

# LONDON BOROUGH OF NEWHAM

## STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2007

CONTENTS	Page
EXPLANATORY FOREWORD.....	2
RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS .....	7
REPORT BY THE AUDITORS TO MEMBERS.....	8
STATEMENT ON INTERNAL CONTROL .....	10
INCOME AND EXPENDITURE ACCOUNT.....	16
STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE.....	17
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES.....	18
BALANCE SHEET .....	19
CASH FLOW STATEMENT .....	20
NOTES TO THE ACCOUNTS.....	21
HOUSING REVENUE ACCOUNT .....	47
COLLECTION FUND.....	52
GROUP ACCOUNTS.....	54
NOTES TO THE GROUP ACCOUNTS .....	58
PENSION FUND.....	61
GLOSSARY OF FINANCIAL TERMS .....	67

## EXPLANATORY FOREWORD

### 1. Explanation of the Statement of Accounts

The Council's accounts are set out on pages 15 to 64, and consist of the following:

- The **Income and Expenditure Account**, which summarises the Council's revenue income and expenditure for all services during the year
- **Statement of the Movement on the General Fund Balance**, which summarises the movement on the General Fund Balance for the year.
- **The Statement of Total Recognised Gains and Losses (STRGL)**, which shows gains and losses experienced by the Council that are not reflected in the income and expenditure account and these are the gains or losses arising from asset and liability valuation changes rather than from operating performance.
- The **Balance Sheet**, which gives the Council's financial position as at the 31st March 2007 for the above mentioned areas and services, but excludes the Pension and Trust/Gift Funds;
- The **Cash Flow Statement**, showing the movements in the Council's cash balances resulting from transactions with External Organisations;
- **Notes to the accounts**, this covers supplementary information to the above statements. This includes the **Statement of Accounting Policies** which explain the basis of the figures in the accounts. The policies include changes in policy, the basis of charges to revenue and the calculation of Balance Sheet items;
- The **Housing Revenue Account Income and Expenditure Account (HRA)**, which provides details of the income and expenditure of the Council's dwellings and associated properties for which it is responsible as a landlord. This section includes a Statement of Movement on the Housing Revenue Account Balance, which shows how the HRA income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year and supplementary notes;
- The **Collection Fund**, which shows how income from Council Tax is used to meet expenditure by the Council and its preceptors, and shows the collection and distribution of Business Rates;
- The **Group Accounts**, which include an Income and Expenditure Account and Group Balance Sheet for the Council's subsidiary and joint venture. Newham Homes is responsible for the provision of services associated with the Council's Housing stock, such as repairs;
- The **Pension Fund**, which shows the income and expenditure relating to pensions payable to former employees, and investment transactions. To comply with Financial Reporting Standard 17: Retirement Benefits (FRS17), the actuarially calculated Pension Fund deficit is disclosed on the face of the Balance Sheet as the pension provision.
- **Glossary**, which provides an explanation of terms used within the Accounts.

### 2. Presentation of Accounts and Changes in Presentation

The Council's Accounts are presented in accordance with statutory requirements under the Accounts and Audit Regulations 2003, and the Code of Practice on Local Authority Accounting in Great Britain, Statement of Recommended Practice (SORP) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Council's accounts for 2006/07 are significantly different from 2005/06 accounts. This is due to bringing the statements more in line with UK GAAP (Generally Accepted Accounting Principles). The Consolidated Revenue Account and Statement of Total Movement on Reserves are removed and to ensure comparability 2005/06 figures have been restated.

### 3. Actual and Budgeted Expenditure and Income for 2006/07

<i>Actual v Budget 2006/07</i>	<i>Actual</i>	<i>Budget</i>
	<i>£000s</i>	<i>£000s</i>
Service Expenditure	1,164,456	1,136,508
less Service Income	(928,013)	(911,727)
	<b>236,443</b>	<b>224,781</b>
Capital Financing Costs (net of interest receipts)	33,544	32,449
<b>Total Net Expenditure (excluding precepts)</b>	<b>269,987</b>	<b>257,230</b>
Contribution To / (Use of ) Reserves	(20,068)	(7,311)
<b>Budget Requirement</b>	<b>249,919</b>	<b>249,919</b>
<b>Breakdown of movements in Reserves:</b>		
<b>General Fund Deficit **</b>	1,826	4,329
<b>HRA Deficit**</b>	2,876	2,982
<b>Earmarked Reserves (including Schools' balances)**</b>	15,366	0
<b>Budget Requirement</b>	<b>20,068</b>	<b>7,311</b>

\*\*See Note 4 (Page 27) of Movement in Revenue Resources

In overall terms, the use of General Fund reserves and balances was £2.8 million less compared with the revised budget after allowing for £3.0 million of transfers from other balances and other income. The main service variances being as follows:

<i>Service Area</i>	<i>£millions</i>	<i>£millions</i>
<b>General Fund</b>		
Planned Use of Balances		4.5
<b>Service Variances</b>		
Adults Social Care	1.1	
Children and Young People	0.3	
Corporate and Strategic Management	0.3	
Crime & ASB	0.6	
Housing - Homelessness and Benefits	(0.1)	
Public Realm	1.1	
Resources	(0.3)	
Capital Financing Charges	(2.7)	
Other	(3.0)	(2.7)
<b>Total Movement on General Fund Balance</b>		<b>1.8</b>

Adults Social Care had an Outturn variance overspent of £1.1 million due to higher care placement costs, the Crime and Anti-Social Behaviour overspend was mainly due to higher Parks Constabulary and CCTV costs and the Public Realm Service overspend was mainly due to higher street cleaning, refuse collection and highways costs. These variances were offset by higher than anticipated investment income.

#### 4. Major Contracts in 2006/07

During the year, the Council entered into the following contracts where expenditure will be incurred beyond 2006/07. The minimum contract sum reported has been set at £750,000.

<i>Major Contracts</i>	<i>£000s</i>
Shaftesbury Primary - Remodelling	2,500
<b>Housing Schemes:-</b>	
Mountfield Rd & Beam Gardens – Window replacement	798
Alnwick Rd E16 - Windows Phase 9	831
Dunedin House	841
13-42 Claremont Close	931
Sussex Road, Langdon Crescent - Windows replacement	1,099
Fothergill Close - Block refurbishment	1,200
David Lee Point – Heating	2,027
1-98 Aubrey Moore Point / 1-95 Albert Brigg Point	2,670
David Lee Point / Brasnet Point	3,017

Expenditure on these contracts in 2006/07 is included within overall capital expenditure - details in note 20 (Page 33).

#### 5. Future Service Developments and Expenditure Plans - “The Vision”

Newham – a place where people will choose to live and work. This is the Vision that guides the work of the Council and drives future service developments and spending plans.

The Council remains an ambitious Local Authority and continues to perform well in the way it delivers services.

The Audit Commission awarded the Council a three star rating (out of four) in its Comprehensive Performance Assessment review for 2006. The Council is improving well and is performing consistently above minimum requirements.

The Commission’s report says: “Newham is ambitious and improving services in corporate priority areas. Progress has been made in key areas and positive outcomes achieved for residents. The Council has made good efforts to improve and deliver services that meet the needs of its citizens.” The report adds that recent strategies have started to make an impact, however more work is needed to ensure strategies and plans are linked to ensure a consistent approach and that some performance targets need to be more challenging with increased focus on outcomes.

The Council achieved the highest possible score of four for the overall way it uses its resources, manages its finances and provides value for money.

The Audit Commission also highlighted the way the Council understands the needs of its diverse communities and works well with its stakeholder partners.

The Council's excellent performance in financial management has allowed for a budget in 2007/8 that is designed to meet the needs and aspirations of Newham.

Capital investment will enable a £5 million highways improvement and street lighting programme that will enhance the quality infrastructure across the Borough road.

Supporting people into work is also a priority and £5 million will be invested in the delivery of employment services and advice to local people through One-Stop employment shops.

Work will be done on understanding the barriers to employment and how they can be overcome in order to enable people to access the jobs that the Stratford City development and the 2012 Olympic and Para-Olympic Games will offer.

There will also be investment in representation and consultation. The budget supports the promotion of the community representational role of Councillors and the creation of a Young Mayor of Newham.

There will also be investment in information technology. The Council is also looking to maximise the value of its assets and dispose of those that simply do not represent good value for money.

Mayor Sir Robin Wales was re-elected in May 2006 and under his leadership the Council will continue to work to enable people to realise their ambitions and to secure a good quality of life for themselves and their families.

The Mayor's priorities reflect the importance that people place on issues within the Borough. The Council is committed to delivering excellent services, while keeping Council Tax low. Compared to other Outer London Boroughs, Newham has been amongst the Authorities with the lowest Council Tax increases in recent years.

The Council has and will continue to invest in keeping streets clean. Resident's feedback is that the Borough is cleaner than in recent years.

Safety remains as the community's main concern and the Council will work to respond more rapidly to problems. Progress has been made in reducing crime and anti-social behaviour. The Council has worked with the Police to reduce drug abuse in the Borough. There has been nearly 60 anti-social behaviour orders against the most persistent troublemakers. The Council's anti-social behaviour hotline reported the quietest summer in 2006 for youth-related anti-social behaviour.

Communities having the ability to do things for themselves are central to the success of the Borough. This year the Council has started handing out Go For It grants to enable residents to create opportunities for themselves by setting up a new club, starting a new activity, or doing something different with their neighbours. £1million has been set aside for this project over the next two years.

The Borough's free community events were also another success with 90,000 people visiting the Mayor's Newham Show and the Under the Stars music event.

The Council has focussed on improving people's lifestyles by getting them more active and provided free sports to young people. Around 4,000 people have signed up for Newham Fit Club, with members are given a free health MOT and access to advice on how to change their lifestyle. There has also been more participation through estate-based sports, which provide free training sessions on people's doorsteps.

The Council's Local Space housing initiative has now bought 410 properties from the private sector to provide homes for Newham families. Poor housing affects people's health and the Council has been working hard to improve homes. Government inspectors recently gave Newham Homes a rating of two stars out of a possible three. This gives the green light for spending that could add up to £240.5 million on modernising Council properties.

Newham's schools continue to provide an excellent education for young people. The results for 2006 showed that 52.8% of the Borough's 15-year-olds achieved five or more GCSE or equivalent exam passes at grades A to C. This reflects an increase of 1.7% per cent from 2005.

The Council's recycling rates have improved but are still falling short of targets set by the Government. The Council is working hard to get people to recycle more by increasing door-to-door orange bag collections.

## Future Capital Investment

The Capital Programme and Investment Strategy for 2007/08 to 2009/10 is set out in more detail under the "Capital Expenditure Commitments" note (note 24 on Page 35). Total planned expenditure is £514 million over the next three years, which is to be met from the following resources:

<i>Resources</i>	<i>£million</i>	<i>£million</i>
<b>Internal</b>		
- Receipts from Asset Sales	(14)	<b>(14)</b>
<b>External Grants and Contributions</b>		
- Major Repairs Allowance	(51)	
- Performance Reward Grant	(4)	
- SRB/NDC/NRF Regeneration	(7)	
- Department for Education & Skills	(92)	
- Transport for London	(18)	
- Section 106	(8)	
- DCLG – Housing	(19)	
- DCLG – Non Housing	(1)	
- Devolved Formula	(10)	
- Other Grants and Contributions	(5)	<b>(215)</b>
<b>Borrowing</b>		
- Anticipated Government supported loans	(243)	
- Other	(42)	<b>(285)</b>
<b>TOTAL</b>		<b>(514)</b>

## Revenue Programme

In 2007/08 the Council's net budget requirement is £260.7 million (to be met from RSG, NNDR and Council Tax). The table below shows how the budget has changed between 2006/07 and 2007/08.

<i>Summary of Revenue Budget Changes</i>	<i>£000s</i>	<i>£000s</i>	<i>% increase from 2006/07</i>
<b>Total 2006/07 Revenue Budget</b>		249,919	
<b>Additional Service Demands</b>		7,900	3.16%
<b>Committed Budget Increases</b>			
• Levies	756		
• Meeting Corporate Plan Outcomes and New Service Growth	<u>700</u>	1,456	0.58%
<b>Budget Changes</b>			
• Capital Financing Costs		290	0.12%
<b>Other Budget Changes</b>			
• Pay and Price Increases	7,009		
• Other Changes	(360)	6,649	2.66%
<b>LESS</b>			
<b>Budget &amp; Efficiency Savings</b>		(6,750)	(2.70%)
<b>Change In Use Of Balances</b>		<u>1,219</u>	0.49%
<b>Total 2007/08 Revenue Budget</b>		<b>260,683</b>	<b>4.31%</b>

## 6. Borrowing Facilities and Investments

**Borrowing** - The Council is able to borrow to finance capital expenditure, and to meet day-to-day cash flow needs, as long as the total debt outstanding does not exceed the Authorised Limit set by the Council under the requirements of the Prudential Code. The Council has recourse to a wide range of borrowing facilities, although in practice most of its debt is with the Public Works Loans Board - note 34 provides further details. Total external borrowing at 31st March 2007 was £666 million (£647 million at 31<sup>st</sup> March 2006), which was well within the Council's approved borrowing limit.

**Investments** - The Council had investments of £139 million as at 31<sup>st</sup> March 2007 (£145 million at 31<sup>st</sup> March 2006).

#### 7. Asset Transactions

During 2006/07, the Council undertook the following major (over £250k) asset purchases and disposals;

<i>Purchases and Disposals</i>		<i>£000s</i>
<b><i>Purchases</i></b>		
Broadway House E15		8,410
Carpenters Buybacks E15		3,581
Canning Town Buybacks E16		3,577
Hartley Centre E6		989
<b><i>Disposals</i></b>		
Worland Centre E15		(1,675)
John Street Site E15		(576)
Custom House Hotel, Victoria Dock E16		(374)

All capital receipts received by the Council are shown in Note 22 (Page 34) to the Accounts.

#### 8. Pension Fund

The Council's Pension Fund had £619 million of assets as at 31<sup>st</sup> March 2007, £67 million higher than at 31<sup>st</sup> March 2006.

## 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 secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Resources;
- To manage its affairs to secure economic, efficient and effective Use of Resources and to safeguard its assets, and
- Approve the Statement of Accounts.

### The Responsibilities of the Executive Director of Resources

The Executive Director of Resources is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain (the Code of Practice), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2007. In preparing this Statement of Accounts, the Executive Director of Resources has:

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

The Executive 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.

I certify that the Accounts set out on pages 15 to 64 present fairly the financial position of the Council at 31st March 2007 and its income and expenditure for the year ended 31st March 2007



Date: 25<sup>th</sup> September 2007

Signature:

**R. HEATON**  
Executive Director of Resources

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London Borough of Newham 2006/07 Statement of Accounts Approved at Investment & Accounts Committee

Acknowledged by

Date: 28<sup>th</sup> June 2007

Signature :



Councillor Winston Vaughan

Investment and Accounts Committee

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## REPORT BY THE AUDITORS TO MEMBERS

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

We have audited the financial statements of the London Borough of Newham and its Group for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account Balance, the Collection Fund, the Pension Fund Account and Net Assets Statement, the Group Accounts and the related notes. The financial statements have been prepared under the accounting policies set out within them.

#### Respective Responsibilities of the Chief Financial Officer and Auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities for the Financial Statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

This report, including the opinion, has been prepared for and only for the London Borough of Newham's members as a body in accordance with the Audit Commission Act 1998 and for no other purpose as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Council and its income and expenditure for the year.

We review whether the Statement on Internal Control reflects the Council's compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the financial statements.

#### Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the London Borough of Newham as at 31 March 2007 and its income and expenditure and cash flows for the year then ended.



**PricewaterhouseCoopers LLP**  
**80 Strand, London, WC2R 0AF**  
**27<sup>th</sup> September 2007**  
**Statement of Accounts 2006/07**

## **CONCLUSION ON ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES**

### ***Council's Responsibilities***

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

Under the Local Government Act 1999, the Council is required to prepare and publish a best value performance plan summarising the Council's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### ***Auditor's Responsibilities***

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Council has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the Council's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### ***Conclusion***

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, in all significant respects, the London Borough of Newham made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007

### **Best Value Performance Plan**

We issued our statutory report on the audit of the Council's best value performance plan for the financial year 2006/07 on 6 December 2006. We did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

### **Certificate**

We certify that we have completed the audit of the financial statements in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



**PricewaterhouseCoopers LLP**  
**80 Strand**  
**London**  
**WC2R 0AF**  
**27<sup>th</sup> September 2007**

## **STATEMENT ON INTERNAL CONTROL**

Every year the Council is required by law to produce a statement that details the framework for making decisions and controlling the resources of the Council. This statement should enable stakeholders to have an assurance that public money is being properly spent on citizens' behalf. The statement below complies with the Accounts and Audit Regulations 2003.

### **Scope of responsibility**

Newham is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. It also has a duty under the Local Government Act 1999 to ensure that services provide value for money and are continuously improved and are properly targeted to deliver the Council's Vision. It is responsible for having a sound system of internal control. It does this by having policies and procedures including a risk management framework, which are collectively known as the control framework that members and officers must adhere to. Internal and external bodies carry out checks to see that this control framework is working effectively.

### **Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can only provide a reasonable assurance and not an absolute assurance of effectiveness. There is an ongoing process to review the system of internal control which is designed to identify and prioritise risks, to evaluate the likelihood and impact of those risks being realised and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31st March 2007 and up to the date of approval of the annual report and accounts.

### **The Internal Control Environment**

The internal control environment encompasses all of the organisation's policies, procedures and operations that are in place to achieve its Vision. At Newham the control environment comprises of the Constitution, financial regulations, procurement code, the service planning and performance management framework, risk management strategy and budget framework. To assist staff these have been brought together in an assurance framework that links to these documents. The key elements of the internal control environment that the Council has maintained during 2006/07 have included:

### **Council Constitution**

This sets out the roles and responsibilities of officers and members. It provides details about how decisions are made and who can make them. It also contains the rules for managing our finances and resources effectively. Under the Council's Constitution, the elected Mayor has substantial powers to implement the wishes of the community and to improve the services provided. The Mayor takes decisions supported by the Cabinet, Executive Advisors and officers. The Mayoral model provides clear accountability and effective leadership and decision making. The full Council retains some strategic decision-making powers such as the budget framework and setting of the Council Tax. Officers in each Service have schemes of delegations to enable them to handle day to day matters. Newham Executive Board drives forward the delivery of services. Where a key decision is due to be made the Council publishes details in the forward plan prior to the decision-making meetings. These meetings are open to the public unless exclusion is necessary for reasons of confidentiality. The Monitoring Officer ensures that the Constitution is reviewed at least annually. During 2006 all aspects were the subject of a comprehensive review. Full Council approves changes to the Constitution.

### **Compliance with policies, laws and regulations**

The Constitution sets out the legal framework for making decisions and publishing them. There is a robust scrutiny system in place to ensure that the work of the Council complies with all appropriate policies, laws and regulations. Overview and Scrutiny Committee has the power to call in and challenge any key decisions. They actively scrutinise the budget proposals made by the Mayor and they can refer any matters to full Council. Most of their work relates to reviewing and developing policies and services. The Council has three statutory officers; Head of Paid Service, Executive Director of Resources (as Chief Finance officer per section 151 officer of the Local Government Act 1972) and Monitoring Officer, each of whom has the power to refer matters to full Council if a breach of regulation is possible. These officers meet monthly to discuss issues arising. None of these officers have been required to use their powers during the year. The statutory officers provide professional advice on all key decision-making reports to ensure legal, financial, risk management, procedure and equality implications are addressed. For example Human Resources manage the system of recruitment, which ensures that appropriate staff are recruited in accordance with best practice and that decisions are transparent. The Council's Constitution requires Executive Directors to plan and discharge their service functions in accordance with Council procedures and legislative requirements.

Under the provisions of the Children Act 2004 the Local Authority must appoint a Statutory Officer with responsibility for children. This role is carried out by the Executive Director for Children and Young People. Likewise the Council has to appoint a lead Members for Children Services and Councillor Quentin Peppiatt is on the Council's Cabinet with this portfolio. The Council is aware of the proposals for similar provisions in relation to adults and will implement those when the legislative framework is in place. At present the Council does have an Executive Director with responsibility for Adults

(the Executive Director for Adults, Culture and Community) and there is also an elected Member with this portfolio at present, the Operational Executive Adviser, Older People.

### **Risk Management**

The Council has a risk management strategy, which has been reviewed during the year by the Audit Board. Regular progress reports on risk items are discussed at Audit Board. There are monthly officer meetings chaired by the Chief Executive that consider the Council's approach to risk. Risk Management has been embedded in many of the business processes of the Council, and processes have been established to avoid inconsistencies in the review and control of risk and ensure that all managers fully embrace the concept of risk management. The embedding of risk management is a process of continuous improvement with new techniques being rolled out.

The consideration of risk management is mandatory in decision making reports to Cabinet, service planning and budget strategy. Major projects consider risk as part of the project initiation document and then throughout the life of the project. The Council has appointed an officer and member risk champions. They are the Executive Director of Resources and the Operations Executive Adviser, Finance and Asset Management. Together with the risk management team, they ensure that risk is considered in everything that the Council does.

During the year the risk register has undergone a major review to meet the revised structure of the Council and to ensure that it meets the needs of Heads of Service. A major project has been undertaken to ensure that the risks associated with partnerships are well understood by Heads of Services. Staff have received training to enable them to manage their risks and an on-line training module has been rolled out. The Council has a number of service continuity plans to ensure that services could continue to be provided to the public and there is an ongoing programme of testing these.

### **Financial Management**

The Executive Director of Resources as Chief Finance Officer has responsibility for the financial management of the Council (s151 of the Local Government Act 1988). This includes managing the financial control framework and ensuring that members have the appropriate skills and knowledge to carry out their financial responsibilities.

The Chief Finance Officer has responsibility for reporting decision on unlawful expenditure under s114-116 of the Local Government Finance Act 1988. The Council has a three-year budget strategy, which is approved by full Council. During the year there was no need to propose any amendment to the budget framework.

Overall expenditure in 2006/07 will be contained within the limits set by Council within the budget framework. Budgets are monitored on a monthly basis with the Mayor, Cabinet and Overview and Scrutiny Committee receiving regular reports on the Council's position. The Mayor has tri-annual strategy and performance meetings with Heads of Services and these meetings also consider the management of significant budget pressures. Three service areas are reporting significant budget pressures, namely, Public Realm, Crime and Anti Social Behaviour and the Youth Offending Team, but these have been managed within the overall budget framework. Their ongoing impact has been addressed in the 2007/08 and medium term budget strategy.

The Council has three other major financial risk factors to consider. The first is single status which will result in the Council tackling inequalities within its pay regime. The agreement is due to take effect by April 2007 but must be agreed within available resources. The second area is local Public Service agreements. The Council has entered into a number of agreements to improve services with specific target and receive financial rewards as a result. These incentives have been built into the budget framework. However, a number of these targets are proving very difficult to achieve and it is likely that a substantial part of the rewards anticipated will not be forthcoming. Part 4.3 of the Council's Constitution contains the rules governing the setting of the budget framework. The third risk factor is the future impact and effect of the reduction in housing benefit subsidy.

The rules relating to how budgets are managed and spent on a day-to-day basis are contained within the Financial Regulations and the Procurement Code. The Procurement Code and the Financial Regulations have both been reviewed during 2006/07.

### **Performance Management**

The performance management framework is the way in which the Council's strategies are translated into action plans. It outlines how these strategies will be delivered and how the impact of implementing these actions is measured and monitored to enable the performance of the Council to be effectively managed. The performance management framework is therefore instrumental in ensuring continuous improvement of services across the Council.

The Corporate Plan incorporating the Performance Plan 2005/06 was published in June 2006. This sets the strategic direction for the Council and outlines what the Borough will be like when the Council has achieved its Vision thereby outlining its contribution to the community strategy. The Delivery Plan is being refreshed and will be presented to Cabinet alongside the budget to ensure that resources are allocated to the priorities that are agreed. The Delivery Plan maps the implementation of the Corporate Plan to 2012.

The Council has a service-planning framework that sets out the requirements for plans. These include performance measures, risk assessment, equality data and Use of Resource information. The Mayor and Overview and Scrutiny Committee monitor the network of performance indicators. The Mayor holds tri-annual strategy and performance meetings with Heads of Services to discuss service-related performance and to ensure continuous improvement. Newham Executive Board receives monthly exception reports, which highlight areas of good practice and those for further development. It also considers specific strategic performance issues for example Local Public Service Agreement targets and sickness absence.

The Council has a commitment that every member of staff receives an annual appraisal to discuss performance, targets and personal development. The Council provides a range of training opportunities for managers and staff to ensure that they can deliver excellent service. These include a Shared Leadership programme, Managers Toolkit training events, Recruitment and Selection, Risk Management, and ECDL computer training. The Council has started to roll out its on-line governance training (6 compulsory modules covering all key areas of governance) and a seventh compulsory module on Financial Regulations is currently being devised.

The Newham Executive Board has agreed a list of compulsory training and the Council ensures it provides sufficient resources to run regular courses in these topics. The Council is also developing its on-line training programme as the intention is to make that the Council's main source of corporate training.

### **Value for Money**

The Council endeavours to promote value for money through the Mayor's framework for cost effectiveness. This describes the approach taken from the higher level strategic decision making processes down to the operational level. Unit costing and benchmarking techniques are used to compare services with other Councils and service costs over a period of time to enable it to develop plans for continuous improvement. The budget strategy outlines efficiency targets and these are monitored through the budgetary control process. These include targets set by the Department for Communities and Local Government - DCLG. A forward-looking efficiency statement for 2006/07 has been produced identifying how these savings will be achieved.

### **Review of Effectiveness**

The Council has responsibility for conducting an annual review of the effectiveness of the system of internal control. This review is informed by the work of Internal Auditors, other agencies and inspectors. Executive Directors and Heads of Service have responsibility for the development and maintenance of the internal control environment. The review has been made more robust by obtaining annual reports from Heads of Service, Executive Directors and Statutory Officers commenting upon compliance with the Council's control framework. These reports also identified areas for improvement during 2007/08. The review identifies and evaluates key controls in place to manage the principal risks facing the services. The assurances received are evaluated by an officer group chaired by the Executive Director of Resources. This includes identifying weaknesses in either controls or assurances and developing an action plan to address any significant internal control issues. The results of this review are reported to Newham Executive Board and Audit Board. Annually the Audit Commission and the External Auditor produce a report to those charged with Governance. This sets out their opinions in relation to accounts and governance and performance.

### **Council Constitution**

During the year the Constitution was reviewed to ensure that it kept abreast of changes within the Council. As part of the review the Council scheme of delegation was also comprehensively reviewed.

### **Internal Audit**

Internal Audit is an independent appraisal function that acts as a control that measures, evaluates and reports upon the effectiveness of the controls in place to manage risks. In carrying out this function Internal Audit contributes to the discharge of the Executive Director of Resources' S151 responsibilities. The work of the Internal Audit Section is monitored and reviewed by the Audit Board.

Annually the Chief Internal Auditor is required to give an opinion on the Council's internal control framework based upon the work carried out during the year. There were minor control issues that have been reported to Heads of Service during the year. However, the most significant control weaknesses occurred in Housing and Public Protection. An external investigation was carried out and the report was published in December 2006. The major issue was a failure to adhere to the Council's procurement requirements.

### **Audit Board**

The Council has an Audit Board comprising of members drawn from Cabinet, Executive Advisors, Overview and Scrutiny, the Back-Bench and three independent co-optees. They meet six times per year. Their role is to review the Council internal control framework and to hold the executive to account for any apparent failures. Board members receive regular training and briefings on matters relating to their terms of reference to keep them up to date. During the year the Audit Board has called officers to its meetings to explain how they are progressing with internal and External Audit

recommendations. In September the Board received a report updating them on the progress of the action plan attached to last year's Statement on Internal Control. The Board have received a range of reports from the internal and External Auditors to assist them in considering the effectiveness of the Council's control framework. The Board also receives regular reports on internal Audit, risk management and counter fraud performance. These reports contribute to the Board's review of the effectiveness of the Council's system of internal Audit.

### Overview and Scrutiny

The Overview and Scrutiny Committee reviews decisions made by the Mayor and Members. The focus of their role is to provide a challenge and to support the development of policies. At their meetings they consider finance and performance information. They also have a key role in reviewing and challenging the Mayor's budget framework prior to consideration at Full Council.

### External Audit

The External Auditor carried out work on behalf of the Audit Commission relating to the Use of Resources judgement within the Comprehensive Performance Assessment. This was reported to Audit Board in December 2006. The Council's position improved in two categories and overall. This is shown in the table below:

Category	Judgement 2004/05 Assessment out of 4	Judgement 2005/06 Assessment out of 4
Financial Reporting	2	4
Financial Management	3	3
Financial Standing	4	4
Internal Control	2	3
Value for Money	3	3
Overall	3	4

Note: 4 is the highest score and means well above minimum requirements – performing strongly.

In terms of Value for Money the report comments “Overall the Council's comparative costs are largely similar to 2004/05 and continue to demonstrate best value compared to other Councils providing similar levels and standards of services and allowing for the context.”

### External Agencies

The Audit Commission and the External Auditor produce a Joint Audit and Inspection letter. The 2005/06 letter provided the following scored judgement:

Element	Judgement 2004/05	Judgement 2005/06
Direction of Travel judgement	3 Improving well	3 Improving well
Overall	3 stars	3 stars
<b>Current performance</b>		
Children and Young People	3	3
Social care (adults)	2	3
Use of Resources	3	4
Housing	2	3
Environment	2	2
Culture	3	2
Benefits	3	3

Notes: 3 means performing well and consistently above the minimum requirements. 2 means adequate performance only at the minimum requirements

### Significant Internal Control Issues - 2005/06

There were a number of issues raised as part of the 2005/06 Statement on Internal Control. Each of these has the following outcomes.

Control Area	Internal Control Issue	Action Taken
Control environment	Embedding the control environment culture	During the year the organisational health indicators have been used, reviewed and updated. Further development will continue during 2007/08. All services produce an annual statement on their control framework. Compulsory governance training is being rolled out across the Council.

Risk Management	Embedding Risk Management across the Authority	During the year a series of projects have been run to improve the consistency of risk management application across the authority. This has included a review of the risk register to make it a more effective management tool.
<b>Control Area</b>	<b>Internal Control Issue</b>	<b>Action Taken</b>
Partnerships	Embed control, governance and risk into partnership arrangements	During the year a project was completed to identify the partnership risks. This is now being developed with clear policies, training and support to officers to ensure that partnership arrangements are identified and properly managed.
Crime and Anti Social Behaviour Internal Controls	Procurement and staff management practices	During the year a project board has monitored the implementation of the outcomes of the report. The area has been supported to develop appropriate HR procedures and working arrangements for staff and service delivery.

For 2006/07 the Council has identified five main internal control issues that require attention during 2007/08:

<b>Control Area</b>	<b>Internal Control Issue</b>	<b>Action Taken</b>	<b>Responsible Officer</b>
Control environment	Embedding the control environment culture	Continue to develop the organizational health indicators. Promote the core essentials within the Council to enforce rules and policies via the values.	Chief Executive
Procurement	Failure of services to adhere to the Procurement Code.	A review of procurement activity across the Council has been carried out. The role and function of the strategic procurement unit is being examined. The documentation and support available to managers is being updated and revised to support staff in addressing procurement properly. Training is being revised and updated.	Executive Director of Resources
Catering and Cleaning	Recruitment and Vetting of staff	All files have been examined and where documentation is missing this has been gathered. Action has been taken to ensure future compliance with the Asylum and Immigration Act.	Executive Director Children and Young People's Services
Youth Offending Team	Budgetary Control and management practices	Support has been provided to the service to determine areas where the expenditure could be reduced to bring it back into budget. Management practices are being reviewed and support is being provided to regularize the position in relation to human resources and purchasing procedures.	Executive Director Children and Young People's Services
Housing and Public Protection	Procurement	Regularise the current arrangements including re-tendering work and reviewing the working arrangements. The recommendations from the report will be monitored through a project board.	Deputy Chief Executive

The management action required on the Internal Control issues raised in this statement will be monitored through an action plan during 2007/08.

**Signed**



**Sir Robin Wales**

**Mayor**



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**Chris Wood**  
**Acting Chief Executive**

## INCOME AND EXPENDITURE ACCOUNT

The Income & Expenditure Account summarises the resources that have been generated and consumed in providing services and managing the Council. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of Fixed Assets actually consumed and the real projected value of retirement benefits earned by employees during the year.

2005/06		2006/07	2006/07	2006/07	Note
<i>Restated</i>	<i>INCOME AND EXPENDITURE ACCOUNT</i>	<i>Gross</i>	<i>Gross</i>	<i>Net Spend</i>	
<i>Net Spend</i>		<i>Spend</i>	<i>Income</i>		
<b>£000s</b>		<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	
	<b>SERVICES</b>				
17,231	Central Services to the Public	85,848	(73,345)	12,503	
9,272	Corporate and Democratic Core	12,160	(1,252)	10,908	
158	Court and Probation Services	178	0	178	
48,924	Cultural, Environmental and Planning Services	83,567	(29,474)	54,093	
243,604	Education Services	323,451	(282,908)	40,543	
13,448	Highways, Roads and Transport Services	44,375	(30,536)	13,839	
(426)	Housing Services	475,723	(473,402)	2,321	
105,367	Social Services	160,415	(38,194)	122,221	
53	Non Distributed Costs	568	0	568	
<b>437,631</b>	<b>NET COST OF SERVICES</b>	<b>1,186,285</b>	<b>(929,111)</b>	<b>257,174</b>	
0	Gains or Loss on disposal of Fixed Assets			0	
117	Net (Surplus)/Deficit on Trading Accounts			21	
39,811	Interest Payable and Similar Charges			42,869	
16,052	Contribution to Housing Pooled Capital Receipts			12,457	
530	Levies			489	9
13,231	Pension Interest Cost / Expected Asset Returns			11,221	13
(8,144)	Interest and Investment Income (Gains) & Losses On Repurchase/Early Settlement of Debt			(9,325)	
(95)				0	
<b>499,133</b>	<b>NET OPERATING EXPENDITURE</b>			<b>314,906</b>	
	<b>AMOUNT TO BE MET FROM GRANT AND LOCAL TAXES</b>				
(61,055)	Demand On The Collection Fund			(62,348)	
0	Contribution To Collection Fund Deficit			1,729	
(295,751)	Revenue Support Grant			(30,349)	
(641)	Local Authority Business Growth Incentives (LABGIs) Distribution From National Non Domestic Rates Pool (NNDR)			(1,017)	
(83,527)				(157,221)	
<b>58,159</b>	<b>NET(SURPLUS)/DEFICIT FOR THE YEAR</b>			<b>65,700</b>	

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However the Authority is required to raise Council Tax on a different basis, the main differences being:

- Capital Investment is accounted for as it is financed, rather than when the Fixed Assets are consumed.
- The payment of a share of housing capital receipts to Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax.
- Retirement Benefits are charged as amounts become payable to Pension Funds and pensioners rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax it raised for the year, taking into account the use of reserves built up in the past and contribution to reserves earmarked for future expenditure. The reconciliation statement below summarises the differences between the Income and Expenditure Account and the General Fund Balance.

<i>Restated 2005/06 £000s</i>	<b>STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE</b>	<i>2006/07 £000s</i>	<i>Note</i>
<b>58,159</b>	(Surplus)/Deficit for the year on the Income and Expenditure Account	<b>65,700</b>	
(65,126)	Net additional amount required by statute and non-statutory proper practices to be debited /(credited) to the General Fund Balance for the year	(63,874)	
<b>(6,967)</b>	<b>(Increase)/ Decrease in General Fund Balance for the Year</b>	<b>1,826</b>	
(31,629)	General Fund Balance brought forward	(38,596)	
<b>(38,596)</b>	General Fund Balance carried forward	<b>(36,770)</b>	
0	Amount of General Fund Balance held by Governors under schemes to finance schools	0	
(38,596)	Amount of General Fund Balance generally available for new expenditure	(36,770)	
<b>(38,596)</b>		<b>(36,770)</b>	

### NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE:

<i>Restated 2005/06 £000s</i>		<i>2006/07 £000s</i>	<i>2006/07 £000s</i>
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		
(40,747)	Depreciation / Impairment of fixed assets	(21,890)	
(14,135)	Excess of depreciation charged to HRA services over the Major Repairs Allowance element of Housing Subsidy.	(14,353)	
(4,047)	Write downs of deferred charges to be financed from capital resources	(9,315)	
5,917	Government Grant Deferred amortisation.	7,381	
<b>(53,012)</b>			<b>(38,177)</b>
	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>		
8,379	Minimum revenue provision for capital financing	8,375	
(16,052)	Transfer from the Usable Capital Receipts equal to contribution to Housing Pooled Capital Receipts	(12,457)	
(3,711)	Employer's contributions payable to the Newham Pension Fund and Retirement Benefits payable directly to pensioners	(3,373)	
<b>(11,384)</b>			<b>(7,455)</b>
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
(2,682)	Housing Revenue Account Balances	(2,876)	
1,952	Net transfer to or from earmarked reserves	(15,366)	
<b>(730)</b>			<b>(18,242)</b>
<b>(65,126)</b>	<b>Net additional amount required to be credited to the General Fund Balance for the year</b>		<b>(63,874)</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all of the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income & Expenditure Account, it includes gains and losses relating to the revaluation of Fixed Assets and re-measurement of the net liability to cover the cost of retirement benefits.

<i>Restated 2005/06 £000s</i>	<i>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</i>	<i>2006/07 £000s</i>
58,159	(Surplus) / Deficit for the year on the Income and Expenditure Account	65,700
352,763	(Surplus) / Deficit arising on revaluation of Fixed Assets	(111,891)
48,932	Actuarial (gains)/losses on Pension Fund assets and liabilities	(109,836)
1,088	Collection Fund	(977)
<b>460,942</b>	<b>Total recognised gains for the year</b>	<b>(157,004)</b>

### Note: Reconciliation of items for the Statement of Total Recognised Gains and Losses

<i>Balance Sheet</i>		<i>Balance Sheet</i>	<i>Movement In Year</i>	<i>Unrealised Gains/Losses</i>	<i>Revaluation</i>	<i>Disposal</i>	<i>Transfer</i>	<i>Other Capital Expenditure</i>	<i>Movement between Capital and Revenue</i>
<i>Restated 2005/06 £000s</i>		<i>2006/07 £000s</i>	<i>2006/07 £000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
956,598	Fixed Asset Restatement Account	1,045,612	(89,014)	0	(164,255)	32,348	0	42,893	0
144,349	Capital Financing Account	122,408	21,941	0	0	0	(2,364)	(28,807)	53,112
0	Usable Capital Receipts	0	0	0	0	(20,991)	0	8,534	12,457
2,223	Major Repairs Reserve	4,782	(2,559)	0	0	0	14,353	12,376	(29,288)
73,904	Revenue Reserve	53,836	20,068	0	0	0	(14,353)	8,375	26,046
(429,743)	Pension Reserve	(323,280)	(106,463)	(109,836)	0	0	0	0	3,373
(2,632)	Collection Fund Account	(1,655)	(977)	(977)	0	0	0	0	0
<b>744,699</b>	<b>Total</b>	<b>901,703</b>	<b>(157,004)</b>	<b>(110,813)</b>	<b>(164,255)</b>	<b>11,357</b>	<b>(2,364)</b>	<b>43,371</b>	<b>65,700</b>

**BALANCE SHEET**

<i>Restated 2005/06</i>	<i>BALANCE SHEET AT 31<sup>st</sup> MARCH</i>	<i>2006/07</i>	<i>Notes</i>
<i>£000s</i>		<i>£000s</i>	
	<b>FIXED ASSETS</b>		
	<i>Intangible Fixed Assets</i>		
2,124	Intangible Fixed Assets	1,686	
	<i>Tangible Fixed Assets</i>		
	<i>Operational Assets</i>		
936,885	Council Dwellings	1,008,347	
711,848	Other Land and Buildings	758,688	
99,655	Infrastructure	104,087	
20,525	Community Assets	20,870	
12,121	Equipment, Vehicles etc	10,131	1,903,809
	<i>Non Operational Assets</i>		
106,073	Industrial and Commercial	107,461	
35,342	Surplus Properties	35,244	
2,014	Assets under Construction	301	143,006
<b>1,926,587</b>	<i>Net Fixed Assets</i>		<b>2,046,815</b>
1,408	Long Term Debtors		1,258
<b>1,927,995</b>	<i>Total Long Term Assets</i>		<b>2,048,073</b>
	<b>CURRENT ASSETS</b>		
1,792	Stocks and Work in Progress	1,336	35
110,438	Debtors and Prepayments	130,905	33
(45,064)	Less Provisions	(44,810)	33
145,374	Investments	138,602	31
24,388	Cash and Bank	18,240	244,273
	<b>CURRENT LIABILITIES</b>		
(58,555)	Temporary Borrowing	(118,555)	
(91,244)	Creditors and Receipts in Advance	(98,154)	34
(23,984)	Bank	(42,079)	
<b>63,145</b>	Net Current Assets		<b>(14,515)</b>
<b>1,991,140</b>	<i>Total Assets less Current Liabilities</i>		<b>2,033,558</b>
	<b>OTHER LIABILITIES</b>		
(588,303)	Long Term Borrowing	(547,243)	32
(214,233)	Government Grants Deferred	(229,933)	
(3,077)	Deferred Premia	(2,587)	
(493)	Deferred Capital Receipts	(467)	
(10,592)	Provisions	(28,345)	36
(429,743)	Pension Liability	(323,280)	42
<b>744,699</b>	<i>Total Assets less Total Liabilities</i>		<b>901,703</b>
	<b>Financed by:</b>		
956,598	Fixed Asset Restatement Account	1,045,612	28
144,349	Capital Financing Account	122,408	29
0	Usable Capital Receipts	0	
2,223	Major Repairs Reserve	4,782	
(429,743)	Pension Reserve	(323,280)	42
73,904	Revenue Reserves	53,836	4
(2,632)	Collection Fund	(1,655)	
<b>744,699</b>		<b>901,703</b>	

## CASH FLOW STATEMENT

<i>Newham Restated 2005/06</i>		<i>Newham 2006/07</i>	<i>Notes</i>
<b>£000s</b>	<b>Revenue Activities</b>	<b>£000s</b>	
	<b>Cash Outflows</b>		
394,375	Cash Paid to and on behalf of Employees	416,520	
421,610	Other Operating Cash Payments	472,638	
111,471	Housing Benefit Paid Out	108,965	
64,930	Non-Domestic Rates Paid to National Pool	63,944	
18,248	Precepts Paid	22,833	
	<b>Cash Inflows</b>		
(41,291)	Rents (after rebates)	(38,133)	
(51,731)	Council Tax Receipts	(55,022)	
(61,860)	Non Domestic Rate Receipts - from ratepayers	(62,555)	
(78,286)	Non Domestic Rate Receipts - from pool	(155,958)	
(296,819)	Revenue Support Grant	(29,279)	
(250,566)	DSS Grants for Benefits	(257,697)	44
0	Dedicated Schools Grant	(215,382)	44
(148,137)	Other Government Grants	(152,781)	44
(112,140)	Cash Received from Goods and Services	(116,922)	
(35,356)	Other Operating Cash Receipts	(29,929)	
<b>(65,552)</b>	<b>Cash Inflow from Revenue Activities</b>	<b>(28,758)</b>	43
	<b>Dividends from Joint Ventures</b>		
	<b>Cash Inflows</b>		
(50)	Dividends Received	0	
	Returns on Investments & Servicing of Finance		
	<b>Cash Outflows</b>		
42,325	Interest Paid	42,166	
42,325		42,166	
	<b>Cash Inflows</b>		
(7,861)	Interest Received	(7,165)	
(7,861)		(7,165)	
	<b>Capital Activities</b>		
	<b>Cash Outflows</b>		
101,746	Purchase of Fixed Assets	102,722	
16,052	Contribution to Housing Pooled Receipts	12,457	
973	Payment of Improvement Grants	1,203	
118,771		116,382	
	<b>Cash Inflows</b>		
(30,217)	Sales of Fixed Assets	(20,365)	
(50,732)	Capital Grants received	(52,274)	
(122)	Other Capital Cash Receipts	(31)	
(81,071)		(72,670)	
<b>6,562</b>	<b>Net Cash (Inflow) before Financing Management of Liquid Resources</b>	<b>49,955</b>	45
24,870	Net increase/(decrease) in Short Term Deposits	(6,772)	
0	Net Increase/(decrease) in Other Liquid Resources	0	
	<b>Financing</b>		
	<b>Cash Outflows</b>		
20,055	Repayments of Amounts Borrowed	7,160	
	<b>Cash Inflows</b>		
(75,000)	New Loans Raised	(19,000)	
0	New Short Term Loans	(7,100)	
(54,945)		(18,940)	
<b>(23,513)</b>	<b>(Increase)/Decrease in Cash</b>	<b>24,243</b>	46

## NOTES TO THE ACCOUNTS

### Note 1. Statement of Accounting Policies

#### 1.1. General

The accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in Great Britain: Statement of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is to ensure that the Statement of Accounts presents fairly the financial position of the Council, and to ensure it is compliant with relevant statutory accounting requirements issued by the Accounting Standards Board that are applicable to the Council for the year ended 31<sup>st</sup> March 2007.

#### 1.2. Changes In Accounting Policies

Changes have been made in accounting treatment to reflect the 2006 SORP that applied from 1st April 2006. These include:

- In accordance with arrangements for capital accounting, capital financing charges no longer include notional interest. These 'capital charges' to individual Revenue Accounts represent a depreciation charge.
- Credits for Government Grants Deferred are now posted to service Revenue Accounts, support services and trading accounts rather than credited as a corporate income item and
- Gains and losses on the disposal of Fixed Assets are recognised in the Income and Expenditure Account.

#### 1.3. Fixed Assets

- All Fixed Assets are shown in the Balance Sheet at a value consistent with the recommendations of CIPFA contained within the capital accounting provisions of SORP, and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors. Fixed Assets are classified into the groupings required by SORP.

#### *Fixed Asset Values*

- Land and Operational Properties are included in the Balance Sheet at the lower of net current replacement cost and net realisable value. This has been represented by the open market value in existing use or, where no market exists for a particular type of property, the depreciated replacement cost.
- Non operational properties, including those surplus to requirements and industrial/commercial property, are shown at open market value.
- Vehicles, equipment, intangible assets, etc. are shown at historic cost less depreciation.
- Infrastructure assets are included at historic cost net of depreciation. However, highways transferred to the Council by the former London Docklands Development Corporation (LDDC), were valued by multiplying the annual road maintenance allowance used in the 1998/99 Revenue Support Grant calculations by the expected life of the highways of 40 years. The resultant value of £7.021 million has been included as Fixed Assets within the Balance Sheet. This has subsequently been depreciated by 1/40<sup>th</sup> each year based on Valuer guidance.
- Community assets are shown at historic cost.
- Assets under Construction are shown at cost until they come into operation, at which point their treatment will follow those of operational properties.

- Property assets with a value of less than £25,000 and less than 50 square metres in area are not shown in the Balance Sheet. Expenditure below £10,000 which results in an asset which has a useful life of less than two years, need not be capitalised and so is charged to the Income & Expenditure Account.
- For Council dwellings, the market value has been adjusted to take account of discounts available to tenants who may exercise their statutory "Right to Buy".
- The Council has a five year rolling programme of revaluation of assets to ensure that all assets are revalued at least once during that time.

#### **Revaluations, Enhancements and Impairments**

Where an impairment loss (a clear reduction in economic value) on a Fixed Asset occurs the loss is recognised in the Statement of Movement in the General Fund Balance. Other impairments (reflecting a general fall in prices) are recognised in the Fixed Asset Restatement Account (FARA). If a reversal of an impairment loss is required, the accounting should marry the original treatment applied.

- All Building Assets are considered for impairment. Where cost expended on an individual asset in the year is less than 5% of its book value, that cost is classed as impairment and charged to revenue. Costs in excess of this limit are considered individually, as to whether the work completed is an enhancement (adds materially to the value of the asset) and if not it is treated as impairment. Any enhancement is added to the asset value and reflected in the Balance Sheet.

- Income from the disposal of assets is also accounted for on an accruals basis. The gain or loss on disposal is recognised in the Income and Expenditure Account by crediting the disposal proceeds and debiting with the carrying amount of the Fixed Asset. The gain or loss on sale included in the Revenue Account is reversed out in the Statement of Movement on the General Fund Balance.
- However, expenditure on the enhancement of housing stock, where it is uncertain that the enhancement materially adds to the assets' value, is then written off to the FARA pending a revaluation of the assets whereupon any change in value will also be shown in the FARA.
- Assets acquired under Deferred Purchase arrangements are included in the Balance Sheet under Fixed Assets, and are treated in the above manner. The outstanding undischarged capital value of these financing arrangements is shown in the Balance Sheet under Deferred Liabilities.

However, assets acquired under Operating Leases are not shown 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 - see Charges to Revenue (Section 1.5).

#### 1.4. Depreciation

Depreciation is provided for on all Fixed Assets with a finite useful life (determined at the time of acquisition or revaluation) on the following bases. Depreciation is used to spread the value of an asset over its useful life.

##### *Basis for depreciation*

- Vehicles, equipment, intangible assets, etc. are written down over their useful lives, as estimated at the time of purchase – for assets acquired by Finance Lease this is taken as the period of the lease agreement (usually 5 years).
- Infrastructure assets are written down over 40 years, unless it is clear that any particular such asset has a shorter operational life.
- Community assets are not depreciated, as they are held in perpetuity.
- Land and Non Operational property is not depreciated.
- Operational property with a value of £250,000 or more is assessed by the Council's Valuer and any diminution in operational value is reflected as depreciation. Depreciation is assessed on a case by case basis rather than on a standard rate. Housing stock is depreciated over the remaining life of the property as estimated by the District Valuer.
- Assets under construction are not depreciated until they are brought into use.
- Depreciation on vehicles, equipment and infrastructure is calculated using the straight line method. It is based on the asset value at the commencement of the year, thus newly acquired assets are not depreciated until the following year.

#### 1.5. Charges to Revenue

- To represent the use of Fixed Assets, Revenue Accounts are charged with depreciation where required and for any related impairment loss (due to a clear consumption of economic benefits). The charge to each Revenue Account is the sum of the charges on each of its assets.
- External interest payable on the Council's debt is debited to the Income and Expenditure Account.
- The amount set aside from revenue for the repayment of external loans (Minimum Revenue Provision) is reduced by the amount provided for depreciation, and the net amount shown in the Statement of Movement on the General Fund Balance by way of an adjusting transaction within the Capital Financing Account.
- However, in certain cases the Council 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
- **Single status equal pay settlement** - as settlements relate to the period up to 31st March 2007, net service spend has increased to create a single status provision. CIPFA accounting guidance, has been followed in allowing the financial impact of meeting settlement payments on General Fund balances to be deferred until the financial year in which settlement will be made (2007/08) rather than charging the impact to General Fund balances in 2006/07.

#### 1.6. Investments

Long-term investments are investments that are intended to be held for use on a continuing basis in the activities of the authority. Investments that do not meet this criterion are classified as current assets. Authority's investments fall into this latter category and are therefore shown within current assets. Investments are split between Supranational Eurosterling Bonds, money market funds and cash deposits. Investments are held to maturity date so are valued at nominal value. One external cash manager is employed.

#### 1.7. Deferred Sums

- Deferred Charges  
Deferred Charges represent expenditure which may properly be capitalised but which does not represent Tangible Fixed Assets, such as expenditure on Renovation Grants and other forms of assistance to third parties. This is written down to service Revenue Accounts over an appropriate period (usually one year), after deduction of any capital grant payable in respect of the deferred charge. There is a corresponding credit to the Statement of the Movement on the General Fund Balance in order to ensure no overall impact upon tax and grant levels.
- Deferred Capital Receipts  
This is the sum due in future years from persons to whom the Council has made a loan in respect of the purchase of Council houses (mainly under Right to Buy). It is written down each year by the sum repaid, this sum being shown as a capital receipt, and increased by the value of new loans made. There is a corresponding sum within the value of Long Term Debtors.

### **1.8. Long Term Debtors**

Long term debtors shown in the accounts relate to loans made to house purchasers and to Housing Associations.

### **1.9. Basis of Debt Redemption**

In accordance with statutory requirements, certain sums must be set aside for the redemption of debt.

- Minimum Revenue Provision
- Certain other sums to be treated as Reserved Capital Receipts by virtue of statutory regulation.
- Minimum Revenue Provision

Under the Local Authorities (Capital Finance and Accounting) Regulations 2004, the Council must provide each year from its Revenue Account, a sum equivalent to four per cent of its non Housing Capital Financing Requirement. This sum is charged to the Statement of the Movement on the General Fund Balance (and not to individual service Revenue Accounts). From 1<sup>st</sup> April 2004 there is no statutory requirement to charge a Minimum Revenue Provision to the Housing Revenue Account.

- Capital Receipts

Capital receipts arise from the disposal of Fixed Assets and the repayment of mortgages. The Local Authorities (Capital Finance and Accounting) Regulations 2004 introduced pooling arrangements whereby 75% of receipts from Housing Right to Buy (RTB) receipts and 50% of Housing non-RTB receipts must be paid to the Department for Communities and Local Government. A Housing non-RTB receipt is not subject to the pooling arrangements if it will be used to fund regeneration or future affordable housing schemes. The remainder of the receipt, the usable part, is available for use in financing capital expenditure on Fixed Assets or to voluntarily repay debt. Whilst income from the disposal of assets is accounted for on an accruals basis, the reserved receipts calculation only applies to the cash actually received.

### **1.10. Grants**

- Grants receivable in respect of revenue expenditure are accounted for on an accruals basis, and credited to the Revenue Account to which the relevant expenditure has been charged. Where claims have not been settled, an estimate of the amount due is shown in the accounts. Such grants include those payable in respect of certain debt charges - see note 1.5 above.
- Grants in respect of capital expenditure are also accounted for on an accruals basis - those in respect of Deferred Expenditure (Charges) are written off to that expenditure, with the remaining expenditure then written down to revenue - see Note 1.7 (Page 22) above. Those payable in respect of expenditure on Fixed Assets are shown in the Balance Sheet as Grants Deferred, and are written down (credited) to service Revenue Account in line with the depreciation of the individual asset(s) concerned.

### **1.11. Provisions and Reserves**

#### Provisions

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. Provisions need to be recognised when;

The Council 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.

The Council has established a number of specific provisions which includes an Insurance provision, to meet the estimated liability of outstanding insurance claims against the Council. A provision of £0.2 million has been made

to smooth for interest payable if LOBO market loans last for a period of five years, beyond the initial period of 2-3 years - this provision will be returned to balances by 2008/09.

The adequacy of existing provisions and the need for new ones, is reviewed annually - contributions to provisions are charged to the relevant service Revenue Account, and are part of operating expenditure shown within the Income and Expenditure Account.

### Reserves

Amounts set aside for specific future purposes or for general purposes are known as reserves. Movements in reserves (where such movements arise from revenue activities) are shown in the Statement of Movement on the General Fund Balance, and are therefore excluded from the cost of individual services. The Council has both general and earmarked reserves. A short description of these reserves follows:

- General Fund - this reserve has arisen due to an overall surplus on revenue activities over a number of years. It is not earmarked for any specific purpose but is available to support future expenditure
- Housing Revenue Account - this reserve has arisen due to an overall surplus within the HRA. It is ring-fenced by statute and may only be used for HRA purposes.
- Earmarked Revenue Reserves - these reserves have been set up for a specific purpose
  - Capital - to meet the cost of future planned expenditure including the "Investment Strategy" and a number of earmarked schemes.
  - Schools - this reserve represents the accumulated surpluses and deficits of schools. It is ring-fenced and may only be used by the schools themselves.
  - Equal Pay Reserve - An equal pay reserve has been created to defer charging the cost of single status early pay settlements to General Fund balances until the financial year in which settlement is made.
  - Other - there a number of other specific reserves which include Housing Repairs, Trading Surpluses and future service revenue spending. A Private Finance Initiative (PFI) reserve account of £9.716 million has also been included within other balances - these are for schools, Housing and Canning Town IT PFI schemes. The Council reviews the level of Earmarked Reserves, and their intended purpose, annually as part of its Medium Term Financial Investment Strategy.

### Capital Accounting Reserves

- The Fixed Asset Restatement Account (FARA) represents principally the balance of surpluses or deficits arising on the periodic revaluation of assets.
- The Capital Financing Account (CFA) represents the amounts set aside from revenue resources or capital receipts to finance expenditure on Fixed Assets or for the repayment of external loans. Further details of the Council's Reserves and Provisions can be found in later sections of the Statement of Accounts.

### **1.12. Debtors and Creditors**

- The Council's accounts are maintained on an accruals basis, sums due to or from the Council are included in the accounts whether or not the cash has actually been received or paid. An exception to this relates to electricity and other similar periodic supplies, where apportionment is not made between years. This policy is applied each year to ensure consistency, and the effect on the accounts is not considered to be material. Regeneration scheme balances are included as debtors or creditors as relevant.
- All debtors and creditors relate to individual services and supplies, thus there are no significant estimates in the sums shown in the accounts, other than in the case of income for parking fines. Income of £1.4 million due for 2006/07 has been included within the 2006/07 accounts. This treatment is consistent with previous year's accounts.
- The Council maintains a provision for bad and doubtful debts which is used to write off known uncollectable debts and is adjusted each year to reflect the level of doubtful debts that has been estimated.

### **1.13. Stocks and Work in Progress**

The stock in the Council's stores is valued at the lower of historic cost or net realisable value. Work in progress is valued based on the cost of work completed by the end of the year.

### **1.14. 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 e.g. time spent by individual staff, area of office space occupied, number of staff on the payroll etc. Allocations are made to all Revenue Accounts, including trading accounts and the Housing Revenue Account.

### 1.15. Pensions - Retirement Benefits

Employees of the Council can participate in two separate pension schemes:

- The Teachers' Pension Scheme, administered by the Department for Education and Skills (DfES)
- The Local Government Pension Scheme, administered by the Council.

Both schemes provided defined benefits to members (lump sums and pensions), earned as employees worked for the Council.

#### Teacher's Pension Scheme

The arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme - no liability for future payments of benefits is recognised in the Balance Sheet and Revenue Accounts are charged with the employer's contributions payable to the DfES in the year.

#### The Local Government Pension Scheme

The Local Government Scheme is accounted for as a Defined Benefits scheme:

- The liabilities of the London Borough of Newham pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and estimates of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.8% real (5.7% actual). A discount rate based on the current rate of return on a high-quality corporate bond of equivalent currency and term to scheme liabilities is used.
- The assets of the London Borough of Newham Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities - mid market value
  - unquoted securities - professional estimate
  - unitised securities - average of the bid and offer rates
  - property - market value
- The change in the net pensions liability is analysed into seven components:
  - **current service cost** - the increase in liabilities as a result of years of service earned this year, allocated to the Revenue Accounts of services for whom the employees worked.
  - **past service cost** - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is charged to the Net Cost of Services as part of Non Distributed Costs.
  - **interest cost** - the expected increase in the present value of liabilities during the year as the move one year closer to being paid. This is charged to Net Operating Expenditure.
  - **expected return on assets** - the annual investment return on the Fund assets attributable to the Council, based on an average of the expected long-term return. This is credited to Net Operating Expenditure.
  - **gains/losses on settlements and curtailments** - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. These are charged to the Net Cost of Services as part of Non Distributed Costs.
  - **actuarial gains and losses** - changes in the net pensions liability that arise because events have not coincided with assumptions. These are not charged to revenue.
  - **contributions** paid to the London Borough of Newham Pension Fund. This is cash paid as employer's contributions to the Pension Fund.

Statutory provisions limit the Council raising Council Tax to cover the amounts payable by the Council to the Pension Fund in the year. In the Statement of Movement on the General Fund Balance this means that there is an appropriation to the Pensions Reserve after Net Operating Expenditure to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and any amounts payable to the Fund but unpaid at the year-end.

## **Discretionary Benefits**

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

### **1.16. Prior Period Adjustments**

In the 2006/07 Statement of Accounts, the Council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

1. In accordance with arrangements for capital accounting, capital financing charges no longer include notional interest. The 'capital charges' to individual Revenue Accounts represent a depreciation charge.
2. Credits for Government Grants deferred are now posted to Service Revenue Accounts, Support Services and trading accounts rather than credited as a corporate income item.
3. Gains and losses on the disposal of Fixed Assets are recognised in the Income & Expenditure Account.

### **1.17. Redundancy Costs**

Payments made under the Council's redundancy scheme, arising from service reviews are charged to the Revenue Account of the "employing" service, and are therefore included in the cost of services, and in operating expenditure

### **1.18. Newham Homes**

Newham Homes is a wholly owned subsidiary of the Council. It is an Arms Length Management Organisation with the main aim of delivering housing to an improved standard within Newham.

### **1.19. Joint Venture**

Caboodle Solutions Ltd. is a joint venture limited company owned by London Borough of Newham and Bull Information Systems Ltd. and has been incorporated within the Council's group accounts as a joint venture.

### **1.20. Value Added Tax**

All transactions are shown net of any Value Added Tax (VAT), whether capital or revenue, unless for some specific reason it is recoverable. As in the case of all Local Authorities, the Council is able to recover a major part of VAT incurred from H.M. Revenue & Customs. Any balance due to the Council is included within the debtors figure shown in the Balance Sheet.

### **1.21. Private Finance Initiative (PFI) Schemes**

The Council has entered into several PFI schemes and may enter into further schemes in the future. In accordance with FRS5 (Reporting the substance of transactions), each scheme is evaluated to determine whether the scheme would generate an asset for the Council and would therefore need to be capitalised. Where a property is needed under a PFI contract to deliver the contracted services, the assets may be recognised as a Council asset if the Council has access to the majority of benefits and exposure to the risks inherent in those benefits. Payments made against the contracts for services provided under these schemes have been charged to revenue on an accruals basis.

## Note 2. Explanation of Prior Period Adjustments for 2006/07 Accounts

The 2006 SORP has required changes to the calculation of capital financing and deferred charges to services for 2006/07. This has required the restatement of 2005/06 figures as per the table below:

	<i>Consolidated Revenue Account in 2005/06 Statement of Accounts</i>	<i>Removal of Capital Financing Charges</i>	<i>Relocation of Government Grants Deferred Credits</i>	<i>Interest Payable &amp; Similar Charges</i>	<i>Recognition of Gains &amp; Losses on Disposal of Fixed Assets</i>	<i>Restated 2005/06 Comparatives in Income &amp; Expenditure Account</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Central Services to the Public	17,549	(71)	(888)	0	0	16,590
Corporate and Democratic Core	10,462	(1,190)	0	0	0	9,272
Court and Probation Services	158	0	0	0	0	158
Cultural, Environmental & Planning	56,015	(6,978)	(113)	0	0	48,924
Education Services	267,054	(21,004)	(2,446)	0	0	243,604
Highways, Roads & Transport Services	19,610	(4,693)	(1,469)	0	0	13,448
Housing Services	38,326	(37,951)	(801)	0	0	(426)
Social Services	106,221	(654)	(200)	0	0	105,367
Non Distributed Costs	53	0	0	0	0	53
<b>Impact on Net Cost of Services</b>	<b>515,448</b>	<b>(72,541)</b>	<b>(5,917)</b>	<b>0</b>	<b>0</b>	<b>436,990</b>
Loss on the Disposal of Fixed Assets	0	0	0	0	0	0
Interest Payable & Similar Charges	0	0	0	39,811	0	39,811
Asset Management Revenue Account (Interest Payable & Similar Charges in 2006/07)	(38,647)	72,541	5,917	(39,811)	0	0
<b>Impact on Net Operating Expenditure</b>	<b>476,801</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>476,801</b>

## Note 3. Reconciliation of items for the Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for 2005/06 and shows the aggregate increase in the value of assets and liability as at 31<sup>st</sup> March 2006.

<i>Balance Sheet</i>		<i>Balance Sheet Restated</i>	<i>Movement In Year</i>	<i>Unrealised Gains/Losses</i>	<i>Revaluation</i>	<i>Disposal</i>	<i>Transfer</i>	<i>Other Capital Expenditure</i>	<i>Movement between Capital and Revenue</i>	<i>Total</i>
<i>2004/05</i>		<i>2005/06</i>	<i>2005/06</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
1,342,182	Fixed Asset Restatement Account	956,598	385,584	0	240,516	25,699	80,403	38,966	0	385,584
169,786	Capital Financing Account	144,349	25,437	0	0	0	(2,364)	(40,276)	68,077	25,437
2,932	Usable Capital Receipts	0	2,932	0	0	(30,339)	0	17,219	16,052	2,932
1,718	Major Repairs Reserve	2,223	(505)	0	0	0	0	14,560	(15,065)	(505)
67,666	Revenue Reserve	73,903	(6,237)	0	0	0	0	8,379	(14,616)	(6,237)
(377,100)	Pension Reserve	(429,743)	52,643	48,932	0	0	0	0	3,711	52,643
(1,544)	Collection Fund Account	(2,632)	1,088	1,088	0	0	0	0	0	1,088
<b>1,205,463</b>	<b>Total</b>	<b>744,698</b>	<b>460,942</b>	<b>50,020</b>	<b>240,516</b>	<b>(4,640)</b>	<b>78,039</b>	<b>38,848</b>	<b>58,159</b>	<b>460,942</b>



#### Note 4. Movement in Revenue Resources

<i>REVENUE / EARMARKED RESERVES</i>	<i>General Fund</i>	<i>Housing Revenue Account</i>	<i>Other Earmarked Reserves</i>	<i>Total Revenue Reserves</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Surplus / (Deficit) in 2005/06	6,967	(2,682)	1,952	6,237
Balance brought forward at 1 April 2005	31,629	11,538	24,499	67,666
<b>Balance carried forward at 31 March 2006</b>	<b>38,596</b>	<b>8,856</b>	<b>26,451</b>	<b>73,903</b>
Surplus / (Deficit) in 2006/07	(1,826)	(2,876)	(15,366)	(20,068)
Balance brought forward at 1 <sup>st</sup> April 2006	38,596	8,856	26,451	73,903
<b>Balance carried forward at 31<sup>st</sup> March 2007</b>	<b>36,770</b>	<b>5,980</b>	<b>11,085</b>	<b>53,835</b>

#### Note 4a. Other Earmarked Resources Analysis

<i>Earmarked Reserves</i>	<i>Balance At 1st April 2006</i>	<i>Movement In Year</i>	<i>Balance At 31st March 2007</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
<b>Schools Balances</b>			
-Credit Balances	11,770	2,380	14,150
-Debit Balances	(3,603)	(966)	(4,569)
Total Schools Balances	<b>8,167</b>	<b>1,414</b>	<b>9,581</b>
<b>Capital Reserves</b>			
- Investment Strategy	5,578	(3,147)	2,431
Total Capital Reserves	<b>5,578</b>	<b>(3,147)</b>	<b>2,431</b>
<b>Equal Pay Reserve</b>			
-Single Status	0	(18,493)	(18,493)
Total Equal Pay Reserve	<b>0</b>	<b>(18,493)</b>	<b>(18,493)</b>
<b>Other Balances</b>			
- Housing Repairs	1,450	0	1,450
- Reserves held for future spending	3,528	2,873	6,401
- PFI Reserve Accounts	7,728	1,988	9,716
Other Balances Total	<b>12,706</b>	<b>4,861</b>	<b>17,567</b>
<b>Total Earmarked Reserves</b>	<b>26,451</b>	<b>(15,365)</b>	<b>11,086</b>

Schools balances are earmarked for use by the PFI schemes and are separate from the General Fund. PFI reserve accounts are for three Education PFI schemes and a Housing scheme.

The majority of payments for the single status equal pay settlement will be made during the 2007/08 financial years. In line with CIPFA guidance, an equal pay reserve for £18.5 million has been created to allow the charge to general fund reserves to be deferred until the financial year in which the settlement payments are made.

#### Note 5. Trading Activity

<i>2005/06 (Surplus)/Deficit</i>	<i>Trading Activity</i>	<i>Income</i>	<i>Expenditure</i>	<i>2006/07 (Surplus)/Deficit</i>
<i>£000s</i>		<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
0	Newham Catering & Cleaning Services	(12,214)	12,235	21
779	NEWCO	(4,366)	4,851	485
875	Repairs & Maintenance Division	0	0	0
<b>1,654</b>	<b>Total</b>	<b>(16,580)</b>	<b>17,086</b>	<b>506</b>
(1,537)	Less credit/(debit) to HRA			(485)
<b>117</b>	<b>Shown in Income and Expenditure Account</b>			<b>21</b>

**Newham Catering & Cleaning Services** provides cleaning services in respect of public buildings and education buildings (including secondary schools) plus school meals to Primary & Secondary Schools.

**NEWCO** - This is part of Housing Services. This organisation provides employment opportunities for disabled people. Activities include construction of kitchen units and windows.

**Repairs and Maintenance Division (RMD)** was part of Housing Services until 30<sup>th</sup> November 2005, when it transferred to a separate organisation Newham Homes, an Arm's Length Management Organisation (ALMO). RMD provided construction and property related repairs and maintenance services to Council housing stock, public buildings, schools and other Council services. RMD also provided a limited service to Neighbouring Boroughs on a commercial basis.

#### Note 6. Pooled Budgets

The Council operates a pooled budget arrangement with Newham Primary Care Trust for the Integrated Community Equipment Service. In 2006/07, the Council contributed £825,200 in total to this service. The gross revenue expenditure for the pooled venture was £1,412,260 against gross income of £1,328,645. This resulted in a net deficit in the year of £83,615. The approved surplus brought forward was £133,523 which leaves a balance carried forward of £49,950.

2005/06		2006/07	2006/07	2006/07
Net Exp / (Income)	Newham Primary Care Trusts	Gross Income	Gross Expenditure	Net Exp / (Income)
£000s		£000s	£000s	£000s
(16)	Integrated Community Equipment Service	(1,462)	1,412	(50)
<b>(16)</b>	<b>TOTAL</b>	<b>(1,462)</b>	<b>1,412</b>	<b>(50)</b>

The Income & Expenditure Account summarises the Council's revenue income and expenditure for all services during the year and shows the resultant change in the levels of reserves.

#### Note 7. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education and Skills, the Dedicated School Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the School's Budget. The School's Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual School's Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately.

Schools Budget Funded By Dedicated School Grant	2006/07	2006/07	2006/07
	Central Expenditure	Individual Schools Budget	Total
	£000s	£000s	£000s
Original grant allocation to Schools Budget for the current year in the Authority's budget	22,574	193,371	215,945
Adjustment to finalised grant allocation	(101)	(467)	(568)
Dedicated Schools Grant receivable for the year	22,473	192,904	215,377
Actual expenditure for the year	21,631	191,490	213,121
<b>(Over) /underspend for the year</b>	<b>842</b>	<b>1,414</b>	<b>2,256</b>
(Over) / Underspend from 2005/06	0	8,167	8,167
<b>(Over) / Underspend Carried Forward to 2007/08</b>	<b>842</b>	<b>9,581</b>	<b>10,423</b>

#### Note 8. Leased Assets - Rentals

##### Finance Leases

There were no assets held under the Finance Lease during 2006/07.

##### Operating Leases

Operating Leases	2005/06	2006/07
	£000s	£000s
Within 1 year	161	166
Within 2-5 years	507	457
Over 5 years	2,645	2,665
<b>Total</b>	<b>3,313</b>	<b>3,288</b>

Future lease rentals relate to a lease for the use of "The Gate", a Library/Local Service Centre and a new five year property lease Unit 7 Alpine Way, a computer services centre.

The future obligations are shown in the note above. Rental levels for the Gate will be reviewed every five years on an open market basis - estimated rentals for 2007/08 are £95,300. Annual rental for the Unit 7, Alpine Way is £71,000.

#### Note 9. Levies

Under the Levying Bodies (General) Regulations 1990, from 1st April 1990 all levying bodies recover their expenses from constituent Local Authorities by way of a charge per head of relevant (adult) population.

<i>2005/06</i>		<i>2006/07</i>
<i>£000s</i>		<i>£000s</i>
207	Lee Valley Regional Park	212
191	London Pensions Fund Authority	194
132	Environment Agency	83
<b>530</b>	<b>Total</b>	<b>489</b>

#### Note 10. Publicity Account

The Council is required to keep an account of expenditure on publicity, and further details are given below:

<i>2005/06</i>	<i>Publicity Account</i>	<i>2006/07</i>
<i>£000s</i>		<i>£000s</i>
1,299	Cost of staff engaged mainly on publicity	1,055
1,090	Wholly or mainly recruitment advertising	1,253
68	Statutory notices	79
77	Promotion of Road Safety, Health and similar campaigns	101
1,382	Other publicity material	1,530
<b>3,916</b>	<b>Total</b>	<b>4,018</b>

#### Note 11. Building Control Account

The charges made to applicants who apply for approval of proposed building works under the National Building Regulations are to cover the Council's cost in providing such a service. The main activities are: processing and validating applications; checking drawings and calculations for compliance; carrying out inspections and issuing completion certificates. The information relating to these functions for 2005/06 and 2006/07 is:

<i>2005/06</i>	<i>Building Control</i>	<i>2006/07</i>
<i>£000s</i>		<i>£000s</i>
(670)	Income Received	(637)
639	Expenditure Incurred	763
<b>(31)</b>	<b>(Surplus)/Deficit for year</b>	<b>126</b>

#### Note 12. Agency Expenditure

The Council carries out work on an agency basis for which it is reimbursed, the main area being:

<i>2005/06</i>	<i>Agency Expenditure</i>	<i>2006/07</i>
<i>£000s</i>		<i>£000s</i>
102	On behalf of the East London Waste Authority	111

This expenditure is not included in the Income & Expenditure Account

#### Note 13. Pension Costs

**Teachers** - In 2006/07 the Council paid £13.6 million (£12.8 million in 2005/06) to the Department for Education and Skills in respect of teachers' pension costs. This was based on a contribution rate of 13.5%. In addition, the Council is responsible for all pension payments relating to added years that it has awarded, together with the subsequent pensions increases. In 2006/07 these amounted to £2.1 million representing 1.5% of pensionable pay (£1.5million and 1.1% in 2005/06). The teachers' scheme is a Defined Benefit scheme. As it is a pooled scheme, the Authority is unable to identify its share of the underlying assets and liabilities. The capital cost relating to discretionary increases to pensions was £22 million (calculated in accordance with FRS17).

Other Employees - As part of the terms and conditions of its officers and other employees, the Council offers retirement benefits. Although these will not be payable until employees retire, the Council has a commitment to make these payments, this commitment needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme. This is a Defined Benefit statutory scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

In 2006/07, pension costs have been charged to the Income & Expenditure Account on the basis of current service cost of contribution as determined by FRS17 (Accounting for Retirement Benefits).

In 2006/07, the Council paid an employer's contribution of £31.4 million (£30.1 million in 2005/06) into the Pension Fund, representing 23% of pensionable pay (22% in 2005/06).

The contribution rate is determined by the Fund's Actuary following an actuarial valuation that is carried out every three years. Under Pension Fund Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund.

The contribution rates used in 2006/07 are based on the valuation at 31st March 2004, which recommended a contribution rate of 24.2%. This level of contribution is set by the Actuary in order to reduce the shortfall in the scheme's funding. The contribution rate will increase in stages to 24.2% by 2007/08.

The Council is responsible for all pension payments relating to added years it has awarded, together with subsequent pension increases. In 2006/07 these amounted to £2.1 million, representing 1.6% of pensionable pay (£1.5 million and 1.1% in 2005/06).

The capital cost of discretionary increases in pension payments agreed by the Council in 2006/07 is within the pension liability balance as at 31<sup>st</sup> March 2007. The capital cost for earlier years was £27.3million (calculated in accordance with FRS17 by the Actuary).

Further details on the Council Pension Fund Scheme are on note 44 (FRS 17) and the Pension Fund Account of this publication.

The adjusted net return on assets is as follows:

2005/06		2006/07	
£000s		£000s	
42,924	Interest on Pension Liabilities	46,700	
(29,693)	Expected Return on Assets	(35,479)	
<b>13,231</b>	<b>Total Per Income &amp; Expenditure Account</b>	<b>11,221</b>	

#### Note 14. Audit Fee Disclosure

2005/06		2006/07	
£000s		£000s	
380	Fees payable to Audit Commission for External Audit services work	430	
0	Fees payable to Audit Commission for statutory inspection	0	
110	Fees payable to Audit Commission for certification of claims & returns	111	
50	Fees payable for other services provided by the appointed auditor	56	
<b>540</b>	<b>Total Audit Fee</b>	<b>597</b>	

2006/07 figures relate to work carried out for the period 1st April 2006 to 31<sup>st</sup> March 2007.

#### Note 15. Local Authority (Goods and Services) Act 1970

This Act enables Local Authorities to provide certain types of goods and services to other public bodies (including other Local Authorities, Further Education Colleges, and Housing Associations). The Council provided a range of services to a number of public bodies during 2006/07 - total income amounted to £2.1 million (£2.2 million in 2005/06 and fully covered the expenditure involved. The most significant individual supplies were as follows:

2005/06	Supplies	2006/07
£000s		£000s

421	Security Services to Newham Primary Care and other Public Bodies	535
9	Building Design Services to other Housing Associations and other Public Bodies	12
	Building Repairs to Housing Association and Tenant Management Organisation (TMO)	
276	Premises	0
729	Translation Services to other Local Authorities and other organisations	894
367	Warden Alarm Services to Housing Associations and other Local Authorities	265
79	Recycling services to LB Redbridge	80
333	Other	266
<b>2,214</b>	<b>Total</b>	<b>2,052</b>

The total value of goods and services to the various types of public body was as follows:

<b>2005/06</b>	<b>Client</b>	<b>2006/07</b>
<b>£000s</b>		<b>£000s</b>
59	Newham Community College	97
35	Other Colleges & Universities	47
413	Other Local Authorities	309
565	Housing Associations	391
160	Tenant Management Organisations	4
721	Healthcare bodies	882
261	Other Public Bodies	322
<b>2,214</b>	<b>Total</b>	<b>2,052</b>

#### Note 16. Employee Emoluments

The Accounts and Audit Regulations 2003 require Local Authorities to disclose the numbers of employees who earned £50,000 (taxable income) or more in the financial year. This is to be shown in bands of £10,000.

<b>2005/06</b>		<b>2006/07</b>
No. of Employees	Taxable Earnings Band	No. of Employees
186	50,000 - 59,999	208
71	60,000 - 69,999	85
18	70,000 - 79,999	20
18	80,000 - 89,999	22
7	90,000 - 99,999	12
1	100,000 - 109,999	1
1	110,000 - 119,999	3
2	120,000 - 129,999	2
0	130,000 - 139,999	0
1	140,000 - 149,999	0
0	150,000 - 159,999	1
<b>305</b>	<b>Total £50,000 and over</b>	<b>354</b>

#### Note 17. Members' Allowances

The total of members' allowances paid in 2006/07 (excluding National Insurance Contributions) was £1,188,000 (£1,098,000 in 2005/06). Full details of Members' Allowances paid are available upon request from the Central Payroll Services Section, Newham Town Hall.

#### Note 18. Related Party Transactions

There are no transactions requiring disclosure within the accounts other than those already disclosed elsewhere.

**Note 19. Fixed Assets**

	<i>Total Intangible Assets</i>	<i>Council Dwellings</i>	<i>Other Land and Buildings</i>	<i>Vehicles, Plant and Equipt.</i>	<i>Infra-structure</i>	<i>Community Assets</i>	<i>Total Operational Assets</i>	<i>Assets under Construction</i>	<i>Surplus Assets</i>	<i>Commercial and Industrial</i>	<i>Total Non Operational Assets</i>	<i>TOTAL ASSETS</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
<b>Opening Values</b>												
Gross Value as at 31st March 2006	<b>2,906</b>	1,063,135	880,434	53,135	139,914	20,525	<b>2,157,143</b>	2,014	35,342	106,073	<b>143,429</b>	<b>2,303,478</b>
Revaluations etc	<b>0</b>	122,632	37,223	0	0	0	<b>159,855</b>	0	1,536	2,864	<b>4,400</b>	<b>164,255</b>
<b>Value at 1st April 2006</b>	<b>2,906</b>	1,185,767	917,657	53,135	139,914	20,525	<b>2,316,998</b>	2,014	36,878	108,937	<b>147,829</b>	<b>2,467,733</b>
<b>Transactions</b>												
Additions	<b>177</b>	6,655	14,095	2,492	0	0	<b>23,242</b>	301	172	950	<b>1,423</b>	<b>24,842</b>
Transfers	<b>0</b>	0	0	0	0	0	<b>0</b>	(2,014)	1,634	380	<b>0</b>	<b>0</b>
Impairment	<b>0</b>	0	(6,090)	0	0	0	<b>(6,090)</b>	0	0	0	<b>0</b>	<b>(6,090)</b>
Enhancements	<b>0</b>	42,893	5,869	0	7,930	345	<b>57,037</b>	0	0	397	<b>397</b>	<b>57,434</b>
Disposals	<b>0</b>	(28,908)	0	0	0	0	<b>(28,908)</b>	0	(3,440)	0	<b>(3,440)</b>	<b>(32,348)</b>
Written off to FARA	<b>177</b>	20,640	13,874	2,492	7,930	345	<b>45,281</b>	(1,713)	(1,634)	1,727	<b>(1,620)</b>	<b>43,838</b>
	<b>0</b>	(42,893)	0	0	0	0	<b>(42,893)</b>	0	0	0	<b>0</b>	<b>(42,893)</b>
<b>Value at 31st March 2007</b>	<b>3,083</b>	1,163,514	931,531	55,627	147,844	20,870	<b>2,319,386</b>	301	35,244	110,664	<b>146,209</b>	<b>2,468,678</b>
<b>Depreciation</b>												
Cumulative at 1st April 2006	<b>(782)</b>	(126,250)	(168,586)	(41,014)	(40,259)	0	<b>(376,109)</b>	0	0	0	<b>0</b>	<b>(376,891)</b>
Depreciation for year	<b>(615)</b>	(28,917)	(4,257)	(4,482)	(3,498)	0	<b>(41,154)</b>	0	0	0	<b>0</b>	<b>(41,769)</b>
Revaluation impairment in year	<b>0</b>	0	0	0	0	0	<b>0</b>	0	0	(3,203)	<b>(3,203)</b>	<b>(3,203)</b>
<b>Depreciation at 31st March 2007</b>	<b>(1,397)</b>	(155,167)	(172,843)	(45,496)	(43,757)	0	<b>(417,263)</b>	0	0	(3,203)	<b>(3,203)</b>	<b>(421,863)</b>
<b>Net Value 31st March 2007</b>	<b>1,686</b>	<b>1,008,347</b>	<b>758,688</b>	<b>10,131</b>	<b>104,087</b>	<b>20,870</b>	<b>1,902,123</b>	<b>301</b>	<b>35,244</b>	<b>107,461</b>	<b>143,006</b>	<b>2,046,815</b>

Note 20. Analysis of Capital Expenditure 2006/07

2005/06		Total Intangible Assets	Infrastructure	Community Assets	Equipment Plant and Vehicles	Asset Acquisition	Housing	Assets under Construction	Other	Total Fixed Assets	Deferred Charges	Total Assets
£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
24,338	Education	73	0	0	176	0	0	0	11,506	11,682	3,823	15,578
37,250	Housing – HRA	0	0	0	10	3,203	40,893	0	0	44,106	1,617	45,723
5,279	Housing - General Fund	0	0	0	0	0	1,999	0	4	2,003	6,557	8,560
974	Culture & Community	0	0	346	93	0	0	17	223	679	11	690
12,262	Corporate	79	0	0	308	12,580	0	0	517	13,405	5,566	19,050
3,268	Social Services	24	0	0	747	0	0	0	79	826	1,307	2,157
6,375	Environment	1	7,930	0	1,158	0	0	0	27	9,115	191	9,307
13,073	SRB/NDC/Surestart	0	0	0	0	0	0	284	0	284	2,110	2,394
<b>102,819</b>	<b>Total Expenditure</b>	<b>177</b>	<b>7,930</b>	<b>346</b>	<b>2,492</b>	<b>15,783</b>	<b>42,892</b>	<b>301</b>	<b>12,356</b>	<b>82,100</b>	<b>21,182</b>	<b>103,459</b>

<i>The main items of capital expenditure during the year were:</i>	£000s	<i>Capital expenditure in the year was financed as follows:</i>	£000s
Improvement & Modernisation of existing Housing	39,678	Supported Borrowing - SCE(R)	48,317
House Renovation Grants	1,203	Unsupported Borrowing	759
SRB Schemes (excluding Housing)	2,142	Capital Grants & Contributions	33,331
New Deal Communities (excl Housing)	664	Major Repairs Allowance	12,376
Neighbourhood Renewal Fund	657	Use of Capital Receipts	7,939
Shaftesbury Sports Hall	1,440	Revenue Finance	0
Children's Centres	4,297		102,722
IT Investment Strategy	12,229	Increase in Capital Creditors	737
Custom House & Canning town project	4,370	<b>Total Expenditure</b>	<b>103,459</b>
Newham Young Peoples College	1,509		
New Deal for Schools Modernisation	2,524	<u>Reconciliation to Note 20</u>	
Education Planned Maintenance	1,437	Additions	24,843
Invest to Save	498	Enhancements	57,434
		Deferred Charges	21,182
			<b>103,459</b>

## Note 21. Fixed Assets Employed

	<i>Net Value 31/3/06</i>	<i>Revaluation</i>	<i>Additions, Enhancements and Transfers</i>	<i>Impairment</i>	<i>Write off to FARA</i>	<i>Depreciation</i>	<i>Net Value 31/3/07</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
<b>General Fund</b>							
Intangible	2,124	0	82	0	0	(572)	1,634
Infrastructure	99,655	0	7,930	0	0	(3,498)	104,087
Land and Buildings	703,473	36,329	13,874	0	0	(4,257)	749,419
Community Assets	20,525	0	345	0	0	0	20,870
Equipment, Vehicles etc	11,617	0	2,431	0	0	(4,154)	9,894
Non Operational Property	111,434	2,803	(380)	(3,203)	0	0	110,654
	<b>948,828</b>	<b>39,132</b>	<b>24,282</b>	<b>(3,203)</b>	<b>0</b>	<b>(12,481)</b>	<b>996,558</b>
<b>HRA</b>							
Intangible	0	0	95	0	0	(43)	52
Council Dwellings	936,885	122,632	20,640	0	(42,893)	(28,917)	1,008,347
Land and Buildings	8,375	894	0	0	0	0	9,269
Equipment, Vehicles etc	504	0	61	0	0	(328)	237
Non Operational Property	31,995	1,597	(1,240)	0	0	0	32,352
	<b>977,759</b>	<b>125,123</b>	<b>19,556</b>	<b>0</b>	<b>(42,893)</b>	<b>(29,288)</b>	<b>1,050,257</b>
	<b>1,926,587</b>	<b>164,255</b>	<b>43,838</b>	<b>(3,203)</b>	<b>(42,893)</b>	<b>(41,769)</b>	<b>2,046,815</b>

## Note 22. Capital Receipts

The table below shows the sums received by the Council and the use to which they were put in 2006/07.

	<i>Sales of Council Houses</i>	<i>Disposal of other Land and Buildings</i>	<i>Repayments of Grants and Loans</i>	<i>Other</i>	<i>Total</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
<b>Amounts available at 1<sup>st</sup> April 2006</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Amounts received in 2006/07	(18,211)	(2,749)	0	(31)	(20,991)
	(18,211)	(2,749)	0	(31)	(20,991)
<b>Less</b>					
Costs of Disposal	594	1	0	0	595
Pooling Payments	12,457	0	0	0	12,457
Amounts used toward expenditure	5,160	2,748	0	31	7,939
<b>Balance available 31<sup>st</sup> March 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Note 23. Capital Grants and Contributions

The following capital expenditure incurred in 2006/07 has been met from Government Grants and other contributions.

<i>Restated 2005/06</i>		<i>2006/07</i>
<i>£000s</i>	<i>Government Grants</i>	<i>£000s</i>
466	Housing Specified Capital Grant/DFG	480
2,600	Single Regeneration Budget	2,142
4,686	New Deal for Communities	664
3,752	Neighbourhood Renewal Fund	656
1,808	Surestart	27
0	East London Regeneration Partnership	5,310
5,158	Transport for London	6,511
12,347	Department for Education and Skills	7,915
476	Department of Health	267
632	Home Office	0
8,475	Department for Communities and Local Government	4,547
44	Other Government Grants	0
<b>40,444</b>		<b>28,519</b>
14,560	<b>Major Repairs Allowance</b>	12,376
	<b>Other Contributions</b>	
244	New Opportunities Fund	147
86	LDDC and successor bodies	77
768	London Thames Gateway Development Corporation	2,665
85	London Development Agency	4
235	Heritage Economic Regeneration	117
145	Section 106 Agreements	1,030
490	Leaseholder Contributions	511
94	Contributions from schools budgets	26
359	Other Contributions	235
<b>2,506</b>		<b>4,812</b>
<b>57,510</b>	<b>Total</b>	<b>45,707</b>

### Note 24. Capital Expenditure Commitments

The Council has authorised capital expenditure of £514 million under its Capital Programme and Investment Strategy over the three year period 2007/08 - 2009/10, of which £172 million has been committed at 31st March 2007 either through contracts or by virtue of statutory obligations. A further £342 million relates to schemes and programmes approved to proceed but which were not committed at that time. Further analysis is shown below:

	<i>2007/08</i>	<i>2008/2009</i>	<i>2009/2010</i>	<i>Total</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Committed	171,741	0	0	171,741
Uncommitted	30,465	166,185	145,189	341,839
<b>Total</b>	<b>202,206</b>	<b>166,185</b>	<b>145,189</b>	<b>513,580</b>

Commitments include the following major schemes and programmes:

<i>Commitments (over £5 million)</i>	<i>£000s</i>
Housing Expenditure 2007/08 (ALMO)	100,610
Housing Expenditure 2007/08 (Non ALMO)	34,682

Approvals to proceed include the following major items and schemes:

<i>Approvals to Proceed</i>	<i>£000s</i>
Housing Expenditure 2008/09 & 2009/10 (ALMO)	145,629
Housing Expenditure 2008/09 & 2009/10 (Non ALMO)	51,469
Building Schools for the Future – Non PFI element	72,356

The Council monitors its capital programme on a regular basis, taking action where necessary to ensure that its expenditure does not exceed resources available. Furthermore, the Council has set up special monitoring arrangements for its “major schemes”, involving detailed regular reports and risk assessments on more than 20 such projects.

The Council secures the majority of its new capital resources by bidding for specific projects or programmes. Examples are New Deal for Communities and Transport for London funds. In addition, “mainstream” resources from Government departments are also targeted at specific schemes and programmes. Thus, the majority of the Council’s capital resources are “earmarked” to specific schemes and programmes and there is very little flexibility to move resources between schemes. While schemes may not yet be committed in contractual or statutory terms, their postponement or cancellation would merely result in an equivalent loss of capital resources. There would be little, if any, capital resource advantage, and it would not enable other, currently unfunded, schemes to proceed.

In February 2007 the Council approved the Mayor's proposals for the allocation of £129 million to capital and one-off projects, as the latest stage in the Council's Capital Investment Strategy. Should expenditure exceed the levels identified above, in the absence of any further resources this additional expenditure would need to be met from the Council’s remaining revenue reserves, possibly resulting in an increase in Council Tax levels for future years.

**Note 25. Assets held under Finance Lease**

There were no assets held under Finance Lease during 2005/06 and 2006/07.

**Note 26. Statement of Assets Held**

Fixed Assets owned by the Council (and shown in the Balance Sheet) include the following:

<i>ASSETS HELD</i>	<i>Number at 31/03/06</i>	<i>Number at 31/03/07</i>
Council Dwellings (HRA definition*)	19,078	18,653
<u>Operational Property</u>		
Primary Schools	56	56
Secondary Schools	12	12
Nursery Schools	7	7
Special Schools	3	3
Youth Centres	3	3
Other Educational Facilities	6	6
Housing District Offices	6	6
Municipal/Administrative Offices	16	17
Children’s Facilities	6	6
Elder’s Facilities	3	3
Mental Health Facilities	5	4
Social Services Area/Patch Offices	3	3
Other Social Services Facilities	5	5
Libraries	7	7
Leisure/Sports Centres	5	5
Children’s Recreational Facilities	3	3
Community Centres	8	8
Museum Facilities	3	3
Other Leisure Facilities	6	6
Public Conveniences	3	0
Depots (including those with offices)	3	3
Other Operational Assets	14	14
Garages	1,984	1,836
	2,167	2,016
<u>Community Assets</u>		
Parks and Open spaces (area in acres)	373	373
Museum Exhibits - Fine Arts (items)	6	6
- Other Items	2	2
	381	381
<u>Infrastructure</u>		
Length of road maintained (km)		
- Principal Roads	55	55
- Other Roads	347	347
	402	402

<i>Asset Held</i>	<i>Number at 31/03/06</i>	<i>Number at 31/03/07</i>
<b>Non Operational Property</b>		
Assets Surplus to requirements	32	31
Under construction	1	2
Commercial and Industrial Sites/Properties	141	140
	<u>174</u>	<u>173</u>

\* The Council dwellings figures have been presented according to HRA definition. As defined in the document Guidance Notes on the completion of Local Authority Housing Strategy Statistical appendix (HSSA).

#### Note 27. Deferred Charges

<i>2005/06</i>	<i>DEFERRED CHARGES</i>	<i>2006/07</i>
<i>£000s</i>		<i>£000s</i>
19,962	Expenditure in year	21,182
(15,915)	Less capital grant due	<u>(11,867)</u>
(4,047)	Less written off to Capital Financing Account	<u>(9,315)</u>
<b>0</b>	<b>Balance at 31st March 2007</b>	<b>0</b>

#### Note 28. Fixed Asset Restatement Account

<i>2005/06</i>	<i>FIXED ASSET RESTATEMENT ACCOUNT</i>	<i>2006/07</i>
<i>£000s</i>		<i>£000s</i>
<b>(1,342,182)</b>	<b>Balance at 1<sup>st</sup> April 2006</b>	<b>(956,598)</b>
280,923	Add (surplus)/less deficit on revaluation of Council Dwellings	(122,632)
(40,407)	(Surplus) / Deficit on revaluation of existing Fixed Assets	<u>(41,623)</u>
(1,101,666)		(1,120,853)
25,699	Less value of assets disposed of in 2006/07	32,348
80,403	Less value of assets transfer out of Authority in 2006/07	0
38,966	Less capital expenditure in year not resulting in increased value of assets	<u>42,893</u>
<b>(956,598)</b>	<b>Balance at 31st March 2007</b>	<b>(1,045,612)</b>

#### Note 29. Capital Financing Account

<i>2005/06</i>	<i>CAPITAL FINANCING ACCOUNT</i>	<i>2006/07</i>
<i>£000s</i>		<i>£000s</i>
(169,786)	Balance at 1st April 2006	(144,349)
	Capital Financing in the year	
(17,220)	Usable Capital Receipts	(7,939)
0	General Fund	0
0	HRA	0
(14,560)	HRA use of Major Repairs Allowance	<u>(12,376)</u>
(31,780)		(20,315)
32,251	Minimum Revenue Provision (net of depreciation)	13,398
(2,364)	Less Premium Charged to Housing Revenue Account	(2,364)
(5,917)	Write Down of Deferred Grants	<u>(7,381)</u>
(177,596)		(161,011)
29,200	Less HRA Depreciation	29,288
4,047	Less write off of Deferred Charges	<u>9,315</u>
<b>(144,349)</b>	<b>Balance at 31st March 2007</b>	<b>(122,408)</b>

#### Note 30. Contingent Liabilities

The Council has guaranteed loans from Prudential and Eagle Star, to the Southern Housing Group for the Moore Paragon / Beckton Scheme. At 31<sup>st</sup> March 2007 the amount guaranteed was £3.34 million (£4.74 million as at 31<sup>st</sup> March 2006).

There is a contingent liability for stamp duty on the transfer of properties to Local Space. If this liability becomes payable, then it would have to be financed from capital reserves. At present the situation is subject to legal review. At this point in time it is not practicable to include an estimate.

### Note 31. Investments

The Authority has total investments of £138.60 million at 31<sup>st</sup> March 2007. Investments are split between the following categories:

<i>31st March 2006</i>		<i>31st March 2007</i>
<i>£000s</i>		<i>£000s</i>
90,604	Temporary cash investments	103,704
34,770	Supranational Bonds	14,898
20,000	External Manager (Cash investment)	20,000
<b>145,374</b>	<b>Total</b>	<b>138,602</b>

Cash investments are valued at nominal value.

### Note 32. Borrowing Repayable within a Period in Excess of 12 Months

<i>31st March 2006</i>		<i>31st March 2007</i>
<i>£000s</i>		<i>£000s</i>
	Source of Loan:	
(518,291)	Public Works Loan Board (PWLB)	(537,237)
(70,000)	Money Market Loans	(10,000)
(12)	Local Bonds/Mortgages	(6)
<b>(588,303)</b>	<b>Total</b>	<b>(547,243)</b>
	Maturing within:	
(60,066)	1-2 years	(61)
(129)	2-5 years	(74)
(59,858)	5-10 years	(59,858)
(468,250)	More than 10 years	(487,250)
<b>(588,303)</b>	<b>Total</b>	<b>(547,243)</b>

There are £55,000 of PWLB loans due for repayment within 12 months (nil in 2005/06). Market loans to the value of £118.5 million could potentially be repaid within 12 months (£58.5 million in 2005/06). There were no temporary loans outstanding at 31<sup>st</sup> March 2007 (nil in 31<sup>st</sup> March 2005/06).

### Note 33. Analysis of Debtors and Doubtful Debts

<i>31st March 2006</i>		<i>31st March 2007</i>
<i>Restated</i>		
<i>£000s</i>		<i>£000s</i>
	<b>Debtors</b>	
28,163	Government Departments	30,499
1,219	Other Statutory Authorities	994
999	Other Local Authorities	1,444
20,781	Ratepayers/Chargepayers	25,712
18,069	Housing Rents	24,411
2,451	Other Rents	2,524
1,019	Staff Loans	908
6,102	Housing Benefit Claimants (overpayments)	6,963
27,090	Sundry Debtors	32,108
4,545	Prepayments	5,342
<b>110,438</b>		<b>130,905</b>
	<b>Doubtful Debts</b>	
(2,488)	NNDR	(3,245)
(10,771)	Council Tax	(11,550)
(15,944)	Housing Rents	(15,452)
(5,349)	Housing Benefit (overpayments)	(5,349)
(548)	NNDR Costs	(690)
(743)	Residential Accommodation Charges	(328)
(9,221)	Sundry Debts	(8,196)
<b>(45,064)</b>		<b>(44,810)</b>

### Note 34. Analysis of Creditors

<i>31st March 2006 Restated</i>		<i>31st March 2007</i>
<i>£000s</i>		<i>£000s</i>
(25,984)	Government Departments	(31,080)
(94)	Other Statutory Authorities	(267)
(3,198)	Other Local Authorities	(2,450)
(4,210)	Ratepayers/Chargepayers	(4,914)
(1,685)	Housing Rents	(2,886)
(50,274)	Sundry Creditors	(50,770)
(5,799)	Receipts in Advance	(5,787)
<b>(91,244)</b>		<b>(98,154)</b>

### Note 35. Stocks and Work in Progress

<i>31st March 2006</i>	<i>Stocks and Works in Progress</i>	<i>31st March 2007</i>
<i>£000s</i>		<i>£000s</i>
592	Stocks	1,025
1,200	Work in Progress	311
<b>1,792</b>	<b>Total</b>	<b>1,336</b>

### Note 36. Provisions

The Council has made the following provisions;

<i>2005/06 Total</i>	<i>PROVISION</i>	<i>Insurance</i>	<i>Other</i>	<i>2006/07 Total</i>
<i>£000s</i>		<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
<b>(10,043)</b>	<b>Balance at 1<sup>st</sup> April 2006</b>	<b>(4,070)</b>	<b>(6,522)</b>	<b>(10,592)</b>
<b>(2,027)</b>	Contribution to Provision	0	(1,147)	<b>(1,147)</b>
<b>4,702</b>	Charge to Provision	1,697	3,853	<b>5,550</b>
<b>(3,224)</b>	Transfer to/(from) Reserve	(3,743)	(18,413)	<b>(22,156)</b>
<b>(10,592)</b>	<b>Balance at 31<sup>st</sup> March 2007</b>	<b>(6,116)</b>	<b>(22,229)</b>	<b>(28,345)</b>

**Insurance** - A provision of £6.1 million has been recognised for expected claims notified to the Council at 31<sup>st</sup> March 2007 under the Council's internal insurance arrangements. Further details are included in Note 39 below. Timing of future cashflows is uncertain due to the nature of the settlement of insurance claims.

**Other** - A provision of £0.18 million has been made to smooth for interest payable on Lender's Option Borrower's Option (LOBO) market loans for a period of five years, beyond the initial period of 2-3 years - this provision will be returned to balances by 2008/09. There are other provisions of £3.2 million in place for matters yet to be resolved.

A provision of £18.5 million has been made in the Income and Expenditure in relation to the possible settlement of claims for back-pay resulting from the Single Status (an exercise to ensure that employees are paid the same for carrying out jobs of equal value). The provision is an accounting assessment of the potential liability to which the Authority might be exposed.

### Note 37. Risks Covered by Internal Insurance Arrangements

The Council's insurance arrangements involve both internal and external cover. Internal cover is provided by way of a Provision for all claims notified to the Council at 31st March each year (the amount provided for those claims being based on advice from the Council's Insurers), and a Reserve for claims not yet reported but likely to have been incurred. Some risks are not fully funded, with losses up to a specified amount being met from revenue as they arise. The nature of risks covered by the internal arrangements is shown below:

<i>Risk</i>	<i>Maximum Cover per Claim</i>
Employers Liability	£100,000 - amounts in excess of this covered externally
Third Party	as above
Fire Damage	£150,000 - excess as above
Fidelity Guarantee	£50,000 - excess as above
Loss of School Contents	all claims, but the first £200 is charged to the school
Cash Loss	the first £100 of each claim is met by the service concerned - amounts in excess of this are covered externally
Loss of Computers	as in Cash Loss, but excess is £500
Damage/Theft of Vehicles and Third Party risks.	£100,000 - amounts in excess of this are covered externally

The level of the Provision at 31st March 2007 was £6.1 million, with the balance on the Reserve within the General Fund Account being £ 11.3 million. External cover is provided by way of premiums paid to the Council's Insurers. Following the insurance tender in December 2005, the level of its excess for liability was increased from £50,000 to £100,000.

### Note 38. Council Association with External Bodies

In order to achieve its aims and objectives, the Council pursues an active policy of “partnership” arrangements with other bodies active in the Borough. In many cases these arrangements result in the Council having a formal “association” with such bodies.

Local Authorities are able to enter into such arrangements. However, they must regularly review them to ensure compliance with relevant statutory requirements and with accounting practices i.e.

Local Authorities (Companies) Order 1995	Code of Practice on Local Authority Accounting
Classification of Council’s interest as “Minority Interest”, “Influence” or “Control”.	Preparation of Group Accounts where the Local Authority has a material interest in associated or subsidiary companies.
Application of Local Authorities (Capital Finance) Regulations 1997.	Disclosure of details of “related third party” transactions (transactions between the Local Authority and others within the “group”).

The Council’s formal association with other bodies would normally be via the appointment of Council representative(s) to the board of the organisation. This association may lead to the Council having a financial interest in the organisation e.g. through voting rights at board meetings, or the allocation of shares in the organisation.

The Council reviews its appointments to other bodies at its meetings. Full details of all such appointments are contained in minutes of the meetings. It is Council policy that its representatives serving on Management Committees of voluntary organisations are there as observers without voting rights.

The Council has also reviewed its interests in other bodies, including share ownership and voting rights, and considers that it does not have any material interests in other organisations that require disclosure under the Accounts Code. However, while not requiring formal disclosure, the Council’s relationships with external bodies are set out below for information:

<b>Organisation</b>	<b>Purpose and Relationship</b>
Newham Connexions Local Management Group	The London East Connexions service spans 10 Local Authorities. It provides integrated careers information, guidance and advice to young people and employers. The delivery of the service is managed and monitored by local management groups. Newham Connexions LMG is one such group. The Council appoints one member to the group. This organisation was previously known as Futures (Careers Company).
Gateway to London Ltd	To secure inward investment and business retention in Newham and associated Thames Gateway Boroughs. Newham currently has one Councillor on the board of Gateway to London representing Thames Gateway Partnership.
Greater London Enterprise Ltd (GLE)	To promote the economic regeneration of Greater London. The Council is one of 13 “original ordinary members” of the company.
Newcred	Newcred provides low cost loans and financial products to its members, who must live or work within Newham. Two members of the Council are on a board of 12 directors.
Newham Education Employer Partnership Ltd	To advance the education and training of children and young persons within the Borough, with particular reference to future employment. The Council appoints two members to a board of five directors.
Newham Music Trust	To provide tuition in musical instruments. The Council appoints three members to a board of 12 Trustees.
Passmore Urban Renewal	A housing regeneration and business support company in Forest Gate and Plaistow SRB areas. The Council has one member and one employee on the current board.
Royal Docks Trust (London)	To support the community in that part of Newham that lies to the south of the A13. The Council appoints two members to a board of 7-17 (incl. co-optees) trustees.
Thames Gateway London Partnership	To promote economic growth and inward investment for the regeneration of the Thames Gateway. In partnership with the private sector and local community. It is the unincorporated association of public bodies. Newham has two Councillors on a board of ten.
Winsor Park Management Company	To monitor and maintain the integrity of reclamation works at Winsor Park, to maintain common landscaped areas and to recover costs by way of service charges. The Royal Docks Trust (London) is a “special share” holder.
West Ham and Plaistow Partnership Ltd	A community based regeneration programme funded by New Deal for Communities (NDC) to improve the West Ham and Plaistow areas. The Council appoints three members to a board of 24.

Newham Homes is a wholly owned subsidiary of the Council. It has been classified as a group undertaking and included in the Council's group accounts. Newham Homes accounts are available from 190 Strand, London, SE1 9SY.

Local Space is a provider of short term leased accommodation; Newham Council makes use of some of these properties as housing accommodation. Local Space was formed on the 10th February 2006. Newham Council transferred 450 properties to Local Space to provide working capital to allow more accommodation to be acquired by Local Space. Newham Council appoint three members to the board of nine. As Newham Council do not have access to profits of Local Space, it is not appropriate to consolidate Local Space accounts within the Council group; therefore it is appropriate to show as a note to the Council's accounts. Local Space had an operating surplus in the year to 31st March 2007 of £3.87 million. After financing costs and exceptional items, the overall deficit for the period was £44,000.

#### Note 39. Joint Venture - Caboodle Solutions Limited

Caboodle Solutions Ltd. is a joint venture limited company owned by London Borough of Newham and Bull Information Systems. This joint venture has been formed primarily to provide IT products and services to the Council and eventually to other local companies in the Borough. Caboodle also provides a training environment for local unemployed people. This company was previously known as New Deal IT Services. The company was set up in January 1999 with authorised share capital of £100,000. Bull Information Systems is the majority shareholder with 51% of the shares.

For the year ended 31st December 2006 it recorded a turnover of £1.67 million (£1.85 million in 2005) and a profit of £145,000 (£137,000 in 2005). As at 31st December 2006 total reserves of the company stood at £633,000 (£488,000 at December 2005). No dividend was paid to the Council in 2006/07. This joint venture has been incorporated within the Council's group accounts. Copies of the accounts for Caboodle Solutions Ltd can be obtained from; Caboodle Solutions Limited Ltd, Bridge Road Depot, Abbey Road, Stratford, London E15 3LX.

#### Note 40. Post Balance Sheet Events

The Statement of Accounts for 2006/07 were approved by Investment and Accounts Committee on 28th June 2007.

The Council has agreed to purchase a new Single Back Office, Building 1000, Royal Albert Way. A deposit of £7.6 million has been paid and final settlement will be made by the end of 2007. This will allow most back officer staff to be based in one location rather than the 24 locations currently used. The disposal of buildings that become surplus to requirements will generate savings and capital receipts that will be used to fund the new office.

#### Note 41. Trust and Gift Funds

The Council administered trust and gift funds with a value of £1,344,000 at the end of year (£1,173,000 at 31st March 2006). These are not included in the Balance Sheet.

2005/06	<i>Trust &amp; Gift Funds</i>	2006/07
<i>£000s</i>		<i>£000s</i>
1,173	Fund Balances at 1 <sup>st</sup> April	1,339
304	Income	179
(138)	Payments	(174)
<b>1,339</b>	Fund balances at 31 <sup>st</sup> March	<b>1,344</b>
	<b>The following individual fund balances are held:</b>	
80	School Prize Funds	83
387	Social Care Trust Funds	409
3	Funds received from LDDC/Thames Telethon	0
40	Galleons Reach Enterprise Trust	0
10	Mayor's Benevolent Fund	10
819	Gurney School	842
<b>1,339</b>	<b>TOTAL</b>	<b>1,344</b>

These funds represent cash and investments held by but not belonging to the Authority.

The school and social care funds have been received from charitable sources for the benefit of service users. They are used within the terms and purpose agreed by the donors.

#### Note 42. Pension Commitments

As part of the terms and conditions of its officers and other employees, the Council offers retirement benefits. Although these will not be payable until employees retire, the Council has a commitment to make these payments, this commitment needs to be disclosed at the time that employees earn their future entitlement.

**Actuarial Position** - The level of contribution payable by the Council to the Fund during 2006/07 was based on the actuarial valuation as at 31<sup>st</sup> March 2004. An actuarial valuation was undertaken as at 31<sup>st</sup> March 2004 to set contribution rates for the three years commencing 2005/06.

The market value of the Fund's assets at March 2004 was £377 million, compared to liabilities of £620 million, representing 61% of the Fund's accrued liabilities, allowing for future pay increases. The contribution rates have been calculated using

the projected unit actuarial method and the main actuarial assumptions used in the 2004 valuation are shown in the following table.

Assumptions	2004 Valuation
Rate of Return on Investments	6.7% Equities / 4.9% Bonds
Rate of General Pay Increases	4.4% per annum
Rate of Increase to Pensions in Payment (in excess of GMPs)	2.9% per annum
Valuation of Assets	Market value based on average values of assets in the 12 months prior to 31st March 2004

The 2004 valuation set the required rate of contribution by the Council for 2006-07 at 23% of pensionable pay. This rate of contribution is that which, when added to the contributions paid by the members, is sufficient to meet the following:

- 100% of the liabilities arising in respect of service after the valuation date; plus
- an adjustment over a period of 20 years to reflect the shortfall of the value of each participating employer's notional share of the Fund's assets from 100% of its accrued liabilities, allowing, in the case of members in service, for future pay increases.

The 2007 FRS17 exercise as at the 31<sup>st</sup> March 2007 calculated that the Council had the following overall assets and liabilities for pensions:

FRS17 Disclosure	As at 31 <sup>st</sup> March 2007	As at 31 <sup>st</sup> March 2006
<b>Assumptions</b>	<b>% per annum</b>	<b>% per annum</b>
Price Increases		3.1%
Salary Increases		4.6%
Pension Increases		3.1%
Discount Rate		4.9%
<b>Assets (Whole Fund)</b>	<b>Long Term Return</b>	<b>Fund Value at</b>
		<b>£000s</b>
Equities	7.7	434,080
Bonds	4.6	41,312
Property	5.5	80,230
Cash	4.6	43,108
<b>Total</b>	<b>6.8</b>	<b>598,730</b>
		<b>537,900</b>
<b>Net Pension Assets</b>		<b>£000s</b>
Estimated Employer Assets		598,730
Total Value of Liabilities		(908,056)
Newham Homes Pension Liabilities		(13,954)
<b>Net Pension Liability</b>		<b>(323,280)</b>

<i>Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses in Reserves</i>	<i>Year to 31<sup>st</sup> March 2003</i>	<i>Year to 31<sup>st</sup> March 2004</i>	<i>Year to 31<sup>st</sup> March 2005</i>	<i>Year to 31<sup>st</sup> March 2006</i>	<i>Year to 31<sup>st</sup> March 2007</i>
	£000s	£000s	£000s	£000s	£000s
Actual return less expected return on pension scheme assets	(93,780)	52,000	16,500	79,521	7,990
Experience gains and losses arising on the scheme liabilities	4,705	903	26,296	(165)	0
Changes in Financial Assumptions underlying the present value of the scheme	0	0	(145,100)	(109,245)	96,757
<b>Actuarial gain/(loss) recognised in reserves</b>	<b>(89,075)</b>	<b>52,903</b>	<b>(102,304)</b>	<b>(29,889)</b>	<b>104,747</b>
<i>Movement in Surplus/Deficit During the Year</i>	£000s	£000s	£000s	£000s	£000s
Surplus/(deficit) at beginning of the year	(232,237)	(325,666)	(276,096)	(377,100)	(429,743)
Current Service Cost	(14,950)	(15,401)	(20,900)	(22,309)	(26,065)
Employer contributions	22,837	25,900	27,300	28,950	31,374
Contributions in respect of Unfunded Benefits	0	1,600	3,400	3,453	3,139
Past service costs	(367)	(132)	0	(6)	0
Impact of settlements and curtailments	(146)	(100)	(300)	(568)	(600)
Net return on assets	(11,728)	(15,200)	(8,200)	(13,231)	(11,221)
Actuarial gains/(losses)	(89,075)	52,903	(102,304)	(29,889)	104,747
Newham Homes pension liability	0	0	0	(19,043)	5,089
<b>Surplus/(deficit) at end of year</b>	<b>(325,666)</b>	<b>(276,096)</b>	<b>(377,100)</b>	<b>(429,743)</b>	<b>(323,280)</b>

<i>History of Experience Gains and Losses</i>	<i>Year to 31<sup>st</sup></i>	<i>Year to 31<sup>st</sup></i>	<i>Year to 31<sup>st</sup></i>	<i>Year to 31<sup>st</sup></i>	<i>Year to 31<sup>st</sup></i>
	<i>March 2003</i>	<i>March 2004</i>	<i>March 2005</i>	<i>March 2006</i>	<i>March 2007</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Difference between the expected and actual return on assets	(93,780)	52,000	16,500	79,521	7,990
Value of assets	282,967	366,500	416,500	537,900	598,730
<b>Percentage of assets</b>	<b>(33.1%)</b>	<b>14.2%</b>	<b>4.0%</b>	<b>14.8%</b>	<b>1.3%</b>
Experience gains/(losses) on liabilities	4,705	903	26,296	(165)	0
Present value of liabilities	590,066	642,596	793,600	948,600	908,056
<b>Percentage of the present value of liabilities</b>	<b>0.8%</b>	<b>0.1%</b>	<b>3.3%</b>	<b>0.0%</b>	<b>0.0%</b>
Actuarial gains/(losses) recognised in reserves	(89,075)	52,903	(102,304)	(29,889)	96,757
Present value of liabilities	608,633	642,596	793,600	948,600	908,056
<b>Percentage of the present value of liabilities</b>	<b>(14.6%)</b>	<b>8.2%</b>	<b>(12.9%)</b>	<b>(3.2%)</b>	<b>(10.7%)</b>

The pension net liability has been calculated by reference to the latest formal actuarial valuation as at 31<sup>st</sup> March 2004, which has been rolled forward and updated for changes in financial assumptions to arrive at an estimated position as at 31<sup>st</sup> March 2007. The actuary is satisfied that this approach does not introduce any material distortion to the figures provided, assuming the financial assumptions are broadly in line with the actual performance of the fund. Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. These liabilities have been assessed by Mercers, an independent firm of Actuaries.

The Local Pension Scheme (Amendment) Regulations 2006 gave members of the scheme the option of taking a higher lump sum than the standard 3/80ths basis by commuting part of their pension. The Actuary has assumed that 25% of members will take the option to increase their lump sum. This assumption will be reviewed as part of the 2007 actuarial valuation.

An FRS17 pension liability of £13.95 million exists to provide for the pension deficit of Newham Homes employees as at 31st March 2007. Newham Homes liability relates to the period of service carried out by the ALMO's employees up to 1<sup>st</sup> December 2005, the point at which they transferred to the ALMO.

#### Note 43. Reconciliation of Net Revenue Surplus to Cash Inflow from Revenue Activities

<i>Newham - 2006/07</i>		<i>2006/07</i>	<i>Newham - 2006/07</i>
<i>£000s</i>	<b>Revenue (Surplus)/Deficit for year:</b>	<i>£000s</i>	<i>£000s</i>
(6,967)	General Fund	1,826	
2,682	Housing Revenue Account	2,876	
1,411	Collection Fund deficit (LBN element)	(977)	
(2,874)			3,725
	<b>Remove Expenditure not resulting in a cash</b>		
(8,379)	Provision for loan repayments etc.	(8,375)	
1,780	Gains & Losses From Early Settlement of Debt	2,364	
(3,619)	Provisions set aside in the year from revenue	(17,501)	
3,604	Contributions (to)/from Reserves	39,580	
(6,614)			16,068
(631)	Change in Stocks/Work in Progress	(457)	
215	Change in Other Balances	0	
9,236	Other Adjustments	10,752	
8,820			10,295
12,708	(Reduction)/Increase in Debtors	6,301	
(5,478)	Reduction/(Increase) in Creditors	13,566	
7,230			19,867
(72,114)	Add Financing Items shown later in the Cash Flow		(78,713)
<b>(65,552)</b>	<b>Cash Inflow from Revenue Activities</b>		<b>(28,758)</b>

**Note 44. Analysis of Revenue Grants**

<i>2005/06</i>	<i>Grant</i>	<i>2006/07</i>
<i>£000s</i>		<i>£000s</i>
8,131	Asylum Seekers	2,956
2,149	CAMHS - Mental Health	2,286
3,464	Childcare grant	1,362
1,720	Children's Fund Grant	1,529
1,171	Children's Services Quality Protects	1,869
0	Connexion Funding - Young People's Career Advice	2,104
25,053	Council Tax benefit	26,391
0	Dedicated Schools Grant	215,382
165	Drug Action Team	1,884
9,540	Education PFI grant	14,477
0	GSSG Grant	9,635
3,271	Housing Benefit Administration	4,357
27,648	HRA subsidy	29,506
4,088	Learning and Skills Council Grant for Sixth Form	3,542
111,453	Mandatory Rent Allowances	108,037
41,346	Mandatory Rent Rebates in HRA	43,913
72,714	Mandatory Rent Rebates out HRA	77,517
19,057	Neighbourhood Renewal Fund	18,170
4,093	New Deal For Communities	3,364
1,270	Preserved Rights	1,095
0	Safer Stronger Communities	2,141
5,828	Schools Standards Grant	0
28,279	Standards Fund	33,062
11,530	Supporting People	148
7,897	Surestart	4,679
5,839	Teachers Pay Reform	0
0	Training Support Programme	1,226
0	Youth Justice Board (Youth Offenders)	1,540
2,997	Other	13,688
<b>398,703</b>		<b>625,860</b>

**Note 45. Reconciliation of Net Cash Flow to Movement in Net Debt**

<i>Restated Balance</i>		<i>Balance</i>
<i>31st March 2006</i>		<i>31st March 2007</i>
<i>£000s</i>		<i>£000s</i>
23,513	(Decrease)/Increase in cash for the period	(24,243)
(54,945)	Cash (inflow)/outflow from (increase)/decrease in debt financing	(18,940)
24,870	Cash inflow from increase in liquid resources	(6,772)
(6,562)	Movement in net debt in the period	(49,955)
(494,518)	Net Debt at 1 <sup>st</sup> April	(501,080)
<b>(501,080)</b>	<b>Net Debt at 31<sup>st</sup> March</b>	<b>(551,035)</b>

**Liquid resources are represented by:**

Internally managed liquid resources consisting of sterling deposits not exceeding 364 days with banks, other financial institutions and other Local Authorities. Externally managed investments consist of cash investments with one manager.

**Note 46. Analysis of Net Debt**

	<i>Restated Balance</i>	<i>Movement</i>	<i>Balance</i>
	<i>31st March 2006</i>	<i>In the year</i>	<i>31st March 2007</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Cash in hand	404	(24,243)	(23,839)
Debt due after one year	(588,303)	41,060	(547,243)
Debt due within one year	(58,555)	(60,000)	(118,555)
Short Term Investments	145,374	(6,772)	138,602
<b>(Increase) / Decrease in Net Debt</b>	<b>(501,080)</b>	<b>(49,955)</b>	<b>(551,035)</b>

## HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for Local Authority housing provision as defined in particular in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure – maintenance, management, capital charges, and how these are met by rents, subsidy and other income.

<i>2005/06</i> <i>Restated</i> <i>£000s</i>	<i>HOUSING REVENUE ACCOUNT</i>	<i>2006/07</i> <i>£000s</i>	<i>2006/07</i> <i>£000s</i>	<i>Note</i>
	<b>Income</b>			
(60,462)	Dwelling Rents	(61,266)		1
(2,679)	Non Dwelling Rents	(2,805)		
(4,139)	Leaseholder Service Charges	(4,285)		
(8,140)	Charges for Services and Facilities	(7,328)		
(27,098)	Housing Revenue Account Subsidy receivable	(28,065)		2
0	Reduction in provision for bad debts	(108)		
(102,518)	Total Income		(103,857)	
	<b>Expenditure</b>			
16,766	Repairs and Maintenance	15,389		
1,537	Trading Account Deficit	485		3
38,508	Supervision and Management	42,415		
2,147	Property Leasing Costs	2,154		
849	Rent, Rates and Insurance	759		
292	Debt Management Expenditure	257		
1,208	Increased Provision for Bad or Doubtful Debts	0		
	Depreciation and Impairment of Fixed Assets			
28,583	- Dwellings	28,917		6
616	- Other HRA Assets	371		6
90,506	Total Expenditure		90,747	
<b>(12,012)</b>	<b>Net Cost of HRA Services per Authority Income and Expenditure Account</b>		<b>(13,110)</b>	
500	HRA Services Share of Corporate and Democratic Core	500		
	HRA Share of other Amounts included in the whole authority			
0	Net Cost of Services but not Allocated to Specific Services	0	500	
<b>(11,512)</b>	<b>Net Cost of HRA Services</b>		<b>(12,610)</b>	
25,105	Interest Payable and Similar Charges	26,981		
1,875	Amortisation of Premiums and Discounts	1,874		
(675)	Interest and Investment Income	(422)	28,433	
<b>14,793</b>	<b>(Surplus) or Deficit for the year on HRA Services</b>		<b>15,823</b>	

### STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

<i>2005/06</i> <i>Restated</i> <i>£000s</i>		<i>2006/07</i> <i>£000s</i>
<b>14,793</b>	(Surplus) / Deficit for the year on the HRA Income and Expenditure Account	<b>15,823</b>
(12,111)	Net additional amount required by statute to be debited/ (credited) to the HRA balance for the year	(12,947)
<b>2,682</b>	<b>(Increase)/ decrease in the Housing Revenue Account Balance</b>	<b>2,876</b>
(11,538)	Housing Revenue Account (Surplus) brought forward	(8,856)
<b>(8,856)</b>	<b>Housing Revenue Account (Surplus) carried forward</b>	<b>(5,980)</b>

**Note to the Statement of Movement on the Housing Revenue Account Balance 2006/07**

<i>Restated 2005/06</i>	<i>2006/07</i>	
<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
<b>Items included in the HRA Income and Expenditure Account but excluded from the Movement on HRA balance for the year</b>		
0		0
0		0
<b>Items not included in the HRA Income and Expenditure Account but included in the Movement on HRA balance for the year</b>		
(14,135)	Transfer to/ (from) Major Repairs Reserve	(14,353)
1,889	Transfers to/ (from) PFI Reserve	1,327
135	HRA Share of Contributions to/ (from) Pension Reserve	79
0	Voluntary set aside for Debt Repayment	0
0	Capital Expenditure funded by the HRA	0 (12,947)
<b>(12,111)</b>	<b>Net Additional Amount required by statute to be debited or (credited) to the HRA Balance for the year</b>	<b>(12,947)</b>

**Note 1. Dwelling Rents**

The total rent income from dwellings was £61.3 million compared to £60.5 million in 2005/06. This reflects the reduction in stock numbers between the years and the irrecoverable debts written off. An average of £4.84 a week is charged for services such as caretaking and grounds maintenance. The total amount payable by tenants does not change only the element classed as rent.

**Note 2. Housing Subsidy**

The Government pays a subsidy to the Housing Revenue Account. Subsidy is based on Government formulae that are used to calculate a number of elements in a notional account.

<i>2005/06</i>	<i>HRA Subsidy Entitlement</i>	<i>2006/07</i>
<i>£000s</i>		<i>£000s</i>
(38,987)	Management and Maintenance Allowance	(39,778)
(15,065)	Major Repairs Allowance	(14,935)
(31,521)	Capital charges	(32,919)
(2,158)	Other reckonable expenditure	(2,158)
60,907	Notional income from rent	63,956
1,742	Rent Rebate/ Limitation	776
(1,978)	PFI Subsidy Allowance	(2,391)
0	Rent Constraint Allowance	(335)
(38)	Admissible Allowance	(19)
<b>(27,098)</b>	<b>Total Subsidy Due For Year</b>	<b>(27,803)</b>
<b>0</b>	<b>Previous Year Subsidy</b>	<b>(262)</b>
<b>(27,098)</b>	<b>Total Subsidy Income</b>	<b>(28,065)</b>

**Note 3. Internal Trading Balances**

Surpluses or losses on trading accounts are redistributed, pro rata, to the appropriate services. The table below sets out the share allocated to the HRA.

<i>2005/06</i>		<i>2006/07</i>
<i>£000s</i>		<i>£000s</i>
(875)	Repairs and Maintenance Division	0
(662)	NEWCO	(485)
<b>(1,537)</b>	<b>Total surplus (Deficit)</b>	<b>(485)</b>

**Note 4. Rent Arrears and Provisions**

At the end of the year the level of HRA rent arrears was £8.4 million (£9.7 million in 2005/06). During the year bad debts of £0.9m were written out of the accounts. The provision for bad or doubtful debts was £7.8 million at the year-end.

2005/06			Rent Arrears at 31 <sup>st</sup> March	2006/07		
HRA	General Fund	Total		HRA	General Fund	Total
<i>£000s</i>	<i>£000s</i>	<i>£000s</i>		<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
2,947	4,277	7,224	Former Tenants	2,306	7,934	10,240
5,188	3,972	9,160	Current Tenants	6,117	6,595	12,712
8,135	8,249	16,384		8,423	14,529	22,952
(8,130)	(7,814)	(15,944)	less Provisions	(7,306)	(8,145)	(15,451)
<b>5</b>	<b>435</b>	<b>440</b>	<b>Net Arrears</b>	<b>1,117</b>	<b>6,384</b>	<b>7,501</b>

#### Note 5. Depreciation

Depreciation for 2006/07 is charged on the Balance Sheet value of assets, based on their estimated useful life. Depreciation for 2006/07 was £28.92 million for dwellings (£28.58 million in 2005/06), £0.37 million for other assets (£0.62 million in 2005/06).

#### Note 6. Housing Stock

The Council was responsible for the management of an average of 18,866 dwellings during 2006/07 (19,514 in 2005/06). An analysis of Newham's housing stock at 31<sup>st</sup> March 2007 by age and type (based on Central Government subsidy classifications) is given below.

<i>No. of Bedrooms</i>	<i>Pre 1919</i>	<i>1919-1944</i>	<i>1945-1964</i>	<i>1965-1974</i>	<i>1975-2000</i>	<i>Total</i>
1	281	90	1,966	2,334	1,359	6,030
2	313	391	2,965	1,947	849	6,465
3 or more	532	718	2,423	1,194	1,291	6,158
<b>Total</b>	<b>1,126</b>	<b>1,199</b>	<b>7,354</b>	<b>5,475</b>	<b>3,499</b>	<b>18,653</b>
Of which:						
Low rise flats	335	443	3,644	2,059	1,706	8,187
Medium rise flats	19	55	1,216	542	115	1,947
High rise flats	3	0	1,426	2,285	6	3,720
Houses and Bungalows	769	701	1,044	589	1,672	4,775
Shared Dwellings	0	0	24	0	0	24
<b>Total</b>	<b>1,126</b>	<b>1,199</b>	<b>7,354</b>	<b>5,475</b>	<b>3,499</b>	<b>18,653</b>

The change in the stock is detailed below:

<i>2005/06</i>	<i>Housing Stock</i>	<i>2006/07</i>
19,950	Dwellings at 1 <sup>st</sup> April	19,078
(211)	Right to buy sales	(141)
(109)	Demolitions	(233)
(553)	Other disposals	(79)
1	Additions (buy backs)	28
<b>19,078</b>	<b>Total at 31<sup>st</sup> March</b>	<b>18,653</b>

## Note 7. Fixed Assets

	<i>Intangible</i>	<i>Dwellings</i>	<i>Other Land and Buildings</i>	<i>Equipment, Vehicles etc.</i>	<i>Non- operational Assets</i>	<i>Total</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Balance Sheet value 1 <sup>st</sup> April 2006	0	936,885	8,375	504	31,995	977,759
Depreciation	(43)	(28,917)	0	(328)	0	(29,288)
Additions/Adjustments	95	49,548	0	61	0	49,704
Disposals	0	(28,908)	0	0	(1,240)	(30,148)
Write off to FARA / no added value	0	(42,893)	0	0	0	(42,893)
Revaluation	0	122,632	894	0	1,597	125,123
<b>Balance Sheet value 31<sup>st</sup> March 2007</b>	<b>52</b>	<b>1,008,347</b>	<b>9,269</b>	<b>237</b>	<b>32,352</b>	<b>1,050,257</b>

In accordance with Government guidelines, dwellings have been valued at their 'existing use with vacant possession' and then reduced to reflect 'existing use for social housing'. The vacant possession value at 31<sup>st</sup> March 2007 is estimated to be £2.79 million has been reduced to £1.01 million to reflect social housing use. This social housing use value is included in the Balance Sheet. The reduction of £1.78 million is a measure of the economic cost to Government of providing Council Housing at less than open market rents.

## Note 8. Capital Expenditure

Expenditure for capital purposes during 2006/07 and methods of financing are set out below.

<i>2005/06</i>		<i>2006/07</i>
<i>£000s</i>	<b>Expenditure in year</b>	<i>£000s</i>
36,045	Fixed Assets	43,877
1,175	Deferred charges	1,617
<u>37,220</u>		<u>45,494</u>
	<b>Methods of Financing</b>	
(14,560)	Major Repairs Reserve	(12,376)
(18,731)	SCE (R)	(31,769)
0	Other Grant contributions	(144)
(4,000)	Capital receipts	(195)
(490)	Leaseholders Contributions	(511)
561	Increase / (Reduction) in Capital Creditors	(499)
<b>(37,220)</b>		<b>(45,494)</b>

## Note 9. Capital Receipts

The gross capital receipts from the sale of dwellings, land and other property are as follows. Capital receipts are pooled, with 75% of sale of dwellings (net) proceeds being transferred to Central Government for distribution on Housing schemes. The balance is available to fund additional capital expenditure.

<i>2005/06</i>		<i>2006/07</i>
<i>£000s</i>		<i>£000s</i>
22,852	Dwellings	18,211
5,374	Land and other assets	629
<b>28,226</b>	<b>Total</b>	<b>18,840</b>

### Note 10. Major Repairs Reserve

This reserve is credited with the depreciation charged to the HRA each year, with an adjustment to ensure the net credit in the year equals the Major Repairs Allowance, which forms part of the Housing Subsidy arrangements. The reserve is only available for financing major repairs carried out to the housing stock. Any sums unspent are carried forward to future years.

2005/06		2006/07
£000s		£000s
(1,718)	Balance 1 <sup>st</sup> April	(2,223)
(29,199)	Depreciation charge to HRA (from the Capital Finance Account)	(29,288)
14,135	Adjusting transfer to HRA	14,353
14,559	Financing of Capital expenditure	12,376
<b>(2,223)</b>	<b>Total</b>	<b>(4,782)</b>

### Note 11. Housing Repairs Reserve

No contribution has been made in 2006/07 from the HRA to the Housing Repairs Reserve. This reserve, current balance £1.45 million, will be used to help maintain the level of repairs to Council houses.

### Note 12. Contribution to Pension Reserve

Under the requirements of FRS17, the cost of services within the HRA include only the employers share of pension benefits earned in the year by employees chargeable to the HRA. The additional contribution for past service costs are shown as a contribution to the Pensions Reserve. Details of the Pension Funds and the effect of FRS17 can be found in the Statement of Accounting Policies.

### Note 13. Newham Homes

In December 2005, the Council formed Newham Homes (ALMO). Newham Homes is responsible for the provision of services associated with the Council's Housing stock (repairs, lighting, cleaning). The housing stock remains in the ownership of the Council and rents are collected by Newham Homes. The Council has entered into a contract with Newham Homes to provide these services. Newham Homes is required by law to prepare a set of accounts which shows its management and administrative cost.

The transactions of Newham Homes have been incorporated within the Council's group financial statements.

**COLLECTION FUND**  
**INCOME AND EXPENDITURE ACCOUNT**

<i>Restated 2005/06</i>	<i>COLLECTION FUND</i>	<i>2006/07</i>	<i>Note</i>
<i>£000s</i>		<i>£000s</i>	<i>£000s</i>
	Income		
(79,658)	Council Tax	(83,939)	
(59,787)	Non Domestic Rates	(63,946)	
(114)	Recovery of previous years' Council Tax surplus	(2,242)	
(139,559)			(150,127)
	Expenditure		
	Precepts and Demands		
61,055	Newham	62,348	
18,135	Greater London Authority (GLA)	20,591	
79,190			82,939
	Business Rate		
59,338	Payment to National Pool	63,595	
350	Costs of Collection	349	
98	Appropriated credits to Balance Sheet creditors	2	
59,786			63,946
	Provisions for non collection		
1,994	Council Tax		2,000
1,411	(Surplus)/Deficit for the year		(1,242)
2,000	(Surplus)/Deficit at 1st April		3,411
<b>3,411</b>	<b>(Surplus)/Deficit at 31st March</b>		<b>2,169</b>
	<b>(Surplus)/Deficit consists of:</b>		
1,176	Newham's Current year Council Tax (surplus)/deficit		752
	Greater London Authority's Current year Council Tax (surplus) / deficit		248
1,456	Newham's Previous year Council Tax (surplus)/deficit		903
	Greater London Authority's Previous year Council Tax (surplus) / deficit		266
<b>3,411</b>	<b>(Surplus) / Deficit at 31st March</b>		<b>2,169</b>

## Note 1. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands with estimated values at 1st April 1991 being used for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council and Greater London Authority (GLA) for the forthcoming year, and dividing by the Council Tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent), and then adjusting for discounts which in 2006/07 were 10,560 (10,426 in 2005/06). This basic amount of Council Tax for a Band D property of £1,162.52 (£1,111.91 in 2005/06) is multiplied by the proportion specified for the particular band to give an amount due. Council Tax bills were based on the following proportions for bands A to H;

<i>Council Tax Band</i>	<i>Proportion of Band D Charge</i>
Band A	0.67
Band B	0.78
Band C	0.89
Band D	1.00
Band E	1.22
Band F	1.44
Band G	1.67
Band H	2.00

The income from Council Tax in 2006/07, of £83.94 million was receivable from the following sources:

<i>2005/06</i>		<i>2006/07</i>
<i>£000s</i>		<i>£000s</i>
(55,138)	Bills to Council Taxpayers	(57,894)
(24,520)	Council Tax Benefits	(26,045)
<b>(79,658)</b>		<b>(83,939)</b>

## Note 2. National Non Domestic Rates

NNDR is organised on a national basis. The Council is responsible for collecting rates from the ratepayers in its area which are calculated by multiplying their rateable values by a uniform rate specified by the Government. The proceeds, less certain reliefs and other reductions, are paid into an NNDR pool administered by the Government who then redistributes the sums back to Local Authorities' General Funds on the basis of a fixed amount per head of population.

The total non-domestic average rateable value for the Council's area for 2006/07 was £194,814,230 as per the District Valuer (£196,027,448 in 2005/06) and the national non-domestic multiplier for the year was 43.3p (42.2p in 2005/06) resulting in notional NNDR income of £84.3 million. The NNDR income for 2006/07 of £63.9 million (£59.7 million in 2005/06) is net of reliefs and provisions.

## Note 3. Greater London Authority (GLA)

Following the creation of the GLA, there is now only one precept covering the Police, Fire and Emergency Planning, and GLA/London-wide bodies. The precept was £18.14 million in 2005/06 and £20.59 million in 2006/07.

## Note 4. Contributions to/from Collection Fund Deficits/(Surpluses)

<i>Collection Fund</i>	<i>GLA</i>	<i>Newham</i>
	<i>£000s</i>	<i>£000s</i>
Deficit 1 <sup>st</sup> April 2006	779	2,632
Recovery of Previous Year's Deficit	(513)	(1,729)
Balance Pre 2005/06	266	903
Deficit For Current Year	248	752
<b>Deficit 31<sup>st</sup> March 2007</b>	<b>514</b>	<b>1,655</b>



**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

<i>Restated 2005/06</i>	<i>Statement of Total Recognised Gains and Losses</i>	<i>2006/07</i>
<b>£000s</b>		<b>£000s</b>
58,095	(Surplus) /Deficit for the year on the Income and Expenditure Account	65,629
352,713	(Surplus ) / Deficit Arising on Revaluation of Fixed Assets	(111,891)
49,941	Actuarial (gains)/losses on Pension Fund Assets and Liabilities	(110,798)
1,088	Collection Fund	(977)
0	Newham Homes Reserve Movement	(645)
<b>461,837</b>	<b>Total recognised gains for the year</b>	<b>(158,682)</b>

**Note: Reconciliation of items for the Group Statement of Total Recognised Gains and Losses**

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in the value of assets and liability.

<i>Restated Balance Sheet</i>		<i>Balance Sheet</i>	<i>Movement In Year</i>	<i>Unrealised Gains/Losses</i>	<i>Revaluation</i>	<i>Disposal</i>	<i>Transfer</i>	<i>Other Capital Expenditure</i>	<i>Movement between Capital and Revenue</i>
<i>2005/06</i>		<i>2006/07</i>	<i>2006/07</i>						
<b>£000s</b>		<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
956,598	Fixed Asset Restatement Account	1,045,612	(89,014)	0	(164,255)	32,348	0	42,893	0
144,349	Capital Financing Account	122,408	21,941	0	0	0	(2,364)	(28,807)	53,112
0	Usable Capital Receipts	0	0	0	0	(20,991)	0	8,534	12,457
2,223	Major Repairs Reserve	4,782	(2,559)	0	0	0	14,353	12,376	(29,288)
73,904	Revenue Reserve	53,836	20,068	0	0	0	(14,353)	8,375	26,046
(430,705)	Pension Reserve	(323,280)	(107,425)	(110,798)	0	0	0	0	3,373
(2,632)	Collection Fund Account	(1,655)	(977)	(977)	0	0	0	0	0
239	Group Companies General Reserves	955	(716)	(645)	0	0	0	0	(71)
<b>743,976</b>	<b>Total</b>	<b>902,658</b>	<b>(158,682)</b>	<b>(112,420)</b>	<b>(164,255)</b>	<b>11,357</b>	<b>(2,364)</b>	<b>43,371</b>	<b>65,629</b>

**GROUP BALANCE SHEET**

<i>Restated 2005/06</i>	<i>Group Balance Sheet at 31<sup>st</sup> March</i>	<i>2006/07</i>	<i>Notes</i>
<i>£000s</i>		<i>£000s</i>	
	<b>FIXED ASSETS</b>		
	<b>Intangible Fixed Assets</b>		
2,124	Intangible Fixed Assets	1,686	
	<b>Tangible Fixed Assets</b>		
	<b>Operational Assets</b>		
936,885	Council Dwellings	1,008,347	
711,848	Other Land and Buildings	758,688	
99,655	Infrastructure	104,087	
20,525	Community Assets	20,870	
12,121	Equipment, Vehicles etc	10,131	1,903,809
	<b>Non Operational Assets</b>		
106,073	Industrial and Commercial	107,461	
35,342	Surplus Properties	35,244	
2,014	Assets under Construction	301	143,006
<b>1,926,587</b>	<b>Net Fixed Assets</b>		<b>2,046,815</b>
	Investment In Joint Venture		
198	- Share of Gross Assets	389	
(128)	- Share of Gross Liabilities	(98)	291
1,408	Long Term Debtors		1,258
<b>1,928,065</b>	<b>Total Long Term Assets</b>		<b>2,048,364</b>
	<b>CURRENT ASSETS</b>		
2,806	Stocks and Work in Progress	2,046	9
111,092	Debtors and Prepayments	132,581	7
(45,064)	Less Provisions	(44,810)	36 LBN
145,374	Investments	138,602	31 LBN
24,390	Cash and Bank	18,241	246,660
	<b>CURRENT LIABILITIES</b>		
(58,555)	Temporary Borrowing	(118,555)	
(84,728)	Creditors and Receipts in Advance	(100,545)	8
(32,001)	Bank	(41,411)	(260,511)
<b>63,314</b>	<b>Net Current Assets</b>		<b>(13,851)</b>
<b>1,991,379</b>	<b>Total Assets less Current Liabilities</b>		<b>2,034,513</b>
	<b>OTHER LIABILITIES</b>		
(588,303)	Long Term Borrowing	(547,243)	
(214,233)	Government Grants Deferred	(229,933)	
(3,077)	Deferred Premia	(2,587)	
(493)	Deferred Capital Receipts	(467)	
(10,592)	Provisions	(28,345)	
(430,705)	Pension Liability	(323,280)	(1,131,855)
<b>743,976</b>	<b>Total Assets less Total Liabilities</b>		<b>902,658</b>
	<b>Financed by:</b>		
956,598	Fixed Asset Restatement Account	1,045,612	
144,349	Capital Financing Account	122,408	
0	Usable Capital Receipts	0	
2,223	Major Repairs Reserve	4,782	
(430,705)	Pension Reserve	(323,280)	
73,904	Revenue Reserves	53,836	
239	Group Companies General Reserves	955	
(2,632)	Collection Fund	(1,655)	
<b>743,976</b>			<b>902,658</b>

**GROUP CASH FLOW STATEMENT**

<i>Group Restated 2005/06</i>		<i>Group 2006/07</i>	<i>Notes</i>
<b>£000s</b>	<b>Revenue Activities</b>	<b>£000s</b>	
	<b>Cash Outflows</b>		
397,751	Cash Paid to and on behalf of Employees	437,587	
433,538	Other Operating Cash Payments	495,716	
111,471	Housing Benefit Paid Out	108,965	
64,930	Non-Domestic Rates Paid to National Pool	63,944	
18,248	Precepts Paid	22,833	
	<b>Cash Inflows</b>		
(41,291)	Rents (after rebates)	(38,133)	
(51,731)	Council Tax receipts	(55,022)	
(61,860)	Non Domestic Rate receipts - from ratepayers	(62,555)	
(78,286)	Non Domestic Rate receipts - from pool	(155,958)	
(296,819)	Revenue Support Grant	(29,279)	
(250,566)	DSS grants for Benefits	(257,697)	
0	Dedicated Schools Grant	(215,382)	
(148,137)	Other Government Grants	(152,781)	2
(119,479)	Cash Received from Goods and Services	(170,051)	
(35,356)	Other Operating Cash Receipts	(30,148)	
<b>(57,587)</b>	<b>Cash Inflow from Revenue Activities</b>	<b>(37,961)</b>	1
	Dividends from Joint Ventures		
	<b>Cash Inflows</b>		
0	Dividends Received	0	
	<b>Cash Outflows</b>		
42,325	Interest Paid	42,686	
42,325		42,686	
	<b>Cash Inflows</b>		
(7,861)	Interest Received	(7,165)	
(7,861)		(7,165)	
	<b>Capital Activities</b>		
	<b>Cash Outflows</b>		
101,746	Purchase of Fixed Assets	102,722	
16,052	Contribution to Housing Pooled Receipts	12,457	
973	Payment of Improvement Grants	1,203	
118,771		116,382	
	<b>Cash Inflows</b>		
(30,217)	Sales of Fixed Assets	(20,365)	
(50,732)	Capital Grants Received	(52,274)	
(122)	Other Capital Cash Receipts	(31)	
(81,071)		(72,670)	
<b>14,577</b>	<b>Net Cash (Inflow) before Financing Management of Liquid Resources</b>	<b>41,272</b>	3
24,870	Net increase/(decrease) in Short Term Deposits	(6,772)	
	Net Increase/(Decrease) in Other Liquid Resources		
	<b>Financing</b>		
	<b>Cash Outflows</b>		
20,055	Repayments of Amounts Borrowed	7,160	
	<b>Cash Inflows</b>		
(75,000)	New Loans Raised	(19,000)	
0	New Short Term Loans	(7,100)	
(54,945)		(18,940)	
<b>(15,498)</b>	<b>(Increase)/Decrease in Cash</b>	<b>15,560</b>	3

## NOTES TO THE GROUP ACCOUNTS

### Note 1 Group Accounts

On 1st December 2005, the Council formed Newham Homes (ALMO). Newham Homes is responsible for the provision of services associated with the Council's Housing stock (repairs, lighting, cleaning). The housing stock remains in the ownership of the Council and rents are collected by Newham Homes.

Newham Homes has been accounted for on the acquisition basis of accounting. As this is a wholly owned subsidiary of the Council, there is a requirement to include its financial activities within the group accounts of Newham Council. Therefore the income and expenditure of Newham Homes for the financial years 2005/06 and 2006/07 is included within the Group Income & Expenditure Account. Its assets and liabilities at 31st March 2006 and 2007 are shown on the face of the Group Balance Sheet.

Caboodle Solutions Limited is accounted for as a joint venture (the Council owns 49%). The Council's share of the income and expenditure and of assets and liabilities is included within the Group Statements.

### Note 2. Reconciliation of items for the Group Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Group for 2005/06 and shows the aggregate increase in the value of assets and liabilities as at 31<sup>st</sup> March 2006.

<i>Balance Sheet</i>		<i>Balance Sheet</i>	<i>Movement In Year</i>	<i>Unrealised Gains/Losses</i>	<i>Revaluation</i>	<i>Disposal</i>	<i>Transfer</i>	<i>Other Capital Expenditure</i>	<i>Movement between Capital and Revenue</i>
<i>2004/05</i>		<i>2005/06</i>	<i>2005/06</i>						
<i>£000</i>		<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
1,342,182	Fixed Asset Restatement Account	956,598	385,584	0	240,516	25,699	80,403	38,966	0
169,786	Capital Financing Account	144,349	25,437	0	0	0	(2,364)	(40,276)	68,077
2,932	Usable Capital Receipts	0	2,932	0	0	(30,339)	0	17,219	16,052
1,718	Major Repairs Reserve	2,223	(505)	0	0	0	0	14,560	(15,065)
67,666	Revenue Reserve	73,904	(6,237)	0	0	0	0	8,379	(14,616)
(377,100)	Pension Reserve	(430,705)	53,605	49,941	0	0	0	0	3,664
(1,544)	Collection Fund Account	(2,632)	1,088	1,088	0	0	0	0	0
172	Group Companies General Reserves	239	(67)	0	(67)	0	0	0	0
<b>1,205,812</b>	<b>Total</b>	<b>743,976</b>	<b>461,837</b>	<b>51,029</b>	<b>240,449</b>	<b>(4,640)</b>	<b>78,039</b>	<b>38,848</b>	<b>58,112</b>

**Note 3. Reconciliation of Net Revenue Surplus to Cash Inflow from Revenue Activities**

<i>Group Restated 2005/06</i>		<i>2006/07</i>	<i>Group 2006/07</i>
<i>£000s</i>		<i>£000s</i>	<i>£000s</i>
	<b>Revenue (Surplus)/Deficit for year:</b>		
(6,967)	General Fund	1,826	
2,682	Housing Revenue Account	2,876	
1,411	Collection Fund deficit	(977)	
(2,874)			3,725
	<b>Remove Expenditure not resulting in a cash movement</b>		
(8,379)	Provision for loan repayments etc.	(8,375)	
1,780	Gains & Losses From Early Settlement of Debt	2,364	
(3,619)	Provisions set aside in the year from revenue	(17,501)	
3,604	Contributions (to)/from Reserves	38,935	
(6,614)			15,423
631	Change in Stocks/Work in Progress	(761)	
215	Change in Other Balances	0	
9,236	Other Adjustments	10,756	
10,082			9,995
12,901	(Reduction)/Increase in Debtors	(8)	
1,082	Reduction/(Increase) in Creditors	12,137	
13,983			12,129
	<b>Add</b>		
(72,114)	Financing Items shown later in the Cash Flow Statement		(79,233)
<b>(57,587)</b>	<b>Cash Inflow from Revenue Activities</b>		<b>(37,961)</b>

**Note 4. Reconciliation of Net Cash Flow to Movement in Net Debt**

<i>Balance 31st March 2006</i>		<i>Balance 31st March 2007</i>
<i>£000s</i>		<i>£000s</i>
15,498	(Decrease)/Increase in cash for the period	(15,559)
(54,945)	Cash (inflow)/outflow from (increase)/decrease in debt financing	(18,940)
24,870	Cash inflow from increase in liquid resources	(6,772)
(14,577)	Movement in net debt in the period	(41,271)
(494,518)	Net Debt at 1 <sup>st</sup> April	(509,095)
<b>(509,095)</b>	<b>Net Debt at 31<sup>st</sup> March</b>	<b>(550,366)</b>

**Liquid resources are represented by:**

Internally managed liquid resources consisting of sterling deposits not exceeding 364 days with banks, other financial institutions and other Local Authorities.

Externally managed investments consist of cash investments with one manager.

## Note 5. Analysis of Net Debt

<i>Group Net Debt</i>	<i>Balance 31st March 2006</i>	<i>Movement In the year</i>	<i>Balance 31st March 2007</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Cash in hand	(7,611)	(15,559)	(23,170)
Debt due after one year	(588,303)	41,060	(547,243)
Debt due within one year	(58,555)	(60,000)	(118,555)
Short Term Investments	145,374	(6,772)	138,602
<b>(Increase) / Decrease in Net Debt</b>	<b>(509,095)</b>	<b>(41,271)</b>	<b>(550,366)</b>

Other notes for the Group Cash Flow Statement are within notes 45 to 46 (Page 44) of the Council's Accounts.

## Note 6. Movement in Group Reserves

<i>Group Reserves</i>	<i>Balance At 1st April 2006</i>	<i>Movement In Year</i>	<i>Balance At 31st March 2007</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Caboodle - Joint Venture	239	71	310
Newham Homes - Subsidiary	0	645	645
<b>Total Group Reserves</b>	<b>239</b>	<b>716</b>	<b>955</b>

## Note 7. Analysis of Debtors and Doubtful Debts

In addition to the figures in Note 33 (Page 38), the Group accounts includes a total of £1.68million debtors and prepayments at year ending 31 March 2007, all of which were external to the group (£48,000 at 31<sup>st</sup> March 2006).

## Note 8. Analysis of Creditors

In addition to the figures in Note 34 (Page 39), the Group accounts includes a total of £2.39 million creditors at year ending 31<sup>st</sup> March 2007 (£48,000 at 31<sup>st</sup> March 2006).

## Note 9. Stocks and Work in Progress

<i>Council 31st March 2006</i>	<i>Newham Homes 31st March 2006</i>	<i>Restated Group 31st March 2006</i>		<i>Council 31st March 2007</i>	<i>Newham Homes 31st March 2007</i>	<i>Group 31<sup>st</sup> March 2007</i>
<i>£000s</i>				<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
592	607	1,199	Stocks	1,025	253	1,278
1,200	407	1,607	Work in Progress	311	457	768
<b>1,792</b>	<b>1,014</b>	<b>2,806</b>	<b>Total</b>	<b>1,336</b>	<b>710</b>	<b>2,046</b>

**PENSION FUND**

2005/06	FUND ACCOUNT	2006/07	
£000s		£000s	£000s
	<b>Contributions Receivable:</b>		
8,434	Contributions from Employees (note 1)	9,120	
31,515	Contributions from Employers (note 1)	35,318	44,438
5,136	Transfer Values in		6,781
	<b>Benefits Payable:</b>		
(20,629)	Pensions Payable	(21,568)	
(2,958)	Lump Sum Benefits Payable	(4,140)	(25,708)
	<b>Payments to and on account of leavers:</b>		
(45)	Refunds of Contributions	(15)	
(6,879)	Transfer Values Out	(5,731)	
			(5,746)
	<b>Administration and Other Expenses Borne By The Scheme:</b>		
(606)	Administration & other expenses borne by the scheme		(591)
<b>13,968</b>	<b>Net Additions From Dealing With Members</b>		<b>19,174</b>
	<b>Return on Investments:</b>		
9,932	Investment Income	10,359	10,359
	<b>Changes in Market Value of Investments:</b>		
30,425	Realised Gains and Losses on Investments Sold	14,991	
74,158	Unrealised/Other Changes in Market Value	23,641	38,632
(1,610)	Investment Management Expenses	(1,626)	
(541)	Other Expenses (tax borne by Fund)	8	(1,618)
<b>112,364</b>	<b>Net Returns On Investments</b>		<b>47,373</b>
<b>126,332</b>	<b>Net increase /(decrease) in the fund during the year</b>		<b>66,547</b>
<b>425,701</b>	<b>Opening Net Assets of the scheme</b>		<b>552,033</b>
<b>552,033</b>	<b>Closing Net Assets of the scheme</b>		<b>618,580</b>
2005/06	NET ASSETS STATEMENT	2006/07	
	<b>Investment Assets</b>		
	<b>Represented by:</b>		
	<b>Investments at Market Value:</b>		
43,403	Fixed Interest Securities	41,895	
410,806	Equities - Quoted	436,973	
4,033	Equities - Unquoted	10,431	
16,690	Index Linked Securities	22,932	
71,747	Freehold and Leasehold Property	82,563	
4,357	Cash and Other Investments	6,115	
1,003	Debtors and Prepayments	826	
<b>552,039</b>			<b>601,735</b>
	<b>Current Assets:</b>		
148	Debtors and Prepayments	382	
246	Cash and Bank Balances	16,853	
<b>394</b>			<b>17,235</b>
	<b>Current Liabilities:</b>		
(400)	Creditors		(390)
<b>552,033</b>	<b>Fund Balance at 31<sup>st</sup> March</b>		<b>618,580</b>

## NOTES TO THE PENSION FUND

### Note 1. Fund Operation and Membership

The Pension Fund provides pensions and other benefits for former, non-teaching employees of the Council (teachers are covered by a separate Pension Fund). It is a statutory Defined Benefit scheme operated under the Local Government Pension Scheme Regulations 1997 (as amended). Subject to certain criteria, all non-teaching employees may choose to join the scheme. Membership of the Fund at the year end was as follows:

	<i>At 31<sup>st</sup> March 2007</i>	<i>At 31<sup>st</sup> March 2006</i>
Contributing Members	7,184	6,889
Current Pensioners	5,695	5,612
Deferred Pensioners	4,016	3,808

Benefits are financed by contributions from employees, Scheme employers, and by income from investments. The employee's basic contribution is 6% of pensionable pay for Officers and Manual Workers. The Employers contribution for 2006/07, paid by the Council, was 23% of pensionable pay.

In addition to the Council, there are four scheduled bodies participating in the scheme: Newham Sixth Form College (NewVIc), Newham Community College, Stratford School and Newham Homes, and four admitted bodies Greenwich Leisure, Carpenters TMO, FM Conway and Community Links.

<i>Participating Body</i>	<i>Contribution Rate</i>	<i>Employee's Contributions</i>		<i>Employer's Contributions</i>	
		<i>2005/06</i>	<i>2006/07</i>	<i>2005/06</i>	<i>2006/07</i>
		<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
<b>LB Newham</b>	<b>23.0%</b>	7,986	8,071	30,073	31,120
<b>Stratford School</b>	<b>23.0%</b>	20	21	73	82
<b>NewVIc</b>	<b>12.5%</b>	79	83	165	172
<b>Newham College of Further Education</b>	<b>23.0%</b>	293	276	1,071	1,048
<b>Carpenters TMO</b>	<b>13.0%</b>	11	613	29	2,763
<b>Greenwich Leisure</b>	<b>13.0%</b>	34	13	74	35
<b>FM Conway</b>	<b>17.6%</b>	7	30	20	64
<b>Newham Homes</b>	<b>23.0%</b>	0	5	0	15
<b>Community Links</b>	<b>13.8%</b>	4	8	10	19
<b>TOTAL</b>		<b>8,434</b>	<b>9,120</b>	<b>31,515</b>	<b>35,318</b>

The Council administers the Fund's investments. Specialist Fund Managers – Capital International, Legal & General (L&G), Aberdeen Asset Management (AAM), Rreef Ltd – have been appointed to invest the majority of the Fund. In addition, a small proportion of the Fund is held in property and venture capital. The Fund does not form part of the Council's Consolidated Accounts.

### Note 2. Fund Managers' Holdings

The majority of the Fund is invested in Equities. The statement below shows the market value of each type of investment held by the individual Fund Managers in £000s as at 31<sup>st</sup> March 2007.

<i>Investment</i>	<i>Capital</i>	<i>L&amp;G</i>	<i>AAM</i>	<i>Rreef</i>	<i>Internally Managed</i>	<i>Total</i>
Fixed Interest (UK)	4,617	9,192	25,564	0	0	39,373
Fixed Interest (Overseas)	456	2,066	0	0	0	2,522
Index Linked - UK	5,553	12,561	4,818	0	0	22,932
UK Equities - Quoted	74,716	148,522	0	0	1,970	225,208
Overseas Equities - Quoted	91,243	122,492	0	0	0	213,735
Equities - Unquoted	0	0	0	0	8,461	8,461
Freehold Property	0	0	0	0	0	0
Unit Trusts - Property	0	0	0	82,563	0	82,563
Cash & Liquid Assets (UK)	4,569	2	32	1,512	0	6,115
Debtors	818	0	0	8	0	826
<b>TOTAL HOLDING</b>	<b>181,972</b>	<b>294,835</b>	<b>30,414</b>	<b>84,083</b>	<b>10,431</b>	<b>601,735</b>
<i>As a percentage of total</i>	<b>30.24</b>	<b>49.00</b>	<b>5.06</b>	<b>13.97</b>	<b>1.73</b>	<b>100.00</b>

The 31<sup>st</sup> March 2006 investment market values were as follows (in £000s):

<i>Investment</i>	<i>Capital</i>	<i>L&amp;G</i>	<i>AAM</i>	<i>Rreef</i>	<i>Internally Managed</i>	<i>Total</i>
Fixed Interest (UK)	2,114	8,990	25,492	0	0	36,596
Fixed Interest (Overseas)	0	2,121	4,686	0	0	6,807
Index Linked - UK	5,354	11,336	0	0	0	16,690
UK Equities - Quoted	73,692	136,010	0	0	2,257	211,959
Overseas Equities - Quoted	83,938	114,909	0	0	0	198,847
Equities - Unquoted	0	0	0	0	4,033	4,033
Freehold Property	0	0	0	0	820	820
Unit Trusts - Property	0	0	0	70,927	0	70,927
Cash & Liquid Assets (UK)	3,850	31	328	148	0	4,357
Debtors	836	164	0	3	0	1,003
<b>TOTAL HOLDING</b>	<b>169,784</b>	<b>273,561</b>	<b>30,506</b>	<b>71,078</b>	<b>7,110</b>	<b>552,039</b>
<i>As a percentage of total</i>	<b>30.76</b>	<b>49.55</b>	<b>5.53</b>	<b>12.87</b>	<b>1.29</b>	<b>100.00</b>

### Note 3. Actuarial Position

The level of contribution payable by the Council to the Fund during 2006/07 was based on the actuarial valuation as at 31<sup>st</sup> March 2004. This valuation sets the contribution rates for the three years commencing 1<sup>st</sup> April 2005.

The market value of the Fund's assets at March 2004 was £377 million, compared to liabilities of £620 million, representing 61% of the Fund's accrued liabilities, allowing for future pay increases.

The contribution rates have been calculated using the projected unit actuarial method and the main actuarial assumptions used in 2004 are shown in the following table:

<b>Assumptions</b>	<b>2001 Valuation</b>	<b>2004 Valuation</b>
Rate of Return on Investments	6.75% Equities / 5.75% Bonds	6.7% Equities / 4.9% Bonds
Rate of general pay increases	4.3% per annum	4.4% per annum
Rate of increase to pensions in payment (in excess of GMPs)	2.8% per annum	2.9% per annum
valuation of Assets	Market value based on average values of assets in the 12 months prior to 31st March 2001	Market value based on average values of assets in the 12 months prior to 31st March 2004

The 2004 valuation set the required rate of contributions by the Council for 2006-07 at 23% pensionable pay. This rate of contribution is that which, when added to the contributions paid by the members, is sufficient to meet the following:

- 100% of the liabilities arising in respect of service after the valuation date; plus
- an adjustment over a period of 20 years to reflect the shortfall of the value of each participating employer's notional share of the Fund's assets from 100% of its accrued liabilities, allowing, in the case of members in service, for future pay increases.

The employers' contribution rate will increase in stages to 24.2% by 2007/08 following the 2004 valuation.

### Note 4. Accounting Policies

SORP accounts summarise the transactions and net assets of the Fund. They do not take account of liabilities to pay pensions and other benefits in the future.

**Accounting Standards** - The Pension Fund Accounts have been prepared in accordance with the accounting recommendations of the Financial Reports of Pension Schemes – a Statement of Recommended Practice. However disclosures have been limited to those required by the Code of Practice on Local Authority Accounting in the United Kingdom: a Statement of Recommended Practice.

**Basis of Preparation** - The accounts have been prepared on the accruals principle, with the exception of transfer values which are included on a cash basis.

**Valuation Principles** - Investments are shown in the accounts at their market value that has been determined as follows:

- Equities traded through the Stock Exchange Electronic Trading Service (SETS), are valued on the basis of the latest mid market price. Other quoted investments are valued on the basis of the mid-market value quoted on the relevant stock market.
- Foreign currency is translated to sterling at the closing mid-market rate on the 31st March 2007
- Unit Trusts and managed funds are valued at the average of the bid and offer prices provided by the relevant fund managers, which reflect the market value of the underlying investments.
- Unquoted securities are valued by the fund managers at the end of the year in accordance with generally accepted guidelines - in accordance with the managers' own valuation of the underlying securities or, where appropriate, at cost.
- The value of fixed interest investments in the Scheme's investment portfolio excludes interest earned but not paid over at the Scheme year end, which is included separately within accrued investment income
- Costs of trading are included as appropriate within purchase costs or sales revenues.

**Investment Income** – The following accounting policies are used:

- Income from equities is accounted for on the date stocks are quoted ex-dividend. Income from overseas investments is recorded net of any withholding tax where this cannot be recovered.
- Income from fixed interest and index-linked securities, cash and short-term deposits is accounted for on an accruals basis
- Income from other investments is accounted for on an accruals basis
- The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.
- Foreign currencies – Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Income from overseas investments is translated into sterling at an average rate for the period. Surpluses and deficits arising on conversion or translation are dealt with as part of the change in market value of investments.

**Contributions** – Normal contributions, both from the members and from employers, are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustments certificate. Additional contributions from the employer are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received.

**Benefits Payable** – Under the rules of the Scheme, members receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose whether to take a greater retirement grant in return for a reduced pension, these lump sums are accounted for on an accruals basis from the date the option is exercised. Other benefits are accounted for on the date the members leaves the Plan or on death.

**Transfers to and from other schemes** – Transfer values represent the capital sums either receivable in respect of members from other pension schemes or previous employers or payable to the pension schemes of new employers for members who have left the plan. They take account of transfers where the trustees of the receiving scheme have agreed to accept the liabilities in respect of the transferring members before the year end and where the account of the transfer can be determined with reasonable certainty.

**Investment, Management and Administration** - A proportion of relevant Council officers' time, including related on-costs, have been charged to the Fund on the basis of actual time spent on scheme administration and investment related matters.

**Other Expenses** – Administration and investment management expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT.

**Statement of Investment Principles** - Details of the Council's Statement of Investment Principles is available for inspection on the Council website ([www.newham.gov.uk](http://www.newham.gov.uk)).

## Note 5. Related Party Transactions

There were no related party transactions in 2006/07.

## Note 6. Additional Information

Further analysis, supporting the information in the accounts is detailed below.

<i>Administration and Investment Management Costs</i>	<i>2005/06</i>	<i>2006/07</i>
<i>Scheme Administration.</i>	<i>£000s</i>	<i>£000s</i>
Officers' salaries and related costs.	606	573
Direct running costs	36	18
Administration & other expenses borne by fund	<b>642</b>	<b>591</b>
Fund Management Expenses	1,574	1,626
	<b>2,216</b>	<b>2,217</b>
<i>Investment Income</i>		
Interest	1,499	2,256
Dividends	7,827	5,504
Rents	104	1,836
<b>Sub total</b>	<b>9,430</b>	<b>9,596</b>
Bank Interest	502	763
<b>Total</b>	<b>9,932</b>	<b>10,359</b>

## Analysis of Purchases and Sales of Investments during 2006/07

<i>Investment</i>	<i>At 1<sup>st</sup> April 06</i>	<i>Purchases</i>	<i>Sales</i>	<i>At 31<sup>st</sup> March 07</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Fixed Interest - UK	35,511	10,250	(5,173)	40,588
Fixed Interest - Overseas	1,807	518	0	2,325
Index Linked - UK	18,677	6,396	(4,947)	20,126
UK Equities - Quoted	178,890	35,535	(37,473)	176,952
Overseas Equities - Quoted	159,615	50,157	(36,289)	173,483
Equities - Unquoted	6,290	4,860	(720)	10,430
Property Trust	60,346	3,097	(1,680)	61,763
Freehold Property	60	0	(60)	0
UK Cash	4,358	2,084	(325)	6,117
<b>Total</b>	<b>465,554</b>	<b>112,897</b>	<b>(86,667)</b>	<b>491,784</b>

## Analysis of Gains and Losses on Investments during 2006/07

<i>Investment</i>	<i>Profits</i>	<i>Losses</i>	<i>Net Profit</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Fixed Interest - UK	49	(74)	(25)
Fixed Interest - OS	0	0	0
Index Linked - UK	199	(5)	194
UK Equities - Quoted	10,528	(6,846)	3,682
Overseas Equities - Quoted	10,259	(2,328)	7,931
Equities - Unquoted	613	0	613
Property	2,601	0	2,601
Currency	164	(169)	(5)
<b>Total</b>	<b>24,413</b>	<b>(9,422)</b>	<b>14,991</b>

## Schedule of Debtors and Creditors

<i>Debtors</i>	<i>2005/06</i>	<i>2006/07</i>
	<i>£000s</i>	<i>£000s</i>
Contributions from outside bodies	148	382
Dividends outstanding - Rreef	1	0
Dividends outstanding - L&G	164	0
Dividends outstanding - Capital International	770	802
Interest	68	24
	<b>1,151</b>	<b>1,208</b>

<i>Creditors</i>	<i>2005/06</i>	<i>2006/07</i>
	<i>£000s</i>	<i>£000s</i>
Tax payable on outstanding dividends	(81)	(51)
Fees due to Fund Managers	(305)	(326)
Investment Advisor Fees	(14)	(13)
	<b>(400)</b>	<b>(390)</b>

## GLOSSARY OF FINANCIAL TERMS

This glossary explains the meaning of commonly used financial terms used within Local Government financial reporting.

### **Accounting Period**

The timescale during which accounts are prepared. Local Authority accounts have an overall accounting period of one year from 1st April to 31<sup>st</sup> March. However, the year is broken down into months for monitoring purposes. April is referred to as period 1, May as period 2 and so on.

### **Accounting Standards**

A set of rules explaining how accounts are to be kept. By law, Local Authorities must follow 'proper accounting practices', which are set out in Acts of Parliament and in professional codes and Statements of Recommended Practice (SORP).

### **Accruals**

An accounting principle where expenditure and income are taken into account in the year in which they are incurred rather than when invoices are actually paid and/or monies received.

### **Actuals**

Short for 'actual expenditure'. The term is usually used to denote the final amount spent against a particular budget or by a service for the year. Also referred to as the out-turn.

### **Approved Investments**

The investment of surplus cash by the Authority can be broadly split into Specified and Non-Specified investments. Specified investments include investments of less than one year in highly credit rated institutions. Non-specified investments cover all other categories of investment. Before the start of each financial year, the Annual Investment Strategy is approved by Council setting out limits on each category of investment.

### **Arms Length Management Organisations (ALMOs)**

An ALMO is a not-for-profit housing management company that is wholly owned and controlled by a Local Authority. The aims of an arms length management organisation is to ensure that Councils invest their housing resources efficiently, economically and strategically to provide decent homes for tenants.

### **Asset Register**

A record of Council assets including land and buildings, housing, infrastructure, vehicles, equipment. This is maintained for the purpose of calculating capital charges that are made to service Revenue Accounts. It is updated annually to reflect new acquisitions, disposals, re-valuations and depreciation.

### **Audit Commission**

The body responsible for the Appointment of external Auditors to Local Authorities, co-ordinating audits throughout the country, setting standards and carrying out Comprehensive Performance Assessments (CPAs).

### **Balances**

The amount of money left over at the end of the year after allowing for all expenditure and income that has taken place. These are also known as financial reserves.

### **Best Value Accounting Code of Practice (BVACOP)**

BVACOP sets the financial reporting guidelines for Local Authorities under the best value regime. It supplements the principles and practice set out in the Code of Practice on Local Authority Accounting (SORP), by establishing practice for consistent reporting below the Statement of Accounts level. BVACOP provides guidance in three key areas:

- The definition of total cost
- Trading accounts and in-house trading
- Service Expenditure Analysis (SEA)

## **Capital Charges**

In accordance with arrangements for Capital Accounting, capital financing costs are no longer charged to individual Revenue Accounts, but have been replaced by 'Capital Charges'. These charges will relate to all capital assets i.e. land and buildings over £25,000 in value, and vehicles, equipment, etc. over £10,000, used by individual services. From 2006/07 the Capital Charge represents the actual annual depreciation of assets.

## **Capital Expenditure**

Expenditure on the purchase, construction and enhancement of Council assets such as houses, offices, schools, roads etc. Expenditure can only be treated as 'capital' if it meets the statutory definitions and is in accordance with proper accounting practices and regulations.

## **Capital Financing Account**

This account shows what capital resources, such as capital receipts have been applied in the year to finance capital expenditure.

## **Capital Grants**

Monies received by service areas from Government and other statutory bodies towards the Council's capital expenditure. The main sources include the Major Repairs Allowance (MRA), Single Regeneration Budget (SRB), Neighbourhood Renewal Fund (NRF), New Deal for Communities (NDC), Transport for London, Standards Fund and Surestart monies.

## **Capitalisation**

Costs are capitalised to the extent that they create or improve any tangible Fixed Asset with a useful economic life greater than one year. The Local Authority Statement of Recommended Practice (SORP) requires capitalisation and depreciation of tangible Fixed Assets.

## **Capital Receipts**

Monies received from the sale of the Council's assets. These receipts are used to pay for additional capital expenditure. See Pooling Arrangements.

## **Child and Adolescent Mental Health Services (CAMHS)**

A comprehensive range of services available within local communities, towns or cities, which provide help and treatment to children and young people who are experiencing emotional or behavioural difficulties, or mental health problems, disorders and illnesses.

## **Children's Fund**

Part of the Government's strategy to tackle child poverty and social exclusion. This primarily targets 5-13 year olds at risk of social exclusion. The objective of the fund is to provide additional resources over and above mainstream statutory, specific programmes and specific earmarked funding streams.

## **Contingent Liabilities**

Potential losses for which a future event will establish whether a liability exists. As it is not appropriate to establish provisions for such amounts, they are not accrued in the financial statements, but disclosed separately in a note to the Balance Sheet.

## **CIPFA**

Is the Chartered Institute of Public Finance and Accountancy, which in common with other Chartered Accountancy Bodies promotes best practice by issuing guidelines and Codes of Practice. CIPFA has particular expertise in the field of Public Sector and Local Government Finance.

## **Collection Fund**

A separate account kept by every billing authority into which Council Tax and Business Rates are paid.

## **Comprehensive Performance Assessment (CPA)**

CPA is a key element of the Government's performance framework for Local Government. It looks at how well the Council delivers services.

### **Consultation**

A process the Council uses in reaching a decision. Individuals can be consulted in three main capacities:

- As consumers, when they are asked for their views about particular services that they either deliver or might use.
- As taxpayers, when consultation focuses on the balance between the level of services provided and their cost; and
- As citizens, when consultation focuses on what people think about policy questions, such as the type of development that might take place in their community.

Local businesses can be consulted as service users, as business ratepayers and as organisations with a wider interest in the community.

### **Corporate and Democratic Core (CDC)**

Under CIPFA Codes of Practice, Local Authorities are required to identify separately the costs of being a publicly accountable body. These are known as the Corporate and Democratic Core, which is split between Democratic Representation and Management (DRM) and Corporate Management (CM). DRM includes all costs relating to members' allowances and expenses, the costs associated with officer time spent on appropriate advice and subscriptions to the Local Authority associations. CM concerns activities and costs which provide the infrastructure and the information, which is required for public accountability.

### **Council Tax**

A local charge set by the Council and the precepting authority in order to collect sufficient revenue to provide Services. Council Tax is based on the value of the property and the number of residents. The Valuation Office assesses the properties in each district area and assigns each property to one of eight valuation bands; A to H. The Council Tax is set on the basis of the number of Band D equivalent properties. Tax levels for dwellings in other bands are set relative to the Band D baseline.

### **Council Tax Benefit**

Reductions in the amount of Council Tax people have to pay based on their income and personal circumstances.

### **Creditors**

Amounts owed by the Authority at 31 March for goods received or services rendered but not yet paid for.

### **Department for Communities and Local Government (DCLG)**

Created on 5th May 2006, with a powerful remit to promote community cohesion and equality, as well as responsibility for housing, urban regeneration, planning and Local Government. This was previously known as the Office of the Deputy Prime Minister.

### **Debtors**

Amounts owed to the Authority which are collectable or outstanding at 31st March.

### **Deferred Charges**

Expenditure of a capital nature for which there is no tangible asset (e.g. improvement grants).

### **De Minimis**

Projects costing below £25,000 (£10,000 for vehicles) are not considered to be 'large' enough to be called capital, and must therefore be met from revenue. The same term is used for assets considered 'too small' for inclusion in the Asset Register.

## **Depreciation**

A provision made in the accounts to reflect the value of assets used during the year. For example a vehicle purchased for £10,000 with a life of five years would depreciate on a straight-line basis at the rate of £2,000 p.a. Depreciation is the 'capital charge' made to service Revenue Accounts.

## **Disposals**

Sale of Council assets - see Capital Receipts.

## **Earmarked Reserves**

Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

## **East London Waste Authority (ELWA)**

ELWA has the statutory responsibility for the disposal of household, commercial, industrial and civic amenity site waste collected by the London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge.

## **External Auditors**

The Auditor appointed by the Audit Commission to carry out an audit of the Council's accounts. Currently the Council's Auditors are PricewaterhouseCoopers, who review Council reporting and activities in relation to:

- Commenting on if the accounts are 'presented fairly'
- Good corporate governance
- Best Value Performance Plans
- Overall duties relating to public accountability

## **Financial Code of Practice (FCoP)**

A set of rules about how service areas should monitor, control and report on their budgets. The Code of Practice also contains rules on the investment of trading surpluses and is approved each year by the Council.

## **General Fund (GF)**

The Council's main Revenue Account that covers the net cost of all services other than the provision of Council housing for rent.

## **Greater London Authority (GLA)**

A Strategic Authority for London, created on 1 July 2000. (see preceptor).

## **Historic Cost**

The actual amount of money paid for a particular item. Assets such as buildings that have been bought in the past will often have a current value that is much greater than their historic cost. However, other items tend to lose their value over time. This is known as depreciation. Generally speaking, Council assets are now shown at net realisable value (open market value).

## **Housing Benefit**

Rent rebates to Council tenants and rent allowances to private sector tenants.

## **Housing General Fund (HGF)**

That part of the Housing service's budget which does not relate to the Council's landlord functions. This includes the costs of homelessness and rent allowances. These services appear within the General Fund Budget.

## **Housing Revenue Account (HRA)**

A statutory account that contains all expenditure and income on the provision of Council Housing for rent. The HRA must be kept entirely separate from the General Fund and the account must balance i.e. income must equal expenditure. Local Authorities are not allowed to contribute to any HRA deficit from the General Fund.

## **Housing Subsidy**

The grant paid by Central Government to Local Authorities to subsidise the cost of Council Housing. The grant is paid into the Housing Revenue Account.

## **Investment Strategy**

The programme that allocates resources to meet Council priorities.

## **Leases**

Contracts granting the use of Fixed Assets, such as building and computers, for a specified time in exchange for rent. The owner is called the lessor and the user is referred to as the lessee.

## **Leasing Charges**

The annual rental payments on items such as vehicles and computers which have been leased by the Council and are charged to revenue.

## **Lender's Option Borrower's Option (LOBO)**

A loan (usually a long-term loan from a bank) where the lender has the option of requesting an interest rate increase at certain points in the term of the loan. The borrower can accept the rate increase or use their option to repay the loan without any early repayment penalties.

## **Levies**

Payments to London-wide bodies such as the Lee Valley Regional Park Authority. The cost of these bodies is borne by Local Authorities in the area concerned, based on their Council Tax base and is met from the General Fund.

## **Local Area Agreement (LAA)**

A three year agreement between the Council and Central Government covering the period 2007 to 2010. It sets out agreed shared outcomes for each of the themes in the Council's Community Strategy and pools and aligns a range of government funding streams.

## **Local Authority Business Growth Incentives (LABGIs)**

Local Authority Business Growth Incentives should enable authorities to benefit from increases in non-domestic (business) rate revenues. They aim to introduce incentives to encourage economic development partnerships with businesses at both local and regional level.

## **Local Strategic Partnership**

Local Strategic Partnerships (LSPs) have been set up to tackle social exclusion and encourage the main service providers in the Borough to work together to produce better outcomes for local residents and to help create sustainable development in the area. The Government, the Council and other service providers are working together to reallocate resources and adapt work programmes to meet objectives.

## **London Docklands Development Corporation (LDDC)**

An organisation set up in 1981 to regenerate the Docklands area of East London. It was responsible for an area of 8.5 square miles (22 km<sup>2</sup>) in Newham, Tower Hamlets and Southwark.

## **Major Repairs Allowance (MRA)**

Introduced from 2001/02 under Resource Accounting in the Housing Revenue Account (HRA). This is the main housing subsidy for Local Authorities, it provides each authority with the estimated long term average amount of capital spending required to maintain a Local Authorities stock to its current standard.

## **Minimum Revenue Provision (MRP)**

The minimum amount that the Council must charge to the Revenue Accounts in the year, in respect of the repayment of principal of borrowing for capital purposes. The minimum provision is calculated as a percentage of the Council's total outstanding non - HRA debt (4%). In the accounts, the minimum revenue provision is included within the Statement of Movement of Reserves Account.

### **National Non Domestic Rates (NNDR) Pool**

Business rates are collected by Local Authorities and paid over to the Government. They are then redistributed on the basis of relevant population. The NNDR pool is the fund operated by the Government into which all business rates are effectively paid and then from which they are redistributed to Local Authorities.

### **Neighbourhood Renewal Fund (NRF)**

Government funding which aims to enable the most deprived authorities, in collaboration with their Local Strategic Partnership (LSP), to improve services. NRF monies can be spent in any way that provides help to tackle deprivation.

### **New Deal for Communities (NDC)**

A key programme in the Government's strategy to tackle multiple deprivation in the most deprived neighbourhoods in the country, giving less wealthy communities the resources to tackle their problems in an intensive and co-ordinated way. The aim is to bridge the gap between these neighbourhoods and the rest of England. All the NDC partnerships are tackling five key themes: poor job prospects, high levels of crime, educational under achievement, poor health and problems with housing and the physical environment.

### **Non-Domestic Rates (NDR)**

The rates paid by businesses. The amount paid is based on rateable value set by the Inland Revenue multiplied by a rate in the £ set by the Government which is the same throughout the country. The rates are collected by Local Authorities and paid over to the Government. They are then redistributed on the basis of resident population. Also referred to as National Non-Domestic Rates or NNDR.

### **Out-turn**

The same as 'actuals'.

### **Overheads**

Any costs to the Council, which do not relate directly to the provision of a service.

### **Overhead Account**

An Overhead Account may be used to recover the cost of overheads related to an activity e.g. a stores overhead account would be used to collect the costs of operating a Store, and to recover these costs via an overhead charged on stock issued.

### **Partnerships**

An agreement relationship or contract between organisations, whereby the parties agree to work together with the aim of enabling the service providers to give the client a more effective service.

### **Pooling Arrangements (Capital Receipts)**

Since the 1<sup>st</sup> April 2004, 75% of "Right To Buy" capital receipts have to be paid to the DCLG, the remaining element can be used to finance capital expenditure. A proportion of other housing receipts must also be paid over unless it is intended to use the receipts for affordable housing or regeneration projects.

### **Preceptor**

The Greater London Authority (GLA) is the only preceptor in London. The GLA calculates its total spending needs for the year and sets its own Council Tax in the same way as a London Borough. Each Billing Authority then collects the tax for them.

### **Private Finance Initiative (PFI)**

A scheme where the Local Authority enters into public-private partnership (PPP) with the private sector to purchase a service associated with an asset such as a school or leisure centre. The Council will not buy the asset but instead pays for use of the asset held by the private sector organisation.

### **Provisions**

Monies set aside for liabilities and losses which are likely to be incurred but where exact amounts or dates on which they will arrive are uncertain.

### **Prudential Code**

This system came into effect from the 1<sup>st</sup> April 2004. It allows all Local Authorities to determine their own borrowing levels to finance projects, thus allowing more flexibility in establishing the most cost effective way of funding a project. The Council has to demonstrate that borrowing undertaken under the Prudential Code framework is affordable in the long term.

### **Public-Private Partnership (PPP)**

A joint venture where the private sector partner agrees to provide a service to a public sector organisation. (also see PFI)

### **Public Service Agreements (PSA)**

An arrangement where a Local Authority agrees with the Government to deliver stretching outcomes in key areas of activity (exceeding performances required under best value obligations) reflecting a mix of national and local priorities, in return for financial incentives and greater freedoms in terms of service delivery.

### **Recharges to Capital**

The salaries of architects and other technical staff working on capital schemes, the costs of which are charged initially to the revenue budget but are then reallocated to the relevant schemes within the capital programme. Also known as 'fees'.

### **Reserves**

The amounts held by way of balances and funds that are free from specific liabilities or commitments. The Council is able to earmark some of its reserves towards specific projects, whilst leaving some free to act as a working balance.

### **Revenue Contribution to Capital Outlay (RCCO)**

The use of revenue monies to pay for capital expenditure - also known as RCCO and Direct Revenue Financing (DRF).

### **Revenue Expenditure**

Expenditure on day to day items such as salaries, wages and running costs. These items are paid for from service income, RSG, NDR and Council Tax. Under the Local Government Finance Act all expenditure is deemed to be revenue unless it is specifically classified as capital.

### **Revenue Support Grant (RSG)**

The main grant payable to support Local Authorities Revenue Expenditure. A Local Authority's RSG entitlement is intended to make up the difference between expenditure and income from the NNDR pool and Council Tax, so that if all Local Authorities spend in line with their FSSs, Council Tax would be the same throughout the country. Revenue Support Grant is distributed as part of Formula Grant.

### **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 money received from the sale is a capital receipt of which only 25% can be spent on capital expenditure. The remaining 75% must be paid over to the DCLG under pooling arrangements (see above).

### **Ring-fencing**

This term is usually applied to the Housing Revenue Account and describes the requirement that all expenditure on the provision of housing for rent must be met from HRA income. Local Authorities are no longer allowed to make a contribution to the HRA from the General Fund. In Newham, a similar arrangement is applied to the Housing capital programme. The Dedicated Schools Grant is also an example of Ring-fencing.

### **Section 114 Responsibilities**

Section 114 of the Local Government Finance Act 1988 gives the Chief Financial Officer specific personal statutory duties to make reports to the Council if an item of spending is, or could be, unlawful and/or the Council has or is about to spend in excess of its resources.

### **Section 151 Responsibilities**

Section 151 of the Local Government Act 1972 (as amended) sets down responsibilities on the Council concerning the appointment of a Chief Financial Officer and the management of its financial affairs.

### **Service Income**

Income received by the Council, which relates directly to a service provided. The main examples are fees, charges and specific grants

### **Service Level Agreements (SLAs)**

Written contracts for internal services to be provided by one service area (the provider) to another (the client or user). They set out the service to be provided, the duration, the price and conditions of service and are agreed before the financial year begins.

### **Specific Grants**

A grant receivable from a Government Department that relates to expenditure incurred on providing a particular service e.g. Education Standards Fund.

### **Single Regeneration Budget (SRB)**

A Government programme that combined all the 'regeneration' initiatives, which previously operated as separate programmes. The number of SRB programmes have reduced as they have reached the end of their agreed lifetimes. There is still one programme running which will bring in significant regeneration funding until 2007/2008.

### **Standards Fund**

The Standards Fund is the Government's main grant for targeting funds towards national Education priorities to be delivered by LEAs and schools. It includes major initiatives such as the literacy and numeracy strategies, e.g. Excellence in Cities, National Grid for Learning and New Deal capital for schools.

### **Statement of Recommended Practice (SORP)**

Statements of Recommended Practice are guidance on accounting practices for specialised industries or sectors. The Council is subject to the requirements of the CIPFA Code of Practice on Local Authority accounting in the United Kingdom and the annually published Statements of Recommended Practice.

### **Statutory Account**

Any account which the Council is, by law, required to maintain.

### **Supported Capital Expenditure (SCE)**

This is Capital Expenditure funded by Government, either as a one-off Capital Grant (called SCE (Capital)) or as part of the annual RSG settlement to cover annual financing costs of monies borrowed, this is know as SCE (Revenue).

### **Sure Start**

Sure Start is the Government's programme to deliver the best start in life for every child by bringing together early education, childcare, health and family support. There are eight Sure Start local programmes in Newham. These are area-based initiatives delivered by local partnerships with strong parental and community involvement.

### **Tenant Management Organisation (TMO)**

An organisation set up by tenants to take over certain housing management responsibilities from the housing authority. TMOs have taken the opportunity offered by regulations to run their local housing services such as:

- Collecting rents and service charges;
- Organising repairs and maintenance: and
- Making sure that buildings are kept clean and tidy

The Council will still own the homes and be the landlord but the TMO becomes a partner with the Council in providing services to the local community and Council representatives can be invited on to the committee.

### **Trading Account**

The profit and loss accounts of a trading activity.

### **Transfer Payments**

A payment to a person or organisation that does not result in a reciprocal benefit or service being provided to the Council. The main examples are mandatory student awards and housing benefit. In most cases the cost of transfer payment is either fully or partially reimbursed by Central Government.

### **Turnover**

This term has two entirely different meanings:

- The value of work carried out by a trading organisation
- The rates at which staff change within the Council's employment.

This is usually expressed as a percentage; e.g. if there are 50 staff in a service and 10 leave during the course of the year, the annual turnover is 20%. This should be allowed for when preparing a staffing budget as high turnover will usually result in vacancies occurring between the time that staff leave and new appointments are made.

### **Variable Costs**

Costs that vary directly according to the level of service provided.

### **Wellbeing Powers**

Local Authorities now have powers to incur expenditure that will benefit the general wellbeing of the communities they serve.

### **Write-offs**

Income is recorded in the Council's accounts on the basis of amounts due. When money owing to the Council cannot be collected, the income is already shown in the accounts and has to be reduced or written off.

### **2012**

The Newham 2012 Unit works to ensure that the Council has a co-ordinated and effective strategy to use the 2012 Olympic and Paralympic events as the platform for creating a long-term legacy within the Borough.

### **Reader Feedback**

If there is any additional information that you would like to see in future editions of the Statement of Accounts, please contact Kevin Miles, the Council's Chief Accountant, e-mail [Kevin.Miles@Newham.gov.uk](mailto:Kevin.Miles@Newham.gov.uk). This document can be made available in different formats and languages upon request.

If you have any questions on the financial terms used within this document, please contact the Chief Accountant.