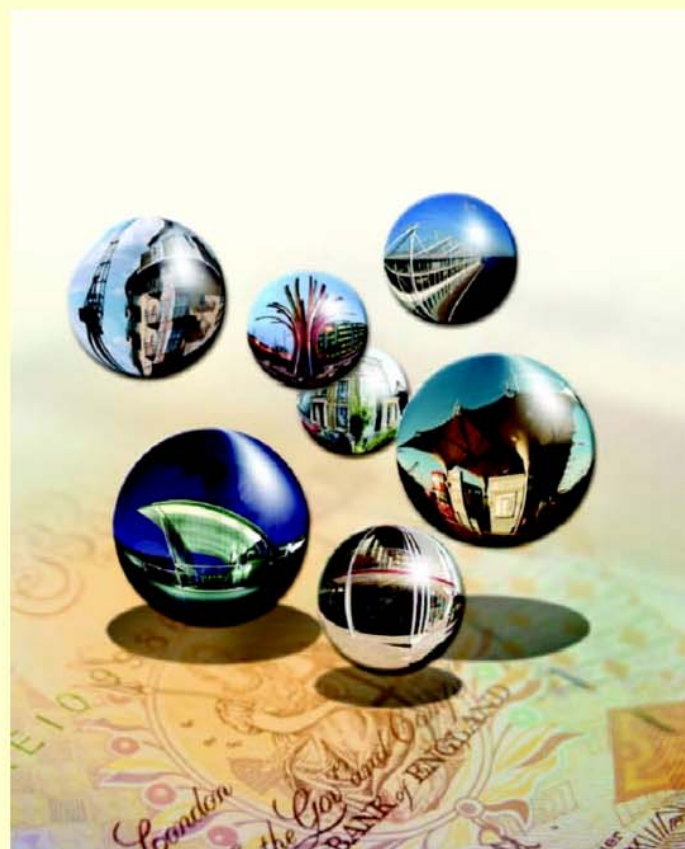




SUMMARY STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31st MARCH 2005



London Borough of Newham Statement Of Accounts 2004/05

- The statement of accounts are a formal record of how the council has spent its resources in the financial year to 31st March 2005.
- The Executive Director of Resources is responsible for preparing the accounts for presentation and for signing them to say that they 'present fairly the financial position of the authority'.
- The Council's external auditors, PricewaterhouseCoopers are appointed by the Audit Commission. The external auditors have given an unqualified opinion on the formal statement of accounts for 2004/05.
- The information presented in this summary includes :

- | | |
|---------------------------|--|
| ♦ Revenue Account | ♦ Cash Flow |
| ♦ Housing Revenue Account | ♦ Actual v Budgeted Expenditure |
| ♦ Council Tax | ♦ Performance Indicators |
| ♦ Capital Expenditure | ♦ Comprehensive Performance Assessment |
| ♦ Balance Sheet | ♦ Financial Management |

Future Service Developments and Expenditure Plans - "The Vision"

"By 2010 Newham will be a major business location 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.

In an area with some of the UK's worst deprivation, expenditure is strictly prioritised, targeting areas of most need and those that are most important to local people

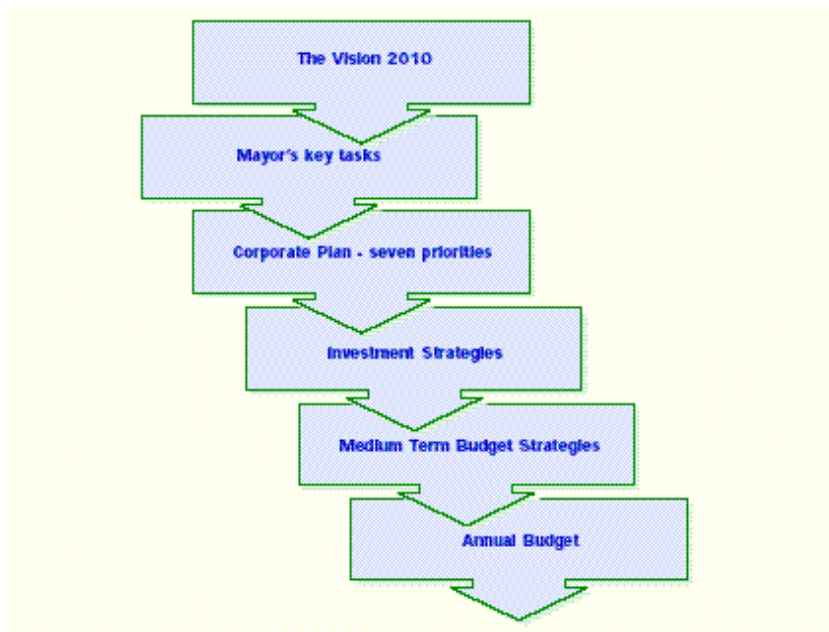
- Cross cutting themes run through all of the priorities, which are;

| | |
|---|----------------------------------|
| ♦ Educational Achievement | ♦ Social Services |
| ♦ Public Realm | ♦ Crime & Anti-Social Behaviour |
| ♦ Health and Well-being | ♦ Social & Physical Regeneration |
| ♦ Human Resources and Business Efficiency | |

These priorities are set out within the council's corporate improvement plan and all have key targets to ensure that the council's performance can be monitored and evaluated on a regular basis.

Spending decisions are related to strategies enabling resources to be targeted at areas of need and invested in the future of the borough and its residents

- Each year the Council publishes a **Corporate Plan** setting out the annual steps on how the **2010 Vision** will be achieved. This combines the Mayor's priorities with the Community Strategy and aligns these targets with the medium term budget strategy and annual service budgets.
- The **Community Strategy** has been drawn up by the Local Strategic Partnership and sets out the following aspirations for Newham to achieve the Vision:
 - ♦ A better environment for all
 - ♦ Building an active and inclusive community
 - ♦ Investing in young people
 - ♦ Making Newham safer
 - ♦ Narrowing the health gap
 - ♦ Business growth and access to jobs
- The current "**Moving to excellence**" initiative is a comprehensive review of the services the Council provides.
- This review will look for ways to develop a "**Whole Council**" approach to find ways to provide services more efficiently in a cost-effective manner.



- Within the Capital Programme, total planned expenditure is £232 million over the next three years.
- In 2005/06, the Council's net budget requirement is £440.6 million.

Reader Feedback

If there is any additional information that you would like to see in future editions, please contact Kevin Miles, the Council's Chief Accountant (e-mail kevin.miles@newham.gov.uk)

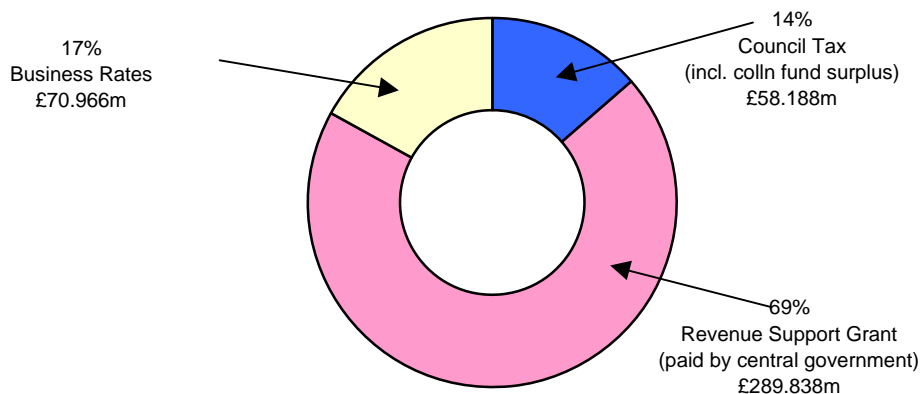
Official versions of the Statement of Accounts are available on the Council website www.newham.gov.uk

The Cost of Council Services - Revenue Account

- The Revenue account summarises the council's revenue income and expenditure for services during the year and shows the resultant change in the level of reserves.

| 2003/04 Net Expenditure | Revenue Account for the year Services | Gross Expenditure £000s | 2004/05 Gross Income £000s | Net Expenditure £000s |
|-------------------------------|--|-------------------------------|-------------------------------------|-----------------------------|
| 228,843 | Education Services | 301,695 | -57,844 | 243,851 |
| 91,101 | Social Services | 142,513 | -42,605 | 99,908 |
| 32,688 | Housing Services | 427,320 | -377,014 | 50,306 |
| 19,145 | Highways, Roads and Transport Services | 30,899 | -12,153 | 18,746 |
| 53,040 | Cultural, Environmental and Planning Services | 121,468 | -65,538 | 55,930 |
| 147 | Court and Probation Services | 154 | 0 | 154 |
| 5,971 | Corporate and Democratic Core | 9,340 | -2,055 | 7,285 |
| 14,229 | Central Services to the Public | 56,138 | -40,295 | 15,843 |
| 953 | Non Distributed Costs | 255 | 0 | 255 |
| 446,117 | Net Cost Of Services | 1,089,782 | -597,504 | 492,278 |
| -2,237 | Less: Other Expenses | | | -6,203 |
| 443,880 | Net Operating Expenditure | | | 486,075 |
| -48,079 | Appropriations and other internal accounting | | | -73,144 |
| 395,801 | Amount to be met from Grants and local taxation | | | 412,931 |
| Financed by: | | | | |
| -53,669 | Council Tax | | | -57,078 |
| -269,608 | Revenue Support Grant | | | -289,838 |
| -71,521 | Business Rates | | | -70,966 |
| -1,126 | Collection Fund Surplus | | | -1,110 |
| -123 | Net General Fund (surplus) for the year | | | (6,061) |
| -25,445 | General Fund Balance B/Fwd from previous year | | | -25,568 |
| -25,568 | General Fund Balance C/Fwd to following year | | | -31,629 |

Income



Council Tax

- Newham has the 8th Lowest Band D council tax in London

| Description | 2002/03 | 2003/04 | 2004/05 |
|---|----------------|------------------|------------------|
| Basic amount of Council tax for a band D property in Newham | £884.50 | £1,004.66 | £1,059.64 |
| Comparison against London average | £895.36 | £1,057.93 | £1,161.93 |

Housing Revenue Account

- ♦ By law, Local authorities are required to maintain a separate landlord account - the Housing Revenue Account - this sets out the expenditure and income arising from the provision of housing.

| Housing Revenue Account 2004/05 | |
|---|----------------|
| Housing Revenue Account Summary | |
| | £000s |
| Income | |
| Council Property Rents (gross) | -58,932 |
| Other Income | -38,702 |
| Total Income | -97,634 |
| Expenditure | |
| Repairs and Maintenance | 16,105 |
| Supervision and Management | 33,740 |
| Other Costs | 84,492 |
| Total Expenditure | 134,337 |
| Net Cost of Services | 36,703 |
| HRA AMRA Adjustments | -37,224 |
| Total deficit/(surplus) for the year | (521) |
| Balance 1st April 2004 | -11,017 |
| Balance 31st March 2005 | -11,538 |

There was a reduction in housing stock from 20,673 on 31st March 2004 to 19,950 on 31st March 2005, with the majority due to 648 right to buy sales.

| The council owned the following types and numbers of houses at 31st March 2005: | |
|--|---------------|
| Houses and Bungalows | 4,908 |
| Low rise flats | 8,620 |
| Medium rise flats | 2,173 |
| High rise flats | 4,179 |
| Shared Dwellings | 70 |
| Total | 19,950 |

Capital Expenditure

- ♦ The Council invests for the future in its buildings, in the infrastructure of the area and by acquiring assets by means of Capital Expenditure.

| Capital Expenditure Summary 2004/05 | |
|--|---------------|
| | £000s |
| Education | 19,597 |
| Housing | 38,240 |
| Culture & Community | 911 |
| Corporate | 5,370 |
| Social Services | 2,225 |
| Environment | 12,061 |
| SRB/ERDF/NDC/Surestart | 13,738 |
| Total Expenditure | 92,142 |
| Financed by: | |
| | £000s |
| Supported Borrowing | 20,643 |
| Capital Grants and Contributions | 38,041 |
| Major Repairs Allowance | 14,536 |
| Use of Capital Receipts | 18,629 |
| Revenue Finance | - |
| | 91,849 |
| Increase in Capital Creditors | 293 |
| Total Expenditure | 92,142 |

| The main items of Capital Expenditure were: | |
|--|--------------|
| | £000s |
| ♦ NDS Modernisation | 6,435 |
| ♦ New Deal Communities | 5,349 |
| ♦ Neighbourhood Renewal Fund | 2,525 |
| ♦ Education & Planned Maintenance | 2,950 |
| ♦ SRB Schemes | 1,731 |
| ♦ IT Investment Strategy | 11,329 |
| ♦ Surestart | 1,560 |
| ♦ Improvement & modernisation of existing housing | 29,542 |

Balance Sheet

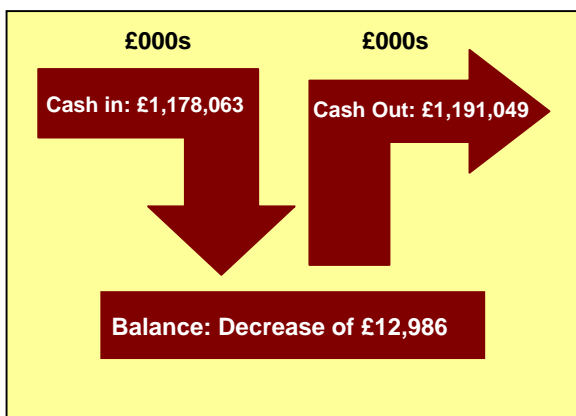
- ♦ The balance sheet communicates information about the financial position of the Council and is a statement of the council's assets and liabilities, showing all of the resources controlled by them and their equivalent obligations.

| 2003/04 Balance sheet at 31st March | | 2004/05 | |
|-------------------------------------|--|----------|------------|
| £000s | | £000s | £000s |
| 2,084,452 | FIXED ASSETS i.e. Buildings Land Vehicles, Plant & Equipment | | 2,299,391 |
| 173,705 | CURRENT ASSETS i.e. Debtors and Prepayments Cash and Bank Investments | 197,983 | |
| -146,337 | LESS CURRENT LIABILITIES i.e. Receipts in Advance Creditors Bank Overdraft | -200,170 | |
| 27,368 | Net Current Assets | | -2,187 |
| 2,111,820 | Total Assets Less Current Liabilities | | 2,297,204 |
| -1,002,618 | OTHER LIABILITIES | | -1,088,616 |
| 1,109,202 | Total Assets less Total Liabilities | | 1,208,588 |

Actual v Budgeted Expenditure and Income

Cash Flow

- The cash flow statement shows the movements in the Council's cash balances resulting from transactions with external organisations, for revenue and capital purposes.



- ♦ The following table shows the council's budgeted income and expenditure against actual income and expenditure. From this, it can be seen that net expenditure was less than anticipated, with there also being an increase in reserves.

| Actual v Budget 2004/05 | Budget | Actual |
|-----------------------------------|----------------|----------------|
| | £000s | £000s |
| Service Expenditure | 936,452 | 956,375 |
| Service Income | -564,519 | -597,504 |
| | 371,933 | 358,871 |
| Capital Financing Costs | 47,128 | 44,181 |
| Total net Expenditure | 419,061 | 403,052 |
| Contribution To/(Use of) Reserves | -960 | 15,049 |
| Budget Requirement | 418,101 | 418,101 |

Performance Indicators

- ◆ The Council monitors its performance and how well it provides services through performance and Best Value indicators.

| BVPI NO. 2004/05 | Description | 2003/04 Actuals | 2004/05 Actuals | 2005/06 Target |
|---------------------|---|--------------------|--------------------|-------------------|
| BV8 | The percentage of invoices for commercial goods and services that were paid by the authority within 30 days of such invoices being received by the authority. | 86.00% | 87.67% | 100.00% |
| BV9 | The percentage of council tax collected (the percentage of council tax due for the financial year which was received). | 91.00% | 90.95% | 92.50% |
| BV10 | The percentage of non-domestic rates due for the financial year which was received. | 98.67% | 99.16% | 99.20% |
| BV66a | Local authority rent collection and arrears : proportion of rent collected | 93.96% | 94.87% | 95.50% |
| BV12 | The number of working/shifts lost due to sickness absence | 12.17 days | 11.08 days | 8.08 days |
| Localce1 | Answering letters from members of the public : Acknowledged or fully respond to within 10 days | 93.71% | 78.02% | 95.00% |
| BV157 | The number of types of transactions that are enabled for electronic delivery | 99.33% | 99.33% | 100.00% |

For further information, please refer to http://apps.newham.gov.uk/democracy/bestvalue/bvpp2005/BVPP2005_final2.pdf

Comprehensive Performance Assessment (CPA)

- ◆ The CPA is a key element of the government's performance framework for local government.
- ◆ The CPA is about helping local councils improve services for their communities.
- ◆ The CPA looks at how well the council delivers its services and how well the council is run.
- ◆ Newham LBC was measured as GOOD in December 2004, achieving 3/4 for services and 3/4 for council ability.
- ◆ According to the audit commission, the council is ambitious and is clear about its priorities and where it needs to improve further to achieve its goals.
- ◆ In December 2004, Newham's core services were reviewed, with improvements made in Education and Libraries & Leisure, over the last year.
- ◆ Each service's performance was as follows:

| Core Service Performance: | 2004 |
|---------------------------|------|
| ◆ Use of Resources | 4 |
| ◆ Education | 4 |
| ◆ Social Care (adults) | 2 |
| ◆ Social Care (children) | 2 |
| ◆ Environment | 2 |
| ◆ Housing | 3 |
| ◆ Libraries and Leisure | 3 |
| ◆ Benefits | 3 |

For further information, please refer to www.audit-commission.gov.uk/cpa

Financial Management

- ◆ Where the Council's external auditors provide an opinion that the financial statements produced are 'unqualified', indicates that they are reliable

| | 2002/03 | 2003/04 | 2004/05 |
|---|---------|---------|---------|
| <i>Annual Accounts Submitted on time:</i> | ✓ | ✓ | ✓ |
| <i>Number of Audit Qualifications:</i> | 0 | 0 | 0 |