Draft Statement of Accounts
2023/24

newham.gov.uk

WE ARE NEWHAM.

CONTENTS

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 2024. 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 accounts are prepared on the basis of the authority being a 'going concern', that is to say that the organisation is financially stable enough to meet its obligations for the foreseeable future, a period of time generally accepted as being 12 months or more. Whilst this is certainly true and accurately captures the current position for the London Borough of Newham, there are well publicised national issues which raise questions on the financial stability of local government over the medium term, and many of these issues are being felt in Newham.

There are no significant changes to the accounting policies, on which these accounts are based, for the 2023/24 financial year, but looking ahead to 2024/25 the accounts for that year will be prepared according to International Financial Reporting Standard 16 (IFRS16) which requires all assets and liabilities arising from major lease arrangements to be recognised on the balance sheet. Subject to government direction, it is also expected that for 2024/25 the Local Government Pension Scheme accounts, known as the Pension Fund, will include a section in the annual report addressing the recommendations of the Taskforce for Climate related Financial Disclosures (TCFD).

This 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 the plans that are 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.

Context – About the London Borough of Newham;

The London Borough of Newham is situated in north east London, bordering the River Thames, and is home to the Olympic Park, the London Stadium and other legacy projects centred around the Olympic site. The Westfield Shopping Centre in Stratford, City Airport and the Excel Centre are also key landmarks situated within the borough. The borough continues to undergo significant redevelopment not just around Stratford but also in Custom House, Canning Town and the Royal Docks.

The borough is one of the fastest growing, young, and diverse boroughs in the country. Having experienced 14% growth in the preceding decade the population now stands at 351,000, and more than seven out of ten residents are from Black, Asian and ethnically diverse communities. There are 123,000 dwellings in Newham, the vast majority of which are flats or terraced and semi-detached houses. Homes are typically smaller than elsewhere in the country, and 93% of dwellings are in Council Tax bands A to D. In terms of tenure over 35% of homes are in the private rental sector, with social rented properties accounting for another 28%.

There are 14,000 businesses in the borough, 94% of which are small or micro business employing nine people or less. The rate of residents who are economically active (in employment / in training) is in line with the national average and the unemployment rate is 5%. Despite this there are deep rooted inequalities, with a quarter of neighbourhoods amongst the most deprived in the UK. After housing costs are taken into account, it is estimated that half of our residents live in poverty.

In February 2023 the Council passed the ‘Building a Fairer Newham’ budget for the 2023/24 financial year which increased the General Fund budget from £327m to £361m. Budgetary growth was allocated not just to meet forecast demographic and cost pressures, but also to support the delivery of the eight policy priorities set out in the Council’s corporate plan to build a fairer Newham. The budget was set amid continued economic uncertainty, and included £27m of growth specifically allocated to deal with inflationary cost pressures.

To further mitigate risk a contingency of £6m was prepared and reserves reviewed, with a planned increase to general reserves of £3m set in the budget. To balance the position £19m of savings and efficiencies to services were agreed in the budget.

Inflation in 2023/24 remained much higher than the Bank of England’s target rate of 2%, and this continued to impact Council budgets. Some of this was contained within the budgets set, for example, pay settlements averaged out at 5.3% across the workforce and cost an additional £11m, broadly equivalent to the budget set. However, inflation in the housing rental market far exceeded the growth set aside for the temporary accommodation budget.

For residents, the continued tough economic conditions and the ongoing cost of living crisis has meant that demand for council services increased, most clearly the demand on housing services. This means that temporary accommodation budgets have also come under severe demand pressures, with the number of households supported rising to nearly 6,500, with 3,500 of these relying on supply from the volatile rental market.

Revenue Budget Performance

An analysis of budget performance by directorate is shown in the table below, with a summary of the larger variances against budgets following below.

Directorate	2023/24 Revised Budget £m	2023/24 Outturn £m	2023/24 Outturn Variance £m
Children and Young People	112.0	118.1	6.1
Inclusive Economy	7.4	7.0	(0.4)
Adults & Health	113.2	118.0	4.8
Environment and Sustainable Transport	22.8	20.1	(2.7)
Marketing	8.4	8.5	0.1
Digital including oneSource ICT	8.6	9.4	0.8
Transformation	4.8	4.5	(0.3)
Resources	22.4	19.8	(2.6)
RMS	0.0	0.2	0.2
oneSource - Residual	(5.8)	(6.7)	(0.9)
Corporate Budgets	50.4	39.6	(10.8)
Unrealised Savings	(3.9)	0.0	3.9
Sub Total	**340.3**	**338.5**	**(1.8)**
Housing	22.7	46.6	23.9
Grand Total	**363.0**	**385.1**	**22.2**

The table above shows a large budget variance with an overspend of £22m against the budget set. This is a significant and concerning overspend, clearly driven by the position on temporary accommodation within the Housing line.

The overspend on temporary accommodation was caused by rapid increases, both in demand with a net average of 27 extra households in accommodation each month, and in the rental prices incurred. In the first half of the year the service was relying on using high cost commercial hotels to secure supply, but there was some success with the strategies employed to avoid these extremely high costs form the commercial sector. However, operating in a difficult London rental market the average cost of rents rose steeply during the year, as the supply of lower cost accommodation has tightened up. For example, the average cost in 2023/24 for a two bed unit of accommodation was £165 a week, compared to £51 a week in 2022/23. The service was also impacted by overspends on the budgets allowed for bad debts, and on repairs and maintenance budgets.

Whilst there are notable pressures and overspend in both the Adults and Children's directorate lines, principally related to social care provision, the net position for all directorates other than Housing is given in the sub total, and is actually an underspend of £1.8m. This is the result of management action from across the council to deliver under budget and offset the reported financial pressures from Housing and Social Care.

The Corporate budget line was underspent by over £10m, as this reflects the council's contingency budget which were held to offset other departmental pressures. The underspend here also reflects improvement in the council's bad debt position, and lower than budgeted charges to cover Transport for London freedom passes.

Housing Revenue Account (HRA)

The Housing Revenue Account (HRA) is a ring-fenced account which manages income and expenditure in relation to the c.16,000 Council dwellings. The 2023/24 outturn was an underspend of £7.2m against the budget set, and in total £9.2m of HRA revenue surplus was put back into reserves to support the future activity detailed in the HRA business plan.

Dedicated Schools Budget (DSB)

The dedicated schools grant (DSG) funds local authority schools' budgets and is the main source of income for schools. The 2023/24 DSG outturn position was an underspend of £4.6m, against a total grant of £246m (net of academy recoupment). This is significant, building on a smaller underspend on the DSG in the previous year, it brings down the residual DSG deficit of £17.4m at the outset of the year to £12.8m. The underspend exceeded the budgeted plan to reduce this deficit by £3m. The deficit created due to the underfunding of the special educational needs provision, remains within the range of other similar sized London Boroughs, i.e. it is not an outlier when compared to peer organisations.

Under current legislation this deficit will be carried forwards and applied to 2024/25 and future years' budget. This legislation, effectively protecting the Council's General Fund, is set to expire by April 2026. Over the last year the Council engaged with the Department for Education's 'Delivering Better Value' programme which aims to support councils to eliminate or reduce deficits down to manageable levels over the medium term.

Pension Fund

The pension liability for the London Borough of Newham (£0.04bn) represents the difference between the estimated cost of pension's payable in the future (£1.909bn) and the value of assets in the pension fund (£1.869bn). The net liability reduced from £0.147bn in 2022/23 to £0.04bn in 2023/24 primarily due to a change in the discount rate as bond yields are higher than in 2023/24.

The Pension Fund as a whole is revalued every three years to set future contribution rates and the latest valuation was as at 31 March 2022. The funding level as at 31 March 2022 was assessed as 100% (96% at the 31 March 2019 valuation).

Other significant Information

During 2023/24 the number of Council staff (officers and teachers) whose remuneration exceeded £50k totalled 1,467, which is an increase of 208 compared to the previous year. Note 33 to the accounts provides the detail on this, the threshold for this reporting has not increased since its introduction, with the result that about one in five council officers are now paid more than the £50k reporting limit. The increase was made up of 128 Council staff and 80 school staff and is primarily due to the impact of inflationary pay increases, with council staff receiving an average increase of 5.2%. The salary banding which has seen the highest increase in numbers is the £55k - £59k banding, where there was a total increase of 90 officers and teachers. Considering the more senior roles, the number of council staff paid over £80k has dropped by one employee, whereas in schools it has increased by 21 employees.

The Council will periodically borrow money from authorised lenders in line with its treasury management strategy to meet cashflow or capital funding requirements. Amounts that need to be repaid within 12 months are classified as short term and amounts held for more than 12 months are classified as long term. As at the close of 2023/24, the Council's short term borrowing was £228m and long term borrowing was £868m.

Capital Investments

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

During 2023/24 £355m worth of capital investments (including expenditure incurred by Schools) were delivered, and a significant amount of that, £210m, was on regeneration schemes and investment in new and affordable homes, delivered through the HRA and the Council's wholly owned housing investments company, Populo.

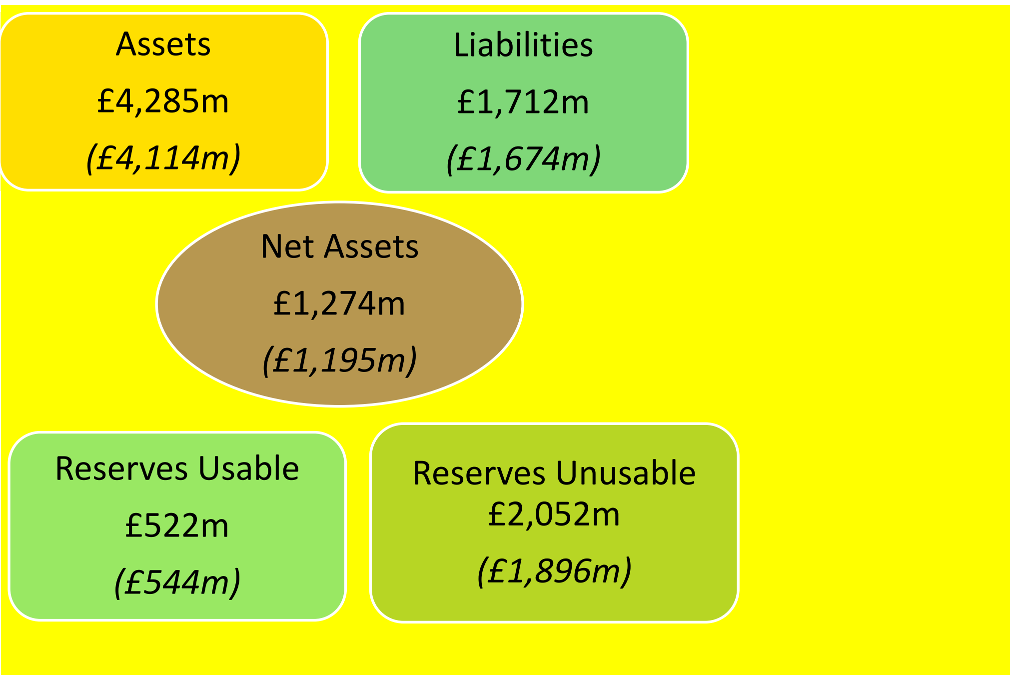
The Council had budgeted to invest £570m across the various directorates and programmes. The total spend of £355m against this budget is lower than last year which reflects in part in-year management action to slow down, where appropriate, the rate of capital expenditure to save on prudential borrowing costs. Nonetheless the outturn also reflects expenditure slippage which to some extent might be expected across a large and varied capital programme, but which is also felt to reflect the optimism bias inherent in many public sector organisation. In a bid to mitigate this, the financial monitoring also considers the 'lifetime' forecasts and the profiling of each project.

Below is a summary of the capital expenditure by directorate and the key investments initiatives were in the following areas:

Directorate	2023/24 Budget	2023/24 Outturn	Variance between Outturn and Budget
	£0.0m	£0.0m	£0.0m
Adults & Public Health	18.2	5.1	(13.1)
Children & Young People	0.4	0.1	(0.3)
Digital	0.3	0.3	0.0
Environment & Sustainable Transport	58.9	37.0	(21.9)
Inclusive Economy & Housing	44.0	19.9	(24.2)
Marketing	1.0	0.3	(0.7)
OneSource	6.2	1.5	(4.8)
Resources	102.0	67.4	(34.6)
Schools (Capital)	23.6	13.0	(10.6)
Council Total excluding Populo	**254.7**	**144.4**	**(110.3)**
Populo	41.9	25.2	(16.7)
Housing Revenue Account	273.4	185.2	(88.1)
Total Capital Expenditure	**569.9**	**354.9**	**(215.1)**

Balance Sheet Position

The diagram below illustrates the Authority's single entity Balance Sheet position as at the end of 2023/24. The figures shown in brackets are for 2022/23.



Looking Ahead

Local authority funding from central government has continued to decline in real terms since 2010. The ongoing reductions in central government funding for local government, together with rising cost pressures and local growth in demand for services, mean that the whole sector continues to face a challenging financial position over the coming years.

Many of the national issues are being experienced locally and are having a significant impact on Newham's financial position. The Council has been required to make approximately £220million of savings since 2010 in response to the funding reductions, and efficiencies are becoming harder to achieve. For the coming financial year £22m of savings and efficiencies were found, but the budget also relied on asset sales of £16m agreed for the coming year leaving the net budget requirement for the Council for 2024/25 at £395m.

The financial uncertainty for the council will very likely continue in the medium term due to three factors; inflation remaining higher than the Bank of England target, increased demand for council services, particularly the provision of temporary accommodation; and a local government funding system that does not adequately recognise need.

The last two factors combined create an existential threat for the London Borough of Newham. Despite the efforts to set a balanced budget that provides reasonable estimates for service provision, overspends in the last few years have reduced the level of general and earmarked reserves down £11m and £192m respectively. To be clear, if the growth in demand for services, especially social care, and the rental prices incurred for temporary accommodation continue to outstrip the government funding provided then the Council will not be able to set a balanced budget in a future year. The timing of this will depend on the response of whatever government is elected in July, but without either a change in the level of statutory duties prescribed or a sustained increase in funding then Newham, like other councils across the country, will be unable to meet its medium-term financial commitments. .

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 Corporate Director of Resources.
- 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 Council's designated Chief Finance Officer is the Corporate Director of Resources. The Corporate Director of Resources 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 Corporate Director of Resources 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 Corporate Director of Resources 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 2024 and its income and expenditure for the year ended 31 March 2024.

Signature:	**Signature:**
Conrad Hall CPFA	
Corporate Director of Resources	**Chair of Audit Committee**
Date:	**Date:**

Independent Auditors Report

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

To be added following completion of the Audit.

To be added following completion of the Audit.

To be added following completion of the Audit.

To be added following completion of the Audit.

To be added following completion of the Audit.

To be added following completion of the Audit.

Explanation of the Key Accounting Statements

The key financial statements set out within this document include:

- **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;
- **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.
- **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.

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.

2022/23 Gross Expenditure £'000	2022/23 Gross Income £'000	2022/23 Net Expenditure £'000		Notes	2023/24 Gross Expenditure £'000	2023/24 Gross Income £'000	2023/24 Net Expenditure £'000
147,537	(40,121)	**107,416**	Children and Young People		161,051	(42,103)	**118,948**
152,774	(116,909)	**35,865**	Inclusive Economy & Housing		192,245	(125,852)	**66,393**
224,786	(135,522)	**89,264**	Adults & Health		247,620	(129,577)	**118,043**
1,701	(1,176)	**525**	Digital		1,511	(1,436)	**75**
15,548	(7,717)	**7,831**	Marketing		17,442	(8,934)	**8,508**
5,182	(1,398)	**3,784**	Transformation		9,359	(3,811)	**5,548**
92,072	(67,217)	**24,855**	Environment and Sustainable Transport		98,408	(78,179)	**20,229**
258,934	(232,362)	**26,572**	Resources		291,670	(246,994)	**44,676**
40,722	(36,724)	**3,998**	oneSource - Non Shared		3,687	(3,589)	**98**
29,190	(22,927)	**6,263**	oneSource		24,299	(21,814)	**2,485**
22,261	(957)	**21,304**	Corporate Budgets		(6,294)	(27,671)	**(33,965)**
707,242	(706,035)	**1,207**	Dedicated Schools Budget		499,703	(492,503)	**7,200**
133,578	(113,872)	**19,706**	Housing Revenue Account		163,560	(128,115)	**35,445**
		-					**-**
1,831,527	**(1,482,937)**	**348,590**	**Cost of Services**		**1,704,261**	**(1,310,578)**	**393,683**
		(5,194)	Other Operating Expenditure	11			22,019
		(13,918)	Financing and Investment Income and Expenditure	12			26,718
		(436,192)	Taxation and Non-Specific Grant Income	13			(460,706)
		(106,714)	**(Surplus)/Deficit on Provision of Services**				**(18,286)**
		(54,820)	(Surplus)/Deficit on Revaluation of PPE and Heritage Assets	26			3,390
		(618,010)	Remeasurements of the Net Pensions Defined Benefit Liability	44			(118,742)
		(672,830)	**Other comprehensive income and expenditure**				**(115,352)**
		(779,544)	**Total Comprehensive Income and Expenditure**				**(133,638)**

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 38.

2022/23					2023/24		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Notes	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
147,537	(105,056)	**42,481**	Children and Young People		161,051	(42,103)	**118,948**
152,774	(116,909)	**35,865**	Inclusive Economy & Housing		192,245	(125,852)	**66,393**
224,786	(135,522)	**89,264**	Adults & Health		247,078	(133,018)	**114,060**
238,701	(214,176)	**24,525**	CYP Commissioner & Brighter Futures		1,511	(1,436)	**75**
37,123	(28,594)	**8,529**	People, Policy and Performance		(311,098)	(30,909)	**(342,007)**
6,728	(2,719)	**4,009**	Environment and Sustainable Transport		(27,985)	540,714	**512,729**
109,170	(77,035)	**32,136**	Resources		(150,462)	(19,451)	**(169,913)**
49,546	(45,725)	**3,821**	oneSource - Non Shared		3,687	(3,589)	**98**
29,190	(22,927)	**6,263**	oneSource		24,299	(21,814)	**2,485**
22,261	(957)	**21,304**	Corporate Budgets		(6,294)	(27,671)	**(33,965)**
707,242	(706,035)	**1,207**	Dedicated Schools Budget		499,703	(492,503)	**7,200**
133,578	(113,872)	**19,706**	Housing Revenue Account		163,560	(128,115)	**35,445**
1,880,571	**(1,588,889)**	**291,682**	**Cost of Services**		**1,088,965**	**(732,741)**	**356,224**
		(5,194)	Other Operating Expenditure	11			22,019
		(15,807)	Financing and Investment Income and Expenditure	12			34,007
		(361,459)	Taxation and Non-Specific Grant Income	13			(460,706)
		(90,778)	**(Surplus)/Deficit on Provision of Services**				**(48,456)**
		28	Tax on Profit				(2)
		(90,750)	**(Surplus)/Deficit on Provision of Services after Tax**				**(48,458)**
		(54,820)	(Surplus)/Deficit on Revaluation of PPE and Heritage Assets	26			3,390
		(618,010)	Remeasurements of the Net Pensions Defined Benefit Liability	44			(118,742)
		(672,830)	**Other comprehensive income and expenditure**				**(115,352)**
		(763,580)	**Total Comprehensive Income and Expenditure**				**(163,810)**

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
Balance At 31 March 2022	**(7,081)**	**(247,670)**	**(60,854)**	**(7,738)**	**(167,089)**	**(88,912)**	**(579,344)**	**(1,353,438)**	**(1,932,782)**	**(3,463)**	**(1,932,782)**
Movement in Reserves during 2022/23											
(Surplus) or Deficit on Provision of Services	(42,735)		(62,652)		-	-	**(105,387)**	-	**(105,387)**	**(54,845)**	**(105,387)**
Other Comprehensive Income and Expenditure					-	-	-	**(420,674)**	**(420,674)**		**(420,674)**
Total Comprehensive Income and Expenditure	**(42,735)**	**-**	**(62,652)**	**-**	**-**	**-**	**(105,387)**	**(420,674)**	**(526,061)**	**(54,845)**	**(580,906)**
Adjustments between accounting basis and funding basis under regulations	76,139		68,049	2,342	(45,071)	20,572	**122,031**	**(122,031)**	-		-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**33,404**	**-**	**5,397**	**2,342**	**(45,071)**	**20,572**	**16,644**	**(542,705)**	**(526,061)**	**(54,845)**	**(580,906)**
Transfers To/From Earmarked Reserves	(33,404)	30,164	22,547				**19,307**		**19,307**		**19,307**
(Increase)/Decrease In Year	**-**	**30,164**	**27,944**	**2,342**	**(45,071)**	**20,572**	**35,951**	**(542,705)**	**(506,754)**	**(54,845)**	**(561,599)**
Balance At 31 March 2023	**(7,081)**	**(217,506)**	**(32,910)**	**(5,396)**	**(212,160)**	**(68,340)**	**(543,393)**	**(1,896,143)**	**(2,439,536)**	**(58,308)**	**(2,494,381)**
		-	-	-	-	-	-	-	-		
Balance At 31 March 2023	**(7,081)**	**(217,506)**	**(32,910)**	**(5,396)**	**(212,160)**	**(68,340)**	**(543,393)**	**(1,896,143)**	**(2,439,536)**	**58,308**	**(2,494,381)**
Movement in Reserves during 2023/24											
(Surplus) or Deficit on Provision of Services	(18,286)	-	32,890	-	-	-	**(18,286)**	-	**(18,286)**	**(30,172)**	**(48,458)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	**(115,352)**	**(115,352)**	-	**(115,352)**
Total Comprehensive Income and Expenditure	**(18,286)**	**-**	**32,890**	**-**	**-**	**-**	**(18,286)**	**(115,352)**	**(133,638)**	**(30,172)**	**(163,810)**
Adjustments between accounting basis and funding basis under regulations	79,619	-	(34,890)	5,396	(2,184)	(7,937)	**40,004**	**(40,004)**	**0**	-	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**28,443**	**-**	**(2,001)**	**5,396**	**(2,184)**	**(7,937)**	**21,718**	**(155,356)**	**(133,638)**	**(30,172)**	**(163,810)**
Transfers To/From Earmarked Reserves	(32,374)	32,374	-	-	-	-	-	-	-	-	-
(Increase)/Decrease In Year	**(3,931)**	**32,374**	**(2,001)**	**5,396**	**(2,184)**	**(7,937)**	**21,718**	**(155,356)**	**(133,638)**	**(30,172)**	**(163,810)**
Balance At 31 March 2024	**(11,012)**	**(185,132)**	**(34,911)**	**-**	**(214,344)**	**(76,277)**	**(521,677)**	**(2,051,499)**	**(2,573,174)**	**28,136**	**(2,545,038)**

Group and Single Entity Balance Sheet

	Notes	Single Entity 31 March 2023	Single Entity 31 March 2024	Group Accounts 31 March 2023	Group Accounts 31 March 2024
		£'000	£'000	£'000	£'000
Property, Plant and Equipment	14	3,062,460	3,262,694	3,165,735	3,368,255
Heritage Assets	15	3,658	3,659	3,658	3,659
Investment Properties	16	356,410	367,473	525,870	586,048
Intangible Assets	17	2,329	1,827	2,347	1,838
Long Term Investments	18	58,300	54,238	7,313	4,184
Long Term Receivables	22	378,676	400,794	140,621	144,528
Long Term Assets		**3,861,833**	**4,090,685**	**3,845,545**	**4,108,512**
Short Term Investments	18	43,648	14,522	43,648	14,522
Assets Held for Sale		1,608	4,878	1,608	4,878
Inventories	19	2,571	2,599	2,772	2,786
Short Term Receivables	22	138,066	149,473	156,900	160,949
Cash and Cash Equivalents	21	67,180	22,966	80,893	31,856
Current Assets		**253,073**	**194,438**	**285,820**	**214,991**
Cash and Cash Equivalents Overdrawn	21	-	-	-	
Short Term Borrowing	18	(233,193)	(236,137)	(233,194)	(236,137)
Short Term Payables	23	(245,546)	(218,366)	(270,763)	(266,784)
Short Term Provisions	24	(727)	16,253	(727)	16,253
Current Liabilities		**(479,466)**	**(438,250)**	**(504,683)**	**(486,668)**
Long Term Provisions	24	(24,799)	(32,238)	(24,800)	(32,238)
Long Term Borrowing	18	(706,083)	(912,801)	(735,094)	(910,120)
Other Long Term Liabilities	36	(433,333)	(293,541)	(454,317)	(314,321)
Capital Grants Receipts in Advance	13	(31,241)	(35,115)	(31,243)	(35,117)
Long Term Liabilities		**(1,195,456)**	**(1,273,696)**	**(1,245,454)**	**(1,291,797)**
Net Assets		**2,439,984**	**2,573,177**	**2,381,228**	**2,545,038**
Usable Reserves	25	(543,839)	(521,677)	(514,967)	(528,868)
Unusable Reserves	26	(1,896,143)	(2,051,500)	(1,866,262)	(2,016,170)
Total Reserves		**(2,439,982)**	**(2,573,177)**	**(2,381,229)**	**(2,545,038)**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority as at 31 March 2024 and its income and expenditure for the year ended 31 March 2024.

Conrad Hall CPFA

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	
		2022/23	2023/24	2022/23	2023/24
	Note	£'000	£'000	£'000	£'000
Net Surplus/(Deficit) on the Provision of Services		106,714	18,286	90,750	48,458
Adjustments to Net Surplus on the Provision of Services for Non-Cash Transactions	27	81,007	49,663	(164,658)	32,582
Adjustments to Net Surplus on the Provision of Services that are Investing and Financing Activities	27	(83,266)	(105,811)	(140,253)	(146,907)
Net Cash Flows from Operating Activities		**104,455**	**(37,862)**	**(214,161)**	**(65,867)**
Investing Activities	28	(68,936)	(169,090)	175,348	(186,183)
Financing Activities	29	25,561	203,706	99,658	203,013
Net increase or (decrease) in Cash and Cash Equivalents		**61,080**	**(3,246)**	**60,846**	**(49,037)**
Cash and Cash Equivalents at the beginning of the Reporting Period		6,099	67,179	20,049	80,893
Cash and Cash Equivalents at the end of the Reporting Period	21	**67,179**	**63,933**	**80,893**	**31,856**

1. Statement of Accounting Policies

1.1 General

The Statement of Accounts summarises the Authority's transactions for the 2023/24 financial year and its position at 31 March 2024. They have been prepared on the basis that the Council will remain a 'going concern' and continue to operate in the foreseeable future. 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 2023/24 and the Service Reporting Code of Practice for Local Authorities 2023/24, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act. There are no significant changes to the accounting policies applied in 2023/24.

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 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 2023/24 remains at £100,000.

1.3 Government Grants and Contribution

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.

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.

1.4 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.

In addition, majority of the Council's receivables are non-contract based income and therefore, no adjustment is required to recognise the income through the concept of *Revenue from Contracts with Service Recipients*. Application of this concept ensures that the Council's financial statements reflects the consideration in exchange for fulfilment of goods or services only.

1.5 Fair Value Measurement

Where applicable, the Council measures its assets and liabilities and provides disclosures in accordance with IFRS 13 Fair Value Measurement. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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).

1.6 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.

1.7 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.

1.8 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.

1.9 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.

1.10 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.

1.11 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.

1.12 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.

A prior period adjustment has been made in relation to the pension fund. The council agreed to pre-fund 3 years of employers contributions in return for a discount in 2020/21. These contributions should have been adjusted within the accounts to match the year to which they relate. See note 44 for details.

1.13 Rounding

It is not the Council's policy to adjust for immaterial cross casting differences between the main statements and disclosure notes.

1.14 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 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, where above the council's de-minimis of £10,000, 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.

The de-minimis level may be waived where grant or borrowing consent is made available for items of capital expenditure below £10,000.

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:

- Operational land and buildings - current value based on existing use value (EUV);
- 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, estimated at highest and best use from a market participant’s perspective

Where there is no market-based evidence of current value or fair value, depreciated replacement cost (DRC) is used as an estimate.

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

Assets included in the Balance Sheet at current 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, 5 years (3 years for IT assets) unless a suitably qualified officer determines a more appropriate period. 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.

Major components which have materially different asset lives will be identified in respect of:

- New capital expenditure as it arises; and
- Existing assets as they become subject to revaluation.

Assets will only be considered for componentisation in the following circumstances and then only where the impact of componentisation would be material to the accounting disclosures:

- capital expenditure of more than £500,000 per scheme; and
- assets valued at more than £5,000,000.

As a consequence of the application of this policy the Authority has not identified any major components with materially different asset lives. However, the application of this policy will be reviewed on an on-going basis to ensure that the carrying value of assets is not materially affected.

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, control of the five voluntary aided schools remains with the diocese and therefore these five 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.

- It has been verified that the five 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.

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.

1.15 Infrastructure Assets

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

Recognition

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

Measurement

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

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis. Annual depreciation is the depreciation amount allocated each year. The depreciation for infrastructure assets is a straight line depreciation over 40 years.

Any infrastructure asset component replaced is deemed to have nil value.

1.16 Investment Property

Assets that are 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.

Transfers into and out of investment property is only be made when there is a change in use. Properties are transferred out when the property is used by the Council for its operational use or when the Council starts development work with a view to sell, and properties are transferred in when it's a surplus to the Council's operational use or a new asset is created and an operating lease is in place with a third party. Each scenario is reviewed to ensure the asset is valued appropriately and any loss or gain in valuation as a result of the transfer is recognised

1.17 Leases

Leases can be classified as either; finance leasers or operating leases. Finance leases are those 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. By default, any lease that does not meet the definition of a finance is an operating lease.

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. Premia 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.

1.18 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).

1.19 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.

1.20 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.

1.21 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.

1.22 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 Intangible Assets

Intangible assets are non-financial, non-current assets that do not have physical substance and are controlled by us through custody or legal rights (such as software licences). Expenditure on intangible assets 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, the assets are therefore carried at amortised historic 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.

1.24 Accounting for Heritage Assets

Heritage Assets are assets that are held for their cultural, environmental or historical associations. Our 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.

1.25 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.

1.26 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.

1.27 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.

1.28 Provisions

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.

1.29 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.

1.30 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

1.31 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 38 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.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (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 2023/24 Code.

a) IFRS 16 Leases issued in January 2016 (but only for those local authorities that have not decided to voluntarily implement IFRS 16 in the 2023/24 year).

b) Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020. The amendments:

• specify that an entity's right to defer settlement must exist at the end of the reporting period
• clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
• clarify how lending conditions affect classification, and
• clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

c) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.

d) Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.

e) International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:

• a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
• targeted disclosure requirements for affected entities.

f) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:

• assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
• understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

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 2023/24, 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. Populo Living, Future Newhomes Limited, The Language Shop Limited, Juniper Ventures Limited, Better Together Limited, London Network for Pest Solutions Limited and Early Start Education Limited 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. These parties are outlined within Note 38.

- **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 its 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 produce a weighted useful economic life and thereby more accurately 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 Academies**
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. 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.

- **Highway Infrastructures**

  The Council has elected to take up the statutory override relating to the accounting for highways infrastructure assets which is applicable for all statements of accounts that are currently open up to 2024/25. In accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 paragraph 3(a), where we replace a component of an infrastructure asset, for the purposes of determining the carrying amount to be derecognised in respect of that component we determine the relevant amount as nil. The reason for making this choice, allowable by the above statutory provision, is that in some cases the historic information held on previously recognised infrastructure may not be sufficiently detailed enough to prove the judgement that the components being replaced are fully depreciation or that any remaining balance would not be material. The Council is not required to make any prior period adjustment to the balances of the statement of accounts in respect of infrastructure assets.

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 2024 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.
Property, plant and equipment – major development projects	The Council own five large development sites, Carpenters Estate, Canning Town and Custom House, with a combined value of £65.2 million. The assets are valued at fair value on the balance sheet. The Council have not fully finalised plans for future use of most of these sites. The plans for the Carpenters Estate is more advanced. The Council have therefore estimated the value of the assets on their existing use and layout. This value may change as the Council finalise the plans for these sites. Factors that can cause the valuation of development sites to vary significantly include planning requirements, affordable/private split, costs to construct, likely phasing and timescale, any costs or delays associated with assembling vacant possession where there are either continuing tenancies or third party owners, such as owners who have previously exercised a right to buy. It is also important to note that there may be elements of the final development which are either not currently owned by the authority or are being recorded elsewhere due to their present use.	In the absence of a detailed scheme proposals the valuer has continued to exercise professional judgement in providing the valuation. The Council will provide to the valuer detailed site plans, detailed business plans outlining a clear strategy and expected timescale for the developments, when they have been approved.
Self-Insurance	The Authority has recognised a year-end provision of £7.1m 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 £0.7m.
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) by £1.02m; (b) if longevity increases by 1 year, this will increase liabilities (the projected service cost element) by approximately £1.21m.
Receivables	The Authority has estimated that £149.5m of the year-end value of Receivables should be impaired. This principally relates to Sundry and Parking Receivables (£52.7m), Council Tax (£29.1m), Housing Benefit overpayments (£24.7m), Housing Rents (£35.05m), Leaseholder Provision (£6.3m) and Business Rates (£1.2m). In the current economic climate, it is not certain that such allowances are sufficient.	If the 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

There are no material items of income and expenditure to report.

6. Events after the Balance Sheet date

The Corporate Director of Resources authorised the Statement of Accounts on 14 June 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There has been one non adjusting post balance sheet event, on 23 April 2024 the Planning Inspector confirmed the Compulsory Purchase Order (CPO) of James Riley Point. There are no adjusting events since 31 March 2024.

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.

2022/23				2023/24		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
100,429	6,987	**107,416**	Children and Young People	120,726	(1,778)	**118,948**
31,586	4,279	**35,865**	Inclusive Economy & Housing	67,482	(1,089)	**66,393**
85,226	4,038	**89,264**	Adults & Health	119,070	(1,027)	**118,043**
22,928	1,597	**525**	Digital	481	(406)	**75**
6,659	1,172	**7,831**	Marketing	8,806	(298)	**8,508**
3,293	491	**3,784**	Transformation	5,673	(125)	**5,548**
19,112	5,743	**24,855**	Environment and Sustainable Transport	21,690	(1,461)	**20,229**
434	2,138	**26,572**	Resources	45,220	(544)	**44,676**
3,257	741	**3,998**	oneSource - Non Shared	286	(188)	**98**
3,572	2,691	**6,263**	oneSource	3,170	(685)	**2,485**
24,958	27,927	**21,304**	Corporate Budgets	(89,237)	55,272	**(33,965)**
467	740	**1,207**	Dedicated Schools Budget	7,388	(188)	**7,200**
(63,529)	52,707	**19,706**	Housing Revenue Account	(33,390)	68,835	**35,445**
238,392	**111,251**	**348,590**	**Net Cost of Services**	**277,366**	**116,317**	**393,683**
(204,987)	(249,954)	**(454,941)**	Other Income and Expenditure	(246,914)	(165,055)	**(411,969)**
33,405	**(138,703)**	**(106,351)**	**Surplus or Deficit**	**30,452**	**(48,738)**	**(18,286)**

2022/23		2023/24
(315,605)	**Opening General Fund & HRA Balances**	**(39,985)**
	Transfer to Dedicated Schools Grant Adjustment Account	-
	Opening General Fund & HRA Balances restated	**(39,985)**
24,703	Less/plus Surplus or Deficit on General Fund and HRA Balance in Year*	(18,286)
(257,497)	**Closing General Fund & HRA Balances**	**(58,271)**

** This includes Earmarked Reserve balances. For a split of this balance between the General Fund, HRA and Earmarked Reserve – see the Movement in Reserves Statement.

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:

	2022/23			2023/24		
	Adjustments for Capital Purposes	IAS 19 & Other	Total Adjustments	Adjustments for Capital Purposes	IAS 19 & Other	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Children and Young People	-	6,987	**6,987**	-	(1,778)	**(1,778)**
Inclusive Economy & Housing	-	4,279	**4,279**	-	(1,089)	**(1,089)**
Adults & Health	-	4,038	**4,038**	-	(1,027)	**(1,027)**
Digital	-	1,597	**1,597**	-	(406)	**(406)**
Marketing	-	1,172	**1,172**	-	(298)	**(298)**
Transformation	-	491	**491**	-	(125)	**(125)**
Environment and Sustainable Transport	-	5,743	**5,743**	-	(1,461)	**(1,461)**
Resources	-	2,138	**2,138**	-	(544)	**(544)**
oneSource - Non Shared	-	741	**741**	-	(188)	**(188)**
oneSource	-	2,691	**2,691**	-	(685)	**(685)**
Corporate Budgets	20,783	7,144	**27,927**	52,781	2,491	**55,272**
Dedicated Schools Budget	-	740	**740**	-	(188)	**(188)**
Housing Revenue Account	49,043	3,664	**52,707**	69,689	(854)	**68,835**
Net Cost of Services	**69,826**	**41,425**	**111,251**	**122,470**	**(6,153)**	**116,317**
Other Income and Expenditure from the Funding Analysis	(236,048)	(13,907)	**(249,955)**	(163,224)	(1,831)	**(165,055)**
Surplus or Deficit	**(166,222)**	**27,518**	**(138,704)**	**(40,754)**	**(7,984)**	**(48,738)**

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

In addition to the single entity expenditure and income below, group entity expenditure (£Xm) and income (£Xm) was incurred during the year and consolidated into the Council group accounts. The expenditure mainly relates to Populo Living and Future New Home's property development costs and other various expenditure adjustments. The authority’s expenditure and income is analysed as follows:

2022/23 £'000		2023/24 £'000
	Expenditure	
466,280	Staffing expenses	441,505
1,353,396	Other services expenses	1,311,214
43,792	Depreciation and amortisation	46,305
20,446	Impairment and revaluation	(51,840)
42,039	Interest payments	47,396
22,489	Precepts and levies	22,723
5,021	Loss on the disposal of assets	0
1,953,463	**Total Expenditure**	**1,817,303**
	Income	
(954,695)	Fees, charges and other service income	0
(18,788)	Interest and investment income	(8,912)
(221,300)	Income from council tax, non-domestic rates, district rate income	(149,498)
(865,393)	Government grants and contributions	(943,973)
(2,060,176)	**Total income**	**(1,102,383)**
(106,713)	**(Surplus) or Deficit on the Provision of Services**	**714,920**

9. Adjustments Between Accounting Basis And Funding Basis Under Regulations 2023/24

This note details the 2022/23 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 Comprehensive Income and Expenditure Statement:						
Depreciation of Property, Plant and Equipment/ Impairment of non current assets	(26,886)	(19,419)				**46,305**
Revaluation (losses)/gain on Property, Plant and Equipment	(1,570)	(50,270)				**51,840**
Movements in the market value of Investment Properties	10,662	1,322				**(11,984)**
Amortisation of Intangible Assets	(80)					**80**
Capital grants and contributions applied	72,431					**(72,431)**
Revenue expenditure funded from capital under Statute	(24,245)					**24,245**
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	(4,368)	(8,319)				**12,687**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	24,924	1,758				**(26,681)**
Capital Expenditure charged against Revenue						
Voluntary provision for the financing of capital investment	5,272	2,043				**(7,315)**
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	17,234				(17,234)	
Application of grants to capital financing transferred to the Capital Adjustment Account					9,297	**(9,297)**
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	11,935	16,227	(28,162)			
Use of the Capital Receipts Reserve to finance new capital expenditure			12,280			**(12,280)**
Capital Loan Repayment			(1,293)			**1,293**
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	(14,991)		14,991			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(585)					**585**
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		19,419		(19,419)		
Use of the Major Repairs Reserve to finance new capital expenditure				24,815		**(24,815)**
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	1,874	1,169				**(3,043)**
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(23,113)	(2,428)				**25,541**
Employer's pensions contributions and direct payments to pensioners payable in the year	33,587	3,608				**(37,195)**
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	(5,857)					**5,857**
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	(1,249)					**1,249**
Adjustment primarily involving the Dedicated Schools Grant Account:						
Amount by which expenditure on schools is charged to the Comprehensive Income and Expenditure Statement in excess of DSG grant chargeable in the year in accordance with statutory requirements	4,645					**(4,645)**
Total Adjustments	**79,619**	**(34,890)**	**(2,184)**	**5,396**	**(7,937)**	**(40,004)**

9. Adjustments Between Accounting Basis And Funding Basis Under Regulations 2022/23

This note details the 2022/23 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 Comprehensive Income and Expenditure Statement:						
Depreciation of Property, Plant and Equipment/ Impairment of non current assets	(24,770)	(18,265)				**43,035**
Revaluation (losses)/gain on Property, Plant and Equipment	9,874	(30,320)				**20,446**
Movements in the market value of Investment Properties	25,627	1,734				**(27,361)**
Amortisation of Intangible Assets	(757)					**757**
Capital grants and contributions applied	37,306	51,126				**(88,432)**
Revenue expenditure funded from capital under Statute	(4,261)					**4,261**
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	(4,817)	(10,529)				**15,346**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	26,066					**(26,066)**
Capital Expenditure charged againts HRA Revenue	3,027	27,323				**(30,350)**
Voluntary provision for the financing of capital investment						
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	51,716	52,712			(104,428)	
Application of grants to capital financing transferred to the Capital Adjustment Account					103,127	**(103,127)**
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	18,343	27,814	(45,312)			**(845)**
Use of the Capital Receipts Reserve to finance new capital expenditure			58,026			**(58,026)**
Use of CFR to repay loans						
Capital Loan Repayment			(55,746)			**55,746**
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						
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(2,039)			**2,039**
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		18,265		(18,265)		
Use of the Major Repairs Reserve to finance new capital expenditure				26,003		**(26,003)**
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	1,794	1,169				**(2,963)**
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(51,770)	(5,053)				**56,823**
Employer’s pensions contributions and direct payments to pensioners payable in the year	12,925	1,389				**(14,314)**
Adjustment to the brought forward Pensions Reserve						
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	31,740					**(31,740)**
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	1,616					**(1,616)**
Adjustment primarily involving the Dedicated Schools Grant Account:						
Amount by which expenditure on schools is charged to the Comprehensive Income and Expenditure Statement in excess of DSG grant chargeable in the year in accordance with statutory requirements	610					**(610)**
Total Adjustments						

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 2022/23.

	Balance at 31/03/2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	**Balance at 31/03/2023 £'000**	Transfers Out 2023/24 £'000	Transfers In 2023/24 £'000	**Balance at 31/03/2024 £'000**
General Fund Reserves							
1 Authority Transition Reserve	**(16,749)**	11,855	(5,113)	**(10,007)**	7,008	(4,663)	**(7,662)**
2 Borough Wide Licencing Reserve	**(9,450)**	1,106	-	**(8,344)**	1,538	(5,858)	**(12,664)**
3 Capital Reserve	**(5,205)**	2,685	-	**(2,520)**	-	(1,262)	**(3,782)**
4 Capital Financing Reserve	**(82,937)**	585	-	**(82,352)**	23,166		**(59,186)**
5 Collection Fund Smoothing Reserve	**(37,512)**	60,561	(47,115)	**(24,066)**	10,082	(10,188)	**(24,172)**
6 Corporate Social Responsibility Reserve	**(1,350)**	150	-	**(1,200)**	150	-	**(1,050)**
7 Grants Reserve	**(36,711)**	3,538		**(33,173)**	10,465	(1,502)	**(24,210)**
8 Education PFI Reserve	**(461)**	947	(486)	**-**		-	**-**
9 Highways Maintenance Reserve	**(3,643)**	1,562	(102)	**(2,183)**	190	(1,294)	**(3,287)**
10 Insurance Reserve	**(6,200)**	662	(250)	**(5,788)**	930	-	**(4,858)**
11 Schools Balances Reserve	**(28,824)**	4,056	(2,238)	**(27,006)**	4,865	(2,874)	**(25,015)**
12 Trading Operations Reserve	**(10)**	90	(129)	**(49)**	223	(174)	**-**
13 Treasury Reserve	**(17,836)**	-	(2,200)	**(20,036)**	3,636	(2,244)	**(18,644)**
14 Dedicated Schools Budget Reserve	**-**	-	-	**-**	-	-	**-**
15 POCA Reserve	**(702)**	-	-	**(702)**	100	-	**(602)**
Total General Fund Reserves	**(247,590)**	**87,797**	**(57,633)**	**(217,426)**	**62,353**	**(30,059)**	**(185,132)**
Housing Revenue Account (HRA)	**(17,700)**	2,651	(7,469)	**(22,518)**	7,315	(9,305)	**(24,508)**
Total HRA Reserves	**(17,700)**	**2,651**	**(7,469)**	**(22,518)**	**7,315**	**(9,305)**	**(24,508)**
Total Earmarked Reserves	**(265,290)**	**90,448**	**(65,102)**	**(239,944)**	**69,668**	**(39,364)**	**(209,640)**

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) **Collection Fund Smoothing Reserve**
This reserve consists of compensation grants for loss of income in the Council Tax and Business Rates accounts in 202122 and 2020/21 due to Covid. The reserve is required to offset the impact on the 2021/22 and future years due to reduction in budgetted income from the Collection Fund.

6) **Corporate Social Responsibility Reserve**
This the CSR reserve generated from Council's dealing with commercial partners operating within the council's vacinity, to support local charitable bodies.

7) **Grants Reserve**
Grants reserves which includes balances for grants received but not yet used.

8) **Education PFI Reserve**
PFI to support Education Service

9) **Highways Maintenance Reserve**
Highways Maintenance reserve: This reserve contains commuted sums provided by developers, which cover the maintenance and renewal costs of specific highways assets built by a developer, which are adopted into public ownership by the council. These are under s278 or s38 agreements, as per the Highways Act 1980.

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) **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.

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

13) **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).

14) **Dedicated Schools Budget Reserve**
This reserve balance represents the DSG ring-fenced grant balance, that is specifically to meet expenditure in the Schools Budget, please see note 35 Designated Schools Grant (and note 26 Unsable Reserve as it's deficit). Like many authorities Newham has experienced difficulty in meeting its obligations with respect to High Needs from within the formula funding, this has led to a significant overspend in 2020-21 and 2021/22. Newham is working with its schools and the DFE to review this overspend and reduce it for future years.

15) **POCA Reserve**
The Proceeds of Crime Act fund is held in a reserve by the Authority, ring fenced to use in specific fraud and crime prevention schemes.

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:

2022/23 £'000		2023/24 £'000
22,489	Levies	22,723
0	Payments to the Government Housing Capital Receipts Pool	14,991
(27,683)	(Gains)/losses on the disposal of non-current assets	(15,695)
(5,194)	**Total**	**22,019**

12. Financing And Investment Income and Expenditure

Financing and investment income and expenditure for group is not materially different to 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:

2022/23 £'000		2023/24 £'000
37,494	Interest Payable and Similar Charges	48,013
4,545	Pensions interest cost and expected return on pensions assets	(617)
(18,588)	Interest receivable and similar income	(8,912)
(38,743)	Income and expenditure in relation to investment properties and changes in their fair value	(11,985)
1,374	Other investment income and expenditure	219
(13,918)	**Total**	**26,718**

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:

2022/23 £'000		2023/24 £'000
(82,927)	Council Tax income	(98,861)
(101,767)	Business Rates (Retained share)	(50,638)
(144,585)	General Government Grants	(221,928)
(106,913)	Capital grants and contributions	(89,279)
(436,192)	**Total**	**(460,706)**

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

Grants Credited to Taxation and Non Specific Grant Income

2022/23 £'000		2023/24 £'000
	General Government Grants:	
(76,826)	Revenue Support Grant	(75,225)
(22,909)	Section 31 Grant	(34,537)
(7,753)	New Homes Bonus	(5,592)
(17,981)	Social Care Support Grant	(11,682)
(7,684)	Services Grant	(28,109)
(11,432)	Homelessness Support Grant	(4,508)
-	Covid Support Grants (non-specific)	-
-	Other	-
(144,585)	**Total**	**(159,653)**
	Capital Grants and Contributions:	
(6,800)	DLUHC	(15,993)
(26,875)	Dept of Education	(15,069)
(2,848)	Dept of Health	(3,225)
	School Contributions	-
(57,509)	Greater London Authority	(28,778)
(1,459)	Transport for London	(14,647)
(9,598)	Section 106	(4,767)
(1,824)	Other	(6,801)
(106,913)	**Total**	**(89,280)**

Grants Credited to the net cost of services include:

2022/23 £'000		2023/24 £'000
	Revenue Grants:	
(190,554)	Housing Benefit Subsidy	(187,583)
(236,261)	Dedicated Schools Grant (DSG)	(246,487)
(15,766)	Better Care Fund	(17,162)
(9,095)	Pupil Premium	(10,165)
(32,652)	Public Health Grant	(33,676)
(2,532)	Covid Support Grants (specific)	(1,052)
(162,353)	Other Grants and Contributions	(136,641)
(649,213)	**Total**	**(632,766)**

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

2022/23 £'000		2023/24 £'000
(3,449)	Section 106	(35,090)
(3,449)	**Total**	**(35,090)**

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 2023/24

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Long term Surplus	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2023	1,306,626	1,234,974	78,503	24,898	76,257	117,596	**2,838,854**
Opening Adjustments	-	(7,486)	-	-	-	-	**(7,486)**
Additions and enhancement	92,198	74,376	938	173	-	116,464	**284,149**
Accumulated Dep. Written off on revaluation to gross book value	(20,101)	(13,665)	-	-	(169)	-	**(33,935)**
Revaluation movement recognised in the Revaluation Reserve	(11,008)	12,993	-	-	(5,528)	-	**(3,543)**
Revaluation movement recognised in the Surplus on the Provision of Services	(49,772)	1,238	-	-	(3,307)	-	**(51,841)**
Derecognition - Disposals	(7,986)	-	(65,544)	-	-	-	**(73,530)**
Derecognition - Other	-	(3,972)	-	-	-	-	**(3,972)**
Other reclassifications	57,993	(58,846)	-	-	-	-	**(853)**
At 31 March 2024	**1,367,950**	**1,239,612**	**13,897**	**25,071**	**67,253**	**234,060**	**2,947,843**
Accumulated Depreciation and Impairment							
At 1 April 2023	-	(6,468)	(72,941)	-	-	(11)	**(79,420)**
Opening Adjustments	-	-	-	-	-	-	**-**
Depreciation Charge	(17,681)	(16,498)	(1,212)	-	(175)	-	**(35,566)**
Accumulated Dep. Written off on revaluation to gross book value	20,101	13,665	-	-	169	-	**33,935**
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	**-**
Depreciation written out to the Surplus on the Provision of Services	-	-	-	-	-	-	**-**
Derecognition - Disposals	109	-	65,544	-	-	-	**65,653**
Derecognition - Other	-	-	-	-	-	-	**-**
Other reclassifications	(2,537)	2,537	-	-	-	-	**-**
At 31 March 2024	**(8)**	**(6,764)**	**(8,609)**	**-**	**(6)**	**(11)**	**(15,398)**
Net Book Value							
At 31 March 2024	**1,367,942**	**1,232,848**	**5,288**	**25,071**	**67,247**	**234,049**	**2,932,445**
At 31 March 2023	1,306,626	1,228,506	5,562	24,898	76,256	117,585	**2,759,433**

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for ingrastructure assets because historical reporting reporting practices and resultant information deficits mean that this would not faithfully represent the asset position by users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and rresultant informaiton deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to the infrastructure assets.

	2023/24 Infrastructure Assets £'000	2022/23 Infrastructure Assets £'000
Net Book Value (Modified Historical Cost)		
At 1 April	303,043	290,042
Additions and enhancement	37,200	22,451
Derecognition - Disposals	-	-
Derecognition - Other	-	-
Depreciation	(10,011)	(9,450)
Impaiment	-	-
Other Movements	-	-
At 31 March	**330,232**	**303,043**

	2023/24	2022/23
	330,232	303,043
	2,932,484	2,485,546
	3,262,716	**2,788,589**

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

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 2022/23

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Long term Surplus	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2022	1,241,177	1,096,048	76,441	24,898	73,722	48,904	**2,561,190**
Opening Adjustments	-	-	-	-	-	-	
Additions and enhancement	114,131	102,755	2,062	-	-	68,692	**287,640**
Accumulated Dep. Written off on revaluation to gross book value	(16,640)	(12,417)	-	-	(612)	-	**(29,669)**
Revaluation movement recognised in the Revaluation Reserve	5,723	43,018	-	-	3,794	-	**52,535**
Revaluation movement recognised in the Surplus on the Provision of Services	(28,541)	8,931	-	-	(648)	-	**(20,258)**
Derecognition - Disposals	(10,467)	-	-	-	-	-	**(10,467)**
Derecognition - Other	-	(2,118)	-	-	-	-	**(2,118)**
Other reclassifications	1,243	(1,243)	-	-	-	-	**-**
At 31 March 2023	**1,306,626**	**1,234,974**	**78,503**	**24,898**	**76,256**	**117,596**	**2,838,853**
Accumulated Depreciation and Impairment							
At 1 April 2022	-	(5,391)	(69,858)	-	(385)	(11)	**(75,645)**
Opening Adjustments	-	-	-	-	-	-	
Depreciation Charge	(16,795)	(13,481)	(3,083)	-	(227)	-	**(33,586)**
Accumulated Dep. Written off on revaluation to gross book value	16,640	12,417	-	-	612	-	**29,669**
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	**-**
Depreciation written out to the Surplus on the Provision of Services	-	-	-	-	-	-	**-**
Derecognition - Disposals	142	-	-	-	-	-	**142**
Derecognition - Other	-	-	-	-	-	-	**-**
Other reclassifications	13	(13)	-	-	-	-	**-**
At 31 March 2023	**-**	**(6,468)**	**(72,941)**	**-**	**-**	**(11)**	**(79,420)**
Net Book Value							
At 31 March 2023	**1,306,626**	**1,228,506**	**5,562**	**24,898**	**76,256**	**117,585**	**2,759,433**
At 31 March 2022	1,241,177	1,090,657	6,583	24,898	73,337	48,893	**2,485,545**

14. Property, Plant And Equipment (contd.)

In addition to the Authority property balance and equipment, the Group includes £103m of assets classified as other land and buildings held within Future Newhome Limited and Populo Living Limited (Note 38).

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 41 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. During 2023/24 the following school was converted to an academy; St Winefride's Catholic Primary School.

2022/23 Number	Category of School	2023/24 Number
41	Community	41
4	Voluntary Aided	3
2	Voluntary Controlled	2
47	**Total**	**46**

Disclosure:

Capital Commitments

As at 31 March 2024, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2023/24 and future years budgeted to cost £148m. Similar commitments at 31 March 2023 were £103m. The major commitments are:

Commitment	Cost £'000
Affordable Homes New Build Programme	47,427
Asset Investment - Stock	5,969
Carpenters Ph1 Redevelopment	965
CTCH Regeneration	2,787
EST LUF0195 Projects	457
EST LUF0296 Projects	937
Keeping Newham Moving	2,180
Property	201
Regen and Additional Supply	131
S106	10,610
School Expansion	1,801
TFL	839
CWB - LUF Schemes	1,172
Acquisitions Programme	273
Highways & Sustainable Transport	5,571
Other minor schemes	370
TOTAL	**81,690**

PPE analysis showing those assets held at cost and those at valuation sub divided by last revaluation date as at 31/03/2024.

	Council Dwellings £'000	OL&B £'000	VP&E £'000	Infra £'000	CA £'000	LTS £'000	AUC £'000	Total PPE £'000
Carried at historic cost	-	-	5,288	330,232	25,071	-	234,049	594,640
Values at Fair value as at								
31/03/24	1,367,943	866,097	-	-	-	65,774	-	2,299,814
31/03/23	-	271,490	-	-	-	1,472	-	272,962
31/03/22	-	2,349	-	-	-	-	-	2,349
31/03/21	-	53,786	-	-	-	-	-	53,786
31/03/20	-	39,125	-	-	-	-	-	39,125
Total Cost or Valuation	**1,367,943**	**1,232,847**	**5,288**	**330,232**	**25,071**	**67,246**	**234,049**	**3,262,676**

Development assets at Carpenter's Estate, Canning Town and Customs House

The authority is currently developing plans to implement major estate regeneration projects at the above three sites. Red Book valuations of the assets with the project boundaries (where void and intended for redevelopment) have been commissioned and the balance sheet includes these values. With evolving projects such as these there is a level of inherent uncertainty which while every effort has been made to reduce, is not possible to altogether eliminate. It is also important to note that there may be elements of the final development which are either not currently owned by the authority or are being recorded elsewhere due to their present use. The authority will continue to work with external valuers and the audit team to ensure that these assets are accurately represented and regularly updated.

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 2022	59	2,205	1,394	3,658
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
At 31 March 2023	**59**	**2,205**	**1,394**	**3,658**
Balance as at 1 April 2023	59	2,205	1,394	3,658
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
At 31 March 2024	**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

Buxton Table

The Council is the owner of the Buxton Table, which was donated to the public and is named after its owner. This is the table around which in 1833 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. Whilst this table is of cultural and historical importance, there is currently no reliable financial valuation available for the table and therefore this heritage asset is not recognised in the council’s Balance Sheet.

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 the Joan Littlewood statue coinstructed in 2015/16. Our heritage asset policy includes a deminimus value of £10k under which will not be included on the Balance sheet. The value of assets excluded because of this is £106k. 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

Further information can be found from the Newham Heritage Service; which 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.

16. Investment Properties

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

2022/23 £'000		2023/24 £'000
11,383	Rental income due from investment property	-

2022/23 £000		2022/23 £000
331,704	**Balance at 1 April**	356,417
1,012	Additions and Enhancement Expenditure*	2,181
27,360	Net gains/(losses) from fair value adjustments	11,985
	Transfers:	(1,969)
-	To Property, Plant and Equipment	
(3,659)	Disposals	
356,417	**Balance at 31 March**	**368,614**

* This relates to the head-lease of Accor finance lease.

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

2022/23 In Borough £'000	2022/23 Out of Borough £'000		2023/24 In Borough £'000	2023/24 Out of Borough £'000
215,274	24,036	Retail unit	221,490	24,073
22,764	44,599	Office	22,594	45,716
22,218	-	Industrial unit	27,454	
19,517		Land	19,764	
3,724		Warehouse / Stores	3,137	
1,240		Community Centre	1,278	
1,375		Car Park	1,375	
935		Depot	922	
518		Cinema	579	
87		Garages	87	
129		Flats	145	
287,781	**68,635**	**Balance at 31 March**	**298,825**	**69,789**

In addition to investment properties held by the Authority, the group balance sheet includes £169m (2021/22: £124m) of investment property held within Populo Living Limited.

Valuations were carried out by Wilks, Head and Eve LLP (WHE) 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 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.

Purchased 2022/23 £'000		**Purchased 2023/24 £'000**
	Balance at start of year	
8,261	Gross Carrying Amounts	8,463
(5,377)	Accumulated Amortisation	(6,134)
2,884	**Net carrying amount at start of year**	**2,329**
	Additions	
202	Purchases	302
	Write off od fully depreciated assets	
(757)	Amortisation	(804)
2,329	**Net carrying amount at end of year**	**1,827**
	Comprising	
8,463	Gross Carrying Amounts	8,765
(6,134)	Accumulated amortisation	(6,938)

18. Financial Instruments

Categories of Financial Instruments

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

Financial Assets

	Non Current				Current							
	Investments		Debtors		Cash and cash equivalents)		Investments		Debtors		Total	
	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'000	31 March 2023 £'000
Fair Value through Profit or Loss	54,238	53,300	-	38,642	-	-	-	-	-	-	54,238	91,942
Amortised cost	5,000	10,000	295,755	276,741	39,400	64,907	14,137	43,599	458	614	354,750	395,861
Total Financial Assets	59,238	63,300	295,755	315,383	39,400	64,907	14,137	43,599	458	614	408,988	487,803
Non-Financial Assets	-	-	-	-	-	-	-	-	149,016	237,545	0	237,545
Total	**59,238**	**63,300**	**295,755**	**315,383**	**39,400**	**64,907**	**14,137**	**43,599**	**149,474**	**238,159**	**408,988**	**725,348**

Financial Liabilities

	Non Current				Current							
	Borrowings		PFI and Finance Lease liabilities and Other creditors		Cash and cash equivalents		Borrowings		Creditors		Total	
	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'000	31 March 2023 £'000
Fair Value through Profit or Loss	-	-	-	-	-	-	-	-	-	-	-	-
Amortised cost	(908,210)	(744,843)	(244,836)	(253,750)	(38,343)	(64,900)	(240,728)	(194,433)	(84,364)	(93,420)	(1,516,481)	(1,351,346)
Total Financial Liabilities	(908,210)	(744,843)	(244,836)	(253,750)	(38,343)	(64,900)	(240,728)	(194,433)	(84,364)	(93,420)	(1,516,481)	(1,351,346)
Non-Financial Liabilities	-	-	0	(205,477)	0	-	0	-	(134,002)	(245,546)	(134,002)	(451,023)
Total	**(908,210)**	**(744,843)**	**(244,836)**	**(459,227)**	**(38,343)**	**(64,900)**	**(240,728)**	**(194,433)**	**(218,366)**	**(338,966)**	**(1,650,483)**	**(1,802,369)**

*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 2023/24.

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

	31 March 2024 £'000	31 March 2023 £'000
Social Care	0	0
London Community Credit Union (LCCU)		481
Total	0	481

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.2)

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

	2022/23			2023/24		
	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*	37,494	-	**37,494**	30,759	-	**30,759**
Total expense in Surplus on the Provision of Services	**37,494**	**-**	**37,494**	**30,759**	**-**	**30,759**
Interest income		(18,588)	**(18,588)**		(13,299)	**(13,299)**
Total income in Surplus on the Provision of Services	**-**	**(18,588)**	**(18,588)**	**-**	**(13,299)**	**(13,299)**
Impact in Other Comprehensive Income			**-**			**-**
Net loss/(gain) for the year	**37,494**	**(18,588)**	**18,906**	**30,759**	**(13,299)**	**17,460**

* Interest expense shown above includes interest, premiums and other similar expenses

18. Financial Instruments (contd.3)

Financial Instruments - Fair Values

The fair value of Public Works Loans Board (PWLB) loans of £487m 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 **premature repayment** 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 £566m would be valued at £440m. 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 £126m for the additional interest that will not now be paid. The exit price for the PWLB loan including the penalty charge would be £692m.

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 2024 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 Populo Living 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 2024) attributable to the commitment to receive interest above current market rates.

31 March 2023 Carrying Value £'000	31 March 2023 PR Rate Fair Value £'000	Financial Assets	Fair Value level	31 March 2024 Carrying Value £'000	31 March 2024 PR Rate Fair Value £'000
10,000	10,000	Long-Term Investments	2	5,000	5,000
53,300	53,300	Long-Term Investments - equities	2	54,238	54,238
481	481	Long-Term Receivables - Soft Loans (Note 22)	2	1,309	1,309
55,044	55,044	Long-Term Receivables - Finance Leases (Note 22)	2	54,402	54,402
242,043	242,043	Long-Term Receivables - Other (Note 22)	2	6,043	6,043
360,868	**360,868**	**Total Included in Long-Term Assets**		**120,992**	**120,992**
43,599	43,599	Short Term Investments	2	14,137	14,137
614	614	Short-Term Receivables		34,044	34,044
92,471	92,471	Cash and Cash Equivalents (Note 21)	2	39,400	39,400
136,684	**136,684**	**Total included in Current Assets**		**87,581**	**87,581**
497,552	**497,552**	**Total Financial Assets**		**208,573**	**208,573**

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.

31 March 2023 Carrying Value £'000	31 March 2023 PR Rate/CV Fair Value £'000	31 March 2023 NL Rate/CV Fair Value £'000	Financial Liabilities	Fair Value level	31 March 2024 Carrying Value £'000	31 March 2024 PR Rate/CV Fair Value £'000	31 March 2024 NL Rate/CV Fair Value £'000
189,611	202,838	185,391	Short Term Borrowing at amortised cost	2	209,358	207,784	195,216
4,822	1,096	1,087	Short Term Borrowing PWLB at amortised cost	2	31,372	31,485	31,393
25,291	25,291		Cash and Cash Equivalents (Note 21)	2	40	40	
8,612	8,612		PFI and Finance Lease Liabilities (Note 23)	2	8,654	8,654	
84,808	84,808		Financial Liabilities at Contracted Amounts (Note 23)		(75,710)	(75,710)	
313,144	**322,645**	**186,478**	**Total Included in Current Liabilities**		**173,713**	**172,253**	**226,609**
363,726	476,453	392,765	Long-Term Borrowing	2	378,464	440,812	369,774
381,117	333,188	283,399	Long-Term Borrowing PWLB	2	529,746	455,536	408,122
78,666			PFI and Finance Lease Liabilities (Note 36)	2	71,905		
175,084	175,084		Financial Liabilities at Amortised Cost (Note 36)		172,931	172,931	
998,593	**984,725**	**676,164**	**Total included in Long Term Liabilities**		**1,153,046**	**1,069,279**	**777,896**
1,311,738	**1,307,370**	**862,642**	**Total Financial Liabilities**		**1,326,760**	**1,241,532**	**1,004,505**

19. Inventories

2022/23 Stocks £'000	2022/23 Work in Progress £'000	2022/23 Total £'000		2023/24 Stocks £'000	2023/24 Work in Progress £'000	2023/24 Total £'000
1,625	-	1,625	**Balance b/f**	2,571	-	2,571
		-	Purchases			-
946		946	Expensed in year	-	-	-
2,571	-	2,571	**Balance c/f**	2,571	-	2,571

The council holds inventories which are made up of 3 types - Store 9, Store 15 and Fuel.

Store 9 - This is general stock. For example bins, bags, chemicals, PPE etc. all these products are used by all of the council departments.
Store 15 - This is parts for vehicles to cover the repair & maintenance of the council vehicle fleet (approximately 400 vehicles & 120 items of plant).
Fuel - This is for fuel supplied to council vehicles (primarily gas to liquid fuel)

All stock have undertaken an inventory check at year-end and have been certified.

20. Construction Contracts

As at 31st March 2024, the authority had entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2023/24 and future years budgeted to cost £148.1m (last year was £103.3m). Further details on these commitments are included in note 14.

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 2022/23 £'000	Group Accounts 2022/23 £'000		Single Entity 2023/24 £'000	Group Accounts 2023/24 £'000
65	65	Petty Cash	59,488	59,488
27,506	27,506	Cash at Bank (Schools)	25,225	25,225
64,900	64,900	Cash Equivalents	38,343	38,343
92,471	92,471	**Total Cash and Cash Equivalents**	123,056	123,056
(25,291)	(25,291)	Cash Equivalents (Overdrawn)	(40,319)	(40,319)
67,180	67,180	**Total Cash and Cash Equivalents**	82,737	82,737

22. Receivables

2022/23 Single Entity Gross £'000	2022/23 Single Entity Impairment Allowance £'000	2022/23 Single Entity Net £'000	2022/23 Group Accounts Total £'000	Short Term Receivables	2023/24 Single Entity Gross £'000	2023/24 Single Entity Impairment Allowance £'000	2023/24 Single Entity Net £'000	2023/24 Group Accounts Total £'000
37,098	-	37,098	37,098	Central Government Bodies	35,968	-	35,968	35,968
10,392	-	10,392	10,392	Other Local Authorities	5,026	-	5,026	5,026
34,673	(23,124)	11,549	11,549	Council Tax Payers	55,171	(29,119)	26,052	26,052
6,140	(2,528)	3,612	3,612	Business Rate Payers	(12,300)	(1,208)	(13,508)	(13,508)
38,106	(32,589)	5,517	5,517	Housing Rents	43,998	(35,505)	8,493	8,493
162,968	(8,178)	154,790	179,122	Sundry Receivables	59,248	(4,745)	54,503	65,978
35,234	(26,267)	8,967	8,967	Housing Benefit Overpayments	34,044	(24,650)	9,394	9,394
647	-	647	647	Prepayments	9,915	-	9,915	9,915
38,886	(35,210)	3,676	3,676	Parking	52,507	(48,003)	4,504	4,504
6,612	(4,701)	1,911	1,911	Leaseholders	5,037	(6,269)	(1,232)	(1,232)
-	-	-	-	Pension Prefunding	-	-	-	-
-	-	-	-	Amount due from Pension Fund	10,359	-	10,359	10,359
370,756	**(132,597)**	**238,159**	**262,491**		**298,973**	**(149,499)**	**149,474**	**160,949**
				Long Term Receivables				
1,285		1,285	1,285	Soft Loans	1,309		1,309	1,309
55,044		55,044	55,044	Finance Leases (lessor)	54,402		54,402	54,402
4,073		4,073	4,073	Leaseholder Loans	7,946		7,946	7,946
194,003		194,003	194,003	Amounts due from subsidiary undertakings	292,579		292,579	36,314
38,642		38,642	38,642	Shared Equity Interest	38,514		38,514	38,514
-		-	-	Pension Prefunding	-		-	-
4,040		4,040	4,040	Other long term receivables	6,043		6,043	6,043
297,087	**-**	**297,087**	**297,087**		**400,793**	**-**	**400,793**	**144,528**

23. Payables

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

Single Entity 2022/23 £'000	Group Accounts 2022/23 £'000		Single Entity 2023/24 £'000	Group Accounts 2023/24 £'000
(8,322)	(8,322)	Council Tax Payables	(12,384)	(12,384)
(3,633)	(3,633)	Business Rate Payables	(5,546)	(5,546)
(84,808)	(81,953)	Sundry Payables	(75,710)	(124,128)
(24,219)	(24,219)	Receipts In Advance	(20,715)	(20,715)
(8,612)	(8,612)	Finance Lease and PFI Liabilities	(8,654)	(8,654)
(12)	(12)	Other Balances	(11)	(11)
(16,223)	(16,223)	Employee Benefits	(17,472)	(17,472)
(9,469)	(9,469)	Revenue Grants Received In Advance	(9,278)	(9,278)
(67,869)	(63,412)	Central Government Bodies	(48,382)	(48,382)
(13,001)	(13,001)	Other Local Authorities	(6,873)	(6,873)
-	-	Deferred Income	-	-
(9,378)	(9,378)	Amount due to Pension Fund	(13,341)	(13,341)
(245,546)	**(238,234)**	**Total**	**(218,366)**	**(266,784)**

24. Provisions

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

Long term Provision

2023/24	**Insurance £'000**	**MMI £'000**	**NNDR £'000**	**Other £'000**	**Total £'000**
Balance at 1 April 2023	(6,520)	(1,044)	(5,237)	(11,998)	**(24,799)**
Additional provisions made in 2023/24	(643)	-	(23,100)	-	**(23,743)**
Amounts used in 2023/24	-	51	16,253	-	**16,304**
Balance at 31 March 2024	**(7,163)**	**(993)**	**(12,084)**	**(11,998)**	**(32,238)**

2022/23	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2022	(5,254)	(1,291)	(6,900)	(12,218)	**(25,663)**
Additional provisions made in 2022/23	(3,113)	-	(71,184)	-	**(74,297)**
Amounts used in 2022/23	1,847	247	72,847	220	**75,161**
Balance at 31 March 2023	**(6,520)**	**(1,044)**	**(5,237)**	**(11,998)**	**(24,799)**

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. Under the Scheme, the administrator may impose a levy on scheme creditors following a trigger event. A levy notice was issued on 1st January 2014 by the Scheme Administrator at a rate of 15% and this was subsequently increased to 25% on 1st April 2016. The levy applies retrospectively i.e. back to 1993 and total scheme liability as at 31st March 2023 was £9.1m, with applicable levy of £2.3m @ 25%. Actuarial opinion is to maintain 40%, which gives a residual figure of £1.1m. Please note that this is worst case scenario.

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 30% (30% in 2022) of the provision for appeals within the Balance Sheet. As at 31st March 2024, this was £3.6m (£5.96m in 2022/23).

Other

The Council made a provision of £11.8m in 2020/21 to cover any potential liabilities arising from the recent water charges ruling, which requires local authorities to pass on any discounts received from Thames Water to tenants whose rent includes the cost of water rates. In addition to this the Council has a number of on-going litigation cases, provision for which is also included within the long term provision figure.

Short term Provision

	NNDR £'000	**COVID-19 £'000**	**Other £'000**	**Total £'000**
Balance at 1 April 2023	727	-	-	**727**
Additional provisions made in 2023/24	(1,695)			**(1,695)**
Amounts used in 2023/24	2,422			**2,422**
Balance at 31 March 2024	**1,454**	**-**	**-**	**1,454**

Other

One of the Council's wholly owned service provision companies, initially funded through a loan by the Council is being wound up and a provision has been made to cover the potential non-recoverability of the loan.

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.

2022/23 £'000		2023/24 £'000
(7,079)	General Fund	(11,012)
(32,906)	Housing Revenue Account	(34,911)
(212,160)	Capital Receipts Reserve	(214,344)
(5,396)	Major Repairs Reserve	0
(86,845)	Capital Grants Unapplied	(76,278)
(217,952)	Earmarked Reserves	(185,132)
(562,338)	**Total Usable Reserves**	**(521,677)**

The Group Usable Reserves are £35m lower than the single entity reserve above, reflecting the consolidated position as at 31st March 2022. This is primarily driven by the deficit reported in the Populo Living Limited Accounts (also see note 38).

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.

2022/23 £'000		2023/24 £'000
(167,089)	**Balance as at 1 April**	**(212,160)**
	Sale of Assets:	
(22,927)	Sale of Council Houses	(1,186)
(24,424)	Sale of other Land and Buildings	(11,985)
(443)	Transfer to (from) DCRR	(457)
(55,746)	Capital Loan Repayments	(1,293)
(103,540)	**Total Receipts**	**(14,921)**
	Use of Receipts:	
	Payments to Housing Capital Pool	-
58,469	Capital Receipts used for Financing	12,737
58,469		**12,737**
(212,160)	**Balance as at 31 March**	**(214,344)**

26. Unusable Reserves

31 March 2023 £'000		31 March 2024 £'000
(788,311)	Revaluation Reserve	(771,998)
(1,290,418)	Capital Adjustment Account	(1,331,697)
110,876	Financial Instruments Adjustment Account	107,831
(93,905)	Deferred Capital Receipts and Credits Reserve (DCRR)	(93,320)
142,230	Pensions Reserve	11,835
(10,204)	Collection Fund Adjustment Account	(4,347)
16,223	Accumulated Absences Account	17,472
17,368	Dedicated Schools Grant Adjustment Account	12,724
(1,896,141)	**Total Unusable Reserves**	**(2,051,500)**

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.

2022/23 £'000		2023/24 £'000
(747,569)	**Balance at 1 April**	**(788,311)**
(52,667)	Upward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	3,390
10,243	Difference between fair value depreciation and historical cost depreciation	11,252
1,682	Accumulated gains on assets sold or scrapped	1,673
(788,311)	**Balance at 31 March**	**(771,996)**

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.

2022/23 £'000		2023/24 £'000
17,839	**Balance at 1 April**	**16,223**
(17,839)	Settlement or cancellation of accrual made at the end of the preceding year	(16,223)
16,223	Amounts accrued at the end of the current year	17,839
16,223	**Balance at 31 March**	**17,839**

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:

	2022/23			2023/24
£'000	£'000		£'000	£'000
	113,916	**Balance at 1 April**		**110,876**
(2,963)		Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(2,963)	
(77)		Effective interest rate (EIR) adjustment on LOBO borrowing	(80)	
	(3,040)	**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**		**(3,043)**
	110,876	**Balance at 31 March**		**107,833**

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.

2022/23 £'000		2023/24 £'000
743,070	**Balance at 1 April**	**142,230**
	Adjustment to the brought forward Pensions Reserve	
(643,349)	Actuarial (gains)/losses on pensions assets and liabilities	(134,229)
56,823	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	25,541
0	Adjustment for smoothing the pension fund pre-payment	15,487
(14,314)	Employer's pensions contributions and direct payments to pensioners payable in the year	(37,195)
142,230	**Balance at 31 March**	**11,834**

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.

2022/23 £'000		2023/24 £'000
21,536	**Balance at 1 April**	**(10,204)**
(31,740)	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	0
(10,204)	**Balance at 31 March**	**(10,204)**

Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account manages the Deficits arising from the schools budget expenditure exceeding the DSG funding available. The accumulated deficit balance is held separately from the general fund, to ensure the deficits do not place pressure on the Council's ability to delivery other services. The Council and Government will look at budgetary and financial management strategies to reduce the deficits by 2022/23.

2022/23 £'000		2023/24 £'000
17,978	**Balance at 1 April**	**17,368**
	*Transfer from Usable Reserve (DSG)**	
17,978	**Balance at 1 April restated**	**17,368**
(610)	Amount by which expenditure on schools is charged to the Comprehensive Income and Expenditure Statement in excess of DSG grant chargeable in the year in accordance with statutory requirements	(4,644)
17,368	**Balance at 31 March**	**12,724**

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.

2022/23 £'000	2022/23 £'000		2023/24 £'000	2023/24 £'000
	(1,147,153)	**Balance at 1 April**		**(1,290,418)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
43,035		Charges for depreciation and impairment of non-current assets	46,305	
20,446		Revaluation gains on Property, Plant and Equipment	51,840	
757		Amortisation of intangible assets	80	
4,261		Revenue expenditure funded from capital under statute	24,245	
15,346		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	11,015	
55,746		Repayment of subsidiary loans	1,293	
	139,591			**134,778**
	(11,925)	Adjusting amounts written out of the Revaluation Reserve		(11,252)
	127,666	**Net written out amount of the cost of non-current assets consumed in the year**		**123,526**
		Capital financing applied in the year:		
(58,026)		Use of the Capital Receipts Reserve to finance new capital expenditure	(12,280)	
(30,349)		Use of Revenue and Revenue Reserves to finance new capital expenditure	(7,674)	
(26,003)		Use of Major Repairs Reserve (MRR) for capital financing	(24,815)	
(88,432)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(72,073)	
(14,695)		Application of grants to capital financing from the Capital Grants Unapplied Account	(9,297)	
(26,066)		Provision for the financing of capital investment charged against the General Fund and HRA balances	(26,681)	
	(243,571)			**(152,820)**
	(27,360)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(11,985)
	(1,290,418)	**Balance at 31 March**		**(1,331,697)**

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

Single Entity 2022/23 £'000	Group Accounts 2022/23 £'000	Description	Single Entity 2023/24 £'000	Group Accounts 2023/24 £'000
43,792	43,844	Depreciation	46,305	46,186
20,446	22,294	Increase in Revaluation charged to the Comprehensive Income and Expenditure Statement	51,840	52,677
0	0	Amortisation	80	80
0	(10,924)	Movement in Impairment Allowance	16,902	16,902
33,432	58,068	Movement in Receivables	(50,338)	(45,728)
(42,547)	(48,266)	Movement in Payables	(27,179)	(26,632)
(946)	28	Movement in Inventories	(28)	(14)
42,509	42,509	Pension Liability	(16,101)	(16,101)
15,246	15,346	Carrying Amount of Non-Current Assets sold	11,849	11,849
0	4	Movement in Provisions	6,713	6,713
0	(20,903)	Movement in the value of Investment Properties	(11,985)	(5,124)
0	(4,658)	Financial Instruments Adjustments	(2,963)	(2,963)
(30,925)	(275,408)	Other Non-Cash Adjustments	24,568	24,568
0	13,408	Taxation	0	(29,831)
81,007	**(164,658)**	**Total Adjustments for Non-Cash Transactions**	**49,663**	**32,582**
(83,266)	(146,327)	Investing and Financing Activities Adjustments to Net Surplus on the Provision of Services	(105,811)	(146,907)
(2,259)	**(310,985)**	**Net Cash Flows from Operating Activities**	**(56,148)**	**(114,325)**

The cashflow from operating activities include the following amounts:

Single Entity 2022/23 £'000	Group Accounts 2022/23 £'000	Description	Single Entity 2023/24 £'000	Group Accounts 2023/24 £'000
7,188	(18,788)	Interest received	(22,144)	(22,144)
(42,313)	35,791	Interest Paid	56,332	48,812
(35,125)	**17,002**	**Net Interest**	**34,188**	**26,668**

28. Cash Flow Statement - Investing Activities

Single Entity 2022/23 £'000	Group Accounts 2022/23 £'000	Description	Single Entity 2023/24 £'000	Group Accounts 2023/24 £'000
(311,052)	(210,839)	Purchase of Property, Plant and Equipment and Intangible Assets	(326,138)	(336,836)
(4,060,500)	233,440	Purchase of Short-Term Investments and Long-Term Investments	54,281	55,466
(36,452)		Other Payments for Investing Activities		
4,234,640	49,135	Proceeds from the sale of Property, Plant and Equipment and Non-Current Assets	13,488	5,907
104,428	103,612	Other receipts from investing	89,279	89,279
(68,936)	**175,348**	**Net Cash Flows from Investing Activities**	**(169,090)**	**(186,183)**

29. Cash Flow Statement - Financing Activities

Single Entity 2022/23 £'000	Group Accounts 2022/23 £'000	Description	Single Entity 2023/24 £'000	Group Accounts 2023/24 £'000
(61,498)	103,472	Cash Repayment of Short-Term Borrowings and Long-Term Borrowings	209,662	199,293
(77,911)	(3,814)	Cash Payments to reduce Finance Lease and PFI Liabilities	(8,919)	(8,919)
164,970		Cash Receipts of Short-Term and Long-Term Borrowing	2,963	14,529
25,561	**99,658**	**Net Cash Flows from Financing Activities**	**203,706**	**204,904**

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:

2022/23				2023/24		
Expenditure	Income	(Surplus) / Deficit		Expenditure	Income	(Surplus) / Deficit
£'000	£'000	£'000		£'000	£'000	£'000
656	(413)	243	Building Control	614	(405)	209
1,084	(1,054)	30	Markets	1,268	(1,132)	136
1,740	**(1,467)**	**273**	**Total**	**1,882**	**(1,537)**	**345**

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.

31. 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 commissioning 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:

	2022/23 £'000	2023/24 £'000
Funding provided to the pooled budget:		
London Borough of Newham	(119,971)	(130,591)
NHS Newham Clinical Commissioning Group (NCCG)	(57,718)	(60,065)
Total funding	**(177,690)**	**(190,655)**
Expenditure met from the pooled budget:		
London Borough of Newham	119,971	130,591
NHS Newham Clinical Commissioning Group (NCCG)	57,718	60,065
Total expenditure	**177,690**	**190,655**
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 Board

Scheme Name	2023/24 Total BCF Actuals £000s
RAID and support	1,003
Existing Social Care	10,737
Continuing Care	4,958
NHS Funded Nursing Care	890
DFG/Capital	3,097
Equipment Services	3,537
Protection of Adult Social Care	6,530
Extension to Protection of Social Care	7,522
Care Act	1,242
Social Prescription/PPE	370
Care Management	6,851
Care Packages/Placements	87,959
Community services	30,193
Public Health Commissioning (ASC)	7,313
Market Sustainability and Growth (ASC)	7,429
Out of Hospital / Admission Avoidance	2,242
Wheelchair Services	1,652
COVID 19 response IDH & Social care recovery	267
50 Steps - Inequalities, Prevention and transformation	1,438
CEG - Primary Care Data	49
Local Authority Discharge Funding	3,582
Total	**190,655**

32. Members' Allowances

The total of members' allowances and expenses paid in 2023/24 (excluding National Insurance Contributions) was £1,600k compared to £1,582k in 2022/23. 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. Further details can also be found on the following website.

'https://www.newham.gov.uk/council/councillors%E2%80%99-allowances-expenses

33. 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.

2022/23 Non Teaching Employees	2022/23 Teaching Employees	2022/23 Total Employees	Earnings Band	2023/24 Non Teaching Employees	2023/24 Teaching Employees	2023/24 Total Employees
309	230	539	50 - 54,999	338	141	479
213	144	357	55 - 59,999	273	174	447
120	95	215	60 - 64,999	126	126	252
70	51	121	65 - 69,999	80	63	143
38	26	64	70 - 74,999	47	39	86
39	19	58	75 - 79,999	54	24	78
20	14	34	80 - 84,999	21	23	44
32	12	44	85 - 89,999	15	17	32
19	6	25	90 - 94,999	29	6	35
6	9	15	95 - 99,999	4	3	7
9	3	12	100 - 104,999	7	8	15
9	-	9	105 - 109,999	5	5	10
1	3	4	110 - 114,999	9	2	11
3	-	3	115 - 119,999	5	3	8
6	3	9	120 - 124,999	2	2	4
2	-	2	125 - 129,999	6	1	7
1	2	3	130 - 134,999	-	2	2
1	1	2	135 - 139,999	-	-	-
-	-	-	140 - 144,999	3	1	4
1	-	1	145 - 149,999	-	1	1
-	-	-	150 - 154,999	2	1	3
-	1	1	155 - 159,999	1	-	1
-	1	1	160 - 164,999	1	1	2
-	-	-	165 - 169,999	-	-	-
-	-	-	170 - 174,999	-	-	-
2	-		175 - 179,999	-	-	-
-	-		180 - 184,999	-	-	-
1	-		185 - 189,999	1	-	1
-	-	-	190 - 194,999	-	-	-
-	-		195 - 199,999	2	-	2
-	-	-	200 - 204,999	-	-	-
-	-		205 - 209,999	-	-	-
1	-	1	210 - 214,999	-	-	-
-	-	-	215 - 219,999	-	-	-
-	-	-	220 - 224,999	-	-	-
-	1	1	225 - 259,999	-	1	1
903	**621**	**1,521**	**Total £50,000 and over**	**1,031**	**644**	**1,675**

During 2023/24 the number of officers whose remuneration exceeded £50k increased by 154. The increase is primarily related to non-teaching staff and is generally due to the impact of restructure, inflationary pay increases and staff moving up spinal points . The bandings which have increased the most are between £50k - £80k, with a total increase of 171 officers and teachers. Similarly, the number of officers paid between £90k - £110k has increased by 6 compared to 2022/23.

33. 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:

2023/24

Council Officers

Name and position	Salary Fees and Allowances	Compensation for loss of employment	Council's contribution to Pension Fund	Total Remuneration
	£	£	£	£
Chief Executive Officer (Acting) - Mr Colin Ansell (Left - 04/02/2024)	195,473		31,347	**226,820**
Chief Executive Officer - Ms Abi Gbago - (Started - 11/09/2023)	125,217		22,789	**148,006**
Director of Legal & Governance (Interim-Monitoring Officer) - Mr Satish Mistry (Started - 10/01/2023)	148,674		39,000	**187,674**
Corporate Director of Resources (s151) - Mr Conrad Hall	185,289		33,723	**219,012**
Corporate Director of Adults & Health (DASS) (Acting) - Mr Jason Strelitz	144,563		26,311	**170,874**
Corporate Director of Children & Young People (DCS) - Mr Timothy Aldridge (left - 27/08/2023)	75,564		13,689	**89,253**
Interim Corporate Director of Children & Young People (DCS) - Mr Vik Verma (Left - 15/03/2024	103,088	57,624	25,267	**185,979**
Corporate Director of Environment and Sustainable Transport (Acting) - Mr Jamie Cooke (April 2023 to July 2023	55,480		10,097	**65,577**
Corporate Director of Environment and Sustainable Transport - Mr Aled Richards (started - 17/07/2023)	117,671		21,416	**139,087**
Corporate Director of Inclusive Economy & Housing (Interim) - Ms Vicky Clark (Agency)	180,107			**180,107**
Assistant Chief Executive Chief Digital Officer - Mr Amit Shanker	140,650		25,598	**166,248**
Assistant Chief Executive Chief Transformation Officer - Mr James Partis	153,080		27,861	**180,941**
Assistant Chief Executive for Marketing (Interim) - Ms Natalie Orringe (Left - 15/12/2023)	128,633		-	**128,633**
Total	**1,753,489**	**57,624**	**277,098**	**2,088,211**

Senior Officers' Pay - LBN Controlled Companies

The Council has a number of wholly owned companies which deliver a range of services including housing investments, contract cleansing & catering, waste disposal and street cleansing

Company and Position	Salary	Compensation for loss of employment	Expenses	Total Remuneration
Juniper Ventures Limited - Managing Director	108,245			**108,245**
Enabled Living Healthcare Limited - Managing Director	94,543			**94,543**
Populo Living Limited - Chief Executive	175,148			**175,148**
Total	**377,936**	**-**	**-**	**377,936**

2022/23

Council Officers

Name and position	Salary Fees and Allowances	Compensation for loss of employment	Council's contribution to Pension Fund	Total Remuneration
	£	£	£	£
Chief Executive Officer (Acting) - Mr Colin Ansell	210,665	-	39,194	249,859
Director of Legal & Governance (Interim-Monitoring Officer) - Ms Asmat Hussain (left 31/12/2022)	87,865	-	15,731	103,596
Director of Legal & Governance (Interim-Monitoring Officer) - Mr Satish Mistry (Agency) (started 10/01/2023)	67,423	-	-	67,423
Corporate Director of Adults & Health (DASS) (Acting) - Mr Jason Strelitz	147,448	-	28,605	176,054
Corporate Director of Resources (s151) - Mr Conrad Hall	179,024	-	34,731	213,755
Corporate Director of Children & Young People (DCS) - Mr Timothy Aldridge	179,024	-	34,731	213,755
Corporate Director of Environment and Sustainable Transport - Mr Jamie Blake (left 31/13/2022)	124,314	-	24,117	148,431
Corporate Director of Environment and Sustainable Transport (Acting) - Mr Jamie Cooke (started 01/12/2022)	128,978	-	25,022	154,000
Corporate Director of People, Policy & Performance - Ms Jessica Crowe (left 26/06/2022)	36,750	-	6,661	43,411
Newham's Children & Young People's Commissioner (Brighter Futures) - Mrs Geeta Subramaniam-Mooney (left 19/08/2022)	123,931	62,554	10,954	197,439
Assistant Chief Executive Chief Digital Officer - Mr Amit Shanker (started 11/01/2023)	31,237	-	6,060	37,296
Assistant Chief Executive Chief Transformation Officer - Mr James Partis (started 02/08/2022)	134,352	-	26,064	160,416
Corporate Director of Inclusive Economy & Housing - Mr David Hughes (left 31/12/2022)	126,466	-	24,535	151,001
Corporate Director of Inclusive Economy & Housing (Interim) - Ms Vicky Clark (Agency) (started 05/12/2022)	58,256	-	-	58,256
Assistant Chief Executive for Marketing (Interim) - Ms Natalie Orringe (Agency) (started 16/08/2022)	148,872	-	-	148,872
Total	**1,784,606**	**62,554**	**276,404**	**2,123,564**

Senior Officers' Pay - LBN Controlled Companies

Company and Position	Salary	Bonus	Expenses	Total Remuneration
	£	£	£	£
Juniper Ventures Limited - Managing Director	108,245			**108,245**
Enabled Living Healthcare Limited - Managing Director	94,543			**94,543**
Populo Living Limited - Managing Director	175,148			**175,148**
Total	**377,936**	**-**	**-**	**377,936**

33. 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. There was a reduction in the number and total cost of exit packages during 2023/24 The average cost of exit packages remained unchanged at £27k.
In addition to the £607k exit payments made to the 36 staff leaving through the redundancy scheme, additional pensions contribution of £1.1m were also made to cover the pensions liability.

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)**	
	2022/23	**2023/24**	**2022/23**	**2023/24**	**2022/23**	**2023/24**	**2022/23**	**2023/24**
£0 – £20,000	16	8	9	10	25	18	207	149
£20,001 – £40,000	6	4	6	5	12	9	337	308
£40,001 – £60,000	-	5	3	3	3	8	-	320
£60,001 – £80,000	1	1	-	2	1	3	63	216
£80,001 – £100,000	-		-		-	-	-	
£100,001 – £150,000	-		-		-	-	-	
£150,001 – £250,000	-		-		-	-	-	
Total	**23**	**18**	**18**	**20**	**41**	**38**	**607**	**993**

34. External Audit Costs

The Authority's external auditors are Ernst & Young LLP and the table below details the amounts due to the external auditors in respect of the following services.

	2022/23 £'000	**2023/24 £'000**
Fees payable to Auditors with regard to the external audit of the Authority	175	352
Additional fees payable to Auditors with regard to the previous year's external audit of the Authority	160	170
Fees payable to Auditors with regard to the external audit of the pension fund	61	78
Fees payable to Auditors with regard to the certification of grant claims and returns	31	40
The Audit Fees for 2022-23 is based on PSAA agreed fees	**427**	**640**

<u>Audit Fees for external audit of Major Subsidiaries</u>

	2022/23 £'000	**2023/24 £'000**
Populo	115	115
Future New Homes	28	46
	143	**161**

35. Dedicated Schools Grant

The council’s expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools’ budget, as defined in the School Finance and Early Years (England) Regulations 2022. The schools budget includes elements for a range of educational services provided on an authority-wide basis and for the individual schools budget (ISB), which is divided into a budget share for each maintained school. Like many authorities Newham has experienced difficulty in meeting its obligations with respect to High Needs from within the formula funding, and this led to increases in DSG deficit up to 2021/22. Newham has worked on reducing the overspend and has successfully reported an in-year surplus position in 2022/23 with a marginal reduction in the overall deficit. Further work is needed in future years to fully clear the deficit position. Details of the deployment of DSG receivable for 2023/24 are as follows:

	2023/24		
	Central Expenditure £'000	**ISB £'000**	**Total £'000**
Final DSG for 2023/24 before academy and high needs recoupment	-	-	501,957
Academy and high needs figure recouped for 2023/24	-	-	(253,304)
Total DSG after academy and high needs recoupment for 2023/24	-	-	**248,653**
Plus: Brought forward from 2022/23			608
Less: Carry-forward to 2024/25 agreed in advance			0
Agreed initial budgeted distribution in 2023/24	105,221	144,040	**249,261**
In-year adjustments	(42)	- -	**42**
Final budget distribution for 2023/24	**105,179**	**144,040**	**249,219**
Less: Actual central expenditure	(99,981)		(99,981)
Less: Actual ISB deployed to schools		(143,986)	(143,986)
In year Carry-forward to 2024/25 agreed in advance	-	-	5,252
Plus: Carry-forward to 2024/25 agreed in advance			-
DSG unusable reserve at the end of 2022/23			(17,978)
Addition to DSG unusable reserve at the end of 2023/24			-
Total of DSG unusable reserve at the end of 2023/24			(17,978)
Net DSG position at the end of 2023/24			**(12,726)**

	2022/23		
	Central Expenditure £'000	**ISB £'000**	**Total £'000**
Final DSG for 2022/23 before academy and high needs recoupment	-	-	479,025
Academy and high needs figure recouped for 2022/23	-	-	(242,322)
Total DSG after academy and high needs recoupment for 2022/23	-	-	**236,703**
Plus: Brought forward from 2021/22			0
Less: Carry-forward to 2023/24 agreed in advance			0
Agreed initial budgeted distribution in 2022/23	62,339	175,046	**236,703**
In-year adjustments	558	-	**558**
Final budget distribution for 2022/23	**62,897**	**175,046**	**237,261**
Less: Actual central expenditure	(62,286)		(62,286)
Less: Actual ISB deployed to schools	-	(175,046)	(175,046)
In-Year Carry-forward to 2023/24	611		611
DSG unusable reserve at the end of 2021/22			(17,978)
Addition to DSG unusable reserve at the end of 2022/23			611
Net DSG position at the end of 2022/23			**(17,367)**

36. Other Long Term Liabilities

The group other long term liabilities is not materially different to the authority's other long term liabilities. The authority's 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.

	2022/23 £'000	**2023/24 £'000**
Finance Leases (Note 41)	(175,084)	(172,931)
PFI Liability (Note 42)	(78,666)	(71,905)
Pensions Liability (Note 45)	(168,125)	(11,835)
Section 106	(37,352)	(36,870)
Deferred Income	0	0
CIL	0	0
Total	**(459,227)**	**(293,541)**

37. Related Party Transactions

The Council is required to disclose material transactions, set at a total of above £25k for this purpose, 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 Fund is administered by LBN. During the reporting period, the Council incurred costs of £1.3m (2021/22: £1.16m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses (see Note 10). As at 31 March 2023 the Council owed the Fund £9.3m (2021/22 £5.1m).

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2023/24 is shown in Note 32. 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.

Organisation	Payments made during 2023/24	Amounts owed at 31/03/24	Income received during 2023/24	Income due at 31/03/24	
	£'000	£'000	£'000	£'000	Member
Ambition Aspire Achieve	420	0	1	0	Sarah Jane Ruiz
Catch22 Charity Ltd	69	48	0	1	Elizabeth Booker
East London waste authority	1339	0	1116	0	Miraj Patel
Edith Kerrison Nursery School	1670	0	2	0	Canon Ann Easter
Fight For Peace Academy	34	0	9	3	Terence Paul
Lee Valley regional park authority	218	-	-	-	Miraj Patel
Newham Music Trust	14	-	-	-	Mariam Dawood
Rights & Equalities In Newham (Rein)	322	0	-	-	Joy Laguda MBE
Tapscott Learning Trust	3,632	20	177	0	Joy Laguda MBE
Theatre Royal Stratford East	347	-	-	-	Joshua Garfield
					Officers
Enabled Living Healthcare	3,983	11	115	48	Christina Pace

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.

38. 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

Populo Living 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 47,249,614 Ordinary shares of £1 each as at 31 March 2024 (47,249,614 £1 Ordinary shares as at 31 March 2023).

The following entities were consolidated as part of Populo Living - Populo Design and Build Limited and Populo Homes.

Following directors held office between 1 April 2023 and 31 March 2024:
Suzanne Forster, Michael Holland, Stephen Quartermain, Ruchira Neotia
Tim Seddon, Deborah Heenan, James Blake and Antony Travers, Hardeep Bhermi

A copy of the company's financial statements can be obtained by writing to:
Populo Living Ltd, 373 High Street, Stratford, London, E15 4QZ | email: info@populoliving.co.uk | www.populoliving.co.uk

Better Together 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.

Following directors held office between 1 April 2023 and 31 March 2024:
Sarah Havard, James Smith, Gisela Iveson (resigned Jan 24), Rafiuddin Patel, Donna Kelly, Humayrah Ramgoolam and Hannah Reid (appointed Jan 24).

A copy of the company's financial statements can be obtained by writing to:
Stratford Advice Arcade 107-109 The Grove, Stratford, London, E15 1HP | email: sarah@bettertogether.org.uk | www.cqc.org.uk

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.
Following directors held office between 1 April 2023 and 31 March 2024:
Aprile Harman, Samuel Lingard, Jaimin Patel, Zoe Power, Joven Carino and Rahman Shafiqur.

A copy of the company's financial statements can be obtained by writing to:
Chief Executive, 1000 Dockside Road, Beckton, London, E16 2QU | email: languageshop@newham.gov.uk | www.languageshop.org

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.

Following directors held office between 1 April 2023 and 31 March 2024:
Robert Arthur, Giles Clarke (appointed May 23) and Charlotte Taylor (appointed May 23)

A copy of the company's financial statements can be obtained by writing to:
Chief Executive, 1000 Dockside Road, Beckton, London E16 2QU | Email: Bobby.Arthur@newham.gov.uk

38. Council's Association with External Bodies (contd.1)

London Network for Pest Solutions Limited - A wholly owned subsidiary which provides pest control services. This company was incorporated in October 2016.

Following directors held office between 1 April 2023 and 31 March 2024:
Joanne Beasley, Paul Cooper and Pradeep Lawrence

A copy of the company's financial statements can be obtained by writing to:
86-90 Paul Street, London EC2A 4NE | Email: info@lnpestsolutions.com | www.lnpestsolutions.com

Early Start Education Limited - Incorporated in August 2016, this company provides residents with high quality early years education including free child care to those who are entitled.

Following directors held office between 1 April 2023 and 31 March 2024:
Sharon Cox and Justin Elder.

A copy of the company's financial statements can be obtained by writing to:
2-24 Shrewsbury Road, London E7 8AL | Email: Justin.elder@earlystartgroup.com

Juniper Pursuits Limited - Juniper Pursuits Limited is a wholly owned subsidiary of Juniper Ventures Limited.

Following directors held office between 1 April 2023 and 31 March 2024:
David Gibbs, Steve Giles, Michael Hales, Philippa Terry, Jacinta Gasson-Mulcahy and Charles Foster

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

29 The Old Town Hall, 29 Broadway, Stratford, London E15 4BQ | Email: michael.hales@juniperventures.co.uk

Juniper Ventures Limited - Incorporated in April 2017.The company was established to provide professional services to the council.

Following directors held office between 1 April 2021 and 31 March 2022:
David Gibbs, Steve Giles, Michael Hales, Philippa Terry, Jacinta Gasson-Mulcahy and Charles Foster

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

29 The Old Town Hall, 29 Broadway, Stratford, London E15 4BQ | Email: michael.hales@juniperventures.co.uk | www.juniperventures.co.uk

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

Enabled Living Healthcare Limited

Following directors held office between 1 April 2023 and 31 March 2024:
Mathew Sheehan, Martin Blow, Kirsten Smilge and Dorothy Coleman

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

7 Alpine Way, Beckton, London, E6 6LA | Email: info@enabledlivinghealthcare.co.uk | www.enabledlivinghealthcare.co.uk

Joint Venture

Health and Care Space Newham Limited is jointly controlled by London Borough of Newham and East London NHS trust.

Following directors held office between 1 April 2023 and 31 March 2024:
Giles Clarke, Kevin Curnow (appointed September 23), Philippa Graves (appointed March 24), Claire Greszczuk (appointed January 24), Andrew Ireland (resigned January 24)

and Mohit Venkataram (resigned March 24).
A copy of the company's financial statements can be obtained by writing to:
Health and Care Space Newham Ltd, 1000 Dockside Road, Newham Dockside, London E16 2QU | Email: Ian.Gallagher@activenewham.org.uk

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 4 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 37.

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.

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.

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.

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.

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

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 arrangement which is supported by members through a joint committee. 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.
During 2022/23, each borough's Cabinets agreed that HR, Pensions & Treasury, Procurement and Asset Management were to return to their soverign boroughs over the course of 23/24 with ICT due to return by the end of 2025.

The oneSource net controllable expenditure for 2022/23 and 2023/24 is disclosed below indicating the share falling to each of the authorities. The LBN share is charged against the Consolidated Income and Expenditure Statement.

Net Expenditure	2022/23 £'000	2023/24 £'000
Exchequer and Transactional Services	5,664	5,065
Finance	2,188	393
Procurement	1,728	0
Business Services	661	0
Legal and Governance	3,352	3,717
ICT	10,532	13,631
Asset Management	1,842	0
Strategic and Operational HR	3,643	0
Total Net Expenditure	**29,610**	**22,806**
Cost Sharing:		
London Borough of Newham	15,683	11,580,992
London Borough of Havering	13,927	11,225,482
Total	**29,610**	**22,806,474**

As at 31st March 2024, the Authority was owed £1.765m by the London Borough of Havering for 2023/24.

In addition, for the 2021/2022 financial year, the Authority was owed £0.398m from the London Borough of Havering, making the total net amount payable to LB of Havering of £2.115m and £0.274m to LB of Bexley.

The Newham Joint Committee Council Members are Mayor Rokhsana Fiaz, Councillor Charlene McLean, and Councillor Zulfiqar Ali and the Havering Joint Committee Council Members are Councillor Ray Morgon, Councillor Paul Middleton and Councillor Christopher Wilkins.

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 Havering	April 2021 - December 2021
Director of Asset Management	London Borough of Havering	April 2021 - March 2022
Director of Exchequer and Transactional	London Borough of Havering	April 2021 - March 2022
Director of Legal and Governance	London Borough of Newham	April 2021 - March 2022
Director of Human Resources	London Borough of Havering	April 2021 - March 2022
Director of Business Development	London Borough of Newham	April 2021 - March 2022
Director of Finance	London Borough of Havering	April 2021 - March 2022
Director of ICT / Chief Information Officer	London Borough of Newham – Agency	April 2021 - March 2022
Director of Procurement	London Borough of Newham	April 2021 - March 2022

39. 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 2023 £'000		31 March 2024 £'000
1,260,357	**Opening CFR**	**1,425,097**
	Capital investment	
309,640	Property, Plant and Equipment	323,654
-	Investment Properties	2,181
-	Intangible Assets	302
4,261	Revenue Expenditure Funded from Capital under Statute	14,452
92,754	Loans (and Investment) to Organisations	17,475
406,655		**358,064**
	Sources of finance	
(1,827)	Capital receipts	(12,280)
(104,342)	Government grants and other contributions	(81,369)
(26,003)	Major Repairs Reserve	(24,815)
(56,199)	Capital receipts reserve	0
(27,478)	Revenue and revenue reserve	(7,674)
(26,066)	MRP/loans fund principal including PFI / finance lease	(26,681)
(241,915)		**(152,819)**
1,425,097	**Closing CFR**	**1,630,342**

40. 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	**2022/23 £'000**	**2023/24 £'000**
Finance Lease Receivable		
Current	457	471
Non - Current	54,220	54,250
Interest	69,488	69,127
Total	**124,165**	**123,848**

Gross Investment in Lease	**2022/23 £'000**	**2023/24 £'000**
Not later than one year	0	2,346
Later than one year and not later than five years	7,038	7,434
Later than five years	116,414	114,069
Total	**123,452**	**123,849**

Minimum Lease Payments	**2022/23 £'000**	**2023/24 £'000**
Not later than one year	0	471
Later than one year and not later than five years	1,459	1,540
Later than five years	53,227	52,710
Total	**54,686**	**54,721**

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 2022/23 £1.009m (£0.497m in 2021/22) 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:

	2022/23 £'000	**2023/24 £'000**
Within 1 year	14,239	20,405
Within 2 – 5 years	52,585	70,412
Over 5 years	398,989	220,450
Minimum Lease payments	**465,813**	**311,267**

40. Leases (contd.1)

Authority as a Lessee

Finance Leases

The Assets acquired under these leases are carried as Investment Property in the Balance Sheet at the following net amounts:

	2022/23 £'000	2023/24 £'000
Other Land and Buildings		
Stratford Workshop*	0	0
Industrial Site	852	852
Greenshields Industrial Estate	5,517	5,517
Novotel & IBIS (Accor)	112,053	112,053
Premiere Inn	29,339	29,339
Total	**147,761**	**147,761**

*Disposal

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

	2022/23 £'000	2023/24 £'000
Finance Lease liabilities (net present MLP)		
Current	2,110	2,157
Non - Current (Note 36)	175,301	173,144
Finance Costs Payable in future years	111,825	107,870
	289,236	**283,171**

The increase in lease payments is due to the Council entering into a 50 year lease agreement with Premiere Inn.

Minimum Lease payments

	2022/23 £'000	2023/24 £'000
Within 1 year	6,064	6,064
Within 2 – 5 years	24,256	24,256
Over 5 years	258,915	252,851
Minimum Lease payments	**289,235**	**283,171**

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 2022/23 £673k (£776k in 2021/22) contingent rents were payable.

Operating Leases

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

	2022/23 £'000	2023/24 £'000
Within 1 year	22,903	23,140
Within 2 – 5 years	1,703	90,008
Over 5 years	41	44,102
Minimum Lease payments	**24,647**	**157,250**

41. Private Finance Initiatives And Similar Contracts

As at 31st March 2024, 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 initially recognised these assets on the Balance Sheet. Kaizen has since become an academy and so is no longer included on the authority's 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 15 years left to run. At the end of the contract, control of the assets revert back to the Authority. The Authority initially recognised these assets on the Balance Sheet however removed them when Cumberland became an academy.

(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:

2022/23 Council Dwellings	2022/23 Other Land and Buildings	2022/23 Total		2023/24 Council Dwellings	2023/24 Other Land and Buildings	2023/24 Total
£'000	£'000	£'000		£'000	£'000	£'000
88,079	54,943	**143,022**	Net book value at 1 April	92,369	70,277	**162,646**
0	0	**0**	Adjustment to opening balance		(7,520)	**(7,520)**
5,465	7,487	**12,952**	Additions		0	**0**
(1,833)	(1,165)	**(2,998)**	Depreciation and impairment		(1,361)	**(1,361)**
1,593	9,012	**10,605**	Revaluation		931	**931**
(935)	0	**(935)**	Disposals		0	**0**
92,369	**70,277**	**162,646**	**Net book value at 31 March**	**92,369**	**62,327**	**154,696**

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

2022/23 Council Dwellings	2022/23 Other Land and Buildings	2022/23 Total		2023/24 Council Dwellings	2023/24 Other Land and Buildings	2023/24 Total
£'000	£'000	£'000		£'000	£'000	£'000
(28,936)	(64,102)	**(93,038)**	Value at 1 April	(26,261)	(59,272)	**(85,533)**
2,675	4,830	**7,505**	Repayments made in year	1,758	5,004	**6,762**
(26,261)	**(59,272)**	**(85,533)**	**Value at 31 March**	**(24,503)**	**(54,268)**	**(78,771)**

41. 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.

2023/24

	Schools			Dwellings			Total		
	Repayment of Liability	Interest	Service Charge	Repayment of Liability	Interest	Service Charge	Repayment of Liability	Interest	Service Charge
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Payment in 2023/24	4,998	4,599	4,133	3,302	2,149	6,694	8,299	6,749	10,827
Payments within 2-5 yrs	25,369	13,124	12,980	14,722	5,060	26,600	40,092	18,184	39,580
Payments within 6-10 yrs	17,497	6,870	11,500	4,849	1,116	14,205	22,346	7,986	25,705
Payments within 11-15yrs	6,301	616	2,176	1,629	93	2,922	7,930	710	5,098
Payments within 16-20 yrs	0	0	0	0	0	0	0	0	0
Total future payments (excluding any future indexation)	**54,165**	**25,209**	**30,789**	**24,502**	**8,418**	**50,421**	**78,667**	**33,629**	**81,210**

2022/23

	Schools			Dwellings			Total		
	Repayment of Liability	Interest	Service Charge	Repayment of Liability	Interest	Service Charge	Repayment of Liability	Interest	Service Charge
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Payment in 2022/23	5,004	5,048	3,799	1,758	2,325	8,085	6,762	7,373	11,884
Payments within 2-5 yrs	25,304	15,408	14,342	14,391	6,546	27,520	39,695	21,954	41,862
Payments within 6-10 yrs	18,193	8,360	12,731	7,421	1,650	17,171	25,614	10,010	29,902
Payments within 11-15yrs	10,667	1,442	3,716	22,102	15,311	97,704	32,769	16,753	101,420
Payments within 16-20 yrs	0	0	0	0	0	0	0	0	0
Total future payments (excluding any future indexation)	**59,168**	**30,258**	**34,588**	**45,672**	**25,832**	**150,480**	**104,840**	**56,090**	**185,068**

42. Termination Benefits

Termination benefits paid to staff whose employment was terminated in 2023/24 totalled £….m (£0.8m in 2022/23).

Further details can be found in Note 33 (Officers' Remuneration).

43. 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 2023/24, the Authority paid £15.9m (£15.6m in 2022/23) 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 2023/24, the Authority paid £1.4m (£1.3m in 2022/23) to the Department of Health Pension scheme in respect of pension costs.

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 latest actuarial valuation of the Fund was carried out as at 31 March 2019 and 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 potential impact of the McCloud & Sargeant judgement was taken into account in prior years, and is already included in the starting position for this report. The impact is therefore incorporated in the roll forward approach and is remeasured as at 31 March 2023.

44. Defined Benefit Pension Schemes (contd.1)

	2022/23			2023/24		
	Funded £'000	Unfunded £'000	**Total £'000**	Funded £'000	Unfunded £'000	**Total £'000**
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Service cost	52,405	(1,524)	**50,881**	26,422	(1,617)	**24,805**
Administration Expenses	1,397	-	**1,397**	1,353		**1,353**
Financing and Investment Income and Expenditure						
Net interest expense	4,151	394	**4,545**	(1,201)	584	**(617)**
Total Post Employment Benefit Charged to the Surplus on the Provision of Services	**57,953**	**(1,130)**	**56,823**	**26,574**	**(1,033)**	**25,541**
Remeasurement in Other Comprehensive Income and Expenditure						
Return on Fund assets in excess of interest	66,589	-	**66,589**	(82,014)	98	**(81,916)**
Change in financial assumptions	(873,460)	(3,111)	**(876,571)**		(237)	**(237)**
Change in demographic assumptions	-	-	**-**	(31,937)		**(31,937)**
Other actuarial (gains)/losses on assets	-		**-**	(24,525)	47	**(24,478)**
Experience (gain)/loss on defined benefit obligation	185,840	1,299	**187,139**	4,339		**4,339**
Adjustment opening Pensions Reserve/liability						
Total Remeasurements in Other Comprehensive Income and Expenditure	**(621,031)**	**(1,812)**	**(622,843)**	**(134,137)**	**(92)**	**(134,229)**

	2022/23			2023/24		
	Funded £,000s	Unfunded £,000s	**Total £,000s**	Funded £,000s	Unfunded £,000s	**Total £,000s**
Movement in Reserves Statement						
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits	(57,953)	1,130	**(56,823)**	(26,574)	1,033	**(25,541)**
Actual amount charged against General Fund and HRA Balances for pensions in the year						
Employers' contributions payable to scheme	14,314	-	**14,314**	37,195	-	**37,195**
Net adjustment between accounting basis and funding basis under regulations	**(43,639)**	**1,130**	**(42,509)**	**10,621**	**1,033**	**11,654**

Pensions Assets and Liabilities Recognised in the Balance Sheet

	2022/23			2023/24		
	Funded £,000s	Unfunded £,000s	**Total £,000s**	Funded £,000s	Unfunded £,000s	**Total £,000s**
Present value of the defined benefit obligation	1,580,492	12,960	**1,593,452**	1,580,216	11,835	**1,592,051**
Fair value of plan assets	(1,451,221)	-	**(1,451,221)**	(1,595,703)	-	**(1,595,703)**
Asset Value Ceiling				15,487		**15,487**
Net Liability in balance sheet	**129,271**	**12,960**	**142,231**	**-**	**11,835**	**11,835**

44. Defined Benefit Pension Schemes (contd.2)

	2022/23			2023/24		
	Funded £'000	Unfunded £'000	**Total £'000**	Funded £'000	Unfunded £'000	**Total £'000**
Reconciliation of the Movements in the Fair Value of Fund Assets						
Opening fair value of assets	**(1,490,234)**		**(1,490,234)**	**(1,451,221)**		**(1,451,221)**
Adjustment opening Pensions Reserve/liability	-	-	**-**			**-**
Interest on assets	(57,950)	-	**(57,950)**	(77,537)		**(77,537)**
Return on assets less interest	66,589	-	**66,589**	(82,014)		**(82,014)**
Other actuarial gains	-	-	**-**			**-**
Administration expenses	1,397	-	**1,397**	1,353		**1,353**
Contributions by employer	(14,314)	-	**(14,314)**	(37,195)		**(37,195)**
Contributions by scheme participants	(12,587)	-	**(12,587)**	(12,007)		**(12,007)**
Estimated benefits paid	55,878	-	**55,878**	62,918		**62,918**
Settlement prices paid	-	-	**-**			**-**
Closing fair value of assets	**(1,451,221)**	**-**	**(1,451,221)**	**(1,595,703)**	**-**	**(1,595,703)**
Reconciliation of the Movements in the defined benefit obligation						
Opening defined benefit obligation	**2,196,897**	**15,902**	**2,212,799**	**1,580,492**	**12,960**	**1,593,452**
Current service cost	52,085	-	**52,085**	25,034	-	**25,034**
Interest cost	62,101	394	**62,495**	76,336	584	**76,920**
Change in financial assumptions	(873,460)	(3,111)	**(876,571)**	(31,937)	98	**(31,839)**
Change in demographic assumptions	-	-	**-**	(24,525)	(237)	**(24,762)**
Experience loss/(gain)	185,840	1,299	**187,139**	4,339	47	**4,386**
Liabilities settled	-	(1,524)	**(1,524)**		(1,617)	**(1,617)**
Estimated benefits paid	(55,878)	-	**(55,878)**	(62,918)		**(62,918)**
Past service costs & curtailments	320	-	**320**	1,388		**1,388**
Contributions by scheme participants	12,587	-	**12,587**	12,007		**12,007**
Closing defined benefit obligation	**1,580,492**	**12,960**	**1,593,452**	**1,580,216**	**11,835**	**1,592,051**

44. Defined Benefit Pension Schemes (contd.3)

Assets

The return on the Fund (on a bid value basis) for the year to 31 March 2023 is estimated to be -0.91%.

The estimated asset allocation is as follows:

Employer asset share - bid value	31 March 2023		31 March 2024	
	£'000	%	£'000	%
Equities	868,278	60%	1,090,645	60%
Gilts	8,948	1%	333	1%
Other Bonds	92,104	6%	132,322	6%
Property	222,504	15%	218,646	15%
Cash	72,637	5%	71,246	5%
Other	186,750	13%	82,511	13%
Total	**1,451,221**	**100%**	**1,595,703**	**100%**

The following table provides a more detailed analysis of the Employer's assets as at 31 March 2024:

	Quoted/Unquoted	31 March 2024
Corporate Bonds		
UK	Quoted	2%
Overseas	Quoted	0%
Equities		
UK	Quoted	55%
Overseas	Quoted	10%
Property		
All	Unquoted	14%
Fixed Interest Government Securities		
UK	Quoted	0%
Overseas	Quoted	0%
Others		
Absolute return portfolio	Unquoted	5%
Hedge Fund	Unquoted	0%
Private Equity	Unquoted	4%
Private Debt	Unquoted	6%
Cash/Temporary Investments	Quoted	1%
Cash/Temporary Investments	Unquoted	3%
Debtors	Quoted	0%
Debtors	Unquoted	0%
Creditors	Quoted	0%
Creditors	Unquoted	0%
		100%
Total		**100%**

44. 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 2022.

The significant assumptions used by the actuary are:

	2022/23		2023/24	
	Funded	Unfunded	Funded	Unfunded
Life expectancy from age 65 years				
Retiring today				
Males	19.6	21.0	19.3	19.3
Females	23.0	23.8	22.7	22.7
Retiring in 20 years				
Males	21.0	n/a	20.6	n/a
Females	24.5	n/a	24.2	n/a
Financial Assumptions				
RPI increases (%p.a.)	3.55%	3.55%	3.25%	3.55%
CPI increases (%p.a.)	3.0%	3.2%	n/a	n/a
Salary increases (%p.a.)	4.0%	n/a	3.9%	n/a
Pension increases (%p.a.)	3.2%	3.6%	2.9%	3.0%
Discount rate (%p.a.)	4.8%	2.6%	4.9%	4.8%

44. 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	1,556,720	1,580,216	1,604,300
Projected service cost	28,221	29,245	30,305
Adjustment to long term salary increase	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligations	1,581,483	1,580,216	1,578,958
Projected service cost	29,265	29,245	29,225
Adjustment to pension increases and deferred revaluation	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligations	1,603,483	1,580,216	1,557,505
Projected service cost	30,319	29,245	28,069
Adjustment to life expectancy assumption	**+ 1 Year**	**None**	**- 1 Year**
Present value of total obligations	1,645,984	1,580,216	1,517,333
Projected service cost	30,455	29,245	28,069

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 latest actuarial valuation was carried out at March 2019 and the contributions payable by the participating employers were reviewed as part of that valuation.

45. 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
London Network for Pest Solutions

46. 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 27 February 2023 and the mid-year treasury Strategy was approved by Council on 11 November 2023 and is available on the Council website. The key limits within the Strategy were:
• The Authorised Limit for 2023/24 was set at £2,700m (*£2,430m 2022/23). This is the maximum limit of external borrowing or other long term liabilities
• The Operational Boundary 2023/24 was £2,255m (*£2,300m 2022/23). This is the expected level of debt and other long term liabilities

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.

46. 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.

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 2024 that this was likely to crystallise. The figures quoted below all represent principal balances only.

31 March 2023		Credit Rating	31 March 2024	
Long term £000s	Short term £000s		Long term £000s	Short term £000s
0	0	AAA		
0	0	AA-		
0	0	A+		
0	0	A		
0	(10,000)	A-		
0	0	BBB (UK government part owned)		
(5,000)	(97,900)	Local authorities		(53,400)
0	0	Unrated -other		
(5,000)	**(107,900)**	Total Investments	**0**	**(53,400)**

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 simplified 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 Housing, Adult Social Care and Other. For each category of debt there has been an assessment of recoverability based on past collection rates therefore using the probably matrix to determine the loss allowance.

46. 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 2023	31 March 2024
	Carrying Amount £'000	**Carrying Amount £'000**
Public Works Loans Board	385,940	565,709
Market debt	553,337	583,230
Total	**939,277**	**1,148,939**

Maturity analysis of financial liabilities

	31 March 2023	31 March 2024
	£'000	**£'000**
Less than 1 year	194,551	240,728
Between 1 and 2 years	12,427	61,055
Between 2 and 5 years	108,760	182,293
Between 5 and 10 years	42,110	42,110
More than 10 years	581,429	622,751
Total	**939,277**	**1,148,939**

The Authority has a number of market Lender Option, Borrowers' Option (LOBO) loans within it's borrowing portfolio. As at the 31st March 2024 15% of the total portfolio was made up of LOBO debt.

Newham has 8 LOBO loans - they are by type and nominal value

	31 March 2024
	£000
Vanilla LOBO (6)	65,000
Stepped LOBO (3)	20,000
Zero to Par LOBO (2)	40,000
Total	**125,000**

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.

46. Nature and Extent of Risks Arising from Financial Instruments (contd.3)

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.

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

	2022/23 £'000	2023/24 £'000
Decrease in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	(1,888)	(908)
Impact on Comprehensive Income and Expenditure Statement	**(1,888)**	**(908)**

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.

2022/23 £'000		2023/24 £'000
	Income:	
(89,175)	Rent from Dwellings (gross)	(96,344)
(674)	Rent from Other Properties (gross)	(4,413)
(7,302)	Tenant contributions to Services and Facilities	(8,005)
(8,138)	Leaseholder contributions to Services and Facilities	(9,838)
(7,315)	Government subsidy towards the financing of PFI Schemes	(7,392)
(1,268)	Contribution Towards Expenditure	(1,546)
(113,872)	**Total income**	**(127,536)**
	Expenditure:	
18,777	Repairs and Maintenance	18,382
58,425	Supervision and Management	58,263
4,458	Rent, rates, taxes and other charges	9,957
18,265	Depreciation and amortisation of non-current assets	20,594
30,320	Revaluation of non-current assets	50,270
-	Revenue expenditure funded from capital under statute	1
208	Debt Management Costs	400
2,784	Movement in Impairment Allowance	2,883
133,237	**Total expenditure**	**160,749**
19,365	**Net income of HRA services as included in whole Authority Comprehensive Income and Expenditure Statement**	**33,213**
522	HRA services share of Corporate and Democratic Core	583
19,887	**Net income of HRA services**	**33,796**
	HRA share of the operating income and expenditure included in the whole Authority Comprehensive Income and Expenditure Statement:	
(17,285)	Gain on sale of HRA non-current assets	(7,908)
10,774	Interest payable and similar charges	13,829
(1,734)	Movement on the fair value and income - Investment Properties	(1,322)
(5,118)	HRA Interest and investment income	(5,507)
(52,712)	HRA share of capital grants and contributions receivable	
(66,075)	**Total**	**(907)**
(46,188)	**(Surplus) for year on HRA services**	**32,889**

Statement of Movement on the Housing Revenue Account

2022/23 £'000		2023/24 £'000
(37,754)	**Balance on the HRA as at the end of the previous reporting period**	**(10,388)**
(46,188)	(Surplus) on the HRA Income and Expenditure Statement	32,889
66,238	Adjustments between accounting basis and funding basis under regulations	(34,890)
20,050	**Net increase before transfers to or from reserves**	**(2,001)**
7,316	Transfer to/(from) Earmarked Reserves	9,319
(10,388)	**Balance on the HRA as at the end of the current reporting period**	**(3,070)**
(22,519)	HRA Earmarked Reserves	(24,524)
(32,907)	**Total HRA Reserves**	**(27,593)**

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

2021/22 £'000		2022/23 £'000
1,169	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	1,169
17,285	Gain on sale of HRA non-current assets	7,908
(3,664)	HRA share of contributions to or from the Pensions Reserve	1,180
5,860	Transfers from capital adjustment account	(68,367)
18,265	Transfer from the Major Repairs Reserve	19,419
-	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	-
27,323	Capital Expenditure charged against HRA Revenue	3,801
66,238	**Net additional amount required by statute to be debited or credited to the HRA balance for the year**	**(34,890)**

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.

48. Numbers and Types of Dwellings in the Housing Stock

2022/23 Number	Type of dwelling	2023/24 Number
3,280	Low rise flats	3,375
5,023	Medium rise flats	5,206
3,266	High rise flats	3,261
4,701	Houses	4,658
16,270	**Total**	**16,500**

49. Balance Sheet Valuation of HRA Assets

31 March 2023 £'000		31 March 2024 £'000
	Operational assets	
1,306,626	Dwellings	1,367,943
139,674	Other land and building	86,355
	Non-Operational assets	
19,343	Surplus assets not held for sale	19,874
	Assets held for Sale	
31,048	Investment properties	31048
109,501	Assets Under Construction	210,602
37	Intangible assets	37
1,606,229		**1,715,859**

50. Vacant Possession

As at 31st March 2024, the vacant possession value of dwellings within the HRA was £5.350 billion (£5.178 billion as at 31st March 2023). 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.

51. 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.

2022/23 £'000		2023/24 £'000
(7,738)	**Balance at 1 April**	**-**
(16,795)	Depreciation: Stock	(17,768)
(1,471)	Non-stock	(1,651)
-	Additional Contribution to MRR	-
26,004	Major Repairs Reserve applied	24,815
-	**Balance at 31 March**	**5,396**

52. Capital Expenditure and Financing

2022/23 £'000		2023/24 £'000
	Expenditure	
171,327	Council Dwellings, Land and other Property	185,239
	Financing	
(26,004)	Major Repairs Reserve	(24,815)
(57,999)	RTB Receipts	(3,064)
(27,322)	HRA Reserves	(7,315)
	Capital Grants and Contributions	(43,046)
(60,002)	Borrowing	(107,000)
(171,327)		**(185,240)**

53. Capital Receipts

2022/23 £'000		2023/24 £'000
23,337	Sales of Council Dwellings	16,505
	Repayment of RTB receipts	-14,991
29	Sales of Land and Other Property	-
23,366		**1,514**

54. Depreciation and Amortisation

2022/23 £'000		2023/24 £'000
16,795	Dwellings	17,681
1,366	Other land and buildings	1,651
105	Surplus assets not held for sale	83
18,266	**Total**	**19,415**

The total depreciation charge for Council assets during 2023/24 was £19.419m. This is £1.153m higher than 2022/23.

55. 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 2023/24, there was no impairment losses recognised in the accounts (none in 2022/23).

56. 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 2023/24, HRA revenue expenditure funded from capital under statute totalled £0.0m (£0.0m in 2022/23).

57. Rent Arrears

The total gross rent arrears at 31 March 2024 was £18.309m, an increase of £1.804m (11%) from the balance of £16.505m at 31 March 2023. The Authority has made provision for possible uncollectable debts of £15.766m (£14.316m at 31 March 2023). 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 2023/24

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.

2022/23					2023/24			
Council Tax	Business Rates	Business Rates Supp.	Total		Council Tax	Business Rates	Business Rates Supp.	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				Income				
(133,485)			**(133,485)**	Income from Council Tax	(146,373)			**(146,373)**
	(146,867)		**(146,867)**	Income from Business Rates		(147,047)		**(147,047)**
	953		**953**	Transitional Relief - Business Rates		(17,470)		**(17,470)**
		(4,708)	**(4,708)**	Business Rate Supplements			(5,675)	**(5,675)**
				Contributions towards previous years' Collection Fund deficit:				
	(13,632)		**(13,632)**	Central Government				**0**
(4,992)	(12,393)		**(17,385)**	London Borough of Newham				**0**
(1,615)	(15,284)		**(16,899)**	Greater London Authority				**0**
(140,092)	**(187,223)**	**(4,708)**	**(332,023)**	**TOTAL INCOME**	**(146,373)**	**(164,517)**	**(5,675)**	**(316,565)**
				Expenditure				
				Precepts				
	43,040		**43,040**	Central Government		55,701		**55,701**
93,062	39,128		**132,190**	London Borough of Newham	102,378	50,638		**153,016**
32,388	48,257		**80,645**	Greater London Authority	37,244	62,453		**99,697**
				Business Rate Supplement				
		4,699	**4,699**	Payment to Greater London Authority			5,665	**5,665**
		9	**9**	Cost of collection			10	**10**
				Charges to Collection Fund				
			0	Write-offs of uncollectable amounts				**0**
(1,949)	3,295		**1,346**	Increase/(decrease) in bad debt provision	6,555	1,376		**7,931**
	(12,480)		**(12,480)**	Increase in provision for appeals		(7,794)		**(7,794)**
	388		**388**	Cost of collection		400		**400**
				Other transfers				
	1,006		**1,006**	Enterprise Zone		2,983		**2,983**
				Apportionment of previous year's estimated surplus				
			-	Central Government		1,881		**1,881**
			-	London Borough of Newham	1,524	1,711		**3,235**
			-	Greater London Authority	530	2,109		**2,639**
123,501	**122,634**	**4,708**	**250,843**	**TOTAL EXPENDITURE**	**148,231**	**171,458**	**5,675**	**325,364**
(16,591)	**(64,589)**	**0**	**(81,180)**	**(Surplus)/Deficit arising during the year**	**1,858**	**6,941**	**0**	**8,799**
9,571	47,794	0	**57,365**	(Surplus)/Deficit b/f at 1 April	(7,020)	(16,795)		**(23,815)**
(7,020)	**(16,795)**	**0**	**(23,815)**	**(Surplus)/Deficit c/f at 31 March**	**(5,162)**	**(9,854)**	**0**	**(15,016)**

Notes to the Collection Fund

58. 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 (A to H) depending upon the valuation of the property (estimated market value at 1 April 1991). 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, 95.80% for 2022/23.

2022/23			Council Tax band			2023/24		
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
3,596	2,395	1,021.51	A	6/9	up to 40,000	3,848	2,563	1,085.02
22,461	17,470	1,191.76	B	7/9	40,001 - 52,000	23,190	18,037	1,265.85
41,126	36,556	1,362.01	C	8/9	52,001- 68,000	42,502	37,779	1,446.69
20,194	20,194	**1,532.26**	**D**	1	68,001 - 88,000	21,725	21,725	**1,627.53**
5,059	6,183	1,872.76	E	11/9	88,001 - 120,000	5,502	6,725	1,989.21
1,539	2,222	2,213.27	F	13/9	120,001 - 160,000	1,575	2,274	2,350.87
219	363	2,553.77	G	15/9	160,001 - 320,000	218	364	2,712.55
39	79	3,064.52	H	2	320,001 and over	41	82	3,255.06
94,233	**85,462**					**98,601**	**89,548**	
	(3,589)				Less Allowance for Non-Collection		**(3,761)**	
	81,873				**Council Tax base**		**85,787**	

59. 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 49.9p (49.9p in 2022/23); and
(ii) the standard multiplier was 51.2p (51.2p in 2022/23).
The total amount, less reliefs and other reductions, is shared between the Department of Communities and Local Government, who receive 33% (2022/23 33%), and the London Borough of Newham and Greater London Authority, who retain 30% (2022/23 30%) and 37% (2022/23 37%) respectively.

The total business rateable value for Newham at 31 March 2024 was £467,875,243 (2022/23 £473,145,421).

60. Going Concern

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on the going concern basis.

In carrying out its assessment that this basis is appropriate, made for the going concern period to 31st March 2026, management of the Council have undertaken forecasting of both income and expenditure, the expected impact on reserves, and cashflow forecasting.

The key assumptions within this forecast included; the achievement of the £22m savings set out in the February 2024 budget setting report by 31/03/2025; that £16m of capital receipts can be utilised flexibly to meet revenue pressures during the year; that temporary accommodation pressures do not outstrip the budget estimates set, and that government grant and other funding sources will remain within the assumptions laid out within the medium term financial strategy. Furthermore, it is assumed that the Council will be able to continue to set a balanced budget for 2025/26 through a combination of new savings and transformation measures, asset sales and reserves. We have considered a downside scenario where around 15% of the agreed savings are either delayed or not delivered and the above projections would not be significantly affected with both minimum levels of reserves and liquidity remaining through the same period, albeit at a reduced level.

The Council has also made substantial investment in affordable housing and investment property through its subsidiary companies, Populo Limited and Future New Homes Limited, and is satisfied that both remain financially viable during the going concern period.

Our most recent year-end balances, as reported in these statements are as follows:

Date	General Fund	Earmarked reserves
31/03/24	£11m	£192m

Our expected General Fund Reserve has a predicted balance of £17m at 31/03/2026 which reflects the approved budget approach to build back this reserve over the medium term back up to appropriate levels as described in the February 2026 budget setting report. Furthermore, approximately £10m to £14m of the earmarked reserves could be re-directed to manage any unforeseen risk with minimal disruption to services should the need arise.

Our cash flow forecasting and assessment of the adequacy of our liquidity position demonstrates positive cash balances throughout the going concern period, and no expectation of external borrowing other than to support the capital programme which is consistent with our plans and normal practice.

On this basis, the Council have a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period maintaining the provision of its services. For this reason, alongside the statutory guidance, we continue to adopt the going concern basis in preparing these financial statements.

2023/24 Pension Fund Accounts

2022/23 £'000		Notes	2023/24 £'000
	Dealings with members, employers and others directly involved in the fund:		
46,967	Contributions	7	70,866
7,011	Transfers in from other pension funds		8,370
53,978			**79,236**
(63,431)	Benefits	8	(69,921)
(8,789)	Payments to and on account of leavers	9	(9,091)
(72,220)			**(79,012)**
(18,242)	**Net withdrawals from dealing with members**		**224**
(8,516)	Management expenses	10	(5,936)
(26,758)	**Net additions/deductions including fund management expenses**		**(5,712)**
	Returns on investments		
22,347	Investment income	11	29,205
(29)	Taxes on income		(54)
(5,518)	Profit and losses on disposal of investments and changes in the Market value of investments	12a	152,816
16,800	**Net return on investments**		**181,967**
(9,958)	**Net increase/decrease in the assets available for benefits during the year**		**176,255**
1,709,945	**Opening net assets of the Fund**		**1,699,987**
1,699,987	**Closing net assets of the Fund**		**1,876,242**

Net Asset Statement

2022/23 £'000		Notes	2023/24 £'000
1,616,989	Investment assets		1,811,697
(970)	Investment liabilities		(31,812)
61,317	Cash deposits		89,903
1,677,335	**Total invested assets**	12	**1,869,788**
22,757	Current assets	19	7,763
(105)	Current liabilities		(1,309)
22,652	**Net current assets**		**6,454**
1,699,987	**Net assets of the Fund available to fund benefits at 31 March**		**1,876,242**

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 (LBN). 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 2023/24.

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 LBN to provide pensions and other benefits for pensionable employees of LBN 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 Committee, of LBN supported by the Local Pension Board ('the Board') and day to day operations have been delegated to the Statutory Section 151 officer.

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.

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.

31 March 2023	Membership	31 March 2024
54	Number of employers with active members	49
	Number of employees in scheme	
5,811	London Borough of Newham	6,163
3,949	Other employers	4,511
9,760	**Total**	**10,674**
	Number of pensioners	
7,635	London Borough of Newham	7,748
679	Other employers	786
8,314	**Total**	**8,534**
	Number of deferred members	
10,223	London Borough of Newham	10,211
2,418	Other employers	2,716
12,641	**Total**	**12,927**
30,715		**32,135**

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 2024. 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 2022, employer contribution rates range from 10% to 26.2% of pensionable pay, the average employer primary rate is 18.4%.
https://www.newham.gov.uk/downloads/file/5992/newh-2022-valuation-report-v1

A secondary contribution rate (previously known as deficit amount or past service adjustment) may also be charged. This rate is either paid as a monetary value or as an additional percentage of pensionable pay.

d) Benefits

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

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

From 1 April 2014, the scheme became a career average 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 2023/24 financial year and its year-end position as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the code") which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector, and Guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG).

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 2023/24 by the 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 (see Note 18).

Going Concern Statement

Management's assessment of the entity's ability to continue as a going concern:

The LGPS is a statutory defined benefit scheme and is effectively guaranteed by Government. It operates on a funded basis, which means that contributions from employees and employers are paid into a fund which is then invested, from which pension benefits are paid as they fall due.

The Fund reduces investment risk by diversifying its investments across a number of different types of global assets; these include shares; equities; property; government bonds and company bonds; infrastructure; and private debt. This diversification means that not all assets are affected by economic events.

The Committee reviewed its Environmental, Social and Governance Policy (ESG) in March 2023, strengthening the Funds commitment to invest responsibly and manage climate risk. The Committee has taken the view that well run companies perform better over the long term.

From time to time the Fund experiences economic downturns and a long-term view must be taken of investment returns. For this reason the actuary carries out a smoothing exercise when assessing the valuation of the Fund's assets.

The concept of a going concern assumes that the Fund functions and services will continue in operational existence for the foreseeable future. LGPS Regulations remain in force with no expectation of any plans to wind up the Fund or the LGPS. The Fund continues to operate as usual.

In carrying out its assessment that this basis is appropriate, made for the going concern period to 31 March 2025.

What is the process management followed to make its assessment?

The one year investment returns for 2023/24 was 11.04% and the three year period was 6.90%. Asset values have increased by £176m over the year to 31 March 2024, however from time to time the Fund experiences economic downturns and a long-term view must be taken of investment returns. There is sufficient flexibility in the investment strategy to be able to respond to short term market fluctuations. The Fund is comparatively low risk with smaller proportion of its assets held in volatile equities.

The Fund held cash of £90m at the Balance Sheet date, equivalent to 4.7% of the Fund Assets. In addition, the Fund held £1.46b in Level 1 and Level 2 investment assets which could be realised within 3 months if required. Based upon review of its operational cash flow projections the Fund is satisfied it has sufficient cash to meet its obligations to pay pensions, for at least 12 months from the date of authorisation of these accounts, without the need to sell any of these investments.

In line with statutory requirements the Fund undertakes a valuation every three years to determine the ratio of the Funds' assets to its liabilities. This funding position is a summary statistic often quoted to give an indication of the health of the Fund. The Fund's triennial valuation at 31 March 2022 reported that the Fund had sufficient assets to cover 100% of the accrued liabilities as it is fully funded.

The purpose of the valuation is to review the current funding strategy and ensure the Fund has a contribution plan and investment strategy in place that will enable it to pay members' benefits as they fall due.

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. Any deficits are financed through increased contributions agreed with the actuary and are financed by Council, admitted and scheduled bodies contributions.

The Fund’s Investment Strategy Statement (ISS) sets out its strategic asset allocation in order to deliver the investment returns which the Fund requires to achieve full funding over the longer term. The ISS is continually developed and updated at each quarterly Committee. The Commitee last reviewed the investment strategy in March 2024.

The employer covenant is reviewed periodically with the Fund’s actuary. The aim is to provide early warning of any employer at risk of defaulting on their liabilities and to ensure adequate bonds or guarantees are in place to mitigate that risk and at March 2022 the employer risk review revealed no material risk to the Fund.

The Fund also monitors the timeliness and value of contributions, this will help us to intervene early if we suspect that an employer is struggling to meet their pension obligations.

The Fund’s Investment Advisor reports quarterly to the Committee at which fund manager performance is reviewed and discussed to ensure that the investment strategy remains on track.

What are the assumptions on which the assessment is based including whether the key assumptions underlying the budgets and/or forecasts appear appropriate in the circumstances?

Details on the assumptions used in the valuation are contained within the actuary’s 2022 valuation report and the updated Funding Strategy Statement, December 2022.

The Fund monitors budgets and cash flow on a monthly basis and the Committee review these on a quarterly basis. Cash flow will include predictable payments, such as the monthly pension payroll, or more unpredictable payments such as transfer out payments, retirement lump sums or death benefits. The Fund is maturing which means that the cash flow position of the Fund is negative, contributions from employers and employees are not sufficient to meet the payments of benefits due without needing to utilise investment income, or liquidate investment assets. However, this has been forecast for a number of years and the Committee took steps to invest in income yielding assets , currently some assets classes are non-distributing as there is sufficient cash balances to maintain this approach, the Committee will review this approach as the need arises.

In establishing an acceptable working cash balance, we wish to determine a sum that is sufficient to cover predictable benefit payments, taking account of expected cash flow, whilst also providing a buffer to meet unpredictable payments together with any deterioration in cash inflow.

The Fund’s cash flow remains robust. The Fund projected forecast closing cash balance as at 31st May 2027 is £39m.

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 (Note 20) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers in.

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. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 10a and grossed up to increase the change in value of 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.

Lifetime Allowances

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

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 14). 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.

Derivative contract assets are fair value at bid prices and liabilities are fair value at offer prices. Changes in the fair value of derivative contracts are included in the change of market value.

The future value of forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.

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 NAS 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 18).

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 20). The AVC provider is Clerical Medical and contributions are also collected for life assurance policies provided by Utmost Life and Pensions.

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 (see Note 18).

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 18)	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 £29m • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £2m, and • a one year increase in assumed life expectancy would increase the liability by approximately £81m.
Level 3 Investments (Note 14)	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.	Level 3 investments total £407m, which represents 22% of the total Fund value of £1,876m.

Note 6: Events after the Reporting Date

The Present Value of Promised Retirement Benefits (Note 18) includes an allowance for the "McCloud ruling", i.e an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. This estimate was allowed for in the 31 March 2024 IAS26 reporting and is continued to be allowed for within the liabilities this year. There will be changes made to scheme regulations that will remove age discrimination from the LGPS in due course.

The Fund has valued its assets based on the 31 March 2024 position as reported by its investment managers. However, there is uncertainty over asset valuations, in particular for real and private market assets. The Fund believes that these valuations are the most reliable, as there are not alternative reliable estimates given the absence of trading in these asset classes.

Note 7: Contributions Receivable

2022/23 £'000	By Category	2023/24 £'000
16,979	**Employees contributions**	**17,739**
	Employers contributions:	
26,604	Normal contributions	51,171
1,968	Deficit recovery contributions	25
1,416	Augmentation contributions	1,931
29,988	**Total Employers contributions**	**53,127**
46,967	**Total**	**70,866**

2022/23 £'000	By Authority	2023/24 £'000
28,316	Administering Authority	50,109
4,057	Admitted Body	5,028
14,594	Scheduled Body	15,729
46,967	**Total**	**70,866**

Note 8: Benefits Payable

2022/23 £'000	By Category	2023/24 £'000
(52,879)	Pensions	(57,999)
(9,728)	Commutation and lump sum retirement be	(10,346)
(824)	Lump sum death benefits	(1,576)
(63,431)	**Total**	**(69,921)**

£'000	By Authority	£'000
(57,650)	Administering Authority	(63,380)
(2,360)	Admitted bodies	(2,552)
(3,421)	Scheduled bodies	(3,989)
(63,431)	**Total**	**(69,921)**

Note 9: Payments to and on account of leavers

2022/23 £'000		2023/24 £'000
(315)	Refunds to members leaving service	(175)
(8,474)	Individual transfers	(8,916)
(8,789)	**Total**	**(9,091)**

Note 10: Management Expenses

2022/23 £'000		2023/24 £'000
(994)	Administrative costs	(1,286)
(6,887)	Investment management expenses	(3,947)
(635)	Oversight and governance costs	(703)
(8,516)	**Total**	**(5,936)**

Note 10a: Investment Management Expenses

2023/24	Management Fees £'000	Transaction Costs £'000	Total £'000
Asset pool	(139)		(139)
Equity	(204)		(204)
Fixed income	(1)	(1)	(3)
Pooled equity	(129)	(398)	(527)
Pooled fixed income	(390)		(390)
Pooled property Investments	(967)		(967)
Private debt	(234)		(234)
Private equity	(634)		(634)
Real assets	(766)		(766)
	(3,465)	**(399)**	**(3,864)**
Custody Fees			(83)
Total			**(3,947)**

2022/23	Management Fees £'000	Transaction Costs £'000	Total £'000
Asset pool	(144)	0	(144)
Equity	(539)	0	(539)
Fixed income	(142)	(422)	(564)
Pooled equity	(298)	(744)	(1,042)
Pooled fixed income	(77)	0	(77)
Pooled property Investments	(652)	0	(652)
Private debt	(303)	(305)	(608)
Private equity	(2,482)	0	(2,482)
Real assets	(718)	0	(718)
	(5,356)	**(1,470)**	**(6,826)**
Custody Fees			(61)
Total			**(6,887)**

Note 10b: External Audit Costs

2022/23 £'000		2023/24 £'000
(29)	Payable in External audit	(79)
(29)	**Total**	**(79)**

Note 11: Investment Income

2022/23 £'000		2023/24 £'000
3,829	Fixed interest securities	3
2,231	Equities	398
259	Pooled equities	57
5,635	Pooled property	3,581
	Pooled fixed income	4,435
5,580	Private debt	14,203
3,103	Private equity	1,454
	Real assets	741
1,710	Interest on cash deposits	4,333
22,347	**Total**	**29,205**

Note 12: Investments

Market Value as at 31 March 2023 £'000	**Analysis of Investments**	**Market Value as at 31 March 2024 £'000**
	Investment assets	
	Pooled funds:	
117,645	Fixed income unit trust	46,197
945,514	Equity unit trust	1,196,041
282	Managed alternatives	472
1,063,441		**1,242,710**
	Other Investments:	
77,013	Private equity	82,067
94,151	Real assets	95,700
121,672	Private debt	109,243
70,911	Social Housing	77,998
186,343	Pooled property investments	178,226
550,090		**543,234**
543	**Diversified Alternatives**	0
150	**Shares in London CIV**	150
	Other investment assets:	
313	Investment income due	424
2,451	Derivative assets	69
0	Other Investment assets	25,110
2,764		**25,603**
61,317	**Cash deposits**	**89,903**
	Investment liabilities:	
(454)	Derivative liabilities	(25,812)
(516)	Amounts payable for purchases	(6,000)
(970)		**(31,812)**
1,677,335	**Total investment assets**	**1,869,788**

Note 12a: Reconciliation of Movements in Investments and Derivatives

	Market value as at 31 March 2023	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 2024
	£'000	£'000	£'000	£'000	£'000
Equities (active)	0	0	(6)	6	0
Pooled funds	1,063,441	74,299	(84,344)	189,314	1,242,710
Pooled property investments	186,343	15,483	(12,862)	(10,738)	178,226
Other investments	363,747	28,570	(22,585)	(4,724)	365,008
Diversified alternatives	543	-	(18)	(525)	0
Shareholding in London CIV	150	-	-	-	150
	1,614,224	**118,352**	**(119,815)**	**173,333**	**1,786,094**
Derivative contracts:					
Purchased/written options	(95)	11,060	(11,060)	(24,181)	(24,276)
Forward currency contracts	2,092	3,117	(10,803)	4,127	(1,467)
	1,616,221	**132,529**	**(141,678)**	**153,279**	**1,760,351**
Other Investment balances	0			-	25,110
Cash deposits	61,317			(243)	89,903
Investment income due	313			0	424
Amount receivable for sales of investments	0			-	-
Amounts payable for purchases of investments	(516)			-	(6,000)
Spot FX Contracts	0			(220)	-
	1,677,335			**152,816**	**1,869,788**

	Market value as at 31 March 2022	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 2023
	£'000	£'000	£'000	£'000	£'000
Equities (active)	147,474	23,293	(26,066)	(144,700)	0
Pooled funds	923,961	8,903	(110)	130,686	1,063,440
Pooled property investments	197,597	9,259	(8,482)	(12,031)	186,343
Other investments	326,746	40,320	(22,311)	18,992	363,747
Diversified alternatives	2,330	0	(172)	(1,615)	543
Shareholding in London CIV	150	0	0	0	150
	1,598,258	**81,775**	**(57,141)**	**(8,668)**	**1,614,223**
Derivative contracts:					
Purchased/written options	(6,124)	9,649	(12,977)	9,358	(94)
Forward currency contracts	(1,215)	16,157	(3,687)	(9,162)	2,093
	1,590,919	**107,581**	**(73,805)**	**(8,472)**	**1,616,222**
Other Investment balances:	8,000			0	0
Cash deposits	89,029			1,924	61,317
Investment income due	226			0	313
Amount receivable for sales of investments	0			0	0
Amounts payable for purchases of investments	(983)			0	(516)
Spot FX Contracts	0			1,030	0
	1,687,191			**(5,518)**	**1,677,336**

Note 12b: Investments analysed by Fund manager

Market value as at 31 March 2023 £'000	%	Fund manager	%	Market value as at 31 March 2024 £'000
		Investments managed by the London CIV asset pool		
150	0	LCIV Shareholding	0	150
107,284	6.418	LCIV Global Bond Fund (PIMCO)	2.45	45,807
157,418	9.417	LCIV Global Equity Focus Fund (Longview)	9.94	185,774
		Investments aligned with London CIV asset pool		
788,034	47.14	Legal and General Investment Management (LGIM)	54.03	1,010,178
1,052,886				**1,241,909**
		Investments managed outside of the London CIV asset pool		
43,874	2.625	Arcmont	2.61	48,798
41,640	2.491	Brightwood	2.40	44,795
9,105	0.5	Brockton	0.64	11,945
181,438	11.4	CBRE	8.92	166,790
70,890	4.241	Cheyne	4.17	77,976
78,470	4.694	Fiera Capital	4.16	77,814
82,384	4.928	HarbourVest	4.76	88,996
16,715	1	KGAL Capital	1.02	18,996
226	0	Longview	0.00	0
543	0	Morgan Stanley	0.00	0
12,497	0.748	Northern Trust cash deposits	1.11	20,692
10,361	0.62	Payden & Rygel	0.02	390
40,135	2.401	Permira	2.00	37,350
36,170	1.833	Schroders (formerly River & Mercantile)	1.78	33,337
624,449				**627,879**
1,677,335	**100.5**	**Total investment assets**	**100**	**1,869,788**

Individual investments exceeding 5% of net assets

Market value as at 31 March 2023 £'000	% of total fund %		Market value as at 31 March 2024 £'000	% of total fund %
676,585	40.47	LGIM – Paris Aligned	781,677	41.81
157,418	9.42	LCIV Global Equity Focus Fund	199,713	10.68
107,284	6.42	LCIV Global Bond Fund	45,807	2.45
83,942	5.02	LGIM - <15YR Index-linked gilts	185,774	9.94
98,836	5.91	CBRE Global Alpha Fund	92,502	4.95
1,124,065			**1,305,473**	

Note 12c: 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 2024, the value of quoted equities on loan was £29m (2022/23: £37m). These equities continue to be recognised in the Fund's financial statements.

Note 13: 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 is Schroders, formerly River and Mercantile. A breakdown of forward contracts held by the Fund as at 31 March 2024 is given below:

Open forward currency contracts

Settlements	Currency bought	Local value £'000	Currency sold	Local value £'000	Asset value £'000	Liability value £'000
One to six months	GBP	138,365	USD	(176,802)	0	(1,532)
One to six months	GBP	82,920	EUR	(96,639)	65	0
Open forward currency contracts at 31 March 2024					**65**	**(1,532)**
Net forward currency contracts at 31 March 2024						**(1,467)**

Prior year comparative

Open forward currency contracts at 31 March 2023	**2,126**	**(34)**
Net forward currency contracts at 31 March 2023		**2,092**

Purchased/written options

As part of its risk management strategy, the Fund purchases equity option contracts that protect it from falls in value in its main investment markets.

Investment underlying option contract	Expires	Put/Call	Notional Holdings	Market Value as at 31 March 2023	Notional Holdings	Market Value as at 31 March 2024
			£'000	£'000	£'000	£'000
Assets						
Overseas equity purchased	One to three months	Put	70	325	71	4
				325		**4**
Liabilities						
Overseas equity written	One to three months	Put	(81)	(5)	(88)	0
Overseas equity written	One to three months	Call	(70)	(414)	(71)	(24,279)
				(419)		**(24,280)**
Net purchased/written options				**(94)**	**0**	**(24,276)**

Note 14: Fair Value - Basis of Valuation

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 price feeds	Not required
Pooled investments - unit trusts	Level 2	Closing bid price where bid and offer are published	NAV-based pricing set on a forward pricing basis	Not required
Structured equity	Level 2	Estimated valuation reported by counterparty	Market information such as interest rates, equity values, implied volatility, implied dividends	Reported values are estimates and do not represent trading value to enter into or close a position.
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 / debt and real assets	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 2024.

The figures set out below are independent investment advisors assessment of the 1 year volatility for the asset classes held.

Description of asset	Assessed valuation range (+/-)	Value as 31 March 2024	Value on increase	Value on decrease
	%	£'000	£'000	£'000
Private debt*	10	109,243	120,167	98,319
Private equity	25	48,190	60,238	36,143
Real assets**	10	65,765	72,342	59,189
Social Housing	10	77,976	85,774	70,178
Subtotal		**301,174**	**338,520**	**263,828**
Overseas Hedge Funds	15	472	543	401
Property funds	10	105,464	116,010	94,918
Total		**407,110**	**455,073**	**359,147**

*Private debt is combined totals of the following managers; Arcmont, Brightwood & Permira
**Real assets is combined totals of the following managers; Fiera & KGAL

Note 14a: 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 2024	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at fair value through profit and loss				
Pooled investments	0	1,242,238	472	1,242,710
Pooled property investments	13,217	123,378	41,631	178,226
Private equity	0	0	365,008	365,008
Derivative assets	0	69	0	69
Cash deposits	89,903	0	0	89,903
London collective investment vehicle	150	0	0	150
Other investment balances	25,534	0	0	25,534
Net investment assets	**128,804**	**1,365,685**	**407,111**	**1,901,600**
Financial liabilities at fair value through profit and loss				
Payable for investment purchases	0	(6,000)	0	(6,000)
Derivative liabilities	0	(25,812)	0	(25,812)
Total	**128,804**	**1,333,873**	**407,111**	**1,869,788**

Values at 31 March 2023	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant observable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Pooled investments	0	1,063,159	825	1,063,984
Pooled property investments	7,275	141,365	37,704	186,343
Private equity	0	0	363,747	363,747
Derivative assets	0	2,451	0	2,451
Cash deposits	61,317	0	0	61,317
Other investment assets	150	0	0	150
Investment income due	313	0	0	313
Net investment assets	**69,055**	**1,206,975**	**402,276**	**1,678,306**
Financial liabilities at fair value through profit and loss				
Payable for investment purchases	0	(516)	0	(516)
Derivative liabilities	0	(454)	0	(454)
Total	**69,055**	**1,206,005**	**402,276**	**1,677,336**

Note 14b: Reconciliation of Fair Value Measurements within Level 3

	Market value as at 31/03/2023	Purchases	Sales	Unrealised gains (losses)	Realised gains (losses)	Market value as at 31/03/2024
	£’000	£’000	£’000	£’000	£’000	£’000
Pooled investments- hedge funds	543	0	(562)	11	8	0
Private equity	47,968	0	0	222	0	48,190
Property funds	98,860	15,130	(7,274)	(4,568)	3,316	105,464
Private debt	121,672	6,440	(15,311)	(4,458)	901	109,244
Real assets	62,060	7,463	(6,173)	3,763	(1,348)	65,765
Social Housing	70,890	7,000	0	86	0	77,976
Overseas Hedge Fund	282	543	(333)	(92)	72	472
Total	**402,275**	**36,576**	**(29,653)**	**(5,036)**	**2,949**	**407,111**

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 15: 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 NAS heading.

Market value as at 31 March 2023				Market value as at 31 March 2024		
Fair value through profit and loss	**Assets at amortised cost**	**Liabilities at amortised cost**		**Fair value through profit and loss**	**Assets at amortised cost**	**Liabilities at amortised cost**
£'000	**£'000**	**£'000**	**Financial assets**	**£'000**	**£'000**	**£'000**
0			Equities	0		
1,063,984			Pooled funds	1,242,710		
186,343			Pooled property Investments	178,226		
363,747			Private equity/debt & real assets	365,008		
150			London collective investment vehicle	150		
61,317			Cash and cash equivalents	89,903		
2,451			Derivatives	69		
313			Other investment balances	25,534		
1,678,306			**Total Financial Assets**	**1,901,600**		
			Financial liabilities			
(454)			Derivatives	(25,812)		
0		(175)	Sundry creditors			(201)
(516)			Spot currency contracts	(6,000)		
(970)		**(175)**	**Total Financial liabilities**	**(31,812)**	**0**	**(201)**
1,677,336		**(175)**	**Total**	**1,869,788**	**0**	**(201)**

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 15a: Net Gains and Losses on Financial Instruments

31st March 2023 £'000	Financial Assets	31st March 2024 £'000
(8,667)	Fair value through profit and loss	173,334
2,953	Other investment balances	244
	Financial Liabilities	
195	Fair value through profit and loss	(20,054)
0	Other investment balances	(220)
(5,519)	**Total**	**153,304**

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 16: 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 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. The Fund's structured equity is a hedge that provides some level of mitigation to market volatility.

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 2023/24, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset type	Movement %	Market value as at 31 March 2024 £'000	Movement on increased value £'000	Movement on decreased value £'000
Pooled investments	10	1,242,710	1,366,981	1,118,439
Pooled Property Investments	10	178,226	196,049	160,403
Private Equity	25	365,008	456,260	273,756
Derivative Assets	10	69	76	62
Cash deposits	5	89,903	94,398	85,408
Other investment assets	0	25,110	25,110	25,110
Investment income due	0	424	424	424
London collective investment vehicle	15	150	173	128
Investment liabilities	0	(31,812)	(31,812)	(31,812)
Total Investment assets		**1,869,788**	**2,107,659**	**1,631,918**

Asset type	Movement %	Market value as at 31 March 2023 £'000	Movement on increased value £'000	Movement on decreased value £'000
Pooled investments	10	1,063,984	1,170,383	957,586
Pooled Property Investments	10	186,343	204,978	167,709
Private Equity	25	363,747	454,684	272,810
Derivative Assets	10	2,451	2,696	2,206
Cash deposits	5	61,317	64,382	58,251
Investment income due	0	313	313	313
London collective investment vehicle	15	150	173	128
Investment liabilities	0	(970)	(970)	(970)
Total Investment assets		**1,677,335**	**1,896,639**	**1,458,033**

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 2024 and 31 March 2023 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 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 there is a low probability that long-term average rates are expected to move less move by more than 100 basis points (1%) from one year to the next.

	Market value as at 31 March 2024 £'000	Value on 1% price increase £'000	Value on 1% price decrease £'000
Asset type			
Cash and Cash equivalents	89,903	90,802	89,004
Cash balances	150	152	149
Total	**90,053**	**90,954**	**89,153**

	Market value as at 31 March 2023 £'000	Value on 1% price increase £'000	Value on 1% price decrease £'000
Asset type			
Cash and Cash equivalents	61,317	61,930	60,703
Cash balances	11,657	11,774	11,540
Total	**72,974**	**73,703**	**72,244**

Interest Receivable

	Market value as at 31 March 2024 £'000	Value on 1% price increase £'000	Value on 1% price decrease £'000
Asset type			
Cash and Cash equivalents	4,333	4,376	4,290
Total	**4,333**	**4,376**	**4,290**

	Market value as at 31 March 2023 £'000	Value on 1% price increase £'000	Value on 1% price decrease £'000
Asset type			
Cash and Cash equivalents	1,710	1,727	1,693
Total	**1,710**	**1,727**	**1,693**

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 decrease/increase the net assets available to pay benefits as follows.

Asset type	Market value as at 31 March 2024 £'000	Value on 10% price increase £'000	Value on 10% price decrease £'000
Overseas fixed interest unit trusts	390	429	351
Overseas pooled property investments	99,997	109,997	89,997
Overseas venture capital	177,767	195,544	159,990
Overseas Equity Funds	185,864	204,450	167,278
Overseas Hedge Fund	472	519	425
Total	**464,490**	**510,939**	**418,041**

Asset type	Market value as at 31 March 2023 £'000	Value on 10% price increase £'000	Value on 10% price decrease £'000
Overseas fixed interest unit trusts	10,361	11,397	9,325
Overseas pooled property investments	118,273	130,101	106,446
Overseas venture capital	171,163	188,280	154,047
Overseas Equity Funds	157,480	173,228	141,732
Overseas Hedge Fund	282	310	254
Total	**457,559**	**503,315**	**411,803**

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 2023 £'000	Asset value as at 31 March 2024 £'000
Held with Custodian			
Northern Trust custody cash accounts	AAA	61,317	89,903
Money market funds			
BNP Paribas	AAA	10,860	0
Federated Prime Rate	AAA	452	0
Bank current accounts			
Lloyds	A+	344	150
Total		**72,973**	**90,053**

The Fund has experienced no defaults from fund managers, brokers or bank accounts over many 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 2024 and 31 March 2023 (£5.6m and £2.3m 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 2024 was £21m (31 March 2023: £23m).

Cash not needed to settle immediate financial obligations is invested by the Fund in accordance with LBN's Treasury Investment Strategy (TIS). The TIS sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk.

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 2024 the balance on this facility stood at £0 (31 March 2023: £0).

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 2024 the value of liquid assets represented 78% of the total Fund value (31 March 2023: 76% 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 17: Funding Arrangements

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

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.

At the 2022 actuarial valuation, the Fund was assessed as 100% funded (96% at the March 2019 valuation). This corresponded to a surplus of £4m (2019 valuation: £58m deficit) at that time.

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.

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

In addition to the primary contribution rate, most employers also pay a secondary contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2022 Actuarial Valuation Report and the Funding Strategy Statement on the Fund's website: www.newham.gov.uk/council/pension-fund

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 as noted in the triennial valuation

Assumed returns at	**31st March 2022**	**31st March 2019**	**31st March 2016**
	%	%	%
Discount rate	4.7	5	5.4
CPI Inflation	2.9	2.6	2.4
Pension increases	2.9	2.6	2.4
Salary increases	3.9	3.6	3.9

Mortality assumptions as noted in the triennial valuation

Future life expectancy based on the actuary's fund-specific mortality review was as follows.

Life expectancy from age 65	**31st March 2022**	**31st March 2019**	**31st March 2016**
	Years	**Years**	**Years**
Males retiring today	19.51	21.2	21.6
Females retiring today	22.88	23.8	24
Males retiring in 20 years	20.87	22.7	23.3
Females retiring in 20 years	24.43	25.4	25.8

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax free cash up to HMRC limits for pre- April 2008 service and 75% of the maximum tax-free cash 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 18: Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the 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 17). The actuary has also used valued ill-health and death benefits in line with IAS 19.

31st March 2023		31st March 2024
£'000		**£'000**
(1,847)	Present value of promised retirement benefits	(1,910)
1,677	Fair value of scheme assets (bid value)	1,870
(170)	**Net Liability**	**40**

An allowance for the potential impact of the McCloud & Sargeant judgement is included in the present value of promised retirement benefits.

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 triennial funding valuation (see Note 17) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Note 19: Current Assets

31st March 2023		31st March 2024
£'000		**£'000**
1,357	Contributions due – employees	1,383
934	Contributions due – employers	4,168
69	Receivables	342
8,740	Debtors	1,720
11,657	Cash balances	150
22,757	**Total Current Assets**	**7,763**

Note 20: Additional Voluntary Contributions

Market value at 31 March 2023		Market value at 31 March 2024
£'000		**£'000**
952	Clerical Medical	1,071
139	Utmost Life and Pensions	134
1,091	**Total**	**1,205**

AVC contributions of £0.056m were paid directly to Clerical Medical during the year (£0.079m 2022/23).There have been no further contributions to Utmost in either financial year.

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 21: Agency Services

The Fund pays discretionary awards to the former teachers of LBN, the amounts are fully

2022/23 £'000		2023/24 £'000
312	Payments on behalf of London Borough of Newham	341
312	**Total**	**341**

Note 22: Related Parties

The Fund is administered by LBN. During the reporting period, the Council incurred costs of £1.6m (2022/23: £1.3m) in relation to the administration the Fund and was subsequently reimbursed by the Fund for these expenses (see Note 10). As at 31 March 2024 the Council owed the Fund £0.58m (2022/23 £9.3m).

Responsibility for management of the Fund has been delegated to the Pensions Committee and the day to day operations of the Fund have been delegated to the Statutory Section 151.

Of the Committee members there are no active members of the LGPS and one deferred member; Councillor John Gray. The Members of the Committee do not receive fees in relation to their specific responsibilities as Members of the Committee.

The Council is also the largest employer in the Fund and in 2023/24 contributed £35.4m (2022/23 £34.9m) to the Pension Fund in respect of employer's contributions. All monies owing to and due from the fund were paid in year.

The Fund is a minority shareholder in London LGPS CIV Ltd. Shares valued at £0.15m at 31 March 2024 (£0.15m at 31 March 2023) are included as long-term investments in the NAS. A mixed portfolio of investments is managed by the regional asset pool as shown in Note 12b. During 2023/24 a total of £0.14m was charged to the pension fund by London CIV in respect of investment management services (£0.14m in 2022/23).

Note 22a: Key Management Personnel

Key management personnel are members of the Committee, the Corporate Director of Resources, the Director of Exchequer and Transactional Services (OneSource) and the Head of Pensions & Treasury. Total remuneration payable to key management personnel which is recharged to the Fund is set out below:

2022/23 £'000		2023/24 £'000
37	Short-term benefits	37
1,030	Post-employment benefits	1,081
1,067	**Total**	**1,118**

Note 23: Contingent Liabilities and Contractual Commitments

Outstanding capital commitments for private debt, property, private equity, real assets and social housing at 31 March 2024 totalled £96m (31 March 2023: £79m). There are no contingent liabilities to report.

Four admitted body employers in the Fund hold insurance bonds and seven admitted bodies have a guarantee in place with the Local 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.

The Fund, in conjunction with other Borough shareholders in the London CIV, has entered into an exit agreement with the London CIV, acting as a guarantor. The Fund will meet any exit payments due should the London CIV cease its admission arrangements with City of London. Should an amount become due the Fund will meet proportionate share of costs.

Newham London

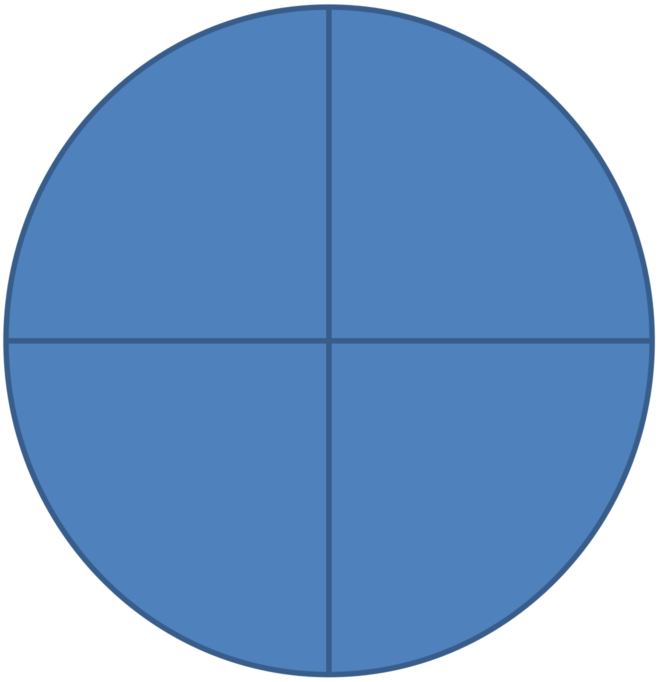
Annual Governance Statement - draft

2023/2024

WE ARE NEWHAM.

Table of contents

Introduction



Newham is one of the fastest growing and diverse boroughs in the country, with a population of over 351,000 and where seven in ten of our residents are from Black, Asian and ethnically diverse communities. However, against this backdrop of growth and diversity, we have deep rooted inequalities, where a quarter of our neighbourhoods are amongst the most deprived in the UK. Our corporate plan, Building a Fairer Newham, sets out eight priorities that are the focus of our delivery for our communities.

1. A healthier Newham and Ageing Well
2. Newham's inclusive economy to support residents
3. Your neighbourhood
4. Safer Newham
5. Homes for our residents
6. Supporting our young people
7. People powered Newham and widening participation
8. A campaigning Council

Delivering on the Corporate Plan and its eight priorities requires good governance - for our residents, employees, businesses, service users and councillors. Our Corporate Plan provides both the foundation and the building blocks to our success.

Supporting the Plan are number of strategies and policies showing how we will deliver our Ambitions, these include, for example, our Just Transition Plan, Homelessness and Rough Sleeping, Ageing Well, 50 Steps to Healthier Newham and Community Wealth Building Strategies. Please see our website where these are set out in more detail.

Local government continues to experience financial pressures and reduced central government funding. This has an impact on the diverse communities, businesses, and sectors that we serve. Continuing cost-of-living and inflationary pressures alongside new and increasing demands on council services have dominated the past year.

At Newham Council, we are continually improving our systems and services, to support and empower our communities, and respond to external conditions, local and global, in inclusive ways to create opportunity for all. We will continue to adapt, build on the positive changes and progress we have already made, and to strive for a resilient authority for the future.

Good governance is essential to that. It enables us to operate legally, ethically, sustainably and successfully for the benefit of all our stakeholders and partners. This underpins and drives our commitment to our residents, local communities, businesses, employees, councillors and partner organisations in Newham and beyond

This Annual Governance Statement appraises the effectiveness of our governance during 2023/2024. It looks ahead to our future governance priorities and improvements for 2024/2025.

Governance at Newham Council

Governance is underpinned by core principles of accountability, leadership, integrity, stewardship and transparency in accordance with legislation and public standards. In practice, this means our values and culture, the processes and systems by which the Council is controlled and directed as we deliver services for our communities. Governance means carrying out our activities to ensure that we deliver value for money by accounting for public money and using it well.

We have a duty under the Local Government Act 1999 to put in place proper arrangements for:

- the continuous improvement of our functions;
- the governance of our affairs, including those of the Local Government Pension Scheme; and
- the management of risk.

The Council has approved and adopted a constitution, which provides the framework for our governance policies and practices. Together these form our 'corporate governance framework'. This Annual Governance Statement reviews the effectiveness of that framework, mindful of the CIPFA's "Seven Principles of Good Governance".

Essential elements of governance

As a local authority, the responsibility for good governance is shared by councillors and officers: good governance is a collective responsibility. Newham Council has a directly elected Mayor and 66 councillors for Newham's 24 wards. These councillors are from different political parties (Green, Independent, Labour) and they have different roles in the Council's decision-making process. All councillors agree to follow the Member Code of Conduct and the rules for making decisions set out in our Constitution, which includes a Local Code of Corporate Governance.

In local government there are five interlinked, important strands to our governance arrangements. Together they aim to ensure that a local authority's decisions are taken soundly in a resourced and managed environment, with strong internal and external controls. These are:

1. Making decisions
2. Holding decision-makers to account and maintaining transparency through scrutiny committees
3. Financial management and external audit
4. Managing risks through internal control and audit
5. Corporate Leadership Board, Senior Management Team and Statutory Officers

1. Making decisions

Full Council collectively sets the budget and policy framework of Newham Council. Further decisions are taken by the Executive. In Newham Council, we have the mayor and cabinet model of political management arrangements, with the Mayor and Cabinet forming the Executive. The Executive takes the key decisions within that framework. The Constitution also allows and identifies decision-making capacity under the 'Schemes of Delegation' to be given to certain councillors and officers. For example, the Financial Procedure Rules and other supporting procedures clearly define how decisions are taken and highlight the processes and controls required to manage risks. More information on the Council's democratic decision-making structure can be found here.

2. Holding decision-makers to account through scrutiny

Scrutiny provides the legal power for councillors to highlight and examine issues of concern for residents, holding decision-makers to account for their decisions. Scrutiny is not decision-making but acts as a check and balance to the Executive, which takes the majority of key decisions on behalf of the Council. There are also specific powers for scrutiny to hold the NHS to account within health scrutiny. Scrutiny at Newham Council is carried out by one Overview and Scrutiny Committee, which establishes Scrutiny Commissions each year to carry out its work. More details on our scrutiny function can be found at page 29.

3. Managing the Council's finances

Strong financial management is critical to ensuring the financial sustainability of Newham Council. Our framework reflects that. The Constitution contains the Financial Procedure Rules, Financial Regulations and the Contract Procedure Rules, which set out the principles for managing the Council's financial affairs and include guidance on anti-fraud, corruption and risk management. These give detailed financial instructions to provide clear guidance on the operation of key financial processes. All documents are reviewed and updated to ensure that they remain current and fit for purpose, reflecting both external changes and changes within the Council itself.

Local government funding has been reduced consistently over the last 15 years whilst at the same time demands on services provided by local authorities have increased. Consequently, Newham Council operates in an exceptionally challenging financial environment. Over the previous financial year we have seen this environment contribute to high profile major failings in other councils. Newham Council's financial management strategy sets out how we work to operate within financial constraints and manage the uncertainty, whilst ensuring that the Council's aims and objectives continue to be delivered into the future. There is strong external assessment of the Council's financial capability and external auditors advise on areas for improvement. The "CIPFA Financial Management Code" provides guidance for good, sustainable financial management in local authorities and sets out explicit standards for a financial assurance framework. This Code underpins our management strategy as set out in Cabinet Budget reports and the Treasury Management Statements.

The External Auditor is legally required to satisfy themselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This Auditor would report to the Council if any significant matters came to their attention. The External Auditor also attends meetings of the Audit Committee.

4. Managing risks through Internal Control

The system of internal control is designed to manage risk to a reasonable level. In any environment, it is not possible to eliminate all risk: in a local authority context, a source of risk can come from the resources required to achieve policies, aims and objectives. A system of internal control can, however, provide a reasonable assurance of effectiveness. The system of internal control within a local authority is based on an ongoing process to:

- identify and prioritise the risks to the Council of not meeting its policies, aims and objectives;
- evaluate the likelihood and potential impact of those risks being realised; and
- manage them efficiently, effectively and economically.

That system also gives due consideration to and acknowledges the importance and nature of risk, balanced against how the organisation manages both risk and appetite for risk.

The Audit Function undertakes the required annual self-assessment of the Council's internal audit activities, against the Public Sector Internal Audit Standards.

5. Senior Managers and Statutory Officers

The Corporate Leadership Board (CLB) (until October 2023, the Council's Corporate Management Team) – comprising the Chief Executive, her directors and statutory officers[1] – is responsible for implementing the policy and budgetary framework set by the Council and provides advice to Cabinet and the Council on the development of future policy and budgetary issues. All meetings of the CLB have legal and finance input into their discussions.

There are regular meetings throughout the year of our three Statutory Officers (the Chief Executive/ Head of Paid Service, Monitoring Officer and Chief Finance Officer to review and monitor governance issues.

- Chief Executive and Head of Paid Service – Abi Gbago
- Monitoring Officer – Satish Mistry (Interim)
- Chief Finance Officer (the 'Section 151 Officer') – Conrad Hall

In addition, the Council has statutory officers overseeing Adult Social Services, Public Health[2], Education and Children's Social Care and Safeguarding, all reporting directly to the Chief Executive.

During the period covered by this Annual Governance Statement, there has been a review of financial framework arrangements. Since April 2024, there are new financial framework arrangements in place, including the creation of new internal management boards, under the Corporate Leadership Board. These governance boards are: the Capital and Assets Oversight Board; Transformation and Improvement Board; Workforce and Culture Group; Temporary Accommodation and Housing Supply Board; Procurement and Contract Management Group; Data, Digital and ICT Board; and Financial Management Board.

[1] For more information on statutory chief officers, see section 2(6)(zb) of the Local Government and Housing Act 1989.
[2] In Newham Council one Statutory Officer oversees both Adult Social Care and Public Health.


Governance for Organisation Corporate Leadership
To enable greater oversight, accountability, we need to enable Corporate Leadership Team to perform at its best. These boards reimagine our current CLB arrangement
Corporate Leadership Board (CLB)
Corporate Strategy
CLB, supported by Policy, will develop a strategy forward plan for these thematic meetings
Corporate Assurance (Period End)
Corporate Performance (Period End)
Holds internal system to account for delivery & escalates back to NTB as required or holds risk. Will receive reports from the Corporate Performance and Transformation Team
Corporate Leadership Board (weekly)
CEO, Corporate Directors, Chief Transformation Officer, Chief Marketing Officer, Chief Digital Officer, Head of CEO Office, Monitoring Officer
Oversees the Council's working environment which supports the effective achievement of goals and priorities. It maintains all necessary standards of compliance (financial and non-financial) and good practice. Ensures the Council complies with its statutory duties and delivers on its strategic priorities as set by the Mayor. Decision Pathway – corporate clearance.
Peer Challenge Action Plan
Enabling Boards (highlight, decision making and exception reporting to CLB)
Capital & Assets Oversight Board
Chair: Paul Kitson
Sub Chair: Conrad Hall
Transformation and Improvement Board
Independent Chair: Rob Whiteman
Bi-monthly
Workforce & Culture Group
Chair: James Partis
Monthly
Temporary Accommodation & Housing Supply Board
Chair: Abi Gbago
Sub Chair: Paul Kitson
Monthly
Procurement & Contract Management Group
Chair: Conrad Hall & Jason Strelitz
Monthly
Data, Digital & ICT Board
Chair: Amit Shanker
Monthly
Financial Management Board
Chair: Conrad Hall
Sub: James Partis
Fortnightly
Cabinet Clearance Group
Review Cabinet Papers prior to Informal Cabinet
Statutory Officers Meeting
Senior Leadership Group
Checks coherence, communication, feedback & horizon scanning
Operational Delivery Boards & Working Groups
CDM's weekly (day after CLB)
Monthly cycle includes Corporate Compliance, Assurance, Performance & Finance (savings & budget monitoring)
Children & Young People
Corporate Director Management
Adults & Health
Corporate Director Management
Environment & Sustainable Transport
Corporate Director Management
Resources
Corporate Director Management
Inclusive Economy & Housing
Corporate Director Management
Transformation Office
Corporate Director Management
Digital
Corporate Director Management
Marketing
Corporate Director Management
Transformation Gateway Group (monthly) - To be mobilised from May 24
Assess new project proposals & Business Cases and make recommendations to the CMT (acting as Transformation Board/Improvement Board)
Senior Leadership Forum (Bi-monthly)
Decision Pathway
Decision Pathway

Governance – key roles:

The Council	• Approves the Corporate Plan • Approves the Constitution • Approves the Budget and Policy framework of the Council
Mayor and Cabinet	• Main decision-making body of the Council ('the Executive') • A directly elected Mayor and a number of Cabinet Members with responsibility for different portfolios, incorporating council services • Supported by Deputy Cabinet Members
Audit Committee	• Provides assurance to the Council on the adequacy and effectiveness of the corporate governance arrangements, risk management framework and internal control environment, including risk management and counter-fraud • Approves final Financial Statements and the Annual Governance Statement • Attended by the Section 151 Officer
Standards Advisory Committee	• Promotes high standards of conduct and ethics by elected Members and co-opted Members of the Council • Reviews and makes recommendations on ethical governance arrangements and the Members Code of Conduct • Receives reports on complaints against Members to advise on the handling of complaints and training for Members
Scrutiny Committees	• Newham Council has one Overview and Scrutiny Committee (OSC), with primary responsibility for discharging the statutory scrutiny function • The OSC receives all performance management and budget monitoring information • As the overarching scrutiny committee, the OSC establishes scrutiny commissions to carry out its work and co-ordinates their activities. These scrutiny committees each fulfil a check and challenge function for decisions and policies made by the Executive. These provide oversight, shape policy, and help the Council to assess its performance and learn lessons • In the period covered by this Annual Governance Statement, the OSC established seven scrutiny commissions, including the Budget Scrutiny Commission (annual task group)

Corporate Leadership Board (CLB): Chief Executive and Corporate Directors	CLB has overall accountability for the corporate governance framework, including governance boards CLB implements the policy and budgetary framework as set by the Council CLB provides advice to Cabinet and the Council on the development of future policy and budgetary issues CLB is accountable for developing and maintaining the Council's governance and risk framework
Chief Finance (S151) Officer	A statutory officer responsible for managing the Council's finances and providing expert financial advice to the Council Accountable for developing and maintaining the Council's internal control and counter-fraud framework Contributes to the effective corporate management and governance of the Council Attends formal 1:1s with Chief Executive, and attends all CLB meetings
Monitoring Officer	A statutory officer who reports to the Council on matters which they believe to be illegal or amount to maladministration, to ensure that the Council operates within the law and statutory Codes of Practice Advises the Council on local government, public law and probity, with focus on ethical standards, the conduct of councillors and officers Responsible for the operation of the Constitution Attends all CLB meetings and advises the Council on the law relating to local government powers and duties, including member and officer conduct, judicial review, elections and the Council's Constitution Contributes to the effective corporate management and governance of the Council
Director of Adult Social Services and Director of Public Health	The Children Act 2004 requires every upper tier local authority to appoint a Director of Adult Services (DASS) The National Health Service Act 2006 Local Government and Housing Act 1989 requires the appointment of a Director of Health Provides key professional leadership role for staff working in adult social care services
	Ensures accountability of services to local communities through consultation with local people and, in particular, users of services Statutory member of the Health and Wellbeing Board and the Newham Adults Safeguarding Board Delivers the Council's part in: » Improving preventative services and delivering earlier intervention » Managing cultural change to give people greater choice and control over services » Tackling inequalities and improving access to services » Increasing support for children and people with the highest levels of need

Director of Children's Services	The Children Act 2004 requires every upper tier local authority to appoint a Director of Children's Services (DCS) Discharges the Education, Children's Social Services and Safeguarding functions of the local authority (set out in section 18(2) of the Children Act 2004) including: » Children and young people receiving education or children's social care services in the area; and » All children looked after by the local authority or in custody » Works with other [local] agencies to improve outcomes for children and young people
Managers	Responsible for developing, maintaining, and implementing the Council's governance, risk and control framework Contribute to the effective corporate management and governance of the Council
Internal Audit and Counter Fraud	Provides internal independent assurance and opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework Delivers an annual programme of risk-based audit activity, including counter-fraud and investigation activity Responsible for developing and implementing the Anti-Fraud and Corruption Policy and monitoring the investigation of any reported issues Ensures that all suspected or reported irregularities are dealt with in accordance with the Anti-Fraud and Corruption Policy, and identifies improved controls Makes recommendations for improvements in the management of risk
External Audit	Audits, reviews and reports on the Council's financial statements, including the Annual Governance Statement Provides an opinion on the Council's accounts and use of resources, including the arrangements in place for securing economy, efficiency, and effectiveness in the use of resources (Value for Money) Statutory mandate to audit the council, usually responsible to an audit committee, and to provide assurance to residents and the council that the council's finances are soundly managed, and the annual accounts present a true and fair view of the council's income and expenditure and its assets and liabilities
Investment Activities Oversight Board (IAOB)	Manages the shareholding interests in the Council's trading companies Appoints and removes directors to the companies, issues best practice guidance and arranges training Monitors the business plan and performance of the companies

Preparing the Annual Governance Statement

The Council has reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE good practice guidance, '[Delivering Good Governance in Local Government Framework (2016 Edition)]'.

The review of Newham Council's effectiveness is informed by three lines of defence:

- **senior managers (and staff) within the Council** who have responsibility for the development and maintenance of the governance environment, including identifying and managing risk. They should have the necessary knowledge, skills, information, and authority to operate the relevant policies and procedures of risk control;

- **Risk management and professional leads, including the Chief Finance Officer, the Chief Digital Information Officer and Director of Human Resources.** These professional leads work towards providing the policies, frameworks, tools, techniques and support to enable risk and compliance to be managed in the first line, conduct monitoring to judge how effectively they are doing it, and help ensure consistency of definitions and measurement of risk; and

- **Internal Audit and other inspections made by external auditors, independent review agencies and inspectorates, providing independent assurance.** Sitting outside the risk management processes of the first two lines of defence, the main roles of this third line are to ensure that the first two lines of defence are operating effectively and advise how they could be improved. Tasked by, and reporting to the audit committee, it provides an evaluation, through a risk-based approach, on the effectiveness of governance, risk management, and internal control to the organisation's governing body and senior management. It can also give assurance to sector regulators and external auditors that appropriate controls and processes are in place and are operating effectively.

[Illustrative diagram to follow]

In carrying out our duties, we need assurance in our compliance with those duties, management of the risks and financing associated with them. We also need assurance that we are delivering services for our residents in performance of our duties and that we have effective internal controls as a guiding framework. We derive assurance from a variety of key sources, outlined below.

Key sources of assurance						
Constitution as a guide to understanding the Council's decision-making processes	Council, regulatory committees, Audit Committee, Scrutiny function	Internal and external audit	Risk management strategy and framework	Financial Reporting (including the Statement of Accounts) and Performance management systems	Complaints, counter-fraud and whistleblowing	Independent and external sources (e.g. OFSTED, CQC CIPFA)

Statement of Accounts

The Council's audited and draft Annual Statement of Accounts, including those published alongside this document for the financial year 2023/24, can be found on the website via the link below. Notices of Public Inspection are also published there.

Annual accounts – Newham Council

The purpose of the Statement of Accounts is to give electors, local taxpayers, members of the Council and all other interested parties clear information about the Council's finances, and so enhance financial accountability. The information within them sets out the Councils financial position and financial direction. The Statement of Accounts include a plain English narrative statement which is used to communicate important messages about the finances and clarify technical issues, including the cost of council services, how this compares to the annual budget report and how it was financed. The accounts also contain information on the value of the council’s assets and reserves, and the short and long term liabilities including the local government pension scheme.

The draft audit report to the audit committee for the 2021/22 Statement of Accounts by our external auditors, Ernst and Young, gave the following audit opinion:

> “In our opinion, the financial statements:
>
> -give a true and fair view of the financial position of London Borough of Newham and the Group as at 31 March 2022 and of its expenditure and income for the year then ended; and
>
> -have been prepared properly in accordance with the CIPFALASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.”

There are national issues across the whole sector affecting the audit of local authority accounts, and as a consequence the audit of the 2022/23 Statement of Account has been delayed. This is explained in a public notice published on the Council’s website.

Treasury Management

The Audit Committee reviewed the development of future Treasury Management Strategy prior to its presentation to Council for approval on 29 February 2024. Our Audit Committee also received mid-term and annual reports on the extent of compliance with the approved Treasury Management Strategy and an analysis of the performance against the targets set. During the year, the Audit Committee recommended the Treasury Management Strategy and performance monitoring reports for Council approval.

Governance Overview

The Annual Governance Statement outlines how we have managed and controlled the organisation's resources over the previous municipal year, and the systems of control and compliance which are in place. This gives a sense of our stewardship, discharge of responsibilities and consideration of any risks and deficiencies. In this section providing an overview of governance, we have highlighted the areas of Children's Services, Adult Social Care and Housing as areas where, over the past year, there has been activity and reflects the wider regulatory and inspection frameworks in these areas, beyond significant governance issues. Significant Governance Issues identified from last year and for the year ahead are also listed.

Children's Services

Following on from the Inspection of Local Authority Children's Services in 2022 where Newham Council was graded Good overall with Outstanding for Leadership, Ofsted carried out a focused visit into the experiences of care-experienced young people in January 2024. OFSTED summarised in their report:

"Since the last ILACS inspection in 2022, improvements to the care-experienced young people service have been sustained and the leaving care services remain highly effective. Workforce stability has helped ensure that the needs of most care experienced young people are well met. Care-experienced young people and those aged 16 and 17 and moving into adulthood are well supported, with the vast majority (including those who live out of the borough) in suitable and stable accommodation. Care-experienced young people with specific additional support needs, such as risks linked to criminal exploitation and serious youth violence, receive strong and effective support."

"Leaders and managers at Newham know their service well. Staff enjoy working in Newham and feel well supported by visible and caring managers and senior leaders. Staff report manageable workloads that enable them to undertake reflective work with their care-experienced young people. Managers know that recording of oversight needs to be more consistently evidenced on records, as there were some gaps in the frequency of supervision; managers are committed to improving this. Quality assurance activity has been strengthened and is impacting on practice, and audits are enabling a better understanding of the service and the impact of work on outcomes for care-experienced young people."

There are appropriate governance arrangements in place for the Youth Justice Service which in the coming year will be strengthened through the development of a Youth Safety Strategy and the Lead Member taking over the chairing of the Youth Justice Services Management Board. An HMIP inspection is expected to take place in the coming year.

Following the Local Area Special Educational Needs and Disabilities (SEND) Inspection in December 2021, a Written Statement of Action was required because of areas of weakness in the area's practice. A Written Statement of Action group has been established with oversight by the Department of Education. A SEND Executive Board oversees the SEND and Inclusion Strategy which was launched in December 2023. The SEND and Area Practice Development Board reports into the SEND Executive Board and oversees operational groups which improve areas of practice across the local area. The annual Self-Evaluation of SEND has been completed, noting improvement across all areas of the partnership, education, social care and health.

Further information on our actions can be found in the tables of Key Governance Issues, which list significant governance issues.

Adult Social Care

The Council has a legal responsibility to assess the needs of any resident or Carer living in the Borough who appears to have a need for care and support, and to then determine whether those needs are eligible for this provision from the Council, as stipulated in The Care Act (2014). Regular review enables practitioners to see what is and is not working, and if the support provided is fit for purpose.

Home Care

Home Care is one of the main care and support options provided to meet eligible needs in Newham - to enable residents to maintain their independence and quality of life in their own home. This care and support are delivered by local Providers who are registered with, and inspected by, the Care Quality Commission (CQC). Within the Home Care commissioned services, 19 providers were rated as “Good”, three as “Requires Improvement” and one provider was not inspected. The Directorate currently purchases Home Care from Providers appointed to the Independent Living Support Service (ILSS) Framework Agreement. The Agreement is the Directorate’s largest contract, both in terms of spend (approximately £28m per annum) and number of residents (approximately 2,000 at any one time receiving a collective 29,000 hours of care and support per week

Care Homes

Newham Council also provides Adult Social Care in care home settings to our residents who are not able to live independently. The Council has a duty of care towards the residents it places in a Care Home, as well as to those placed by other funding authorities and self-funders who choose to live in a Newham-based Care Home. As such, the Council is responsible for ensuring that every Care Home in the borough is a safe environment which meets agreed quality standards; and that our residents have the right level of care and support in place. It also has a duty to shape and maintain an effective market of services for meeting care and support needs in the local area.

Further information on our actions can be found in the tables of Key Governance Issues, which list significant governance issues.

Housing

London boroughs, including Newham, are experiencing a homelessness crisis. The unprecedented reduction of accommodation in the private rented sector coupled with other economic factors has severely exacerbated the housing crisis in Newham and the number of households in Temporary Accommodation (TA), with a 26% increase in homelessness applications, in 2023/24 and a 14% increase in TA numbers. A reduction in the availability of affordable private rented sector accommodation has limited the options for moving on from Temporary Accommodation.

Activity by the Regulator of Social Housing

In October 2023 the Council was investigated by the Regulator of Social Housing (RSH), following a referral from the Housing Ombudsman. The referral resulted from an Ombudsman finding of severe maladministration in a case concerning damp and mould in council housing property. The RSH’s investigation centred on damp and mould case management, as well as delivery of responsive repairs. As part of the investigation, the Council provided the RSH with information on the steps being taken improve the management of the Repairs Service, including the completion of a backlog of repairs jobs. The RSH's investigation concluded in March 2024, with a finding that the Council had not breached their Consumer Standards.

The RSH's proactive programme of inspections of social housing providers, under the Social Housing Regulation Act 2023, launched in April 2024. The RSH notified the Council in April that they would be carrying out a programmed inspection of the Housing Service. The two-day onsite element of the inspection occurred in late May 2024. The outcome of the inspection is due to be published in late July/August 2024.

Peer Review

The LGA Review identified Temporary Accommodation as the single biggest issue that Newham Council faces. The Peer Review Team noted the good work within the Housing, Property, Transformation and Finance teams and the introduction of the Homelessness Response Programme (HRP), a corporate effort to support the Housing Service to deliver the housing-led actions under the Homelessness and Rough Sleeping Strategy.

As part of this strategy, Newham Council has launched an acquisitions programme for properties to be used as temporary accommodation. Although the challenge remains acute, progress has been achieved, including a reduction in costly nightly paid (hotel) placements. However, given the scale of the challenge, this needs to be escalated further so there is a whole organisational ownership of the temporary accommodation pressure. Mitigation will require the whole organisation, led by Members and Senior Officers, to recognise and grasp the challenge.

The HRP is currently going through the process of gateway review by an independent agency to identify any possible gaps or areas needing increased focus. A Temporary Accommodation and Supply Board (TASB) has also been set up as central to LBN's new governance processes.

Temporary Accommodation and Supply Board

This board is chaired by the Chief Executive with the aim of ensuring a co-ordinated and focused approach towards maximising housing supply for the provision of Housing Services; Children's Services and Adults. Performance against the HRP work streams will be reported into and scrutinised by the TASB, enabling identification and progress of opportunities and escalation of any challenges. More specifically, the TASB will identify opportunities where capital can be used more effectively to deliver return on investment and relieve pressure on revenue budgets, and to commission joint initiatives where a cross-council view is needed on housing issues and increase transparency, visibility, and communication of housing supply and maximisation activities.

Housing Ombudsman

An investigation by the Ombudsman in March into the use of B&B for households with children concluded that there were no further recommendations for the actions the council should take as 'the Council had already identified the problem and has shown it is taking appropriate action to address the issue. This has already shown a significant and consistent decrease in numbers of families in B&B accommodation since July 2023. Further information on our actions can be found in the tables of Key Governance Issues, which list significant governance issues.

Key Governance Issues for 2022/2023

Control Area	Governance Issue	Update	Responsible Officer for subsequent action
ICT	Cyber Security	**Issue**: The nature of the council's business activities means that there are ongoing information governance risks, including cyber security and IT network security, which continue to require careful management **Update for 2023/24:** resolved **Current Controls** All the plans that we have in place have sufficiently mitigated so that this is no longer an ongoing governance issue. A new Digital Data and Technology Oversight Board is due to be set up to oversee Digital Data and Technology governance. This new board has yet to meet to agree terms and conditions, the forward plan and technology roadmaps. As of last year, the Council was behind in its refresh programme activity. Since then, significant work has been undertaken to ensure that some of the estate is now mitigated and managed effectively. Whilst this does not completely eliminate the risk, it does significantly reduce the likelihood. The Network Refresh Programme is in pilot and pending capital approval to put into place new technology and security controls to mitigate known issues with the network technology and configuration. Delivery is monitored by the Senior Information Risk Owner (SIRO). Our Security Operations Centre service, provisioned via a third party, is enabling significant uplift in our ability to detect malicious attacks and has been successful in mitigating several vulnerabilities. A plan has been constructed with our cyber security partners. Critical and High Vulnerabilities identified are being remediated, including addressing the significant infrastructure technical debt with upgrades to new hypervisor technology, new backup solution, remediation of patching backlogs etc. Technical vulnerabilities are reducing. Further progress will be made through the Stabilisation Programme with a move to zero trust principles.	Amit Shanker

Control Area	Governance Issue	Update	Responsible Officer for subsequent action
		Key mitigations are in place to protect entry points to our network (Multi Factor Authentication, Security Operations Centre, etc.) and improvements in protecting our backups to enable the Council to recover its data in the event of a cybersecurity incident. This reduces the likelihood of an attack being successful. Should these measures fail, there is still a serious residual risk that self-hosted systems in our Data Centre would be lengthy and difficult to recover. Proposed actions to mitigate unacceptable risk exposure include splitting oneSource IT and bringing it back in-house to Newham, as per Cabinet approval in March 2024. The current plan for Newham Council's IT is to proceed with necessary steps to modernise our IT infrastructure and introduce more modern and secure IT best practices after the oneSource IT team have been transitioned to Newham and an outsource partner secured. The latest plan shows this will be from May 2025. Regular vulnerability scanning of the network and remediation as needed on all high/critical risks is an ongoing effort. Combined with the current control protecting entry points to the Newham network, and our improved ability to recover data, reduces the likelihood of an attack being successful. Staff and councillor training in addition to awareness activities around cyber security best practices continue on an ongoing basis to strengthen our posture.	
ICT	ICT Infrastructure	**Issue**: There have been some concerns with the availability of important IT systems such as the telephony system, which must be assessed on a regular basis to ensure that no serious IT outage disrupts the delivery of Council services. **Update for 2023/24:** resolved Progress is being made migrating Skype telephony users to Teams telephony users. oneSource is due to complete this migration by early summer 2024. Cloud adoption and remediation work will commence May 2025 as part of the ICT split programme, which will form part of a new Managed Service Provider contract deliverables. Cabinet approval for the Cloud ICT procurement was received in March 2024. The summary benefits of the proposed technology split and modernisation activities are listed below:	Amit Shanker

Control Area	Governance Issue	Update	Responsible Officer for subsequent action
		• Modern Cloud IT infrastructure, ensuring reliability, stability and performance, minimising disruption to Council services • Modern Cloud technology platforms are scalable, flexible and can support faster business innovation • Improved capability to enable data-driven insights, the design of effective digital services for staff and residents, and the creation of innovative digital solutions • Improved cyber security, protecting Council data and reputation • Improved accessibility of digital services for residents and staff • Council staff have modern productivity and collaboration tools on their devices • Sovereign control over IT services and IT Finance • The legacy Council data centres can be decommissioned towards the end of 2025 / early 2026. Our new contact centre telephony infrastructure was commissioned via RingCentral in May 2023 and is fully stable and working effectively. This modernisation has brought several new tools into the contact centre management. System to monitor and assess our response on an ongoing basis.	
Information Governance	GDPR	**Issue**: The Council will need to ensure that it has appropriately satisfied its duty in relation to the GDPR practices especially around document and information management especially sensitive data that require extra diligence. **Update**: The organisation has made some progress here with more to come. The Council provided information governance training across the organisation and more work has been undertaken around document management system and procedures. **Further Update for 2023/24:** ongoing - a full update position was submitted to the Audit Committee in May 2024 There are many component parts to becoming compliant with GDPR which are not yet completed but progress has been made on some and planned on several more. The Information Governance Board continues to provide oversight of Information Assurance and acts as an escalation point to the SIRO. All Information Management policies have been reviewed and updated via approval at the Information Governance Board. A new information governance intranet website has been launched during the year for Newham staff and partners.	Amit Shanker

Control Area	Governance Issue	Update	Responsible Officer for subsequent action
		A capital bid has been submitted for July 2024 to implement an accurate Record of Processing Activities (RoPA) in line with Article 30 and GDPR requirements. A revised training system with an improved ability to track compliance has been released to staff, alongside Phishing simulations. Ongoing cyber vulnerability scans are performed ongoing, giving visibility and warning to potential cyber and Information Governance (IG) threats. Accurate security records are now in place and adopted into practice, including network diagrams, patching policy and firewall configurations. In progress is the formulation of a project to understand the content and volume of paper records held, to be followed by a project to re-index and store retained data in line with the Council's retention schedule. The Capital funding bid is included as part of Cabinet considerations in July 2024. Work will commence in June 2024 on the identification of Information asset Managers.	
Corporate Governance	Scrutiny	**Issue**: Greater collaboration between the Overview and Scrutiny Committee and the executive branch to improve decision-making robustness and develop strategies to guarantee that the scrutiny function is supported in carrying out its statutory tasks. **Update**: The organisation has commissioned a scrutiny review to look into ways to improve the function of scrutiny throughout the organisation. **Further Update for 2023/24:** resolved During 2023-2024, there has been marked progress in improving the scrutiny function at Newham, with some notable progress in key areas of the delivery of the function, but with further development and improvement also assessed and planned in 2024-2025. There has been improved collaboration between the Overview and Scrutiny Committee and the executive branch through monthly meetings between the OSC Chair and the Mayor to go through matters arising, reports requested and any general issues for Overview and Scrutiny, along with meetings between Executive portfolio holders, officers and scrutiny chairs around the year to discuss forthcoming scrutiny committee meetings and reports.	Kirk Dede

Control Area	Governance Issue	Update	Responsible Officer for subsequent action
		Operationally, there has been clearer report requesting, with templates to set out the detail of reports requested to scrutiny committees and deadlines, and the development of clearer procedures for the presentation and response of scrutiny reports and recommendations to the Executive and the development of an Overview and Scrutiny Objectives Framework to help plan and assess the function. The Corporate Leadership Board (CLB) has been more engaged as well, with reports to CLB on the development of the Scrutiny Work Programme and feedback on the ongoing development of the scrutiny function. This progress will be further developed in the new municipal year with further engagement with Executive and CLB on the new Annual Scrutiny Work Programme 2024-2025 and clearer pre-committee engagement between Scrutiny Chairs, Cabinet Members and officers and the finalisation and implementation of an agreed Governance and Scrutiny Development Action Plan. The Centre for Governance and Scrutiny was commissioned to undertake an external review of the Scrutiny function and delivery in Newham. This produced a report and recommendations in September 2023, which also cross-referenced the LGA Peer Review in December 2023. The CfGS Scrutiny Improvement Review considered key aspects of the Scrutiny process at Newham Council, specifically: - • The outcomes and impact that scrutiny secures. • Roles and responsibilities. • Relationships. • Access to information. • Work programming. • Activity in meetings. • Resourcing. The outcomes of this work have been taken forward with key stakeholders, including the Chair and Members of Scrutiny Committees and a Scrutiny Development Action Plan has begun to be drafted against key areas for	

Control Area	Governance Issue	Update	Responsible Officer for subsequent action
		improvement outlined in the report, as well as informing practice. The Annual Scrutiny Work Programme was reviewed in December 2023, with significant changes to refocus work on priority issues where Overview and Scrutiny could provide impact. The LGA Peer Review Newham's 2023 Corporate Peer Challenge – Report and Action Plan was published in March 2024 and recommends the development and implementation of a robust and comprehensive action plan to improve the Council's Overview & Scrutiny function. It also recommends an evaluation of the improvements achieved and identify areas for further enhancement at the end of the first year of the action plan, with external agency input[3]. A series of Governance Development Workshops are being planned for directly after the Council Annual Council Meeting in May 2024, to coincide with the new appointments to the Council's scrutiny committees, which will engage members and officers in the development of the final Governance and Scrutiny Development Action Plan and the production of a Governance and Scrutiny Evaluation Plan. A review of the Scrutiny process against the improvement plan and key objectives for Overview and Scrutiny is planned to take place in March 2025, with interim assessments of progress against the plan during the 2024-2025 municipal year, which will include input and oversight from an external agency with expertise in the field of governance and scrutiny, as well as peer review and observations from other local authority practitioners.	
Children's Services	SEND High Needs Block	**Issue:** There is a £17.4m deficit on the high needs block of the DSG (Dedicated Schools Grant). A temporary legislative provision enables the council to carry this forward, against normal accounting practice, but this is scheduled to expire in 2026. Although the issue is a national one Newham does not yet have a costed and agreed action plan to eliminate the deficit over a reasonable period **Update for 2023/24:** ongoing	Laura Eden

[3] Newham Council's 2023 Corporate Peer Challenge, Recommendation no. 9 *Overview and Scrutiny*. Available online at: https://www.newham.gov.uk/downloads/file/7293/newham-2023-corporate-peer-challenge-final-action-plan. [Accessed 2 May 2024.]

Control Area	Governance Issue	Update	Responsible Officer for subsequent action
		£3m was the target in the 2023/24 deficit recovery plan and this was surpassed by a further £1.6m reducing the deficit by £4.6m in 23-24. This means the revised balance of the deficit is £12.8m. There is a further target for in-year deficit reduction in the High Needs Block for 2024/2025 and the following years. The Delivering Better Value programme supported the implementation of the DSG Action Plan over the medium term.	
Corporate Governance	Constitution review	**Issue:** The Council has planned to undertake a constitution review as a commitment to improving transparency. **Update**: The constitution review is now underway **Further Update:** In October 2023, a new code of conduct for Members was adopted and consultation commenced on a new procedure for handling such complaints. An informal cross party working group of Members has been established to review key changes to the Constitution, prior to consideration at Standards Advisory Committee and submission to Council for approval. The new Council Procedure Rules were adopted at the Annual Council Meeting in May 2024. The new code of conduct complaints procedure; a new Scheme of Delegation and revised Members Allowances scheme will be submitted to Council for approval in July 2024. An action plan and timeline for completion of the remainder of the review is being developed. Further sections of the Constitution are to be reviewed at the Autumn and December Council meetings, with the review concluding in December 2024.	Satish Mistry
Housing	Temporary Accommodation	**Issue**: The cost of implementing the Temporary Accommodation (TA) duty exceeds the existing available budgets, putting a strain on total council expenditures. **Update:** ongoing The temporary accommodation budget has had to rapidly increase to meet extreme demand, growing from £13m in 2022/23 to £22m in 2023/24, and now totals £40m for the 2024/25 financial year. Despite this, an overspend in the region of £25m is forecast for 2023/24, with price increases far exceeding budgeted expectations, for example average costs for the 3,500 households in temporary accommodation rose by 3% in just the single month of March 2024. This level of	Darren Levy

Control Area	Governance Issue	Update	Responsible Officer for subsequent action
		overspend has clearly put the Council under severe pressure and will result in reductions to reserves at the end of 2023/24, but it is even more concerning if these trends continue to outstrip the budgets set. The following actions and mitigations are being pursued and enacted: - Sourcing temporary accommodation in the boroughs of Harlow, Chatham and Slough - Using void properties, in the Council's Housing Revenue Account (HRA) housing stock, to house homeless households - Acquisitions of properties to house homeless households - Reviewing the Temporary Accommodation Placement Policy - Making proactive approaches to private landlords to acquire their properties - Using uncommitted capital funding, from the "Affordable Homes for Newham 2" programme, for acquisitions of properties that have been bought under the Right to Buy - Using the Council's nomination rights for Registered Providers' void properties for direct offers to households in Temporary Accommodation. It remains a significant and probable risk that the above actions will prove insufficient. Against this risk, £3m+ of general contingency is being held, and in addition steps are being taken to avoid other overspend pressures developing across the Council. The Council's internal governance has been overhauled and the creation of a Financial Management Board will focus on ensuring departments and services stick within their set budgets, deliver existing savings and that the required savings targets coming from the Medium-Term Financial Strategy are met with realistic proposals. Ultimately, if there are continued overspends, these will have to be met from the reserves available as detailed in our Going Concern Statement, but this is not a sustainable solution and further action will be required from the Council as a whole.	

Key Governance Issues for 2024/2025

Control Area	Governance Issue	Update	Responsible Officer for subsequent action
The Dedicated Schools Grant	Deficit	**Issue**: There is a £12.8m deficit on the High Needs block of the Dedicated Schools Grant (DSG). A temporary legislative provision enables the Council to carry this forward, against normal accounting practice, but under current plans this is scheduled to expire in 2026. Although the issue is a national one, Newham Council is taking steps to reduce this deficit in a reasonable manner over the medium term. **Update**: N/A	Laura Eden
Temporary Accommodation	Overspend	**Issue**: National policy which has a financial impact on all local authorities, including Newham Council. As a result, Newham Council experiences financial consequences of central government funding and policy (in the form of budgetary overspend) **Update**: N/A	Paul Kitson
Housing	Standards	**Issue:** Assurance about Newham Council's compliance with the 'Good Home standards' and continuing oversight of key areas such as damp and mould, fire safety, etc. Implementation and oversight of any recommendations and/or plan which may emerge from the Housing Regulator's report. **Update:** N/A	Paul Kitson / Darren Levy
Greenhill and John Street	Contract Variations	**Issue**: Loss of controls in management of costs in two Capital programmes resulted in increased costs. Deeds of variation were entered into the two following contracts with Higgins: • Greenhill revised and varied from £32.3m to £43.1m, plus a 5% contingency of £2.2m • John Street revised and varied from £23.4m to £32.2m, plus a 5% contingency of £1.6m These resulted in substantial overspends. Amendments to the John Street and Greenhill contracts are being progressed by way of a deeds of variation to the existing Joint Contracts Tribunal (JCT) Design and Build Contract (with council amendments). Authority to enter into the deeds of variation was agreed at Cabinet in April 2024. Delegated approval through a non-key decision is presently being obtained from the Corporate Director of Inclusive Economy & Housing, in consultation with the Cabinet Member for Housing and the Portfolio Lead for Inclusive Economy, Housing Delivery and Climate Emergency and Performance and Transformation.	Paul Kitson / Darren Mackin

Control Area	Governance Issue	Update	Responsible Officer for subsequent action
		Update: N/A	
LGA Corporate Peer Challenge	Organisational improvement	**Issue**: The LGA Corporate Peer Challenge Review, identifying areas for improvement across the organisation, including governance and culture, was a major event in November 2023. Newham Council had not been reviewed by the LGA for ten years and the organisation is approaching this review as a learning and improvement opportunity. The LGA Report was published on 1 March 2024 and the Action Plan was published on 2 May 2024. The Council is working towards the 11 recommendations in the LGA report.] **Update**: N/A	Abi Gbago/CLB
Human Resources: Appraisals	Organisational improvement	**Issue**: Delivery of the Workforce Strategy. Persistent failure to meet an internal organisational target identified as important by CLB. The rate of appraisals conducted within the organisation is below the target previously set by CLB and has been mentioned as an issue of concern by the Audit Committee. Until the oneSource split, Newham Council did not have a dedicated workforce strategy and, as part of this, the framework around our people processes and cultural transformation lacked an aligned approach and focus. For example the approach to the performance review was perceived as a task and a one-off activity as opposed to a critical opportunity to coach and to align objectives to our corporate plan, to ensure that our focus on activity was measured and prioritised with clear performance outcomes, that colleagues had a motivational conversation with quality feedback to enable their best contribution. As a result of a lack of aligned approach, engagement with the process and completion rates were lower than our desired benchmark of 90%. We anticipate as we take a robust approach to finessing our performance process, developing our performance culture and embedding our workforce planning that we will enable and execute a better engagement with review completion. We will be focused on performance recognition and management of capability and will be ensuring that our values and the behaviours of leaders place an accountability and empowerment culture within their teams. Part of this will be to continue to enforce that a quality performance review completion for all team members and for those in SMR grades and above will be a requirement in order to receive a salary increment. **Update**: N/A	CLB/Julie Harris

Organisational Assurance

Any organisation's ability to be resilient and achieve its policies and objectives will depend upon its capacity to control risk, maintain compliance with regulatory and statutory frameworks, and to exercise effective governance. This is achieved through a combination of external and internal audit. Within the organisation, we have services which evaluate the effectiveness of our risk management, control and governance processes, in line with statute.[4] These services include Internal Audit, Counter Fraud and Corporate Resilience.

External Audit

As stated previously, our external auditors are Ernst and Young. There are national issues across the whole local government audit sector affecting the audit of local authority accounts, and as a consequence in order to clear the national backlog of audit opinions, the audit of the 2022/23 accounts will not be undertaken. Our external auditors will instead proceed to the audit of Newham Council's 2023/24 accounts.

Internal Audit

The Audit Committee Chair has requested that we produce a quarterly internal audit plan so that we can work flexibly to allow for changes in the risk and operational environment in which the Council operates. The first Committee meeting was held on 12 April 2023 and quarterly, thereafter. The 2023/24 Internal Audit, Risk Management, Assurance and Counter-Fraud work plans were produced with reference to the strategic and directorate risk registers; and informed through discussion with Senior Leadership Teams for each directorate.

As of 31 March 2024, 71 (60%) of audit recommendations had been fully implemented and 15 (13%) were underway. The 2023/24 audits were:

Audit Name	Grading/ Status
Scaffolding and Hoarding Licenses	Moderate/Reasonable
Financial Assessment (Adults)	Moderate/Reasonable
Leaving Care (CYPS)	Substantial
Recruitment (Adults)	Limited
Transparency Code Compliance (all areas)	Reasonable
Populo Governance	Advisory work
Housing Allocations	Reasonable
GDPR follow up	Limited
Direct Payments (Adults)	Reasonable
Strategic Investments (Resources)	Reasonable
VAT (Resources)	To be determined
Educational Asset Management (Resources)	To be determined
Car Pound income (Environment & Sustainable Transport)	To be determined
Council's Savings Plan (Council wide)	To be determined

The team continued to deliver work programmes including assurance reviews of the Council's financial and operational systems, computer audit reviews, corporate and social housing fraud investigations, fraud awareness training, corporate governance and risk management reviews, and compliance reviews to check adherence to policies, procedures, and systems.

[4] Accounts and Audit Regulations 2015.

Veritau has provided its Head of Internal Opinion (included at Annex I).

Risk Management

Deep dive risk reviews continued across the service areas. This is to ensure that risks were relevant and current, were updated with realistic target scores, and had internal controls as well as mitigating actions. In addition to quarterly reporting of corporate risks to the Audit Committee, there is also rolling reporting of directorate risks.

Counter Fraud

Management oversight and internal controls alone cannot guarantee the detection of fraud and corruption, nor can these give an overall assurance opinion on counter fraud. Managers therefore have responsibility for ensuring that there are adequate controls in place to manage the risk of fraud and corruption.

The size and complexity of the Council mean that some irregularities are inevitable, and when these arise, the Counter Fraud Team deploy resources to investigate these. Whilst responding to fraud allegations raised internally and externally, the Counter Fraud Team also had a proactive schedule of activity which includes Fraud Awareness Training and intelligence-led data matching projects.

Corporate Resilience

The Resilience Team is the corporate lead on matters relating to the Council's capacity and capability to prepare for and respond to emergencies, service disruptions and is responsible for the development of resilience in the community.

The team has developed plans in support of the above responsibilities, including a training and exercise programme and a communication strategy to maintain the efficacy and visibility of these functions for the organisation.

The programme of work for 2024/2025 includes a range of activities to develop and ensure Newham's preparedness remains focused on current risks and current practices. Objectives this year include:

1. Business Continuity
    - The delivery of a revised Business Continuity Management System (BCMS)
    - The delivery of a revised business impact analysis / risk protocol within the Council
2. Documentation
    - The introduction of a programme to review and revise plans and supporting documentation
    - The updating of all contingency plans and other response documentation
3. Training
    - The production and delivery of a continuous rolling training programme to all on-call teams via quarterly briefings.

Scrutiny

Scrutiny at Newham Council is carried out by one Overview and Scrutiny Committee which scrutinises a variety of cross-cutting issues, including the Council's financial and budgetary performance. The Overview and Scrutiny Committee also establishes scrutiny commissions to carry out its work. Each scrutiny commission has a different remit and examines local services across the public sector, broadly mirroring Executive Members' portfolios and the services within those portfolio areas. The scrutiny commissions are made up of elected Councillors who are not part of the Council's Executive, together with some co-opted representatives from relevant local organisations, such as school governors.

The Annual Scrutiny Report 2023/24, which was presented to full Council in May 2024, highlighted the scope of the Overview and Scrutiny Committee and the scrutiny commissions. Over the course of the municipal year, the scrutiny commissions shaped Council policy, conducted in-depth reviews and produced reports about their investigations, conclusions and recommendations. These can be found on the Council website and include the Budget Scrutiny Commission, the Local Plan Scrutiny Commission, Maternal Health Inequalities and the "Right Care, Right Person" Reports.

OVERVIEW AND SCRUTINY COMMITTEE

- Budget Scrutiny Commission – an annual scrutiny commission which is a key part of the Committee's annual work programme. The Budget Scrutiny Commission conducted review of in-year budget performance review which involved questioning leading members and officers about the draft budget proposals.
- Crime, Environment and Regeneration Scrutiny Commission
- Education, Children and Young People Scrutiny Commission
- Health and Adult Social Care Scrutiny Commission
- Inner North-East London Joint Health Overview and Scrutiny Committee (participatory member of this external scrutiny committee)
- Housing and Resident Experience Scrutiny Commission
- Local Plan Scrutiny Commission (task group)
- Relationship Between Black Boys and the Borough Scrutiny Commission (task group)

- Call-in requests: 10 Victoria Street

Contract Procedures, Rules and Waivers

The Contract Procedural Rules (the 'CPR') and the Contract Standing Orders (the 'CSO') together set out how the Council authorises and manages third party spending. This includes all types of goods, works and services. These standing orders are made under s135 of the Local Government Act 1972 and provide the instructions and rules which officers must follow in relation to procurement activities. All Members and Officers are required to comply with these CPR/CSO and to abide by the Public Contracts Regulations 2015 or any subsequent revisions that come into force from time to time. We have a responsibility to do this in a transparent way that offers best value to residents.

During the year, the procurement team provided service areas with a quarterly report of all active contracts which includes those that are due to expire within the next 18 months. The Team proactively updates the contracts register with any periodic updates from services. Quarterly reports of contract procedure rule waivers and breaches are provided to the Audit Committee.

A waiver of the procedures is not a negative act, as it can be a tool to act in the Council's best interest, provide a quick solution to an emergency and be permissible under law. Waivers are subject to a high level of assurance and best value must also be demonstrated and achieved as part of the waiver request process. Service areas are required to complete mandatory actions to reduce both the risk of future waivers and breaches.

All procurement activity and waiver requests are subject to rigorous compliance checks, as outlined in the CPR/CSO, such as:

- The regulatory framework by which Authorised Procurement Officers (APO) involved in purchasing activity are both adequately trained and ensure compliance with relevant legislation
- 'No Purchase Order, no Pay' policy
- The Procurement Gateway Process
- Mandatory use of the procurement portal.

Contract Management is delivered by the respective service areas with a responsibility to ensure contract monitoring, compliance with relevant policies and deliver Value for Money throughout their contract life cycle.

All procurements, purchasing activity and Concessions conducted by the Council, together with awards and day-to-day management shall embody and comply with the Council's own procurement procedures as contained in the CPR/CSO and the Scheme of Delegation.

Managing our Council Companies

During the year, the Council significantly strengthened its governance of the Council's companies through the Investment Activities Oversight Board (IAOB). The Investment Activities Oversight Board is mandated to provide a key governance function for the Council's investment portfolio. It ensures correct application of the associated governance framework providing the Council with strategic oversight of all interests and investments; increasing transparency and communication, governance, and control.

The IAOB provides scrutiny and direction on the Council's wholly owned Local Authority Trading Companies (LATCOs) (with the exception of Populo which is governed by a separate shareholder board), ensuring compliance with existing agreements, business plans and delivery of optimal value for money. The Council's portfolio currently includes six wholly owned companies, one limited shareholding (49%) company and one company which is limited by guarantee.

Since externalisation, the IAOB has overseen the dividend return by LATCOs of over £1.5m into Newham Council. In addition, all LATCOs pay London Living Wage to their staff and over 50-60% are Newham residents living in the Borough.

The companies are:

- **Populo Living Limited (wholly owned development vehicle) and Design and Build Limited (Populo subsidiary)**
- **Wholly-Owned Local Authority Trading Companies:**
  - **Early Start Education Limited**
  - **Early Start Group Limited**
  - **Enabled Living Healthcare Limited**
  - **Juniper Ventures Limited and its subsidiaries**
  - **London Network for Pest Solutions Limited**
- **The Language Shop Limited (limited shareholding)**
- **Better Together Limited (limited by guarantee)**

Learning Lessons

The Council has been keen to improve and strengthen our governance and commissioned external reviews of our organisation, taking a full-system approach.

At the end of the 2022/23 cycle, Newham Council had commissioned the Centre for Governance and Scrutiny (CfGS) to undertake a review of the organisation and its scrutiny function. The aim of this review was to help evaluate and guide the function's development in accordance with the Council's ambitions for accountability, transparency and greater engagement. Following the report of the CfGS in October 2023, an action plan is in progress and learning is already being implemented and embedded.

In November 2023, the Local Government Association (LGA) conducted a Corporate Peer Challenge within Newham Council. Following the LGA's three-day visit, the Council published the Corporate Peer Challenge report with the findings. The LGA report in March 2024 referenced the findings of the Scrutiny Improvement Review and recommended a series of governance and scrutiny development workshops for improvements in 2024 and beyond. The Council's Action Plan was published on 2 May 2024, setting out how the Council plans to address the 11 recommendations in the LGA report.

Conclusion

TO BE CONFIRMED UPON FINALISATION

Rokhsana Fiaz OBE
Mayor

Abi Gbago
Chief Executive

ANNEX I- VERITAU: HEAD OF INTERNAL AUDIT OPINION: 2023/2024

1 Introduction and background

1.1 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS). The PSIAS require that the Head of Internal Audit presents an annual report to the Audit Committee. The report must include an opinion on the adequacy and effectiveness of the council's framework of governance, risk management and control. The report should also include:

a) any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
b) any particular control weakness judged to be relevant to the preparation of the annual governance statement
c) a summary of work undertaken to support the opinion, including any reliance placed on the work of other assurance bodies
d) an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme, including a statement on conformance with the PSIAS.

1.2 Following a competitive tendering process, Veritau was appointed to support delivery of the council's internal audit work during 2023/24. Veritau is a public sector shared service company, established in 2009, that delivers internal audit services to a number of local authorities, schools, academies, and other public sector bodies.

1.3 From 1 April 2023, Veritau has been contracted to deliver 12 'core' audits in areas relating to the council's systems of governance, risk management, and internal control. From 1 September 2023, Veritau has also been contracted to deliver eight maintained schools audits.

1.4 Core and maintained school internal audits were assigned to Veritau under direction from the council's Head of Internal Audit, with these selected from a longer list of potential engagements included in the contract specifications. Core audits were undertaken following Veritau's internal audit methodology while maintained school audits were undertaken following set work programmes specified by the council's internal audit service.

1.5 While Veritau has been completing core and maintained schools internal audit engagements, the council's in-house service has continued to undertake other key internal audit activities, including liaison with senior management, preparation of reports and attendance at audit committee meetings, administering the follow-ups process, fulfilling support and advice requests, and completing grant certifications.

1.6 Following the departure of the council's former Head of Internal Audit in December 2023, the council entered a short-term arrangement with Veritau to deliver the Head of Internal Audit annual report on behalf of the council's internal audit service. This arrangement was put in place as the PSIAS require that the annual opinion be delivered by a Head of Internal Audit who is suitably experienced and who holds a relevant professional qualification (CMIIA, CCAB or equivalent).

1.7 The officer currently fulfilling the council's Head of Internal Audit role has a background in counter fraud work, and they hold CIPFA's Accredited Counter Fraud Specialist designation. Counter fraud is an area of particular focus for the council, and it has therefore deemed this officer an appropriate person to lead the service. However, the council's internal audit service does not currently have an individual who meets the PSIAS proficiency standard. This report has therefore been prepared by a Veritau colleague who holds the CMIIA designation.

2 Overview of internal audit activity

2.1 This report brings together all aspects of internal audit work in the period April 2023 to May 2024. This includes work undertaken by Veritau to deliver core and maintained school audits and the work of the council's in-house internal audit service.

2.2 11 core internal audit engagements have been delivered during 2023/24. A 12th audit, of the council's void management process, was started during quarter four but not completed. A request was made by the responsible officer to postpone the audit while the council prepared for an inspection from the Regulator of Social Housing. This audit is now being considered for inclusion in the 2024/25 internal audit plan.

2.3 Seven maintained school internal audit engagements have also been delivered during 2023/24. The eighth audit was cancelled at the request of the school, with no replacement audit identified by the council's internal audit service.

2.4 The results from audits completed during 2023/24 have been reported to the committee throughout the year. Since the last progress report, four of the remaining five core internal audits have been finalised. The VAT accounting audit is in draft at the time of writing and is expected be finalised in the coming weeks. All seven maintained school audits have been finalised.

2.5 A summary of internal audit work undertaken during the year, and relevant to the opinion, is shown in the tables on the following pages. The tables also show other work undertaken by the in-house internal audit service to support the council during 2023/24.

2.6 Appendix A provides an explanation of Veritau's internal audit engagement opinions and action priorities. This should be referred to when interpreting the opinions given to core and maintained school audits. A maintained school summary report is also included at appendix B. This summarises the opinions from audits undertaken, details the priority of agreed actions and recommendations raised, and identifies themes which emerged during work performed.

Final internal audit reports issued

Audit	Reported to Committee	Opinion
Core audits		
Final reports issued		
Recruitment (Adults)	November 2023	Limited Assurance
Leaving care (CYPS)	November 2023	Substantial Assurance
LATCO governance: Populo (Council wide)	November 2023	No Opinion Given
Transparency Code (Council wide)	November 2023	Reasonable Assurance
UK GDPR compliance: follow-up (Council wide)	February 2024	Limited Assurance
Housing allocations (Housing)	February 2024	Reasonable Assurance
Direct payments (Adults)	July 2024	Reasonable Assurance
Strategic investments (Resources)	July 2024	Reasonable Assurance
Schools maintenance and development programme (Resources)	July 2024	Reasonable Assurance
Savings plans (Council wide)	July 2024	Substantial Assurance
Car pound (Environment & Sustainable Transport)	July 2024	Limited Assurance
Draft reports issued		
VAT accounting (Resources)	July 2024	Draft

Audit	Reported to Committee	Opinion
Maintained school audits		
Kier Hardie Primary School	July 2024	Substantial Assurance
Carpenters Primary School	July 2024	Reasonable Assurance
Woodgrange Infant School	July 2024	Reasonable Assurance
Colegrave Primary School	July 2024	Reasonable Assurance
Edith Kerrison Nursery School & Children's Centre	July 2024	Reasonable Assurance
Park Primary School	July 2024	Limited Assurance
Salisbury Primary School	July 2024	Limited Assurance

Other work completed in 2023/24

Internal audit work has been undertaken by the council's internal audit service in a range of other areas during the year, including those listed below.

• Follow up of agreed actions
• Follow-up audit: disbursement of Community Infrastructure Levy funding
• Grant certification work:
    o Supporting Families
    o Large additional restrictions grant
    o Biodiversity net gain grant

2.7 All recommendations made and actions agreed as a result of internal audit work have continued to be followed up by the council's internal audit service during 2023/24. This is to ensure that issues have been satisfactorily addressed. As a result of this work, the service is generally satisfied that sufficient progress is being made to address the control weaknesses identified in previous audits.

2.8 However, the committee's attention is drawn to two previous audits where implementation of recommendations and agreed actions has been significantly delayed:

- Cyber security (September 2021)
- UK GDPR compliance (March 2023)

2.9 According to the council's internal audit service's latest follow-up work, 18 recommendations remain outstanding from the cyber security audit completed in September 2021. This includes seven high priority recommendations. Outstanding recommendations were originally due for implementation between July 2022 and late 2023. The committee received a verbal update from the responsible officer at its 21 May 2024 special meeting. During the meeting, senior management suggested that a follow-up audit be undertaken during 2024/25. The purpose of this audit would be to provide independent assurance on the council's current cybersecurity arrangements and would involve re-examining areas of control weakness identified in the original audit.

2.10 The UK GDPR compliance audit, finalised in November 2023, was undertaken as a specific follow-up review of a previous compliance audit, completed in March 2023. The original report included 48 agreed actions. The most recent UK GDPR compliance audit (follow-up) found that 28 agreed actions remained outstanding. Given the limited progress that had been made following the original audit, the follow-up audit concluded that the council remained exposed to risk while the underlying control weaknesses are not addressed.

2.11 The UK GDPR compliance (follow-up) audit was presented at the 7 February 2024 meeting of this committee where the SIRO was in attendance to provide an update. It is important that officers complete agreed actions in line with the revised timescales contained in the report. This should see all actions completed by the end of December 2024. Further follow-up work is planned for 2024/25.

2.12 An overview of the follow-up work undertaken by the council's internal audit service up to the end of quarter four 2023/24 is shown in the table below.

Status of recommendations

Status	No.	%
Fully	71	60%
Partially	15	13%
Not	32	27%
Total due and audited	118	
Follow ups underway but not complete	39	
Not yet due	87	
Withdrawn	3	

2.13 A breakdown of actions which remained unimplemented at the end of quarter four 2023/24 is shown in the table below.

Outstanding recommendations

	Recommendation priority		
	High	Medium	Low
Azeus application (ICT/BSMI)	0	4	0
Cyber security (ICT)	7	9	2
GDPR follow up (ICT)	7	1	0
PCNs (E&ST)	0	2	0
Total	14	16	2

3 Professional standards: quality assurance and improvement programmes

3.1 In order to comply with the Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit is required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure that working practices continue to conform to the required professional standards. The results of the QAIP should be reported to senior management and the Audit Committee, along with any areas of non-conformance with the standards.

3.2 Since Veritau undertook a programme of internal audit engagements on behalf of the council during 2023/24, it is also necessary to outline Veritau's QAIP. Veritau's QAIP consists of various elements, including:

a) maintenance of a detailed audit procedures manual and standard operating practices;

b) ongoing performance monitoring of internal audit activity;

c) regular customer feedback;

d) training plans and associated training and development activities;

e) periodic self-assessments of internal audit working practices (to evaluate conformance to the Standards).

3.3 The standards also require external assessment of internal audit practices at least once every five years. An external assessment of Veritau's internal audit working practices was undertaken between June and August 2023, by the Chartered Institute of Internal Auditors. The report concluded that Veritau's internal audit activity generally conforms to the PSIAS[5].

[5] PSIAS guidance suggests a scale of three ratings, 'generally conforms, 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating. The external assessment report is available on request.

4 Head of Internal Audit annual opinion

4.1 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the council is that it provides Reasonable Assurance.

4.2 In giving this opinion, Veritau notes that the internal audit engagements undertaken, and the scope of assurance required, was determined by the council's internal audit service. The opinion is based solely on the results of work undertaken directly by Veritau, and a summary of work undertaken by the council's own in-house team, provided to Veritau. No reliance was placed on the work of other assurance providers in reaching this opinion.

4.3 In addition, there are two areas of significant control weakness which, in the opinion of the Head of Internal Audit, need to be considered for inclusion in the annual governance statement.

4.4 The first is the council's arrangements for recruitment. A Limited Assurance opinion was reached following completion of the work within the Adults and Health directorate. A number of findings were raised, including issues with retention of shortlisting and interview records, retention of evidence to support the completion of pre-employment checks, and non-completion of recruitment and selection training by panel members.

4.5 The second relates to the delays in implementation of high priority recommendations and agreed actions from the September 2021 cyber security audit and the March 2023 UK GDPR compliance follow-up audit. Cyber security incidents represent a major threat to data, system integrity, and operational resilience, and non-compliance with data protection legislation can attract potentially significant fines or other forms of censure from the Information Commissioner. While control weaknesses remain unaddressed, the council continues to be exposed to these risks.

APPENDIX A: AUDIT OPINIONS AND ACTION PRIORITIES

Audit opinions	
Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on 4 grades of opinion, as set out below.	
Opinion	**Assessment of internal control**
Substantial assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

APPENDIX B: MAINTAINED SCHOOL SUMMARY REPORT

Overall report rating	
Opinion	**Number of schools**
Substantial	1
Reasonable	4
Limited	2
No assurance	0
Total	**7**

Agreed action / recommendation rating	
Rating	**Number raised**
Priority 1	1
Priority 2	13
Priority 3	24
Total	**38**

Recurring themes

Governance – inconsistencies in the availability and authorisation of key documentation including declarations of interest and governing body / committee terms of reference. A lack of documented review and scrutiny surrounding key decisions, as well as approvals of policies and the school financial value standard (SFVS) return.

Contracts and purchasing – an absence of contract registers to enable the monitoring of contracts and any associated re-procurement. Gaps in the use of purchase orders to initiate procurement. Inconsistencies in the maintenance of transaction logs to record and reconcile purchase card usage.

IT disaster recovery – business continuity and disaster recovery plans lack detail, specifically in relation to the recovery and restoration of IT systems and data.

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 Borrowing - Loans that the Council has taken, in line with the Council Treasury Management Strategy, where the amount borrowed are for longer than a 12 month period.

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.

Short Term Borrowing - Loans that the Council has taken, in line with the Council Treasury Management Strategy, where the amount borrowed needs to be repaid within 12 months.

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 though 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.