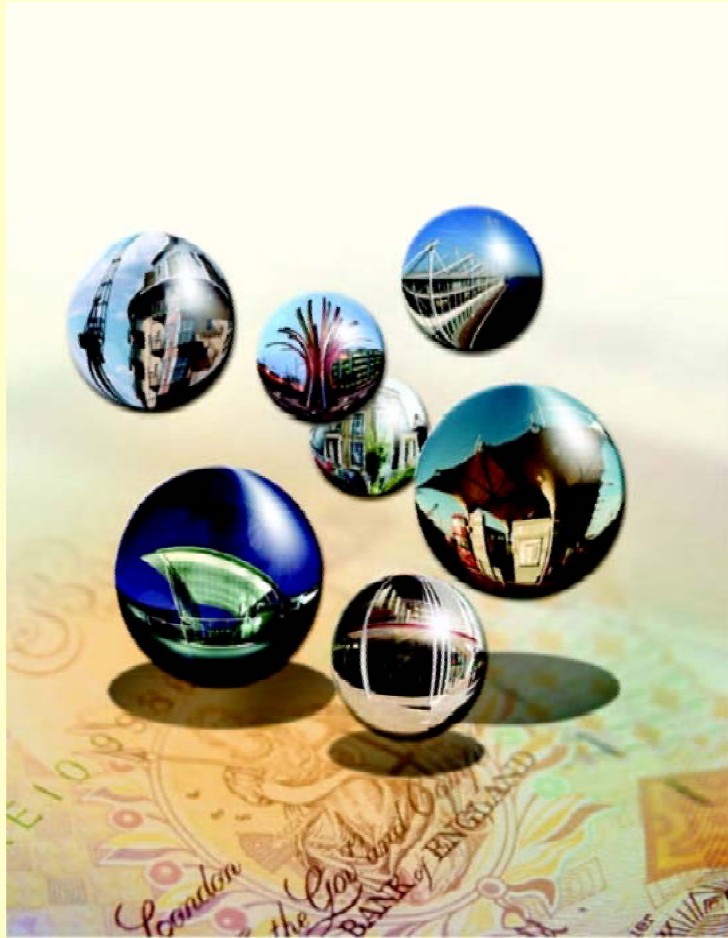




**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31st MARCH 2006**



LONDON BOROUGH OF NEWHAM**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31st MARCH 2006**

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EXPLANATORY FOREWORD

1. Explanation of the Statement of Accounts

The Council's accounts are set out on pages 15 to 69, and consist of the following:

- the **Statement of Accounting Policies** which explain the basis of the figures in the accounts. This includes changes in policy, the basis of charges to revenue and the calculation of balance sheet items;
- the **Consolidated Revenue Account**, which summarises the Council's revenue income and expenditure for all services during the year, and shows the resultant change in the level of reserves;
- the **Group Consolidated Revenue Account**, which summarises the Council's revenue income and expenditure for all services during the year, and shows the resultant change in the level of reserves.
- the **Consolidated Balance Sheet**, which gives the Council's financial position as at the 31st March 2006 for the above mentioned areas and services, but excludes the Pension and Trust/Gift Funds;
- the **Group Consolidated Balance Sheet**, which shows the financial position of the Council's group as at 31st March 2006;
- **Notes to the accounts**, including group accounts, this covers supplementary information to the above statements;
- the **Housing Revenue Account**, which provides details of the income and expenditure of the Council's dwellings and associated properties for which it is responsible as a landlord;
- 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 **Statement of Total Movements in Reserves**, which shows the gains and losses on all transactions in the year;
- the **Cash Flow Statement**, showing the movements in the Council's cash balances resulting from transactions with external organisations;
- **Trust and Gift Funds**, which show transactions relating to monies held in trust by the Council on behalf of other persons and
- 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).

3. Actual and Budgeted Expenditure and Income for 2005/06

<i>Actual v Budget 2005/06</i>	<i>Actual</i>	<i>Budget</i>
	<i>£000s</i>	<i>£000s</i>
Service Expenditure	1,061,017	1,049,404
less Service Income	(669,828)	(655,857)
	391,189	393,547
Capital Financing Costs (net of interest receipts)	43,176	50,055
Total Net Expenditure (excluding precepts)	434,365	443,602
Contribution To / (Use of) Reserves	6,237	(3,000)
Budget Requirement	440,602	440,602
Breakdown of movements in Reserves:		
General Fund surplus **	(6,967)	2,000
HRA surplus	2,682	1,000
Earmarked Reserves (including Schools' balances)	(1,952)	0
	(6,237)	3,000

** see Consolidated Revenue Account page 21

In overall terms, the use of reserves and balances was £9.2 million less compared with the budget, the main reasons being as follows:

<i>Service Area</i>	<i>£millions</i>	<i>£millions</i>
HRA		
Housing Revenue Account		1.7
General Fund		
Corporate and Strategic Management	0.1	
Crime & ASB	1.4	
Culture & Community	(0.2)	
Housing - Homelessness and Benefits	(0.4)	
Public Realm	1.4	
Resources	(0.3)	
Social Services	(0.4)	
Capital Financing Charges	(7.8)	
Other	(0.2)	(6.4)
Movement on earmarked reserves (including schools)		(4.5)
Total		(9.2)

4. Major Contracts in 2005/06

During the year, the Council entered into the following contracts where expenditure will be incurred beyond 2005/2006. The minimum contract sum reported has been set at £750,000.

<i>Major Contracts</i>	<i>£000s</i>
Ellen Wilkinson School	1,800
St Stephens School	1,200
Housing Schemes:-	
North Woolwich CCTV/DES	905
13-42 Claremont Close	1,021
1-32 Jackson court	1,057

Expenditure on these contracts in 2005/06 is included within overall capital expenditure on page 31.

5. Future Service Developments and Expenditure Plans - "The Vision"

"By 2010 Newham will be a place where people choose to live and work". This is Newham Council's vision and the main driving force behind its future service developments and expenditure plans.

Over the past year Newham has been improving the services it delivers and the prospects for further improvement are bright.

The Council, under the leadership of the Mayor, will work to enable people to realise their ambitions and to secure a good quality of life for themselves and their families.

The Moving to Excellence initiative aims to provide the best public services possible. The Council, Police, the National Health Service and all publicly funded bodies in Newham must work to deliver what are the priorities of Newham's people.

Those priorities are: a better environment for all, feeling and being safer, an active and inclusive community, better health and well-being, investment in young people and business growth and access to jobs.

Newham supported the bid to host the 2012 Olympic Games and Paralympic Games because of the long-term improvements that they can make to the Borough. They will revitalise, energise and inspire the people of the Borough and transform the environment and infrastructure.

There has already been a huge surge in sporting participation, especially following the Summer of Sport programme for youngsters, which not only improved their health, but also helped to reduce anti-social behaviour.

The 2012 Games are just one part of the regeneration of the Borough. Major projects such as Stratford City and the regeneration of Canning Town will bring thousands of jobs for local people, new affordable homes and a better environment.

Work, and good quality work, is for most people the route out of poverty and into a position where they can realise their ambitions for a better life for their family.

The co-ordination of support for people not in work is to be improved by the Council adopting a 'one-stop shop' approach to unify all the funding streams and initiatives to ensure local people get the benefit from the opportunities opening up in the Borough.

Crime and anti-social behaviour is still the top concern for many residents, which is why different parts of the Council and other organisations will continue to work to take tough action against the trouble-makers.

New developments will be planned to cut crime – including improvements in pedestrian walkway lighting. Young people will also have more things to do.

The Council is delivering in other areas too: streets are cleaner, abandoned vehicles have now all but disappeared and tenants' satisfaction with their housing is up. Independent surveys show that residents are happier with the Council. More however will be spent on litter hotspots so they are cleaned to a higher standard.

The good work the Council has been doing has been recognised by the independent Audit Commission who rated Newham as a 3 star authority and said that it is in good shape to continue improving. The aim is to become a 4 star Council - the top rating.

The Audit Commission also noted the effective work with partners, especially in delivering the priorities that were drawn up after talking and listening to local people about what they think are the Borough's main issues.

It also found that Newham has strong financial management. Managing resources well within the medium term budget plan means the Council will continue to make the best use of the money it has and ensure funds are directed to services that are a priority for local people.

The Council has also looked carefully at the way it is structured and changes have been made to ensure services work more closely together. There have been efficiency gains and the Council will continue to work towards targets set by the Government.

It was another good year for Newham's students, teachers and schools. Top class GCSE results and more improvements in primary schools show that education is going from strength to strength.

In September 2005, the Council's new Children and Young People's service was developed to integrate the range of services for children and young people from across a range of Council departments.

A Children and Young People's Plan will be a crucial part of achieving the improvements in outcomes and services which are expected as a result of the Children Act 2004 and the national Every Child Matters: Change for Children agenda. The Council will ensure its budget and service plans direct money and attention to support that agenda.

In order to improve the standard of Council homes in Newham, an Arms Length Management Organisation (ALMO) called Newham Homes was launched in December 2005 and has taken on managing around 25,000 homes. As an ALMO, Newham Homes can bid for Government money to pay for improvements.

The Council has also set up a housing association called Local Space which will help bring in additional investment to improve homes in Newham. Some 450 Council homes have been transferred to the association which will acquire a further 1,000 homes from the private sector over the next two years to provide accommodation for use by the Council to assist the homeless.

In addition, the Your Newham Strategic Partnership (LSP) will receive £39million from the Government's Neighbourhood Renewal Fund for 2006/07 and 2007/08 to fund projects aimed at improving the quality of life in the Borough.

Future Capital Investment

The Capital Programme and Investment Strategy for 2006/07 to 2008/09 is set out in more detail under the "Capital Expenditure Commitments" note to the Balance Sheet on page 33. Total planned expenditure is £229 million over the next three years, which is to be met from the following resources:

<i>Resources</i>	<i>£million</i>	<i>£million</i>
Internal		
- Investment of Reserves	(1)	
- Receipts from Asset Sales	(18)	(19)
External Grants and Contributions		
- Major Repairs Allowance	(43)	
- Performance Reward Grant	(5)	
- SRB/NDC/NRF Regeneration	(9)	
- Department for Education & Skills	(9)	
- Transport for London	(7)	
- Section 106	(8)	
- Private Sector Sub-Regional Targeted Funding	(13)	
- Other Grants and Contributions	(3)	(97)
Borrowing		
- Anticipated government supported loans	(83)	
- Other	(30)	(113)
TOTAL		(229)

Revenue Programme

In 2006/07 the Council's net budget requirement is £249.919 million (to be met from RSG, NNDR and Council Tax). The table below shows how the budget has changed between 2005/06 and 2006/07.

<i>Summary of Revenue Budget Changes</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>% increase from 2005/06</i>
Total 2005/06 Revenue Budget			440,602	
Changes in Funding Arrangements				
• Social Care formula grants	1,100			
• Single Status	1,000	2,100		0.5
Committed Budget Increases				
• Children & Young People	23,422			
• Other Changes	2,600			
• Meeting Corporate Plan Outcomes and New Service Growth	1,000	27,022		6.1
Budget Changes				
• Capital Financing	(4,600)			
• Committed Budget Increases	2,600			
• Service Demands	5,900	3,900		0.9
Other Budget Changes				
• Pay and Price Increases	7,700			
• Introduction of Dedicated Schools Grant	(227,075)			
• Other Changes	1,000	(218,375)		(49.6)
			(185,353)	(42.1)
LESS				
Budget Strategy Measures				
• Budget & Efficiency Savings	(4,000)			(0.9)
Change In Use Of Balances	(1,330)		(5,330)	(0.3)
Total 2006/07 Revenue Budget			249,919	(43.3)

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 - page 37 provides further details. Total external borrowing at 31st March 2006 was £647 million (£592 million at 31st March 2005), which was well within the Council's approved borrowing limit.

Investments - The Council had investments of £145 million as at 31st March 2006 (£121 million at 31st March 2005).

7. Asset Transactions

During 2005/2006, the Council undertook the following major (over £250k) asset purchases and disposals;

<i>Purchases and Disposals</i>	<i>£000s</i>
<i>Purchases</i>	
Canning Town Buy Backs	1,394
Carpenters Buy Backs	1,317
337-339 Romford Rd E15	379
<i>Disposals</i>	
Canning Town PFI site	(3,500)
Hardy House E6	(1,444)
St Lukes School land	(326)
A13 Sites	(619)

All capital receipts received by the Council are shown in Note 20 to the Balance Sheet on page 32.

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; and
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.

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 2006. In preparing this statement of accounts, the Director 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.



Date: 27th June 2006

Signature:

R. HEATON
Executive Director of Resources

London Borough of Newham 2005/06 Statement of Accounts Approved at Investment Committee – 29th June 2006.

Acknowledged by

Date: 29th June 2006

Signature :



Councillor Winston Vaughan

Investment Committee

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 systems of internal control have been in place for the year ended 31st March 2006 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 2005/06 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, Mayoral 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 2005 all aspects were the subject of a comprehensive review to reflect the changes being made to the structure of the Council through the Moving to Excellence programme. 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 section 151 officer) 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.

Risk Management

The council has a risk management strategy, which has been reviewed during the year by the Audit Board and Cabinet. 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 lead member for Finance, Asset Management and Forward Planning. Together with the risk management team, they ensure that risk is considered in everything that the Council does.

The risk register is currently undergoing a review to meet the revised structure of the Council and to ensure that it meets the needs of Heads of Service. The review needs to ensure that risk management is consistently considered in the performance management of all services, and the between the control of service risks and in the management of risks associated with partnerships. Staff have received training to enable them to manage their risks. 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 has responsibility for the financial management of the Council (s151). This includes managing the financial control framework and ensuring that members have the appropriate skills and knowledge to carry out their financial responsibilities. 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 2005/06 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 Crime and Anti-Social Behaviour (C&ASB), Public Realm and Benefits and Customer Services, but these have been managed within the overall budget framework. Their ongoing impact has been addressed in the 2006/07 and medium term budget strategy. Part 4.3 of the Council's constitution contains the rules governing the setting of the budget framework. 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 has been comprehensively reviewed during the year. The financial regulations will be reviewed during 2006.

Performance Management

A clear performance management framework has been created, ensuring that the corporate vision has a link to plans at all levels. Council agreed this in June 2005. The corporate plan incorporating the performance plan 2005/06 was published in June 2005. This sets the strategic direction for the Council and outlines what the Borough will be like when the Council has achieved its Vision. 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.

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 (formerly the Office of the Deputy Prime Minister). A forward-looking efficiency statement for 2005/06 has been produced identifying how these savings will be achieved.

Review of Effectiveness

The London Borough of Newham 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, external 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 for 2005/06 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 2006/07. The review identifies and evaluates key controls in place to manage the principal risks facing the services. We evaluate the assurances received, identify weaknesses in either controls or assurances and develop an action plan to address any significant internal control issues. Annually the Council's External Auditors produce an Audit and Inspection Letter to members. This sets out their opinions in relation to Accounts & Governance and Performance.

Council Constitution

During the year the Constitution was reviewed and significant changes were made to Article 12 that sets out the portfolios for Chief Officers and Part 4.8 which sets out the arrangements for officer appointments. These were carried out to reflect the changes in the structure of the Council.

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 comprised of members drawn from Cabinet, Mayoral Advisors, Overview and Scrutiny and the Back-Bench. They currently meet four times per year. On the 20th February full Council approved amendments to the terms of reference for the Audit Board. This will ensure compliance with the CIPFA guidance on such committees. The changes will strengthen its role by incorporating independent co-opted advisors, providing for training to meet required skills and accountabilities for the Board, ensuring its meetings are held in public and increasing the number of times it meets each year. 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 the Crime and Anti Social Behaviour Service with regard to their failure to adhere to the Council's procurement requirements and good staff management practice. This was part of a much wider report on issues relating to the service and the action plan is shown in Section 5 of this statement. During 2005 counter-fraud policies and publicity campaign were updated to encompass a wider range of potential fraud areas and to deter potential fraudsters and encourage the public to report fraud. Over the year 23 prosecutions took place for Housing and Council Tax Benefit offences.

External Audit

The Audit Commission and the External Auditor produce a Joint Audit and Inspection letter. The 2004/05 letter commented:

“We have not identified any significant weaknesses in the overall control framework. Our work in respect of financial conduct and the prevention and detection of fraud and corruption on an assessment of the control environment at the Council and the monitoring controls in operation designed to prevent and detect fraud and corruption.”

In terms of the budget framework the letter commented:

“.. the Council had to deliver a budget that was sufficiently flexible to accommodate a range of risks and uncertainties. There was an acknowledgement of pressures at the outset and expenditure has been contained within budget – minimising the likelihood of having to fund deficits through use of working balances and/or Council Tax increases in 2006/07.”

As part of their work they also completed the assessment for Use of Resources, an externally assessed measure of how the Council is managed.

The following scores were achieved:

Element	Assessment out of 4
Financial Reporting	2
Financial Management	3
Financial Standing	4
Internal Control	2
Value for Money	3
Overall	3

In terms of Values for Money the letter commented:

“Good value for money is being delivered in the majority of services which generally perform well with low costs. The Council has robust plans in place for further improvement and a good track record of delivery. Council capacity has increased, through, for example, strong financial management, staff development and recruitment initiatives. Corporate governance arrangements are effective and Newham is well placed to continue to deliver sustained improvement in services.”

External Agencies

In the Performance section of the Joint Audit and Inspection Letter the following comments were made:

“The Council is currently rated as improving well and demonstrating a 3 star performance in CPA terms. Newham is pursuing its Moving to Excellence programme, which was introduced in 2004. An important development to drive improvement is the establishment of the Mayor’s Framework for Cost Effectiveness, supplemented by quarterly performance and strategy meetings. At these meetings the directors and heads of service are set challenging action plans designed to make savings and to remain within budget. The Mayor requires officers to demonstrate to him three months later that they have undertaken the actions set for them, that foreseeable overspends have been controlled and that performance has improved as a result. This type of frequent, effective intervention by the Mayor is an example of notable practice in driving up performance.”

Element	Assessment
Direction of Travel judgement	3 Improving well
Overall	3 Stars
Current performance	
Children and young people	3
Social care (adults)	2
Use of resources	3
Housing	2
Environment	2
Culture	3
Benefits	3

Significant Internal Control Issues

For 2005/06 the Council has identified four main internal control issues that require attention during 2006/07:

Control Area	Internal Control Issue	Action Taken	Responsible Officer
Control environment	Embedding the control environment culture	Further development during 2006/07 including Health Check indicators	Executive Director of Resources
Risk Management	Embedding Risk Management across the Authority	Review of the risk register to make it an effective tool	Executive Director of Resources
Partnerships	Embed control, governance and risk into partnership arrangements	Review existing partnership frameworks.	Executive Director of Resources
Crime and Anti Social Behaviour internal controls	Procurement and staff management practices	Review of contracts and working arrangements	Deputy Chief Executive

The management action required on the Internal Control issues raised in this statement will be monitored through an action plan during 2006/07.

Signed



**Sir Robin Wales
Mayor**



**Dave Burbage
Chief Executive**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF NEWHAM**Opinion on the Financial Statements**

We have audited the financial statements for the year ended 31 March 2006 under the Audit Commission Act 1998. The financial statements comprise the Consolidated Revenue Account, the Housing Revenue Account, The Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cashflow Statement, 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 2005 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 Auditing Standards (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 2005, 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 2005:

- the financial position of the London Borough of Newham as at 31 March 2006 and its income and expenditure and cash flows for the year then ended; and
- the financial transactions of the pension fund during the year ended 31 March 2006, and the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Signature**PricewaterhouseCoopers LLP***Southwark Towers, 32 London Bridge Street, London SE1 9SY***Date: 27th September 2006**

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 July 2005, 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 2006.

Best Value Performance Plan

We issued our statutory report on the audit of the Council's best value performance plan for the financial year 2005/06 on 16th December 2005. 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 have carried out the audit of financial statements in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission. The audit cannot be formally concluded and an audit certificate issued until investigations arising from matters brought to our attention by an elector have been formally completed. We are satisfied that the amount which is the subject of the matter brought to our attention will not have a material effect on the financial statements.

Signature**PricewaterhouseCoopers LLP***Southwark Towers, 32 London Bridge Street, London SE1 9SY***Date: 27th September 2006**

STATEMENT OF ACCOUNTING POLICIES

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 31st March 2006.

2. Changes In Accounting Policies

- The revised SORP for accounting for group undertakings has been fully implemented.

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 1/40th each year.
 - 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 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 Consolidated Revenue 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 and impairments
Where an impairment loss on a fixed asset occurs the loss is recognised, if it is caused by a clear reduction in economic value, in the Asset Management Revenue Account (AMRA) and the service revenue account. 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.
 - As required by SORP, all expenditure on the acquisition, creation and enhancement of fixed assets is capitalised on an accruals basis, and added to the value of assets shown in the Balance Sheet. Income from the disposal of assets is also accounted for on an accruals basis.
 - 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 Fixed Asset Restatement Account (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 5).

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 Council's 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.

5. Charges to Revenue

- All revenue accounts are charged with a Capital Charge for all fixed assets used in the provision of services and where required, any related impairment loss (due to a clear consumption of economic benefits). The charge for each asset covers its annual provision for depreciation, plus a capital financing charge calculated by applying a specified percentage rate of interest to its net asset value (i.e. the value at the beginning of the year net of depreciation). The charge to each revenue account is the sum of the charges on each of its assets.
- Capital charges for the use of fixed assets and relevant impairment losses included in revenue accounts are credited to the Asset Management Revenue Account (AMRA). External interest payable on the Council's debt and the provision for depreciation are debited to the Asset Management Revenue Account. This ensures that capital charges have no overall impact upon tax and grant levels.
- 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 Appropriations section of the Consolidated Revenue 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

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. All the 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. One external cash manager is employed.

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 Appropriations section of the Consolidated Revenue Account 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.

8. Long Term Debtors

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

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 Consolidated Revenue Account (and not to individual service revenue accounts). From 1st 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.

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 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 7 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 the Asset Management Revenue Account in line with the depreciation of the individual asset(s) concerned.

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 £0.5 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. Following rescheduling of loans, £1m has been returned to revenue balances.

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 Consolidated Revenue 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 within the Appropriations section of the Consolidated Revenue Account, 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.
 - Other - there a number of other specific reserves which include Housing Repairs, Trading Surpluses and future service revenue spending. A PFI reserve account of £7.728 million has also been included within other balances - these are for schools, Housing and Canning Town IT PFI schemes. Refer to the Statement of Total Movement in Reserves summary on page 51. 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.

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.
- 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.

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.

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.

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

However, 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 2.4% real (5.4% 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 Consolidated Revenue Account 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.

16. Prior Period Adjustments

There were no prior period adjustments, in particular no adjustment was required for the subsidiary organisation, Newham Homes, since this organisation did not exist during 2004/05.

17. Redundancy Costs

Payments made under the Council's redundancy scheme, arising from budget reductions are charged to the revenue account of the "employing" service, and are therefore included in the cost of services, and in operating expenditure.

18. 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.

19. 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 Consolidated Balance Sheet.

20. 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, 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.

CONSOLIDATED REVENUE ACCOUNT

2004/05	CONSOLIDATED REVENUE ACCOUNT	2005/06	2005/06	2005/06	Note
Net Spend		Gross Spend	Income	Net Spend	
£000s	SERVICES	£000s	£000s	£000s	
15,843	Central Services to the Public	85,500	(67,951)	17,549	
7,285	Corporate and Democratic Core	11,745	(1,283)	10,462	
154	Court and Probation Services	158	0	158	
55,930	Cultural, Environmental and Planning Services	85,775	(29,760)	56,015	
243,851	Education Services	333,081	(66,027)	267,054	
18,746	Highways, Roads and Transport Services	30,840	(11,230)	19,610	
50,306	Housing Services	472,342	(434,016)	38,326	
99,908	Social Services	165,782	(59,561)	106,221	
255	Non Distributed Costs	53	0	53	
492,278	NET COST OF SERVICES	1,185,276	(669,828)	515,448	
305	• Net (Surplus)/Deficit on Trading Accounts			117	1
(48,546)	• Transfer from Asset Management Revenue A/C			(38,647)	3
38,177	• Contribution to Housing Pooled Capital Receipts			16,052	
899	• Levies			530	5
8,200	• Pension Interest Cost / Expected Asset Returns			13,231	9
(6,642)	• Interest and Investment Income			(8,144)	
1,404	• (Gains) & Losses On Repurchase/Early Settlement of Debt			(95)	
486,075	NET OPERATING EXPENDITURE			498,492	
	APPROPRIATIONS				
521	To HRA Balances and Reserves			(2,682)	
(12,976)	Transfer from Major Repairs Reserve			(14,135)	
	Movement in Capital Financing Account:				
8,004	• Minimum Revenue Provision			8,379	10
(38,906)	• Depreciation / Impairment			(40,747)	11
(6,622)	• Deferred Charges			(4,047)	
5,245	• Deferred Grants			5,917	
	Contributions To/(From) Earmarked Reserves				
3,607	• Schools Balances			(2,215)	
(234)	• Future Capital Expenditure			1,627	
1,300	• Pension Reserve			(3,711)	
(38,177)	• Transfer from the Usable Capital Receipts equal to contribution to Housing Pooled Capital Receipts			(16,052)	
5,094	• Other Reserves			2,540	
412,931	AMOUNT TO BE MET FROM GRANT AND LOCAL TAXES			433,366	
(57,078)	Demand On The Collection Fund			(61,055)	
(1,110)	Collection Fund Surplus			0	
(289,838)	Revenue Support Grant			(295,751)	
(70,966)	Distribution From The NNDR Pool			(83,527)	
(6,061)	NET(SURPLUS)/DEFICIT FOR THE YEAR			(6,967)	
(25,568)	Balance on General Fund at 1 st April			(31,629)	
(31,629)	GENERAL FUND BALANCE AT 31st MARCH			(38,596)	

GROUP CONSOLIDATED REVENUE ACCOUNT

2004/05	GROUP CONSOLIDATED REVENUE ACCOUNT	2005/06	2005/06	2005/06	Note
<i>Net Spend</i>		<i>Gross Spend</i>	<i>Income</i>	<i>Net Spend</i>	
£000s	SERVICES	£000s	£000s	£000s	
15,893	Central Services to the Public	85,500	(67,901)	17,599	
7,285	Corporate and Democratic Core	11,745	(1,283)	10,462	
154	Court and Probation Services	158	0	158	
55,930	Cultural, Environmental and Planning Services	85,775	(29,760)	56,015	
243,851	Education Services	333,081	(66,027)	267,054	
18,746	Highways, Roads and Transport Services	30,840	(11,230)	19,610	
50,306	Housing Services	478,498	(440,049)	38,449	
99,908	Social Services	165,782	(59,561)	106,221	
255	Non Distributed Costs	53	0	53	
492,328	NET COST OF SERVICES	1,191,432	(675,811)	515,621	
305	• Net (Surplus)/Deficit on Trading Accounts			117	1
(48)	• Reporting Authority Share of Surplus on Joint Venture			(17)	
(48,546)	• Transfer from Asset Management Revenue A/C			(38,647)	3
38,177	• Contribution to Housing Pooled Capital Receipts			16,052	
899	• Levies			530	5
8,200	• Pension Interest Cost / Expected Asset Returns			13,061	
(6,642)	• Interest and Investment Income			(8,144)	
1,404	• (Gains) & Losses On Repurchase/Early Settlement of Debt			(95)	
486,077	NET OPERATING EXPENDITURE			498,478	
	APPROPRIATIONS				
521	To HRA Balances and Reserves			(2,682)	
(12,976)	Transfer from Major Repairs Reserve			(14,135)	
	Movement in Capital Financing Account:				
0	• Financing of Capital Expenditure			0	
8,004	• Minimum Revenue Provision			8,379	10
(38,906)	• Depreciation / Impairment			(40,747)	11
(6,622)	• Deferred Charges			(4,047)	
5,245	• Deferred Grants			5,917	
0	• Debt Repurchase Funded from PCL			0	
	Contributions To/(From) Earmarked Reserves				
3,607	• Schools Balances			(2,215)	
(234)	• Future Capital Expenditure			1,627	
1,300	• Pension Reserve			(3,664)	
(38,177)	• Transfer from the Usable Capital Receipts equal to contribution to Housing Pooled Capital Receipts			(16,052)	
5,092	• Other Reserves			2,507	
412,931	AMOUNT TO BE MET FROM GRANT AND LOCAL TAXES			433,366	
(57,078)	Demand On The Collection Fund			(61,055)	
(1,110)	Collection Fund Surplus			0	
(289,838)	Revenue Support Grant			(295,751)	
(70,966)	Distribution From The NNDR Pool			(83,527)	
(6,061)	NET(SURPLUS)/DEFICIT FOR THE YEAR			(6,967)	
(25,568)	Balance on General Fund at 1 st April			(31,629)	
(31,629)	GENERAL FUND BALANCE AT 31st MARCH			(38,596)	

CONSOLIDATED BALANCE SHEET

2004/05	BALANCE SHEET AT 31 st MARCH	2005/06	Notes
£000s		£000s	
	FIXED ASSETS		
	<i>Intangible Fixed Assets</i>		
1,729	Intangible Fixed Assets	2,124	
	<i>Tangible Fixed Assets</i>		
	<i>Operational Assets</i>		
1,349,058	Council Dwellings	936,885	
686,174	Other Land and Buildings	711,848	
94,818	Infrastructure	99,655	
20,244	Community Assets	20,525	
13,707	Equipment, Vehicles etc	12,121	1,783,158
	Non Operational Assets		
102,108	Industrial and Commercial	106,073	
27,965	Surplus Properties	35,342	
3,339	Assets under Construction	2,014	143,429
2,299,142	Net Fixed Assets	1,926,587	17 & 19
249	Long Term Debtors	1,408	
2,299,391	Total Long Term Assets	1,927,995	
	CURRENT ASSETS		
2,427	Stocks and Work in Progress	1,792	34
103,062	Debtors and Prepayments	109,411	32
(41,994)	Less Provisions	(45,064)	32
120,504	Investments	145,374	30
13,984	Cash and Bank	24,388	
	CURRENT LIABILITIES		
(78,555)	Temporary Borrowing	(58,555)	
(84,522)	Creditors and Receipts in Advance	(91,457)	33
(37,093)	Bank	(23,523)	
(2,187)	Net Current Assets	62,366	
2,297,204	Total Assets less Current Liabilities	1,990,361	
	OTHER LIABILITIES		
(513,358)	Long Term Borrowing	(588,303)	31
(187,641)	Government Grants Deferred	(214,233)	
(474)	Deferred Capital Receipts	(493)	
(10,043)	Provisions	(10,592)	35
(377,100)	Pension Liability	(429,743)	42
1,208,588	Total Assets less Total Liabilities	746,997	
	Financed by:		
1,342,182	Fixed Asset Restatement Account	956,598	27
169,786	Capital Financing Account	144,349	28
2,932	Usable Capital Receipts	0	20
1,718	Major Repairs Reserve	2,223	
(377,100)	Pension Reserve	(429,743)	
67,666	Revenue Reserves	73,904	
3,404	Deferred Premia	3,077	
(2,000)	Collection Fund	(3,411)	
1,208,588		746,997	

GROUP CONSOLIDATED BALANCE SHEET

2004/05	Group Balance Sheet at 31 st March	2005/06	Notes
£000s		£000s	
	FIXED ASSETS		
	<i>Intangible Fixed Assets</i>		
1,729	Intangible Fixed Assets	2,124	
	<i>Tangible Fixed Assets</i>		
	<i>Operational Assets</i>		
1,349,058	Council Dwellings	936,885	
686,174	Other Land and Buildings	711,848	
94,818	Infrastructure	99,655	
20,244	Community Assets	20,525	
13,707	Equipment, Vehicles etc	12,121	1,783,158
	<i>Non Operational Assets</i>		
102,108	Industrial and Commercial	106,073	
27,965	Surplus Properties	35,342	
3,339	Assets under Construction	2,014	143,429
2,299,142	Net Fixed Assets		1,926,587 17 & 19
	Investment In Joint Venture		
385	- Share of Gross Assets	148	
(291)	- Share of Gross Liabilities	(128)	20
249	Long Term Debtors		1,408
2,299,485	Total Long Term Assets		1,928,015
	CURRENT ASSETS		
2,427	Stocks and Work in Progress	3,054	34
103,062	Debtors and Prepayments	110,065	32
(41,994)	Less Provisions	(45,064)	32
120,504	Investments	145,374	30
13,984	Cash and Bank	24,390	
	CURRENT LIABILITIES		
(78,555)	Temporary Borrowing	(58,555)	
(84,443)	Creditors and Receipts in Advance	(84,728)	
(37,093)	Bank	(32,001)	
(2,108)	Net Current Assets		62,535
2,297,377	Total Assets less Current Liabilities		1,990,550
	OTHER LIABILITIES		
(513,358)	Long Term Borrowing	(588,303)	31
(187,641)	Government Grants Deferred	(214,233)	
(474)	Deferred Capital Receipts	(493)	
(10,043)	Provisions	(10,592)	35
(377,100)	Pension Liability	(430,705)	(1,244,326) 42
1,208,761	Total Assets less Total Liabilities		746,224
	Financed by:		
1,342,182	Fixed Asset Restatement Account	956,598	27
169,786	Capital Financing Account	144,349	28
2,932	Usable Capital Receipts	0	20
1,718	Major Repairs Reserve	2,223	
(377,100)	Pension Reserve	(430,705)	
67,666	Revenue Reserves	73,904	
173	Group Companies General Reserves	189	
3,404	Deferred Premia	3,077	
(2,000)	Collection Fund	(3,411)	
1,208,761		746,224	

NOTES TO THE ACCOUNTS

General

The Consolidated Revenue 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 1. Trading Activity

2004/05		Trading Activity		2005/06	
<i>(Surplus)/Deficit</i>		<i>Income</i>	<i>Expenditure</i>	<i>(Surplus)/Deficit</i>	
<i>£000s</i>		<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	
0	Newham Catering & Cleaning Services	(12,128)	12,128	0	
926	NEWCO	(3,246)	4,025	779	
1,107	Repairs & Maintenance Division	(4,812)	5,687	875	
2,033	Total	(20,186)	21,840	1,654	
(1,728)	Less credit/(debit) to HRA			(1,537)	
305	Shown in CRA			117	

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 30th November 2005, when it transferred to a separate organisation Newham Homes, an Arm's Length Management Organisation. 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 2. Pooled Budgets

The Council operates a pooled budget arrangement with Newham Primary Care Trust for the Integrated Community Equipment Service. In 2005/06 the Council contributed £756,126 in total to this service. The gross revenue expenditure was £1,343,254 against gross income of £1,359,090. This resulted in a net surplus of £15,836 for the year.

2004/05	Newham Primary Care Trusts	2005/06	2005/06	2005/06
<i>Net Exp / (Income)</i>		<i>Gross Income</i>	<i>Gross Expenditure</i>	<i>Net Exp / (Income)</i>
<i>£000s</i>		<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
(313)	Integrated Community Equipment Service	(1,359)	1,343	(16)
(313)	TOTAL	(1,359)	1,343	(16)

Note 3. Transactions on the Asset Management Revenue Account

2004/05		2005/06	
<i>£000s</i>		<i>£000s</i>	
(46,180)	Capital Charges to - General Fund	(48,355)	
(79,491)	Housing Revenue Account	(66,783)	
(26,391)	Impairment Charges to General Fund	(27,233)	
(5,245)	Transfer from Grants Deferred Account	(5,917)	
(157,307)			(148,288)
13,009	Depreciation Charge	14,013	
28,618	Depreciation Charge - Council Dwellings	28,583	
26,391	Impairment Charge	27,233	
40,743	External Interest Charges	39,812	
108,761			109,641
(48,546)	Transfer to Consolidated Revenue Account		(38,647)

Note 4. Leased Assets - RentalsFinance Leases

There were no assets held under the Finance lease during 2005/06.

Operating Leases

<i>Operating Leases</i>	<i>2004/05</i>	<i>2005/06</i>
	<i>£000s</i>	<i>£000s</i>
Total rentals paid	154	161
Outstanding undischarged leasing obligations 2006/07 to 2035/36	3,474	3,313

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 2006/07 are £90,000. Annual rental for the Unit 7, Alpine Way is £70,987.

Note 5. 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>2004/05</i>	<i>2005/06</i>
<i>£000s</i>	<i>£000s</i>
194 Lee Valley Regional Park	207
183 London Pensions Fund Authority	191
120 Environment Agency	132
402 Greater London Magistrates Court	0
899	530

Note 6. Publicity Account

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

<i>2004/05</i>	<i>Publicity Account</i>	<i>2005/06</i>
<i>£000s</i>		<i>£000s</i>
1,051	Cost of staff engaged mainly on publicity	1,299
959	Wholly or mainly recruitment advertising	1,090
46	Statutory Notices	68
137	Promotion of Road Safety, Health and similar campaigns	77
1,607	Other publicity material	1,382
3,800	TOTAL	3,916

Note 7. 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 2004/05 and 2005/06 is:

<i>2004/05</i>	<i>Building Control</i>	<i>2005/06</i>
<i>£000s</i>		<i>£000s</i>
(624)	Income Received	(670)
644	Expenditure Incurred	639
20	(Surplus)/Deficit for year	(31)

Note 8. Agency Expenditure

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

2004/05	Agency Expenditure	2005/06
£000s		£000s
100	On behalf of the East London Waste Authority	102

This expenditure is not included in the Consolidated Revenue Account

Note 9. Pension Costs

Teachers - In 2005/06 the Council paid £12.8 million (£12 million in 2004/05) 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 2005/06 these amounted to £1.5 million representing 1.1% of pensionable pay (£1.3million and 1.0% in 2004/05). 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 £24.0million.

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 2005/06, pension costs have been charged to the Consolidated Revenue Account on the basis of current service cost of contribution as determined by FRS17.

In 2005/06, the Council paid an employer's contribution of £30.1 million (£27.2million in 2004/05) into the Pension Fund, representing 22% of pensionable pay (21% in 2004/05).

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 2005/06 are based on the valuation at 31st March 2004, which recommended a contribution rate of 22%. This level of contribution is set by the actuary in order to reduce the shortfall in the scheme's funding. A 31st March 2004 valuation has been conducted, 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 2005/06 these amounted to £1.5 million, representing 1.1% of pensionable pay (£1.6 million and 1.3% in 2004/05)

The capital cost of discretionary increases in pension payments agreed by the Council in 2005/06 is within the pension liability balance as at 31st March 2006. The capital cost for earlier years was £29.0million (calculated in accordance with FRS17 by the Actuary).

Further details on the Council Pension Fund Scheme are on page 40 (FRS 17) and pages 58-63 (Pension Fund Account) of this publication.

The adjusted net return on assets is as follows:

2004/05		2005/06
£000s		£000s
34,400	Net return on assets	42,924
(26,200)	Expected return on assets of the scheme	(29,693)
8,200	Total Per Consolidated Revenue Account	13,231

Note 10. Minimum Revenue Provision

2004/05	2005/06
£000s	£000s
8,004 Non Housing amount - 4% of capital financing requirement	8,379
8,004 Total Per Consolidated Revenue Account	8,379

Note 11. Depreciation and Impairment Appropriations

2004/05	2005/06
£000s	£000s
(26,391) Impairment	(27,233)
(118) MRP Amount charged to service accounts (and reimbursed)	(117)
(12,397) Depreciation	(13,397)
(38,906) Total Per Consolidated Revenue Account	(40,747)

Note 12. Audit Fee Disclosure

2004/05	2005/06
£000s	£000s
373 Fees payable to Commission for external audit services work	380
137 Fees payable to Commission for statutory inspection	0
130 Fees payable to Commission for certification of claims & returns	110
60 Fees payable for other services provided by the appointed auditor	50
700 Total Audit Fee	540

2005/06 figures relate to work carried out for the period 1st April 2005 to 31st March 2006.

Note 13. 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 2005/06 - total income amounted to £2.2 million (£2.1 million in 2004/05 and fully covered the expenditure involved). The most significant individual supplies were as follows:

2004/05	<i>Supplies</i>	2005/06
£000s		£000s
94	Security Services to Newham Primary Care and other Public Bodies	421
58	Building Design Services to other Housing Associations and other Public Bodies	9
755	Building Repairs to Housing Association and Tenant Management Organisation (TMO) Premises	276
422	Translation Services to other Local Authorities and other organisations	729
384	Warden Alarm Services to Housing Associations and other Local Authorities	367
90	Recycling services to LB Redbridge	79
321	Other	333
2,124		2,214

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

2004/05	<i>Client</i>	2005/06
£000s		£000s
74	Newham Community College	59
1	Other Colleges & Universities	35
361	Other Local Authorities	413
895	Housing Associations	565
203	Tenant Management organisations	160
413	Healthcare organisations	721
177	Other Public Bodies	261
2,124		2,214

Note 14. 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.

2004/05		2005/06	
No. of Employees	Taxable Earnings Band	No. of Employees	
146	50,000 - 59,999	186	
32	60,000 - 69,999	71	
22	70,000 - 79,999	18	
14	80,000 - 89,999	18	
5	90,000 - 99,999	7	
0	100,000 - 109,999	1	
0	110,000 - 119,999	1	
0	120,000 - 129,999	2	
1	130,000 - 139,999	0	
0	140,000 - 149,999	1	
220	Total £50,000 and over	305	

Note 15. Members' Allowances

The total of members' allowances paid in 2005/06 (excluding national insurance contributions) was £1,098,000 (£1,058,000 in 2004/05). Full details of Members' Allowances paid are available upon request from the Central Payroll Services Section, Newham Town Hall.

Note 16. Related Party Transactions

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

Note 17. Fixed Assets

	<i>Total Intangible Assets</i>	<i>Council Dwellings</i>	<i>Other Land and Buildings</i>	<i>Vehicles, Plant and Equipment</i>	<i>Infrastructure</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>
Opening Values												
Gross Value as at 31/3/05	2,040	1,446,726	822,186	49,815	131,782	20,244	2,470,753	3,339	27,965	102,108	133,412	2,606,205
Revaluations etc	0	(280,923)	31,078	0	0	0	(249,845)	0	7,555	1,775	9,330	(240,515)
Value at 1/4/05	2,040	1,165,803	853,264	49,815	131,782	20,244	2,220,908	3,339	35,520	103,883	142,742	2,365,690
Transactions												
Additions	866	2,630	0	3,320	8,132	281	14,363	864	564	0	1,428	16,657
Transfers	0	(80,404)	(63)	0	0	0	(80,467)	(2,189)	63	2,190	64	(80,403)
Enhancements/Impairment	0	38,966	27,233	0	0	0	66,199	0	0	0	0	66,199
Disposals	0	(24,894)	0	0	0	0	(24,894)	0	(805)	0	(805)	(25,699)
Written off to FARA	866	(63,702)	27,170	3,320	8,132	281	(24,799)	(1,325)	(178)	2,190	687	(23,246)
	0	(38,966)	0	0	0	0	(38,966)	0	0	0	0	(38,966)
Value at 31/3/06	2,906	1,063,135	880,434	53,135	139,914	20,525	2,157,143	2,014	35,342	106,073	143,429	2,303,478
Depreciation												
Cumulative at 1/4/05	(311)	(97,667)	(136,012)	(36,108)	(36,965)	0	(306,752)	0	0	0	0	(307,063)
Depreciation for year	(471)	(28,583)	(32,574)	(4,906)	(3,294)	0	(69,357)	0	0	0	0	(69,828)
On assets sold												
Depreciation at 31/3/06	(782)	(126,250)	(168,586)	(41,014)	(40,259)	0	(376,109)	0	0	0	0	(376,891)
NET VALUE 31/3/06	2,124	936,885	711,848	12,121	99,655	20,525	1,781,034	2,014	35,342	106,073	143,429	1,926,587

Note 18. Analysis of Capital Expenditure 2005/06

2004/05	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	
19,597	Education	319	0	0	2,186	0	0	541	16,541	19,268	4,751	24,338
31,723	Housing – HRA	30	0	0	0	1,265	34,780	0	0	36,045	1,175	37,250
6,517	Housing - General Fund	0	0	0	0	0	2,338	0	0	2,338	2,941	5,279
911	Culture & Community	0	0	2	28	0	0	0	908	938	36	974
5,370	Corporate	343	0	70	211	1,929	288	0	2,794	5,292	6,627	12,262
2,225	Social Services	174	0	0	311	0	0	0	2,374	2,685	409	3,268
12,061	Environment	0	6,290	0	7	0	0	0	36	6,333	42	6,375
13,738	SRB/ERDF/NDC/Surestart	0	1,842	209	578	0	1,561	323	4,579	9,092	3,981	13,073
92,142	Total Expenditure	866	8,132	281	3,321	3,194	38,967	864	27,232	81,991	19,962	102,819

<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	36,200	Supported Borrowing - SCE(R)	27,017
House Renovation Grants	973	Capital Grants & Contributions	42,950
SRB Schemes (excluding Housing)	2,512	Major Repairs Allowance	14,560
New Deal Communities (excl Housing)	3,244	Use of Capital Receipts	17,219
Neighbourhood Renewal Fund	3,737	Revenue Finance	0
Surestart	1,830		101,746
ERDF	251	Increase in capital creditors	1,073
IT Investment Strategy	8,771	Total Expenditure	102,819
Custom House & Canning town project	1,446		
Newham Young Peoples College	4,080	<u>Reconciliation to Note 1</u>	
New Deal for Schools Modernisation	6,133	Additions	16,657
Education Planned Maintenance	1,726	Enhancements	66,200
Invest to Save	2,077	Deferred Charges	19,962
			102,819

Note 19. Fixed Assets Employed

	<i>Net Value 31/3/05</i>	<i>Revaluation</i>	<i>Additions and Transfers</i>	<i>Write off to FARA</i>	<i>Dep'n</i>	<i>Net Value 31/3/06</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
General Fund						
Intangible	1,729	0	866	0	(471)	2,124
Infrastructure	94,817	0	8,132	0	(3,294)	99,655
Land and Buildings	677,857	31,020	27,170	0	(32,574)	703,473
Community Assets	20,244	0	281	0	0	20,525
Equipment, Vehicles etc	12,619	0	3,288	0	(4,290)	11,617
Non Operational Property	103,091	7,656	687	0	0	111,434
	910,357	38,676	40,424	0	(40,629)	948,828
HRA						
Council Dwellings	1,349,059	(280,923)	(63,702)	(38,966)	(28,583)	936,885
Land and Buildings	2,617	(142)	0	0	0	2,475
Equipment, Vehicles etc	1,088	0	32	0	(616)	504
Non Operational Property	30,321	1,674	0	0	0	31,995
	1,383,085	(279,391)	(63,670)	(38,966)	(29,199)	971,859
Trading Activities						
Land and Buildings	5,700	200	0	0	0	5,900
	5,700	200	0	0	0	5,900
	2,299,142	(240,515)	(23,246)	(38,966)	(69,828)	1,926,587

Note 20. Capital Receipts

The table below shows the sums received by the Council and the use to which they were put in 2005/06.

	<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>
Amounts available at 1st April 2005	0	(2,932)	0	0	(2,932)
Amounts received in 2005/06	(22,852)	(8,027)	0	(122)	(31,001)
	(22,852)	(10,959)	0	(122)	(33,933)
Less					
Costs of Disposal	655	7	0	0	662
Pooling Payments	16,052	0	0	0	16,052
Amounts used toward expenditure	6,145	10,952	0	122	17,219
Balance available 31st March 2006	0	0	0	0	0

Note 21. Capital Grants and Contributions

The following capital expenditure incurred in 2005/06 has been met from government grants and other contributions.

2004/05		2005/06
£000s	Government Grants	£000s
495	Housing Specified Capital Grant/DFG	466
1,751	Single Regeneration Budget	2,600
6,762	New Deal for Communities	4,686
2,714	Neighbourhood Renewal Fund	3,752
1,560	Surestart	1,808
632	European Regional Development Fund	0
3,788	Transport for London	5,158
7,578	Department for Education and Skills	12,347
361	Department of Health	476
0	Home Office	632
9,128	Office of Deputy Prime Minister Grants	9,243
320	Other Government Grants	44
35,089		41,212
14,536	Major Repairs Allowance	14,560
	Other Contributions	
804	Space for Sport & the Arts	148
194	New Opportunities Fund	244
52	LDDC and successor bodies	86
383	London Development Agency	85
234	Heritage Economic Regeneration	235
178	Section 106 Agreements	145
452	Leaseholder Contributions	490
219	Contributions from schools budgets	94
437	Other Contributions	211
2,953		1,738
52,578	Total	57,510

Note 22. Capital Expenditure Commitments

The Council has authorised capital expenditure of £229 million under its Capital Programme and Investment Strategy over the three year period 2006/07 - 2008/09, of which £84 million has been committed at 31st March 2006 either through contracts or by virtue of statutory obligations. A further £145 million relates to schemes and programmes approved to proceed but which were not committed at that time. Further analysis is shown below:

	2006/07	2007/2008	2008/2009	Total
	£000s	£000s	£000s	£000s
Committed	82,040	1,987	400	84,427
Uncommitted	31,784	70,936	42,479	145,199
Total	113,824	72,923	42,879	229,626

Commitments include the following major schemes and programmes:

Commitments (over £5 million)	£000s
Housing Exp 2006/07 including Major repairs, Improvements and Grants	43,634
Regeneration Programmes 2006/07 (SRB, NDC & NRF)	6,288

Approvals to proceed include the following major items and schemes:

Approvals to Proceed	£000s
Housing exp 2007/08 and 2008/09 including Major Repairs, Improvements and Grants	74,717
Supporting Achievement of Corporate Plan Outcomes	10,400

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 2006 the Council approved the Mayor's proposals for the allocation of £65 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 23. Assets held under Finance Lease

There were no assets held under Finance Lease during 2004/05 and 2005/06.

Note 24. Fixed Asset Valuation

The freehold and leasehold properties within the Council’s asset holding were originally valued as at 1st April 1994 by the Council’s own Head of Valuation and Estates, M. Dawes FRICS in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. It was not considered practicable or necessary to inspect all properties for the purposes of the valuation, with the “beacon principle” being applied to a number of assets. These are re-valued on a five year rolling programme.

Council dwellings are re-valued each year by reference to the values agreed for sales under Right to Buy legislation and other arrangements. Properties regarded as operational were valued on the basis of **open market value for the existing use** or, where this could not be assessed because there was no market for the asset concerned, the **depreciated replacement cost**.

Properties regarded as non operational e.g. commercial and industrial premises, have been valued on the basis of **open market value for the existing use**.

Properties transferred from the LDDC (London Docklands Development Corporation) are valued at Open Market Value.

Note 25. Statement of Assets Held

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

ASSETS HELD	Number at 31/03/05	Number at 31/03/06
Council Dwellings (HRA definition*)	19,950	19,078
<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	5	6
Housing District Offices	6	6
Municipal/Administrative Offices	16	16
Children's Facilities	7	6
Elder's Facilities	3	3
Mental Health Facilities	5	5
Social Services Area/Patch Offices	3	3
Other Social Services Facilities	3	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	4	3
Depots (including those with offices)	3	3
Other Operational Assets	14	14
Garages	2,211	1,984
	2,393	2,167
<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	336	347
	391	402
<u>Non Operational Property</u>		
Assets Surplus to requirements	26	32
Under construction	1	1
Commercial and Industrial Sites/Properties	139	141
	166	174

* 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 26. Deferred Charges

2004/05	DEFERRED CHARGES	2005/06
£000s		£000s
16,785	Expenditure in year	19,962
(10,163)	Less capital grant due	(15,915)
(6,622)	Less written off to Capital Financing Account	(4,047)
0	Balance at 31st March 2006	0

Note 27. Fixed Asset Restatement Account

2004/05	<i>FIXED ASSET RESTATEMENT ACCOUNT</i>	2005/06
<i>£000s</i>		<i>£000s</i>
(1,134,508)	Balance at 1st April 2005	(1,342,182)
(195,714)	Add (surplus)/less deficit on revaluation of Council Dwellings	280,923
(105,268)	Surplus on revaluation of existing fixed assets	(40,407)
(1,435,490)		(1,101,666)
62,247	Less value of assets disposed of in 2005/06	25,699
0	Less value of assets transfer out of Authority in 2005/06	80,403
31,061	Less capital expenditure in year not resulting in increased value of assets	38,966
(1,342,182)	Balance at 31st March 2006	(956,598)

Note 28. Capital Financing Account

2004/05	<i>CAPITAL FINANCING ACCOUNT</i>	2005/06
<i>£000s</i>		<i>£000s</i>
(195,648)	Balance at 1st April 2005	(169,786)
	Capital Financing in the year	
(18,629)	Usable Capital Receipts	(17,220)
0	General Fund	0
0	HRA	0
(14,536)	HRA use of Major Repairs Allowance	(14,560)
(33,165)		(31,780)
30,784	Minimum Revenue Provision (net of depreciation)	32,251
(2,364)	Less Premium Charged to Housing Revenue Account	(2,364)
(5,245)	Write Down of Deferred Grants	(5,917)
(205,638)		(177,596)
29,230	Less HRA Depreciation	29,200
6,622	Less write off of Deferred Charges	4,047
(169,786)	Balance at 31st March 2006	(144,349)

Note 29. Contingent Liabilities

The Council has guaranteed loans from Prudential and Eagle Star, to the Southern Housing Group for the Moore Paragon / Beckton Scheme. At 31st March 2006 the amount guaranteed was £4.736 million (£5.985 million as at 31st March 2005).

Note 30. Investments

The Authority has total investments of £145.374 million at 31st March 2006. Investments are split between the following categories:

31/03/05		31/03/06
<i>£000s</i>		<i>£000s</i>
48,004	Temporary cash investments	90,604
6,100	Money Market Funds	0
34,615	Supranational Bonds	34,770
31,785	External Managers	20,000
120,504	Total	145,374

Note 31. Borrowing Repayable within a Period in Excess of 12 Months

<i>31/03/05</i>		<i>31/03/06</i>
<i>£000s</i>		<i>£000s</i>
	Source of Loan:	
(463,346)	Public Works Loan Board (PWLB)	(518,291)
(50,000)	Money Market Loans	(70,000)
(12)	Local Bonds/Mortgages	(12)
(513,358)	Total	(588,303)
	Maturing within:	
(40,067)	1-2 years	(60,066)
(10,162)	2-5 years	(129)
(29,879)	5-10 years	(59,858)
(433,250)	More than 10 years	(468,250)
(513,358)	Total	(588,303)

There are no PWLB loans due for repayment within 12 months (£10 million in 2004/05). Market loans to the value of £58.5 million could potentially be repaid within 12 months (£63.5 million in 2004/05). There were no temporary loans outstanding at 31st March 2006 (nil at 31st March 2004/05).

Note 32. Analysis of Debtors and Doubtful Debts

<i>31/03/05</i>		<i>31/03/06</i>
<i>£000s</i>		<i>£000s</i>
	Debtors	
24,556	Government Departments	28,163
1,812	Other Statutory Authorities	440
683	Other Local Authorities	999
18,901	Ratepayers/Chargepayers	20,781
16,873	Housing Rents	18,069
2,043	Other Rents	2,451
1,072	Staff Loans	1,019
8,072	Benefit Claimants (overpayments)	6,102
24,297	Sundry Debtors	26,842
4,753	Prepayments	4,545
103,062		109,411
	Doubtful Debts	
(2,451)	NNDR	(2,488)
(9,597)	Council Tax	(10,771)
(13,896)	Housing Rents	(15,944)
(5,654)	Housing Benefit overpayments	(5,349)
(443)	NNDR Costs	(548)
(4,007)	Residential Accommodation Charges	(743)
(5,946)	Sundry Debts	(9,221)
(41,994)		(45,064)

Newham Homes had a total of £8 million debtors at year ending 31 March 2006, of which £654,000 were external to the group.

Note 33. Analysis of Creditors

<i>31/3/05</i>		<i>31/3/06</i>
<i>£000s</i>		<i>£000s</i>
(20,746)	Government Departments	(25,984)
(329)	Other Statutory Authorities	(94)
(3,794)	Other Local Authorities	(3,198)
(2,998)	Ratepayers/Chargepayers	(4,210)
(1,582)	Housing Rents	(1,685)
(52,061)	Sundry Creditors	(50,487)
(3,012)	Receipts in Advance	(5,799)
(84,522)		(91,457)

Newham Homes had a total of £673,000 creditors at year ending 31 March 2006.

Note 34. Stocks and Work in Progress

Stocks and work in progress is as follows:

	<i>Council</i>	<i>Newham Homes</i>	<i>Group</i>
<i>31/03/2005</i>	<i>31/03/2006</i>	<i>31/03/2006</i>	<i>31/03/2006</i>
<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
1,827	592	607	1,199
600	1,200	655	1,855
2,427	1,792	1,262	3,054

Note 35. Provisions

The Council has made the following provisions;

<i>2004/05 Total</i>	<i>PROVISION</i>	<i>Insurance</i>	<i>Other</i>	<i>2005/06 Total</i>
<i>£000s</i>		<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
(7,245)	Balance at 1st April	(4,765)	(5,278)	(10,043)
(3,873)	Contribution to Provision	(140)	(1,887)	(2,027)
2,579	Charge to Provision	2,191	2,511	4,702
(1,504)	Transfer to/(from) Reserve	(1,356)	(1,868)	(3,224)
(10,043)	Balance at 31st March	(4,070)	(6,522)	(10,592)

INSURANCE - A provision of £4.1 million has been recognised for expected claims notified to the Council at 31st March 2006 under the Council's internal insurance arrangements. Further details are included in Note 36 below. Timing of future cashflows is uncertain due to the nature of the settlement of insurance claims.

OTHER - A provision of £0.5 million has been made to smooth for interest payable on 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 £6 million in place for matters yet to be resolved.

Note 36. 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 Third Party	£100,000 - amounts in excess of this covered externally 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 2006 was £4.1million, with the balance on the Reserve within the general fund account being £11.6 million. External cover is provided by way of premiums paid to the Council’s Insurers. Following the Insurance Tender on 14 December 2005, the level of its excess for liability was increases from £50,000 to £100,000.

Note 37. 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:

Organisation

Newham Connexions Local Management Group

Purpose and Relationship

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 appointments one member to the group. This organisation was previously known as Futures (Careers Company).

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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. Refer to note 43.

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 - Accounts Summary	<i>Value 31.03.06</i>	<i>Value 31.03.06</i>
	£000s	£000s
Fixed Assets		
Property & Equipment		60,937
less Grants		(51,654)
Total Fixed Assets		9,283
Current Assets	4,109	
Current Liabilities	(1,555)	2,554
Total Assets less current liabilities		11,837
Long Term Creditors		12,355
Reserves		(518)
Total		11,837

Local Space had an operating surplus in the period 10th February to 31st March 2006 of £0.36 million. After exceptional items the overall deficit for the period was £1.057 million.

Note 38. Post Balance Sheet Events

There have been no events since the 31st March 2006 that require adjustment of, or disclosure in the accounts.

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 2005 it recorded a turnover of £1.854 million (£3.00 million in 2004) and a profit of £137,000 (£198,000 in 2004). As at 31st December 2005 total reserves of the company stood at £488,000 (£351,000 in 2004). A dividend of £50,000 was paid to the Council in 2005/06. 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. Trust Funds

The Council administered trust and gift funds with a value of £1,173,000 at the end of year (£1,212,000 at 31st March 2005). These are not included in the Consolidated Balance Sheet, but are shown separately on page 57.

Note 41. The Euro

The Council has decided not to undertake any changes to systems until the position concerning adoption of the Euro becomes clearer.

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 2004/05 was based on the actuarial valuation as at 31st March 2001. An actuarial valuation was undertaken as at 31st 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	2001 Valuation	2004 Valuation
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 contribution by the Council for 2005-06 at 22% 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

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the case of members in service, for future pay increases.

The 2006 FRS17 exercise as at the 31st March 2006 calculated that the Council had the following overall assets and liabilities for pensions:

FRS17 Disclosure		As at 31 st March 2006	As at 31 st March 2005
Assumptions		% per annum	% per annum
Price increases		3.1%	2.9%
Salary increases		4.6%	4.4%
Pension increases		3.1%	2.9%
Discount rate		4.9%	5.4%
Assets (Whole Fund)	Long Term Return	Fund Value at	Fund Value as at
	% per annum	31st March 2006	31st March 2005
		£000s	£000s
Equities	7.7	394,600	307,700
Bonds	4.6	57,400	49,430
Property	5.5	72,200	39,420
Cash	4.6	13,700	19,950
Total	6.8	537,900	416,500
		As at 31st March 2006	As at 31st March 2005
		£000s	£000s
Net Pension Assets			£000s
Estimated Employer Assets		537,900	416,500
Total value of liabilities		(948,600)	(793,600)
Newham Homes pension liabilities		(19,043)	0
Net Pension Liability		(429,743)	(377,100)

<i>Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses in Reserves</i>	<i>Year to 31st March 2003</i>	<i>Year to 31st March 2004</i>	<i>Year to 31st March 2005</i>	<i>Year to 31st March 2006</i>
	£000s	£000s	£000s	£000s
Actual return less expected return on pension scheme assets	(93,780)	52,000	16,500	79,521
Experience gains and losses arising on the scheme liabilities	4,705	903	26,296	(165)
Changes in Financial Assumptions underlying the present value of the scheme	0	0	(145,100)	(109,245)
Actuarial gain/(loss) recognised in reserves	(89,075)	52,903	(102,304)	(29,889)

<i>Movement in Surplus/Deficit During the Year</i>	<i>Year to 31st March 2003</i>	<i>Year to 31st March 2004</i>	<i>Year to 31st March 2005</i>	<i>Year to 31st March 2006</i>
	£000s	£000s	£000s	£000s
Surplus/(deficit) at beginning of the year	(232,237)	(325,666)	(276,096)	(377,100)
Current Service Cost	(14,950)	(15,401)	(20,900)	(22,309)
Employer contributions	22,837	25,900	27,300	28,950
Contributions in respect of Unfunded Benefits	0	1,600	3,400	3,453
Past service costs	(367)	(132)	0	(6)
Impact of settlements and curtailments	(146)	(100)	(300)	(568)
Net return on assets	(11,728)	(15,200)	(8,200)	(13,231)
Actuarial gains/(losses)	(89,075)	52,903	(102,304)	(29,889)
Newham Homes pension liability	0	0	0	(19,043)
Surplus/(deficit) at end of year	(325,666)	(276,096)	(377,100)	(429,743)

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

The pension net liability has been calculated by reference to the latest formal actuarial valuation as at 31st March 2005, which has been rolled forward and updated for changes in financial assumptions to arrive at an estimated position as at 31st March 2006. 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 Hymans Robertson, an independent firm of actuaries.

Note 43. Group Accounts

On 1st December 2005, the Council formed Newham Homes, an arms length management organisation. 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 period 1st December 2005 to 31st March 2006 is included within the group consolidated revenue account and its assets and liabilities at 31st March 2006 are shown on the face of the group balance sheet. There were no activities in 2004/05.

Adjustments to Accounts

1. The group consolidated revenue account includes gross expenditure and income of £7.943 million. Newham Homes did not generate a surplus or deficit during the first four months of activity to 31st March 2006.
2. Intra group debtors/creditors. As part of the accounts consolidation, intra group debtors of £7.5 million have been excluded from the group balance sheet.

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. Changes to the HRA for 2004/05 was the transfer of Rent Rebates to the General Fund, the method of calculating the depreciation charge, removal of the requirement to make provision for debt repayment and an adjustment for FRS 17 in 2004/05. These are reflected in the expenditure figures and subsidy receivable.

2004/05 £000s	Housing Revenue Account	2005/06 £000s	Notes
	Income		
(58,932)	Dwelling Rents	(60,462)	1
(2,658)	Non Dwelling rents	(2,679)	
(3,422)	Leaseholder service charges	(4,139)	
(7,002)	Charges for services and facilities	(8,140)	
(24,927)	HRA Subsidy receivable	(27,098)	2
(693)	Reduction in provision for bad debts	0	
(97,634)	Total Income	(102,518)	
	Expenditure		
16,105	Repairs and Maintenance	16,765	
1,728	Trading Account Deficit	1,537	3
33,740	Supervision and Management	39,009	
2,202	Property Leasing	2,147	
795	Rent, Rates etc.	849	
276	Debt Management Expenses	292	
0	Provision for Bad Debts	1,208	
50,261	Cost of Capital Charge	37,583	5
28,618	Depreciation – dwellings	28,583	6
612	Depreciation – other	616	6
134,337	Total Expenditure	128,589	
36,703	Net Cost of Services	26,071	
(25,969)	Adjusting transfer from AMRA	(12,478)	5
1,892	Amortised Premiums and Discounts	1,875	
(639)	Investment Income	(675)	
11,987	Net operating expenditure / (income)	14,793	
467	HRA share of contribution to pension Reserve	135	13
0	Transfer to PFI Reserve	1,889	
(12,975)	Transfer from Major Repairs Reserve	(14,135)	
(521)	Total deficit (surplus) for the year	2,682	
(11,017)	Balance 1 st April	(11,538)	
(11,538)	Balance 31st March	(8,856)	

Note 1. Dwelling Rents

The total rent income from dwellings was £60.5m compared to £58.9m in 2004/05. This reflects the increase in rent levels between the years. An average of £4.58 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.

2004/05		<i>HRA Subsidy Entitlement</i>	2005/06
<i>£000s</i>			<i>£000s</i>
(39,659)	Management and Maintenance Allowance		(38,987)
(16,255)	Major Repairs Allowance		(15,065)
(30,786)	Capital charges		(31,521)
(2,142)	Other reckonable expenditure		(2,158)
62,609	Notional income from rent		60,907
1,613	Rent Rebate/ Limitation		1,742
0	PFI Subsidy Allowance		(1,978)
(1)	Anti Social Behaviour		0
(57)	Admissible Allowance		(38)
(24,678)	Subsidy for Year		(27,098)
(249)	Adjustment for Previous years		0
(24,927)	TOTAL SUBSIDY		(27,098)

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.

2004/05		2005/06
<i>£000s</i>		<i>£000s</i>
(941)	Repairs and Maintenance Division	(875)
(787)	NEWCO	(662)
(1,728)	Total surplus (Deficit)	(1,537)

Note 4. Rent Arrears and Provisions

At the end of the year the level of HRA gross rent arrears was £9.7 million (£10.8 million in 2004/05). During the year bad debts of £1.4 million were written out of the accounts. The provision for bad or doubtful debts being £8.4 million at the year end.

2004/05			Rent Arrears at 31 st March			2005/06				
HRA	General Fund	Total		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>		<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
4,016	2,021	6,037	Former Tenants	2,947	4,277	7,224				
5,428	3,826	9,254	Current Tenants	5,188	3,972	9,160				
9,444	5,847	15,291		8,135	8,249	16,384				
(8,370)	(5,526)	(13,896)	less Provisions	(8,130)	(7,814)	(15,944)				
1,074	321	1,395	Net Arrears	5	435	440				

Note 5. Cost of Capital Charges

This charge is calculated as 3.5% (3.56% in 2004/05) of the Balance Sheet value of assets as at the start of the year and acts as a measure of the cost of capital tied up in such assets. However, in order that the charge does not impact on the net HRA operating expenditure it is adjusted by a transfer from AMRA, this adjustment reduces the charge to the interest payable on outstanding HRA borrowing.

2004/05		2005/06
£000s		£000s
24,291	Actual interest paid - per Item 8 calculation	25,105
(50,260)	Less reversal of capital charges	(37,583)
(25,969)	Total	(12,478)

Note 6. Depreciation

Depreciation for 2005/06 is charged on the Balance sheet value of assets, based on their estimated useful life. Depreciation for 2005/06 was £28.583 million for dwellings (£28.618 million in 2004/05), £0.616 million for other assets (£0.612 million in 2004/05).

Note 7. Housing Stock

The Council was responsible for the management of an average of 19,514 dwellings during 2005/06 (20,332 in 2004/05). An analysis of Newham's housing stock at 31st March 2006 by age and type (based on central government subsidy classifications) is given below

No. of Bedrooms	Pre 1919	1919-1944	1945-1964	1965-1974	1975-2000	Total
1	296	91	2,079	2,351	1,372	6,189
2	323	395	3,055	1,975	862	6,610
3 or more	546	729	2,479	1,224	1,301	6,279
Total	1,165	1,215	7,613	5,550	3,535	19,078
Of which:						
Low rise flats	350	448	3,680	2,093	1,717	8,288
Medium rise flats	21	58	1,241	560	126	2,006
High rise flats	3	0	1,614	2,306	6	3,929
Houses and Bungalows	791	709	1,054	591	1,686	4,831
Shared Dwellings	0	0	24	0	0	24
Total	1,165	1,215	7,613	5,550	3,535	19,078

The change in the stock is detailed below:

2004/05	Housing Stock	2005/06
20,673	Dwellings at 1 st April	19,950
(648)	Right to buy sales	(211)
(85)	Demolitions	(109)
0	Other disposals	(553)
10	Additions (buy backs)	1
19,950	Total at 31st March	19,078

Note 8. Fixed Assets

	<i>Dwellings</i>	<i>Other Land and Buildings</i>	<i>Non-operational Assets</i>	<i>Total</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Balance Sheet value 1 st April 2005	1,349,059	3,705	30,321	1,383,085
Depreciation	(28,583)	(616)	0	(29,199)
Additions/Adjustments	41,596	32	0	41,628
Disposals	(105,298)	0	0	(105,298)
Write off to FARA/ no added value	(38,966)	(142)	0	(39,108)
Revaluation	(280,923)	0	1,674	(279,249)
Balance Sheet value 31st March 2006	936,885	2,979	31,995	971,859

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 31st March 2006 is estimated to be £2,765 million has been reduced to £937 million to reflect social housing use. This social housing use value is included in the Consolidated Balance Sheet. The reduction of £1,828 million is a measure of the economic cost to Government of providing Council housing at less than open market rents.

Note 9. Capital Expenditure

Expenditure for capital purposes during 2005/06 and methods of financing are set out below

<i>2004/05</i>		<i>2005/06</i>
<i>£000s</i>	Expenditure in year	<i>£000s</i>
29,732	Fixed assets	36,045
1,990	Deferred charges	1,175
<u>31,722</u>		<u>37,220</u>
	Methods of Financing	
(14,536)	Major Repairs Reserve	(14,560)
(16,300)	SCE (R)	(18,731)
0	Capital receipts	(4,000)
(452)	Leaseholders Contributions	(490)
(434)	Increase (Reduction) in Capital Creditors	561
<u>(31,722)</u>		<u>(37,220)</u>

Note 10. 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>2004/05</i>		<i>2005/06</i>
<i>£000s</i>		<i>£000s</i>
55,461	Dwellings	22,852
1,185	Land and other assets	5,374
56,646	Total	28,226

Note 11. 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.

2004/05		2005/06
£000s		£000s
0	Balance 1 st April	(1,718)
(29,230)	Depreciation charge to HRA (from the Capital Finance Account)	(29,199)
12,976	Adjusting transfer to HRA	14,135
14,536	Financing of Capital expenditure	14,559
(1,718)	Total	(2,223)

Note 12. Housing Repairs Reserve

No contribution has been made in 2005/06 from the HRA to the Housing Repairs Reserve. This reserve, current balance £1.450 million, will be used to help maintain the level of repairs to Council houses.

Note 13. 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 14: Newham Homes

In December 2005, the Council formed Newham Homes, an arms length management organisation. 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 consolidated revenue account, group balance sheet, group movement in reserves statement and group cash flow statement.

COLLECTION FUND
INCOME AND EXPENDITURE ACCOUNT

2004/05	<i>COLLECTION FUND</i>	2005/06	Note
<i>£000s</i>		<i>£000s</i>	
	Income		
(76,186)	Council Tax	(79,658)	1
(57,340)	Non Domestic Rates	(59,787)	2
1,222	Recovery of previous years' Council Tax surplus	(114)	
(132,304)		(139,559)	
	Expenditure		
	Precepts and Demands		
57,078	Newham	61,055	
16,845	Greater London Authority (GLA)	18,135	3
73,923		79,190	
	Business Rate		
56,963	Payment to National Pool	59,338	
338	Costs of Collection	350	
39	Appropriated credits to Balance Sheet creditors	98	
57,340		59,786	
	Provisions for non collection		
2,229	Council Tax	1,994	
1,188	(Surplus)/Deficit for the year	1,411	
812	(Surplus)/Deficit at 1st April	2,000	
2,000	(Surplus)/Deficit at 31st March	3,411	4
	(Surplus)/Deficit consists of:		
(34)	Current year's Council Tax (surplus)/deficit	1,525	
2,034	Previous year's Council Tax (surplus)/deficit	1,886	
2,000	(Surplus)/Deficit at 31st March	3,411	4

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 2005/06 were 10,426 (11,121 in 2004/05). This basic amount of Council Tax for a Band D property of £1,111.91 (£1,059.04 in 2004/05) 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;

Council Tax Band	Proportion of Band D Charge
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 2005/06, of £79,658,000 was receivable from the following sources;

2004/05		2005/06
£000s		£000s
(53,176)	Bills to Council Taxpayers	(55,138)
(23,010)	Council Tax Benefits	(24,520)
(76,186)		(79,658)

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 2005/06 was £196,027,448 as per the District Valuer (£155,591,468 in 2004/05) and the national non-domestic multiplier for the year was 42.2p (45.6p in 2004/05) resulting in notional NNDR income of £82.7 million. The NNDR income for 2005/06 of £59.7 million (£57.3 million in 2004/05) 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 £16.845 million in 2004/05 and £18.135 million in 2005/06.

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

Collection Fund		£000s
Deficit 1 st April 2005		2,000
Recovery of previous year's deficit		(114)
Balance pre 2005/06		1,886
Deficit for current year		1,525
Deficit 31st March 2006		3,411

STATEMENT OF TOTAL MOVEMENT IN RESERVES

2004/05 STATEMENT OF TOTAL MOVEMENT IN RESERVES		2005/06	
£000s		£000s	£000s
1,109,202	Balance at 1st April		1,208,588
	Surplus / (Deficit) for the year		
6,061	- General Fund	6,967	
521	- Housing Revenue Account	(2,682)	
8,467	- Movements on earmarked revenue reserves	1,952	
1,300	Deduct Appropriation from pensions reserve	(3,711)	
(102,304)	Actuarial gains and losses relating to pensions	(29,889)	
0	Newham Homes FRS17 pension liability	(19,043)	
(85,955)	Total increase/(decrease) in revenue resources (note 1)		(46,406)
2,643	Increase/(decrease) in usable capital receipts	(2,932)	
0	Increase/(decrease) in unapplied capital grants & contributions		
2,643	Total increase/(decrease) in realised capital resources (note 2)		(2,932)
300,982	Gains/(losses) on revaluation of fixed assets	(240,516)	
(31,061)	Impairment losses on fixed assets due to general changes in prices	(38,966)	
269,921	Total increase/(decrease) in unrealised value of fixed assets (note 3)		(279,482)
(62,247)	Value of assets sold, disposed of or decommissioned (note 4)		(106,102)
18,629	Capital receipts set aside	17,220	
(44,491)	Revenue resources set aside	(42,657)	
(25,862)	Total increase/(decrease) in amounts set aside to finance capital investment (note 5)		(25,437)
356	Movement on Deferred Premia Account	(326)	
1,718	Movement on Major Repairs Reserve	505	
(1,188)	Movement on Collection Fund	(1,411)	
886	Total increase/(decrease) in other reserves		(1,232)
99,386	Total Recognised Gains and Losses		(461,591)
1,208,588	Reserves Balance Carried Forward		746,997
0	Newham Homes Pension Reserve		(962)
173	Group Companies Reserves Carried Forward		189
1,208,761	Reserves Balance Carried Forward		746,224

Newham Homes reserves were nil at 31st March 2005 and 2006. Therefore, the group statement of total movement in reserves is identical to the above statement.

Note 1. Movement in Revenue Resources

<i>REVENUE / EARMARKED RESERVES</i>	<i>General Fund</i>	<i>Housing Revenue Account</i>	<i>Other Earmarked Reserves</i>	<i>Pensions Reserves</i>	<i>Total</i>
	£000s	£000s	£000s	£000s	£000s
Surplus / (Deficit) in 2004/05	6,061	521	8,467	1,300	16,349
Actuarial gains and losses relating to pensions	0	0	0	(102,304)	(102,304)
	6,061	521	8,467	(101,004)	(85,955)
Balance brought forward at 1 April 2004	25,568	11,017	16,032	(276,096)	(223,479)
Balance carried forward at 31 March 2005	31,629	11,538	24,499	(377,100)	(309,434)
Surplus / (Deficit) in 2005/06	6,967	(2,682)	1,952	(3,711)	2,526
Actuarial gains and losses relating to pensions	0	0	0	(29,889)	(28,889)
Newham Homes FRS17 reserve	0	0	0	(19,043)	(19,043)
	6,967	(2,682)	1,952	(52,643)	(46,406)
Balance brought forward at 1 st April 2005	31,629	11,538	24,499	(377,100)	(309,434)
Balance carried forward at 31st March 2006	38,596	8,856	26,451	(429,743)	(355,840)
Newham Homes Pension Reserve	0	0	0	(962)	(962)
Balance carried forward at 31st March 2006	38,596	8,856	26,451	(430,705)	(356,802)

Note 1a. Other Earmarked Resources Analysis

<i>Balance At 31/03/05</i>	<i>Earmarked Reserves</i>	<i>Balance At 31/03/06</i>
<i>£000s</i>		<i>£000s</i>
	Schools Balances	
13,532	-Credit Balances	11,770
(3,150)	-Debit Balances	(3,603)
10,382	Total Schools Balances	8,167
	Capital Reserves	
3,951	- Investment Strategy	5,578
3,951	Total Capital Reserves	5,578
	Other Balances	
1,450	- Housing Repairs	1,450
177	- Trading Surpluses	177
3,161	- Reserves held for future spending	3,351
5,378	- PFI Reserve Accounts	7,728
10,166		12,706
24,499	Total Earmarked Reserves carried forward at 31 March	26,451
173	Group Companies General Reserves	189
24,672	Total Earmarked Reserves carried forward at 31 March	26,640

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.

Group companies reserves comprise the Council's share of Caboodle Solutions Ltd.

Note 2. Movement in Realised Capital Resources

<i>Usable Capital Receipts 2004/05</i>		<i>Usable Capital Receipts 2005/06</i>
<i>£000s</i>		<i>£000s</i>
21,272	Amounts Receivable	14,949
(18,629)	Amounts applied to finance new capital investment	(17,881)
2,643	Total increase/(decrease) on realised capital resources in year	2,932
289	Balance brought forward at 1 April	2,932
2,932	Balance carried forward at 31 March	0

Balance represents usable capital receipts to be used to fund future capital schemes.

Notes 3 & 4. Movement in Fixed Asset Restatement Account

<i>2004/05</i>	<i>Movement In Unrealised Value of Fixed Assets and Value of Assets Sold, Disposed or Decommissioned</i>	<i>2005/06</i>
<i>£000s</i>		<i>£000s</i>
300,982	Gains/losses on revaluation of fixed asset	(240,516)
(31,061)	Impairment losses on fixed assets due to general changes in prices	(38,966)
269,921	Total increase/(decrease) on unrealised capital resources	(279,482)
(62,247)	Amounts written off fixed asset balance for disposal in year	(106,102)
207,674	Total movement on reserve during year	(385,584)
1,134,508	Balance brought forward at 1 April	1,342,182
1,342,182	Balance carried forward at 31 March	956,598

Also see note 27 of Consolidated Balance Sheet – Fixed Asset Restatement Account.

Note 5. Movement Capital Financing Account

<i>2004/05</i>	<i>Movement in Amounts set aside to Finance Capital Investment</i>	<i>2005/06</i>
<i>£000s</i>		<i>£000s</i>
	Capital receipts set aside in year	
18,629	- useable receipts applied	17,220
18,629	Total Capital receipts set aside in year	17,220
	Revenue resources set aside in year	
14,536	- capital expenditure financed from revenue	14,560
(59,027)	- reconciling amount for provisions for loan repayment	(57,217)
(44,491)	Total Revenue Resources set aside in year	42,657
(25,862)	Total movement on reserve in year	(25,437)
195,648	Balance brought forward 1 April	169,786
169,786	Balance carried forward at 31 March	144,349

Also see note 28 of Consolidated Balance Sheet – Capital Financing Account

CASH FLOW STATEMENT

<i>Newham</i> 2004/05		<i>Newham</i> £000s	<i>Group</i> 2005/06 £000s	<i>Notes</i>
£000s	Revenue Activities	£000s	£000s	
	Cash Outflows			
373,594	Cash paid to and on behalf of employees	394,375	397,751	
346,121	Other Operating cash payments	421,149	433,538	
103,335	Housing Benefit paid out	111,471	111,471	
51,586	Non-domestic rates paid to National Pool	64,930	64,930	
16,957	Precepts paid	18,248	18,248	
	Cash Inflows			
(37,774)	Rents (after rebates)	(41,291)	(41,291)	
(50,659)	Council Tax receipts	(51,731)	(51,731)	
(56,946)	Non Domestic Rate receipts - from ratepayers	(61,860)	(61,860)	
(70,966)	Non Domestic Rate receipts - from pool	(78,286)	(78,286)	
(289,838)	Revenue Support Grant	(296,819)	(296,819)	
(207,725)	DWP grants for Benefits	(250,566)	(250,566)	2
(149,648)	Other government grants	(148,137)	(148,137)	2
(110,306)	Cash received from goods and services	(112,140)	(119,479)	
(3,674)	Other operating cash receipts	(35,356)	(35,356)	
(85,943)	Cash Inflow from Revenue Activities	(66,013)	(57,587)	1
	Dividends from Joint Ventures			
	Cash Inflows			
(50)	Dividends Received	(50)	0	
	Returns on Investments & Servicing of Finance			
	Cash Outflows			
41,620	Interest paid	42,325	42,325	
41,620		42,325	42,325	
	Cash Inflows			
(7,805)	Interest received	(7,861)	(7,861)	
33,815		(7,861)	(7,861)	
	Capital Activities			
	Cash Outflows			
91,849	Purchase of Fixed Assets	101,746	101,746	
38,177	Contribution to Housing Pooled Receipts	16,052	16,052	
1,463	Payment of Improvement Grants	973	973	
131,489		118,771	118,771	
	Cash Inflows			
(59,445)	Sales of Fixed Assets	(30,217)	(30,217)	
(52,922)	Capital Grants received	(50,732)	(50,732)	
(5)	Other capital cash receipts	(122)	(122)	
(112,372)		(81,071)	(81,071)	
(33,061)	Net Cash (Inflow) before Financing	6,101	14,577	3
	Management of Liquid Resources			
33,052	Net increase/(decrease) in short term deposits	24,870	24,870	
	Financing			
	Cash Outflows			
93,295	Repayments of amounts borrowed	20,055	20,055	
	Cash Inflows			
(50,000)	New loans raised	(75,000)	(75,000)	
(30,300)	New short-term loans	0	0	
12,995		(54,945)	(54,945)	
12,986	(Increase)/Decrease in Cash	(23,974)	(15,498)	3

Note 1. Reconciliation of Net Revenue Surplus to Cash Inflow from Revenue Activities

<i>Newham</i> <i>2004/05</i>		<i>Newham</i> <i>2005/06</i>	<i>Group</i> <i>2005/06</i>
<i>£000s</i>		<i>£000s</i>	<i>£000s</i>
	Revenue (Surplus)/Deficit for year:		
(6,061)	General Fund	(6,967)	(6,967)
(521)	Housing Revenue Account	2,682	2,682
2,814	Collection Fund deficit	1,411	1,411
3,768		(2,874)	(2,874)
	Remove Expenditure not resulting in a cash movement		
(8,004)	Provision for loan repayments etc.	(8,379)	(8,379)
1,315	Gains & Losses From Early Settlement of Debt	1,780	1,780
(4,690)	Provisions set aside in the year from revenue	(3,619)	(3,619)
(7,622)	Contributions (to)/from Reserves	3,604	3,604
19,001		(6,614)	(6,614)
(2,088)	Change in Stocks/Work in Progress	(631)	631
1,210	Change in Other Balances	215	215
1,103	Other Adjustments	9,236	9,236
225		8,820	10,082
18,382	(Reduction)/Increase in Debtors	12,247	12,901
(28,899)	Reduction/(Increase) in Creditors	(5,478)	1,082
(10,517)		6,769	13,983
	Add		
(52,882)	Financing Items shown later in the Cash Flow Statement	(72,114)	(72,164)
(85,943)	Cash Inflow from Revenue Activities	(66,013)	(57,587)

Note 2. Analysis of Revenue Grants

<i>2004/05</i>		<i>2005/06</i>
<i>£000s</i>	<i>Grant</i>	<i>£000s</i>
20,804	Asylum Seekers	8,131
1,774	CAMHS - Mental Health	2,149
2,523	Childcare grant	3,464
0	Children's Services Quality Protects	1,171
27,341	City Challenge/NDC/NRF/SRB/Surestart	32,265
23,342	Council Tax benefit	25,053
4,532	Education PFI grant	9,540
24,927	HRA subsidy	27,648
3,836	Learning and Skills Council grant for Adult Education	0
3,580	Learning and Skills Council grant for Sixth Form	4,088
102,606	Mandatory Rent Allowances	111,453
40,685	Mandatory Rent Rebates in HRA	41,346
43,266	Mandatory Rent Rebates out HRA	72,714
3,227	Schools Standards Grant	5,828
26,748	Standards Fund	28,279
11,400	Supporting People	11,530
6,017	Teachers Pay Reform	5,839
10,765	Other	8,205
357,373		398,703

Note 3. Reconciliation of Net Cash Flow to Movement in Net Debt

<i>Balance</i> <i>31.3.05</i>		<i>Newham</i> <i>31.3.06</i>	<i>Group</i> <i>31.3.06</i>
£000s		£000s	£000s
(12,986)	(Decrease)/Increase in cash for the period	23,974	15,498
12,995	Cash (inflow)/outflow from (increase)/decrease in debt financing	(54,945)	(54,945)
33,052	Cash inflow from increase in liquid resources	24,870	24,870
33,061	Movement in net debt in the period	(6,101)	(14,577)
(527,579)	Net Debt at 1 st April	(494,518)	(494,518)
(494,518)	Net Debt at 31st March	(500,619)	(509,095)

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 consisting mainly of sterling certificates of deposit with major banks or other financial institutions and UK gilt-edged securities.

Note 4. Analysis of Net Debt

	<i>Balance</i> <i>31.3.05</i>	<i>Movement</i> <i>In the year</i>	<i>Balance 31.3.06</i>
	£000s	£000s	£000s
Cash in hand	(23,109)	23,974	865
Debt due after one year	(513,358)	(74,945)	(588,303)
Debt due within one year	(78,555)	20,000	(58,555)
Short Term Investments	120,504	24,870	145,374
(Increase) / Decrease in Net Debt	(494,518)	(6,101)	(500,619)

<i>Group Net Debt</i>	<i>Balance</i> <i>31.3.05</i>	<i>Movement</i> <i>In the year</i>	<i>Balance 31.3.06</i>
	£000s	£000s	£000s
Cash in hand	(23,109)	15,498	(7,611)
Debt due after one year	(513,358)	(74,945)	(588,303)
Debt due within one year	(78,555)	20,000	(58,555)
Short Term Investments	120,504	24,870	145,374
(Increase) / Decrease in Net Debt	(494,518)	(14,577)	(509,095)

TRUST AND GIFT FUNDS

2004/05	<i>Trust & Gift Funds 2004/05</i>	2005/06
£000s		£000s
1,212	Fund Balances at 1 st April	1,173
103	Income	304
(142)	Payments	(138)
1,173	Fund balances at 31 st March	1,339
	The following individual fund balances are held:	
80	Education Prize Funds	80
242	Social Services Trust Funds	387
3	Funds received from LDDC/Thames Telethon	3
40	Galleons Reach Enterprise Trust	40
10	Mayor's Benevolent Fund	10
798	Gurney School	819
1,173	TOTAL	1,339

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

The Education and Social Services 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.

Galleons Reach Enterprise Trust - this balance is being held on behalf of the Royal Docks Trust.

Gurney School - this fund was created from the sale of the site of the now demolished Gurney School. The trustees have yet to determine how to apply this fund.

PENSION FUND

2004/05	FUND ACCOUNT		2005/06
£000s		£000s	£000s
	Contributions Receivable:		
8,091	Contributions from Employees (note 1)	8,434	
28,601	Contributions from Employers (note 1)	31,515	39,949
4,838	Transfer Values in		5,136
	Benefits Payable:		
(19,993)	Pensions Payable	(20,629)	
(2,830)	Lump Sum Benefits Payable	(2,958)	(23,587)
	Payments to and on account of leavers:		
(92)	Refunds of Contributions	(45)	
(7,667)	Transfer Values Out	(6,879)	(6,924)
	Administration and Other Expenses Borne By The Scheme:		
(692)	Administration & other expenses borne by the scheme (note 6)		(606)
10,256	Net Additions From Dealing With Members		13,968
	Return on Investments:		
8,108	Investment Income	9,932	9,932
	Changes in Market Value of Investments:		
18,524	Realised Gains and Losses on Investments Sold (note 6)	30,425	
13,739	Unrealised/Other Changes in Market Value	74,158	104,583
(1,140)	Investment Management Expenses	(1,610)	
(580)	Other Expenses (tax borne by Fund)	(541)	(2,151)
38,651	Net Returns On Investments		112,364
48,907	Net increase /(decrease) in the fund during the year		126,332
376,794	Opening Net Assets of the scheme		425,701
425,701	Closing Net Assets of the scheme		552,033
2004/05	NET ASSETS STATEMENT		2005/06
	Investment Assets		
	Represented by:		
	Investments at Market Value:		
35,137	Fixed Interest Securities	43,403	
311,870	Equities - Quoted	410,806	
1,946	Equities - Unquoted	4,033	
15,166	Index Linked Securities	16,690	
40,118	Freehold and Leasehold Property	71,747	
3,174	Cash and Other Investments	4,357	
1,223	Debtors and Prepayments	1,003	
408,634			552,039
	Current Assets:		
331	Debtors and Prepayments	148	
17,128	Cash and Bank Balances	246	
17,459			394
	Current Liabilities:		
(392)	Creditors		(400)
425,701	Fund Balance at 31st March		552,033

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 in accordance with 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:

At 31st March 2006 At 31st March 2005

Contributing Members	6,889	6,631
Current Pensioners	5,612	5,480
Deferred Pensioners	3,808	3,401

Benefits are financed by contributions from employees, Scheme employers, and by income from investments. The employees basic contribution is 6% of pensionable pay for Officers and Manual Workers. The Employers contribution for 2005/06, paid by the Council, was 22% of pensionable pay.

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

<i>Participating Body</i>	<i>Contribution</i>	<i>Employee's Contributions</i>		<i>Employer's Contributions</i>	
	<i>Rate</i>	<i>2004/05</i>	<i>2005/06</i>	<i>2004/05</i>	<i>2005/06</i>
		£000s	£000s	£000s	£000s
LB Newham	22.0%	7,667	7,986	27,169	30,073
Stratford School	22.0%	18	20	63	73
NewVic	12.5%	70	79	245	165
Newham College of Further Education	22.0%	289	293	1,009	1,071
Carpenters TMO	13.0%	12	11	43	29
Greenwich Leisure	13.0%	35	34	72	74
FM Conway	17.6%	0	7	0	20
Newham Homes	22.8%	0	0	0	0
Community Links	13.8%	0	4	0	10
TOTAL		8,091	8,434	28,601	31,515

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 represented by investments. The statement below shows the market value of each type of investment held by the individual Fund Managers in £000s as at 31st March 2006.

<i>Investment</i>	<i>Capital</i>	<i>L&G</i>	<i>AAM</i>	<i>Rreef</i>	<i>Int. Manag</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
TOTAL HOLDING	169,784	273,561	30,506	71,078	7,110	552,039
<i>As a percentage of total</i>	<i>30.76</i>	<i>49.55</i>	<i>5.53</i>	<i>12.87</i>	<i>1.28</i>	<i>100.00</i>

The 31st March 2005 investment market values were as follows (in £000s):

<i>Investment</i>	<i>Capital</i>	<i>L&G</i>	<i>DeAM*</i>	<i>Int. Manag</i>	<i>Total</i>
Fixed Interest (UK)	1,872	7,373	21,751	0	30,996
Fixed Interest (Overseas)	53	1,703	2,385	0	4,141
Index Linked - UK	5,757	9,409	0	0	15,166
UK Equities - Quoted	55,216	49,036	55,423	1,945	161,620
Overseas Equities - Quoted	63,930	28,788	57,532	0	150,250
Equities - Unquoted	0	0	0	1,946	1,946
Freehold Property	0	0	0	820	820
Unit Trusts - Property	0	0	39,298	0	39,298
Cash & Liquid Assets (UK)	1,908	54	1,212	0	3,174
Debtors	649	143	431	0	1,223
TOTAL HOLDING	129,385	96,506	178,032	4,711	408,634
<i>As a percentage of total</i>	<i>31.66</i>	<i>23.62</i>	<i>43.57</i>	<i>1.15</i>	<i>100.00</i>

* Aberdeen Asset Management Ltd (AAM) bought DeAM during 2005.

Note 3. Actuarial Position

The level of contribution payable by the Council to the Fund during 2005/06 was based on the actuarial valuation as at 31st March 2004. This valuation sets the contribution rates for the three years commencing 1st 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:

Assumptions	2001 Valuation	2004 Valuation
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 2005-06 at 22% 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 2006
- 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
- Property under the direct ownership of the Pension Fund is shown at its open market value as determined periodically by a professional valuer. The last valuation of the Fund's property was conducted in March 2002.
- 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).

Note 5. Related Party Transactions

There were no related party transactions in 2005/06.

Note 6. Additional Information

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

<i>Administration and Investment Management Costs</i>	<i>2004/05</i>	<i>2005/06</i>
<i>Scheme Administration.</i>	<i>£000s</i>	<i>£000s</i>
Officers' salaries and related costs.	619	606
Direct running costs	73	36
Administration & other expenses borne by fund	692	642
Fund Management Expenses	1,140	1,574
	1,832	2,216
<i>Investment Income</i>		
Interest	919	1,499
Dividends	6,677	7,827
Rents	57	104
<i>Sub total</i>	7,653	9,430
Bank Interest	455	502
<i>Total</i>	8,108	9,932

Analysis of Purchases and Sales of Investments during 2005/06

<i>Investment</i>	<i>At 1st April 05</i>	<i>Purchases</i>	<i>Sales</i>	<i>At 31st March 06</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Fixed Interest - UK	29,943	32,938	(27,370)	35,511
Fixed Interest - Overseas	4,107	750	(3,050)	1,807
Index Linked - UK	13,340	8,671	(3,334)	18,677
UK Equities - Quoted	155,149	106,642	(80,823)	180,968
Overseas Equities - Quoted	150,987	91,499	(82,871)	159,615
Equities - Unquoted	2,102	2,648	(538)	4,212
Property Trust	37,223	23,123	0	60,346
Freehold Property	60	0	0	60
UK Cash	3,174	2,085	(901)	4,358
Total	396,085	268,356	(198,887)	465,554

Analysis of Gains and Losses on Investments during 2005/06

<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	2,150	(6)	2,144
Fixed Interest - OS	0	(2)	(2)
Index Linked - UK	218	(205)	13
UK Equities - Quoted	19,349	(5,442)	13,907
Overseas Equities - Quoted	14,802	(1,090)	13,712
Equities - Unquoted	501	(92)	409
Property	12	0	12
Currency	356	(126)	230
Total	37,388	(6,963)	30,425

Schedule of Debtors and Creditors

<i>Debtors</i>	<i>2005/06</i>	<i>2004/05</i>
	<i>£000s</i>	<i>£000s</i>
Contributions from outside bodies	148	118
Dividends outstanding - Rreef	1	0
Dividends outstanding - L&G	164	143
Dividends outstanding - CAP	770	582
Interest	68	67
Dividends outstanding - DeAM	0	431
Sale of holdings	0	213
	1,151	1,554

<i>Creditors</i>	<i>2005/06</i>	<i>2004/05</i>
	<i>£000s</i>	<i>£000s</i>
Tax payable on outstanding dividends	(81)	(106)
Fees due to Fund Managers	(305)	(286)
Investment Advisor Fees	(14)	0
	(400)	(392)

GLOSSARY OF FINANCIAL TERMS

Accounting Period

The timescale during which accounts are prepared. Local authority accounts have an overall accounting period of one year from 1st April to 31st 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.

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.

Asset Management Revenue Account (AMRA)

An account that is required under the system of capital accounting. The account matches the credit for the reversal of capital charges with depreciation and external interest payable.

Approved Investments

The investment of money that is not required for the time being. Local authorities are only allowed to place surplus funds in certain 'approved' institutions. For instance, an authority is not allowed to speculate on the stock market.

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)

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.

Capital Charges

In accordance with arrangements for Capital Accounting, capital financing costs are not 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. Capital financing costs relate only to assets financed by borrowing and leasing.

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'.

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, Single Regeneration Budget (SRB), Neighbourhood Renewal Fund (NRF), New Deal for Communities (NDC), Transport for London, Standards Fund and London Development Agency (LDA) monies.

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.

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 Consolidated 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.

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 5 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 31 March.

Deferred Charges

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

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 forms part of 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.

Financial Code of Practice

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).

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 make up any deficit on the HRA 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.

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.

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

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 km²) in Newham, Tower Hamlets and Southwark.

Major Repairs Allowance (MRA)

Introduced from 2001/02 under Resource Accounting in the Housing Revenue Account (HRA) The main housing subsidy for local authorities, based on the cost of maintaining council homes.

Minimum Revenue Provision

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 expressed as a percentage of the council's total outstanding debt (4% for non-HRA debt – the 2% Housing debt provision was no longer required after 31st March 2004). In the accounts, the minimum provision is included within capital financing charges.

NDR 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 NDR 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.

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 1st 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.

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 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 NDR 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.

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.

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).

Service Income

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

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.

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.

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. This document can be made available in different formats and languages upon request.