supporting the return, it is envisaged Newham will meet the SALT submission deadline. For Children Social Services, the Newham Corporate Performance team are supporting the case recording system provider to a greater degree than envisaged, particularly with regards to the implementing the DfE guidance, however, it is envisaged returns will be delivered on time.	
Recording of Decisions	Recommendation omitted from Cabinet minutes in 2014	At the Cabinet meeting held 20 February 2014 the Mayor in consultation with Cabinet received a report entitled 'Newham Private Rented Vehicle – Incorporation of a Company'. The report asked for approval to set up a company, complete all necessary documentation to allow the company to start building quality homes for current and future residents. The report also asked for delegated authority to the Director of Finance, to negotiate and finalise loan agreements, and to release funding subject to satisfactory financial due diligence. The report recommendations were agreed at the meeting. The minutes of the Cabinet meeting held 20 February 2014 were submitted to the 20 March 2014 Cabinet meeting and approved. It was identified in late January 2018, that one of the recommendations in the report was inadvertently omitted from the minutes. This omission was due to administration error by the Committees team at the time. **Update:** A report went to the Cabinet meeting of the 8 March 2018 with recommendations to amended the February 2014 minutes and ratify decisions made under the purported delegated authority since February 2014 and was approved. To reduce the risk of future omissions, an internal check of minutes takes place within democratic services team. A decision sheet is also created and signed by the Chair of	Monitoring Officer / Director of Legal & Governance

Control Area	Governance Issue	Issue/Action Taken	Responsible Officer for subsequent action
		Cabinet immediately following the Cabinet meeting – this means any amendments to recommendations or copy & pasting errors can be made or spotted immediately following the meeting.	

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Rokhsana Fiaz OBE

Mayor

Signed

Althea Loderick

Chief Executive

Glossary

Accounting Period - The period of time covered by the Council's accounts. The Council's financial year is from the period 1 April to the following 31 March.

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

Accounting Standards - A set of rules explaining how accounts are to be kept (See 'International Financial Reporting Standards').

Accrual - The recognition of income and expenditure in the year that these amounts occur and not when any cash is received or paid.

Accumulated Absences Account - This account represents the value of leave rolled over from one financial year to another. This reserve account is used to avoid reducing General Fund reserves.

Actuary - An independent adviser to the Authority regarding the year-end financial position of the Pension Fund.

Actuarial Valuation - Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports on the Fund's financial position and recommended employers' contribution rates. The last full valuation of the Scheme was in 2013.

Agency Services - Services provided by, or for, another Local Authority or Public Body where the costs of carrying out the service are reimbursed.

Amortisation - The write-off of an intangible asset or loan balance to the Comprehensive Income and Expenditure Statement over an appropriate period of time.

Amortised Cost - The carrying value of an asset or liability in the Balance Sheet, whose value has been increased via the Comprehensive Income and Expenditure Statement.

Balance Sheet - A statement of all the assets, liabilities and other balances of the Authority at the end of an accounting period.

Billing Authority - Refers to a Local Authority that is responsible for the collection of tax, both on behalf of itself and other local authorities in it's area.

Budget - A forecast of future expenditure plans for the Council. Detailed revenue budgets are prepared for each year and it is on the basis of these figures that Council Tax is determined. Budgets are revised throughout the year for changes as necessary.

Capital Adjustment Account - Represents amounts set aside from revenue resources or capital receipts to finance expenditure on Property, Plant and Equipment (PPE) or for the repayment of external loans or certain other capital financing transactions.

Capital Expenditure - Expenditure on the purchase of new PPE or expenditure which adds to the value of an existing PPE asset.

Capital Financing Requirement - Represents the Authority's underlying need to borrow for a capital purpose.

Capital Grants Receipts In Advance - Balances of capital grants and contributions that have conditions which may require future repayment if not spent.

Capital Grants Unapplied - Grant balances that are used to fund future capital expenditure.

Capital Receipt - Income received from the sale of PPE such as land or buildings.

Capital Receipts Reserve - Represents proceeds from the sale of PPE available to meet future capital investment needs.

Carrying Value - In relation to the year-end value of Long Term Assets, the carrying amounts are based on the original costs of individual assets less any depreciation, amortisation or impairment costs recorded against these assets.

Cash Equivalents - Highly liquid, low-risk investments that can be easily and readily converted into cash.

Chartered Institute of Public Finance and Accountancy (CIPFA) - A professional accountancy body specialising in the public sector. CIPFA promotes best practice by issuing accounting guidance updates and Codes of Practice.

Collection Fund - A statutory account which receives Council Tax and National Non-Domestic Rates (NNDR) to cover the costs of services provided by the Council and it's precepting authorities.

Collection Fund Adjustment Account - The Collection Fund Adjustment Account represents the Council's share of the Collection Fund Surplus or Deficit for the year.

Community Assets - Assets that a Local Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of Community Assets are parks and historic buildings.

Comprehensive Income and Expenditure Statement - A statement showing the expenditure and income of the Council's services during the year demonstrating how costs have been financed from general Government grants and income from local taxpayers.

Contingent Liability - Where possible "one-off" future liabilities or losses are identified but the level of uncertainty is such that the creation of a provision within the accounts is not appropriate.

Consumer Price Index (CPI) - Measures the average change in retail prices of a basket of goods and services purchased by most UK households in order to provide an indication of the rate of inflation. The CPI includes some financial services in the basket of goods not included within the separate RPI calculation. CPI is the official measure of the inflation of consumer prices in the United Kingdom.

Creditors - Monies owed by the Council to external parties for goods and services received. Creditors are referred to as Payables within the Balance Sheet and supporting notes.

Debtors - Monies owed to the Council by individuals and organisations. Debtors are also referred to as Receivables within the Balance Sheet and supporting notes.

Dedicated Schools Grant - Grant monies provided by the Department for Education (DfE) that are ring-fenced to schools' budgets.

Deferred Capital Receipts - The balance of outstanding mortgages granted mainly to purchasers of Council Houses.

Deferred Income – Receipt In Advance - This represents an amount received as a result of the Council entering into a building lease. The receipt is subsequently released over the term of the lease.

Deferred Liabilities - These are future liabilities that the Council is contractually obliged to pay in future years. These liabilities often relate to Private Finance Initiative (PFI) schemes.

Defined Benefit Pension Scheme - An employer pension scheme which defines benefits independently of the contributions payable. Within this type of scheme, the Council is committed to a specified monthly benefit on retirement for employees that is predetermined by a formula based on the employee's earnings history, rather than depending directly on individual investment returns within the Pension Fund.

Depreciation - The measure of the wearing out, consumption or other reduction in the useful economic life of PPE assets, whether arising from use, the passage of time or obsolescence through technological or other changes.

Earmarked Reserves - Amounts set aside for a specific purpose to meet future expenditure commitments or potential liabilities, for which it is not appropriate to establish separate provisions.

Fair Value - In relation to the value of financial instruments, this is the amount for which an asset can be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction.

Finance Lease - A lease that substantially transfers the risks and rewards associated with the ownership of an asset to the lessee.

Financial Instrument - A contract that gives rise to the creation of a financial asset for one entity and a corresponding financial liability or equity instrument of another.

Financial Instruments Adjustment Account - This account represents the balance of deferred discounts relating to the premature redemption of Public Works Loans Board (PWLB) debt.

Flippable Accrual - A range accrual note where the issuer has the option to amend the interest rate to an alternative measure at specified dates in the future.

General Fund (GF) - The main revenue account from which the costs of providing the majority of the Council's services are met.

Greater London Authority (GLA) - A strategic Local Authority with a capital-wide role.

Gross Spending - The total cost of providing services before any income such as government grants, fees and charges are deducted.

Group Accounts - Where a Council has a material interest in a separate entity, this entity's assets and liabilities may need to be incorporated within a set of Group Accounts. If an Authority does control an entity, for accounting purposes, it is defined as a subsidiary.

Heritage Asset - An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Historic Cost - Where the cost of an asset is defined by past purchase price rather than current market value.

Housing Revenue Account (HRA) - A summary account within the Statement of Accounts maintained separately from the General Fund in order to itemise the specific income and expenditure relating to the provision of Council Housing.

Inverse Floating LOBO - These LOBOs have a reference rate - this being the GBP 10 year SWAP rate. The interest rate payable is calculated by taking the agreed and fixed 'coupon rate' less the reference rate (GBP 10 year SWAP rate), so, as rates increase, the interest payable by the borrower is reduced. Call dates cannot be exercised until the first agreed date and thereafter vary from 1 year to every 5 years.

Impairment - A decrease in the value of PPE caused by a consumption of economic benefit or by a general reduction in price levels.

Infrastructure Assets - Inalienable assets; expenditure on which is only recoverable by continued use of the asset created. There is no prospect of future sale or alternative use. Examples include roads, bridges and tunnels.

Intangible Assets - Non-financial long-term assets that do not have physical substance but are identifiable and controlled by the Council, for instance purchased software licences.

Interest Rate Risk - The uncertainty of interest paid or received on variable rate financial instruments and the effect of fluctuations in interest rates on the fair values of such instruments.

International Financial Reporting Standards (IFRS) - The set of international accounting standards issued by the International Accounting Standards Board (IASB). Local Authorities are required to produce accounts based on IFRS.

Inventories - Comprises the value of stocks held and work in progress that has not been completed at year-end.

Investment Properties - Properties that are held by the Council solely to earn rental income and/or for capital appreciation purposes rather than for the delivery of services.

Lender Option Borrower Option (LOBO) – LOBO's are a long term borrowing instrument commonly used by banks. It is an alternative lender option to the Governments Public Works Loan Board. In simple terms the instrument gets its name because the lender has an option to set revised interest rates at predetermined dates and at which point the borrower has the option to accept the revised rates or pay the debt in full without penalty.

Levy - Payments to bodies such as the Environment Agency. The costs of running these bodies are funded by Local Authorities in the area concerned as determined by their Council Tax base. Such costs are met from the Council's General Fund.

Long Term Assets - Assets that yield benefit to the Council and the services provided for a period of greater than one year.

Long Term Liabilities - Amounts that are payable by arrangement within a period of greater than one year.

Major Repairs Reserve - Represents the funds available to meet capital investment needs in respect of Council Housing.

Minimum Revenue Provision (MRP) - The amount that has to be charged to revenue to provide for the redemption of debt. This provision does not apply within the HRA.

Movement In Reserves Statement - A summary of the Council's reserves at the year-end date split between usable and unusable reserves.

National Non-Domestic Rates (NNDR) Pool - Non-Domestic Rates (Business Rates) are paid into a central pool controlled by Central Government. These funds are subsequently redistributed to Councils on the basis of resident population.

Net Book Value - Applicable to the year-end value of PPE after depreciation has been deducted.

Net Realisable Value - The open market value of an asset less any expenses incurred in realising the asset.

Non-Current Assets Held for Sale - Items of PPE whose carrying amount is to be recovered principally through a sale rather than by continued use by the Council.

Operating Lease - A lease other than a finance lease; a lease which permits the use of an asset without substantially transferring the risks and rewards of ownership.

Outturn - The actual level of expenditure and income for the year.

Precept - The charge made by the Greater London Authority on the Council to finance its net expenditure.

Private Finance Initiative (PFI) - Contracts whereby private sector suppliers provide services and/or capital investment in return for a unitary payment subject to agreed performance targets.

Projected Unit Credit Method - Pension Scheme valuation method whose key feature is to assess future service cost. The Actuary calculates the employer's contribution rate which will meet the cost of benefits accruing in the year following the valuation date.

Property, Plant and Equipment (PPE) - The land and building assets under the Council's control or ownership. Such assets have a physical existence and are expected to be used for a period exceeding one year.

Provisions - Amounts set aside for liabilities and losses which are certain or very likely to occur but where the exact amount or timing of the payment are uncertain.

Public Works Loans Board (PWLB) - Central Government agency which funds the majority of Local Government borrowing.

Registered Social Landlord - A not-for-profit, independent housing organisation registered with the Housing Corporation under the Housing Act 1996 which owns and manages social housing.

Reserves - Amounts set aside to fund items of anticipated expenditure that do not fall within the definition of a provision. These include general reserves or balances which every Council must maintain as a matter of prudence.

Retail Price Index (RPI) - Measures the average change in retail prices of a basket of goods and services purchased by most UK households so as to provide an indication of the rate of inflation. The RPI includes mortgage interest payments and Council Tax in the basket of goods not included in the CPI. The measure is published monthly by the Office for National Statistics.

Revaluation Reserve - Represents the increase in value of the Council's land and building assets from 1 April 2007 onwards.

Revenue Contributions to Capital Outlay (RCCO) - The Council's use of revenue monies to fund capital expenditure.

Revenue Expenditure - The day-to-day expenditure of the Council including costs such as wages and salaries, goods and services and capital financing charges.

Revenue Support Grant (RSG) - A general grant paid by Central Government to Local Authorities.

Right to Buy - The Council is legally required to sell Council Homes to tenants at a discount where the tenant wishes to buy their home. The cash amounts received from such sales are capital receipts, some of which will be retained by the Council to fund capital expenditure, whilst the remainder must be paid over to the Department for Communities and Local Government (DCLG) under pooling arrangements.

Service Level Agreements (SLA) - Agreements between operational units that state the price and specifications of the support service by one function to another.

Soft Loan - A loan that the Council provides at an interest rate below the established market rate to community or other not-for-profit organisations.

Stepped LOBO - These loans have agreed dates when the interest rate is 'stepped' up to another. Again, the lender does not have the option to change these rates but can demand repayment on the next call date. Call dates for these loans vary from every 2 years to every 10 years.

Support Services - Activities of a professional, technical and administrative nature which are not Council services in their own right, but which support front-line departments such as Finance, Information Technology and Human Resources.

Surplus Assets - Those assets which are not being used to deliver services but which do not meet the criteria to be classified as either Investment Properties or Non-Current Assets Held for Sale.

Unusable Reserves - These represent reserve balances that cannot be spent as part of an Authority's medium-term financial plan. Examples include the Revaluation Reserve and Capital Adjustment Account.

Usable Reserves - Reserve balances that can be spent within an Authority's medium-term financial plan. As best practice, all organisations must review reserve levels to ensure long-term financial stability. Usable reserves include the General Fund and the Housing Revenue Account (HRA).

Value for Money (VfM) - This term is used to describe the relationship between the Economy, Efficiency, and Effectiveness (known as the 'three Es') of a service, function or activity. Value for money is high when there is an optimum balance between all three.

Vanilla LOBO - These are fixed rate loans, the interest rate the borrower pays cannot be changed by the lender, the lender does athough have the option to request repayment of the loan on the next call date. The call dates are set out in the loan documentation and vary from between every 6 months to every 3 years.

Zero to Par LOBO - The interest rate payable on these loans is fixed. Interest is not paid to the lender but added to the loan principal - or compounded. If the lender exercises their call option, only the interest compounded to date is payable by the borrower, thereafter the loan is converted to a vanilla type LOBO with the borrower paying interest to the lender annually and the lender able to exercise their call option every 5 years. If the lender does not exercise their option to receive the compounded interest, the principal plus compound interest is repaid (at Par) on the maturity date.

Abbreviations used in Statement of Accounts

AGS Annual Governance Statement
BSF Building Schools for the Future
CAA Capital Adjustment Account
CCG Clinical Commissioning Group
CFR Capital Financing Requirement
CIES Comprehensive Income and Expenditure Statement
CIPFA Chartered Institute of Public Finance and Accountancy
CPI Consumer Price Index
DEFRA Department for Environment, Food and Rural Affairs
DfE Department for Education
DSG Dedicated Schools Grant
DWP Department for Work and Pensions
EIR Effective Interest Rate
ELWA East London Waste Authority
EY Ernst and Young LLP
GAAP Generally Accepted Accounting Principles
GLA Greater London Authority
HMRC Her Majesty's Revenue & Customs
HRA Housing Revenue Account
IAS International Accounting Standard
IFRS International Financial Reporting Standards
LABGI Local Authority Business Growth Incentive
LASAAC Local Authority (Scotland) Accounts Advisory Committee
LATS Landfill Allowance Trading Scheme
LBN London Borough of Newham
LGPS Local Government Pension Scheme
LOBO Lender's Option – Borrower's option
LPFA London Pensions Fund Authority
MHCLG Ministry of Housing Communities and Local Government
MMI Mutual Municipal Insurance
MRA Major Repairs Allowance
MRP Minimum Revenue Provision
NCS Net Cost of Services
NPV Net Present Value
NRV Net Realisable Value
NNDR National Non-Domestic Rates
PFI Private Finance Initiative
PPA Prior Period Adjustment
PPE Property, Plant and Equipment
PwC PricewaterhouseCoopers LLP
PWLB Public Works Loans Board
REFCUS Revenue Expenditure Funded by Capital under Statute
RICS Royal Institute of Chartered Surveyors
RPI Retail Price Index
RSG Revenue Support Grant
RTB Right To Buy
SeRCOP Service Reporting Code of Practice
VAT Value Added Tax
VfM Value for Money
WDA Waste Disposal Authority
WGA Whole of Government Accounts