



STATEMENT OF ACCOUNTS

FOR THE YEAR ENDING 31ST MARCH 2003



LONDON BOROUGH OF NEWHAM**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31st MARCH 2003**

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EXPLANATORY FOREWORD

1. Explanation of the Statement of Accounts

The Council's accounts are set out on pages 8 to 46, and consist of the following:

- the **Statement of Accounting Policies** which explain the basis of the figures in the accounts by a series of explanatory notes
- 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 **Housing Revenue Account**, which provides details of the income and expenditure of the Council's responsibility as landlord for dwellings and associated properties.
- 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
- a **Consolidated Balance Sheet**, which gives the Council's financial position as at the 31st March 2003 for the above mentioned areas and services, but excludes the Pension and Trust/Gift Funds
- the **Total Movements in Reserves Statement**, 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
- the **Pension Fund**, which shows the income and expenditure relating to pensions payable to former employees, and investment transactions.

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 those of the professional accountancy bodies as embodied in 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 2002/03

<i>Actual v Budget 2002/03</i>	<i>Actual</i>	<i>Budget</i>
Service Expenditure	765,463	769,880
less Service Income	(476,572)	(480,688)
	288,891	289,192
Capital Financing Costs (net of interest receipts)	74,085	74,708
Total Net Expenditure (excluding precepts)	362,976	363,900
Contribution To / (Use of) Reserves	983	59
Budget Requirement	363,959	363,959
Represented by movements in Reserves;		
General Fund **	(12,800)	1,195
HRA	(2,130)	(1,254)
Earmarked Reserves (including Schools' balances)	13,947	-
	(983)	(59)

** see Consolidated Revenue Account page 14

In overall terms, the use of reserves and balances was £0.9 million less compared with the budget, the main reasons being as follows:

<i>Service Area</i>	<i>£millions</i>	<i>£millions</i>
<u>HRA</u>		
Repairs and maintenance	1.7	
Resource Accounting	(0.9)	
Government Grants	(1.2)	
Income – Leaseholder Rents	(0.5)	
		(0.9)
<u>General Fund</u>		
Social Services	6.7	
Housing – Homelessness and Benefits	(1.2)	
Education	(0.8)	
Capital Financing Charges	1.2	
Use of reserves/contingency	(5.7)	
Other	(0.2)	
		0.0
Total		(0.9)

4. Major Contracts in 2002/03

During the year, the Council entered into the following contracts where expenditure will be incurred beyond 2002/03. Due to the large increase in the number of contracts over £500k, it was appropriate to increase the threshold for reporting to £750k.

<i>Major Contracts</i>	<i>£000</i>
Rawalpindi Refurbishment	804
Silvertown Viaduct Phase 4	883
Forest Gate Environment Phase 1b & 2	962
Stratford Multi Storey Car Park	1,585
Langdon School Sports Hall	1,802
Elmhurst School Sports Hall	779
Storey School Sports Hall	779
Vicarage School Sports Hall	967
Lister School Performing Arts	1,258
Forest Gate Library & Local Service Centre	1,639
Eastlea Community Resource Centre	3,261
Housing Schemes:-	
David Lee/Brasset Point	1,083
Holden Point	867
Eastbourne/Brighton Road	1,390

Expenditure on these contracts in 2002/03 is included within overall capital expenditure on page 28.

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

In 1997, the Council announced its “Vision” for Newham... “by the year 2010, Newham will be a major business location where people will choose to live and work.” This is the main driving force behind the Council’s future service developments and expenditure plans.

In developing the Council’s Performance Plan for 2003/04, the Mayor has identified seven key improvement areas for the Council to achieve on the path to achieving the Vision.

The seven priorities for improvement are:

1. Educational achievement - implement strategies to improve educational attainment towards national levels
2. Street Scene - a drive to improve street and building cleanliness.
3. Social Services - improve help and support the more vulnerable members of the community, especially children, elderly and disabled people.
4. Health and well-being - in partnership with NHS providers to improve health and well-being of the community. This includes providing leisure facilities.
5. Crime and Anti-Social behaviour - a key area to improve the quality of life for the community through the Respect campaign. Includes improving street lighting and the use of CCTV equipment.

6. Social and Physical Regeneration - assistance will be given to the poorest residents to improve quality of life and reduce poverty.
7. Human Resources and Business efficiency - a programme to improve services such as Finance, IT and Human Resources to improve the skills of staff.

These targets have been drawn up through close liaison with the Community through various fact-finding methods such as Borough wide Community Forums and a team of Neighbourhood facilitators. A CPA assessment was that the council should maintain its focus on consultation with the community.

Investment in services aims to improve delivery and performance. Each individual project will have clear targets and outcomes, and the investment strategy will link with the best value review process and with the Neighbourhood Renewal Strategy. The programme makes £9m of resources until 2005/06 available from within the reserves shown on page 39. This is based on a realistic level of capital receipts from asset sales over the life of the programme, and a prudent forecast of future borrowing needs through the prudential code framework.

Following consultation with the community, Newham has opened new Local service Centres in Green Street and Docklands. Customer focussed performance targets have been set for all Local Service Centres.

As part of its regeneration agenda, Newham is consulting with the public on future provision of housing in the wider Canning Town area. Proposals currently under consideration would see up to 1,900 existing properties demolished and replaced with a mixture of higher density private and public properties.

Consideration is also being given to the future provision of Council housing in the borough. The Council has begun the consultation process in respect of potential transfer of its outborough estates to a Resident Social Landlord (RSL). Further developments could involve large-scale voluntary transfer (LSVT), creation of an "arms length" management company (or companies) (ALMOs), or a combination of the two. The Council is looking to provide its tenants with an element of greater choice over where they live. It has introduced a "choice based lettings scheme" in partnership with neighbouring boroughs and RSLs. This allows tenants to bid for allocated properties as they become available.

The Council is also pursuing a number of initiatives aimed at improving the efficiency of its back office support services. This will involve a significant level of capital investment, both in terms of information technology and property. The Council is currently considering a number of financial options to facilitate these improvements.

Since the 2002 Comprehensive Performance Assessment (CPA) rating score of "Fair", the Council believes that major improvements have been achieved in the handling of Housing Benefit claims and the provision of library services to meet the needs of the community. The Council is aiming to score a good or excellent rating at the next CPA.

An ongoing revenue programme is managed through the Medium Term Budget Strategy, reflecting the need for sustained investment to deliver high quality services. The majority of this will be in Education and Social Services, in order to meet continuing increases in demand. This programme is funded within the Council's overall revenue resources including those generated internally through efficiency and best value savings. These are expected to result from capital investment in areas such as information technology and accommodation.

Capital Investment

The Capital Programme and Investment Strategy for 2003/04 to 2005/06 are set out in more detail under the "Capital Commitments" note to the Balance Sheet on page 30. Total planned expenditure is £294 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	(17)	
- Receipts from Asset Sales	(32)	(49)
External Grants and Contributions		
- Major Repairs Allowance	(48)	
- SRB/ERDF/Surestart/New Deal for Communities	(26)	
- Neighbourhood Renewal Fund	(23)	
- Standards Fund (Education)	(12)	
- Transport for London	(11)	
- Office of Deputy Prime Minister	(7)	
- Other Grants and Contributions	(13)	(140)
Borrowing (anticipated government approvals)		(105)
TOTAL		(294)

Revenue Programme

In 2003/04 the Council's net budget requirement is £396 million (to be met from RSG, NNDR and Council Tax).

The table below shows how the budget has changed between 2002/03 and 2003/04:

<i>Summary of Revenue Budget Changes</i>	<i>£000s</i>	<i>£000s</i>	<i>% increase over 2002/03</i>
Total 2002/03 Revenue Budget		363,959	
Changes in demand for services			
• Increase in pupil numbers	2,000		
• Increase in Social Service Users	<u>2,600</u>	4,600	1.3
Mayor's Priorities			
• Education	1,200		
• Social Services	200		
• Street Scene	680		
• Equalities	<u>80</u>	2,160	0.6
Changes in Funding Arrangements			
• Education	5,967		
• Social Services	1,245		
• Housing Benefit Administration	<u>(1,320)</u>	5,892	1.6
Committed Growth			
• Teaching Assistants	1,504		
• Social Services	<u>6,600</u>	8,104	2.2
Unavoidable Budget Changes			
ELWA Levy	1,190		
Other Budget Changes	<u>(796)</u>	394	0.1
Pay and Price Increases		<u>12,814</u>	<u>3.5</u>
		33,964	9.3
LESS			
Best Value and Efficiency Savings		<u>(2,000)</u>	<u>(0.5)</u>
Total 2003/04 Revenue Budget		395,923	8.8%

6. Borrowing Facilities and Investments

Borrowing

The Council is able to borrow to finance capital expenditure, and to meet temporary shortfalls in revenue, as long as the total debt outstanding does not exceed statutory limits. 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 34 provides further details.

Total external borrowing at 31st March 2003 was £622 million (£616m at 31st March 2002), which was well within the Council's Aggregate Credit Limit (the total amount it is permitted to borrow).

Investments

The Council had investments of £87 million as at 31st March 2003 (£91m as at 31st March 2002).

7. Asset Transactions

During 2002/03, the Council undertook the following major (over £250k) asset purchases and disposals;

<i>Purchases and Disposals</i>	<i>£000</i>
Over £250K	
Purchases	
Housing Buy Backs	1,967
Housing Compulsory Purchase Orders (CPOs)	333
Chatsworth Development Site	440
140 Abbey Lane	1,500
1G Cody Road	1,600
Disposals	
137/141 High Street North E6	(382)
Land adjacent to Brampton Manor School	(410)
Charles Street E16	(4,000)
Site C - Hotel East Beckton District Centre	(900)

All capital receipts received by the Council are shown in Note 4 to the Balance Sheet on page 29.

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

The Responsibilities of the Director of Finance

The Director of Finance 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 2003.

In preparing this statement of accounts, he has:

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

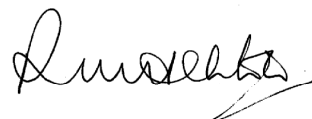
The Director of Finance has also:

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

Date: 15th September 2003

Signature:

R. HEATON
Director of Finance

**RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS OF THE PENSION FUND****The Authority's Responsibilities**

The authority is required:

- to make arrangements for the proper administration of the Fund's 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 Director of Finance
- to manage the Fund's affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Responsibilities of the Director of Finance

The Director of Finance is responsible for the preparation of the authority's Pension Fund 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 Pension Fund at the accounting date and its income and expenditure for the year ended 31st March 2003.

In preparing this statement of accounts, he has:

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

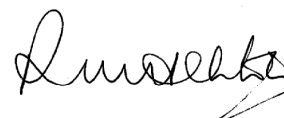
The Director of Finance has also:

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

Date : 15th September 2003

Signature :

R. HEATON
Director of Finance



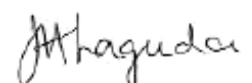
London Borough of Newham 2002/03 Statement of Accounts Approved at Full Council – 22nd September 2003.

Acknowledged by

Date : 22nd September 2003

Signature :

Councillor Joy Laguda
Chair of Council and Civic Ambassador



STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

1. This statement is given in respect of the statement of accounts for the London Borough of Newham. We acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.
2. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
3. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system of control is undertaken by managers within the Council. In particular, the system includes:
 - comprehensive budgeting systems;
 - regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
 - setting targets to measure financial and other performance;
 - the preparation of regular financial reports which indicate actual expenditure against the forecasts;
 - clearly-defined capital expenditure guidelines; and
 - as appropriate, formal project management disciplines.
4. The Council's Internal Audit Service operates to standards and guidelines set by the Chartered Institute of Public Finance and Accountancy and the Institute of Internal Auditors. Its role is to analyse risks to which the Council is exposed. The section reports to the Director of Finance on an operational basis and provides regular reports to the Overview and Scrutiny committee and the Mayor with summaries of audit reports and performance data. Each audit summary contains a statement of audit significance and a recommendation indicating if the audit should be followed up by scrutiny.
5. Our review of the effectiveness of the system of internal financial control is informed by:
 - The work of managers within the Council;
 - The work of internal auditors as described above, and
 - The external auditors in the annual audit letter and other reports.
6. During 2002/03 Internal Audit were the subject of a strategic review by PricewaterhouseCoopers (PwC), the Council's External Auditors. The report was published during July and action was taken to implement the recommendations immediately. The Audit methodology changed part way through the year towards the provision of a more risk based audit service to support managers within the authority. Included within this change was the development of cross cutting themes looking at similar risks across the Council.

Date: 15th September 2003

Signature:

R. HEATON
Director of Finance



**REPORT OF THE AUDITORS TO THE MEMBERS OF THE COUNCIL OF
THE LONDON BOROUGH OF NEWHAM**

We have audited the statement of accounts on pages 8 to 46, which has been prepared in accordance with the accounting policies applicable to local authorities. The statement of accounts comprises the Authority's accounts, on pages 14 to 42, which have been prepared in accordance with the accounting policies set out on pages 8 to 13 and the Pension Fund accounts, on pages 43 to 46, which have been prepared in accordance with the accounting policies set out on page 45.

Respective responsibilities of Director of Finance and Auditors

As described above on page 5, the Director of Finance is responsible for the preparation of the statement of accounts. Our responsibilities as independent auditors are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance. We report to you our opinion as to whether the statement of accounts presents fairly the financial position and results of operations of the Council.

This opinion has been prepared for and only for the Council in accordance with Section 2 of the Audit Commission Act 1998 and for no other purpose. 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 in to whose hands it may come save where expressly agreed by our prior consent in writing

Basis of Opinion

We carried out 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 relevant auditing standards. Our audit included an examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts it also included an assessment of the significant estimates and judgments made by the authority in the preparation of the statement of accounts and of whether the accounting policies are appropriate to the authority'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 statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the statement of accounts.

Opinion on the Authority's accounts

In our opinion the statement of accounts presents fairly the financial position of London Borough of Newham at 31 March 2003 and its income and expenditure for the year then ended.

Opinion on the Pension Fund accounts

In our opinion the statement of accounts presents fairly the financial transactions of London Borough of Newham Pension Fund during the year ended 31 March 2003, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Certificate

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

Signature 

PricewaterhouseCoopers LLP

*Southwark Towers
32 London Bridge Street
London SE1 9SY*

Date: 16th December 2003

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, accounting standards (SSAPs) and Financial Reporting Standards (FRS) issued by the Accounting Standards Board that are applicable to the Council for the year ended 31st March 2003.

2.CHANGES IN ACCOUNTING POLICIES

- The requirements of FRS 17 - Retirement Benefits will be incorporated into the accounts on a staged basis. Compliance in 2003/04 requires no change to accounting requirements but introduces a note disclosing the authority's change in net liability in relation to retirement benefits.

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 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), are 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.
 - 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 land less than 0.25 hectare in area are not shown in the balance sheet. Expenditure which is not material to the size of the authority and is below its de minimis level of £10,000, or which results in an asset which has a useful life of less than two years, need not be capitalised and 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 should be recognised, if it is caused by a clear consumption of economic benefits (e.g. physical damage or a deterioration in the quality of the service provided by the asset, i.e. if it is similar in nature to depreciation), in the Asset Management Revenue Account (AMRA) and the service revenue account. Other impairments (reflecting a general fall in prices) should be recognised in the Fixed Asset Restatement Reserve (FARR). 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 Reserve (FARR) pending a revaluation of the assets whereupon any change in value will also be shown in the FARR.
- Assets acquired under Finance Leases and 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 direct to service revenue accounts and are outside the arrangements for capital charges to revenue - see Charges to Revenue (Section 5).

4. DEPRECIATION

<i>Basis for depreciation</i>	<i>Useful Economic Lives (UELs)</i>
• Vehicles, equipment 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.	5 years
• Infrastructure assets are written down over 40 years, unless it is clear that any particular such asset has a shorter operational life.	40 years
• 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 £250k or more is assessed by the Council's valuer and any diminution in operational value is reflected as depreciation.)	50 to 100 years
• 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 should be credited to the Asset Management Revenue Account (AMRA). External interest payable on the Council's debt, including Finance Lease rentals, 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.

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, within a Provision for Credit Liabilities viz.

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

- Minimum Revenue Provision

Under the Local Government and Housing Act 1989, the Council must provide each year from its revenue account, a sum equivalent to two per cent of its Housing Credit Ceiling (Debt) and four per cent of its non Housing Credit Ceiling. This sum is charged to the Consolidated Revenue Account (and not to individual service revenue accounts) by way of depreciation and an additional contribution - see Note 5 above.

- Reserved Capital Receipts

Capital receipts arise from the disposal of fixed assets and the repayment of mortgages, and from each receipt the Council must set aside a sum, known as the reserved part, for the redemption of debt. The remainder of the receipt, the usable part, is available for use in financing expenditure on fixed assets. The reserved part is currently 75% of receipts from the disposal of Council houses, and 50% for disposals of other HRA assets. The reserved part of most other capital receipts is zero following changes in legislation introduced with effect from September 1998.

While income from the disposal of assets is accounted for on an accruals basis, the reserved receipts calculation only applies to the cash actually received - in practice, however, there is no significant difference between the two bases.

- Certain Other Sums

Certain Capital Grants paid to the Council must be set aside for debt redemption, the most significant of which is Housing Association Grant (HAG) and grants from the European Regional Development Fund (ERDF).

- Provision for Credit Liabilities (PCL)

As a result of the introduction of the capital accounting provisions of SORP, the PCL is no longer shown in the accounts but as a memorandum note to the Balance Sheet. All the sums set-aside for debt redemption are credited to the Capital Financing Reserve – see Note 11 below - with the exception of depreciation. This is shown as a reduction in asset values.

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.

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, which fall outside the definition of provisions, 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 capital 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
 - Insurance – see below
 - Other – there a number of other reserves which include Housing Repairs, Trading Surpluses and future service spending. A PFI reserve account has also been included within other balances.
- The Council reviews the level of Earmarked Reserves, and their intended purpose, annually as part of its Medium Term Financial Investment Strategy.

Insurance

Insurance Premiums are charged to service revenue accounts, and thereby included in operating expenditure, and credited to an Insurance holding account. A provision for claims notified to the Council, has also been established, with the sum provided being charged to the holding account. This sum is based upon estimates of the potential claims, supplied by the Council's insurance advisors. Any resultant shortfall (or surplus) in the holding account is then appropriated from (to) the Council's insurance reserve. The balance on the insurance reserve is now treated as part of General Fund Revenue balances.

Capital Reserves

- The Fixed Asset Restatement Reserve represents principally the balance of surpluses or deficits arising on the periodic revaluation of assets.
- The Capital Financing Reserve (CFR) 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, that is 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.
- 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 included at the sum to be charged for the work completed at 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. Certain corporate expenses are also allocated to services e.g. external audit fee. Allocations are made to all revenue accounts, including trading accounts and the HRA.

15. PENSIONS

The Council participates in two pension schemes that meet the needs of employees in particular services. Both schemes provide members with defined benefits related to pay and service.

- **Teachers**

This is an unfunded scheme administered by the Department for Education and Skills (DfES). The pension cost charged to the accounts is the contribution rate set by the DfES on the basis of a notional fund.

- **Other Employees**

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Superannuation Scheme which is a defined benefit scheme.

- The pension costs that are charged to the Council's accounts in respect of these employees are equal to the contributions paid to the funded pension scheme for them
- Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis
- The pension costs included in the accounts in respect of this scheme have been determined in accordance with relevant government regulations. As a result, the Council does not comply with the accounting requirements of SSAP24, "Accounting for Pension Costs", and the liabilities included in the Balance Sheet are understated in respect of pension costs. However, in accordance with SORP, the pension costs that it would have been necessary to provide for in the accounts for the period, under SSAP24, are disclosed by way of a note to the Consolidated Revenue Account on page 17
- FRS 17 Retirement Benefits - disclosure note to the Consolidated Balance Sheet on the movement of authority's net liability in relation to retirement benefits.

16. 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.

17. JOINT VENTURE

New Deal IT Services is a joint venture limited company owned by London Borough of Newham and Bull Information Systems. As the Council is not required to prepare group accounts, New Deal IT Services is therefore accounted for on an investment basis.

CONSOLIDATED REVENUE ACCOUNT

2001/02	CONSOLIDATED REVENUE ACCOUNT		2002/03		Note
<i>Net Spend</i>		<i>Gross Spend</i>	<i>Income</i>	<i>Net Spend</i>	
<i>£000s</i>	SERVICES	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	
11,875	Central Services to the Public	50,000	(37,224)	12,776	
5,874	Corporate and Democratic Core	7,764	(1,455)	6,309	
587	Court and Probation Services	142	-	142	
48,463	Cultural, Environmental and Planning Services	103,777	(43,497)	60,280	
202,183	Education Services	257,446	(41,668)	215,778	
17,657	Highways, Roads and Transport Services	24,821	(5,355)	19,466	
44,125	Housing Services	340,481	(291,752)	48,729	
76,040	Social Services	137,998	(55,621)	82,377	
7,709	Unapportionable Central Overheads	7,161	-	7,161	
414,513	NET COST OF SERVICES	929,590	(476,572)	453,018	
(152)	• Net Deficit on Trading Accounts			(133)	1
(37,432)	• Transfer from Asset Management			(62,898)	2
1,369	• Levies			1,832	4
(5,987)	• Interest Receipts			(6,378)	
372,311	NET OPERATING EXPENDITURE			385,441	
	APPROPRIATIONS				
(1,569)	To HRA Balances and Reserves			2,130	
(297)	Transfer from Major Repairs Reserve			(360)	
	Movement in Capital Financing Reserve:				
4,683	• Financing of Capital Expenditure			23	
15,718	• Minimum Revenue Provision			15,669	9
(26,714)	• Depreciation / Impairment			(26,950)	10
(12,071)	• Deferred Charges			(15,260)	
3,229	• Deferred Grants			4,413	
	Contributions From Earmarked Reserves				
1,680	• Schools Balances			(857)	
329	• Insurance			(8,152)	
(1,068)	• Future Capital Expenditure			(4,829)	
(821)	• Other Reserves			(109)	
355,410	AMOUNT TO BE MET FROM GRANT AND LOCAL TAXES			351,159	
(44,654)	Council Tax Income			(47,957)	
(1,930)	Collection Fund Surplus			(1,848)	
(237,737)	Revenue Support Grant			(243,200)	
(63,894)	NNDR			(70,954)	
7,195	NET(SURPLUS)/DEFICIT FOR THE YEAR			(12,800)	
(19,840)	Balance on General Fund at 1 st April			(12,645)	
(12,645)	GENERAL FUND BALANCE AT 31 st MARCH			(25,445)	

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

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.

The CIPFA Best Value Accounting Code of Practice (BVACOP) was introduced from 1st April 2000 for use in local authority financial reporting. The code required the adoption of a new Service Expenditure Analysis. The Consolidated Revenue Account has been prepared in order to comply with this requirement. The following table shows the Council's 2002/03 revenue expenditure analysed by department.

2001/02		Departments	2002/03	
£000s	£000s		£000s	£000s
	25,120	Chief Executive's		25,619
	201,132	Education		214,819
	36,980	Environment & Regeneration		42,724
29,484		Housing - General Fund	25,416	
14,641		Housing Revenue Account	23,313	
	44,125	Total Housing Services		48,729
	23,313	Culture & Community		31,008
	83,843	Social Services		90,119
	414,513	Net Cost of Services		453,018

Note 1. Trading Activity

2001/02	Trading Activity			2002/03
(surplus)/deficit		Income	Expenditure	(surplus)/deficit
£000s		£000s	£000s	£000s
(528)	Repairs and Maintenance	(21,828)	21,450	(378)
55	Building Cleaning	(4,222)	4,343	121
111	Grounds Maintenance	-	-	-
33	Highways Maintenance	-	-	-
78	School Catering	(6,548)	6,539	(9)
(251)	Total	(32,598)	32,332	(266)
99	Less credit to HRA			133
(152)	Shown in CRA			(133)

Repairs and Maintenance Division (RMD) is part of the Housing Department, providing construction and property related repairs and maintenance services to Council housing stock, public buildings, schools and other Council services. RMD also provide a limited service to neighbouring boroughs on a commercial basis.

Building Cleaning provides cleaning services in respect of public buildings and education buildings (including secondary schools).

Grounds maintenance – This service's main activities are contracts for horticultural maintenance e.g. parks, highways verges and tree maintenance. These were originally won under CCT but have been extended pending a Best Value review. From 2002/03 onwards, this service is included within Environmental expenditure.

Highways maintenance – the principal activities are maintenance of footways, public lighting and signs, sewer maintenance for Thames Water, sign construction and winter maintenance. From 2002/03 onwards, this service is included within Environmental expenditure.

School meals – This service provides school meals to primary and secondary schools.

Note 2. Transactions on the Asset Management Revenue Account

2001/02		2002/03
£000s		£000s
(42,364)	Capital Charges to - General Fund	(51,829)
(69,115)	- Housing Revenue Account	(81,311)
(16,991)	Impairment Charges to General Fund	(17,450)
(3,229)	Transfer from Grants Deferred Account	(4,412)
		(155,002)
9,898	Depreciation Charge	9,740
17,178	Depreciation Charge – Council Dwellings	17,213
16,991	Impairment Charge	17,450
50,171	External Interest Charges	47,701
29	Interest element of finance lease rentals	-
		92,104
(37,432)	Transfer to Consolidated Revenue Account	(62,898)

Note 3. Leased Assets - Rentals

	Finance Leases	Operating Leases
	£000s	£000s
Total rentals paid in 2002/03	-	195
Outstanding undischarged leasing obligations		
- 2003/04 to 2035/36	-	3,435

Finance Leases

There were no assets held under the Finance lease during 2002/03.

Operating Leases

The rentals in 2002/03 and 2003/04 include termination costs which have been negotiated over a three year period beginning 2001/02. A new lease for the use of “The Gate”, a library/Local Service Centre has been entered into, the future obligations are shown in the note above. This lease is for a minimum of 25 years.

Note 4. 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.

2001/02		2002/03
£000s		£000s
172	Lee Valley Regional Park	177
221	London Pensions Fund Authority	219
976	Environment Agency (National Rivers Authority)	1,009
-	Greater London Magistrates Court	427
1,369		1,832

Note 5. Publicity Account

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

2001/02	Publicity Account	2002/03
£000s		£000s
756	Cost of staff engaged mainly on publicity	735
1,231	Wholly or mainly recruitment advertising	1,208
60	Statutory Notices	26
469	Promotion of Road Safety, Health, Channel Tunnel and similar campaigns.	611
1,864	Other publicity material	1,295
4,380	TOTAL	3,875

Note 6. 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 2001/02 and 2002/03 is:

2001/02	Building Control	2002/03
£000s		£000s
(715)	Income Received	(586)
704	Expenditure Incurred	712
(11)	(Surplus)/Deficit for year	126

Note 7. Agency Expenditure

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

£000s	Agency Expenditure
-	On behalf of the Thames Water Authority (£61,000 in 2001/02)
4,446	On behalf of the East London Waste Authority. (£4,458,000 in 2001/02)

This expenditure is not included in the Consolidated Revenue Account

Note 8. Pension Costs

Teachers - In 2002/03 the Council paid £6.3 million (£5.4m in 2001/02) to the Department for Education and Skills in respect of teachers' pension costs. This was based on a contribution rate of 8.35% from 1st April 2002. In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the subsequent pensions increases. In 2002/03 these amounted to £1.6m representing 2.2% of pensionable pay (£1.1m and 1.5% in 2001/02).

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 2002/03, pension costs have been charged to the Consolidated Revenue Account on the basis of contributions payable for the year to the London Borough of Newham Superannuation Scheme and the pensions payable in the year to retired officers. These contributions were based on a formal actuarial valuation as at 31 March 2001.

In 2002/03, the Council paid an employer's contribution of £24.5million (£23.0m in 2001/02) into the Pension Fund, representing 21% of pensionable pay (21.3% in 2001/02).

- 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 2002/03 are based on the valuation at 31st March 2001, which recommended a contribution rate of 21%. This level of contribution is set by the actuary in order to reduce the shortfall in the schemes funding.
- The Council is responsible for all pension payments relating to added years it has awarded, together with subsequent pension increases. In 2002/03 these amounted to £2.2 million, representing 1.9% of pensionable pay (£2.0m and 1.9% in 2001/02)
- The capital cost of discretionary increases in pension payments agreed by the Council in 2002/03 was nil. The capital cost relating to earlier years was £57.9m, (calculated in accordance with LAAP Bulletin 51)
- The Fund's actuary has advised that the pension provision required in the year as per SSAP 24 "Accounting for Pension Costs" would have been £39.9 million representing 32.7% of pensionable pay (£34.9m in 2001/02).

Actuarial Position - The level of contribution payable by the Council to the Fund during 2002/03 was based on the actuarial valuation as at 31st March 2001.

The market value of the Fund's assets at March 2001 was £385.6 million (£286.5 million at March 1998), compared to liabilities of £549.2 million (£400m at March 1998), representing 70.2% of the Fund's accrued liabilities, allowing for future pay increases (71.6% at March 1998).

The contribution rates have been calculated using the projected unit actuarial method and the main actuarial assumptions used in the 1998 and 2001 valuations are shown in the following table.

Assumptions	1998 Valuation	2001 Valuation
Rate of Return on Investments	7.2% Equities 6.7% Bonds	6.75% Equities 5.75% Bonds
Rate of general pay increases	4.9% per annum	4.3% per annum
Rate of increase to pensions in payment (in excess of GMPs)	3.4% per annum	2.8% per annum
Valuation of Assets	Market value based on average values of assets in the 12 months prior to 31 st March 1998.	Market value based on average values of assets in the 12 months prior to 31 st March 2001.

The 2001 valuation showed that the required rate of contribution by the Council was 21% of pensionable pay. This rate of contribution is that which, when added to the contributions paid by the members, is sufficient to meet the following:

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

The next valuation is due in 2004.

- Further details on the Council Pension Fund Scheme are on page 37 (FRS 17) and pages 43-46 (Pension Fund Account) of this publication.

Note 9. Minimum Revenue Provision

2001/02		2002/03
£000s		£000s
7,101	Non Housing amount - 4% of credit ceiling	7,350
8,617	Housing - 2% of credit ceiling	8,319
15,718	Total Per Consolidated Revenue Account	15,669

Note 10. Depreciation and Impairment Appropriations

2001/02		2002/03
£000s		£000s
(16,991)	Impairment	(17,450)
(122)	MRP Amount charged to service accounts (and reimbursed)	(120)
(9,601)	Depreciation	(9,380)
(26,714)	Total Per Consolidated Revenue Account	(26,950)

Note 11. 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, FE Colleges, and Housing Associations). The Council provided a range of services to a number of public bodies during 2002/03 - total income amounted to £1.9m (£2.4m in 2001/02) and fully covered the expenditure involved. The most significant individual supplies were as follows:

2001/02	<i>Supplies</i>	2002/03
£000's		£000's
263	Building Cleaning Services to Newham College of Further Education	-
440	Security Services to Newham College of Further Education, Housing Associations, other Local Authorities and Transport for London	245
76	Building Design Services to other public bodies	118
88	Maintenance works by Highways DSO for Transport for London and Housing Associations	-
711	Building Repairs to Housing Association and Tenant Management Organisation (TMO) Premises	467
222	Translation Services to other public bodies	383
226	Warden Alarm Services to Housing Associations and other Local Authorities	265
224	Recycling services to LB Redbridge/LB Barking & Dagenham	281
150	Other	170
2,400		1,929

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

2001/02	<i>Client</i>	2002/03
£000's		£000's
296	Newham College of Further Education	35
805	Other Local Authorities	543
459	Housing Associations	559
165	Tenant Management organisations	198
146	Healthcare organisations	254
529	Other Public Bodies	340
2,400		1,929

Note 12. 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.

2001/02		2002/03
No. of Employees	Taxable Earnings Band	No. of Employees
37	50,000 - 59,999	65
23	60,000 - 69,999	22
12	70,000 - 79,999	11
2	80,000 - 89,999	5
-	90,000 - 99,999	2
-	100,000 - 109,999	-
1	110,000 - 119,999	1
75	Total £50,000 and over	106

Note 13. Members' Allowances

The total of members' allowances paid in 2002/03 was £931,000 (£738,000 in 2001/02). Full details of Members' Allowances paid are available upon request from the Central Payroll Services Section, Chief Executive's Department, Newham Town Hall.

Note 14. Related Party Transactions

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

HOUSING REVENUE ACCOUNT

2001/02	Housing Revenue Account	2002/03	Notes
£000s	Income		
(66,311)	Dwelling Rents (gross)	(67,572)	1
(2,460)	Non Dwelling rents (gross)	(2,505)	
(1,438)	Right to Buy service charges	(1,988)	
(4,074)	Charges for services and facilities	(3,563)	
(76,094)	HRA Subsidy receivable (including MRA)	(77,791)	2
(125)	Choice Based Letting Subsidy	(431)	
(99)	Trading Account Surplus	(133)	3
<u>(150,601)</u>	Total Income	<u>(153,983)</u>	
	Expenditure		
21,519	Repairs and Maintenance	21,529	
(3,573)	Capitalisation - R&M	(5,816)	
31,230	Supervision and Management	33,518	
2,195	Property Leasing	2,164	
665	Rent, Rates etc.	630	
185	Item 8 Debit DME	291	
39,913	Rent Rebates	41,641	4
1,100	Provision for Bad Debts	1,100	5
888	Unallocable Central Overheads	928	
53,645	Cost of Capital Charge	63,738	6
17,178	Depreciation – dwellings	17,213	
297	Depreciation – other	360	
<u>165,242</u>	Total Expenditure	<u>177,296</u>	
14,641	Net Cost of Services	23,313	
(20,577)	Adjusting transfer from AMRA	(32,666)	
(42)	Amortised Premiums and Discounts	(332)	
(894)	Investment Income	(427)	
<u>(6,872)</u>	Net operating expenditure (income)	<u>(10,112)</u>	
121	RCCO	23	
8,617	Loan Repayment	8,319	
(297)	Transfer from Major Repairs Reserve	(360)	
<u>1,569</u>	Total deficit (surplus) for the year	<u>(2,130)</u>	
(9,886)	Balance 1 st April	(8,317)	
(8,317)	Balance 31 st March	(10,447)	

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, rent rebates, capital charges, and how these are met by rents, subsidy and other income.

Note 1. Dwelling Rents

The total rent income from dwellings was £67.572m (2001/02:£66.311m) after allowance for voids. At 31st March 2003 average rents were £58.63 a week (£56.35 as at 31st March 2002).

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.

2001/02	HRA Subsidy Entitlement	2002/03
£000s		£000s
(35,062)	Management and Maintenance Allowance	(38,127)
(17,178)	Major Repairs Allowance	(17,213)
(41,906)	Capital charges	(40,827)
(2,140)	Other reckonable expenditure	(2,138)
57,599	Notional income from rent	58,950
(36,813)	Rent Rebate	(37,991)
-	Year end adjustment	(445)
(34)	Tenants Compact Allowance	-
(103)	Resource Accounting allowance	-
(75,637)	Estimated Subsidy	(77,791)
(111)	2000-01 Subsidy Adjustment	-
(346)	Subsidy provision released	-
(76,094)	TOTAL SUBSIDY	(77,791)

The Major Repairs Allowance (MRA) was introduced in 2001/02. It is received annually and in the Government's words 'it represents the estimated long term average amount to maintain stock in its current condition'. The MRA can only be used to finance capital expenditure.

Note 3. Trading Surpluses

The following surplus has been credited to the HRA in 2002/03

2001/02	2002/03
£000s	£000s
(99)	(133)
	Building Maintenance

Note 4. Rent Rebates

Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. The net cost to the Housing Revenue Account is as follows

2001/02	2002/03
£000s	£000s
39,913	41,641
(36,813)	(37,991)
3,100	3,650
	Rent Rebates Granted
	Government reimbursement

Note 5. Rent Arrears and Provisions

The average HRA rent (after voids) during the year was £58.63 per week compared to £56.35 in 2001/02. At the end of the year the level of gross rent arrears was £9.8 million and the provision for write-offs was £8 million. Further details are given below, including figures for non-HRA housing rents.

2002			Rent Arrears at 31 st March	2003		
HRA	General Fund	Total		HRA	General Fund	Total
£000s	£000s	£000s				
10,246	4,411	14,657	Gross arrears	9,806	3,570	13,376
(1,904)	(599)	(2,503)	less Prepayments	(1,583)	(162)	(1,745)
8,342	3,812	12,154		8,223	3,408	11,631
(7,467)	(2,226)	(9,693)	less Provisions	(7,971)	(2,313)	(10,284)
875	1,586	2,461	Net Arrears	252	1,095	1,347

<i>Movement in Provision</i>	<i>£000s</i>
<i>Opening balance 1st April</i>	(7,467)
<i>Increase in provision</i>	(1,100)
<i>Write off – bad debts</i>	596
<i>Closing balance 31st March</i>	(7,971)

Note 6. Cost of Capital Charges

This charge is calculated as 6% 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 distort the net HRA operating expenditure it is reversed out through an adjustment below the line for net cost of services. This adjustment replaces the charge with the actual interest payable on loans.

Note 7. Housing Stock

The Council was responsible for the management of an average of 22,125 dwellings during 2002/03 (22,820 in 2001/02). The reduction is analysed below:

An analysis of Newham's residential property at 31st March 2003 by age and type is given below:

<i>No. of Bedrooms</i>	<i>Pre 1919</i>	<i>1919-1944</i>	<i>1945-1964</i>	<i>1965-1974</i>	<i>1975-2000</i>	<i>Total</i>
1	336	107	2,314	2,746	1,437	6,940
2	360	456	3,488	2,315	1,101	7,720
3 or more	633	809	2,809	1,349	1,494	7,094
Total	1,329	1,372	8,611	6,410	4,032	21,754
Of which:						
Low rise flats	407	404	569	127	537	2,044
Medium rise flats	29	187	4,859	2,838	1,534	9,447
High rise flats	-	-	2,046	2,819	28	4,893
Houses and Bungalows	877	779	1,137	603	1,902	5,298
Shared Dwellings	16	2	-	23	31	72
Total	1,329	1,372	8,611	6,410	4,032	21,754

The change in the stock is detailed below:

<i>2001/02</i>	<i>Housing Stock</i>	<i>2002/03</i>
23,145	Properties at 1 st April	22,495
(639)	Right to buy sales	(748)
(1)	Shell Conversion	-
(20)	Disposals	(1)
10	Buy Backs	8
-	Other	-
22,495		21,754

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 2002	849,845	3,987	19,803	873,635
Depreciation	(17,213)	(360)		(17,573)
Additions	2,407			2,407
Disposals	(38,293)		(394)	(38,687)
Write off to FARR				
Revaluation	235,461	867	2,464	238,792
Balance Sheet value 31 st March 2003	1,032,207	4,494	21,873	1,058,574

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 2003 is estimated to be £2,220.2m which has been reduced to £1,032.2m to reflect social housing use. This social housing use value is included in the Consolidated Balance Sheet. The reduction of £1,188.0m 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 2002/03 and methods of financing are set out below

2001/02 £000s		2002/03 £000s
	Expenditure in year	
23,446	Fixed assets	32,500
<u>1,665</u>	Deferred charges	<u>922</u>
<u>25,111</u>		<u>33,422</u>
	Methods of Financing	
(17,178)	Major Repairs Allowance	(17,213)
(10,192)	Loan	(16,229)
(37)	Use of capital receipts	0
(121)	Revenue Finance	(23)
<u>2,417</u>	Reduction in Capital Creditors	<u>43</u>
(25,111)		(33,422)

Note 10. Capital Receipts

Capital receipts from the sale of dwellings, land and other property are as follows:

2001/02 £000s		2002/03 £000s
(23,145)	Dwellings	(37,391)
0	Land	0
0	Other	0
(23,145)	Total	(37,391)

Note 11. Major Repairs Reserve

2001/02 £000s		2002/03 £000s
0	Balance 1 st April	0
(17,475)	Transfer from Capital Financing Reserve (equivalent to HRA depreciation)	(17,573)
297	Transfers from HRA	360
17,178	Financing of Capital expenditure	17,213
0	Total	0

From 1st April 2001 Councils have been required to establish and maintain a Major Repairs Reserve in relation to their HRA property. The main credit to the reserve is an amount equivalent to the total depreciation charges for all HRA assets. The reserve is used to finance capital expenditure and the balance is included with other capital reserves in the Consolidated Balance Sheet.

Note 12. Housing Repairs Reserve

No contribution has been made in 2002/03 from the HRA to the Housing Repairs Reserve. This reserve, current balance £1.45m, will be used to help maintain the level of repairs to Council houses in the event of management and maintenance expenditure exceeding the notional levels on which housing subsidy is calculated (see Note 2).

**COLLECTION FUND
INCOME AND EXPENDITURE ACCOUNT**

2001/02	COLLECTION FUND		2002/03	Note
£000s		£000s	£000s	
	Income			
(56,674)	Council Tax	(61,316)		1
(49,144)	Non Domestic Rates	(52,170)		2
2,298	Recovery of previous years' Council Tax surplus	2,260		
(103,520)			(111,226)	
	Expenditure			
	Precepts and Demands			
44,654	Newham	47,957		
9,955	Greater London Authority (GLA)	11,734		3
54,609			59,691	
	Business Rate			
48,662	Payment to National Pool	51,798		
351	Costs of Collection	351		
131	Appropriated credits to General Fund	21		
49,144			52,170	
	Provisions for non collection			
1,894	Council Tax		422	
2,127	Deficit for the year		1,057	
(4,234)	Surplus at 1st April		(2,107)	
(2,107)	Surplus at 31st March		(1,050)	4
	The Surplus at 31st March consists of:			
(171)	Current year's Council Tax surplus		(1,203)	
(1,936)	Previous year's Council Tax surplus/deficit		153	
(2,107)			(1,050)	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 2002/03 were 11,205 (11,583 in 2001/02). This basic amount of Council Tax for a Band D property of £884.50 (£827.66 in 2001/02) 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 2002/03, of £61,316,000, was receivable from the following sources;

2001/02	2002/03
£000s	£000s
(39,557)	Bills to Council Taxpayers (42,895)
(17,117)	Council Tax Benefits (18,421)
(56,674)	(61,316)

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 2002/03 was £146,183,633 as per the District Valuer (£152,811,814 in 2001/02) and the national non-domestic multiplier for the year was 43.7p (43.0p in 2001/02) resulting in notional NNDR income of £63.9m. The NNDR income for 2002/03 of £52.2m (£49.1m in 2001/02) 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.

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

Collection Fund	
	£000s
Surplus 1 st April	(2,107)
Recovery of previous year's surplus	2,260
Balance pre 2002/03	153
Surplus for current year	(1,203)
Surplus 31 st March 2003	(1,050)

CONSOLIDATED BALANCE SHEET
at 31st MARCH

2002	BALANCE SHEET AT 31st MARCH	2003	Notes
£000s		£000s	
	FIXED ASSETS		
	<i>Operational Assets</i>		
849,845	Council Dwellings	1,032,207	
408,751	Other Land and Buildings	521,568	
79,602	Infrastructure	85,474	
17,739	Community Assets	18,266	
14,677	Equipment, Vehicles etc	15,933	1,673,448
	<i>Non Operational Assets</i>		
63,854	Industrial and Commercial	76,190	
18,156	Surplus Properties	27,057	
9,384	Assets under Construction	7,528	110,775
1,462,008	Net Fixed Assets		1,784,223
-	Deferred Charges		-
442	Long Term Debtors		412
1,462,450	Total Long Term Assets		1,784,635
	CURRENT ASSETS		
2,864	Stocks and Work in Progress	2,693	
91,034	Investments	86,882	
101,811	Debtors and Prepayments	119,221	16
(44,831)	Less Provisions	(42,924)	16
10,803	Cash and Bank	8,994	
	CURRENT LIABILITIES		
(30,614)	Temporary Borrowing	(30,097)	
(71,187)	Creditors and Receipts in Advance	(72,794)	17
(33,571)	Bank	(24,356)	
26,309	Net Current Assets		47,619
1,488,759	Total Assets less Current Liabilities		1,832,254
	OTHER LIABILITIES		
(585,422)	Long Term Borrowing	(591,868)	15
(128,341)	Government Grants Deferred	(145,419)	
(175)	Deferred Capital Receipts	(180)	
(5,386)	Provisions	(5,491)	18
(3,932)	Other Balances	(3,657)	
765,503	Total Assets less Total Liabilities		1,085,639
	<i>Financed by:</i>		
(564,303)	Fixed Asset Restatement Reserve	(862,818)	11
(145,930)	Capital Financing Reserve	(160,897)	12
-	Usable Capital Receipts	(6,728)	4
-	Major Repairs Reserve	-	
(53,163)	Revenue Reserves	(54,146)	
(2,107)	Collection Fund	(1,050)	
(765,503)			(1,085,639)

Note 1. Fixed Assets

	<i>Council Dwellings</i>	<i>Other Land and Buildings</i>	<i>Vehicles, Plant and Equipment</i>	<i>Infrastructure</i>	<i>Community Assets</i>	<i>Operational Assets</i>	<i>Assets under Construction</i>	<i>Surplus Assets</i>	<i>Commercial and Industrial</i>	<i>Non Operational Assets</i>	<i>TOTAL ASSETS</i>
<i>Opening Values</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>
Gross Value as at 31/3/02	884,108	468,851	36,449	107,856	17,739	1,515,003	9,384	18,156	63,854	91,394	1,606,397
Revaluations etc	235,461	117,889				353,350		6,483	10,671	17,154	370,504
Value at 1/4/02	1,119,569	586,740	36,449	107,856	17,739	1,868,353	9,384	24,639	74,525	108,548	1,976,901
Transactions											
Additions	2,407		5,042	9,266	527	17,242	5,029	333	3,177	8,539	25,781
Transfers		(2,490)	716	(716)		(2,490)	(6,885)	4,002	(1,512)	(4,395)	(6,885)
Enhancements	31,758	17,450				49,208					49,208
Disposals	(38,293)		(23)			(38,316)		(1,917)		(1,917)	(40,233)
Sub-total	(4,128)	14,960	5,735	8,550	527	25,644	(1,856)	2,418	1,665	2,227	27,871
Written off to FARR	(31,758)					(31,758)					(31,758)
Value at 31/3/03	1,083,683	601,700	42,184	116,406	18,266	1,862,239	7,528	27,057	76,190	110,775	1,973,014
Depreciation											
Cumulative at 1/4/02	(34,263)	(60,100)	(21,772)	(28,254)		(144,389)					(144,389)
Depreciation for year	(17,213)	(20,032)	(4,479)	(2,678)		(44,402)					(44,402)
Depreciation at 31/3/03	(51,476)	(80,132)	(26,251)	(30,932)		(188,791)					(188,791)
NET VALUE 31/3/03	1,032,207	521,568	15,933	85,474	18,266	1,673,448	7,528	27,057	76,190	110,775	1,784,223

Note 2. Analysis of Capital Expenditure 2002/03

2001/02		Infrastructure	Community Assets	Equipment Plant and Vehicles	Asset Acquisition	Housing	Assets under Construction	Other	Total	Deferred Charges	Total
£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
15,201	Education	-	-	2,044	-	-	3,100	11,113	16,257	332	16,589
25,111	Housing - HRA	-	-	43	2,407	30,050	-	-	32,500	922	33,422
11,085	Housing - General Fund	-	-	55	-	-	-	(7)	48	6,936	6,984
11,337	Leisure Services	-	158	394	-	-	553	2,007	3,112	13	3,125
5,001	Corporate	-	-	1,685	1,259	213	-	1,868	5,025	3,251	8,276
275	Social Services	-	-	335	-	-	-	66	401	999	1,400
9,242	Environment	8,359	-	8	-	-	-	138	8,505	392	8,897
18,524	SRB/ERDF/NDC/Suresta	907	369	478	2,251	1,495	1,376	2,265	9,141	5,258	14,399
95,776	Total Expenditure	9,266	527	5,042	5,917	31,758	5,029	17,450	74,989	18,103	93,092

<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
<i>Improvement and modernisation of existing housing</i>	31,758	Loan (Credit Approval)	31,657
<i>House Renovation Grants</i>	3,326	Capital Grants and Contributions	34,121
<i>SRB Schemes excluding Housing</i>	8,209	Major Repairs Allowance	17,213
<i>New Deal for Communities</i>	2,515	Use of Capital Receipts	9,741
<i>Neighbourhood Renewal Fund</i>	1,590	Revenue Finance	23
<i>IT Investment Strategy</i>	3,936		92,755
<i>Drew Primary School</i>	3,101	Reduction in Capital Creditors	337
<i>New Deal for Schools</i>	3,735	Total Expenditure	93,092
<i>Education Planned Maintenance</i>	1,074		
<i>Standards Ind Est</i>	1,110	Reconciliation to Note 1	
<i>Silvertown Viaduct</i>	1,147	Additions	25,781
<i>Stratford MSCPs</i>	1,003	Enhancements	49,208
		Deferred Charges	22,630
		Deferred Charges To Prior Year	(4,527)
			93,092

Note 3. Fixed Assets Employed

	<i>Net Value 31/3/02</i>	<i>Revaluation</i>	<i>Additions and Transfers</i>	<i>Write off to FARR</i>	<i>Dep'n</i>	<i>Net Value 31/3/03</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
General Fund						
Infrastructure	79,602	-	8,550	-	(2,678)	85,474
Land and Buildings	402,764	116,745	14,960	-	(20,032)	514,437
Community Assets	17,739	-	527	-	-	18,266
Equipment, Vehicles etc	13,171	-	5,692	-	(4,111)	14,752
Non Operational Property	71,591	14,689	2,622	-	-	88,902
	584,867	131,434	32,351	-	(26,821)	721,831
HRA						
Council Dwellings	849,845	235,461	(4,128)	(31,758)	(17,213)	1,032,207
Land and Buildings	2,407	824	-	-	-	3,231
Equipment, Vehicles etc	1,481	-	43	-	(360)	1,164
Non Operational Property	19,803	2,465	(395)	-	-	21,873
	873,536	238,750	(4,480)	(31,758)	(17,573)	1,058,475
Trading Activities						
Land and Buildings	3,580	320	-	-	-	3,900
Equipment, Vehicles etc	25	-	-	-	(8)	17
	3,605	320	-	-	(8)	3,917
TOTAL ASSETS	1,462,008	370,504	27,871	(31,758)	(44,402)	1,784,223

Note 4. Capital Receipts

Under the Local Government and Housing Act 1989, from 1st April 1990 when local authorities dispose of a capital asset or receive a repayment of a grant or loan, they must set aside a certain proportion of the sum received for use in the repayment of debt. The balance of the sum received can then be used towards capital expenditure, and is known as the usable receipt. It is the Council's normal practice to fully utilise any useable capital receipts in the year that they arise.

The table below shows the sums received by the Council and the use to which they were put in 2002/03.

	<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>
<i>Amounts available at 1/4/02</i>	-	-	-	-	-
Amounts received in 2002/03	(37,391)	(7,183)	(1)	(181)	(44,756)
Less					
Costs of Disposal	1,177	-	-	-	1,177
Set aside for debt redemption	26,927	53	-	131	27,111
Amounts used toward expenditure	9,287	402	1	50	9,740
Balance available 31/3/03	-	(6,728)	-	-	(6,728)

Note 5. Capital Grants and Contributions

The following capital expenditure incurred in 2002/03 has been or is due to be met from government grants and other contributions.

2001/02		2002/03
£000s	Government Grants	£000s
448	Housing Specified Capital Grant/DFG	512
11,995	Single Regeneration Budget	9,329
2,895	New Deal for Communities	3,370
3,285	Neighbourhood Renewal Fund	1,689
1,366	European Regional Development Fund	385
663	Public Service Agreements	337
4,657	Transport for London	5,930
3,158	Education Standards Fund	4,460
36	Department of Health	346
948	DTLR Pathfinder	710
1,006	Wired Up Communities	874
424	Other Government Grants	366
30,881		28,308
17,178	Major Repairs Allowance	17,213
	Other Contributions	
2,668	National Lottery Funds	-
-	Space for Sport & the Arts	587
-	New Opportunities Fund	500
51	LDDC and successor bodies	101
1,507	London Development Agency	3,102
169	Heritage Economic Regeneration	25
172	Section 106 Agreements	573
299	GLL Greenwich Leisure	200
218	Contributions from schools budgets	403
356	Other Development Contributions	322
5,440		5,813
53,499	Total	51,334

Note 6. Capital Expenditure Commitments

The Council has authorised capital expenditure of £294 million under its Capital Programme and Investment Strategy over the three year period 2003/04 – 2005/06, of which £115m has been committed at 31st March 2003 either through contracts or by virtue of statutory obligations. A further £179m relates to schemes and programmes approved to proceed but which were not committed at that time. Further analysis is shown below:

	2003/04	2004/05	2005/06	Total
	£000s	£000s	£000s	£000s
Committed	110,444	3,383	784	114,611
Uncommitted	14,521	82,018	82,776	179,315
Total	124,965	85,401	83,560	293,926

Commitments include the following major schemes and programmes:

Commitments (over £5m.)	£000s
Housing Exp 2003/04 incl. Major repairs, Improvements and Grants	43,373
Regeneration Programmes 2003/04 (SRB, NDC and Surestart)	17,467

Approvals to proceed include the following major items and schemes:

<i>Approvals to Proceed</i>	<i>£000s</i>
Housing exp 2004/05 and 2005/06 including Major Repairs, Improvements and Grants	81,914
Regeneration Programmes 2004/05 and 2005/06 (SRB, NDC & Surestart)	16,438
Neighbourhood Renewal Fund	15,000
Back Office Accommodation	20,000

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 Single Regeneration Budget (SRB), New Deal for Communities, National Lottery and ERDF 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 2003 the Council approved the Mayor's proposals for the allocation of £26m to capital and one-off projects, as the latest stage in the Council's Capital Investment Strategy. The proposals took full account of residents' views and concerns through recent public surveys. 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 7. Assets held under Finance Lease

There are no assets held under Finance Lease.

Note 8. 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 nor necessary to inspect all properties for the purposes of the valuation, with the “beacon principle” being applied to a number of assets. These are revalued on a five year rolling programme.

Council dwellings are revalued 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 9. Statement of Assets Held

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

ASSETS HELD	Number at 1/4/02	Number at 31/3/03
<u>Council Dwellings</u>	22,495	21,754
<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	5
Housing District Offices	10	10
Municipal/Administrative Offices	14	14
Children's Facilities	7	7
Elder's Facilities	4	3
Mental Health Facilities	6	6
Social Services Area/Patch Offices	6	6
Other Social Services Facilities	3	3
Libraries	6	6
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	7	5
Depots (including those with offices)	4	4
Other Operational Assets	10	11
Garages	2,575	2,547
	2,763	2,733
<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	46	46
- Other Roads	362	362
	408	408
<u>Non Operational Property</u>		
Assets Surplus to requirements	25	27
Under construction	6	9
Commercial and Industrial Sites/Properties	144	143
	175	179

Note 10. Deferred Charges

2001/02	DEFERRED CHARGES	2002/03
£000s		£000s
-	Balance at 1st April	
23,210	Expenditure in year	24,988
(11,139)	Less capital grant due	(9,728)
1	Created re. Long Term Debtors	1
		15,261
(12,071)	Less written off to Consolidated Revenue Account (and HRA)	(15,260)
(1)	Less written off to Capital Financing Reserve	(1)
-	Balance at 31st March	-

Note 11. Fixed Asset Restatement Reserve

2001/02	<i>FIXED ASSET RESTATEMENT RESERVE</i>	2002/03
£000s		£000s
(371,244)	Balance at 1 st April 2002	(564,303)
(180,214)	Add (surplus)/less deficit on revaluation of Council Dwellings	(235,461)
5,486	(Surplus) Deficit on revaluation of new assets	0
(73,419)	Surplus on revaluation of existing fixed assets	(135,045)
(619,391)		(934,809)
30,647	Less value of assets disposed of in 2002/03	40,233
24,441	Less capital expenditure in year not resulting in increased number of assets	31,758
(564,303)	Balance at 31st March 2003	(862,818)

Note 12. Capital Financing Reserve

2001/02	<i>CAPITAL FINANCING RESERVE</i>		2002/03
£000s		£000s	£000s
(129,521)	Balance at 1st April		(145,930)
	Reserved Capital Receipts in the year		
(17,359)	Right to Buy	(26,927)	
(954)	Other Asset Disposals	(52)	
(1)	Other Receipts	(131)	
(18,314)			(27,110)
	Reserved receipts by virtue of Capital Finance Regulations		
(2,363)	Local Authority Social Housing Grant		(796)
	Capital Financing in the year		
(12,762)	Usable Capital Receipts	(9,740)	
(4,562)	General Fund	-	
(121)	HRA	(23)	
(17,178)	HRA use of Major Repairs Allowance	(17,213)	
(34,623)			(26,976)
11,172	Minimum Revenue Provision (net of depreciation)	11,161	
(3,229)	Write Down of Deferred Grants	(4,413)	
(176,878)			(194,064)
17,178	Less HRA Depreciation		17,573
13,770	Less write off of Deferred Charges		15,594
(145,930)	Balance at 31st March		(160,897)

Note 13. Provision for Credit Liabilities (Memorandum Account)

2001/02	<i>PROVISION FOR CREDIT LIABILITIES</i>	2002/03
£000s		£000s
-	Balance at 1st April	-
15,718	Minimum Revenue Provision	15,669
18,314	Reserved capital receipts - asset disposals	27,110
2,363	- receipts by virtue of regulation	796
36,395		43,575
(36,395)	Used in debt redemption	(43,575)
-	Balance at 31st March	-

Note 14. Contingent Liabilities

The Council has guaranteed loans from Prudential and Eagle Star, to the Samuel Lewis Housing Trust, and at 31st March 2003 the amount guaranteed was £8.091million (£10.47m as at 31st March 2002).

Note 15. Long Term Borrowing

31/3/02		31/3/03
£000s		£000s
	Source of Loan:	
(585,410)	Public Works Loan Board	(533,357)
-	Money Market Loans	(58,500)
(12)	Local Bonds/Mortgages	(11)
(585,422)	Total	(591,868)
	Maturing within:	
(10,068)	1-2 years	(78,608)
(20,163)	2-5 years	(61,138)
(67,083)	5-10 years	(55,858)
(488,108)	More than 10 years	(396,264)
(585,422)	Total	(591,868)

There are also loans from PWLB of £30.1m (£30.6m in 2001/02) due to be repaid within 12 months. Temporary borrowing outstanding at 31st March 2003 was £41,000 (£58,000 in 2001/02).

Note 16. Analysis of Debtors and Doubtful Debts

31/3/02		31/3/03
£000		£000s
	Debtors	
18,059	Government Departments	39,400
3,733	Other Statutory Authorities	4,486
962	Other Local Authorities	56
22,920	Ratepayers/Chargepayers	19,741
10	Mortgage Payers	10
14,657	Housing Rents	13,376
1,998	Other Rents	2,326
1,355	Staff Loans	1,275
13,257	Benefit Claimants (overpayments)	13,257
21,190	Sundry Debtors	20,439
3,670	Prepayments	4,855
101,811		119,221
	Doubtful Debts	
(2,787)	NNDR	(2,761)
(1,120)	Community Charge	-
(12,100)	Council Tax	(10,674)
(9,693)	Housing Rents	(10,284)
(12,257)	Housing Benefit overpayments	(11,840)
(556)	Community Charge/NNDR Costs	(357)
(744)	Residential Accommodation Charges	(1,128)
(5,574)	Sundry Debts	(5,880)
(44,831)		(42,924)

Note 17. Analysis of Creditors

31/3/02		31/3/03
£000s		£000s
(18,390)	Government Departments	(21,274)
(850)	Other Statutory Authorities	(301)
(2,109)	Other Local Authorities	(2,753)
(2,383)	Ratepayers/Chargepayers	(2,340)
(2,503)	Housing Rents	(1,745)
(42,173)	Sundry Creditors	(41,252)
(2,779)	Receipts in Advance	(3,129)
(71,187)		(72,794)

Note 18. Provisions

The Council has made the following provisions;

2001/02 Total	PROVISION	Insurance	Other	2002/03 Total
£000s		£000s	£000s	£000s
(5,968)	Balance at 1st April	(4,789)	(597)	(5,386)
(3,013)	Contribution to Provision	(2,969)	(200)	(3,169)
2,228	Charge to Provision	1,618	500	2,118
1,367	Transfer to Reserve	946	-	946
(5,386)	Balance at 31st March	(5,194)	(297)	(5,491)

INSURANCE – A provision of £5.2 million has been recognised for expected claims notified to the Council at 31st March 2003 under the Council’s internal insurance arrangements. Further details are included in NOTE 19 below.

OTHER – Provisions have been made for a number of disputed contracts and it is expected that they will be settled in the forthcoming year.

Note 19. 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:

Risk	Maximum Cover per Claim
Employers Liability	£50,000 - amounts in excess of this covered externally
Third Party	as above
Fire Damage	£150,000 - excess as above
Fidelity Guarantee	£50,000 (£100,000 for Housing Benefits) - 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 department concerned - amounts in excess of this are covered externally
Loss of Computers	as in Cash Loss, but excess is £500
Damage/Theft of Vehicles	Third party liability £50,000 – amounts in excess of this are covered externally

The level of the Provision at 31st March 2003 was £5.2m, with the balance on the Reserve within the general fund account being £9.04m.

External cover is provided by way of premiums paid to the Council’s Insurers.

Note 20. 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
Classification of Council’s interest as “Minority Interest”, “Influence” or “Control”.

Application of Local Authorities (Capital Finance) Regulations 1997.

Code of Practice on Local Authority Accounting
Preparation of Group Accounts where the local authority has a material interest in associated or subsidiary companies.

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:

Company	Purpose and Relationship
Docklands East London Agency Ltd	To secure inward investment and business retention in Newham and Tower Hamlets through managing a premises and sites database, providing information on finance and grant support and training initiatives and investor support and aftercare.
Futures (Careers Company)	To provide a comprehensive careers information, guidance and advice service to individuals and employers in East London. Each of the six member Councils appoints one member to a board of 17 directors.
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.
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 two members to a board of 15 directors.
Royal Docks Trust (London)	To support the community in that part of Newham which lies to the south of the A13. The Council appoints one member to a board of nine trustees.
Stratford Development Partnership Ltd	To promote the regeneration of East London by reviewing, selecting and administering projects to be funded by the Government's urban regeneration initiatives. The Council appoints four members to a board of 21 directors.
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.
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. One member appointed.

Note 21. Post Balance Sheet Events

There have been no events since the 31st March 2003 that require adjustment of, or disclosure in, the accounts.

Note 22. Joint Venture – New Deal IT Services

New Deal IT Services 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. New Deal also provides a training environment for local unemployed people.

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 2002 it recorded a turnover of £3.79m (£3.94m in 2001) and a profit of £107,000 (£125,000 in 2001). As at 31st December 2002 total reserves of the company stood at £146,000 (£142,000 in 2001).

A dividend of £50,000 was paid during the financial year 2002/03.

Copies of the accounts for New Deal IT Services can be obtained from:

New Deal IT Services Ltd, Bridge Road Depot, Abbey Road, Stratford, London E15 3LX.

Note 23. Trust Funds

The Council administered trust and gift funds with a value of £485,000 at the end of year. These are not included in the Consolidated Balance Sheet, but are shown separately on page 42.

Note 24. The Euro

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

Note 25. 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.

At 31st March 2003, the Council had the following overall assets and liabilities for pensions that have not been included in the Balance Sheet:

<i>FRS17 Disclosure</i>		<i>As at 31st March 2003</i>	<i>As at 31st March 2002</i>
Assumptions		% per annum	% per annum
	Price increases	2.5%	2.8%
	Salary increases	4.0%	4.3%
	Pension increases	2.5%	2.8%
	Discount rate	6.1%	6.4%
Assets (Whole Fund)	Long Term Return	Fund Value as at	Fund Value as at
	% per annum	31st March 03	31st March 02
		£000s	£000s
	Equities	202,245	259,753
	Bonds	34,393	37,816
	Property	34,558	31,401
	Cash	<u>11,771</u>	<u>17,817</u>
	Total	282,967	346,787
		As at 31st March 2003	As at 31st March 2002
	Net Pension Assets	£000s	£000s
	Estimated Employer Assets	282,967	346,787
	Total value of liabilities	(590,066)	(560,724)
	Net Pension Liability	(307,099)	(213,937)

<i>Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL)</i>	<i>Year to 31st March 2003</i> £000s
Actual return less expected return on pension scheme assets	(93,780)
Experience gains and losses arising on the scheme liabilities	4,705
Actuarial gain/(loss) recognised in STRGL	(89,075)

<i>Movement in Surplus/Deficit During the Year</i>	<i>Year to 31st March 2003</i> £000s
Surplus/(deficit) at beginning of the year	(213,937)
Current Service Cost	(14,950)
Employer contributions	22,837
Past service costs	(100)
Impact of settlements and curtailments	(146)
Net return on assets	(11,728)
Actuarial gains/(losses)	(89,075)
Surplus/(deficit) at end of year	(307,099)

<i>History of Experience Gains and Losses</i>	<i>Year to 31st March 2003</i> £000s
Difference between the expected and actual return on assets	(93,780)
Value of assets	282,967
Percentage of assets	(33.1%)
Experience gains/(loses) on liabilities	4,705
Present value of liabilities	590,066
Percentage of the present value of liabilities	0.8%
Actuarial gains/(losses) recognised in STRGL	(89,075)
Present value of liabilities	590,066
Percentage of the present value of liabilities	(15.1%)

Had the Council adopted FRS17 early, the Balance Sheet information would have been as follows:

<i>As at 31st March 2002</i> £000s		<i>As at 31st March 2003</i> £000s
765,503	Total Assets less Liabilities	1,085,639
<u>(213,937)</u>	Net Pension Liability	<u>(307,099)</u>
<u>551,566</u>	Net Assets including Pension Liability	<u>778,540</u>
765,503	Total Reserves and Balances	1,085,639
<u>(213,937)</u>	Net Pension Reserve	<u>(307,099)</u>
<u>551,566</u>	Net Reserves including Pensions Reserve	<u>778,540</u>

This net liability has been calculated by reference to the latest formal actuarial valuation as at 31st March 2001, which has been rolled forward and updated for changes in financial assumptions to arrive at an estimated position as at 31st March 2003. 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.

STATEMENT OF TOTAL MOVEMENT IN RESERVES

TOTAL MOVEMENTS IN RESERVES											
	<i>Revenue</i>	<i>Reserves</i>	<i>Earmarked</i>	<i>Revenue</i>	<i>Reserves</i>			<i>Capital</i>	<i>Reserves</i>		
	<i>General</i>	<i>HRA</i>	<i>Capital</i>	<i>Insurance</i>	<i>Schools</i>	<i>Other</i>	<i>Total</i>	<i>FARR</i>	<i>Capital</i>	<i>Usable</i>	
	<i>Fund</i>								<i>Financing</i>	<i>Receipts</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>All</i>	
										<i>Reserves</i>	
										<i>£000s</i>	
Balance at 1st April	(12,645)	(8,317)	(12,995)	(8,152)	(5,897)	(5,157)	(32,201)	(564,303)	(145,930)	-	(763,396)
Increase/Decrease for year	(12,800)	(2,153)	4,829	8,152	857	109	13,947		4,456		3,450
Unrealised gains/(losses)								(370,506)			(370,506)
Impairment losses								31,758	17,450		49,208
Disposal of fixed assets											
- Value of assets sold								40,233			40,233
- Proceeds from sale									(27,110)	(16,468)	(43,578)
Financing of Fixed Assets	-	23							(9,763)	9,740	-
Increase/(Decrease)	(12,800)	(2,130)	4,829	8,152	857	109	13,947	(298,515)	(14,967)	(6,728)	(321,193)
Balance at 31st March	(25,445)	(10,447)	(8,166)	-	(5,040)	(5,048)	(18,254)	(862,818)	(160,897)	(6,728)	(1,084,589)

Note 1

Note 2

Note 3

Note 4

Explanatory Notes**Note 1**

Capital Reserves consist of :	£000s
- Earmarked Reserves	2,241
- Vehicles and Equipment	1,701
- Investment Strategy	<u>4,224</u>
	8,166

Note 2

Schools' balances are earmarked for use by schools

Note 3

Other Earmarked Balances at 31 st March 2003 (£5.05m) include	£000s
Housing Repairs	1,450
Trading Surpluses	192
Reserves held for future service spending	2,385
PFI Reserve Account	<u>1,021</u>
	5,048

Note 4

In addition there are Collection Fund Reserves of £1.05 million.

CASH FLOW STATEMENT

2001/02			2002/03	Notes
£000s	<i>Revenue Activities</i>	£000s	£000s	
	Cash Outflows			
301,755	Cash paid to and on behalf of employees	326,834		
227,649	Other Operating cash payments	253,919		
89,680	Housing Benefit paid out	109,241		
47,254	Non-domestic rates paid to National Pool	50,607		
10,323	Precepts paid	12,146		
	Cash Inflows			
(47,210)	Rents (after rebates)	(42,659)		
(37,867)	Council Tax receipts	(41,762)		
(48,689)	Non Domestic Rate Income – from ratepayers	(53,265)		
(63,894)	Non Domestic Rate Income – from pool	(70,954)		
(237,737)	Revenue Support Grant	(243,200)		
(118,408)	DSS grants for Benefits	(127,972)		2
(112,326)	Other Government grants	(133,579)		2
(59,504)	Cash received from goods and services	(60,828)		
(13,864)	Other revenue income	(12,521)		
(62,838)	Cash Inflow from Revenue Activities		(33,993)	1
	Dividends from Joint Ventures			
	Cash Inflows			
(50)	Dividends Received		(50)	
	Returns on Investments & Servicing of Finance			
	Cash Outflows			
50,594	Interest paid	47,614		
29	Interest element of finance lease rentals	-		
50,623		47,614		
	Cash Inflows			
(5,450)	Interest received	(6,828)		
45,173			40,786	1
	Capital Activities			
	Cash Outflows			
90,106	Purchase of Fixed Assets	89,429		
7,561	Payment of Improvement Grants	3,326		
97,667			92,755	
	Cash Inflows			
(32,777)	Sales of Fixed Assets	(45,751)		
(50,804)	Capital Grants received	(50,890)		
(11)	Other capital cash income	(182)		
(83,592)			(96,823)	
(3,640)	Net Cash (Inflow) before Financing		2,675	3
	Management of Liquid Resources			
(40,077)	Net decrease in short term deposits		(4,152)	
	Financing			
	Cash Outflows			
94,838	Repayments of amounts borrowed	132,421		
	Cash Inflows			
(58,000)	New Loans raised	(138,350)		
36,838			(5,929)	
(6,879)	(Increase)/Decrease in Cash		(7,406)	3

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

2001/02		2002/03
£000s		£000s
	Revenue (Surplus)/Deficit for year:	
7,195	General Fund	(12,800)
1,569	Housing Revenue Account	(2,130)
2,127	Collection Fund surplus	1,057
	Remove Expenditure not resulting in a cash movement	
(15,718)	Provision for loan repayments etc.	(15,669)
0	Deferred Charges	-
(4,683)	Direct revenue financing of capital expenditure	(23)
(1,981)	Provisions set aside in the year from revenue	602
(105)	Contributions (to)/from Reserves	13,947
		(1,143)
200	Change in Stocks/Work in Progress	(172)
(1,410)	Change in Other Balances	2,449
193	Other Adjustments	(51)
		2,226
(1,325)	(Reduction)/Increase in Debtors	19,641
(4,633)	Reduction/(Increase) in Creditors	(1,285)
	Add	
(44,267)	Financing Items shown later in the Cash Flow Statement	(39,559)
(62,838)	Cash Inflow from Revenue Activities	(33,993)

Note 2. Analysis of Revenue Grants

2001/02		2002/03
£000s	Grant	£000s
10,733	City Challenge/IAP/SRB	17,970
4,235	Childrens Services Quality Protects	5,750
2,222	Promoting Independence	952
942	Mandatory Student Awards	1,002
16,204	Standards Fund	28,971
3,309	School Standards Grant	3,467
37,691	HRA Subsidy	37,098
16,989	Council Tax Benefit	17,641
74,463	Mandatory Rent Allowances	85,893
21,688	Mandatory Rent Rebates inside HRA	22,242
6,317	Mandatory Rent Rebates outside HRA	4,981
1,803	Mental Health	1,231
24,638	Asylum Seekers	11,207
2,110	Teachers Pay reform	2,383
	Preserved Rights	1,854
	Education Maintenance Allowance	2,062
	Learning and Skills Council grant for	
	- Adult Education	2,757
	- Sixth forms	2,806
	Education PFI Grant	2,727
7,390	Other	8,557
230,734	Total	261,551

Note 3. Reconciliation of Items within Financing and Management of Liquid Resources Sections of the Cash Flow Statement to the movement in Cash and Related Items in the Balance Sheets

	<i>Balance 31.3.03</i>	<i>Movement In the year</i>	<i>Balance 31.3.02</i>
	£000's	£000's	£000's
<i>Liquid Resources (investments)</i>	86,882	(4,152)	91,034
<i>Borrowing:-</i>			
<i>Loans Repaid</i>		132,421	
<i>New loans raised</i>		(138,350)	
	(621,965)	(5,929)	(616,036)
<i>Net Cash Balances</i>	(15,362)	7,406	(22,768)
<i>(Increase)/Decrease in Net Debt</i>	(550,445)	(2,675)	(547,770)

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.

TRUST AND GIFT FUNDS

<i>2001/02</i>	<i>Trust & Gift Funds 2002/03</i>	<i>2002/03</i>
<i>£000's</i>		<i>£000's</i>
219	Fund Balances at 1 st April	267
122	Income	252
(74)	Payments	(34)
267	Fund balances at 31 st March	485
	The following individual fund balances are held:	
77	Education Prize Funds	78
138	Social Services Trust Funds	355
3	Funds received from LDDC/Thames Telethon	3
39	Galleons Reach Enterprise Trust	39
10	Mayor's Benevolent Fund	10
267	TOTAL	485

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.

PENSION FUND

2001/02	Pension Fund		2002/03
£000s		£000s	£000s
354,558	Fund Balance at 1st April		357,999
Income and Expenditure - Members			
Income for the year:			
6,697	Contributions from Employees	7,240	
24,097	Contributions from Employer	25,683	
374	Bank Interest	618	
3,228	Transfer Values in	6,087	39,628
34,396			
Expenditure for the year:			
(18,490)	Pensions Payable	(18,945)	
(2,060)	Lump Sum Benefits Payable	(2,257)	
(4,184)	Transfer Values Out	(7,064)	
(115)	Refunds of Contributions	(138)	
(551)	Administration Expenses	(570)	(28,974)
8,996	Net New Money Invested (Disinvested)		10,654
Income and Expenditure – Fund Management			
5,978	Return on Investments	5,885	
(1,015)	Administration Expenses	(967)	
(403)	Other Expenses (tax borne by Fund)	(448)	4,470
Changes in Market Value of Investments			
(9,838)	Realised Gains and Losses on Investments Sold	(16,512)	
(277)	Unrealised/Other Changes in Market Value	(64,652)	(81,164)
357,999	Fund Balance at 31st March		291,959
Represented by:			
Investments at Market Value			
17,052	Index Linked Securities	13,299	
21,921	Fixed Interest Securities	22,187	
266,628	Equities - Quoted	207,164	
1,072	Equities - Unquoted	1,508	
32,964	Freehold and Leasehold Property	35,656	
7,305	Cash and Other Investments	2,536	
346,942			282,350
Current Assets			
1,382	Debtors and Prepayments	1,206	
10,124	Cash and Bank Balances	8,720	
11,506			9,926
Current Liabilities			
(449)	Creditors	(317)	
357,999	Fund Balance at 31st March		291,959

NOTES TO THE PENSION FUND

Note 1. Fund Operation and Membership

The Pension Fund provides pensions and other benefits for former, non-teaching employees of the Council (teachers are covered by a separate pension fund). It is a statutory defined benefit scheme operated under regulations issued by Central Government. 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 31 st March 2003	At 31 st March 2002
Contributing Members	6,950	6,998
Current Pensioners	5,585	5,448
Deferred Pensioners	3,278	3,125

Benefits are financed by contributions from employees, the Council as employer, and by income from investments. The employees basic contribution is 6% of pensionable pay for Officers and Manual Workers. The Employers contribution for 2002/03, paid by the Council, was 21% of pensionable pay.

In addition to the Council, there are five scheduled bodies participating in the scheme: Newham Sixth Form College (NewVic), Newham Community College, Stratford School, David Webster and Greenwich Leisure. These had a 21% contribution rate.

<i>Scheduled Body</i>	<i>Employee's Contributions</i>	<i>Employer's Contributions</i>
	£000s	£000s
LB Newham	6,878	24,481
Stratford School	16	54
NewVic	68	238
Newham College of Further Education	232	813
Greenwich Leisure	45	92
David Webster	1	4
TOTAL	7,240	25,682

The Council administers the investment of the Fund. The bulk of the Fund is actually invested by external fund managers. The management of the majority of assets is divided between Deutsche Asset Management, Capital International and Legal & General, on a balanced basis. In addition, a small proportion of the Fund is held in a small company unit trust, 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.

<i>Investment</i>	<i>Capital</i>	<i>Legal & Gen.</i>	<i>L&G</i>	<i>DeAM</i>	<i>Barings</i>	<i>GLE</i>	<i>LBN</i>	<i>Total</i>
Fixed Interest (UK)	1,211	0	5,228	12,432	0	0	0	18,871
Fixed Interest (Overseas)	21	0	1,406	1,889	0	0	0	3,316
Index Linked – UK	4,732	0	6,709	1,858	0	0	0	13,299
Index Linked – Overseas	0	0	0	0	0	0	0	0
UK Equities – Quoted	34,565	11,221	23,686	36,551	0	0	480	106,503
Overseas Equities - Quoted	41,892	0	20,231	38,538	0	0	0	100,661
Equities – Unquoted	0	0	0	0	693	815	0	1,508
Freehold Property	0	0	0	0	0	3,906	820	4,726
Unit Trusts – Property	0	0	0	30,930	0	0	0	30,930
Cash and Liquid Assets (UK)	1,423	(30)	0	1,143	0	0	0	2,536
Cash and Liquid Assets (O/S)	0	0	0	0	0	0	0	0
TOTAL HOLDING	83,844	11,191	57,260	123,341	693	4,721	1,300	282,350
<i>As a percentage of total</i>	<i>29.70</i>	<i>3.96</i>	<i>20.28</i>	<i>43.68</i>	<i>0.25</i>	<i>1.67</i>	<i>0.46</i>	<i>100</i>

Note 3. Actuarial Position

Details of the Actuarial position of the fund are with note 8 of the Consolidated Revenue Account on page 17 of these accounts.

Note 4. Accounting Policies

The 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 accounts have been prepared in accordance with the principles specified in the Code of Practice on Local Authority Accounting, the SORP for Pension Scheme accounts, and as described below.

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 which has been determined as follows:

- UK and Overseas quoted securities are valued at mid-market prices at the close of business on 31st March 2003.
- Foreign currency is translated to sterling at the closing mid-market rate on the 31st March 2003
- UK unlisted unit trusts and other securities are valued in accordance with the managers' own valuation of the underlying securities or, where appropriate, at cost
- 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.

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

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. Additional Information

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

<i>Administration and Investment Management Costs</i>	<i>2002/03</i>	<i>2001/02</i>
<i>Scheme Administration.</i>	<i>£000s</i>	<i>£000s</i>
Officers' salaries and related costs.	497	512
Direct running costs	75	51
Fund Management	967	1,003
	<i>1,539</i>	<i>1,566</i>
<i>Investment Income</i>		
Interest	1,309	1,246
Dividends	4,633	4,675
Rents	57	57
	<i>Sub total</i>	<i>5,999</i>
Bank Interest	504	374
	<i>6,503</i>	<i>6,352</i>

Analysis of Purchases and Sales of Investments during 2002/03

<i>Investment</i>	<i>At 1st April 02</i> <i>£000s</i>	<i>Purchases</i> <i>£000s</i>	<i>Sales</i> <i>£000s</i>	<i>At 31st March 03</i> <i>£000s</i>
Fixed Interest – UK	15,651	12,925	(10,500)	18,076
Fixed Interest - Overseas	6,581	493	(3,955)	3,119
Index Linked – UK	16,865	9,223	(13,681)	12,407
Index Linked - Overseas	0	35	(35)	0
UK Equities - Quoted	159,067	55,738	(68,650)	146,155
Overseas Equities - Quoted	121,432	39,441	(15,949)	144,924
Equities - Unquoted	1,868	197	(520)	1,545
Property Trust	23,787	0	0	23,787
Freehold Property	3,048	0	0	3,048
Unit Trusts	0	0	0	0
UK Cash	6,634	0	(4,098)	2,536
Overseas Cash	0	0	0	0
UK Liquid Assets	603	0	(603)	0
Overseas Liquid Assets	0	0	0	0
Total	355,536	118,052	(117,991)	355,597

Analysis of Gains and Losses on Investments during 2002/03

<i>Investment</i>	<i>Profits</i> <i>£000s</i>	<i>Losses</i> <i>£000s</i>	<i>Net Profit</i> <i>£000s</i>
Fixed Interest - UK	400	(162)	238
Fixed Interest - Overseas	29	(54)	(25)
Index Linked – UK	746	(17)	729
Index Linked - Overseas	0	0	0
UK Equities - Quoted	4,152	(17,740)	(13,588)
Overseas Equities - Quoted	768	(4,665)	(3,897)
Equities - Unquoted	5	(361)	(356)
Property	281	0	281
Currency	265	(249)	16
Liquid Assets - UK	90	0	90
Liquid Assets - Overseas	0	0	0
Total	6,736	(23,248)	(16,512)

Schedule of Debtors and Creditors

<i>Debtors</i>	<i>£000s</i>	<i>Creditors</i>	<i>£000s</i>
Contributions from outside bodies	129	Tax payable on outstanding dividends	104
Dividends outstanding – DAM	360	Fees due to Fund Managers	213
Dividends outstanding – L&G	134		
Dividends outstanding – CAP	579		
Bank Interest	4		
	1,206		317



N E W H A M C O U N C I L

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDING 31ST MARCH 2003