



Draft Statement of Accounts
Newham Council and Pension Fund
2025/26

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SECTION 1 - NARRATIVE REPORT BY CHIEF FINANCIAL OFFICER - YEAR ENDED 31 MARCH 2026

The Council's Statement of Accounts

The Statement of Accounts for the London Borough of Newham provides a summary of the Council's financial position as at 31 March 2026. They have been prepared in accordance with the code of practice on Local Authority Accounting (the CIPFA Code) and while the format and content of the accounts is largely prescribed by the code, every attempt has been made to balance the statutory reporting requirements with the desire to make them clear and understandable to all interested parties.

The accounts are prepared on the basis of the council being a 'going concern', that is to say that the organisation is financially stable enough to meet its obligations for the foreseeable future, a period generally accepted as being 12 months or more; the assessment for Newham set out in Note 58 has considered a period to March 2028. These accounts report a balanced outturn against the budget set for 2025/26 of £491.434m. The council's budget report for 2026/27 assesses that the budget is balanced, in a sustainable way, in the first three years of the five-year Medium-Term Financial Strategy (MTFS), and the report set the unallocated general reserve balance at 10% of its net revenue budget, a level which will be maintained throughout the MTFS, ensuring financial resilience.

This narrative report provides the reader with key contextual information about the council, including its main objectives and strategies, the principal risks that it faces and the plans that are in place to manage and mitigate those risks. It also provides a commentary on how the Council (including those organisations within its Group Accounts) has used its resources to achieve its desired outcomes in line with its objectives and strategies.

Context - About the London Borough of Newham

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

Newham is one of the fastest growing, youngest, and most diverse boroughs in the country. Having experienced 14% growth in the preceding decade, the borough is now home to 374,523 residents. It is the most ethnically diverse borough in England and Wales: around seven out of ten residents are of Black, Asian, Mixed or other heritage, and a similar proportion were born outside England.

In terms of demography, Newham has long been one of the youngest boroughs in London, with a median age of just 31. Around 1 in 5 residents are aged 15 years or younger. However, recent declines in primary school enrolment suggest that demographic patterns may begin to shift, with pupil numbers for Reception to Year 6 falling by around 6.5%, from 32,426 in January 2024 to 30,313 in January 2026.

There are over 130,000 dwellings in Newham, the vast majority of which are flats and terraced houses. Homes are typically smaller than elsewhere in the country, and 93% of dwellings are in Council Tax bands A to D. In terms of tenure, 38.5% of homes are in the private rental sector, with social rented properties accounting for another 28%.

There are 13,570 enterprises in the borough, 94% of which are micro enterprises employing nine people or less. The proportion of residents who are economically active (in employment or unemployed and looking for work) is 71%, considerably lower than the London average of 80%, and nearly 1 in 10 residents have no formal qualifications. Job density is also low, with only 0.57 jobs per working-age resident in 2024, representing around 43% fewer jobs per resident than the London average, which is roughly one job per resident.

The median annual pay for residents who work full time is £42,595, also below the London average, and median rents consume an estimated 50-65% of income. The median house price (£450,000) equates to around 10.6 times median annual earnings.

These economic pressures are reflected in high levels of deprivation. Newham is the most deprived borough in London and ranks seventh most deprived nationally. Income deprivation has risen sharply in recent years, from 17% in 2019 to 39% in 2025, meaning nearly four in ten residents are either out of work or live in households with low incomes. Child poverty is particularly acute: 23% of children live in poverty before housing costs, rising to 45% after housing costs are considered.

In February 2026, the Council set a balanced sustainable budget for 2026/27, with a General Fund net budget requirement of £520.897m, reflecting continued demand pressures, inflation, and demographic growth across key services.

The budget includes £59.860m of growth, primarily to meet demographic pressures in Adults and Children's social care, increased demand for the provision of Temporary Accommodation, and inflation across pay and contracts. This is offset by £55.747m of savings in 2026/27, as part of a wider £89.812m savings programme over the medium term, with a focus on transformation, efficiency, and service redesign.

The Council did not require Exceptional Financial Support (EFS) for 2026/27, representing a significant shift from previous years where capital receipts were used to support revenue expenditure. The improved position reflects the impact of the Fair Funding Review, which by aligning funding to Local Authorities' needs, provides a material uplift in funding and introduced a multi-year settlement, improving financial certainty.

The Medium-Term Financial Strategy is sustainably balanced through to 2028/29, supported by strengthened reserves, including maintaining the unallocated General Fund balance at 10% of net revenue expenditure for each year and through a newly created Business Risk Reserve set at £24.932m ensuring financial resilience.

Overview of Performance

The 2025/26 Performance Framework, consisting of 77 key performance indicators (KPIs), was developed to systematically track progress against the strategic priorities of the Council set out in the 2022-2026 Corporate Plan.

Alongside the quarterly budget monitoring reports, Newham Council's Cabinet has received a comprehensive performance report every quarter during 2025/26, setting out progress against each of the 77 indicators, and explaining the actions that are being taken to drive improvement. This has ensured that outcomes have been clearly tracked, measured, and aligned with organisational goals. Below is a summary of the position at the end of 2025/26, and the Directorate level breakdown of how the Council performed against each of the targets. Note that some targets are specific, whilst others are more contextual seeking either an increase or decrease in recorded outcomes. The colour coding provides an accessible view of the performance for each KPI.

Summary of position at the end of 2025/26

| Directorate | Red | Amber | Green | Tracked |
|-------------------------------------|-----|-------|-------|---------|
| Adult Social Care & Health | 2 | - | 4 | - |
| Inclusive Economy & Housing | 3 | 7 | 12 | 4 |
| Environment & Sustainable Transport | 4 | 8 | 5 | 4 |
| Children & Young People Services | 3 | 2 | 5 | 5 |
| Resident Engagement | - | - | 3 | - |
| Organisational Health | 4 | - | 1 | 1 |
| Total (rounded) | 22% | 22% | 39% | 18% |

Key

| | |
|---------|--|
| Red | The KPI does not meet target |
| Amber | The KPI is within a tolerance range of the target or the result is unchanged |
| Green | The KPI meets or exceeds the target. |
| Tracked | Progress is tracked as it is not appropriate to set a target |

Adult Social Care and Health

| Key Performance Indicator | Outturn 2025/26 | Target 2025/26 |
|--|-----------------|----------------|
| % of Safeguarding Enquiries where the desired outcomes of the person at risk were fully or partially achieved (cumulative) | 95% | 90% |
| Number of Permanent admissions to residential care homes (65+) (cumulative) | 128 | 115 |
| Overall Satisfaction of people who use services with their care and support (snapshot from survey) | 61% | Increase |
| % of infants who turned 30 days in the quarter who received a face-to-face birth visit within 14 days from birth by a Health Visitor | 94% | 94% |
| Number of attendances at Newham's leisure centres | 1,246,257 | Increase |
| Number of people sleeping rough on a single night (bi-monthly count of rough sleepers in Newham). | 37 (March 2026) | Decrease |

Inclusive Economy & Housing: Housing Services

| Key Performance Indicator | Outturn 2025/26 | Target 2025/26 |
|---|-----------------|----------------|
| % of housing repairs completed right first time | 82.1% | 90% |
| Satisfaction with housing repairs (average score out of 10) | 8.3 | 9 out of 10 |
| % of emergency housing repairs attended within timescale | 99% | 95% |

| Key Performance Indicator | Outturn 2025/26 | Target 2025/26 |
|--|-----------------|-----------------------------|
| % of housing repairs overdue out of the total number of open repairs* | 12.4% | Decrease |
| % of responsive housing repairs completed within target timescales | 95.3% | 90% |
| % of units with a current gas safety certificate | 99.98% | 100% |
| % of units with a current electrical safety certificate with a date that is within 5 years of the previous certificate (snapshot date) | 84.5% | 100% (by June 2026) |
| Total number of Fire Risk Assessment (FRA) Actions Overdue (snapshot date) | 3,766 | Decrease (0 by March 2029) |
| Overall tenant satisfaction with the Council's service as a landlord* | 71% (2024/25) | Increase |
| Progress of the three-year tenancy audit programme which was started in 2024-25: Total number of tenancy audits completed | 9,322 | 8,354 |
| % homes which do not meet the Decent Homes Standard | 26% (2024/25) | Decrease (0% by March 2029) |

Inclusive Economy & Housing: Housing Needs

| Key Performance Indicator | Outturn 2025/26 | Target 2025/26 |
|---|-----------------|----------------|
| Number of new homeless applications | 6,383 | Tracked |
| Number accepted as homeless | 987 | Tracked |
| Number of homelessness preventions/relief of homelessness | 1,645 | Tracked |

| Key Performance Indicator | Outturn 2025/26 | Target 2025/26 |
|--|-----------------|----------------|
| Numbers in temporary accommodation | 7,874 | Decrease |
| Numbers in nightly paid temporary accommodation | 4,458 | Decrease |
| Homeless households rehoused in Newham | 58% | Tracked |
| Number of private sector properties licensed (<i>snapshot of total licenses issued within the latest scheme 2023-28</i>) | 39,069 | Increase |

Inclusive Economy & Housing: Place Making

| Key Performance Indicator | Outturn 2025/26 | Target 2025/26 |
|--|------------------|---------------------|
| Number of affordable homes <i>started</i> (2018-2022 and 2022-26) | 1,373 | 1,500 (by May 2026) |
| Number of businesses accredited with London Living Wage (LLW) | 98 | Increase |
| % of residents securing a job through Our Newham work, paid at LLW or above. | 51% | 40% |
| Number of residents securing work through Our Newham Work | 604 | 500 |
| Number of businesses signed up to the Community Wealth Building Pledge * | 141 | Increase |
| Hourly pay for Newham residents (April each yr) - | £18.10 (2024/25) | Increase |
| % of Major Planning Applications determined on time | 100% | 80% |
| % of planning applications (minor and other) – determined on time | 94% | 80% |

Environment & Sustainable Transport: Public Realm

| Key Performance Indicator | Outturn 2025/26 | Target 2025/26 |
|---|--------------------|----------------|
| Keep Britain Tidy: % of sites inspected marked as falling below the accepted standard for fly tipping. | 4.5% (Q4 2025/26) | 3% |
| Keep Britain Tidy: % of sites inspected marked as falling below the accepted standard for detritus | 5.93% (Q4 2025/26) | 8% |
| Keep Britain Tidy: % of sites inspected marked as falling below the accepted standard for litter. | 4% (Q4 2025/26) | 6% |
| Total number of Fixed Penalty Notices issued to the public for fly tipping, littering and other. | 1,890 | Tracked |
| % of missed domestic refuse collections reported by the public which were corrected by the end of the next working day. | 99% | 95% |
| % of household waste sent for reuse/recycling or composting (1 month in arrears) | 23% | 27% |

Environment & Sustainable Transport: Highways, Parking & Transportation

| Key Performance Indicator | Outturn 2025/26 | Target 2025/26 |
|---|-----------------------------------|----------------|
| Number of electrical charging points installed | 524 | 1,000 |
| Number of cycle hangers installed | 356 | 366 |
| Number of schools with a Healthy School Street in Operation | 64 | 66 |
| % of trips made by walking/cycling or public transport (data from TfL annual London travel demand survey) | 70% (3 yr ave. 2022/23 - 2024/25) | Increase |
| % of residents that spend 30 minutes+ doing moderate intensity physical activity (Active Lives Adult Sport England annual Survey) | 70% (2024/25) | Increase |

| Key Performance Indicator | Outturn 2025/26 | Target 2025/26 |
|--|-----------------|----------------|
| CO2 per tonne of fuel used each quarter by vehicles in the council's fleet | 2,965,515 | Decrease |
| CO2 Footprint: Per capita carbon emissions (CO2e)- BaFN outcome measure | 2.6t (2023/24) | Decrease |
| % of Emergency Road Defects resolved within 2 hours | 96% | 98% |
| Satisfaction with Neighbourhood Forums | 91.4% | Increase |
| Number of people killed or seriously injured in road traffic collisions in Newham (calendar year) -TfL road safety data. | 133 (2025) | Decrease |

Environment & Sustainable Transport: Community Safety & Integrated Enforcement

| Key Performance Indicator | Outturn 2025/26 | Target 2025/26 |
|---|-----------------|----------------|
| Number of hate crime offences reported (cumulative) | 798 | Tracked |
| Number of ASB incidents reported (council recorded cumulative). | 3,904 | Tracked |
| Number of domestic violence offences reported (cumulative) | 4,348 | Tracked |
| Rate of first-time entrants to the youth justice system (per 100,000 of 10-17 population) | 185 | London average |
| Number of knife crime injury victims aged 1-24 years | 82 | Decrease |

Children & Young People's Services: Children's Social Care

| Key Performance Indicator | Outturn 2025/26 | Target 2025/26 |
|--|-----------------|----------------|
| % of re-referrals to children's services within 12 months | 17.6% | 16% |
| % of black and black British children re-referred within 12 months | 21.7% | 17.1% |
| % of children becoming the subject of a child protection plan for a 2 nd or subsequent time | 16.6% | 18% |
| % of children coming back into care (% of children starting in care in the last 6 months who had a previous episode of care in the last 12 months) | 7.9% | 8% |
| % of care leavers in Employment, Education or Training (out of all open cases). | 55.5% | 70% |

Children & Young People's Services: Education & Inclusion

| Key Performance Indicator | Outturn 2025/26 | Target 2025/26 |
|--|-----------------|----------------|
| EHCPs (Education, Health and Care Plans) issued within 20 weeks from initial request- calendar year. | 30% | 46.4% |
| Early Years Foundation Stage (% of children achieving a Good Level of Development- GLD) | 72% (2024/25) | Increase |
| KS2 - % of children achieving the expected level or better in reading, writing and maths | 76% (2024/25) | Increase |
| GCSE (Attainment 8: measures pupil's achievement across 8 subjects) | 51.1 (2024/25) | Increase |
| % of Early Education Settings rated as Good or Outstanding by Ofsted at their last inspection | 94.6% (2024/25) | 95% |

| Key Performance Indicator | Outturn 2025/26 | Target 2025/26 |
|--|-----------------|----------------|
| Number of secondary school exclusions | 42 (2024/25) | Tracked |
| Permanent exclusions for White and Black Caribbean children Secondary: total number of exclusions as a % of pupils in the group | 4 | Tracked |
| Persistent absence primary: % of young people who are absent for 10% or more of sessions | 18.1% | Tracked |
| Persistent absence secondary: % of young people who are absent for 10% or more of sessions | 20.6% | Tracked |
| Persistent absence of White and Black Caribbean pupils in all schools: pupils who are absent for 10% or more of sessions | 29.1% | Tracked |

Resident Engagement

| Key Performance Indicator | Outturn 2025/26 | Target 2025/26 |
|--|-----------------|----------------|
| Satisfaction of people participating in people powered places events. | 90% | 84% |
| Number of hours young people are engaged in influencing activities (light/medium/deep engagement) | 3,691 | Increase |
| Number of residents involved in participatory forums (including community assemblies/People Powered Places events) | 9,222 | 5,000 |

Organisational Health

| Key Performance Indicator | Outturn 2025/26 | Target 2025/26 |
|---|-----------------|----------------|
| % calls answered by the corporate contact centre | 76% | 85% |
| % calls answered by the council tax and benefits contact centre | 38% | 85% |
| % stage one complaints responded to in 10 working days | 67% | 95% |
| Ombudsman complaints upheld by the Ombudsman | 30% | Tracked |
| % member enquiries responded to in 10 working days | 56% | 95% |
| Council Tax Collected in-year as a % of Council Tax due | 92.5% | 92% |

Revenue Budget Performance

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

| Directorate | 2025/26 Original Budget | 2025/26 Revised Budget | 2025/26 Final Outturn | 2025/26 Final Variance |
|---|-------------------------------|------------------------------|-----------------------------|------------------------------|
| | £'m | £'m | £'m | £'m |
| Adults & Health | 130.669 | 137.238 | 141.525 | 4.288 |
| Change & Improvement | 20.579 | 11.637 | 11.637 | - |
| Children & Young People | 126.148 | 136.301 | 133.899 | (2.402) |
| Environment & Sustainable Transport | 20.341 | 28.381 | 26.459 | (1.922) |
| Inclusive Economy & Housing - Non-Housing | 14.709 | 2.200 | 4.029 | 1.829 |
| Casino Income | (1.560) | (1.560) | (0.761) | 0.799 |
| Legal and Governance | 4.652 | 3.734 | 3.659 | (0.075) |
| Resources | 17.801 | 26.561 | 24.017 | (2.543) |
| RMS | - | - | - | - |
| Inclusive Economy & Housing – (TA) | 93.463 | 88.155 | 71.660 | (16.495) |
| Total Service Directorate | 426.802 | 432.647 | 416.124 | (16.523) |
| Corporate Budgets | 13.181 | 58.787 | 75.310 | 16.523 |
| Total General Fund Expenditure | 439.983 | 491.434 | 491.434 | - |

The table above shows the Council achieved a balanced outturn on the General Fund of £491.434m after reserve movements. Service Directorates reported a £16.523m underspend, which was offset by the position in corporate budgets. Overall, the outturn position is characterised by significant reductions in forecast expenditure within housing-related budgets, alongside continued cost pressures in social care and areas with income shortfalls such as the Planning service within the Inclusive Economy and Housing Directorate.

The largest variance against budget was within Temporary Accommodation (TA) with a £16.495m underspend. This was driven by a reduction in nightly accommodation costs, following successful negotiations that limited rate increases. In addition, strengthened income collection processes reduced bad debt provisions and improved rental recovery.

The most significant overspend was within Adults & Health at £4.288m. This reflects sustained demand and cost increases in care services, including growth in complex care packages, higher placement costs due to market inflation, and increased demand through discharge pathways. Additional pressures arose from provider instability and changes in health partner funding arrangements.

The Children & Young People's Directorate reported a net underspend of £2.402m. Lower expenditure in Early Help and preventative services reduced placement costs and demand for high-cost care, which outweighed higher spending in Education & Inclusion and home-to-school transport. The transport pressures were driven by increasing numbers of pupils requiring support, including more complex needs, alongside inflation in transport costs and capacity constraints within the in-house fleet.

Underspends were also reported in Environment & Sustainable Transport of £1.922m, due to increased parking and penalty charge income, and in Resources of £2.543m driven by vacancies, reduced consultancy spend, and technical adjustments such as capitalising costs. There was a net underspend across all other directorate budgets with only minor variances to the budget set.

Housing Revenue Account (HRA)

The Housing Revenue Account (HRA) is a ring-fenced account which manages income and expenditure in relation to the c.16,900 Council dwellings. The 2025/26 outturn was an underspend of £12.533m against the £128.546m budget set, and this surplus was put into reserves to support future activity to operate, maintain and improve the housing stock as detailed in the HRA business plan.

Dedicated Schools Budget (DSB)

The Dedicated Schools Grant (DSG), funds schools' budgets and is the main source of income for schools. The 2025/26 DSG outturn position was an underspend of £6.251m, against a total grant of £283.639m (net of academy recoupment). This underspend is the result of a planned strategy developed with school leaders, which reduced the brought forward DSG deficit down from £8.729m to £2.477m.

The last local government finance settlement included welcome news in relation to the Dedicated Schools Grant (DSG). The DSG has effectively been ringfenced using a "statutory override" of normal accounting rules. When the override ends on 31st March 2028, all costs over and above the grant will need to be met from general fund budgets. The final settlement included a government commitment to funding 90% of the DSG High Needs Block deficit and a commitment to provide an appropriate and proportionate approach for 2026/27 and 2027/28. This significantly reduces the financial risk exposure being carried by the Council when the statutory override ends.

Maintained schools have devolved budgets, but oversight is provided by the council, and their accounts are incorporated into these statements. Schools in Newham are coming under financial pressure from reducing pupil numbers which results in a reduction to their funding allocations. As at 31 March 2026, 12 schools out of a total of 45, closed the financial year with a deficit, compared to 8 schools the year before. On aggregate school balances (reserves) reduced in 2025/26 from £20.789m to £19.576m.

Public Health Grant

The Public Health Grant of £36.337m was deployed in full and funded mandated prescribed functions as well as supporting Council priorities for children and young people's health and wellbeing, adult's health improvement, and creating a healthy environment.

Pension Fund

The net position for the London Borough of Newham Local Government Pension Scheme is a surplus of £0.216bn which represents the difference between the present value of the defined benefit obligation (£1.847bn) and the fair value of fund assets in the pension fund (£2.063bn) estimated cost of pensions payable in the future (£1.548bn) and the value of assets in the pension fund (£2.070bn).

The Pension Fund is revalued every three years to set future contribution rates, and the latest valuation was as at 31 March 2025. The funding level as at 31 March 2025 was assessed as 102% (100% at the 31 March 2022 valuation).

Remuneration

During 2025/26 the number of Council staff (officers and school staff) whose remuneration exceeded £50k totaled 2,038, which is an increase of 122 compared to the previous year – Note 32 to the accounts provides further detail on this. The threshold for this reporting has not increased since its introduction some years ago, with the result that due to pay inflation over one in five council officers are now paid more than the £50k reporting threshold. The increase was made up of 80 Council staff and 42 school staff and is primarily due to the impact of inflationary pay increases and staff increments. The salary banding, which has seen the highest increase in numbers, is the £60,000 - £74,999 band, where there was a total increase of 114 officers and teachers.

Capital Investments

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

During 2025/26, £307.509m worth of capital investments (including expenditure incurred by Schools) were delivered, and a significant amount of that, £205.831m, was on regeneration schemes and investment in new and affordable homes, delivered through the HRA and the Council's wholly owned housing company, Populo.

The Council had budgeted £501.405m across the whole capital programme. The outturn reflects scheme slippage, which to some extent might be expected across a large and varied capital programme, but which is also felt to reflect the optimism bias inherent in many public sector organisations. In a bid to mitigate this, the in-year financial monitoring also considers the 'lifetime' forecasts and the profiling of each project.

Below is a summary of the 2025/26 capital programme by directorate:

| Directorate | 2025/26 Revised Budget | 2025/26 Final Outturn | 2025/26 (Slippage) / Accelerated Spend |
|--|------------------------------|-----------------------------|---|
| | £m | £m | £m |
| Adults & Health | 13.220 | 6.995 | (6.226) |
| Change & Improvement | 0.362 | 0.009 | (0.353) |
| Children & Young People | 9.283 | 0.260 | (9.023) |
| Environment & Sustainable Transport | 41.652 | 32.416 | (9.235) |
| Inclusive Economy & Housing | 108.477 | 47.393 | (61.083) |
| Resources | 8.002 | 2.916 | (5.086) |
| Schools (Capital) | 33.491 | 11.690 | (21.801) |
| Populo delivered schemes | 31.757 | 20.909 | (10.848) |
| Corporate (Indicative Schemes) | 30.132 | - | (30.132) |
| General Fund Total | 276.375 | 122.587 | (153.787) |
| Housing Revenue Account | 225.030 | 184.922 | (40.107) |
| Total Planned Capital Expenditure | 501.405 | 307.509 | (193.894) |

The Council periodically borrows money from authorised lenders in line with its treasury management strategy to meet cash-flow and capital funding requirements. Amounts that need to be repaid within 12 months are classified as short term borrowing and amounts held for more than 12 months are classified as long term borrowing. At the close of 2025/26, the Council's short-term borrowing was £110m and long-term borrowing was £1,469m.

Balance Sheet Position

The table below illustrates the Council's single entity Balance Sheet position as at the end of 2025/26 with comparators for 2024/25.

| 2024/25 £m | Balance Sheet | 2025/26 £m |
|---------------|-------------------|---------------|
| 4,721 | Assets | 4,915 |
| (2,160) | Liabilities | (2,316) |
| 2,561 | Net Assets | 2,599 |
| (2,093) | Usable Reserves | (2,121) |
| (467) | Unusable Reserves | (477) |

Looking Ahead

Looking ahead, the Council's financial position is significantly stronger than in previous years, with a balanced and sustainable budget set for 2026/27 and a Medium-Term Financial Strategy (MTFS) that remains balanced through to 2028/29 without reliance on Exceptional Financial Support (EFS). This reflects both the delivery of significant savings and improvements in financial governance, alongside the positive impact of the Government's Fair Funding Review. This marks a clear shift from prior years, where the use of capital receipts to support revenue expenditure was required, to a position where the Council is now operating on a more stable and sustainable financial footing.

At the same time, the Council continues to face significant demand-led and inflationary pressures, particularly in Homelessness, Temporary Accommodation, Adult Social Care and Children's Services. These pressures are driven by demographic growth, increasing complexity of need and cost increases across contracts and service delivery. Financial sustainability therefore depends on the successful delivery of a substantial savings and transformation programme, alongside continued investment in prevention, service redesign, and efficiency. While the MTFS currently shows a stable position over the next three years, maintaining this will require ongoing management of demand, delivery of planned savings, and close monitoring of financial risks.

The Council has also strengthened its financial resilience through the rebuilding of its reserves. The General Fund balance is now maintained at broadly 10% of net revenue expenditure, alongside the creation of dedicated Business Risk and Transformation reserves. This strengthens the Council's ability to manage financial risks, demand-led service pressures, and the delivery of its savings programme, and represents a significant improvement compared to previous years. Maintaining the Council's reserves at a certain level is one of the approaches the Council is taking to manage its financial risk over the medium term.

This narrative statement has been drafted as at 30 June 2026 and the Council has considered whether any significant new information needs to be considered and has no other matters to report or to include.

SECTION 2 - STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council 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 council, that officer is the Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- approve the Statement of Accounts.

The Responsibilities of the Section 151 Officer

The Section 151 Officer is responsible for the preparation of the Council's Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom is required to present fairly the financial position of the London Borough of Newham at the accounting date and its income and expenditure for the year ended 31 March 2026.

I was appointed as the Interim Assistant Chief Executive – Change and Improvement and took on the role of Corporate Director of Resources (Section 151 Officer) undertaking Section 151 duties from 5 January 2026.

Whilst I cannot comment on the quality of financial processes in operation prior to my appointment, I am satisfied, based on available assurances provided, that sufficient evidence is available to support the Balance Sheet and year-end position on General Fund balances and reserves.

In preparing the 2025/26 accounts, I have received assurance:

- that suitable accounting policies were selected and applied consistently;
- that judgments and estimates made were reasonable and prudent;
- that judgements and estimates complied with the Code;
- that proper accounting records were kept; and
- reasonable steps were taken for the prevention and detection of fraud.

Most of the financial transactions reported on within these 2025/26 financial statements were completed under the responsibility of the previous Section 151 officer Conrad Hall, who left on secondment from London Borough of Newham on 4 January 2026. Maria G. Christofi was appointed to the Interim Assistant Chief Executive – Change and Improvement and took on the role and duties of the Section 151 Officer from 5 January 2026.

Within the context of the paragraphs above, I therefore certify that to the best of my knowledge and belief and insofar as is possible in the circumstances, that this statement of accounts presents a true and fair view of the overall financial position of the council and the income and expenditure for the year ended 31 March 2026.

Signed:

Maria G. Christofi, BA (Hons), FCCA, CPFA

Date:

Interim Assistant Chief Executive – Change and Improvement and Corporate Director of Resources (Section 151 Officer) London Borough of Newham.

Approval of the Statement of Accounts

I certify that the audited Statement of Accounts has been approved by resolution of the Audit Committee of the London Borough of Newham, in accordance with the Accounts and Audit Regulations 2015.

Signed:

Daniel Mark Carr

Date: .

Chair – Audit and Governance Committee.

SECTION 3 - INDEPENDENT AUDITOR'S REPORT.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF NEWHAM ON THE PENSION FUND'S FINANCIAL STATEMENTS

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SECTION 4 - GROUP AND SINGLE ENTITY FINANCIAL STATEMENTS

Single Entity – Comprehensive Income and Expenditure Statement.

The Comprehensive Income and Expenditure Statement (CIES) records all the Council's revenue income and expenditure for the year. Expenditure represents a combination of statutory duties and discretionary spending focused on local priorities and needs. The CIPFA Code of Local Authority Accounting regulates how expenditure and income relating to services is classified in the CIES.

| 2024/25 | | | | 2025/26 | | | |
|----------------------------|-----------------------|--------------------------|---|----------------------------|-----------------------|--------------------------|------|
| Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | Note |
| 218,320 | (100,942) | 117,378 | Adults & Health | 228,087 | (104,564) | 123,523 | |
| 20,852 | (5,528) | 15,324 | Change and Improvement | 16,524 | (4,906) | 11,618 | |
| 164,322 | (32,860) | 131,461 | Children and Young People | 165,188 | (33,987) | 131,201 | |
| 57,722 | (826) | 56,896 | Corporate Budgets | 13,326 | (2,310) | 11,016 | |
| 303,800 | (305,742) | (1,942) | Dedicated Schools Budget | 303,149 | (306,665) | (3,516) | |
| 82,491 | (60,100) | 22,391 | Environment and Sustainable Transport | 86,833 | (63,732) | 23,101 | |
| 169,820 | (134,202) | 35,618 | Housing Revenue Account | 109,241 | (143,964) | (34,723) | |
| 167,602 | (115,363) | 52,239 | Inclusive Economy & Housing | 223,732 | (128,425) | 95,307 | |
| 4,626 | (3,118) | 1,508 | Legal and Governance | 1,095 | (154) | 941 | |
| 9,397 | (7,228) | 2,169 | OneSource | 17,473 | (8,686) | 8,787 | |
| 217,446 | (194,664) | 22,782 | Resources | 194,783 | (171,842) | 22,941 | |
| 1,416,397 | (960,573) | 455,824 | Cost of Services | 1,359,431 | (969,235) | 390,196 | |
| 15,089 | - | 15,089 | Other Operating (Income)/Expenditure | | | (12,683) | 10 |
| 85,268 | (49,432) | 37,576 | Financing & Invest. income and expenditure | | | 703 | 11 |
| - | (480,411) | (480,411) | Taxation and non-specific grant income and expenditure | | | (471,137) | 12 |
| 1,516,754 | (1,490,416) | 28,078 | (Surplus)/deficit on provision of services | | | (92,922) | |
| | | (24,748) | Loss / (Gain) on revaluation of non-current assets | | | 29,806 | 25 |
| | | 9,187 | Remeasurement of the net defined benefit liability | | | 26,966 | 42 |
| | | (15,561) | Other Comprehensive income and expenditure | | | 56,772 | |
| | | 12,517 | Total Comprehensive income and expenditure | | | (36,150) | |

Group Comprehensive Income and Expenditure Statement

The Group Comprehensive Income and Expenditure Statement (CIES) records all the Council's revenue income and expenditure for the year including the consolidation of subsidiaries' income and expenditure. Expenditure represents a combination of statutory duties and discretionary spending focused on local priorities and needs. The CIPFA Code of Local Authority Accounting regulates how expenditure and income relating to services is classified in the CIES. Details of the Council's subsidiaries are included on note 37.

| 2024/25 | | | | 2025/26 | | | |
|----------------------------|-----------------------|--------------------------|---|----------------------------|-----------------------|--------------------------|------|
| Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | Note |
| 218,507 | (101,160) | 117,348 | Adults & Health | 228,459 | (106,356) | 122,103 | |
| 21,289 | (5,528) | 15,761 | Change and Improvement | 16,524 | (4,906) | 11,618 | |
| 165,369 | (33,183) | 132,185 | Children and Young People | 165,188 | (33,987) | 131,201 | |
| 121,548 | (826) | 120,722 | Corporate Budgets | 13,326 | (2,310) | 11,016 | |
| 303,941 | (305,742) | 1,801 | Dedicated Schools Budget | 303,149 | (306,665) | (3,516) | |
| 84,281 | (60,752) | 23,529 | Environment and Sustainable Transport | 87,634 | (64,548) | 23,086 | |
| 101,936 | (134,302) | (32,366) | Housing Revenue Account | 109,241 | (143,964) | (34,723) | |
| 176,805 | (126,479) | 50,326 | Inclusive Economy & Housing | (2,279,429) | 2,368,956 | 89,527 | |
| 4,626 | (3,118) | 1,508 | Legal and Governance | 1,095 | (154) | 941 | |
| 9,739 | (7,228) | 2,511 | OneSource | 17,473 | (8,686) | 8,787 | |
| 245,531 | (222,467) | 23,064 | Resources | 214,244 | (190,968) | 23,276 | |
| 1,453,573 | (1,000,685) | 452,887 | Cost of Services | (1,123,095) | 1,506,411 | 383,316 | |
| | | 15,089 | Other Operating (Income)/Expenditure | | | (12,683) | 10 |
| | | 52,021 | Financing & Invest. income and expenditure | | | 16,557 | 11 |
| | | (480,411) | Taxation and non-specific grant income and expenditure | | | (471,138) | 12 |
| | | 39,586 | (Surplus)/deficit on provision of services | | | (83,948) | |
| | | 19 | Tax on Profit | | | - | |
| | | 39,606 | (Surplus)/deficit on provision of services after Tax | | | (83,948) | |
| | | (58,950) | Loss / (Gain) on revaluation of non-current assets | | | 5,461 | 25 |
| | | 9,187 | Remeasurement of the net defined benefit liability | | | 26,966 | 42 |
| | | (49,763) | Other Comprehensive income and expenditure | | | (32,427) | |
| | | (10,158) | Total Comprehensive income and expenditure | | | (51,521) | |

Group and Single Entity Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. Additional details on these reserves are given in Note 24 and Note 25. The Surplus on the Provision of Services line shows the true economic cost of providing the council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for tax setting and rent setting purposes. The 'Adjustments Between Accounting Basis and Funding Basis under Regulations' line accounts for this difference and is detailed in Note 8. The 'Net Increase before Transfers to Earmarked Reserve' line shows the increase on the General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

| | General Fund Balance | Earmarked Reserves | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied account | Total Usable reserves | Unusable reserves | Total Single Entity Reserves | Group Reserves | Total Group Reserves |
|---|----------------------|--------------------|-------------------------|-----------------------|--------------------------|----------------------------------|-----------------------|--------------------|------------------------------|-----------------|----------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 31 March 2024 | (11,012) | (185,130) | (34,910) | - | (214,343) | (76,278) | (521,673) | (2,051,501) | (2,573,174) | 30,242 | (2,542,932) |
| Surplus or deficit on Provision of Services | 6,160 | - | 21,920 | - | - | - | 28,080 | - | 28,080 | 11,527 | 39,606 |
| Other Comprehensive income and Expenditure | - | - | - | - | - | - | - | (15,561) | (15,561) | (34,202) | (49,763) |
| Total Comprehensive Income and expenditure | 6,160 | - | 21,920 | - | - | - | 28,080 | (15,561) | 12,519 | (22,674) | (10,157) |
| Adjustments between accounting basis and funding basis/Group Adjustment | 35,747 | - | (27,475) | - | 10,112 | 7,776 | 26,160 | (26,160) | - | 6,001 | 6,001 |
| (Increase)/decrease before Tfr. to Earmarked reserves | 41,907 | - | (5,555) | - | 10,112 | 7,776 | 54,240 | (41,721) | 12,519 | (16,673) | (4,156) |
| Transfers To/From Earmarked Reserves/Group reserves | (44,839) | 44,839 | - | - | - | - | - | - | - | - | - |
| (Increase)/Decrease In Year | (2,932) | 44,839 | (5,555) | - | 10,112 | 7,776 | 54,240 | (41,721) | 12,519 | (16,673) | (4,154) |
| Balance at 31 March 2025 | (13,944) | (140,291) | (40,465) | - | (204,231) | (68,502) | (467,433) | (2,093,222) | (2,560,655) | 13,569 | (2,547,086) |

| | General Fund Balance | Earmarked Reserves | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied account | Total Usable reserves | Unusable reserves | Total Single Entity Reserves | Group Reserves | Total Group Reserves |
|--|----------------------|--------------------|-------------------------|-----------------------|--------------------------|----------------------------------|-----------------------|--------------------|------------------------------|-----------------|----------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 31 March 2025 | (13,944) | (140,291) | (40,465) | - | (204,231) | (68,502) | (467,433) | (2,093,222) | (2,560,655) | 13,569 | (2,547,086) |
| Surplus or deficit on Provision of Services | (57,760) | - | (35,162) | - | - | - | (92,922) | - | (92,922) | 8,974 | (83,948) |
| Other Comprehensive income and Expenditure | - | - | - | - | - | - | - | 56,772 | 56,772 | (24,345) | (32,427) |
| Total Comprehensive Income and expenditure | (57,760) | - | (35,162) | - | - | - | (92,922) | 56,772 | (36,150) | (15,371) | (51,521) |
| Adjustments between accounting basis and funding basis | 40,746 | - | 30,602 | (916) | 17,342 | (4,796) | 82,978 | (82,978) | - | 30,511 | 30,511 |
| (Increase)/decrease before Tfr. to Earmarked reserves | (17,014) | - | (4,560) | (916) | 17,342 | (4,796) | (9,944) | (26,206) | (36,150) | (15,371) | (51,521) |
| Transfers To/From Earmarked Reserves | (21,131) | 21,131 | | | - | - | - | - | - | - | - |
| (Increase)/Decrease In Year | (38,145) | 21,131 | (4,560) | (916) | 17,342 | (4,796) | (9,944) | (26,206) | (36,150) | 15,140 | (21,010) |
| Balance at 31 March 2026 | (52,089) | (119,160) | (45,025) | (916) | (186,889) | (73,298) | (477,377) | (2,119,428) | (2,596,805) | 28,709 | (2,568,096) |

Group and Single Entity Balance Sheet

The Balance Sheet shows the value of the assets and liabilities held by the council. The council's net assets (assets less liabilities) are matched by the reserves it holds. These reserves are shown in two categories – usable and unusable. Usable reserves may be used to provide services and support prudent levels of reserves for financial stability. Unusable reserves cannot be used to fund council services.

| 2024/25 | | | 2025/26 | | |
|------------------------|--------------------|--|------------------------|--------------------|--------|
| Single-entity £'000 | Group £'000 | | Single-entity £'000 | Group £'000 | Note |
| 3,649,742 | 3,776,145 | Property, Plant and Equipment | 3,852,098 | 3,977,953 | 14 /39 |
| 3,658 | 3,658 | Heritage Assets | 3,658 | 3,658 | 15 |
| 360,927 | 585,662 | Investment Properties | 367,465 | 586,685 | 16 |
| 1,133 | 1,150 | Intangible Assets | 450 | 454 | 17 |
| 64,043 | 2,000 | Long-term Investments | 74,043 | 2,032 | 18 |
| 396,774 | 101,699 | Long-term Debtors | 389,248 | 105,286 | 21 |
| 4,476,277 | 4,470,314 | Total Long-term Assets | 4,686,962 | 4,676,068 | |
| 2,309 | 2,308 | Assets Held for Sale (within one year) | 2,308 | 2,308 | 14 |
| 2,586 | 2,783 | Inventories | 3,592 | 4,969 | |
| 161,500 | 172,194 | Short term debtors | 169,045 | 180,126 | 21 |
| 20,471 | 20,471 | Short Term Investments | 10,104 | 10,104 | 18 |
| 49,970 | 61,536 | Cash and Cash Equivalents | 41,543 | 48,851 | 20 |
| 236,836 | 259,292 | Current Assets | 226,592 | 246,358 | |
| (195,157) | (195,157) | Short-term Borrowing | (258,618) | (258,618) | 18 |
| (224,474) | (275,913) | Short-term Creditors | (231,851) | (284,115) | 22 |
| (4,398) | (4,398) | Short-term Provisions | (405) | (405) | 23 |
| (424,029) | (475,468) | Current Liabilities | (490,874) | (543,138) | |
| (10,702) | (10,702) | Provisions | (11,198) | (11,210) | 23 |
| (1,266,938) | (1,266,338) | Long Term Borrowing | (1,321,350) | (1,286,354) | 18 |
| (364,579) | (343,802) | Other Long-Term Liabilities | (352,551) | (372,852) | 35 |
| (86,210) | (86,210) | Grants Receipts in Advance - Capital | (140,776) | (140,776) | 13 |
| (1,728,429) | (1,707,052) | Long-term Liabilities | (1,825,875) | (1,811,192) | |
| 2,560,655 | 2,547,086 | Net Assets | 2,596,805 | 2,568,096 | |
| (467,437) | (453,868) | Total Usable Reserves | (477,379) | (448,670) | 24 |
| (2,093,218) | (2,093,218) | Total Unusable Reserves | (2,119,426) | (2,119,427) | 25 |
| (2,560,655) | (2,547,086) | Total Authority Reserves | (2,596,805) | (2,568,096) | |

Certification by the Section 151 Officer

Most of the financial transactions reported on within these 2025/26 financial statements were under the responsibility of the previous Section 151 officer Conrad Hall, who left on secondment from London Borough of Newham on 4 January 2026 Maria G Christofi was appointed to the Interim Assistant Chief Executive – Change and Improvement and also took on the role and duties of the Section 151 Officer from 5 January 2026.

Signed:

Maria G Christofi

Maria G. Christofi, BA (Hons), FCCA, CPFA.

Dated: 30 June 2026

Interim Assistant Chief Executive – Change and Improvement and Corporate Director of Resources (Section 151 Officer).

Group and Single Entity Cash-flow Statement.

The Cash-flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the council.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows for capital (i.e., borrowing) by the Council.

| Council 2024/25 | Group 2024/25 | | Council 2025/26 | Group 2025/26 |
|----------------------------|--------------------------|--|----------------------------|--------------------------|
| £'000 | £'000 | | £'000 | £'000 |
| 8,246 | 19,774 | Net (surplus) or deficit on the provision of services | (92,922) | (83,949) |
| <i>(161,976)</i> | <i>(178,656)</i> | <i>Adjust net surplus or deficit on the provision of services for non-cash movements</i> | <i>(53,805)</i> | <i>(45,184)</i> |
| 119,534 | 119,805 | <i>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</i> | 213,322 | 213,542 |
| (34,196) | (39,077) | Net Cash Flows from Operating Activities | 66,595 | 84,409 |
| 279,180 | 283,385 | Investing Activities | 201,985 | 187,999 |
| <i>(270,932)</i> | <i>(272,931)</i> | Financing Activities | <i>(260,154)</i> | <i>(260,345)</i> |
| (25,948) | (28,623) | Net (increase) or decrease in cash and cash equivalents | 8,425 | 12,063 |
| 24,022 | 32,914 | Cash and cash equivalents at the beginning of the reporting period | 49,970 | 60,916 |
| 49,970 | 61,537 | Cash and cash equivalents at the end of the reporting period | 41,545 | 48,853 |

NOTES TO THE ACCOUNTS (GENERAL FUND)

STATEMENT OF ACCOUNTING POLICIES

Note 1: - Statement of Accounting Policies

1.1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2025/26 financial year and its position at 31 March 2026. The accounts have been prepared on the basis that the Council will remain a 'going concern' and will continue to operate in the foreseeable future and meet its obligations as they fall due.

The Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2015. These regulations require the accounts to be prepared for each financial year in accordance with proper accounting practices as set out in the Local Government Act 2003 (the 2003 Act). For 2025/26, these proper accounting practices primarily comprise:

- the Code of Practice for Local Authority Accounting in the United Kingdom 2025/26 (the Code) supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act; and
- the Service Reporting Code of Practice (SeRCoP) for Local Authorities 2025/26.

The accounting convention adopted in the Statement of Accounts is principally historical cost as modified by the revaluation of certain categories of non-current assets and financial instruments where applicable.

1.2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not at the point when cash payments are made or received. Specifically:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- Supplies are recorded as expenditure when they are consumed. – where there is a gap between the date supplies are received and their consumption, these amounts are carried as inventories on the Balance Sheet;
- Expenses in relation to services received are recorded when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge is made to revenue to reflect the value of the income that may not be collected.
- Most accruals are automatically generated by the relevant feeder system, but a de minimis is applied in respect of accruals raised manually unless material to grant funding streams or to individual budgets. The de minimis for 2025/26 remains at £100,000.

1.3. Government Grants and Contributions

Revenue Grants

Whatever the basis of payment, specific revenue government grants, other contributions and donations are matched to the relevant service expenditure in the Comprehensive Income and Expenditure Statement, unless they have conditions attached that cannot be met immediately. If there are conditions which cannot be met immediately, the income is credited to Revenue Grants Received in Advance in Payables.

Grants received to finance the general activities of the Council or to compensate for a loss of income are credited to the Comprehensive Income and Expenditure Statement in the period that they are payable.

Capital Grants

Where the acquisition or enhancement of a fixed asset is financed either wholly or in part by a government capital grant or other capital contribution, the whole amount of all capital grants and contributions is credited, on an accruals basis, as Taxation and Non-Specific Grant Income to the Comprehensive Income and Expenditure Statement provided that all conditions attached to the grant are met. If those conditions are not met, the income is immediately held as Capital Grants and Contributions Receipts in Advance in Payables within the Balance Sheet.

Capital grants credited to the Comprehensive Income and Expenditure Statement are reversed out of the General Fund Balance in the Movement in Reserves Statement. If it has been used to finance capital expenditure, it is posted to the Capital Adjustment Account. If the grant has not been used to finance capital expenditure in the year, it is posted to the Capital Grants Unapplied Account. Amounts in the Capital Grants Unapplied Account (reserve) are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.4. Receivables and Payables

The Council's financial statements are prepared on an accruals basis, in that sums due to or from the Council are reflected within the Statement of Accounts regardless of whether the cash amounts attached to these transactions have been received or paid. An exception to this policy involves electricity and other similar periodic supplies where apportionment is not made between years'. This practice is applied on an annual basis for consistency and the overall effect on the Council's financial statements is not deemed to be material.

All receivables and payables relate to individual services and supplies, thus there are no significant estimates in the sums relating to receivables and payables shown within the financial statements. In addition, the majority of the Council's receivables are non-contract based income and therefore, no adjustment is required to recognise the income through the concept of revenue from contracts with service recipients. Application of this concept ensures that the Council's financial statements reflect consideration in exchange for fulfilment of goods or services only.

1.5. Fair Value Measurement

Where applicable, the Council measures its assets and liabilities and provides disclosures in accordance with IFRS13 (Fair Value Measurement). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions.

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

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

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

Local authorities are required to follow the fair value hierarchy prescribed by IFRS13 to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy categorises the inputs to valuation techniques used to measure fair value into three distinct levels, these are:

- Level 1 Inputs – quoted, unadjusted prices in active markets for identical assets or liabilities that the council can access at the measurement date.
- Level 2 Inputs – inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs - unobservable inputs for the asset or liability.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

1.6. Reserves

Amounts set aside for specific future purposes including contingencies are known as reserves. Reserves are created by transferring amounts from the General Fund Balance in the Movement in Reserves Statement.

When expenditure, to be financed from the reserve, is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back to the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Specific, usable reserves are available to fund expenditure following relevant approval. Unusable reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

Usable and Unusable Reserves are detailed further in Notes 24 and 25 to the Statement of Accounts.

1.7. Inventories, Work in progress and Long-Term Contracts

The stock in the Council's stores (Inventories) is valued at the lower of historical cost and net realisable value. Work in progress is valued based on the cost of work completed by the end of the year. Long-term contracts are accounted for based on charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

1.8. Cost of Central Support Services

The Council operates a Support Service Framework through which the cost of central support services is allocated to service revenue accounts using the most appropriate basis, including the time recorded by individual staff, office space areas occupied and the number of staff employed.

1.9. Value Added Tax

All transactions are disclosed net of any Value Added Tax (VAT), unless for a specific reason certain VAT elements are not recoverable. As is the case for all Local Authorities, the Council can recover a major part of VAT incurred from Her Majesty's Revenue and Customs (HMRC). Any balance due to the Council is included within Receivables in the Balance Sheet.

1.10. Accounting for Business Rate Supplements

The Council acts as an agent for the Greater London Authority (GLA). A 4% allowance for administration of this function is recognised within the Comprehensive Income and Expenditure Statement. The net amounts owed to the GLA are held under Payables in the Balance Sheet.

1.11. Cash and Cash Equivalents

Cash is represented by cash in hand and demand deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Demand deposits will include bank accounts where additional funds may be deposited and withdrawn at any time without prior notice.

Cash equivalents are investments repayable to the Council on demand that are readily convertible to known amounts of cash with insignificant risk of change in value. These will be held in call accounts and money market funds with associated accrued interest.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.12. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise from changes in accounting policy or from the correction of material errors. Changes in accounting estimates are accounted for prospectively in the current year and/or future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or when the effect of the changes will provide more reliable or relevant information regarding the impact of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise), by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors identified in prior period amounts are corrected retrospectively by amending opening balances and comparative amounts for the prior period. A prior period adjustment generally requires the presentation of a third Balance Sheet to reflect the impact of restatement on the comparator balance sheet.

1.13. Rounding

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

1.14. Non-current Assets

Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. In the specific case of Voluntary Controlled Schools, where the school has control over the use of the assets, these are treated as assets of the Council.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item, above the Council's de-minimis of £10,000, can be reliably measured. Expenditure that maintains but does not add to an asset's potential to deliver future

economic benefits or service potential (for instance, repairs and maintenance) is charged as an expense when it is incurred. The de-minimis level may be waived where grant or borrowing consent is made available for items of capital expenditure below £10,000. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Until these conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Operational land and buildings - current value based on existing use.
- Infrastructure Assets, Community Assets and Assets Under Construction – depreciated historical cost.
- Dwellings – fair value, determined using the basis of Existing Use Value for Social Housing (EUV- SH).
- Surplus assets – fair value, estimated at highest and best use from a market participant’s perspective.
- All other assets – fair value, determined as the amount that would be paid for the asset in its Existing Use Value (EUV).

Where there is no market-based evidence of current value or fair value, depreciated replacement cost (DRC) is used as an estimate. Where non-property assets have short useful lives or low values (or both), depreciated historical cost is used as a proxy.

Assets included in the Balance Sheet at current value are revalued sufficiently frequently to ensure that their carrying amounts are not materially different from their year-end fair values. In addition, all assets are assessed for impairment at each year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a revaluation gain balance for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (to the value of any accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an asset becomes operational during the year, revaluation of that asset is included within the next revaluation cycle. The Revaluation Reserve contains revaluation gains recognised since its formal implementation (April 2007). Any prior gains have been consolidated into the CAA.

Impairment

Assets are assessed at each year-end to determine if there is an indication that their values may be impaired. Where indications exist and any differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is at a level below the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a revaluation gain balance for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (to the value of any accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement (CIES); and
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for the depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is charged on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (such as Freehold Land and certain Community Assets) and assets that are not yet available for use (such as Assets Under Construction). Revaluation gains are also depreciated with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based upon the historical cost; this amount being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation is calculated on the following basis:

- Dwellings and Other Buildings – straight-line allocation over the useful life of the property as estimated by an external valuation specialist;
- Vehicles, Plant, Furniture and Equipment – straight-line allocation over their useful lives, 5 years (3 years for IT assets) unless a suitably qualified officer determines a more appropriate period. Assets acquired under finance leases are depreciated over their lease term;
- Infrastructure Assets – straight-line allocation over 40 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, these components are depreciated separately. Major components which have materially different asset lives will be identified in respect of:

- new capital expenditure as it arises; and
- existing assets as they become subject to revaluation.

Assets will only be considered for componentisation if the impact is material to the accounting disclosures and meets these criteria:

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

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale within Current Assets. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value deducting any selling costs. Where there is a subsequent decrease in fair value less selling costs, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the point of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off value of disposals is not charged against council tax, as the cost of Property, Plant and Equipment is fully provided under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Schools

Consideration is given to all the schools in the borough as to whether they are held on the balance sheet. The main consideration is if control of the individual school is with the Council or with another body.

The basis for inclusion, or exclusion, for PPE is determined as follows:

- All Community Schools have been included within the Council's Balance Sheet because of direct ownership.
- The two voluntary controlled schools, West Ham Church of England and St James are owned by the Council. There are no lease arrangements on these.
- It has been verified that the five Voluntary Aided Schools are owned by the respective Diocese. The Council's internal Property Services section has additionally confirmed that the Council has no lease obligations in respect of these Schools;
- The Free School is not owned by the Council and has therefore been excluded. The control implications have also been assessed with an appropriate Balance Sheet decision made.

PPE Valuations

The valuation of the Council's property portfolio is completed by Wilks, Head and Eve LLP. The valuations are made in accordance with the International Financial Reporting Standards (IFRS) as applied to the United Kingdom public sector and as interpreted by the Code of Practice for Local Authority Accounting. These valuations are also made in accordance with Royal Institute of Chartered Surveyors (RICS) Valuation standards.

Infrastructure Assets

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

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

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

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

Investment Property

Assets that are used solely to earn rentals or for capital appreciation (or both) are classified as investment properties. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Any gains or losses on revaluation are posted to the Financing and Investment Income and Expenditure line. The same treatment is applied to any gains and losses arising on disposal.

Rentals received from investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted to have an impact on the General Fund balance. Therefore, those gains and losses are reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

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

1.15. Leases

The Council has applied IFRS 16 Leases as adopted by the CIPFA Code of Practice on Local Authority Accounting.

The Council as Lessee

The Council applies IFRS 16 to reflect lease obligations and rights-of use assets in its financial statements. The accounting standard requires that the rights to use items acquired under all leases are recognised as assets on the Balance Sheet, together with a liability for the payments to be made for the acquisition. Previously this was only done for leases where the Council acquired substantially all the risks and rewards of ownership of the leased item (finance leases).

At the commencement of a lease, a liability is recognised for the obligation to make future payments (discounted to their present value using the interest rate implicit in the lease or (where this is not readily determinable) the Council's incremental borrowing rate (3.97%). The right acquired under the lease to use the item is recognised as an asset, measured on the commencement date at cost based on the lease liability plus any payments made before that date. Initial direct costs of the Council are added to the carrying amount of the asset.

Lease payments are apportioned between:

- a charge for the acquisition of the right to use the property, plant or equipment which is applied to write down the lease liability; and
- a finance charge which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES).

Right-of-use assets recognised under leases are accounted for using the policies applied to Property, Plant and Equipment assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life. This will include valuation where the cost model does not provide a dependable proxy for the current value of the right-of-use asset.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Depreciation and revaluation and impairment losses are a non-cash expense which under accounting rules is reversed from service expenditure to a non-useable reserve known as the Capital Adjustment Account, which absorbs the timing difference between the financing of capital assets and their usage.

Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

In the General Fund, the lease liability reduction is matched by a payment of Minimum Revenue Provision (MRP), which when added to the financing cost element of payments leads to no overall impact on the General Fund balance from the prior method of lease accounting.

As permitted by the Code, arrangements which would otherwise qualify as a lease are exempt from recognition if either:

- The period for which the Council has the right to use the asset does not exceed 12 months – referred to as a short-term lease; or
- The value of the right of use asset is lower than the Council's threshold of £10,000.

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal and replaced by a long-term debtor in the Balance Sheet valued on the future income due under the finance lease. This value then reduces over time as principal repayments are made.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease as it is due.

1.16. Charges to Revenue for Non-Current Assets

Services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation is attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to cover depreciation. However, there is a requirement to make an annual contribution from revenue towards the reduction of the overall borrowing requirement established (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance).

1.17. Capitalisation of debt charges

The Council will capitalise borrowing costs incurred against major projects, whilst the assets are under construction. Major projects are those where total planned (multi-year) borrowing for a single asset exceeds £5m, and where the construction period exceeds twelve months. This applies to the first tranche of capital expenditure financed from borrowing until the asset is operationally complete and ready to be brought into use. Both tests will be determined using the estimated costs at the time of preparing the accounts in the first year of capitalisation. Should either test fail in subsequent financial years, the prior year's treatment will not be adjusted retrospectively.

It is not necessary for the Council to borrow funds specifically for financing a scheme. Where borrowing costs are to be capitalised and specific funds are borrowed, the amount to be capitalised will be the actual borrowing cost incurred on that borrowing during the period, less any investment income arising on the temporary investment of that borrowing. Where an authority borrows generally, the Code requires authorities to determine a capitalisation rate for expenditure incurred on the asset. This rate is to be calculated as the weighted average of borrowing costs that are outstanding during the capitalisation period. Newham has calculated this cost at 3.965% based on current estimates.

1.18. Debt Redemption

Under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, the Council is obliged to charge a prudent amount to council tax for redemption of debt, known as the Minimum Revenue Provision (MRP). Each year the Council must approve a policy for charging a prudent level of MRP in line with statutory guidance.

The Council approved the following MRP policy in relation to the current financial year:

- The MRP charge in relation to borrowing for capital expenditure incurred prior to 2007/08 will be provided on an annuity basis. Where there has been overprovision under the previous approach, the Council will equalise the difference through reduced MRP in future years up to the point that the MRP profile falls back in line with the annuity approach.
- MRP charged in respect of capital expenditure incurred since 2007/08 is charged using either:
 - the asset-life method based on an annuity over the estimated remaining useful life of the asset; or
 - under exceptional circumstances the equal instalments method may be applied.

Furthermore, where appropriate, provision for MRP will commence when an asset becomes operational. The Council may defer to the estimated useful economic life periods specified in the MRP guidance but reserves the right to determine such periods and prudent MRP.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on

a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

In certain circumstances, capital expenditure may be funded by anticipated capital receipts. Where there is a degree of certainty that these receipts will materialise, MRP would be deferred, pending realisation of those capital receipts. The capital receipt when received is applied to discharge the arising Capital Financing Requirement (CFR);

MRP in relation to PFI or lease arrangements will be applied over the expected life of the underlying assets, considering any contractual obligation for lifecycle repairs and maintenance.

External interest payable on the Council's debt is debited to the Comprehensive Income and Expenditure Statement. However, where the Council continues to receive reimbursement for external interest and repayments of external loans, this reimbursement is credited to the appropriate service revenue accounts, thus the relevant proportions of external interest and debt repayment are also charged to those revenue accounts.

1.19. Revenue Expenditure Funded from Capital under Statute

Revenue expenditure funded from capital under statute represents expenditure which may be capitalised under statutory provisions, but which does not result in the creation of a non-current asset, such as expenditure on Renovation Grants and other forms of assistance to third parties. This expenditure is charged to the relevant service in the Comprehensive Income and Expenditure Statement and subsequently transferred to the Capital Adjustment Account by a transfer in the Movement in Reserves Statement to ensure that there is no overall impact upon council tax and grant levels. It is also included within the Capital Expenditure and Capital Financing disclosures.

1.20. Deferred Capital Receipts

Deferred capital receipts represent amounts from the disposal of non-current assets which have been deferred to future years where the Council has granted a loan to assist the purchaser. As the loan is repaid, the deferred capital receipt is written down once the capital receipt is realised.

1.21. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment long-term assets needed to provide services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The Council has entered PFI contracts to oversee the building of six schools and two housing initiatives in Canning Town and Forest Gate.

PFI accounting arrangements apply where control tests (a) and (b) below have been met:

- a) The Council controls or regulates the services that the operator must provide with the asset, to whom it must provide them, and at what price.
- b) The Council controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the term of the arrangement.

Assets under PFI accounting arrangements are accounted for at fair value and recognise the corresponding financial liability to pay for the asset

over the period of the contract. PFI assets are valued and depreciated in the same way as other asset categories.

In line with disclosure information required under the Code, the value of assets held under PFI arrangements and payments due are disclosed within the notes to the Statement of Accounts.

1.22. Accounting for Heritage Assets

Heritage Assets are assets that are held for their cultural, environmental, or historical associations. Our heritage assets are recognised and measured in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets as detailed below. The accounting policies in relation to Heritage Assets that are deemed to include intangible elements are also presented below.

General

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

Art Collections

The art collection includes paintings, and these are reported in the Balance Sheet at year-end market values. A programme of valuations is established, and items in the collection are valued by an external valuer. The assets within the art collection are deemed to have indeterminate lives and high residual values. On this basis, the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at purchase cost, and donations are recognised at their valued amounts as provided by the external valuer, and with reference to appropriate commercial markets for paintings using the most relevant and recent information from auction sales.

Local Archaeology and Local and Social History

The Council considers that obtaining valuations for most of these assets and artefacts would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. The Council does not recognise this collection of Heritage Assets on the Balance Sheet.

1.23. EMPLOYEE BENEFITS

Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. These include such benefits as wages and salaries, paid annual leave, and paid sick leave, bonuses, and non-monetary benefits (e.g. cars) for current and permanent employees. These are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave including time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the next financial year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services but subsequently reversed out through the Movement

in Reserves Statement to ensure that holiday benefits amounts are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable because of a decision by the Council to terminate an employee's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These amounts are charged on an accruals basis to the respective service in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers, or of making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of employee pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, and not the amount calculated according to the relevant accounting standards established. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

The Council participates in three separate pension schemes:

- Local Government Pension Scheme, for employees other than teachers, administered by the London Borough of Newham.
- Teachers Pensions Scheme, sponsored by the Department for Education (DfE).
- National Health Service (NHS) Pension Scheme.

All schemes provide defined benefits to members (lump sums and pensions), earned as employees for the Council.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of the London Borough of Newham pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions regarding mortality rates, employee turnover levels and current employees' projected earnings.

Liabilities are discounted to their value at current prices, using a range of financial assumptions as determined by the scheme's actuary.

The assets of the London Borough of Newham pension fund attributable to the Council are included in the Balance Sheet at their year-end fair values and are defined by the following categories:

- Quoted securities – current bid price;
- Unquoted securities – professional estimate;
- Unitised securities – current bid price;
- Property – market value.

The change in the net pension liability or asset is analysed into the following elements:

a) Service cost comprising:

- Current service cost – the increase in liabilities because of years of service earned in the current year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- Past service cost – the increase in liabilities because of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement within central services;
- Net interest on the net defined benefit liability or asset – the change during the period in the net defined benefit liability or asset that arises from the passage of time, as charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability or asset at the beginning of the period – taking into account any changes in the net defined benefit liability or asset during the period because of contribution and benefit payments.

b) Re-measurements comprising:

- The return on planned assets – excluding amounts included in net interest on the net defined benefit liability or asset as charged to the Pensions Reserve as Other Comprehensive Income or Expenditure;
- Actuarial gains and losses – changes in the net pension liability or asset that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is charged to the Pensions Reserve as Other Comprehensive Income or Expenditure.

c) Contributions paid to the London Borough of Newham pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities and not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year and not the amount calculated according to the relevant accounting standards in place. The Movement in Reserves Statement therefore reflects transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replaces them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but remaining unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund Balance of being required to account for retirement benefits based on cash flows rather than as benefits are accrued by employees.

NHS and Teachers' Pension Schemes

The arrangements for the NHS and Teachers' schemes mean that the Council's liabilities for these benefits cannot be identified specifically. The two schemes are therefore accounted for as if they were defined contribution schemes, with the result that no liability for future payments of benefits is recognised within the Balance Sheet at year-end. The applicable revenue accounts are also charged with the employer's contributions payable.

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits. Any liabilities estimated to arise because of an award to a member of staff (including teachers) are accrued in the year of the decision and accounted for using the same policies as those applied to the LGPS.

1.24. Financial Instruments – Loans and Investments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their cashflow characteristics.

Financial Liabilities

Financial liabilities measured initially at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the Council's borrowings, the amount presented in the Balance Sheet is the outstanding principal repayable, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the refinancing or early settlement of borrowings are charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of refinancing or settlement. Where this has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount applicable is either deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is subsequently spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, allows the impact on the General Fund balance to be spread over future years. The Council either spreads a premium over the term of the new loan taken out or alternatively allocates this over a ten-year period (where a discount has been received).

Financial Assets

Financial assets are classified based on an approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (for example where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are

based on the carrying amount of the asset multiplied by the effective rate of interest. For most of the financial assets held by the council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the CIES is the amount receivable for the year in the loan agreement. Any gains and losses that arise on the derecognition of an asset are charged to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.
- The inputs into the measurement techniques are categorised in accordance with the following three levels:
 - Level 1 inputs – quoted prices in active markets for identical assets that the council can access at the measurement date.
 - Level 2 inputs – inputs other than Level 1 quoted prices that are observable for the asset, either directly or indirectly.
 - Level 3 inputs – unobservable inputs for the asset or liability. Any gains or losses that arise on the derecognition of the asset are charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.25. LIABILITIES

Provision

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. Provisions are recognised when:

- the Council has a present obligation because of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Contributions to provisions are charged to the relevant service revenue account and are included within Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Provisions are measured at the best estimate (at the Balance Sheet date) of the expenditure required to settle the obligation, considering the relevant risks and uncertainties.

When subsequent payments are made, these are charged to the provision carried on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes clear that a transfer of economic benefits will no longer be required (or a lower settlement than originally anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all the payment required to settle a provision is expected to be recovered from another party (e.g. an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received once the Council settles the obligation. The Council has established specific provisions, including an Insurance Provision, to meet the estimated cost of insurance claims outstanding.

1.26. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will occur or whereby the value of the obligation cannot be reliably determined.

Contingent liabilities are not recognised within the Balance Sheet but are disclosed in the relevant Statement of Accounts note.

1.27. Contingent Assets

A contingent asset arises where an event has taken place that offers the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Subsequently, an inflow of economic benefits or service potential will occur.

Contingent assets are not recognised in the Balance Sheet but are identified within the relevant Statement of Accounts note.

1.28. Group Accounts

Interest in Companies and Other Entities

The code requires local authorities with material interest in subsidiaries and associated companies and joint ventures to prepare group financial statements.

Subsidiaries

An assessment of the Council's interests has been carried out to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the council's control over the company or entity and the materiality of the interest. The council considers that it has a material interest in various entities detailed in Note 37 and has classified them as a subsidiaries. Accordingly, Group Accounts are prepared. In consolidating the accounts, all transactions and balances between the council and the subsidiary are eliminated in full.

Associates and Jointly Controlled Entities

The Council has interests in companies and other entities that have the nature of associates and jointly controlled entities that have been determined to be material. These interests are recorded as equity instruments at cost less any provision for losses and are detailed in note 37.

Note 2: - Impact of changes in Accounting Standards issued but not yet adopted

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The Council shall provide known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the Council's financial statements in the period of initial application. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1st January of the financial year in question (i.e. on or before 1st January 2026 for 2025/26). For this disclosure the proposals for change include:

- Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage assets) issued in March 2024;
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) issued in May 2024;
- Annual improvements to IFRS accounting standards – Volume 11 issued in July 2024;
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) issued in December 2024.

These are not expected to have a material impact on the council's statement of accounts.

Note 3: - Critical Judgements in Applying Accounting Policies

In applying the accounting policies outlined in Note 1, the Council has made certain critical judgements about complex transactions or those involving uncertainty about future events. The critical judgements made within this Statement of Accounts are:

Impairment

There remains uncertainty regarding funding for Local Authorities. The Medium-Term Financial Strategy (MTFS) outlines the Council's strategies for generating the cost savings that will be needed to address future funding shortfalls. The Council has determined that the uncertainty is not sufficiently quantifiable such that the assets of the Council are impaired due to a need to close facilities and reduce service provision levels.

Investment Properties

The Council must decide whether Land and Buildings elements owned by the Council should be classed as Investment Properties in accordance with IAS 40 "Investment Property." Based upon this assessment, the Council has identified a few assets that it holds solely for rental income or future capital appreciation purposes, or a combination of both factors, as Investment Properties. These assets are detailed within Note 16.

Group Entities

Based upon the criteria set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, the Council has undertaken a detailed review to assess the extent of group accounting relationships. The Council has identified the entities that it consolidates based on materiality in relation to the financial statements. Populo Living, Future Newhomes Limited, The Language Shop Limited, Juniper Ventures Limited, Better Together Limited, London Network for Pest Solutions Limited and Early Start Education Limited are deemed to constitute a material group interest and these wholly owned subsidiaries have been consolidated within the Group Accounts. The Council also has interests in other entities which have been deemed as falling outside the scope of consolidation based on the level of influence and control in line with the Code. These are outlined within Note 37.

Provisions

IAS 37: Provisions, Contingent Liabilities and Contingent Assets, determines whether a provision or contingent event should be recognised in the accounts. The interpretation of the rules is particularly challenging with respect to legal cases, as a judgement needs to be made as to the outcome of litigation. The council's internal legal function is consulted to determine how such cases are likely to conclude and the possible financial impact.

Government Grants

Judgement is required to determine whether the Council can be reasonably assured that the conditions of grant and contribution monies received have been met before recognising these sums as income in the Comprehensive Income and Expenditure Statement. Where conditions require specific expenditure to have been incurred, the grant monies cannot be recognised until this point. Equally, where conditions outline that a grant or contribution must be repaid in the event of non-expenditure, the income is not recognised until the associated expenditure has been incurred.

Valuation of Land and buildings

The year-end carrying values of Land and Buildings within the Council's Balance Sheet involve a significant degree of judgement and estimation techniques. The Council engages a specialist, Wilks Head and Eve, to value its property portfolio. The results of this valuation exercise reflect the specialist's professional assessment of the conditions within the external property market.

Componentisation

Based on the valuation specialist's assessment, the Council analyses Land and Buildings across several individual components to produce a weighted useful economic life and thereby more accurately estimate depreciation.

Municipal Mutual Insurance (MMI)

On 13 November 2012, the directors of MMI triggered a Scheme of Arrangement and appointed Ernst and Young to manage their business affairs. Whilst Ernst and Young have notified the Scheme's creditors of an initial Levy, projections of any future liabilities falling due under the Scheme are subject to substantial uncertainty. Ernst and Young have obtained an actuarial valuation that determines a range of possible outcomes of this assessment. However, these are only best estimates and are thus limited based upon the scale of information currently available.

Voluntary-controlled Schools

The Council has assessed whether schools deemed to be voluntary controlled in nature should be included within the year-end Balance Sheet. In accordance with CIPFA guidance, the Council has determined, that only those schools which are in direct ownership of the Council should be disclosed within the Balance Sheet.

Accounting for Academies

The Council has not recognised non-current assets relating to Academies as it is of the opinion that these assets are not controlled by the Council. When a school that is held on the Council's Balance Sheet transfers to Academy status, the Council accounts for this as a disposal for nil consideration on the date that the school converts to Academy status, rather than as an impairment on the date that approval to transfer to Academy status is announced.

Highway infrastructure

The Council has elected to take up the statutory override relating to the accounting for highways infrastructure assets which is applicable for all statement of accounts that are currently open to 2025/26. In accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 paragraph 3(a), where we replace a component of an infrastructure asset, for the purpose of determining the carrying amount to be de-recognised in respect of that component, we determine the relevant amount as nil. The reason for making this choice, allowable by the above statutory provision, is that in some cases the historic information provided on previously recognised infrastructure may not be sufficiently detailed enough to prove the judgement that the components being replaced are fully depreciated or that any remaining balance would not be material. The Council is not required to make any prior period adjustment to the balances of the statement of accounts in respect of infrastructure assets.

Note 4 - Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated amounts that are based upon assumptions made by the Council regarding future events, or those that are otherwise uncertain. Accounting estimates are calculated which consider several factors including historical experience, current trends and other relevant indicators. However, as some balances cannot always be determined with full certainty, actual results generated may be materially different from the original assumptions and estimates used.

The items within the Council's 31 March 2026 Balance Sheet for which there is a significant risk of material adjustment in the forthcoming financial year are listed below:

| Item | Uncertainty | Impact if assumptions vary from actual |
|--|---|---|
| Property Plant and Equipment | Assets are depreciated over useful economic lives that are dependent upon assumptions regarding the levels of repairs and maintenance that will be incurred in relation to the individual assets. The present economic climate means that it is uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into question the useful lives assigned to certain assets | If assets' useful lives are reduced, annual depreciation charges increase and the carrying values of these assets decrease at a quicker rate. |
| Property Plant and Equipment – Major Development Projects | The Council owns Three large development sites, Carpenters Estate, Canning Town and Custom House. The assets are valued at fair value on the balance sheet. The Council have not finalised plans for most of these sites although the plans for the Carpenters Estate is more advanced. The Council have therefore estimated the value of the assets on their existing use and layout. This value may change as the Council finalise the plans for these sites. Factors that can cause the valuation of development | In the absence of detailed scheme proposals the valuer has continued to exercise professional judgement in providing the valuation. The Council will provide to the valuer detailed site plans, detailed business plans outlining a clear strategy and expected timescale for the developments, when they have been approved. |

| Item | Uncertainty | Impact if assumptions vary from actual |
|----------------------------|---|---|
| | sites to vary include planning requirements, affordable/ private split, inflation risks due to phasing or timescales, costs or delays associated with land assembling and vacant possession where there are either continuing tenancies or third party owners. It is also important to note that there may be elements of the final development which are either not currently owned by the council or are being recorded elsewhere due to their present use. | |
| Self-Insurance | The Council has recognised a year-end provision of £6.4m for future claims under its Self-Insurance provision. | An increase in the estimated average settlement of 10% during the forthcoming year would increase the provision required by £0.64m. |
| Pension Liabilities | Estimation of the Council's net liability in respect of year-end pension liabilities is driven by several complex judgements including the discount rate used, adjustments to long-term salaries, mortality rates and expected returns on pension scheme assets. The actuary (Barnett Waddingham) provides expert advice on the value of the Council's year-end pension liabilities. | The principal factors influencing the valuation of pension liability are inflation, the discount rate and the longevity (mortality rate) assumptions: A 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £97m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £2m, and A one-year increase in assumed life expectancy would increase the liability by approximately £55m |
| Receivables | The Council has estimated that £202m of the year-end value of receivables should be impaired out of total receivables of £371m. This principally relates to sundry and parking receivables (£93m) Council Tax (£32m), Housing Benefit overpayments (£22m), Housing Rents (£45m), Leaseholder Provision (£9m) and Business Rates (£1m). In the current economic climate, it is not certain that such allowances are sufficient. | If the collection rates were to deteriorate, this may require additional amounts to be set aside as an allowance to reflect non-collectability. |

Note 5 - Events after the Balance Sheet date

There have been no adjusting events after the balance sheet date that required a change to the balance sheet figures at 31st March 2026.

NOTES TO COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

Note 6 - The Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from government grants, rents, council tax and business rates in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates. This analysis is for the London Borough of Newham only and is not a primary statement. The Directorate structure has changed between years which means there are blanks on some rows in this table. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the single entity Comprehensive Income and Expenditure Statement.

| 2024/25 | | | | 2025/26 | | |
|--|---|--------------------------------------|---------------------------------------|--|---|--------------------------------------|
| Expenditure Chargeable to the GF and HRA Balances £'000 | Adjustments between the Funding and Accounting Basis £'000 | Net Expenditure in the CIES £'000 | | Expenditure Chargeable to the GF and HRA Balances £'000 | Adjustments between the Funding and Accounting Basis £'000 | Net Expenditure in the CIES £'000 |
| 115,197 | 2,303 | 117,500 | Adults & Health | 142,583 | (19,060) | 123,523 |
| | | | Change and Improvement | 11,701 | (83) | 11,618 |
| 132,230 | (768) | 131,462 | Children and Young People | 134,300 | (3,099) | 131,201 |
| 3,156 | 53,740 | 56,896 | Corporate Budgets | 45,016 | (34,000) | 11,016 |
| (1,802) | (140) | (1,942) | Dedicated Schools Budget | (0) | (3,516) | (3,516) |
| 345 | (46) | 299 | Digital | | | |
| 23,568 | (1,177) | 22,391 | Environment and Sustainable Transport | 26,458 | (3,357) | 23,101 |
| 83,703 | (10,467) | 73,236 | Inclusive Economy & Housing | 87,439 | 7,868 | 95,307 |
| | | | Legal & Governance | 492 | 449 | 941 |
| 8,475 | (237) | 8,238 | Marketing | - | - | - |
| 120 | (22) | 98 | One source - Non Shared | - | - | - |
| 2,511 | (342) | 2,169 | OneSource | 9,407 | (620) | 8,787 |
| 34,940 | (26,012) | 8,678 | Resources | 25,944 | (3,003) | 22,941 |
| 3,123 | (200) | 2,923 | Transformation | - | - | - |
| 405,566 | 16,632 | 421,948 | Net Cost of Services excl. HRA | 483,340 | (58,420) | 424,920 |

Note 6 - The Expenditure and Funding Analysis . . . continued

| 2024/25 | | | | 2025/26 | | |
|--|---|--------------------------------------|--|--|---|--------------------------------------|
| Expenditure Chargeable to the GF and HRA Balances £'000 | Adjustments between the Funding and Accounting Basis £'000 | Net Expenditure in the CIES £'000 | | Expenditure Chargeable to the GF and HRA Balances £'000 | Adjustments between the Funding and Accounting Basis £'000 | Net Expenditure in the CIES £'000 |
| (32,762) | 68,380 | 35,618 | Housing Revenue Account | (15,152) | (19,571) | (34,723) |
| 372,804 | 85,012 | 457,566 | Net Cost of Services incl. HRA | 468,188 | (77,991) | 390,196 |
| (336,455) | (93,031) | (429,486) | Other Income and Expenditure | (468,507) | (14,611) | (483,118) |
| 36,349 | (8,019) | 28,080 | (Surplus)/Deficit | (319) | (92,603) | (92,922) |
| | | (231,051) | Opening General Fund and HRA Balance | (194,704) | | |
| | | 36,349 | Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year** | (21,570) | | |
| | | (194,702) | Closing General Fund and HRA Balance | (216,274) | | |

Footnote ** This includes earmarked reserve balances. For a split of this balance between the General Fund, HRA and Earmarked Reserves, see the movement in reserves statement.

Note 7 - Expenditure and Income Analysed by Nature

| 2024/25 £'000 | | 2025/26 £'000 |
|--------------------|--|--------------------|
| | Expenditure | |
| 460,130 | Staffing expenses | 477,279 |
| 813,795 | Other services expenses | 865,141 |
| 75,362 | Depreciation and amortisation | 50,016 |
| 95,540 | Impairment and revaluation | 780 |
| 72,787 | Interest Payments | 72,785 |
| 24,818 | Precepts and levies | 25,459 |
| - | Payments to Housing Capital Receipts Pool | - |
| (9,728) | Loss/(Gain) on the disposal of assets | (38,142) |
| 1,532,704 | Total expenditure | 1,453,318 |
| | Income | |
| (344,230) | Fees, charges, and other service income | (347,463) |
| (26,795) | Interest and investment income | (70,778) |
| (244,438) | Income from council tax, non-domestic rates | (182,962) |
| (889,165) | Government grants and contributions | (946,803) |
| (1,504,628) | Total income | (1,548,006) |
| 28,076 | (Surplus) or Deficit on the Provision of Services | (94,688) |

Note 8 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the 2025/26 adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The adjustments for the group are not materially different to the adjustments shown below:

| 2025/26 | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserves £'000 | Major Repairs Reserves £'000 | CGUA £'000 | Unusable Reserves £'000 |
|--|-------------------------------|----------------------------------|------------------------------------|---------------------------------|---------------|----------------------------|
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| Reversal of entries in the surplus/deficit on the provision of services in relation to capital expenditure: | | | | | | |
| Depreciation of PPE/impairment of non-current assets | (30,885) | (19,524) | - | - | - | (50,410) |
| Revaluation(losses)/gain on property plant and equipment (PPE) | (8,198) | (9,805) | - | - | - | (16,237) |
| Movements in market value of investment properties | 16,349 | 2,002 | - | - | - | 18,350 |
| Capital grants and conditions applied | 13,361 | - | - | - | - | 13,361 |
| Revenue expenditure funded from capital under statute | (9,884) | - | - | - | - | (9,884) |
| Insertion of items not debited or credited to the comprehensive income and expenditure statement: | | | | | | |
| Statutory provisions from the financing of capital investment | 28,035 | 2,641 | - | - | - | 30,676 |
| Capital expenditure financed from revenue balances | - | 7,896 | - | - | - | 7,896 |
| Voluntary provision for the financing of capital investment | 863 | - | - | - | - | 863 |
| Adjustment primarily involving the capital grants unapplied account: | | | | | | |
| Capital grants and contributions unapplied credited to the CIES | 17,101 | - | - | - | (17,101) | - |
| Application of grants to capital financing transferred to the CAA | - | - | - | - | 12,305 | 12,305 |
| Adjustment primarily involving the capital receipts reserve: | | | | | | |
| Trf. of sale proceeds for the gain(loss) on disposals to the CIES | 35,406 | 26,789 | (62,195) | - | - | - |
| Use of the CRR to finance new capital expenditure | - | - | 28,085 | - | - | 28,085 |
| Use of the CRR to finance revenue expenditure | (51,452) | - | 51,452 | - | - | - |
| Trf. from deferred capital receipts reserve upon receipt of cash | (975) | - | - | - | - | (975) |
| Adjustments primarily involving the Major Repairs Reserve: | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | - | 19,524 | - | (19,524) | - | - |
| Use of the Major Repairs Reserve to finance new CAPEX | - | - | - | 18,608 | - | 18,608 |

... continued overleaf

| 2025/26 | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserves £'000 | Major Repairs Reserves £'000 | CGUA £'000 | Unusable Reserves £'000 |
|---|---------------------------------------|--|--|---|-----------------------|------------------------------------|
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement differ from increases / decreases in revenue for the year calculated in accordance with statutory requirements: | | | | | | |
| Financial instruments | 1,882 | 1,169 | - | - | - | 3,051 |
| Pension costs | 26,373 | - | - | - | - | 26,373 |
| Council tax & business rates | (2,744) | - | - | - | - | (2,744) |
| Holiday pay | (738) | (89) | - | - | - | (827) |
| Dedicated Schools Grant deficit | 6,252 | - | - | - | - | 6,252 |
| Total adjustments | 40,745 | 30,602 | 17,342 | (916) | (4,796) | 82,978 |

Note 8 - Adjustments between Accounting Basis and Funding Basis under Regulations (Continued)

2024/25

| 2024/25 | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserves £'000 | Major Repairs Reserves £'000 | CGUA £'000 | Unusable Reserves £'000 |
|--|-------------------------------|----------------------------------|------------------------------------|---------------------------------|---------------|----------------------------|
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| Reversal of entries in the surplus/deficit on the provision of services in relation to capital expenditure: | | | | | | |
| Depreciation of PPE/impairment of non-current assets | (55,964) | (19,398) | - | - | - | 75,362 |
| Revaluation(losses)/gain on property plant and equipment (PPE) | (23,385) | (69,551) | - | - | - | 92,936 |
| Movements in market value of investment properties | (3,047) | 1,266 | - | - | - | 1,781 |
| Capital grants and conditions applied | 50,270 | 13,192 | - | - | - | (63,462) |
| Revenue expenditure funded from capital under statute | 1,492 | - | - | - | - | (1,492) |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | (14,626) | (8,009) | - | - | - | 22,635 |
| Insertion of items not debited or credited to the comprehensive income and expenditure statement: | | | | | | |
| Statutory provisions for the financing of capital investment | 49,370 | 3,766 | - | - | - | (53,136) |
| Capital expenditure financed from revenue balances | - | 15,000 | - | - | - | (15,000) |
| Adjustment primarily involving the capital grants unapplied account: | | | | | | |
| Capital grants and contributions unapplied credited to the CIES | 20,761 | 1,477 | - | - | (22,208) | - |
| Application of grants to capital financing transferred to the CAA | - | - | - | - | 29,984 | (29,984) |
| Adjustment primarily involving the capital receipts reserve: | | | | | | |
| Trf. of sale proceeds for the gain(loss) on disposals to the CIES | 15,523 | 14,237 | (33,864) | - | - | 4,104 |
| Use of the CRR to finance new capital expenditure | - | - | 29,233 | - | - | 29,233 |
| Capital loan repayment | - | - | (2,807) | - | - | 2,807 |
| Use of the CRR to finance revenue expenditure | (17,549) | - | 17,549 | - | - | - |
| Trf. from deferred capital receipts reserve upon receipt of cash | (956) | - | - | - | - | 956 |
| Adjustments primarily involving the Major Repairs Reserve: | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | - | 18,901 | - | (18,901) | - | - |
| Use of the Major Repairs Reserve to finance new CAPEX | - | - | - | - | - | (18,901) |

. . . continued overleaf

| 2024/25 | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserves £'000 | Major Repairs Reserves £'000 | CGUA £'000 | Unusable Reserves £'000 |
|---|-------------------------------|----------------------------------|------------------------------------|---------------------------------|---------------|----------------------------|
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement differ from increases / decreases in revenue for the year calculated in accordance with statutory requirements: | | | | | | |
| Financial instruments | 1,913 | 1,169 | - | - | - | (3,082) |
| Pension costs | 10,265 | 655 | - | - | - | (10,920) |
| Council tax & business rates | (3,387) | - | - | - | - | 3,387 |
| Holiday pay | 1,072 | (150) | - | - | - | (922) |
| Dedicated Schools Grant deficit | 3,995 | - | - | - | - | (3,995) |
| Total adjustments | 35,747 | (27,475) | 10,111 | - | 7,776 | (26,159) |

Note 9 - Transfers To or From Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account (HRA) balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and HRA expenditure in 2025/26.

| | Balance at 31/03/2025 | Transfers out | Transfers in | Transfers Between Reserves | Balance at 31/03/2026 |
|---|--------------------------|------------------|-----------------|----------------------------------|--------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Earmarked General Fund (GF) Reserves | | | | | |
| Transition Reserve | (7,121) | 80 | (350) | 7,391 | - |
| Borough Wide Licencing Reserve | (11,060) | 1,736 | - | - | (9,324) |
| Capital Reserve | (4,361) | - | - | 743 | (3,618) |
| Capital Financing Reserve | (18,594) | - | - | 18,594 | - |
| Collection Fund Reserve | (27,885) | 3,898 | (4,590) | 7,681 | (20,896) |
| Corporate Social Responsibility Reserve | (1,050) | - | - | 850 | (200) |
| Election Reserve | (180) | - | (200) | - | (380) |
| Grants Reserve | (19,347) | - | (519) | 18,847 | (1,019) |
| CIL Reserve | - | - | (1,977) | (18,582) | (20,559) |
| Highways Maintenance Reserve | (3,287) | 786 | - | 1,000 | (1,501) |
| Insurance Reserve | (4,603) | 449 | - | (846) | (5,000) |
| POCA Reserve | (502) | - | - | - | (502) |
| Trading Operations Reserve | (401) | - | - | - | (401) |
| Schools Balances Reserve | (22,760) | 5,257 | (2,297) | - | (19,800) |
| Treasury Reserve | (19,144) | - | - | 12,615 | (6,529) |
| Transformation Reserve | - | - | (1,000) | (3,500) | (4,500) |
| Business Risk Reserve | - | - | (12,350) | (12,582) | (24,932) |
| GF Sub-total | (140,295) | 12,206 | (23,283) | 32,211 | (119,160) |
| Housing Revenue Account (HRA) | (40,465) | 77 | (4,636) | - | (45,025) |
| Total Earmarked Reserves | (180,760) | 12,283 | (27,919) | 32,211 | (164,185) |
| | | | | | |
| Unallocated General Reserve | (13,944) | (5,934) | - | (32,211) | (52,089) |

An explanation of the main Earmarked Reserves is set out below:

Transition Reserve

This reserve is to facilitate service transformation and mitigate cost pressures anticipated in the Council's Medium-Term Financial Strategy. Where not applied in year, this has been reprofiled and re-categorised as two separate reserves; the Business Risk Reserve and Transformation Reserve.

Borough-Wide Licensing Reserve

This reserve holds license income received from the Council's Borough-Wide Licensing Scheme, which aims to regulate the standard of private accommodation within the Borough. In accordance with statutory requirements, these monies are ring-fenced.

Capital Reserve

Budgeted revenue funding of the capital programme which has not yet been applied to schemes, either because the scheme has been re-profiled into later years or to allow greater flexibility in funding future service investment.

Capital Financing Reserve

The Capital Financing Reserve, now incorporated within the Capital Reserve (above), has been reprofiled to create a Business Risk

Collection Fund Smoothing Reserve

This reserve consists of compensation grants for loss of income in the Council Tax and Business Rates accounts in prior years. The reserve is required to offset the impact on future years due to reduction in budgeted income from the Collection Fund.

Corporate Social Responsibility Reserve

This is the CSR reserve generated from Council's dealing with commercial partners operating within the council's vicinity, to support local charitable bodies.

Grants Reserve

Grants reserve includes balances for grants received but not yet used.

CIL Reserve

This is the balance of the Community Infrastructure Levy. The reserve has been split from the Grants Reserve where CIL balances were originally held.

Highways Maintenance Reserve

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

Insurance Reserve

The Insurance Reserve forms part of the Council's self-insurance arrangements, earmarked to meet future potential and contingent liabilities (as distinct from the Insurance Provision - see Note 23).

Schools' Balances Reserve

Set up in accordance with Section 48 of the Schools Standards and Framework Act 1998, the Newham Scheme for Financing Schools provides for the carry forward of individual school surpluses.

Trading Operations Reserve

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

Treasury Reserve

This reserve is to mitigate the impact on the Council's budget for market volatility in respect of Treasury management activities over the term of the Medium-Term Financial Strategy (MTFS).

POCA Reserve

The Proceeds of Crime Act fund is held in a reserve by the Council, ring fenced to use in specific fraud and crime prevention schemes.

Election Reserve

Cumulative funding for election expenses incurred by local or national elections

Transformation Reserve

New reserve set up to enable the council's Transformation and Improvement programmes.

Business Risk Reserve

This is a new reserve created to help manage any financial risks the council faces

Note 10 - Other Operating Expenditure

| 2024/25 £'000 | | 2025/26 £'000 |
|--------------------------|--|--------------------------|
| 24,817 | Levies | 25,459 |
| - | Payments to the Government Housing Capital Receipts Pool | - |
| (9,728) | (Gains)/losses on the disposal of non-current assets | (38,142) |
| 15,089 | Total | (12,683) |

Note 11 - Financing and Investment Income and Expenditure

| 2024/25 £'000 | | 2025/26 £'000 |
|------------------|---|------------------|
| 72,146 | Interest Payable and Similar Charges | 72,785 |
| (4,297) | Pensions interest cost and expected return on pensions assets | (15,736) |
| (24,279) | Interest receivable and similar income | (17,635) |
| (8,554) | Income and expenditure in relation to investment properties and changes in their fair value | (20,88) |
| 2,560 | Other investment income and expenditure | (17,821) |
| 37,576 | Total | 703 |

Note 12 - Taxation and Non-Specific Grant Income

| 2024/25 £'000 | | 2025/26 £'000 |
|------------------|----------------------------------|------------------|
| (114,033) | Council Tax income | (127,304) |
| (130,405) | Business Rates (Retained share) | (134,196) |
| (157,086) | General Government Grants | (180,646) |
| (78,887) | Capital grants and contributions | (28,991) |
| (480,411) | Total | (471,137) |

Breakdown of Taxation and Non-Specific Grant Income (continued)

| 2024/25 £'000 | | 2025/26 £'000 |
|------------------|---|------------------|
| | Credited to Taxation and non-specific grant income | |
| (50,939) | Revenue Support Grant | (46,254) |
| (39,964) | Section 31 Grant | (35,423) |
| (2,795) | New Homes Bonus | (5,922) |
| (36,701) | Social Care Support Grant | (43,619) |
| (14,651) | Homelessness Support Grant | (22,477) |
| (12,036) | Other | (26,951) |
| (157,086) | Total | (180,646) |
| | Capital Grants and Contributions | |
| (16,160) | MHCLG | (11,102) |
| (4,901) | Dept of Education | (4,059) |
| (3,534) | Dept of Health | (3,783) |
| (2,838) | NHS | - |
| (7,176) | School Contributions | - |
| (17,550) | Greater London Authority | (6,725) |
| (1,218) | Transport of London | (800) |
| (16,899) | Section 106 | - |
| (5,157) | London Legacy Development | (1,578) |
| (3,454) | Other | (944) |
| (78,887) | Total | (28,991) |

Note 13 - Breakdown of Non-Specific Revenue Grant Income

| 2024/25 £'000 | | 2025/26 £'000 |
|------------------|--------------------------------|------------------|
| | Revenue Grants | |
| (165,623) | Housing Benefit Subsidy | (140,658) |
| (261,495) | Dedicated Schools Grant (DSG) | (238,272) |
| (14,842) | DFE | (14,180) |
| (17,193) | Improved Better Care Fund | (21,210) |
| (11,229) | Pupil Premium | (10,913) |
| (34,229) | Public Health Grant | (37,125) |
| (63,194) | Other Grants and Contributions | (101,739) |
| (567,805) | Total | (564,097) |

The Council has received grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the contributor if conditions are not met. The balances at year-end are as follows:

| 2024/25 £'000 | | 2025/26 £'000 |
|------------------|--------------|------------------|
| (86,210) | Section 106 | (98,812) |
| - | Other | (41,965) |
| (86,210) | Total | (140,777) |

Note 14 - Property, Plant and Equipment (PPE)

The value of non-current PPE assets shown on the balance sheet are analysed further in the following tables.

| | Council dwellings | Other land and buildings | Vehicle, Plant and Equipm't | Comm'ity Assets | Surplus Assets | Assets under construct. | Total |
|---|-------------------|--------------------------|-----------------------------|-----------------|----------------|-------------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | | | |
| At April 1 2025 | 1,283,288 | 1,523,919 | 21,913 | 25,628 | 68,356 | 416,225 | 3,339,329 |
| Opening Adjustment | | | | | | | |
| Additions and enhancement | 124,774 | 44,297 | 3,629 | 956 | - | 80,013 | 253,669 |
| Accumulated Dep: w/off on revaluation to GBV | (17,539) | (16,102) | - | - | - | - | (33,641) |
| Reval. recognised in surplus on prov'n of service | 1,419 | 5,950 | - | - | - | - | 7,369 |
| Reval. recognised in the Revaluation Reserve | 16,521 | (46,152) | - | (174) | - | - | (29,805) |
| Derecognition-Disposals | (11,382) | - | - | - | (583) | - | (11,965) |
| Derecognition-Other | - | - | - | - | - | - | - |
| Other reclassification | (35,226) | - | - | - | - | 35,226 | - |
| As at March 2026 | 1,361,855 | 1,511,912 | 25,542 | 26,410 | 67,773 | 531,464 | 3,524,956 |
| Accumulated Depreciation and Impairment | | | | | | | |
| At April 1 2025 | 1 | (34,982) | (9,961) | - | (15) | (11) | (44,968) |
| Opening Adjustment | - | - | - | - | - | - | - |
| Depreciation Charge | (17,734) | (18,327) | (1,544) | - | (194) | - | (37,799) |
| Accumulated Dep. w/off on revaluation to GBV | - | 16,102 | - | - | - | - | 16,102 |
| Dep. w/out to surplus on the prov'n of services | - | - | - | - | - | - | - |
| Depreciation w/out to the Revaluation Reserves | 17,539 | - | - | - | - | - | 17,539 |
| Derecognition-Disposals | 157 | - | - | - | 14 | - | 171 |
| Derecognition-Other | - | - | - | - | - | - | - |
| Other reclassification | - | - | - | - | - | - | - |
| As 31 March 2026 | (37) | (37,207) | (11,505) | - | (195) | (11) | (48,955) |
| Net Book Value at 31 March 2026 | 1,361,818 | 1,474,705 | 14,037 | 26,410 | 67,578 | 531,453 | 3,476,001 |
| Net Book Value at 31 March 2025 | 1,283,289 | 1,488,937 | 11,952 | 25,628 | 68,341 | 416,214 | 3,294,361 |

In accordance with the temporary relief offered by the Code on infrastructure assets, we have not disclosed gross cost and accumulated depreciation for infrastructure assets as historical reporting practices means that this would not faithfully represent the asset position to users of the statements.

Note 14 - Property, Plant and Equipment (PPE) (Continued)

| | Council dwellings | Other land and buildings | Vehicle, Plant and Equipm't | Comm'ity Assets | Surplus Assets | Assets under construct. | Total |
|---|-------------------|--------------------------|-----------------------------|-----------------|----------------|-------------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | | | |
| At April 1 2024 | 1,367,942 | 1,232,865 | 5,288 | 25,071 | 67,247 | 234,049 | 2,947,860 |
| Opening Adjustment | (1,799) | 157,865 | 6,672 | - | 1 | - | 162,739 |
| Additions and enhancement | 85,254 | 68,713 | 1,344 | 557 | - | 182,165 | 338,033 |
| Accumulated Dep: w/off on revaluation to GBV | (18,385) | (13,056) | - | - | (175) | - | (31,616) |
| Reval. recognised in surplus on prov'n of service | (66,858) | (27,053) | - | - | 86 | - | (93,825) |
| Reval. recognised in the Revaluation Reserve | (74,180) | 102,808 | - | - | 1,457 | - | 30,085 |
| Derecognition-Disposals | (7,454) | (2,946) | - | - | (266) | - | (10,666) |
| Derecognition-Other | (574) | (2,707) | - | - | - | - | (3,281) |
| Other reclassification | (666) | 666 | - | - | - | - | - |
| As at March 2025 | 1,283,288 | 1,523,919 | 21,913 | 25,628 | 68,356 | 416,225 | 3,339,329 |
| Accumulated Depreciation and Impairment | | | | | | | |
| At April 1 2024 | (8) | (6,764) | (8,609) | - | (6) | (11) | (15,398) |
| Opening Adjustment | - | 35 | - | - | (1) | - | 34 |
| Depreciation Charge | (18,494) | (41,343) | (1,352) | - | (183) | - | (61,372) |
| Accumulated Dep. w/off on revaluation to GBV | 18,395 | 13,056 | - | - | 175 | - | 31,626 |
| Dep. w/out to surplus on the prov'n of services | - | - | - | - | - | - | - |
| Depreciation w/out to the Revaluation Reserves | - | - | - | - | - | - | - |
| Derecognition-Disposals | 104 | 38 | - | - | - | - | 142 |
| Derecognition-Other | - | - | - | - | - | - | - |
| Other reclassification | 4 | (4) | - | - | - | - | - |
| As 31 March 2025 | 1 | (34,982) | (9,961) | - | (15) | (11) | (44,968) |
| Net Book Value at 31 March 2025 | 1,283,289 | 1,488,937 | 11,952 | 25,628 | 68,341 | 416,214 | 3,294,361 |
| Net Book Value at 31 March 2024 | 1,367,942 | 1,232,865 | 5,288 | 25,071 | 67,247 | 234,049 | 2,947,860 |

| 31 March 2025 £'000 | Infrastructure Assets | 31 March 2026 £'000 |
|------------------------------------|--|------------------------------------|
| 330,232 | Balance at start of year | 355,379 |
| 36,113 | Additional enhancement | 32,633 |
| (10,966) | De-recognition | (11,915) |
| 355,379 | Balance at end of year | 376,097 |
| 3,294,361 | NBV (excl. Infrastructure Assets) | 3,476,001 |
| 3,649,740 | Total NBV | 3,852,098 |

The council has determined in accordance with the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be de-recognised for infrastructure assets when there is replacement expenditure is nil.

In addition to the Council's property balance and equipment, the Group Accounts includes £126m of assets classified as other land and buildings held within Future New Home Limited and Populo Living Limited.

The Council's property portfolio is valued by Wilks, Head and Eve LLP. The valuation bases are in accordance with the Statement of Asset Valuation Practices and Guidance Notes of the Royal Institute of Chartered Surveyors. Housing Revenue Account dwellings are valued at their existing use based on 'Beacon' valuation principles and then have a social housing adjustment made thus reducing the balance sheet value to 25% of the beacon value, as directed by the Ministry of Housing Communities and Local Government (MHCLG).

Included in the figures for other land and buildings are 40 Community schools (primary and secondary schools). The Council also provides revenue funding, through the Dedicated Schools Grant, for all schools in the Borough. During 2025/26 Plashet School (Secondary) converted to an academy.

Assets Held for Sale

| 31 March 2025 £'000 | | 31 March 2026 £'000 |
|------------------------------------|---|------------------------------------|
| 4,878 | At 1 April | 2,309 |
| - | Revaluation movement recognised in the Surplus on the Provision of Services | (8,149) |
| (8,864) | Derecognition - Disposals | (11,812) |
| 6,295 | Other reclassifications/Transfer | 19,961 |
| 2,309 | At 31 March | 2,309 |

Note 15: - Heritage Assets

The Council owns several Heritage Assets held under three categories: Civic Regalia (currently valued at £0.059m), the Museum's Art Collection (currently valued at £2.205m) and Street Art (currently valued at £1.394m). Specialist valuations are only obtained on an infrequent basis, and these values are the same as reported in 2024/25.

The only addition to Heritage assets during the last 5 years is the Joan Littlewood statue constructed in 2015/16. Our heritage asset policy includes a de minimis value of £10k. The value of assets excluded because of this is approximately £0.106m. The valuation of heritage assets is in accordance with the corporate insurance register; this holds information for assets of material value, or which are exposed to a particular risk.

Further information on the Council's Heritage assets can be found from the Newham Heritage Service; which aims to preserve, promote and interpret the rich diversity of Heritage in the London Borough of Newham and make it accessible to all. It aims to contribute to the quality of life in the Borough by promoting a sense of place, a feeling of belonging and of local pride, and to enhance Newham's image regionally and nationally.

Civic Regalia

Civic Regalia refers to the Mayor's 18ct gold chain of office, with 4 plaques and enamelled arms and the Mayor's 18ct gold and enamel badge of office. A Silver Gilt Mace with arms of East Ham, West Ham and Newham is also classified in Civic Regalia.

Buxton Table

The Council is the owner of the Buxton Table, which was donated to the public and is named after its owner. This is the table around which in 1833 William Wilberforce MP and others, including its owner Thomas Buxton MP, discussed and drafted the Bill for the Abolition of Slavery in the British Dominions. Whilst this table is of significant cultural and historical importance, there is currently no reliable financial valuation available for the table and therefore this asset is not recognised in the Council's Balance Sheet.

Museum Art Collection

Items classified within Museum Art Collection are: Bow Porcelain & Museum Collection; Edward V1 Fine Royal Letters Patent; Madge Gill artworks; five pieces of artwork by artists John Bettes, Charles Catton the Elder, John Wilson Carmichael, Andrea Casali and George Romney; Victorian G.E. Railway boardroom table; Bronze Portrait bust by Benno Schotz; West Ham Memorial Document; and a Railway items collection.

Street Art

The three items classified within Street Art are the Champions Sculpture, a Horse Sculpture and a Train Engine.

Note 16: - Investment Properties

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

| 31 March 2025 £'000 | | 31 March 2026 £'000 |
|------------------------------------|---|------------------------------------|
| 10,335 | Rental income due from investment property | 12,423 |
| 367,475 | Balance at start of year | 360,927 |
| 1,528 | Additions and Enhancement Expenditure* | 1,766 |
| (1,781) | Net gains/(losses) from fair value adjustments | 24,732 |
| (6,295) | Transfers to Property Plant and Equipment | (19,960) |
| 360,927 | Balance at year-end | 367,465 |

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

In addition to investment properties held by the Council, the group balance sheet includes £219m (2024/25: £225m) of investment property held within Populo Living Limited. Valuations were carried out by Wilks, Head and Eve LLP (WHE) and are valued as defined by IFRS 13.

Where an asset is at Fair Value, IFRS 13 requires the valuer to make additional disclosures regarding the valuation technique applied to measure the fair value and the nature of the inputs to that valuation technique, having regard to the fair value hierarchy prescribed within IFRS13.

It is confirmed that the valuation technique applied in respect of all fair value figures is the market approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets.

Note 17: - Intangible Assets

The Council accounts for software as an intangible asset, to the extent that the software is not an integral part of a particular IT system accounted for as part of the hardware item of Property, Plant and Equipment. The carrying amount of intangible assets is amortised on a straight-line basis. In the current year, amortisation of £0.696m (£0.955m in 2024/25) was charged directly to cost centres where there were sole users or, in cases where there was not sole usage, to the IT Administration cost centre, and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

Note 18: - Financial Instruments

Categories of Financial Instruments

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

Financial Assets

| | Non-Current | | | | Current | | | | | | | |
|-----------------------------------|---------------|---------------|----------------|----------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|
| | Investments | | Debtors | | Cash | | Investment | | Debtors | | Total | |
| | 31 March 2026 | 31 March 2025 | 31 March 2026 | 31 March 2025 | 31 March 2026 | 31 March 2025 | 31 March 2026 | 31 March 2025 | 31 March 2026 | 31 March 2025 | 31 March 2026 | 31 March 2025 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fair Value through Profit or Loss | 74,043 | 64,043 | - | - | - | - | - | - | - | - | 74,043 | 64,043 |
| Amortised cost | - | - | 389,249 | 396,775 | 68,764 | 60,600 | 10,104 | 20,471 | 2,404 | 465 | 470,521 | 478,311 |
| Total Financial Assets | 74,043 | 64,043 | 389,249 | 396,775 | 68,764 | 60,600 | 10,104 | 20,471 | 2,404 | 465 | 544,564 | 542,354 |
| Non- Financial Assets | - | - | - | - | - | - | - | - | 166,641 | 161,206 | 166,641 | 161,206 |
| Total | 74,043 | 64,043 | 389,249 | 396,775 | 68,764 | 60,600 | 10,104 | 20,471 | 169,045 | 161,671 | 711,205 | 703,560 |

Financial Liabilities

| | Non-Current | | | | Current | | | | | | Total | |
|-----------------------------------|--------------------|--------------------|---|------------------|---------------------------|-----------------|------------------|------------------|------------------|------------------|--------------------|--------------------|
| | Borrowings | | PFI and Finance Lease and Other Creditors | | Cash and Cash Equivalents | | Borrowing | | Creditors | | Total | |
| | 31 March 2026 | 31 March 2025 | 31 March 2026 | 31 March 2025 | 31 March 2026 | 31 March 2025 | 31 March 2026 | 31 March 2025 | 31 March 2026 | 31 March 2025 | 31 March 2026 | 31 March 2025 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fair Value through Profit or Loss | | | | | | | | | | | | |
| Amortised cost | (1,373,431) | (1,266,938) | (341,627) | (344,990) | (27,221) | (35,259) | (206,537) | (195,157) | (113,486) | (140,743) | (2,062,302) | (1,983,087) |
| Total Financial Liability | (1,373,431) | (1,266,938) | (341,627) | (344,990) | (27,221) | (35,259) | (206,537) | (195,157) | (113,486) | (140,743) | (2,062,302) | (1,983,087) |
| Non- Financial Liabilities | - | - | (69,753) | (72,812) | - | - | - | - | - | - | (69,753) | (72,812) |
| Amortised cost | - | - | (10,923) | (10,330) | - | - | - | - | (118,365) | (84,798) | (129,288) | (95,128) |
| Total | (1,373,431) | (1,266,938) | (422,303) | (428,132) | (27,221) | (35,259) | (206,537) | (195,157) | (231,851) | (225,541) | (2,261,343) | (2,151,027) |

Financial Assets

| Carrying Value 31 March 2025 £'000 | Fair Value 31 March 2025 £'000 | Financial Assets | Carrying Value 31 March 2026 £'000 | Fair Value 31 March 2026 £'000 |
|---------------------------------------|-----------------------------------|--|---------------------------------------|-----------------------------------|
| 64,043 | 64,043 | Long-Term Investments - equities | 74,043 | 74,043 |
| 52,858 | 52,858 | Long-Term Receivables - Finance Leases (Note 21) | 51,294 | 51,294 |
| 343,916 | 343,916 | Long-Term Receivables - Other (Note 21) | 337,955 | 337,955 |
| 460,817 | 460,817 | Total Included in Long Term Assets | 463,292 | 463,292 |
| 20,471 | 20,471 | Short Term Investments | 10,104 | 10,104 |
| 465 | 465 | Short-Term Receivables | 2,404 | 2,404 |
| 60,600 | 60,600 | Cash and Cash Equivalents (Note 20) | 68,764 | 68,764 |
| 81,536 | 81,536 | Total included in Current Assets | 81,272 | 81,272 |
| 542,353 | 542,353 | Total Financial Assets | 544,564 | 544,564 |

Financial Liabilities

| | PR rate/CV | NL rate/CV | Financial Liabilities | | PR rate/CV | NL rate/CV |
|--|---|---|---|--|---|---|
| Carrying Value 31 March 2025 £'000 | Fair Value 31 March 2025 £'000 | Fair Value 31 March 2025 £'000 | | Carrying Value 31 March 2026 £'000 | Fair Value 31 March 2026 £'000 | Fair Value 31 March 2026 £'000 |
| 160,643 | 160,438 | 133,036 | Short Term Borrowing at amortised cost | 142,974 | 142,974 | 133,971 |
| 34,514 | 41,877 | 41,643 | Short Term Borrowing PWLB at amortised cost | 63,563 | 61,288 | 60,760 |
| 35,259 | 25,341 | - | Cash and Cash Equivalents (Note 20) | 27,221 | 27,221 | - |
| 35,343 | 35,434 | - | PFI and Finance Lease Liabilities (Note 22) | 35,341 | 35,341 | - |
| 105,401 | 105,401 | - | Financial Liabilities at Contracted Amounts (Note 22) | 78,145 | 78,145 | - |
| 371,160 | 368,491 | 174,679 | Total Included in Current Liabilities | 347,244 | 344,969 | 194,731 |
| 353,295 | 381,729 | 323,989 | Long-Term Borrowing | 308,520 | 248,663 | 205,415 |
| 913,643 | 810,506 | 776,335 | Long-Term Borrowing PWLB | 1,064,910 | 878,843 | 859,142 |
| 344,989 | 283,536 | - | PFI and Finance Lease Liabilities (Note 35) | 51,388 | - | - |
| - | - | - | Financial Liabilities at Amortised Cost (Note 35) | 290,239 | - | - |
| 1,611,927 | 1,475,771 | 1,100,324 | Total included in Long Term Liabilities | 1,715,057 | 1,127,506 | 1,064,557 |
| 1,983,087 | 1,844,262 | 1,275,003 | Total Financial Liabilities | 2,062,301 | 1,472,475 | 1,259,288 |

Note 19: - Construction Contracts

As at 31st March 2026, the council had several contracts for the construction or enhancement of property, plant and equipment in 2024/25, and future years budgeted to cost £71.3m (last year was £46.2m). Further details on these commitments are included in note 14.

Note 20: - Cash and Cash Equivalents

Cash comprises cash in hand and on-demand deposits. Cash will also include bank overdrafts that are repayable on demand and that are integral to the Council's cash management. Balances classified as Cash Equivalents fit the definition of short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The net balance of Cash and Cash Equivalents is made up of the following elements at the Balance Sheet dates:

| Single Entity 2024/25 £'000 | Group Accounts 2024/25 £'000 | | Single Entity 2025/26 £'000 | Group Accounts 2025/26 £'000 |
|-----------------------------------|------------------------------------|--|-----------------------------------|------------------------------------|
| 13 | 13 | Petty cash | 12 | 12 |
| 24,616 | 24,615 | Cash at bank (Schools) | 25,064 | 25,064 |
| 60,600 | 72,167 | Cash Equivalents | 43,688 | 50,996 |
| 85,229 | 96,795 | Total Cash and Cash Equivalents | 68,764 | 76,072 |
| (35,259) | (35,259) | Cash equivalents (Overdrawn) | (27,221) | (27,221) |
| 49,970 | 61,536 | Total cash and cash equivalents | 41,543 | 48,851 |

Note 21: - Receivables

The following table provides an analysis of amounts owed to the Council as at 31 March.

| 2024/25 | | | | | 2025/26 | | | |
|------------------------------|-------------------------------|----------------|-------------------------|-------------------------------|------------------------|-------------------------------|----------------|-------------------------|
| Single Entity £'000 | Impairment Allowance £'000 | Net £'000 | Group Accounts £'000 | | Single Entity £'000 | Impairment Allowance £'000 | Net £'000 | Group Accounts £'000 |
| 37,534 | - | 37,534 | 37,534 | Central Government Bodies | 24,934 | - | 24,934 | 24,934 |
| 1,822 | - | 1,822 | 1,822 | Other Local Authorities | 7,139 | - | 7,139 | 7,139 |
| 46,926 | (34,693) | 12,233 | 12,233 | Council Taxpayers | 45,557 | (32,330) | 13,227 | 13,227 |
| 1,928 | (897) | 1,031 | 1,031 | Business Rate Payers | 2,491 | (622) | 1,869 | (4,660) |
| 46,223 | (40,777) | 5,446 | 5,446 | Housing Rents | 49,687 | (44,497) | 5,190 | 5,190 |
| 78,211 | (7,726) | 70,485 | 70,820 | Sundry Receivables | 71,630 | (8,775) | 62,855 | 80,465 |
| 32,845 | (24,302) | 8,543 | 8,543 | Housing benefit overpayments | 30,460 | (21,874) | 8,586 | 8,586 |
| 4,902 | - | 4,902 | 4,902 | Prepayments | 7,773 | - | 7,773 | 7,773 |
| 57,726 | (53,064) | 4,662 | 4,662 | Parking | 90,188 | (84,666) | 5,522 | 5,522 |
| 10,445 | (7,942) | 2,503 | 2,503 | Leaseholders | 11,122 | (8,917) | 2,205 | 2,205 |
| 12,339 | - | 12,339 | 22,698 | Amount due from Pension Fund | 29,745 | - | 29,745 | 29,745 |
| 330,901 | (169,401) | 161,500 | 172,194 | | 370,726 | (201,682) | 169,044 | 180,126 |
| Long Term Receivables | | | | | | | | |
| 52,858 | - | 52,858 | 52,858 | Finance Leases (lessor) | 51,294 | - | 51,294 | |
| 4,314 | - | 4,314 | 4,314 | Leaseholder loans | 3,728 | - | 3,728 | |
| 295,076 | - | 295,076 | - | Amounts due from subsidiaries | 296,301 | - | 296,301 | - |
| 34,411 | - | 34,411 | 34,411 | Shared equity interest | 34,411 | - | 34,411 | |
| 10,116 | - | 10,116 | 10,116 | Other long-term receivables | 3,515 | - | 3,515 | |
| 396,775 | | 396,775 | 101,699 | | 389,249 | - | 389,249 | - |

Note 22: - Payables

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

| 2024/25 | | | 2025/26 | |
|------------------------|-------------------------|------------------------------------|------------------------|-------------------------|
| Single Entity £'000 | Group Accounts £'000 | | Single Entity £'000 | Group Accounts £'000 |
| (12,878) | (12,878) | Council Tax Payables | (12,055) | (12,055) |
| (4,131) | (4,131) | Business Rate Payables | (4,172) | (4,172) |
| 104,586 | (147,979) | Sundry Payables | (78,145) | (130,409) |
| (8,212) | (8,212) | Receipts In Advance | (26,346) | (26,346) |
| (34,445) | (35,343) | Finance Lease and PFI Liabilities | (35,341) | (35,341) |
| (16,550) | (16,550) | Employee Benefits | (17,377) | (17,377) |
| (10,906) | (10,906) | Revenue Grants Received in Advance | (2,524) | (2,524) |
| (16,998) | (13,789) | Central Government Bodies | (10,259) | (10,259) |
| (9,186) | (9,186) | Other Local Authorities | (30,828) | (30,828) |
| (6,580) | (16,939) | Amount due to Pension Fund | (14,804) | (14,804) |
| (224,472) | (275,913) | | (231,851) | (284,115) |

Note 23: - Provisions

| Long Term Provision | 31 March 2025 £'000 | Additional Provision £'000 | Accounts Utilised £'000 | Accounts Released £'000 | 31 March 2026 £'000 |
|---------------------|------------------------|-------------------------------|----------------------------|----------------------------|------------------------|
| Insurance | (6,478) | - | 95 | - | (6,383) |
| MMI | (935) | - | 794 | - | (141) |
| NNDR | (1,100) | (9,209) | 7,216 | - | (3,093) |
| Other | (2,189) | - | 608 | - | (1,581) |
| Total | (10,702) | (9,209) | 8,713 | - | (11,198) |

| Short Term Provision | 31 March 2025 £'000 | Additional Provision £'000 | Accounts Utilised £'000 | Accounts Released £'000 | 31 March 2026 £'000 |
|----------------------|------------------------|-------------------------------|----------------------------|----------------------------|------------------------|
| NNDR | (2,885) | - | 2480 | - | (405) |
| Other | (1,513) | - | 1513 | - | - |
| Total | (4,398) | - | 3,993 | - | (405) |

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

Insurance Provision

The Insurance provision is required because some of the Council's insurance policies are met by deposit premiums, under which insurers ask for additional sums some years after the original claim. Furthermore, balances are accrued each year to meet future known claims where the Council self-insures. Depending on the claims, these payments may be made over several years. The Council provides for each outstanding insurance claim separately and may recognise a reimbursement if recovery is virtually certain if this is appropriate for the type of claim.

NNDR Appeals

The Council levies Business Rates on commercial premises within the Borough. This is based on a rateable value per property, as determined by the Valuation Office Agency. From time-to-time, ratepayers may appeal the rateable value of their premises. In accordance with the principles of agency accounting, the Council recognises its share (30%) of the provision for appeals within the Balance Sheet. As at 31st March 2026, this was £3.498m (£3.985m in 2024/25)

Other

The Council made a provision of £11.8m in 2020/21 to cover any potential liabilities arising from the water charges ruling, which requires local authorities to pass on any discounts received from Thames Water to tenants whose rent includes the cost of water rates, this has since been reduced to £1.386m as at 31st March 2026. In addition to this the Council has a few on-going litigation cases, provision for which is also included within the long-term provision figure.

Note 24: - Usable Reserves

The Council keeps several reserves in the Balance Sheet. Some are required to be held for statutory reasons; some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans. Reserves are reviewed as part of the budget process together with the Council's agreed reserves policy in accordance with s.23 of the Local Government Act 2003.

Movements in the Council's Usable reserves are detailed in the Movement in Reserves Statement. Unusable reserves are further detailed in Note 25. Earmarked reserves are detailed in Note 9.

| 2024/25 £'000 | | 2025/26 £'000 |
|------------------|----------------------------------|------------------|
| (13,946) | General Fund | (52,089) |
| (140,294) | Earmarked Reserves-General Fund | (119,160) |
| (40,463) | Housing Revenue Account | (45,025) |
| (204,232) | Capital Receipts Reserve | (186,891) |
| (68,502) | Capital Grants Unapplied Account | (73,298) |
| - | Major Repairs Reserve | (916) |
| (467,437) | Total Usable Reserves | (477,379) |

The Group Usable Reserves are £28m lower than the single entity reserve above, reflecting the consolidated position as at 31st March 2026. This is primarily driven by the deficit reported in the Populo Living Limited accounts.

Note 25: - Unusable Reserves

| 2024/25 £'000 | | 2025/26 £'000 |
|--------------------|---|--------------------|
| (780,413) | Revaluation Reserve | (750,607) |
| (1,363,713) | Capital Adjustment Account | (1,415,562) |
| 104,750 | Financial Instruments Adjustment Account | 101,695 |
| (88,262) | Deferred Capital Receipts and Credits Reserve | (87,286) |
| 10,101 | Pensions Reserve | 10,695 |
| (960) | Collection Fund Adjustment Account | 1,783 |
| 16,550 | Accumulated Absences Account | 17,377 |
| 8,729 | Dedicated Schools Grant Adjustment Account | 2,478 |
| (2,093,218) | Total Unusable Reserves | (2,119,426) |

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Heritage Assets. The balance is reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost; or used in the provision of services and the gains are consumed through depreciation; or disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

| 2024/25 £'000 | Revaluation Reserve | 2025/26 £'000 |
|------------------|--|------------------|
| (771,996) | Balance at 01 April | (780,413) |
| (24,779) | Upward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services | 29,806 |
| 10,191 | Difference between fair value depreciation and historical cost depreciation | - |
| 6,171 | Accumulated gains on assets sold or scrapped | - |
| (780,413) | Balance at 31 March | (750,607) |

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise in the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| 2024/25 £'000 | Accumulated Absences Reserve | 2025/26 £'000 |
|------------------|---|------------------|
| 17,471 | Balance at 01 April | 16,550 |
| (17,471) | Settlement or cancellation of accrual made at the end of the preceding year | (16,550) |
| 16,550 | Amounts accrued at the end of the current year | 17,377 |
| 16,550 | Balance at 31 March | 17,377 |

Financial Instruments Adjustments Account

The Financial Instruments Adjustment Account (FIAA) absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains in accordance with statutory provisions.

Premiums and Discounts

The code requires that, unless attributable to a loan held at 31st March 2007, all premiums and discounts carried on the balance sheet are written off to the General Fund balance. Statutory regulations allow for the impact on council tax to be mitigated through a transfer to the Financial Instruments Adjustment Account. The balance of premiums and discounts is charged to revenue in line with the provisions set out in the accounting policies.

Stepped Interest Loans

Under the Code, where the Council has taken out loans with a stepped interest structure, the interest charge to the Comprehensive Income and Expenditure Statement is at the effective interest rate over the period of the loan. However, for stepped loans taken out before 9th November 2007, regulations permit authorities to charge interest to the General Fund balance at either: the effective interest rate; or the interest rate due for the financial year under the loan agreement.

Where the latter option is applied the difference between the interest chargeable at the effective interest rate is transferred from the General Fund balance to the Financial Instruments Adjustments Account via the Movement in Reserves Statement and released back to the General Fund balance for the remaining period of the loan.

The transactions reflected in the FIAA are as follows:

| 2024/25 £'000 | Financial Instruments Adjustment Account | 2025/26 £'000 |
|--------------------------|--|--------------------------|
| 107,833 | Balance at 01 April | 104,750 |
| (2,978) | Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | (2,963) |
| (105) | Effective Interest Rate adjustment on LOBO borrowing | (92) |
| (3,083) | Amount by which finance costs charged to the Comprehensive income and expenditure statement are different from finance cost chargeable in the year in accordance with statutory requirements | (3,055) |
| 104,750 | Balance at 31 March | 101,695 |

Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them.

| 2024/25 £'000 | Pension Reserve | 2025/26 £'000 |
|--------------------------|--|--------------------------|
| 11,834 | Balance at 01 April | 10,101 |
| (191,853) | Adjustment to the brought forward Pensions Reserve | 39,979 |
| 19,129 | Actuarial (gains)/losses on pensions assets and liabilities | 18,214 |
| 19,129 | Reversal of items relating to retirement benefits on the Provision of Services in the CIES | 18,214 |
| 201,040 | Asset Ceiling Adjustment | (25,385) |
| (30,049) | Employer's pensions contributions and direct payments to pensioners payable in the year | (32,214) |
| 10,101 | Balance at 31 March | 10,695 |

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying amounts to the General Fund from the Collection Fund.

| 2024/25 £'000 | Collection Fund Adjustment Account | 2025/26 £'000 |
|------------------|---|------------------|
| (4,347) | Balance at 01 April | (960) |
| 3,387 | Amount by which income credited to the Comprehensive Income and Expenditure Statement differs from income calculated for the year in accordance with statutory arrangements | 2,743 |
| (960) | Balance at 31 March | 1,783 |

Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account manages the deficits arising from the school's budget expenditure exceeding the DSG funding available. The accumulated deficit balance is held separately from the general fund to ensure the deficits do not place pressure on the Council's ability to deliver other services.

| 2024/25 £'000 | Dedicated Schools Grant Adjustment Account | 2025/26 £'000 |
|------------------|---|------------------|
| 12,724 | Balance at 01 April | 8,729 |
| (3,995) | Amount by which expenditure on schools is charged to the Comprehensive Income and Expenditure Statement in excess of DSG grant chargeable in the year in accordance | (6,251) |
| 8,729 | Balance at 31 March | 2,478 |

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the CIES. The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 2024/25 £'000 | Capital Adjustment Account | 2025/26 £'000 |
|--------------------|--|--------------------|
| (1,331,697) | Balance at 01 April | (1,363,713) |
| | Reversal of items relating to capital expenditure debited or credited to the CIES: | |
| 4,866 | Charges for depreciation and impairment of non-current assets | 50,409 |
| 93,399 | Revaluation gains on Property, Plant and Equipment | (5,602) |
| (1,492) | Revenue expenditure funded from capital under statute | 9,834 |
| 22,635 | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 23,607 |
| 2,807 | Repayment of subsidiary loans | - |
| 192,215 | | 78,248 |
| (16,296) | Adjusting amounts written out of the Revaluation Reserve | |
| 175,919 | Net written out amount of the cost of non-current assets consumed in the year | 78,248 |
| | Capital financing applied in the year: | |
| (29,233) | Use of the Capital Receipts Reserve to finance new capital expenditure | (28,085) |
| (15,889) | Use of Revenue and Revenue Reserves to finance new capital expenditure | (12,967) |
| (18,901) | Use of Major Repairs Reserve (MRR) for capital financing | (18,608) |
| (84,801) | Capital grants and contributions credited to the CIES that have been applied to capital financing | (12,592) |
| (7,756) | Application of grants to capital financing from the Capital Grants Unapplied Account | (12,304) |
| (53,136) | Provision for the financing of capital investment charged against the General Fund and HRA balances | (19,042) |
| (209,716) | | (103,598) |
| 1,781 | Movements in the market value of Investment Properties debited or credited to the CIES | (26,499) |
| (1,363,713) | Balance at 31 March | (1,415,562) |

Note 26: - Cash Flow Statement – Adjustments for Non-Cash Transactions

| Single Entity 2024/25 £'000 | Group Accounts 2024/25 £'000 | | Single Entity 2025/26 £'000 | Group Accounts 2025/26 £'000 |
|-----------------------------------|------------------------------------|---|-----------------------------------|------------------------------------|
| | | <i>Adj. net surplus/ deficit on the provision of services for non-cash movements</i> | | |
| (51,527) | (52,954) | Depreciation and amortisation | (38,495) | (39,907) |
| (99,934) | (100,387) | Impairment and revaluations | 23,952 | 23,893 |
| | | Derecognition of Available for Sale Assets | (11,812) | (11,812) |
| - | - | Movement in impairment allowance | - | - |
| - | - | (Increase)/ Decrease in Investments | 9,916 | 9,916 |
| (19,172) | (31,166) | (Increase)/ Decrease in Creditors | (47,975) | (46,205) |
| 19,221 | 16,915 | (Increase)/ Decrease) in Debtors | 3,441 | 10,600 |
| (13) | | (Increase)/ Decrease) in Inventories | 1,006 | 2,170 |
| 10,920 | 10,920 | Movement in pension liability | 26,373 | 26,373 |
| | | Contributions (to)/from Provisions | 3,497 | 3,497 |
| (22,634) | (22,634) | Carrying amount of non-current assets sold (PPE, IP and intangible assets) | (23,709) | (23,709) |
| 1,163 | 650 | Other non-cash items charged to net surplus/ deficit on the prov'n of services | | |
| (161,976) | (178,656) | | (53,806) | (45,185) |
| 119,534 | 119,805 | Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities | (213,322) | (213,322) |
| (42,442) | (58,851) | Net cash flows from operating activities | (267,128) | (258,507) |

The cashflow from operating activities includes the following amounts:

| Single Entity 2024/25 £'000 | Group Accounts 2024/25 £'000 | | Single Entity 2025/26 £'000 | Group Accounts 2025/26 £'000 |
|-----------------------------------|------------------------------------|---------------------|-----------------------------------|------------------------------------|
| (24,278) | (7,549) | Interest received | (17,635) | (33,959) |
| 72,146 | 55,688 | Interest paid | 72,785 | 88,889 |
| 47,868 | 48,139 | Net interest | 55,150 | 54,930 |

Note 27: - Cash Flow Statement - Investing Activities

| Single Entity 2024/25 £'000 | Group Accounts 2024/25 £'000 | | Single Entity 2025/26 £'000 | Group Accounts 2025/26 £'000 |
|-----------------------------------|------------------------------------|--|-----------------------------------|------------------------------------|
| 400,561 | 395,284 | Purchase of property, plant and equipment and intangible assets | 285,659 | 281,949 |
| 15,885 | 6,180 | Purchase of short-term Investments and long-term investments | - | - |
| | | Proceeds from short-term and long-term investments | (10,283) | (20,283) |
| 35,251 | 35,251 | Other payments for investing activities | 40 | 40 |
| (33,864) | (33,031) | Proceeds from the sale of property, plant and equipment and non-current assets | (62,195) | (62,292) |
| (138,653) | (120,299) | Other receipts from investing | (11,236) | (11,414) |
| 279,180 | 283,385 | Net cash flows from investing activities | 201,985 | 187,999 |

Note 28: - Cash Flow Statement - Financing Activities

| Single Entity 2024/25 £'000 | Group Accounts 2024/25 £'000 | | Single Entity 2025/26 £'000 | Group Accounts 2025/26 £'000 |
|-----------------------------------|------------------------------------|--|-----------------------------------|------------------------------------|
| 79,500 | 83,937 | Cash repayment of short-term borrowings and long term-borrowings | 392,823 | 387,557 |
| 36,244 | 36,244 | Cash payments to reduce finance lease and PFI liabilities | - | - |
| (388,317) | (394,874) | Cash receipts of short-term and long term borrowing | (652,977) | (652,977) |
| 1,641 | 1,762 | Other payments for financing activities | - | 5,075 |
| (270,932) | (272,931) | Net cash flows from financing activities | (260,154) | (260,345) |

Note 29: - Pooled Budgets

Introduced in April 2015, the Better Care Fund (BCF) represents a significant national incentive aimed at integrating health and social care structures. It requires local authorities and NHS bodies (formally clinical Commissioning Groups, now Integrated Care Boards (ICBs) to pool budgets and jointly agree integrated spending plans to ensure BCF allocations are used efficiently and effectively. Initially, central government committed £3.8 billion to the BCF, with local areas contributing a further £1.5 billion, bringing the total funding to £5.3 billion, with additional funds continuing to be routed by the government in this way.

BCF plans continue to align with wider system priorities, including integrated care, service transformation, and out-of-hospital care. The pooled budget is established under a Section 75 Agreement of the National Health Service Act 2006. A robust governance framework is in place to oversee delivery and performance, with schemes monitored through BCF Governance and Delivery Group and reported to the Health and Wellbeing Board.

The London Borough of Newham and the NHS Northeast London Integrated Care Board (NEL ICB) agree on annual contributions and funding allocations for services delivered through the BCF. Some schemes are demand-led, with contributions varying based on service utilisation. All parties to the BCF pooled budget have joint control with each partner accounting for its share of income, expenditure, assets, liabilities and cash flows in accordance with the agreement. This supports transparency, shared accountability, and collaborative decision-making.

| 2024/25 £'000 | | 2025/26 £'000 |
|--------------------------|---|--------------------------|
| | Funding provided to the pooled budget: | |
| (150,802) | London Borough of Newham | (174,983) |
| (63,123) | NHS North East London Integrated Care Board (NEL ICB) | (63,917) |
| (213,925) | Total funding | (238,900) |
| | Expenditure met from the pooled budget: | |
| 150,802 | London Borough of Newham | 174,983 |
| 63,123 | NHS North East London Integrated Care Board (NEL ICB) | 63,917 |
| 213,925 | Total expenditure | 238,900 |
| - | Net deficit/(surplus) arising on the pooled budget during the year | - |

Below is a summary of the scheme funding agreed with the NEL ICB, Newham Council and governed by the Health & Well Being Board.

| | Scheme Name | 2025/26 Revised £'000 |
|---------|---|--------------------------------------|
| BCF004 | RAID and support | 1,059 |
| BCF005 | Existing Social Care | 11,718 |
| BCF005b | Continuing Care | 5,282 |
| BCF005c | NHS Funded Nursing Care | 940 |
| BCF005d | DFG/Capital | 4,352 |
| BCF005e | Equipment Services | 2,299 |
| BCF006 | Protection of Adult Social Care | 7,127 |
| BCF006a | Extension to Protection of Social Care | 7,522 |
| BCF007 | Care Act | 1,355 |
| BCF008 | Social Prescription/PPE | 381 |
| BCF010 | Rehab/Virtual Ward | 1,898 |
| BCF012 | Care Packages/Placements | 109,872 |
| BCF013 | Community services | 30,193 |
| BCF014 | Public Health Commissioning (ASC) | 36,297 |
| BCF015 | Market Sustainability and Growth (ASC) | 7,429 |
| BCF016 | Out of Hospital / Admission Avoidance | 2,242 |
| BCF017 | Wheelchair Services | 1,803 |
| BCF018 | COVID 19 response IDH & Social care recovery | 292 |
| BCF019 | 50 Steps - Inequalities, Prevention, and transformation | 288 |
| BCF021 | CEG - Primary Care Data | 49 |
| BCF022 | Local Authority Discharge Funding | 6,502 |
| | Total | 238,900 |

Note 30: - Members' Allowances

The total of members' allowances and expenses paid in 2025/26 (excluding National Insurance Contributions) was £1.643m. Full details of members' allowances paid are available on the website and upon request in writing to Member Services, 4th Floor, West Wing, Newham Dockside, London E16 2QU. Further details can also be found on the following website. <https://www.newham.gov.uk/council/councillors%E2%80%99-allowances-expenses>.

Note 31: - Officers' Remuneration (Salary Banding)

The Accounts and Audit (England) Regulations 2015 require local authorities to disclose the number of employees whose remuneration was £50,000 or more in the financial year, expressed in bands of £5,000. This includes the remuneration of senior employees which is shown below.

| Remuneration Band | School Employees | | Other Employees | | Total Employees | |
|---------------------|------------------|------------|-----------------|--------------|-----------------|--------------|
| | 2024/25 | 2025/26 | 2024/25 | 2025/26 | 2024/25 | 2025/26 |
| £50,000 - £54,999 | 115 | 174 | 350 | 319 | 465 | 493 |
| £55,000 - £59,999 | 165 | 90 | 330 | 369 | 495 | 459 |
| £60,000 - £64,999 | 149 | 148 | 186 | 227 | 335 | 375 |
| £65,000 - £69,999 | 79 | 118 | 70 | 108 | 149 | 226 |
| £70,000 - £74,999 | 75 | 59 | 71 | 84 | 146 | 143 |
| £75,000 - £79,999 | 30 | 52 | 46 | 46 | 76 | 98 |
| £80,000 - £84,999 | 21 | 24 | 49 | 45 | 70 | 69 |
| £85,000 - £89,999 | 24 | 19 | 17 | 20 | 41 | 39 |
| £90,000 - £94,999 | 14 | 15 | 17 | 15 | 31 | 30 |
| £95,000 - £99,999 | 8 | 15 | 26 | 17 | 34 | 32 |
| £100,000 - £104,999 | 6 | 11 | 6 | 6 | 12 | 17 |
| £105,000 - £109,999 | 7 | 5 | 3 | 5 | 10 | 10 |
| £110,000 - £114,999 | 4 | 6 | 5 | 2 | 9 | 8 |
| £115,000 - £119,999 | 2 | 5 | 4 | 3 | 6 | 8 |
| £120,000 - £124,999 | 2 | 1 | 5 | 5 | 7 | 6 |
| £125,000 - £129,999 | - | 1 | 5 | 3 | 5 | 4 |
| £130,000 - £134,999 | 3 | 2 | 5 | 2 | 8 | 4 |
| £135,000 - £139,999 | - | 3 | 1 | 2 | 1 | 5 |
| £140,000 - £144,999 | 1 | - | | 2 | 1 | 2 |
| £145,000 - £149,999 | 2 | 1 | | 1 | 2 | 2 |
| Over £150,000 | 3 | 3 | 10 | 5 | 13 | 8 |
| Totals | 710 | 752 | 1,206 | 1,286 | 1,916 | 2,038 |

During 2025/26 the number of staff in schools and officers whose remuneration exceeded £50k increased by 122. The increase is primarily due to the impact of inflationary pay increases and staff moving up spinal points. For officers the bandings which have increased the most are between £60,000 - £75,000, with a total increase of 92. However, the number of officers paid over £150k has seen a decrease of 5 staff.

Note 32: - Officers' Remuneration (Senior Officers)

Senior employees whose annual salary for the year was equal to or greater than £150,000 (pro-rata) or who were fulfilling a Statutory Chief Officer post (in accordance with the Local Government and Housing Act 1989) are listed below:

| Note | Name and Job Title | 2025/26 | | | |
|------|---|---------------------------------|--|---|-------------------------|
| | | *Salary, Fees & Allowances £ | Compensation for loss of employment £ | Council's contribution to Pension Fund £ | Total Remuneration £ |
| 1 | Abi Gbago Chief Executive Officer | 75,154 | 231,024 | 12,546 | 318,724 |
| 2 | Paul Martin Interim Chief Executive Officer | 210,750 | - | - | 210,750 |
| 3 | Maria G. Christofi Interim Assistant Chief Executive – Change & Improvement | 73,150 | - | - | 73,150 |
| 4 | Maria G. Christofi Interim Assistant Chief Executive - Change & Improvement & Corporate Director of Resources (Section 151 Officer) | 116,930 | - | - | 116,930 |
| 5 | Conrad Hall Corporate Director of Resources (s151) | 157,902 | - | 26,754 | 184,656 |
| 6 | Rachel Mckoy Director of Law, Governance & Monitoring Officer | 64,922 | - | 11,816 | 76,738 |
| 7 | Janie Berry Director of Law, Governance & Monitoring Officer (Interim) | 167,250 | - | - | 167,250 |
| 8 | Jason Strelitz Corporate Director of Adults & Health (DASS) Acting | 88,276 | - | 15,491 | 103,767 |
| 9 | Alan Adams Corporate Director of Adults & Health (DASS) Interim | 79,800 | - | - | 79,800 |
| 10 | Fiona Connolly Corporate Director of Adults & Health (DASS) | 36,972 | - | 6,729 | 43,701 |
| | Laura Eden Corporate Director of Children & Young People (DCS) | 181,473 | - | 33,028 | 214,501 |
| 11 | Jamie Cooke Corporate Director of Environment and Sustainable Transport (Acting) | 46,328 | - | 7,922 | 54,250 |
| 12 | Sean McDermid Corporate Director of Environment and Sustainable Transport (Acting) | 86,229 | - | 15,694 | 101,923 |
| 13 | Rebecca Johson Corporate Director of Environment and Sustainable Transport | 60,643 | - | 11,037 | 71,680 |
| | Paul Kitson Corporate Director of Inclusive Economy and Housing | 196,002 | - | 35,672 | 231,674 |
| | Joan Deslandes Head Teacher - Kingsford Community School | 244,901 | - | - | 244,901 |
| | Neena Lall Head Teacher-St Stephens Primary School | 177,842 | - | - | 177,842 |
| | Tahreem Shaz-Vennus Head Teacher-Colegrave Primary School | 153,471 | - | - | 153,471 |
| 14 | Sarah Rowlands Head Teacher-Altmore Primary School | 135,880 | - | - | 135,880 |
| | Totals | 2,353,875 | 231,024 | 176,689 | 2,761,588 |

Note 1 - Abi Gbago - Leaving date - 18/07/2025
Note 2 - Paul Martin - Start date - 18/07/2025 (total amount paid to agency)
Note 3- Maria G. Christofi (Assistant Chief Executive) part time from 23/09/2026 and full time from 03/11/2025 (total amount paid to agency)
Note 4- Maria G. Christofi (Section 151 Officer) Start date - 05/01/2026 (total amount paid to agency)
Note 5- Conrad Hall was seconded to LB Croydon from 05/01/2026
Note 6 - Rachel Mckoy - Leaving date - 07/09/2025
Note 7- Janie Berry - Start date - 01/09/2025 (total amount paid to agency)
Note 8- Jason Strelitz - Leaving date - 21/09/2025
Note 9- Alan Adams - Leaving date - 09/01/2026 (total amount paid to agency)
Note 10- Fiona Connolly - Start date - 05/01/2026
Note 11- Jamie Cooke - Leaving date - 29/06/2025
Note 12- Sean McDermid - Start date - 23/06/2025 - Leaving date - 30/11/2025
Note 13- Rebecca Johnson - Start date -27/11/2025
Note 14- Sarah Rowlands - Leaving date -19/12/2025

| Note | Name and Title | 2024/25 | | | |
|------|---|----------------------------------|---|---|-----------------------|
| | | *Salary, Fees & Allowances | Compensation for loss of employment | Council's contribution to Pension Fund | Total Remuneration |
| | | £ | £ | £ | £ |
| 1 | Chief Executive Officer (Acting) - Mr Colin Ansell | 195,473 | | 31,347 | 226,820 |
| 2 | Chief Executive Officer - Ms Abi Gbago | 125,217 | | 22,789 | 148,006 |
| 3 | Director of Legal & Governance (Interim-Monitoring Officer) - Mr Satish Mistry | 148,674 | | 39,000 | 187,674 |
| | Corporate Director of Resources (s151) - Mr Conrad Hall | 185,289 | | 33,723 | 219,012 |
| | Corporate Director of Adults & Health (DASS) (Acting) - Mr Jason Strelitz | 144,563 | | 26,311 | 170,874 |
| 4 | Corporate Director of Children & Young People (DCS) - Mr Timothy Aldridge | 75,564 | | 13,689 | 89,253 |
| 5 | Interim Corporate Director of Children & Young People (DCS) - Mr Vik Verma | 103,088 | 57,624 | 25,267 | 185,979 |
| 6 | Corporate Director of Environment and Sustainable Transport (Acting) - Mr Jamie Cooke | 55,480 | | 10,097 | 65,577 |
| 7 | Corporate Director of Environment and Sustainable Transport - Mr Aled Richards | 117,671 | | 21,416 | 139,087 |
| 8 | Corporate Director of Inclusive Economy & Housing (Interim) - Ms Vicky Clark | 180,107 | | | 180,107 |
| | Assistant Chief Executive Chief Digital Officer - Mr Amit Shanker | 140,650 | | 25,598 | 166,248 |
| | Assistant Chief Executive Chief Transformation Officer - Mr James Partiz | 153,080 | | 27,861 | 180,941 |
| 9 | Assistant Chief Executive for Marketing (Interim) - Ms Natalie Orringe | 128,633 | | | 128,633 |
| | Totals | 1,753,489 | 57,624 | 277,098 | 2,088,211 |

Note 1 Leaving date 04/02/2024, total annualised salary is £234,568

Note 2 Starting date 11/09/2023, total annualised salary is £214,657

Note 3 Starting Date 10/01/2023, total amount paid to Agency by the council and 50% of the payments are recovered from LB Havering via the oneSource Sharing arrangement

Note 4 Leaving date 27/08/2023, total annualised salary is £181,353

Note 5 Acting up from August 2023 to March 2024

Note 6 Acting up from April 2023 to July 2023

Note 7 Starting date 17/07/2023, total annualised salary is £156,895

Note 8 Total amount paid to the agency by the council

Note 9 Total amount paid to an agency, Leaving date 15/12/2023

Exit Packages

The number of exit packages with a total cost per band and the total cost of the compulsory and other redundancies are set out in the table below. There was a significant reduction in the number and total cost of exit packages during 2025/25. The average cost of exit packages also reduced from £27,000 to £25,000.

| Exit package cost band (including special payments) | Number of voluntary redundancies | | Number of agreed departures | | Total exit packages by cost band | | Total cost of exits in each band | |
|--|----------------------------------|-----------|-----------------------------|-----------|----------------------------------|-----------|----------------------------------|------------------|
| | 2024/25 | 2025/26 | 2024/25 | 2025/26 | 2024/25 | 2025/26 | 2024/25 £'000 | 2025/26 £'000 |
| 0 – 20,000 | 35 | 17 | 19 | 8 | 51 | 25 | 553 | 233 |
| 20,001 – 40,000 | 43 | 3 | 9 | 6 | 47 | 9 | 1,282 | 226 |
| 40,001 – 60,000 | 7 | 2 | 8 | 2 | 8 | 4 | 383 | 201 |
| 60,001 – 80,000 | 1 | - | 3 | - | 2 | - | 127 | - |
| 80,001 – 100,000 | - | 1 | - | - | - | 1 | - | 100 |
| 100,001 – 150,000 | 1 | - | - | - | 2 | - | 242 | - |
| 150,001 – 250,000 | - | 1 | - | - | - | 1 | - | 237 |
| Total | 87 | 24 | 39 | 16 | 110 | 40 | 2,587 | 997 |

Note 33: - External Audit Costs

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

| 2024/25 £'000 | | 2025/26 £'000 |
|------------------|---|------------------|
| 597 | Fees payable to Auditors regarding the external audit of the Council | 614 |
| 0 | Additional fees payable to Auditors regarding the previous year's external audit of the Council | 0 |
| 89 | Fees payable to Auditors regarding the external audit of the pension fund | 93 |
| 686 | | 707 |
| | Audit Fees for external audit of Major Subsidiaries | |
| 126 | Populo | 133 |
| 37 | Future New Homes | 32 |
| 40 | Juniper | 41 |
| 203 | | 206 |

Note 34: - Dedicated Schools Grant (DSG)

The council's expenditure on schools is funded primarily by grant provided by the Education and Skills Funding Agency (ESFA); the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools' budget, as defined in the School Finance and Early Years (England) Regulations 2022. The schools' budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Like many authorities, Newham has experienced difficulty in meeting its obligations with respect to High Needs from within the formula funding, and this has led to an increase in the DSG deficit. Newham has worked on reducing the overspend and has continued to reduce that deficit over successive years. Further work is needed in future years to fully clear the deficit position, although the government has announced plans to fund up to 90% of High Needs deficits. Details of the deployment of the DSG receivable for 2025/26 is as follows:

| 2024/25 | | | | 2025/26 | | |
|------------------------------|------------------------------------|----------------|---|------------------------------|------------------------------------|----------------|
| Central expenditure £'000 | Individual schools budget £'000 | Total £'000 | | Central expenditure £'000 | Individual schools budget £'000 | Total £'000 |
| | | 528,004 | Final DSG before academy and HN recoupment | | | 565,949 |
| | | 263,242 | Less Academy and High Needs (HN) recoupment | | | 279,351 |
| | | 264,761 | Total DSG after academy and HN recoupment | | | 286,597 |
| | | 5,252 | Plus: Brought forward | | | 9,247 |
| | | - | Less: Carry-forward agreed in advance | | | - |
| 84,902 | 185,112 | 270,014 | Agreed initial budgeted distribution | 94,001 | 201,844 | 295,844 |
| (654) | | (654) | In-year adjustments | 459 | | 459 |
| 84,248 | 185,112 | 269,360 | Final budget distribution | 94,459 | 201,844 | 296,303 |
| 74,996 | | 74,996 | Less: Actual central expenditure | 78,960 | | 78,960 |
| | 185,117 | 185,117 | Less: Actual ISB deployed to schools | | 201,844 | 201,844 |
| | | - | Plus: Local authority contribution | | | - |
| 9,252 | (5) | 9,247 | In-year carry-forward | 15,499 | | 15,499 |
| | | - | Plus: Carry-forward agreed in advance | | | - |
| | | 9,247 | Carry-forward | | | 15,499 |
| | | (17,976) | DSG unusable reserve at the end of year | | | (17,976) |
| | | - | Addition to DSG unusable reserve at the end of year | | | - |
| | | (17,976) | Total of DSG unusable reserve at the end of year | | | (17,976) |
| | | (8,729) | Net DSG position at the end of year | | | (2,478) |

Note 35: - Other Long-Term Liabilities

The consolidated group's other long-term liabilities are not materially different to the council's other long-term liabilities. The council's other long-term liabilities are made up of the items in the table below. Further information on each line can be found in the notes referred to against each line.

| 2024/25 £'000 | | 2025/26 £'000 |
|------------------|------------------------------|------------------|
| (292,795) | Finance leases (Note 39) | (290,239) |
| (61,454) | PFI liability (Note 40) | (51,388) |
| (10,102) | Pensions liability (Note 42) | (10,695) |
| (228) | Deferred Income | (228) |
| (364,579) | Total | (352,550) |

Note 36: - Related Parties

The Council is required to disclose material transactions, set at a total of above £25,000 for this purpose, with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

The Council has prepared this disclosure in accordance with its interpretation and understanding of IAS 24 and its applicability to the public sector referring to current advice and guidance.

Pension Fund

The Fund is administered by the London Borough of Newham (LBN). During the reporting period, the Council incurred administration costs of £14.08m (2024/25: £0.58m), which were subsequently reimbursed by the Fund (see Note 10). As at 31 March 2026, the Council owed the Fund £29.7m (2024/25: £5.7m). The increase in the year-end balance reflects the timing of the cash settlement between the council and the fund.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2024/25 is shown in Note 30. Members of the Council participate in and are members of a variety of other public bodies and community groups. The Council has well established mechanisms and procedures for preventing undue influence. Part of this mechanism is the disclosure of interests in the register of Members' interests which is open to public inspection on the Council's website.

| | Payments made 2025/26 £'000 | Amounts owed at 31/03/2026 £'000 | Invoice received 2025/26 £'000 | Income received 2025/26 £'000 | Member/Officer reporting Related Party |
|---------------------------------------|-----------------------------------|--|--------------------------------------|-------------------------------------|--|
| East London Waste Authority | 638 | - | 1,223 | 1 | Miraj Patel |
| Rights & Equalities in Newham (Rein) | 256 | - | - | - | Joy Laguda MBE |
| Tapscott Learning Trust | 4,193 | 66 | 62 | 10 | Joy Laguda MBE |
| Ambition Aspire Achieve | 311 | - | 1 | - | Sarah Jane Ruiz |
| London Legacy Development Corporation | 510 | - | 1,298 | - | Rokhsana Fiaz |
| Royal Docks Management Authority Ltd | 28 | - | - | - | Rokhsana Fiaz |
| London Borough of Croydon | 5,101 | 2,654 | 17 | 78 | Conrad Hall |
| London Borough Barking and Dagenham | 12 | - | 127 | 12 | Rebecca Johnson |

Note 37: - Council's Association with External Bodies

The Council has significant interests in a variety of entities, including Subsidiaries, Investments, Associates and Jointly Controlled Operations. Significant interests have been identified as:

Subsidiaries

Populo Living Limited - A wholly owned subsidiary company that was formed in March 2014 to facilitate the Council's construction and investment in private rental properties within the Borough. Ordinary share capital constitutes 67,993,376 Ordinary shares of £1 each as at 31 March 2026 (57,993,376 £1 Ordinary shares as at 31 March 2025).

In 2025/26, the company made a loss of £9.541m (2024/25: loss of £11.504m) and has net assets of £19.556m (21.175m in 2023/24). This entity is fully controlled by the Council and is material for the purposes of group accounts.

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

Following directors held office between 1 April 2025 and 31 March 2026:

Terence William Fuller (appointed 19 February 2026), Suzanne Forster (Resigned 10 April 2025), Louise Elizabeth Graham-Smith (resigned 23 February 2026), Deborah Heenan, Michael Holland,, Inderjeet Singh Kaler (Appointed 1 September 2025), Barinderjit Singh Kambo (Appointed 17 June 2025), Qadeer Kiani (Appointed 19 February 2026), Paul Lowenberg, Darren Mackin (Resigned 28 November 2025), Joanne Sedley-Burke, Caroline Snowden (Resigned 15 April 2025), Roger Clive Wilshaw (appointed 19 February 2026) ,

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

Populo Living Ltd, 379-381 High Street, Stratford, London, E15 4QZ | email: info@populoliving.co.uk | www.populoliving.co.uk

BetterTogether Limited - Incorporated in January 2016, it is anticipated that this limited company will deliver the Council's Shared Lives Programme. A single Ordinary £1 share is in issue, held by the Mayor and Burgesses of the London Borough of Newham. This company started trading in June 2016.

The following directors held office between 1 April 2025 and 31 March 2026:

Kim Bush, Debbie Cottage (Appointed 20 January 2026), Sarah Havard (Resigned 1 May 2026), Rafiuddin Patel, Donna Kelly, Humayrah Ramgoolam, Hannah Reid, James Smith A copy of the company's financial statements can be obtained by writing to:

Stratford Advice Arcade 107-109 The Grove, Stratford, London, E15 1HP

The Language Shop Limited - A minority-owned company incorporated in February 2014 which offers translation and interpretation services. Share capital amounts to 100 Ordinary shares of £1 each.

The following directors held office between 1 April 2025 and 31 March 2026:

Joven Carino, Aprile Harman (Resigned 19 February 2026), Samuel Lingard, Nurun Nehar (Appointed 30 April 2025), Jaimin Patel, Zoe Power, Rahman Shafiqur (Resigned 30 April 2025).

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

Chief Executive, 1000 Dockside Road, Beckton, London, E16 2QU | email: languageshop@newham.gov.uk | www.languageshop.org

Future Newhome Limited - A subsidiary company wholly-owned by the Council, established to acquire a portfolio of property which will be offered at a range of discounts to market rents to people on a range of incomes.

The company's 2025/26 financial results reported a loss of £0.660m (£0.524m loss in 2024/25) and has net liabilities of £7.223m (2024/25: £6.562m)

Following directors held office between 1 April 2025 and 31 March 2026:

Robert Arthur, Giles Clarke (Resigned 1 April 2025), Hayley O'Brien (Appointed 16 May 2025 and resigned 28 November 2015).

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

Chief Executive, 1000 Dockside Road, Beckton, London E16 2QU | Email: Bobby.Arthur@newham.gov.uk

London Network for Pest Solutions Limited - A wholly owned subsidiary which provides pest control services. This company was incorporated in October 2016. The company's 2025/26 financial results reported a profit of £0.030m (£0.054m profit in 2024/25) and has net assets of £0.197m (2024/25: £0.204m)

Following directors held office between 1 April 2025 and 31 March 2026: Joanne Beasley, Paul Cooper and Pradeep Lawrence

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

86-90 Paul Street, London EC2A 4NE | Email: info@lnpestsolutions.com | www.lnpestsolutions.com

Early Start Group Limited - Wholly-owned by the Council. Incorporated in October 2017, this company provided education support services and child day care activities. The company ceased trading in September 2024.

Ross Finley-Gerrie

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

2-24 Shrewsbury Road, London E7 8AL

Enabled Living Healthcare Limited - Wholly-owned by the Council, incorporated in 11th October 2016.

Following directors held office between 1 April 2025 and 31 March 2026:

Kirsten Smilge, Dorothy Coleman, Josephine Maria Dunworth, Angela Skrabania

The company's 2025/26 financial results disclosed a profit of £1.482m (£0.128m Profit in 2024/25) and net assets of £1.715m (Net assets of £0.322m in 2024/25) Payments of £3.52m was made during 2024/25

A copy of the company's financial statements can be obtained by writing to: 7 Alpine Way, Beckton, London, E6 6LA | Email: info@enabledlivinghealthcare.co.uk

Juniper Ventures Limited - Wholly-owned by the Council. Juniper Venture (Incorporated 27th February 2017) wholly-own Juniper Pursuits Limited (Incorporated 27th February 2018) and National Alliance of School Premises Ltd Management Ltd (Incorporated 24th October 2023)

The Group 2025/26 financial results disclosed a loss of £0.050m (Profit of £0.231m in 2024/25) and net assets of £2.652m (2.701m in 2024/25)

Following directors held office between 1 April 2025 and 31 March 2026:

Jacinta Gasson-Mulcahy, David Gibbs, Steve Giles, Michael Hales, Michelle Olubuyide (Appointed 6 August 2025), Jean-Michel Orioux, Philippa Terry

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

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

Joint Venture

Health and Care Space Newham Limited Incorporated 21st March 2018 is jointly controlled by London Borough of Newham and East London NHS trust.

Following directors held office between 1 April 2025 and 31 March 2026: Giles Clarke (Resigned 1 April 2025), Kevin Curnow, Philippa Graves, Claire Greszczuk, Andrew Ward (Appointed 30 May 2025).

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

Health and Care Space Newham Ltd, 1000 Dockside Road, Newham Dockside, London E16 2QU

Investments

Newham Learning Partnership (Hold Co) Limited - Immediate parent undertaking of Newham Learning Partnership (Project Co) Limited. The company was formed as a Special Purpose Vehicle (SPV) for the construction and subsequent maintenance and management of two secondary schools in the Newham area under Private Finance Initiative (PFI) arrangements. The Council holds 9% of the company's Ordinary shares and is therefore unable to exert significant influence over the company's decision-making processes.

Newham Learning Partnership (Project Co) - A wholly-owned subsidiary of Newham Learning Partnership (Hold Co) Limited. The company provides construction and maintenance services to two secondary schools in Newham under a Private Finance Initiative (PFI) contract. The schools included under the PFI contract are Rokeby School and Lister Community School. The Council holds 9% of the company's Ordinary shares and is therefore unable to exert significant influence over the company's decision-making processes.

Newham Partnership Working Limited - A company limited by guarantee, this entity was incorporated in December 2011. The company's primary purpose is to provide Health and Safety, Human Resources, Information and Communication Technology (ICT) and other associated support services to local schools. In the opinion of the company's directors, there is no one single controlling party. The Council can appoint 3 of the 19 Board members in place, and is therefore unable to exert significant influence over the entity.

Newham Transformation Partnership Limited - This company was formed in December 2008 and provides design and construction services for new schools in Newham under the Building Schools for the Future initiative in addition to investing in joint ventures whose business activities include the provision of construction and maintenance services for new Borough schools. The company additionally supplies ICT services across several schools. Based upon a 10% shareholding, the Council is unable to control this entity.

Newham Foundation – A company limited by guarantee, the Foundation was formed by the Council and Newham College of Further Education in 2002 with the central aim of providing accommodation facilities and programmes for the improvement and development of education within the Borough. The Council holds 19% of the overall voting rights established and is unable to exert significant influence over decision-making processes.

Associates

OneSource Partnership Limited - A dormant company which has not traded since incorporation in April 2014. The company's Ordinary share capital is divided equally between the Council (50%) and the London Borough of Havering (50%).

Full details of Members and transactions with the Council are disclosed below under Joint Committees.

Jointly Controlled Operations

Choice Homes UK – A partnership between 6 Local Authorities and 2 Housing Associations that provides a choice-based lettings service to East London residents. Since formation in 2002, the function has grown ostensibly and now services other London Boroughs, in addition to geographical areas outside of London. The Council is 1 of 8 partners involved in the arrangement. Each has an equal vote, and therefore no overall voting majority exists. The partners make collective decisions on strategic matters including service growth and development.

Joint committees

OneSource is a public sector shared back-office support arrangement which is supported by members through a joint committee. The joint committee receive key reports and make strategic decisions about OneSource's operation. OneSource was set up with a view to making savings by eliminating duplication, reducing senior management costs and introducing more efficient processes. OneSource started on 1 April 2014, when the London Boroughs of Havering and Newham contributed almost all their support services including Legal services, Exchequer and Transactional services.

| 2024/25 £'000 | Net Expenditure | 2025/26 £'000 |
|------------------|--------------------------------------|------------------|
| 6,176 | Exchequer and transactional services | 7,571 |
| 4,336 | Legal and governance | 4,607 |
| 14,272 | ICT | 6,543 |
| 24,784 | Total net expenditure | 18,721 |
| | Cost sharing | |
| 12,519 | London Borough of Newham | 8,589 |
| 12,265 | London Borough of Havering | 10,132 |
| 24,784 | Total | 18,721 |

As at 31st March 2026, the Council was owed £2.073m by the London Borough of Havering in relation to the 2025/26 cost share.

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

Note 38: - Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement in the CFR is analysed in the second part of this note.

| 2024/25 £'000 | | 2025/26 £'000 |
|------------------|--|------------------|
| 1,630,342 | Opening Capital Financing Requirement | 2,142,614 |
| 337,613 | Adjustment to prior year closing | - |
| | Capital Investment: | |
| 374,146 | Property, plant, and equipment | 256,177 |
| 1,528 | Investment Properties | 1,766 |
| 261 | Intangible Assets | 13 |
| | Infrastructure Assets | 32,673 |
| (1,492) | Revenue Expenditure Funded from Capital Under Statue | 9,884 |
| 10,429 | Loans To (And Investments In) Other Organisations | 10,000 |
| | Sources of Finance | |
| (29,233) | Capital Receipts | (28,085) |
| (92,576) | Government Grants and Other Contributions | (23,915) |
| (19,398) | Major Repairs Reserves | (18,608) |
| | Capital Receipts Reserves | |
| (15,870) | Revenue Contribution and Revenue Reserves | (11,217) |
| | Section 106 | (1,750) |
| (53,136) | MRP/Loans Principal | (19,042) |
| 2,142,614 | Closing Capital Financing Requirement | 2,350,510 |

Note 39: - Leases

Council as Lessee

The Council has 1,864 Right of Use assets, of which 1,859 were initially recognised in 2024/25 under IFRS 16. The assets acquired under these leases are carried as in the Balance Sheet at the following net amounts:

| 31 March 2025 £'000 | Right of use assets | 31 March 2026 £'000 |
|------------------------|--------------------------------|------------------------|
| 6,672 | Vehicles, plant, and equipment | 4,667 |
| 136,199 | Other land and buildings | 111,928 |
| | Investment properties | |
| 904 | Industrial site | 931 |
| 7,041 | Greenshield industrial estate | 7,041 |
| 107,640 | Novotel & IBIS (Accor) | 107,640 |
| 28,575 | Premier Inn | 28,575 |
| 287,031 | Total | 260,782 |

Right of use Assets

| Right of use Assets | Investment Properties £'000 | Land and Buildings £'000 | VPE £'000 | Total £'000 |
|---------------------------------|--------------------------------|-----------------------------|--------------|----------------|
| Balances at 1 April 2025 | 144,160 | 136,199 | 6,672 | 287,031 |
| Revaluations | 27 | - | - | - |
| Depreciation and Amortisation | - | (24,271) | (2,005) | (26,276) |
| Balances 31 March 2026 | 144,187 | 111,928 | 4,667 | 260,782 |

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

| 31 March 2025 £'000 | Finance lease liability (net present MLP) | 31 March 2026 £'000 |
|------------------------|---|------------------------|
| 25,886 | Current | 26,934 |
| 314,743 | Non-Current (Note 35) | 299,080 |
| 143,040 | Finance cost payable in future years | 138,360 |
| 483,669 | Total | 464,374 |

| 31 March 2025 £'000 | Minimum Lease Payment | 31 March 2026 £'000 |
|------------------------------------|------------------------------|------------------------------------|
| 36,392 | Within 1 year | 36,685 |
| 131,151 | Within 2.5 year | 108,439 |
| 316,126 | Over 5 years | 319,250 |
| 483,669 | Total | 464,374 |

Council as Lessor

Finance Leases

The Council has leased property at Stratford Centre, Caxton and Nene on finance leases.

The Council has a gross investment in the lease, made up of minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long-term receivable for the interest in the property acquired by the lessee and finance income earned by the Council.

| 31 March 2025 £'000 | Minimum Lease Payment | 31 March 2026 £'000 |
|------------------------------------|---------------------------------|------------------------------------|
| | Finance lease receivable | |
| 975 | Current | 994 |
| 127,267 | Non-Current | 126,273 |
| 126,184 | Interest | 123,314 |
| 254,426 | Total | 250,581 |

| 31 March 2025 £'000 | Gross Investment Leases | 31 March 2026 £'000 |
|------------------------------------|---------------------------------------|------------------------------------|
| 3,844 | Not later than 1 year | 3,844 |
| 13,094 | Later than 1 & not later than 5 years | 13,094 |
| 237,486 | Later than 5 years | 233,642 |
| 254,424 | Total | 250,580 |

| 31 March 2025 £'000 | Minimum Lease Payment | 31 March 2026 £'000 |
|------------------------------------|---------------------------------------|------------------------------------|
| 975 | Not later than 1 year | 994 |
| 3,493 | Later than 1 & not later than 5 years | 3,556 |
| 123,773 | Later than 5 years | 122,717 |
| 128,241 | Total | 127,267 |

Operating Leases

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

| 31 March 2025 £'000 | Minimum Lease Payment | 31 March 2026 £'000 |
|------------------------------------|---------------------------------|------------------------------------|
| | Finance lease receivable | |
| 20,014 | Within 1 year | 20,014 |
| 65,118 | Within 2.5 year | 59,253 |
| 206,677 | Over 5 years | 202,644 |
| 291,809 | Total | 281,911 |

Note 40: - Private Finance Initiatives and Similar Contracts

As at 31st March 2026, the Council has five contracts in place under Private Finance Initiative (PFI) arrangement, details of which are summarised below:

Schools PFI 1

This is a 25 year contract to design, build and operate 3 Schools - Kingsford Secondary, Plaistow and Kaizen Primary Schools. At the end of the contract, control of the assets reverts to the Council. The Council initially recognised these assets on the Balance Sheet. Kaizen has since become an academy and so is no longer included on the council's balance sheet. This contract ends in August 2027.

Schools PFI 2

Schools PFI 2 is a scheme to build and operate Cumberland Secondary School. The contract ends in 2029. At the end of the contract, control of the assets reverts to the Council. The Council initially recognised these assets on the balance sheet however they were removed when Cumberland became an academy.

Canning Town PFI

A 30-year contract for the refurbishment, maintenance and provision of landlord services for approximately 1,300 housing properties in Canning Town, East London. The Council has recognised these assets on the Balance Sheet.

Forest Gate PFI

A 20-year contract for the refurbishment, maintenance and provision of landlord services for approximately 1,300 housing properties in Forest Gate, East London. The Council has recognised these assets on the Balance Sheet.

BSF Wave 1

This involves the design, build and operation (DBO) of Lister and Rokeby Schools under the government's Wave 1 of the Building Schools for the Future Programme. The scheme is for a term of 26 years, after which the assets will revert to being controlled by the Council. The assets are recognised on the Council's Balance Sheet. This contract ends in 2035.

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

| 31 March 2025 | | | | 31 March 2026 | | |
|-------------------|--------------------------|-----------------|-----------------------------------|-------------------|--------------------------|-----------------|
| Council Dwellings | Other Land and Buildings | Total | | Council Dwellings | Other Land and Buildings | Total |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| (24,503) | (54,268) | (78,771) | Value at 1 April | (20,737) | (49,264) | (70,001) |
| 3,766 | 5,004 | 8,770 | Repayments made in year | 2,641 | 6,584 | 9,225 |
| (20,737) | (49,264) | (70,001) | Net book value at 31 March | (18,096) | (42,680) | (60,776) |

Payments

The Council makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year, but which is otherwise fixed. Payments remaining to be made under the PFI contracts at 31st March (excluding any estimation of inflation and availability performance) are shown below.

Schools

| 2024/25 | | | | | 2025/26 | | | |
|---------------------------------|----------------------------|-------------------------|----------------|----------------------|---------------------------------|----------------------------|-------------------------|----------------|
| Repayment of Liability £'000 | School's Interest £'000 | Service Charge £'000 | Total £'000 | | Repayment of Liability £'000 | School's Interest £'000 | Service Charge £'000 | Total £'000 |
| 6,317 | 4,874 | 8,586 | 19,777 | Within 1 Year | 7,172 | 4,285 | 8,284 | 19,741 |
| 25,671 | 13,526 | 28,642 | 67,839 | 2-5 Years | 23,559 | 10,945 | 22,663 | 57,167 |
| 20,691 | 7,037 | 20,577 | 48,305 | 6-10 Years | 24,681 | 4,355 | 18,406 | 47,442 |
| 5,147 | 399 | 4,115 | 9,661 | 11-15 Years | 333 | (333) | - | - |
| 57,826 | 25,836 | 61,920 | 145,582 | Total | 55,745 | 19,252 | 49,353 | 124,350 |

Dwellings

| 2024/25 | | | | | 2025/26 | | | |
|---------------------------------|-----------------------------|-------------------------|----------------|----------------------|---------------------------------|-----------------------------|-------------------------|----------------|
| Repayment of Liability £'000 | Dwellings Interest £'000 | Service Charge £'000 | Total £'000 | | Repayment of Liability £'000 | Dwellings Interest £'000 | Service Charge £'000 | Total £'000 |
| 4,133 | 2,264 | 13,646 | 20,043 | Within 1 Year | 2,894 | 2,012 | 15,092 | 19,998 |
| 15,958 | 4,556 | 48,448 | 68,962 | 2-5 Years | 8,162 | 3,938 | 45,503 | 57,603 |
| 5,494 | 1,119 | 37,543 | 44,156 | 6-10 Years | 4,457 | 1,265 | 38,229 | 43,951 |
| 1,262 | 61 | 7,509 | 8,832 | 11-15 Years | - | - | - | - |
| 26,847 | 8,000 | 107,146 | 141,993 | Total | 15,513 | 7,215 | 98,824 | 121,552 |

Total

| 2024/25 | | | | | 2025/26 | | | |
|---------------------------------|-------------------------|-------------------------|----------------|----------------------|---------------------------------|-------------------------|-------------------------|----------------|
| Repayment of Liability £'000 | Total Interest £'000 | Service Charge £'000 | Total £'000 | | Repayment of Liability £'000 | Total Interest £'000 | Service Charge £'000 | Total £'000 |
| 10,450 | 7,138 | 22,232 | 39,820 | Within 1 Year | 10,066 | 6,297 | 23,376 | 39,739 |
| 41,629 | 18,082 | 77,090 | 136,801 | 2-5 Years | 31,721 | 14,883 | 68,166 | 114,770 |
| 26,186 | 8,157 | 58,119 | 92,462 | 6-10 Years | 29,138 | 5,620 | 56,635 | 91,393 |
| 6,409 | 459 | 11,624 | 18,492 | 11-15 Years | 333 | (333) | - | - |
| 84,674 | 33,836 | 169,065 | 287,575 | Total | 71,258 | 26,467 | 148,177 | 245,902 |

Note 41: - Pension Schemes Accounted for as Defined Contribution Schemes

Teachers

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2025/26, the Council paid £20.3m (£19.7m in 2024/25) to Teachers' Pensions (the government agency responsible for administering teachers' pensions throughout England and Wales) in respect of teachers' pension costs. The Council is responsible for all pension payments relating to added years it has awarded upon early retirement outside the terms of the teachers' pension scheme, together with the related increases. These costs are accounted for on a defined contribution basis.

Public Health

The Health and Social Care Act 2012 transferred responsibility for Public Health to Local Authorities with effect from 1 April 2013. As a result, the Council now employs staff who pay into the NHS Defined Benefit Scheme. The scheme is administered by the Department of Health but is accounted for on a defined contribution basis.

In 2025/26, the Council paid £1.4m (£1.3m in 2024/25) to the Department of Health Pension scheme in respect of pension costs.

Note 42: - Defined Benefit Pension Schemes

As part of the terms and conditions of employment for its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and to disclose them at the time that employees earn their future entitlement.

The Council participates in post-employment schemes:

- The Local Government Pension Scheme, administered by London Borough of Newham - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets held to meet these pension liabilities, and cash must be generated to meet actual pension payments as they fall due.
- The Newham Pension Scheme is operated under the Regulatory Framework for the Local Government Pension Scheme, and the governance of the scheme is the responsibility of the Pensions Committee of London Borough of Newham. Policy is determined in accordance with the Pension Fund Regulations. The Investment Managers of the Fund are appointed by the Committee. Members of the Committee are listed on www.newham.gov.uk.
- The principal risks of this scheme are the longevity assumptions, statutory changes, structural changes (i.e. large-scale membership withdrawals), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund and the HRA the amounts required by Statute.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no planned assets held to meet these pension liabilities.

Transactions Relating to Post-employment Benefits

The costs of retirement benefits are recognised in the reported cost of services when they are earned by employees, as opposed to when the benefits are eventually paid as pensions. However, the charge that the Council is required to make against Council Tax is based upon the cash payable in the year, and therefore the true cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The transactions in this note have been recorded in the Comprehensive Income and Expenditure Statement and the General Fund and HRA balances (via the Movement in Reserves Statement) during the current year:

Multi-employer defined benefit plan

Contributions are set every three years following the actuarial valuation of the Fund required by the Regulations. The current actuarial valuation of the Fund was carried out as at 31 March 2025 and set contributions for the period from 1 April 2026 to 31 March 2029; the previous 2022 valuation set the contributions which apply to the 2025/26 accounts. There are no minimum funding requirements in the LGPS, but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

On an Employer's withdrawal from the Fund, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulation 2013 which will determine the termination contribution due by the employer, on a set of assumptions deemed appropriate by the Fund Actuary.

In addition, as many unrelated employers participate in the Newham Pension Fund, there is an orphan liability risk. This is a risk where the employer leaves the Fund but does not have enough assets to cover their pension obligations and therefore the difference may fall on the remaining employers.

| 2024/25 | | | Comprehensive Income and Expenditure Statement | 2025/26 | | |
|-----------------|-------------------|----------------|--|-----------------|-------------------|----------------|
| Funded £'000 | Unfunded £'000 | Total £'000 | | Funded £'000 | Unfunded £'000 | Total £'000 |
| | | | <i>Cost of Services</i> | | | |
| 23,614 | (1,725) | 21,889 | Service cost | 21,475 | (1,614) | 19,861 |
| 1,537 | - | 1,537 | Administration Expenses | 1,716 | - | 1,716 |
| | | | <i>Financing and Investment Income and Expenditure</i> | | | |
| (4,819) | 522 | (4,297) | Net Interest expense | (3,870) | 507 | (3,363) |
| 25,151 | (1,203) | 19,129 | Total Post Employment Benefit Charged to the Surplus on the Provision of Services | 19,321 | (1,107) | 18,214 |
| | | | <i>Remeasurement in Other Comprehensive Income and Expenditure</i> | | | |
| 22,305 | - | 22,305 | Return on Fund assets in excess of interest | (31,688) | - | (31,688) |
| (205,545) | (460) | (206,005) | Change in financial assumptions | (56,894) | (107) | (57,001) |
| (4,257) | (37) | (4,294) | Change in demographic assumptions | 80,544 | 658 | 81,202 |
| 201,040 | - | 201,040 | Changes in effect of Asset Ceiling | (25,386) | - | (25,386) |
| - | - | - | Other actuarial (gains)/losses on assets | (17,443) | - | (17,443) |
| (3,826) | (33) | (3,859) | Experience (gains)/loss on defined benefit obligation | 63,760 | 1,149 | 64,909 |
| 9,717 | (530) | 9,187 | Total Remeasurements in Other Comprehensive Income and Expenditure | 12,893 | 1,700 | 14,593 |

| 2024/25 | | | Movement in Reserve Statement | 2025/26 | | |
|-----------------|-------------------|----------------|--|-----------------|-------------------|----------------|
| Funded £'000 | Unfunded £'000 | Total £'000 | | Funded £'000 | Unfunded £'000 | Total £'000 |
| (20,332) | 1,203 | (19,129) | Reversal of net charges made to the Surplus or deficit on the Provision of Services post-employment benefits | 33,810 | 1,107 | 34,917 |
| | | | <i>Actual amount Charged against General Fund and HRA Balances for pension in the year</i> | | | |
| 30,049 | - | 30,049 | Employers' contributions payable to scheme | 32,214 | 507 | 32,721 |
| (20,332) | 1,203 | 10,920 | Net adjustment between accounting basis and funding basis under regulations | 66,024 | 1,614 | 67,638 |

The effect of the asset ceiling has been determined by the scheme actuaries based on the limitation on the Council's ability to recover the full economic benefit of its assets through reductions in future employer's contributions because of the minimum funding requirement imposed on it by the funding strategy for the schemes in place at 31 March 2026.

The scheme actuaries have assessed the Council's estimated future service costs less the estimated minimum funding requirement contributions to establish the economic benefit that is available to the Council. The net pensions assets have therefore been adjusted by the effect of the asset ceiling as set out in the Table below. The total pre-asset ceiling adjustment position across the Council's pension schemes is a liability of £1.752m; the post-adjustment position is a liability of £0.194m.

| 2024/25 | | | Balance Sheet | 2025/26 | | |
|-----------------|-------------------|----------------|---|-----------------|-------------------|----------------|
| Funded £'000 | Unfunded £'000 | Total £'000 | | Funded £'000 | Unfunded £'000 | Total £'000 |
| 1,414,099 | 10,102 | 1,424,201 | Present value of the defined benefit obligation | 1,547,491 | 10,695 | 1,558,186 |
| (1,631,441) | - | (1,631,441) | Fair Value of plan assets | (1,751,820) | - | (1,751,820) |
| 217,342 | - | 217,342 | Effect of Asset Ceiling | 204,329 | - | 193,634 |
| - | 10,102 | 10,102 | Net Liability in balance sheet | - | 10,695 | 10,695 |

| 2024/25 | | | Reconciliation of the Movements in the Fair Value of Fund Assets | 2025/26 | | |
|--------------------|-------------------|--------------------|--|--------------------|-------------------|--------------------|
| Funded £'000 | Unfunded £'000 | Total £'000 | | Funded £'000 | Unfunded £'000 | Total £'000 |
| (1,595,703) | - | (1,595,703) | Opening fair value of assets | (1,631,441) | - | (1,631,441) |
| | - | | <i>Adjustment opening Pensions Reserve/liability</i> | | - | |
| (83,472) | - | (83,472) | Interest on assets | (92,409) | - | (92,409) |
| 22,305 | - | 22,305 | Return on assets less interest | (31,688) | - | (31,688) |
| - | - | - | Other actuarial gains | (17,443) | - | (17,443) |
| 1,537 | - | 1,537 | Administration expenses | 1,716 | - | 1,716 |
| (30,049) | - | (30,049) | Contributions by employer | (32,214) | - | (32,214) |
| (10,995) | - | (10,995) | Contributions by scheme participants | (11,364) | - | (11,364) |
| 68,273 | - | 68,273 | Estimated benefits paid | 59,300 | - | 59,300 |
| (3,337) | - | (3,337) | Settlement prices paid | 3,723 | - | 3,723 |
| (1,631,441) | - | (1,631,441) | Closing fair value of assets | (1,751,820) | - | (1,751,820) |

| 2024/25 | | | Reconciliation of the Movements in the defined benefit obligation | 2025/26 | | |
|------------------|-------------------|------------------|---|------------------|-------------------|------------------|
| Funded £'000 | Unfunded £'000 | Total £'000 | | Funded £'000 | Unfunded £'000 | Total £'000 |
| 1,595,703 | 11,835 | 1,607,538 | Opening defined benefit obligation | 1,631,441 | 10,102 | 1,641,543 |
| 23,970 | - | 23,970 | Current service cost | 20,285 | - | 20,285 |
| 77,838 | 522 | 78,360 | Interest cost | 76,166 | 507 | 76,673 |
| (205,545) | (460) | (206,005) | Change in financial assumptions | (56,894) | (107) | (57,001) |
| (4,257) | (37) | (4,294) | Change in demographic assumptions | 80,544 | 658 | 81,202 |
| (3,826) | (33) | (3,859) | Experience loss/(gain) | 63,760 | 1,149 | 64,909 |
| 201,855 | - | 201,855 | Asset Ceiling | (13,013) | - | (13,013) |
| 2,437 | (1,725) | 712 | Liabilities settled | (2,998) | (1,614) | (4,612) |
| (68,273) | - | (68,273) | Estimated benefits paid | (59,300) | - | (59,300) |
| 544 | - | 544 | Past service costs & curtailments | 465 | - | 465 |
| 10,995 | - | 10,995 | Contributions by scheme participants | 11,364 | - | 11,364 |
| 1,631,441 | 10,102 | 1,641,543 | Closing defined benefit obligation | 1,751,820 | 10,695 | 1,821,815 |

Assets

The return on the Fund (on a bid value basis) for the year to 31 March 2026 is estimated to be 7.6% as advised by the Fund

The estimated asset allocation is as follows:

| 31-March-2025 | | Employer Asset Share - Bid Value | 31-March-2026 | |
|------------------|------------|----------------------------------|------------------|------------|
| £'000 | % | | £'000 | % |
| 1,070,881 | 66 | Equities | 1,198,356 | 68 |
| 349 | - | Gilts | 363 | - |
| 114,324 | 7 | Other Bonds | 98,547 | 6 |
| 230,728 | 14 | Property | 234,944 | 13 |
| 122,034 | 7 | Cash | 84,382 | 5 |
| 93,125 | 6 | Other | 135,229 | 8 |
| 1,631,441 | 100 | Total | 1,751,821 | 100 |

The following table provides a more detailed analysis of the Employer's assets as at 31 March 2026:

| Asset Class | Quoted | Unquoted |
|----------------------------|---------------|-----------------|
| Corporate Bonds | | |
| UK | 2% | |
| Equities | | |
| UK | 48% | |
| Overseas | 15% | |
| Property | | |
| All | | 13% |
| Others | | |
| Absolute return portfolio | | 8% |
| Private Equity | | 5% |
| Private Debt | | 3% |
| Cash/Temporary Investments | 1% | 4% |
| Total | 66% | 34% |

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method - an estimate of the pensions that will be payable in future years dependent upon employee assumptions including mortality rates and salary levels.

The liabilities of the Local Government Pension Scheme and the Newham Pension Scheme have been estimated by Barnett Waddingham, an independent firm of actuaries. Pension Fund estimates are based upon the valuation of the scheme as at 31 March 2022.

The significant assumptions used by the actuary are:

| 31-March-2025 | | Mortality Assumptions | 31-March-2026 | |
|---------------|------------|--|---------------|------------|
| Funded | Unfunded | | Funded | Unfunded |
| | | Longevity at 65 for current pensioners: | | |
| 19.2 years | 19.2 years | Men | 21.2 years | 21.2 years |
| 22.7 years | 22.7 years | Women | 23.9 years | 23.9 years |
| | | Longevity at 65 for future pensioners: | | |
| 20.6 years | n/a | Men | 22.9 years | n/a |
| 24.2 years | n/a | Women | 25.7 years | n/a |
| | | | | |
| 3.20% | 3.50% | RPI increases (%p.a.) | 3.30% | 3.45% |
| 3.90% | n/a | Salary increases (%p.a.) | 3.90% | n/a |
| 2.90% | 2.95% | Pension increases (%p.a.) | 2.90% | 2.85% |
| 5.80% | 5.45% | Discount rate (%p.a.) | 6.10% | 5.55% |

Sensitivity analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions itemised in the previous table. The analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes, while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the unit credit method.

| | Approximate increase to monetary amount | |
|---|---|---------------------------------------|
| | Projected Service Cost £'000 | Present Value of Obligations £'000 |
| 1 year increase in member life expectancy | 22,138 | 1,603,212 |
| 0.1% increase in salary increase rate | 21,386 | 1,548,178 |
| 0.1% increase in pension increase rate | 22,175 | 1,568,669 |
| 0.1 % decrease in real discount rate | 22,119 | 1,568,107 |

Risk Management

The Fund recognises that the inherent risks involved in many of its activities and its governance arrangements, described in the preceding section, are designed to ensure that risk management is undertaken at the highest level.

The Fund's approach to Risk Management is covered in the following policies:

- Investment Strategy Statement
- Funding Strategy Statement
- Socially Responsible Investment Policy
- Communications Policy
- Governance Policy

These are included within the Pension Fund Annual Report. In addition, risks are measured and managed via a central Risk Register which is continually revised and updated. The Risk Register is an addendum to the Investment Strategy Statement. Both the Pension Fund Annual Report and Investment Strategy Statement can be found at www.newham.gov.uk.

Impact on the Council's Cash Flows

The objective of the Scheme is that employers' contributions are maintained at a stable rate. The Council has agreed to a strategy with the Scheme's actuary to achieve funding levels of 100% during the next 20 years. Funding levels are monitored on an annual basis. The latest formal actuarial valuation was carried out at March 2025, although contributions for these accounts are based on the 2022 valuation. The contributions payable by the participating employers were reviewed as part of those valuations.

Note 43: - Contingent Assets or Liabilities

The existence of Contingent Assets or Liabilities has been considered through enquiries of relevant officers. The Monitoring Officer and legal staff have been consulted on whether there is existing or pending litigation that might result in a future settlement, the timing or value of which is uncertain.

The council has not identified any contingent liabilities.

The Head of Finance for CYPS has identified that compensation to the Council for historic deficits associated with the High Needs Block of the DSG, driven by the rising cost of Special Education Needs may result in a future payment. There has been a historic deficit on DSG that peaked at £17.978m in 2020/21, driven by overspends on the High Needs Block. Since then, recovery plans have been actioned, and these have managed to consistently deliver year on year reductions in the deficit which fell to £8.729m at the end of 2024/25. In 2025/26, the DSG underspend is £6.251m which will further reduce the deficit to £2.477m.

For several years, the DSG deficit has been ringfenced using a "statutory override" of normal accounting rules to permit the carrying of this deficit on the Council's balance sheet. When the statutory override ends on 31st March 2028, all costs over and above the grant will need to be met from general fund budgets. The 2026/27 final settlement included a government commitment to funding up to 90% of Council's DSG High Needs Block deficits and a commitment to provide an appropriate and proportionate approach to determine this value for 2026/27 and 2027/28. This reduces the financial risk exposure being carried by the Council when the statutory override ends on 31st March 2028 and gives rise to a contingent asset in respect of a sum to be determined by the government of up to 90% of the DSG deficit.

Note 44: - Nature and Extent of Risks Arising from Financial Instruments

Newham Council is defined by the Local Government Act 1972 as primarily providing statutory services to the local population on a not-for-profit basis. As such, few financial instruments are used by way of commercial business. However, the funding mechanism means that during the year, the Council may hold substantial assets and liabilities. The Council uses financial instruments to manage the risks arising from holding assets and liabilities.

The Council's activities expose it to a variety of financial risks, including:

Credit Risk: the possibilities that other parties might fail to pay amounts due to the council.

Liquidity Risk: The possibility that the council might not have funds available to meet its commitments to make payments.

Market Risk: the possibility that financial loss may arise for the council because of changes in such measures as interest rates.

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework as described within the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued under the Local Government Act 2003. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential and treasury indicators for the following three years limiting the Council's overall borrowing:
- its maximum and minimum exposures to fixed and variable rates;
- its maximum and minimum exposures to the maturity structure of its debt;
- its maximum annual exposures to investments maturing beyond a year; and
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government Guidance.

These are required to be reported and approved at or before the Council's Annual Council Tax Setting Budget or before the start of the year to which they relate. These items are reported with the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

The Annual Treasury Strategy, which incorporates the prudential indicators was approved by the Council on 27 February 2025 and the mid-year treasury Strategy was approved by Cabinet on 3 December 2025 and is available on the Council website. The key limits within the Strategy were:

The Authorised Limit for 2025/26 was set at £2,750m (*£2,600m 2024/25). This is the maximum limit of external borrowing or other long term liabilities

The Operational Boundary 2025/26 was £2,700m (*£2,400m 2024/25). This is the expected level of debt and other long-term liabilities.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices

(TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poor's Ratings Services. The Annual Investment Strategy considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. An exception is made for part-nationalised banks. Additional selection criteria are also applied after this initial criterion is applied. Details of the Investment Strategy (part of the annual treasury management strategy mentioned above) can be found on the Council's website.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all the Council's deposits, but there was no evidence at the 31 March 2026 that this was likely to crystallise. The figure quoted below represent principal balances only.

| 31/03/2025 Long Term | 31/03/2025 Short Term | Credit Rating | 31/03/2026 Long Term | 31/03/2026 Short Term |
|----------------------------|-----------------------------|-------------------|----------------------------|-----------------------------|
| - | (80,600) | Local authorities | - | (10,104) |

Using the expected credit loss model the calculated loss allowance for investments at amortised cost is negligible therefore having no impact on the carrying value of investments. The write-off of debtors is subject to Council procedures.

The Council Long term debtor is mainly in relation to lease agreements, Loans to subsidiary undertakings and shared equity interest. Shared equity interest has been carried at fair value and therefore no requirement to calculate an impairment allowance. The lease agreement has been reviewed using a simplified approach for calculating the expected credit loss. Due to the low level of risk the loss allowance has been based on a lifetime expected credit loss based on probability of repayment. The calculated loss allowance for lease receivables is negligible therefore having no impact on the carrying value. Credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

For loans provided to subsidiary undertakings, expected credit loss has been based on the Council agreeing to defer counterparty loan repayments for a period during which the Counterparty's liquidity position is constrained. The credit loss results from the opportunity cost of not being able to reinvest the deferred repayments until a later date. The calculated expected credit loss is negligible therefore having no impact on the carrying value.

The debtor balances as per Note 21 have been reviewed for loss allowance, providing details of material balances. These debtors have been grouped into Housing, Adult Social Care and Other. For each category of debt there has been an assessment of recoverability based on past collection rates therefore using the probability matrix to determine the loss allowance.

Liquidity Risk

The Council has ready access to borrowings from the Money Markets to cover any day-to-day cash flow need, and the PWLB and money markets for access to longer term funds. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Council will be bound to replenish a significant proportion of its borrowings at unfavourable interest rates.

The maturity analysis of the Council's financial liabilities is as follows:

| 31/3/2025 £'000 | | 31/3/2026 £'000 |
|----------------------------|--------------------------|----------------------------|
| 954,698 | Public Works Loans Board | 1,053,897 |
| 507,397 | Market debt | 526,071 |
| 1,462,095 | | 1,579,968 |

| 31/3/2025 £'000 | | 31/3/2026 £'000 |
|----------------------------|--------------------------------|----------------------------|
| 216,080 | Maturing in 1 to 10 years | 872,617 |
| 13,217 | Maturing in 10 to 20 years | 32,882 |
| 439,002 | Maturing in 20 to 30 years | 70,071 |
| 145,948 | Maturing in 30 to 40 years | 190,898 |
| 647,848 | Maturing in more than 40 years | 413,500 |
| 1,462,095 | Total | 1,579,968 |

The Council has a few market Lender Option, Borrowers' Option (LOBO) loans within its borrowing portfolio. To mitigate the risk of having to repay these loans ahead of the actual maturity date, the Council keeps under review the potential for lenders to propose changes to the interest rate at scheduled dates within each agreement. This is done through assessing the probability of the interest rates being revised both in the current market environment and during stressed market conditions.

Newham has 3 LOBO loans - they are by type and nominal value

| | 31/3/2026 £'000 |
|----------------------|----------------------------|
| Vanilla LOBO | 20,000 |
| Zero to Par LOBO (2) | 40,000 |
| Total | 60,000 |

Market Risk

Interest Rate Risk:

The Council is exposed to risk in terms of its interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a change in interest rates would have the following effects:

- Borrowing at variable rates - the interest expense charged to the Surplus / Deficit on the Provision of Services will rise.
- Borrowings at fixed rates - the fair value of the liabilities will fall.
- Investments at variable rates - the interest income credited to the Surplus / Deficit on the Provision of Services will rise.
- Investments at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus and Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivables on variable rate borrowings and investment will be posted to the Surplus / Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have quoted market prices will be reflected in Other Comprehensive Income and Expenditure.

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

| 31 March 2025 £'000 | | 31 March 2026 £'000 |
|------------------------------------|---|------------------------------------|
| - | Decrease in interest payable on variable rate borrowings | - |
| (1,125) | Increase in interest receivable on variable rate investments | (2,950) |
| (1,125) | Impact on Comprehensive Income and Expenditure Statement | (2,950) |

The approximate impact of a 1% fall in interest rates would be as shown above but with the movements being reversed. These assumptions are based on the same methodology as used in the 'Fair Value' disclosure note.

Price Risk:

The Council does not invest in equity shares and therefore is not subject to any price risk (i.e. the risk that the Council will suffer loss because of adverse movements in the price of financial instruments). The Council has investment in equity in relation to its own subsidiaries which is for the purpose of service delivery.

Foreign Exchange Risk:

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to losses arising from movements in exchange rates.

SECTION – 5 (OTHER FINANCIAL STATEMENTS)

HOUSING REVENUE ACCOUNT (HRA) - INCOME AND EXPENDITURE STATEMENT

| 2024/25 £'000 | | 2025/26 £'000 |
|------------------|---|------------------|
| | Income | |
| (108,465) | Rent from dwellings (gross) | (108,438) |
| (4,066) | Rent from other properties(gross) | (6,379) |
| (2,715) | Tenants contributions to services and facilities | (8,393) |
| (10,592) | Leaseholders contributions to services and facilities | (11,642) |
| (7,348) | Government subsidy towards the financing of PFI schemes | (7,315) |
| (1,057) | Contribution towards expenditure | (2,118) |
| (134,243) | Total income | (144,285) |
| | Expenditure | |
| 17,485 | Repairs and maintenance | 20,699 |
| 57,589 | Supervision and management | 62,850 |
| 9,681 | Rent, rates, taxes, and other charges | 4,271 |
| 18,907 | Depreciation and amortisation of non-current assets | 19,525 |
| 76,549 | Revaluation of non-current assets | (1,419) |
| 442 | Debt management costs | - |
| (7,477) | Movement in impairment allowances | 3,054 |
| 173,176 | Total expenditure | 108,980 |
| 38,933 | Net cost of HRA services included in the CIES | (35,305) |
| 583 | HRA services share of corporate and democratic core | 583 |
| 39,516 | Net cost of HRA services | (34,722) |
| | HRA share of the operating income and expenditure included in the CIES | |
| (8,832) | Gain on sale of HRA non- current assets | (15,157) |
| 17,617 | Interest payable and similar charges | 21,609 |
| (1,266) | Movement on the fair value and income-Investment Properties | (2,002) |
| (6,577) | HRA interest and investment income | (4,890) |
| (14,639) | HRA share of capital grants and contributions receivable | - |
| 25,819 | (Surplus) or deficit for the year on HRA services | (35,162) |

| 2024/25 £'000 | | 2025/26 £'000 |
|------------------|---|------------------|
| (34,909) | Balance on the HRA as at 1 April | (40,462) |
| 25,819 | (Surplus) or deficit for the year on HRA income and expenditure statement | (35,162) |
| (31,372) | Adjustments between Accountancy and Funding Basis under regulations | 30,602 |
| (5,553) | Net (increase)/decrease before transfers to/(from) reserves | (4,560) |
| - | Transfer to/(from) earmarked reserves | - |
| (5,553) | Balance on the HRA as at the end of the current reporting period | (4,560) |
| (40,462) | Total HRA Reserves | (45,022) |

Notes to the Housing Revenue Account (HRA)

Note 45: - Analysis of the movement on the HRA balance

| 2024/25 £'000 | | 2025/26 £'000 |
|------------------|--|------------------|
| 1,169 | Difference between interest payable and similar charges including amortisation of premium and discounts determined in accordance with the code and those determined in accordance with Statute | 1,169 |
| 8,832 | Gain on Sale of HRA non-current assets | 26,789 |
| 655 | HRA share of contribution to or from the Pensions Reserves | - |
| (74,622) | Transfer from Capital adjustments account | (27,328) |
| 18,901 | Transfer from the Major Repairs Reserves | 19,524 |
| (1,306) | Difference between any other items of income and expenditure determined in accordance with the code and determined in accordance with statutory HRA requirements. | (89) |
| 15,000 | Capital Expenditure charged against HRA Revenue | 10,537 |
| (31,371) | | 30,602 |

Further details on the amounts required by Statute to be debited or credited to the HRA balance for the year can be found in Note 8.

Note 46: - Numbers and Types of Dwellings in the Housing Stock

| 31 March 2025 Number | Type of Dwelling | 31 March 2026 Number |
|----------------------------|-------------------|----------------------------|
| 3,567 | Low rise flats | 3,692 |
| 5,121 | Medium rise flats | 5,288 |
| 3,318 | High rise flats | 3,315 |
| 4,728 | Houses | 4,656 |
| 16,734 | Total | 16,951 |

Note 47: - HRA Assets

| 2024/25 £'000 | | 2025/26 £'000 |
|------------------|----------------------------------|------------------|
| 1,283,289 | Council dwellings | 1,361,819 |
| 139,560 | Other lands and buildings | 139,888 |
| 196 | Assets held for sale | 196 |
| 19,932 | Surplus assets not held for sale | 19,840 |
| - | Investment properties | 37,487 |
| 344,475 | Assets under construction | 439,635 |
| - | Intangibles assets | 36 |
| 1,787,452 | | 1,998,901 |

Note 48: - Vacant Possession Value

As at 31st March 2026, the vacant possession value of dwellings within the HRA was £4.310bn (£5.087bn as at 31st March 2025). The difference between vacant possession value and the Balance Sheet value of dwellings within the HRA shows the economic cost to government of providing council housing at less than open market rents, net of the impairment to the value of the housing Stock.

Note 49: - Major Repairs Reserve

The council maintains a Major Repairs Reserve (MRR) which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

| 2024/25 £'000 | | 2025/26 £'000 |
|------------------|--------------------------------|------------------|
| - | Balance at 1 April | - |
| (17,997) | Depreciation: Stock | (17,733) |
| (904) | Depreciation: non Stock | (1,180) |
| 18,901 | Major Repairs Reserves applied | 18,608 |
| - | | (305) |

Note 50: - HRA Capital Expenditure, Financing and Receipts

| 2024/25 £'000 | HRA capital expenditure | 2025/26 £'000 |
|------------------|--|------------------|
| 241,121 | Council dwellings, land, and other property | 184,922 |

| 2024/25 £'000 | Financing of capital expenditure | 2025/26 £'000 |
|------------------|---|------------------|
| (146,762) | Borrowing | (130,119) |
| (18,901) | Major Repairs Reserve | (18,608) |
| (22,981) | RTB receipts | (17,691) |
| - | HRA receipts | (10,376) |
| (52,477) | Capital Grants and Contributions | (232) |
| - | Reserve/ Revenue | (7,896) |
| (241,121) | Total financing of capital expenditure | (184,922) |

Note 51: - HRA Capital Receipts

| 2024/25 £'000 | | 2025/26 £'000 |
|------------------|----------------------------------|------------------|
| 14,522 | Sale of council dwellings | 26,768 |
| - | RTB Leasehold Premium | 20 |
| 2,549 | Sales of land and other property | 10,346 |
| 17,071 | Total | 37,134 |

Note 52: - HRA Depreciation

| 2024/25 £'000 | | 2025/26 £'000 |
|------------------|----------------------------------|------------------|
| 17,997 | Dwellings | 17,732 |
| 816 | Other land and buildings | 825 |
| 88 | Surplus assets not held for sale | 51 |
| 18,901 | Total Depreciation | 18,608 |

Note 53: - Impairment Losses

The Council is required to disclose the value of impairment together with an explanation of any impairment losses in the financial year in respect of Land, Dwellings and Other Property within the Council's HRA.

During 2025/26, there were no impairment losses recognised in the accounts.

Note 54: - Revenue Expenditure Funded from Capital Under Statute

This is expenditure which would be funded from revenue under normal accounting practice but is financed from capital resources under legislation. However, during 2025/26, there was no HRA revenue expenditure funded from capital under statute.

Note 55: - Rent Arrears

The total gross rent arrears at 31 March 2026 was £21.172m, an increase of £2.514m (13%) from the previous year's balance of £19.657m. The Council has made provision for possible uncollectable debts of £19.370m (£16.401m at 31 March 2025). The provision is based on the Council's experience of write-offs over the last 5 years, known future debt to be written off and the estimated impact of future changes to the Housing Benefits system.

COLLECTION FUND STATEMENT

| 2024/25 | | | | | 2025/26 | | | |
|----------------------|------------------|-----------------------|------------------|--|----------------------|------------------|-----------------------|------------------|
| Council Tax £'000 | NNDR £'000 | NNDR Support £'000 | Total £'000 | | Council Tax £'000 | NNDR £'000 | NNDR Support £'000 | Total £'000 |
| (160,700) | - | - | (160,700) | Income from council tax | (174,167) | - | - | (174,167) |
| - | (166,220) | - | (166,220) | Income from business rates | - | (186,899) | - | (186,899) |
| - | (6,056) | - | (6,056) | Transitional relief - business rates | - | (380) | - | (380) |
| - | - | (5,517) | (5,517) | Business rates supplements | - | - | (5,719) | (5,719) |
| | | | | Previous year's estimated surplus | | | | |
| - | - | - | - | Central government | - | (160) | - | - |
| - | - | - | - | London Borough of Newham | - | (146) | - | - |
| - | - | - | - | Greater London Authority | - | (180) | - | - |
| (160,700) | (172,276) | (5,517) | (338,493) | Total income | (174,167) | (187,765) | (5,719) | (367,165) |
| - | 57,264 | - | 57,264 | Central Government | - | 61,027 | - | 61,027 |
| 110,300 | 52,058 | - | 162,358 | London Borough of Newham | 126,437 | 55,479 | - | 181,916 |
| 41,499 | 64,205 | - | 105,704 | Greater London Authority | 45,404 | 68,425 | - | 113,829 |
| | | | | Business rates supplements | | | | |
| - | | 5,507 | 5,507 | Payment to GLA | - | - | 5,709 | 5,709 |
| - | | 10 | 10 | Administrative costs | - | - | 10 | 10 |
| | | | | Changes to Collection Fund | | | | |
| 7,042 | (1,433) | - | 5,609 | Change in impairment on receivables | 353 | 672 | - | 1,025 |
| - | 1,202 | - | 1,202 | Change in provision for appeals | - | (1,627) | - | (1,627) |
| - | 397 | - | 397 | Cost of collection | - | 401 | - | 401 |
| | | | | Other transfer | | | | |
| - | 3,685 | - | 3,685 | Enterprise Zone | - | 3,026 | - | 3,026 |
| | | | | Previous year's estimated surplus | | | | |
| - | 3,239 | - | 3,239 | Central government | - | - | - | - |
| 2,313 | 2,944 | - | 5,257 | London Borough of Newham | 4,587 | - | - | 4,587 |
| 841 | 3,631 | - | 4,472 | Greater London Authority | 1,726 | - | - | 1,726 |
| 161,995 | 187,192 | 5,517 | 354,704 | Total expenditure | 178,507 | 187,403 | 5,719 | - |
| 1,295 | 14,916 | - | 16,211 | (Surplus)/deficit arising during year | 4,340 | (362) | - | 3,978 |
| (5,162) | (9,770) | - | (14,932) | (Surplus)/Deficit at 1 April | (3,867) | 5,146 | - | 1279 |
| (3,867) | 5,146 | - | 1,279 | (Surplus)/deficit c/f at 31 March | 473 | 4,784 | - | 5,257 |

Notes to the Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation on the London Borough of Newham (as the billing authority) to maintain a separate Collection Fund. The statement shows the transactions of the Billing Authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates. The surplus and deficit on the Collection Fund is shared between the preceptors: Central Government, Greater London Authority and London Borough of Newham. Any residual surplus or deficit at the end of the financial year relating to London Borough of Newham is taken into account in setting the level of Council Tax for the following year.

Note 56: - Calculation of the Council Tax Base

The Council Tax is calculated as an equivalent Band D property. To determine the number of equivalent Band D properties, the Council Tax Base is calculated. All properties are categorised into one of eight bandings (A to H) depending upon the valuation of the property (estimated market value at 1 April 1991). An adjustment is then made for properties that are subject to discounts such as single person or non-residency. The resulting number of properties per valuation banding is then adjusted to calculate the number of equivalent Band D properties, using a defined ratio. Finally, the tax base is adjusted to reflect an anticipated collection rate, 95.0% for 2025/26.

| Valuation Band | Property Value (£) | Ratio | 2024/25 Restated | | | 2025/26 | | |
|----------------|--------------------|-------|--------------------------------|-------------------------|-----------------------------|--------------------------------|-------------------------|-----------------------------|
| | | | Number of chargeable dwellings | Council tax payable (£) | Band D equivalent dwellings | Number of chargeable dwellings | Council tax payable (£) | Band D equivalent dwellings |
| A | Up to 40,000 | 6/9 | 3,805 | 1,149.57 | 2,537 | 3,986 | 1,237.31 | 2,657 |
| B | 40,001-52,000 | 7/9 | 23,984 | 1,341.14 | 18,654 | 24,543 | 1,443.53 | 19,089 |
| C | 52,001-68,000 | 8/9 | 43,679 | 1,532.74 | 38,826 | 44,890 | 1,649.74 | 39,902 |
| D | 68,001-88,000 | 9/9 | 20,928 | 1,724.34 | 20,928 | 21,772 | 1,855.96 | 21,772 |
| E | 88,001-120,000 | 11/9 | 5,708 | 2,107.54 | 6,977 | 6,082 | 2,268.39 | 7,434 |
| F | 120,001-160,000 | 13/9 | 1,658 | 2,490.71 | 2,395 | 1,892 | 2,680.83 | 2,733 |
| G | 160,001-320,000 | 15/9 | 227 | 2,873.91 | 378 | 222 | 3,093.27 | 370 |
| H | 320,001 and over | 18/9 | 37 | 3,448.68 | 74 | 39 | 3,711.92 | 78 |
| Total | | | 100,026 | | 90,769 | 103,426 | | 94,035 |

| | | |
|--|---------------|---------------|
| In year growth estimate band D equivalent properties | 1,124 | 3,428 |
| Less adjustments for collection rate | (3,859) | (4,874) |
| Council Tax Base | 88,034 | 92,589 |

Note 57: - Income from Business Rates

Under the arrangements for uniform business rates, the Council collects National Non-Domestic Rates (NNDR) or business rates for its area, based on local rateable values and multipliers set by Central Government. There are two multipliers: the small business multiplier was 49.9p (49.9p in 2024/25); and the standard multiplier was 55.5p (54.6p in 2024/25).

The total amount, less reliefs and other reductions, is shared between the Department of Communities and Local Government, who receive 33% and the London Borough of Newham and Greater London Authority, who retain 30% and 37% respectively.

The total business rateable value for Newham at 31 March 2026 was £472,193,162 (2024/25 £471,175,715).

Note 58: Going Concern

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on the going concern basis.

In conducting its assessment that this basis is appropriate, which has been made for a two-year period to 31st March 2028, the management of the Council has undertaken forecasting of its cashflows; both its income and expenditure; and the consequent impact on its reserves.

The key factors and assumptions considered when making this assessment are:

- That in the year to 31 March 2026, a balanced position for the Council's General Fund was achieved, including an underspend in Temporary Accommodation and Children and Young People Services, both areas of previous budget pressure both locally and nationally. This position was achieved following robust processes to identify and remedy previous budget failures and base subsequent years' budget provisions on an evidenced assessment of future demand.
- That the Council achieved the delivery of £32.063m of savings in 2025/26, which was 82% of the target set for that year. Unachieved savings have been assessed for deliverability and have been either reflected in future years' budget plans or, where not considered to be deliverable, they have been 'written off' within the 2026/27 budget and MTFs process.
- The outturn position for 2025/26 also includes the use of £46.140m of capital receipts being used flexibly in line with the agreement in principle on Exceptional Financial Support (EFS) from central government.
- That in the year to 31 March 2027, the Council will operate within the limits of the budget set for that year without recourse to Exceptional Financial Support following the Fair Funding Review and the resulting improved funding allocation from the Final 2026/27 Local Government Finance Settlement and the indicative future years' allocation of general government resources. The budget also sets out that there are clear plans for the £55.747m of savings to be delivered in that year.
- That the assessment of risk, the robustness of the budget estimates and the availability of reserves, considered within the 2026/27 S151 Officer's Section 25 statement when setting the budget, are based on a robust process and that the assessment will be kept under review during the year.
- In the year to 31 March 2028, that the Council will again operate within the limits of the balanced budget set out for that year in the Medium-Term Financial Strategy which accounts for an additional increase in funding from the Local Government Finance Settlement and the delivery of a further £24.281m of planned savings.

- A review of usable reserves, which has set Unallocated General Reserves at £52.090m as of 31 March 2026 and which represents over 10% of the Council's net revenue budget for 2026/27. The Council's S151 Officer has judged this to be at an appropriate size to manage any extreme financial risk which cannot be contained by the Council's contingency budget or by the separate Business Risk Reserve of £24.932m.
- That the first 3 years of the published 5 years Medium Term Financial Strategy are balanced, and that the Strategy addresses financial sustainability and resilience with planned increases to reserves.

The Council has considered a downside scenario where around 20% of the agreed savings are either delayed or not delivered and the above projections would not be significantly affected with appropriate levels of reserves and liquidity remaining throughout the same period, albeit at a reduced level.

The Council has also made substantial investment in affordable housing and investment properties through its subsidiary companies, Populo Limited and Future New Homes Limited, and is satisfied that both remain financially viable during the going concern period. Both companies accounts have been prepared on a going-concern basis, and no material concerns have been raised by their independent external auditors in that regard.

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

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

SECTION 6 – PENSION FUND ACCOUNTS AND NOTES

Statement of Responsibilities

The Council's Responsibilities

The Council 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 council, that officer is the Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- approve the Newham Pension Fund Accounts.

The Responsibilities of the Section 151 Officer

The Section 151 Officer is responsible for the preparation of the Council's Pension Fund Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 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 31 March 2026.

In preparing the 2025/26 Pension Fund Accounts, the Section 151 Officer has:

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

The Section 151 Officer has also:

- kept proper accounting records; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Most of the financial transactions reported on within these 2025/26 financial statements were completed under the responsibility of the previous Section 151 Officer Conrad Hall, who left on secondment from London Borough of Newham on 4 January 2026.

I was appointed as the Interim Assistant Chief Executive – Change and Improvement and took on the role of Corporate Director of Resources (Section 151 Officer) undertaking Section 151 duties from 5 January 2026.

Whilst I cannot comment on the quality of financial processes in operation prior to my appointment, I am satisfied, based on available assurances provided, that sufficient evidence is available to support the Pension Fund Net Asset Statement and associated notes.

Within the context of the paragraphs above, I therefore certify that to the best of my knowledge and belief and insofar as is possible in the circumstances, that this statement of accounts presents a true and fair view of the overall financial position of the Pension Fund and the income and expenditure for the year ended 31 March 2026.

Signed:

Maria G. Christofi, BA (Hons), FCCA, CPFA

Date:

Interim Assistant Chief Executive – Change and Improvement and Corporate Director of Resources (Section 151 Officer) London Borough of Newham.

2025/26 Pension Fund Accounts

| 2024/25 £'000 | | Notes | 2025/26 £'000 |
|------------------|---|-------|------------------|
| | Dealings with members, employers and others directly involved in the fund: | | |
| 72,265 | Contributions | 7 | 77,378 |
| 11,739 | Transfers in from other pension funds | | 11,607 |
| 84,004 | | | 88,985 |
| (79,254) | Benefits | 8 | (88,942) |
| (15,639) | Payments to and on account of leavers | 9 | (16,838) |
| (94,893) | | | (105,780) |
| (10,890) | Net additions/(withdrawals) from dealing with members | | (18,061) |
| (5,914) | Management expenses | 10 | (2,998) |
| (16,804) | Net additions/deductions including fund management expenses | | (19,793) |
| | Returns on investments | | |
| 28,719 | Investment income | 11 | 18,170 |
| (24) | Taxes on income | | |
| 26,728 | Profit and losses on disposal of investments and changes in the Market value of investments | 12a | 127,459 |
| 55,423 | Net return on investments | | 145,629 |
| 38,620 | Net increase/decrease in the assets available for benefits during the year | | 125,837 |
| 1,896,901 | Opening net assets of the Fund | | 1,935,521 |
| 1,935,521 | Closing net assets of the Fund | | 2,061,358 |

NET ASSET STATEMENT

| 2024/25 £'000 | | Notes | 2025/26 £'000 |
|------------------|--|-------|------------------|
| 1,790,380 | Investment assets | | 1,925,210 |
| (148) | Investment liabilities | | (2,050) |
| 145,140 | Cash deposits | | 146,641 |
| 1,935,371 | Total invested assets | 12 | 2,069,800 |
| 13,522 | Current assets | 19 | 22,345 |
| (13,373) | Current liabilities | | (30,787) |
| 149 | Net current assets | | (8,442) |
| 1,935,521 | Net assets of the Fund available to fund benefits at 31 March | | 2,061,358 |

Notes to the Accounts

Note 1: Description of Fund

The London Borough of Newham Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Newham (LBN). The Council is the reporting entity for this Fund.

The following description of the Fund is a summary only, for more details reference should be made to the Fund's Annual Report 2025/26.

a) General

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by LBN to provide pensions and other benefits for pensionable employees of LBN and a range of other scheduled and admitted bodies within the borough. Teachers are not members as they are included within other national pension schemes.

The Fund is overseen by the Pension Committee of LBN supported by the Local Pension Board (the Board) and day-to-day operations have been delegated to the Statutory Section 151 Officer.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join or remain in the scheme, or to make personal arrangements outside the scheme.

Organisations participating in the Fund include:

- Scheduled bodies, which are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between themselves and the Fund. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

The table below sets out a snapshot, as at 31st March 2025 and 2026, in respect of the numbers and categories of people participating in the Fund.

| 31 March 2025 | | 31 March 2026 |
|---------------|---|---------------|
| 60 | Number of employers with active members | 61 |
| | Number of employees in scheme | |
| 6,336 | London Borough of Newham | 5,971 |
| 4,586 | Other employers | 4,337 |
| 10,922 | Total | 10,308 |
| | Number of pensioners | |
| 7,859 | London Borough of Newham | 10,547 |
| 925 | Other employers | 3,222 |
| 8,784 | Total | 13,769 |
| | Number of deferred members | |
| 10,334 | London Borough of Newham | 8,022 |
| 2,990 | Other employers | 1,080 |
| 13,324 | Total | 9,102 |
| 33,030 | | 33,179 |

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2026. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last full valuation of the Fund was at 31 March 2025, however, the contribution rates for 25/26 were based on the 2022 valuation. Employer contribution rates range from 10% to 26.2% of pensionable pay, the average employer primary rate is 18.4%. The Council's current contribution rate is 18.2%.

<https://www.newham.gov.uk/downloads/file/5992/newh-2022-valuation-report-v1>

[Actuarial valuation as at 31 March 2025](#)

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, with accrual rates as shown in the table below. From 1 April 2014, the scheme became a career average (CARE) scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is subsequently uprated annually in line with the Consumer Prices Index.

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

There are a range of other benefits provided including early retirement, disability pensions and death benefits. For more details, please refer to the Fund's scheme handbook available from <http://www.yourpension.org.uk/handr/Newham-Publications.aspx>

Note 2: Basis of Preparation

The Pension Fund Statement of Accounts summarises the Fund's transactions for the 2025/26 financial year and its year-end position as at 31 March 2026. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector, and Guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG).

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2025/26 by the Fund.

The accounts report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take account of the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose (The Fund has adopted the latter, see Note 18).

Going Concern Statement

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

- 1.1. The LGPS is a statutory, defined benefit, scheme and is effectively guaranteed by Government. It operates on a funded basis, which means that contributions from employees and employers are paid into a fund which is then invested, from which pension benefits are paid as they fall due. The period covered by this going concern statement is until 31 March 2028.
- 1.2. The Fund reduces investment risk by diversifying its investments across different types of global assets; these include; equities; property; government bonds and company bonds; infrastructure; and private debt. This diversification means that assets are affected by economic events differently.
- 1.3. The Committee reviewed its Environmental, Social and Governance Policy (ESG) in March 2024, strengthening the Fund's commitment to invest responsibly and manage climate risk. The Committee has taken the view that well-run companies perform better over the long term.
- 1.4. From time to time the Fund experiences economic downturns and a long-term view must be taken of investment returns. For this reason, the

actuary carries out a smoothing exercise when assessing the valuation of the Fund's assets.

1.5. The IAS21 and IFRS17 standards have been issued and adopted in this year's financial statement with little impact.

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

2. What is the process management followed to make its assessment?

2.1. The one-year investment returns for 2025/26 were 7.64%. Asset values have increased by £135m over the year to 31 March 2026, however from time to time the Fund experiences economic downturns and a long-term view must be taken of investment returns. There is sufficient flexibility in the investment strategy to be able to respond to short-term market fluctuations. The Fund is comparatively low risk with a smaller proportion of its assets held in volatile equities.

| 2025/26 | | | |
|---------|------|------|------|
| % | 1Yr | 3Yr | 5Yr |
| Fund | 7.64 | 7.47 | 6.43 |

Source: Northern Trust report of Fund performance.

2.2. The Fund holds cash deposits with the custodian of £146m at the Balance Sheet date, equivalent to 7.1% of the Fund Assets. In addition, the Fund held £786m in Level 1 and Level 2 investment assets which could be realised within 3 months if required. Based upon a review of the operational cash flow projections, management is satisfied that it has sufficient cash to meet its obligations to pay pensions for at least 12 months from the date of authorisation of these accounts, without the need to sell any of these investments.

2.3. In line with statutory requirements the Fund undertakes a valuation every three years to determine the ratio of the Fund's assets to its liabilities. This funding position is a summary statistic often quoted to give an indication of the health of the Fund. The Fund's triennial valuation at 31 March 2022 reported that the Fund had sufficient assets to cover 100% of the accrued liabilities as it is fully funded. The Fund's recent Triennial valuation as at 31st March 2025 was published on 26th March 2026 and indicates a similar position.

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

2.5. Actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance between longer term investment growth and short term yield/return. Any deficits are financed through increased contributions agreed with the actuary and are financed by Council, admitted and scheduled as bodies' contributions.

2.6. The Fund's Investment Strategy Statement (ISS) sets out its strategic asset allocation to deliver the investment returns and to monitor the changes in its funding level over the longer term. The ISS is continually developed and updated at each quarterly Committee. The Committee last reviewed the investment strategy in March 2025.

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

- 2.8. The Fund also monitors the timeliness and value of contributions; this will help us to intervene early if we suspect that an employer is struggling to meet their pension obligations.
- 2.9. The Fund's Investment Advisor reports quarterly to the Committee, where fund manager performance is reviewed to ensure that the investment strategy remains on track.
- 3. What are the assumptions on which the assessment is based including whether the key assumptions underlying the budgets and/or forecasts appear appropriate in the circumstances?**
- 3.1. Details on the assumptions used in the valuation are contained within the actuary's 2022-25 triennial valuation report which are reflected in the Funding Strategy Statement 2022. The following triennial valuation was published on 26th March 2026 and will be effective from 2026-28.
- 3.2. The Fund monitors budgets and cash flow monthly and the Committee review these on a quarterly basis. Cash flow will include predictable payments, such as the monthly pension payroll, or more unpredictable payments such as transfer out payments, retirement lump sums or death benefits. The Fund is maturing which means that the cash flow position of the Fund is negative, contributions from employers and employees are not sufficient to meet the payments of benefits due without needing to utilise investment income or liquidate investment assets.
- 3.3. However, this situation has been forecast for several years and the Committee took steps to invest in income yielding assets, currently some assets classes are non-distributing as there is sufficient cash balances to maintain this approach, the Committee will review this approach as the need arises.
- 3.4. In establishing an acceptable working cash balance, we determine a sum that is sufficient to cover predictable benefit payments, taking account of expected cash flow, whilst also providing a buffer to meet unpredictable payments together with any deterioration in cash inflow.

Note 3: Summary of Significant Accounting Policies

Fund account – revenue recognition

Contribution income

a) Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arises. Any amount due in the year but unpaid will be classed as a current financial assets.

b) Transfers to and from other schemes

Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (Note 20) to purchase scheme benefits are accounted for on a receipts basis.

c) Investment income

- Interest income is recognised in the Fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Asset Statement (NAS) as a current financial asset.
- Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the NAS as a current financial asset.
- Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the NAS as current liabilities, providing that payment has been approved.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

f) Management expenses

The Fund discloses its management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), all items of expenditure are charged to the Fund on an accruals basis as follows:

Administrative expenses

All staff costs of the pension administration team are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Oversight and governance costs

All staff costs associated with oversight and governance are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment management expenses

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 10a and grossed up to increase the change in the value of investments.

Fees of the external investment managers and custodian are agreed in the mandates governing their appointments. Broadly, these are based on

the Market value of the investments under their management and therefore increase or decrease as the value of these investments change.

Lifetime Allowances

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

Net Assets Statement (NAS)

g) Financial assets

Investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the NAS on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of those assets are recognised in the Fund account.

The values of investments as shown in the NAS have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 14). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of the transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

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

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

j) Cash and cash equivalents

Cash are temporary deposits, amounts held by the Fund's external managers and invested in money market funds. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

k) Financial liabilities

A financial liability is recognised in the NAS on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the Fund account as part of the Change in Value of Investments.

Other financial liabilities are carried at amortised cost i.e. the amount carried in the NAS is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the NAS (Note 18).

m) Additional Voluntary Contributions (AVC)

The Fund provides an additional voluntary contribution scheme for its members, the assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with section 4(1) (b) of The LGPS (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 20). The AVC provider is Clerical Medical and contributions are also collected for life assurance policies provided by Utmost Life and Pensions.

n) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place, giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date, to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the NAS but are disclosed by way of narrative in the notes.

o) Accounting Policies

There have been no changes to accounting policies.

Note 4: Critical judgements in applying accounting policies

Pension fund liability

The overall Fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised (see Note 18).

Actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance between longer term investment growth and short-term yield/return.

Note 5: Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported financial statements. Estimates and assumptions are made taking into account historical experience, current trends and future expectations. The items in the NAS for which there is a significant risk of material adjustment in the following year are as follows.

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|---|---|
| Actuarial present value of promised retirement benefits (Note 18) | Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied. | The effects on the present value of total pension obligation in individual assumptions can be measured. For instance: <ul style="list-style-type: none">• A 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £97m.• A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £2m, and• A one-year increase in assumed life expectancy would increase the liability by approximately £55m. |
| Level 3 Investments | Private equity, pooled investment and pooled property investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines 2012. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. | Level 3 investments total £1.3bn, which represents 1% of the total Fund value of £2.069bn. |

Note 6: Events after the Reporting Date

There have been no post balance sheet events since 31 March 2026, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

Note 7: Contributions Receivable

| 2024/25 £'000 | By Category | 2025/26 £'000 |
|------------------|---------------------------------------|------------------|
| 18,432 | Employees' contributions | 19,014 |
| | Employers' contributions: | |
| 52,622 | Normal contributions | 54,328 |
| 3 | Deficit recovery contributions | (16) |
| 1,208 | Augmentation contributions | 4,052 |
| 53,833 | Total Employers' contributions | 58,364 |
| 72,265 | Total | 77,378 |

| 2024/25 £'000 | By Employer | 2025/26 £'000 |
|------------------|-------------------------|------------------|
| 50,727 | Administering Authority | 55,235 |
| 4,967 | Admitted Body | 5,267 |
| 16,571 | Scheduled Body | 16,876 |
| 72,265 | Total | 77,378 |

Note 8: Benefits Payable

| 2024/25 £'000 | By Category | 2025/26 £'000 |
|------------------|-----------------------------------|------------------|
| (63,471) | Pensions | (66,749) |
| (13,641) | Commutation and lump sum benefits | (19,016) |
| (2,143) | Lump sum death benefits | (3,177) |
| (79,254) | Total | (88,942) |

| 2024/25 £'000 | By Employer | 2025/26 £'000 |
|------------------|-------------------------|------------------|
| (69,073) | Administering Authority | (76,739) |
| (2,898) | Admitted Body | (4,062) |
| (7,283) | Scheduled Body | (8,141) |
| (79,254) | Total | (88,942) |

Note 9: Payments to and on account of leavers

| 2024/25 £'000 | By Authority | 2025/26 £'000 |
|------------------|------------------------------------|------------------|
| (161) | Refunds to members leaving service | (227) |
| (15,478) | Individual transfers | (16,611) |
| (15,639) | Total | (16,838) |

Note 10: Management Expenses

| 2024/25 £'000 | By Authority | 2025/26 £'000 |
|------------------|--------------------------------|------------------|
| (1,721) | Administrative costs | (1,548) |
| (3,686) | Investment management expenses | (673) |
| (507) | Oversight and governance costs | (888) |
| (5,914) | | (3,109) |

Note 10a: Investment Management Expenses

| | 2024/25 | | | 2025/26 | | |
|-----------------------------|--------------------------|----------------------------|----------------|--------------------------|----------------------------|----------------|
| | Management Fees £'000 | Transaction Costs £'000 | Total £'000 | Management Fees £'000 | Transaction Costs £'000 | Total £'000 |
| Asset pool | (140) | - | (140) | (148) | - | (148) |
| Equity | (74) | - | (74) | (25) | - | (25) |
| Fixed income | (2) | (2) | (4) | (2) | (2) | (4) |
| Pooled equity | (267) | (557) | (824) | (69) | (188) | (257) |
| Pooled fixed income | - | - | - | - | - | - |
| Pooled property Investments | (784) | - | (1,143) | (772) | - | (772) |
| Private debt | (194) | - | (194) | (151) | - | (151) |
| Private equity | (681) | - | (681) | (891) | - | (891) |
| Real assets | (558) | - | (558) | (666) | - | (666) |
| | 2,699 | 559 | (3,617) | (2,724) | (190) | (2,914) |
| Custody fees | | | (69) | (84) | - | (84) |
| Total | 2,699 | 559 | (3,686) | (2,808) | (190) | (2,998) |

Note 10b: External Audit Costs

| 2024/25 £'000 | | 2025/26 £'000 |
|------------------|----------------------------|------------------|
| (89) | Payable for External audit | (93) |

Note 11: Investment Income

| 2024/25 £'000 | | 2025/26 £'000 |
|------------------|-----------------------------|------------------|
| (2) | Equity | - |
| 1,559 | Pooled equity | - |
| 6,351 | Pooled property Investments | 4,474 |
| 2,136 | Pooled fixed income | 2,215 |
| 12,180 | Private debt | 7,771 |
| 912 | Private equity | 1,578 |
| - | Real assets | 554 |
| 2,442 | Diversified Alternatives | - |
| 3,140 | Interest on cash deposits | 1,578 |
| 28,718 | | 18,170 |

Note 12: Investments

| 31 March 2025 £'000 | Market Value Analysis of Investments | 31 March 2026 £'000 |
|---------------------------|---|---------------------------|
| | Investment assets | |
| | Pooled funds: | |
| 48,778 | Fixed income unit trust | 50,868 |
| 1,183,728 | Equity unit trust | 1,303,491 |
| 210 | Managed alternatives | 76 |
| 1,232,716 | | 1,354,435 |
| | Other Investments: | |
| 86,682 | Private equity | 107,938 |
| 110,324 | Real assets | 112,070 |
| 87,259 | Private debt | 65,623 |
| 81,617 | Social Housing | 91,291 |
| 190,711 | Pooled property investments | 193,423 |
| 556,591 | | 570,344 |
| 150 | Shares in London CIV | 150 |
| | Other investment assets: | |
| 411 | Investment income due | 280 |
| 512 | Derivative assets | - |
| 923 | | 280 |
| 145,140 | Cash deposits | 146,642 |
| | Investment liabilities: | |
| (148) | Derivative liabilities | (2,050) |
| (148) | | (2,050) |
| 1,935,372 | Total investment assets | 2,069,800 |

Note 12a: Reconciliation of Movements in Investments and Derivatives

| 2025/26 | Market value as at 31 March 2025 £'000 | Purchases during the year and derivative payments £'000 | Sales during the year and derivative receipts £'000 | Change in Market Value during the year £'000 | Market value as at 31 March 2026 £'000 |
|------------------------------|---|--|--|---|---|
| Equities (active) | - | - | (18) | 18 | - |
| Pooled funds | 1,232,716 | 3,732 | (125) | 118,112 | 1,354,435 |
| Pooled property investments | 190,711 | 8,780 | (7,549) | 1,479 | 193,421 |
| Other investments | 365,881 | 41,082 | (37,130) | 7,089 | 376,922 |
| Shareholding in London CIV | 150 | - | - | - | 150 |
| | 1,789,458 | 53,594 | (44,822) | 126,698 | 1,924,928 |
| Derivative contracts: | | | | | |
| Forward currency contracts | 364 | 8,791 | (12,125) | 920 | (2,050) |
| | 1,789,822 | 62,385 | (56,947) | 127,618 | 1,922,878 |
| Cash deposits | 145,140 | - | - | (114) | 146,642 |
| Investment income due | 411 | - | - | - | 280 |
| Spot FX Contracts | - | - | - | (45) | - |
| Total | 1,935,373 | | | 127,459 | 2,069,800 |

Note 12b: Investments analysed by Fund manager

| Market Value as at 31 March 2025 £'000 | % | Fund Manager | % | Market Value as at 31 March 2026 £'000 |
|---|------------|---|------------|---|
| | | Investments managed by the London CIV asset pool | | |
| 150 | - | LCIV Shareholding | - | 150 |
| 48,364 | 2.50 | LCIV Global Bond Fund (PIMCO) | 2.44 | 50,441 |
| 155,485 | 8.03 | LCIV Global Equity Focus Fund (Longview) | 6.57 | 135,952 |
| 145,037 | 7.49 | LCIV Global Equity Value Fund (Wellington) | 8.20 | 169,629 |
| - | - | LCIV Private Debt II Fund | 0.47 | 9,634 |
| | | Investments aligned with London CIV asset pool | | |
| 883,158 | 45.64 | Legal and General Investment Management (LGIM) | 48.22 | 997,906 |
| 1,232,194 | | | | 1,363,712 |
| | | Investments managed outside of the London CIV asset pool | | |
| 52,647 | 2.72 | Arcmont | 2.59 | 53,547 |
| 47,824 | 2.47 | Brightwood | 2.00 | 42,024 |
| 12,889 | 0.64 | Brockton | 0.56 | 12,160 |
| 179,228 | 9.29 | CBRE | 9.01 | 185,947 |
| 81,595 | 4.22 | Cheyne | 4.14 | 85,623 |
| 92,766 | 4.79 | Fiera Capital | 4.55 | 94,094 |
| 91,984 | 4.75 | HarbourVest | 5.46 | 112,981 |
| 19,833 | 1.02 | KGAL Capital | 1.03 | 21,352 |
| 39,937 | 2.06 | Northern Trust cash deposits | 0.52 | 10,669 |
| 414 | 0.02 | Payden & Rygel | 0.02 | 427 |
| 40,522 | 2.09 | Permira | 2.04 | 42,229 |
| 43,540 | 2.25 | Schroders | 2.18 | 45,036 |
| 703,178 | | | | 706,089 |
| 1,890,447 | 100 | Total investment assets | 100 | 2,069,800 |

Individual investments exceeding 5% of net assets

| Market Value as at 31 March 2025 £'000 | % of total fund | Fund Manager | % of total fund | Market Value as at 31 March 2026 £'000 |
|--|-----------------|---------------------------------|-----------------|--|
| 654,654 | 33.83 | LGIM – Paris Aligned | 36.32 | 751,735 |
| 155,485 | 8.03 | LCIV Global Equity Focus Fund | 6.57 | 135,952 |
| 197,764 | 10.22 | LGIM - <15YR Index-linked gilts | 10.01 | 207,114 |
| 145,012 | 0.07 | LCIV Global Equity Value Fund | 8.19 | 169,604 |
| 192,117 | 9.93 | CBRE | - | 198,107 |
| 1,345,032 | 70 | | 61.09 | 1,462,512 |

Note 12c: Stock Lending

The Fund does not carry out stock lending directly and is an investor of a pooled fund with the passive equity manager, LGIM, who carry out stock lending as part of the Fund's activities. Stock Lending occurs in limited number of overseas equities index funds.

The Stock Lending programme is managed and administered by the custodian of the Funds (Citibank) within the risk control parameters set by LGIM. The programme has been operating for over 10 years and enjoys an indemnity from Citibank. Stock lending is only undertaken with counterparties who have satisfied the requirements in terms of market capability and minimum credit standing.

All income arising from stock lending less the custodian/administrator's costs are credited to the Funds lending the stocks. LGIM does not receive any revenue from stock lending. As at 31 March 2026, the value of quoted equities on loan was £39m (March 2025: £47m). These equities continue to be recognised in the Fund's financial statements.

Note 13: Analysis of Derivatives

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

The Fund currently has exposure to forward currency contracts and the purpose of this is to reduce the Fund's exposure to fluctuations in exchange rates. The Fund manager who uses forward currency contracts is Schroders. A breakdown of forward contracts held by the Fund as at 31 March 2026 is given below:

Open forward currency contracts

Purchased/written options

As part of its risk management strategy, the Fund purchases equity option contracts that protect it from falls in value in its main investment markets. There were none for 2024/25 and 2025/26.

| Settlements | Currency bought | Local value | Currency sold | Local value | Asset value | Liability value |
|--|-----------------|-------------|---------------|-------------|-------------|-----------------|
| | | £'000 | | £'000 | £'000 | £'000 |
| One to six months | GBP | 132,964 | USD | (176,802) | - | (1,143) |
| One to six months | GBP | 83,847 | EUR | (96,639) | - | (908) |
| Open forward currency contracts at 31 March 2026 | | | | | - | (2,051) |
| Net forward currency contracts at 31 March 2026 | | | | | | (2,051) |
| Prior year comparative | | | | | | |
| Open forward currency contracts at 31 March 2025 | | | | | 512 | (148) |
| Net forward currency contracts at 31 March 2025 | | | | | | 364 |

Note 14: Fair Value - Basis of Valuation

| Description of asset | Valuation hierarchy | Basis of valuation | Observable and unobservable inputs | Key sensitivities affecting the valuations provided |
|------------------------------------|---------------------|--|--|---|
| Market quoted investments | Level 1 | Published bid market price ruling on the final day of accounting period | Not required | Not required |
| Quoted bonds | Level 1 | Market value based on current yields | Not required | Not required |
| Exchange traded pooled investments | Level 1 | Closing bid value on published exchanges | Not required | Not required |
| Overseas bond options | Level 2 | Fixed income securities are priced based on evaluated prices provided by independent pricing services. | Evaluated price feeds | Not required |
| Pooled investments - unit trusts | Level 2 | Closing bid price where bid and offer are published | Net Asset Valuation (NAV)-based pricing set on a forward pricing basis | Not required |

| Description of asset | Valuation hierarchy | Basis of valuation | Observable and unobservable inputs | Key sensitivities affecting the valuations provided |
|--|---------------------|---|--|---|
| Structured equity | Level 2 | Estimated valuation reported by counterparty | Market information such as interest rates, equity values, implied volatility, implied dividends | Reported values are estimates and do not represent trading value to enter or close a position. |
| Pooled investments-property funds | Level 3 | Closing bid price where bid and offer are published | Net Asset Valuation (NAV)-based pricing set on a forward pricing basis | Reported values are estimates and do not represent trading value to enter or close a position. |
| Pooled investments-hedge funds | Level 3 | Closing bid price where bid and offer are published | Net Asset Valuation (NAV)-based pricing set on a forward pricing basis | Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts. |
| Private (Unquoted) equity / debt and real assets | Level 3 | Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012) | <ul style="list-style-type: none"> • Earnings before interest, tax, depreciation and amortisation multiple • Revenue multiple • Discount for lack of marketability • Control premium | Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts. |

| | Values at 31 March 2025 | | | | Values at March 2026 | | | |
|--|-----------------------------|---------------------------------|--|------------------|-----------------------------|---------------------------------|--|------------------|
| | Quoted market price Level 1 | Using observable inputs Level 2 | With significant observable inputs – Level 3 | Total | Quoted market price Level 1 | Using observable inputs Level 2 | With significant observable inputs – Level 3 | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Financial Assets at Fair Value through Profit and Loss | | | | | | | | |
| Pooled investments | 145,012 | 1,087,493 | 210 | 1,232,716 | 169,603 | 433,020 | 751,810 | 1,354,433 |
| Pooled property investments | 16,263 | 21,870 | 152,577 | 190,711 | 16,728 | 22,257 | 154,437 | 193,423 |
| Private equity | - | - | 365,881 | 365,881 | - | - | 376,922 | 376,922 |
| Derivative assets | - | 512 | - | 512 | - | - | - | - |
| Cash deposits | 145,140 | - | - | 145,140 | 146,642 | - | - | 146,642 |
| Investment income due | 411 | - | - | 411 | 220 | 61 | - | 280 |
| London collective investment vehicle | 150 | - | - | 150 | 150 | - | - | 150 |
| Net investment assets | 306,976 | 1,109,876 | 518,668 | 1,935,520 | 333,343 | 455,338 | 1,283,169 | 2,071,850 |
| Financial Liabilities at Fair Value through Profit and Loss | | | | | | | | |
| Derivative liabilities | | (148) | | (148) | - | (2,050) | - | (2,050) |
| Total | 306,976 | 1,109,876 | 518,668 | 1,935,371 | 333,343 | 453,288 | 1,283,169 | 2,069,800 |

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2026.

| Fund Manager | Assessed valuation range (+/-) | Value as at 31 March 2026 | Value on increase | Value on decrease |
|----------------------|--------------------------------|---------------------------|-------------------|-------------------|
| | % | £'000 | £'000 | £'000 |
| Private debt* | 10 | 65,623 | 72,185 | 59,061 |
| Private equity | 25 | 220,007 | 275,009 | 165,005 |
| Real assets** | 15 | 52,867 | 60,797 | 44,937 |
| Social Housing | 10 | 91,291 | 100,420 | 82,162 |
| UK Equity Funds | 25 | 751,735 | 939,669 | 563,801 |
| Subtotal | | 1,181,523 | 1,448,080 | 914,966 |
| Overseas Hedge Funds | 15 | 76 | 87 | 65 |
| Property funds | 10 | 101,569 | 111,726 | 91,412 |
| Total | | 1,283,168 | 1,559,893 | 1,006,443 |

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

**Real assets is combined totals of the following managers; Fiera & KGAL

Note 14a: Fair Value Hierarchy

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 –where the fair values are derived from adjusted quoted prices in active markets for identical assets or liabilities. These cover quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2 – Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3 – Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

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

| | Market Value as 31/03/2025 £'000 | Transfers in/out of level 3 £'000 | Purchases £'000 | Sales £'000 | Unrealised gains (losses) £'000 | Realised gains (losses) £'000 | Market Value as 31/03/2026 £'000 |
|---|-------------------------------------|--------------------------------------|--------------------|----------------|------------------------------------|----------------------------------|-------------------------------------|
| Pooled investments-hedge funds | 1 | - | 717,927 | - | 33,807 | - | 751,735 |
| Private equity (Overseas property funds) | 101,564 | - | 3,798 | (4,490) | (856) | 1,553 | 101,569 |
| Property funds (Overseas venture capital) | 197,005 | - | 25,303 | (9,365) | 2,325 | 4,739 | 220,007 |
| Private debt | 87,259 | - | 6,274 | (23,921) | (4,103) | 115 | 65,624 |
| Real assets (UK Property funds) | 51,013 | - | 2,447 | (1,109) | 2,346 | (1,830) | 52,867 |
| Social Housing (UK venture capital) | 81,617 | - | 9,504 | (3,844) | 4,013 | - | 91,290 |
| Overseas Hedge Fund | 210 | - | - | (86) | (87) | 39 | 76 |
| Total | 518,667 | - | 765,253 | 42,815 | 37,445 | 4,616 | 1,283,168 |

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line of the Fund of account.

Note 15: Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and NAS heading.

| Market Value at 31 March 2025 | | | | Market Value at 31 March 2026 | | |
|---|-----------------------------------|--|---------------------------------------|---|-----------------------------------|--|
| Fair value through profit and loss £'000 | Assets at amortised cost £'000 | Liabilities at amortised cost £'000 | | Fair value through profit and loss £'000 | Assets at amortised cost £'000 | Liabilities at amortised cost £'000 |
| | | | Financial assets | | | |
| 1,232,716 | - | - | -Pooled funds | 1,354,434 | - | - |
| 190,711 | - | - | -Pooled property Investments | 193,423 | - | - |
| 365,881 | - | - | -Private equity/debt & real assets | 376,922 | - | - |
| - | 150 | - | -London collective investment vehicle | 150 | - | - |
| 145,140 | - | - | -Cash and cash equivalents | 146,641 | 1,586 | - |
| 512 | - | - | -Derivatives | - | - | - |
| 411 | - | - | -Other investment balances | 280 | - | - |
| - | 5,386 | - | -Sundry Debtors and Prepayments | - | 652 | - |
| 1,935,371 | 5,536 | - | Total Financial Assets | 2,071,850 | 2,238 | - |
| | | | Financial liabilities | | | |
| - | - | (148) | -Derivatives | (2,050) | - | - |
| - | - | - | -Sundry creditors | - | (444) | - |
| - | - | (148) | Total Financial liabilities | (2,050) | (444) | - |
| 1,935,372 | 5,536 | (148) | Total | 2,069,800 | 1,794 | - |

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements.

The Fund has not entered any financial guarantees that are required to be accounted for as financial instruments.

Note 15a: Net Gains and Losses on Financial Instruments

| 31st March 2025 £'000 | | 31st March 2026 £'000 |
|-----------------------------|------------------------------------|-----------------------------|
| | Financial Assets | |
| - | Fair value through profit and loss | 126,699 |
| - | Other investment balances | - |
| | Financial Liabilities | |
| 9,410 | Fair value through profit and loss | 920 |
| (765) | Other investment balances | (159) |
| 8,645 | Total | 127,460 |

Note 16: Nature and Extent of Risks arising from Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Committee. Risk management policies are established to identify and analyse the risks faced by the Fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

Market risk is the risk of losses emanating from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis, and manage any identified risk in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels; and
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. The Fund's structured equity is a hedge that provides some level of mitigation to market volatility.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment managers mitigate this price risk through diversification, and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the Fund's investment strategy.

Other price risk – sensitivity analysis

In consultation with its investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for 2025/26, if all other variables, in particular foreign exchange rates and interest rates, remain the same:

| Asset type | 2024/25 | | | | 2025/26 | | | |
|-----------------------------|------------|--|-----------------------------------|-----------------------------------|------------|--|-----------------------------------|-----------------------------------|
| | Movement % | Market value as at 31 March 2025 £'000 | Movement on increased value £'000 | Movement on decreased value £'000 | Movement % | Market value as at 31 March 2026 £'000 | Movement on increased value £'000 | Movement on decreased value £'000 |
| Pooled investments | 10 | 1,232,716 | 1,355,987 | 1,109,444 | 10 | 1,354,434 | 1,489,878 | 1,218,991 |
| Pooled Property Investments | 10 | 190,711 | 209,782 | 171,640 | 10 | 193,423 | 212,766 | 174,080 |
| Private Equity | 25 | 365,881 | 457,351 | 274,411 | 25 | 376,922 | 471,152 | 282,691 |
| Derivative Assets | 10 | 511 | 563 | 461 | 10 | - | - | - |
| Cash deposits | 5 | 145,140 | 152,397 | 137,883 | 5 | 146,641 | 153,973 | 139,310 |
| Other investment assets | - | - | - | - | - | - | - | - |
| Investment income due | - | 411 | 411 | 411 | - | 280 | 280 | 280 |
| London CIV | 15 | 150 | 173 | 128 | 15 | 150 | 173 | 128 |
| Investment liabilities | - | (148) | (148) | (148) | - | (2,050) | - | - |
| Total | | 1,935,371 | 2,176,516 | 1,694,229 | | 2,069,800 | 2,328,222 | 1,815,480 |

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2026 and 31 March 2025 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate – risk sensitivity analysis

The Fund recognises that interest rates can vary and affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The Fund's investment advisor has advised that there is a low probability that long-term average rates will move less by more than 100 basis points (1%) from one year to the next.

| Asset type | 2024/25 | | | 2025/26 | | |
|---------------------------|---|-------------------------------------|-------------------------------------|---|-------------------------------------|-------------------------------------|
| | Market value as at 31 March 2025 £'000 | Value on 1% price increase £'000 | Value on 1% price decrease £'000 | Market value as at 31 March 2026 £'000 | Value on 1% price increase £'000 | Value on 1% price decrease £'000 |
| Cash and Cash equivalents | 145,140 | 146,591 | 143,688 | 146,642 | 148,108 | 145,175 |
| Cash balances | 2,173 | 2,195 | 2,151 | 1,586 | 1,602 | 1,569 |
| Total | 147,313 | 148,786 | 145,840 | 148,228 | 149,710 | 146,744 |

Interest Receivable

| Asset type | 2024/25 | | | 2025/26 | | |
|---------------------------|---|-------------------------------------|-------------------------------------|---|-------------------------------------|-------------------------------------|
| | Market value as at 31 March 2025 £'000 | Value on 1% price increase £'000 | Value on 1% price decrease £'000 | Market value as at 31 March 2026 £'000 | Value on 1% price increase £'000 | Value on 1% price decrease £'000 |
| Cash and Cash equivalents | 3,140 | 3,171 | 3,108 | 1,578 | 1,594 | 1,562 |
| Total | 3,140 | 3,171 | 3,108 | 1,578 | 1,594 | 1,562 |

This analysis demonstrates that a 1% increase in interest rates will not materially affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 10%. A 10% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would decrease/increase the net assets available to pay benefits as follows.

| Asset type | 2024/25 | | | 2025/26 | | |
|--------------------------------------|----------------------------------|-----------------------------|-----------------------------|----------------------------------|-----------------------------|-----------------------------|
| | Market value as at 31 March 2025 | Value on 10% price increase | Value on 10% price decrease | Market value as at 31 March 2026 | Value on 10% price increase | Value on 10% price decrease |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Overseas fixed interest unit trusts | 414 | 455 | 373 | 427 | 470 | 384 |
| Overseas pooled property investments | 101,564 | 111,720 | 91,408 | 101,569 | 111,726 | 91,412 |
| Overseas venture capital | 197,005 | 216,706 | 177,305 | 220,007 | 242,008 | 198,007 |
| Overseas Equity Funds | 300,570 | 330,627 | 270,513 | 305,585 | 336,144 | 275,027 |
| Overseas Hedge Fund | 210 | 231 | 189 | 76 | 83 | 68 |
| Total | 599,763 | 659,739 | 539,787 | 627,664 | 690,431 | 564,898 |

a) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The Market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The selection of high-quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The Fund has also set limits as to the maximum sum placed on deposit with individual financial institutions. In addition, the Fund invests an agreed percentage of its Funds in the money markets to provide diversification. Money Market Funds (MMF) chosen all have AAA rating from a leading ratings agency, as shown below.

| Summary | Rating | Market value as at 31 March 2025 £'000 | Market value as at 31 March 2026 £'000 |
|--------------------------------------|--------|---|---|
| Held with Custodian | | | |
| Northern Trust custody cash accounts | AAA | 145,140 | 146,642 |
| Other investment balances | | 411 | 280 |
| Bank current accounts | | | |
| Lloyds | A+ | 2 | 2 |
| Total | | 145,553 | 146,924 |

The Fund has experienced no defaults from fund managers, brokers or bank accounts over many years.

Credit risk may also occur if an employing body not supported by central government does not pay its contributions promptly, or defaults on its obligations. The Fund has not experienced any actual defaults in recent years, and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties. All contributions due at 31 March 2026 and 31 March 2025 (£6.0m and £6.0m respectively) were received in the first two months of the respective financial year.

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's cash holding under its treasury management arrangements at 31 March 2026 was £12m (31 March 2025: £42m).

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

The Fund also has access to an overdraft facility for short-term cash needs (up to seven days). This facility is only used to meet timing differences on pension payments. As at 31 March 2026 the balance on this facility stood at £0 (31 March 2025: £0).

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2026 the value of liquid assets represented 38% of the total Fund value (31 March 2025: 81% of the total Fund assets).

b) Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategy.

Note 17: Funding Arrangements

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

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer defaulting on its pension obligations.

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

When an employer's funding level is less than 10% of the 100% funding target, then a deficit recovery plan will be put in place requiring additional employer contributions.

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

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

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows.

Financial assumptions as noted in the triennial valuation

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

Mortality assumptions as noted in the triennial valuation.

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

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

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax free cash up to HMRC limits for pre- April 2008 service and 75% of the maximum tax-free cash for post April 2008 service.

50:50 option

Less than 1% of active members (evenly distributed across age, service length and salary range) have taken up the 50:50 option.

Note 18: Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Fund liabilities, on an IAS19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. To assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 17). The actuary has also used valued ill-health and death benefits in line with IAS19.

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal. The Local Government Pension Scheme is a contracted out defined benefit scheme, and amendments have been made during the period 1996 to 2016 which could impact member benefits.

Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact on the assessed actuarial present value of promised retirement benefits under IAS 26, or if it can be reliably estimated. As a result, Newham Pension Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements.

| 31 st March 2025 £m | | 31 st March 2026 £m |
|--------------------------------------|---|--------------------------------------|
| (1,701) | Present value of promised retirement benefits | (1,548) |
| 1,935 | Fair value of scheme assets (bid value) | 1,752 |
| 234 | Net Liability | 204 |

| Financial assumptions | 31st March 2025 % | 31st March 2026 % |
|-------------------------|-------------------------|-------------------------|
| Discount rate | 5.80 | 6.10 |
| Pension increases (CPI) | 2.90 | 2.90 |
| RPI inflation | 3.20 | 3.30 |
| Salary increases | 3.90 | 3.90 |

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

As noted above, the liabilities above are calculated on an IAS19 basis and therefore will differ from the results of the 2022 triennial funding valuation (see Note 17) because IAS19 stipulates a discount rate rather than a rate which reflects market rates.

Note 19: Current Assets

| 31 st March 2025 £'000 | | 31 st March 2026 £'000 |
|---|-------------------------------|---|
| 1,569 | Contributions due – employees | 1,617 |
| 4,394 | Contributions due – employers | 4,687 |
| 353 | Receivables | 1,008 |
| 5,033 | Debtors | 13,448 |
| 2,173 | Cash balances | 1,586 |
| 13,522 | Total Current Assets | 22,346 |

Note 19a: Current Liabilities

| 31 st March 2025 £'000 | | 31 st March 2026 £'000 |
|---|----------------------------------|---|
| (13,373) | Total Current Liabilities | (30,787) |

Note 20: Additional Voluntary Contributions

| 31 st March 2025 £'000 | | 31 st March 2026 £'000 |
|---|--------------------------|---|
| 1,091 | Clerical Medical | 1,111 |
| 140 | Utmost Life and Pensions | 130 |
| 1,231 | Total | 1,241 |

AVC contributions of £0.028m were paid directly to Clerical Medical during the year (£0.042m 2024/25). There have been no further contributions to Utmost in either financial year.

These amounts are not included in the Fund accounts in accordance with Regulation 4 (1) (b) of the LGPS (Management and Investment of funds) Regulations 2016.

Note 21: Agency Services

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

| 2024/25 £'000 | | 2025/26 £'000 |
|------------------|--|------------------|
| 340 | Payments on behalf of London Borough of Newham | 351 |
| 340 | Total | 351 |

Note 22: Related Parties

The Fund is administered by LBN. During the reporting period, the Council incurred costs of £1.8m (2024/25: £0.58m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. As at 31 March 2026 the Council owed the Fund £14.9m (2024/25 £6.6m).

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

Of the Committee Members there is one deferred member; Councillor John Gray. The Members of the Committee do not receive fees in relation to their specific responsibilities as Members of the Committee.

The Council is also the largest employer in the Fund and in 2025/26 contributed £33.8m (2024/25 £36.2m) to the Pension Fund in respect of employer's contributions. All monies owing to and due from the fund were paid in year.

The Fund is a minority shareholder in London LGPS CIV Ltd. Shares valued at £0.15m at 31 March 2026 (£0.15m at 31 March 2025) are included as long-term investments in the Net Asset Statement. A mixed portfolio of investments is managed by the regional asset pool as shown in Note 12b. During 2025/26 a total of £0.14m was charged to the pension fund by London CIV in respect of investment management services (£0.14m in 2024/25).

Note 22a: Key Management Personnel

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

| 2024/25 £'000 | | 2025/26 £'000 |
|------------------|--------------------------|------------------|
| 46 | Short-term benefits | 26 |
| 1,414 | Post-employment benefits | 512 |
| 1,460 | Total | 538 |

Note 23: Contingent Liabilities and Contractual Commitments

Outstanding capital commitments for private debt, property, private equity, real assets and social housing at 31 March 2026 totaled £90m (31 March 2025: £110m). There are no contingent liabilities to report.

Six admitted bodies have a guarantee in place with the Council to guard against the possibility of being unable to meet the pension obligations. The guarantees are drawn in favour of the Fund and payment will only be triggered in the event of employer default. No such defaults have occurred.

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

DRAFT ANNUAL GOVERNANCE STATEMENT 2025/2026

LONDON BOROUGH OF NEWHAM

Annual Governance Statement 2025/26

1. Scope of Responsibility

The London Borough of Newham is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and that resources are used economically, efficiently and effectively.

Newham Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to economy, efficiency and effectiveness. It is also required under the Accounts and Audit Regulations 2015 to undertake an annual review of the effectiveness of its governance arrangements and publish an Annual Governance Statement.

The Council has approved and adopted a Local Code of Corporate Governance which is consistent with the principles contained within the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016) and the 2025 Addendum. The Code reflects the seven core principles of good governance and provides the framework through which the Council directs and controls its functions and relates to the communities it serves. This can be found at Appendix I to this [draft] Annual Governance Statement.

This statement explains how the Council has complied with its Code during 2025/26 and describes how the effectiveness of governance arrangements has been reviewed.

2. Governance in LB Newham – Context and Challenges

During 2025/26, LB Newham continued to operate in one of the most demanding environments facing any local authority in England.

The borough continues to experience:

- exceptionally high levels of housing need and homelessness;
- significant demand-led pressures in temporary accommodation;
- continuing complexity in children's and adults' social care;
- financial uncertainty arising from inflation, market volatility and national funding reform; and
- rising resident expectations regarding service quality, transparency and accountability.

Alongside these pressures, the Council continued delivery of its strategic vision through the Building a Fairer Newham Corporate Plan programme, focusing on:

- reducing poverty and inequality;
- improving housing outcomes;
- supporting economic inclusion;
- enhancing community safety;
- delivering sustainable neighbourhoods; and

- strengthening resident trust in local government.

The Council recognises that strong governance is essential to achieving these ambitions and maintaining public confidence.

3. The Council's Governance Framework

The governance framework comprises the systems, processes, culture and values through which the Council is directed and controlled and through which it engages with residents, partners and stakeholders.

The framework includes:

- Political Leadership and Decision-Making
- Executive Mayor and Cabinet arrangements; Full Council;
- Overview and Scrutiny structures;
- Regulatory committees;
- Standards arrangements.

Officer Leadership

- Corporate Management Team;
- Statutory officers:
- Head of Paid Service;
- Monitoring Officer; and
- Section 151 Officer.

Risk and Assurance

- Audit and Governance Committee;
- Internal Audit;
- External Audit;
- Corporate Risk Management Framework;
- Counter Fraud arrangements; and
- Information Governance structures.

Performance and Financial Management

- Medium-Term Financial Strategy;
- Budget monitoring arrangements;
- Corporate Performance Framework;
- Programme governance and transformation oversight.

- Partnership Governance
- Health and Wellbeing Board;
- Community Safety Partnership;
- North East London partnership arrangements; and
- Joint commissioning and collaborative governance structures.

4. Assessment Against the CIPFA/SOLACE Principles

Principle A - Behaving with Integrity, Demonstrating Strong Commitment to Ethical Values and Respecting the Rule of Law

The Council continues to maintain codes of conduct for Members and officers, supported by the Standards Committee and standards arrangements, declarations of interest processes, whistleblowing mechanisms and anti-fraud policies.

During the year the Council strengthened:

- ethical governance framework;
- gifts and hospitality monitoring;
- procurement governance controls; and
- declarations of interest oversight.

The Monitoring Officer has provided assurance that constitutional and legal arrangements remain effective and proportionate.

Principle B - Ensuring Openness and Comprehensive Stakeholder Engagement

The Council remains committed to transparency and resident engagement. During the year:

- Cabinet and Officer key decisions were published and publicly accessible;
- Scrutiny activity increased challenge and accountability; and
- resident and stakeholder consultation informed budget and service redesign decisions.

The Council recognises that rebuilding and maintaining public trust requires ongoing improvement in communication, responsiveness and accountability.

Principle C - Defining Outcomes in Terms of Sustainable Economic, Social and Environmental Benefits

The Council's strategic planning framework aligns resources with priorities that improve outcomes for residents. Particular emphasis has been placed on:

- reducing inequality;
- homelessness prevention;
- housing delivery;
- employment and skills;

- climate resilience; and
- health inequalities.

Governance arrangements increasingly incorporate longer-term sustainability considerations consistent with CIPFA's focus on stewardship for future generations.

Principle D - Determining the Interventions Necessary to Optimise Outcomes

The Cabinet, Overview and Scrutiny Committee, Corporate Leadership Team and programme boards regularly review performance information, risk intelligence and financial data to support evidence-based decision-making.

Business cases, equality (and where appropriate environmental) impact assessments and financial appraisals continue to underpin significant decisions. The Council has also continued to strengthen programme governance for major regeneration, housing and transformation initiatives.

Principle E - Developing Capacity and Capability

Workforce development remains a strategic priority. Additionally, with the May 2026 elections in mind, planning commenced early, with greater emphasis on strengthening our Member development programme and online accessibility to provide support.

During 2025/26, the Council:

- invested in leadership development, with a shift in the Corporate leadership team towards transferring from interim to permanent senior management;
- strengthened professional training;
- expanded governance and risk training;
- enhanced succession planning; and
- supported organisational learning from audit, inspection and peer review findings.

The Council recognises the importance of maintaining sufficient professional capacity in finance, housing, regeneration, legal, procurement, risk, and safeguarding services.

Principle F - Managing Risks and Performance Through Robust Internal Control and Strong Public Financial Management

The Council operates an integrated framework that links:

- risk management;
- financial management;
- performance monitoring; and
- assurance activity.

Corporate/strategic risks are reviewed regularly by senior management and Members. The establishment of a Corporate Governance Group has improved the Council's awareness and oversight of the internal control environment. This Group also acts as the Information Governance Board.

The Section 151 Officer has continued to strengthen financial resilience arrangements through:

- enhanced budget monitoring;
- savings delivery oversight;
- treasury management controls;
- reserves strategy reviews; and
- medium-term financial planning.

Internal Audit work during the year provided assurance across key governance systems, while highlighting areas where management controls require further strengthening.

The Council continues to face material financial risks associated with temporary accommodation expenditure and wider demand-led services. These pressures require sustained management attention and robust mitigation planning.

Principle G - Implementing Good Practices in Transparency, Reporting and Audit

The Council remains committed to transparent reporting and external accountability.

The Audit and Governance Committee has continued to provide independent oversight of:

- governance;
- risk management;
- procurement activity;
- internal control; and
- financial reporting.

The Council has worked with external auditors to address historic audit challenges and improve the quality and timeliness of financial reporting. The Council recognises that public confidence depends upon transparent acknowledgement of governance weaknesses together with demonstrable progress in addressing them.

5. Review of Effectiveness

The Council has undertaken a comprehensive review of governance effectiveness during 2025/26.

Sources of assurance included:

- Annual Internal Audit Opinion;
- Corporate /Strategic Risk Register reviews;
- Audit and Governance Committee reports;
- External Audit findings;
- statutory officer assurances;
- safeguarding assurance reports;
- complaints and Ombudsman findings;

- regulatory inspections;
- partnership assurance mechanisms; and
- performance and financial monitoring reports.

The review concluded that the Council's governance framework remains generally effective and continues to support the achievement of strategic objectives. However, significant governance challenges remain in specific areas requiring sustained improvement.

6. Significant Governance Issues

The Council recognises the seriousness of governance challenges identified through regulatory review and internal assurance processes. Improvement activity is in progress and includes focus on:

- strengthening monitoring, compliance and assurance arrangements;
- improving intelligence, reporting and data quality;
- accelerating remediation programmes;
- enhancing resident engagement; and
- strengthening governance accountability.

A dedicated improvement programme remains in place with regular Member and senior officer oversight. These improvements are essential to maintaining delivery confidence and organisational resilience.

Having considered all available assurance sources, the Council has identified the following significant governance issues included in the table below.

Key Governance Issues 2025/26

| Control Area | Governance Issue | Update | Responsible Officer(s) |
|--------------------|------------------|---|------------------------|
| Adults and Health | CQC rating | <p>New Issue: The CQC outcome indicating a need for additional investment reflects wider system pressures in quality, workforce capacity, and service improvement. Addressing the rating has required unplanned financial and operational intervention, with implications for medium-term financial planning and delivery assurance. There is an ongoing risk that without sustained improvement activity, regulatory non-compliance could recur.</p> <p>Update: A detailed plan to progress the service improvement has been developed</p> | Fiona Connolly |
| Law and Governance | LATCOs | <p>Issue: Following the establishment of the Shareholder Advisory Board, external advisors (including Local Partnerships) have been commissioned to conduct a review of the Local Authority Trading Companies (LATCOs) to ensure greater strategic operational and financial oversight. Training for Non-Executive Directors</p> | Janie Berry |

| Control Area | Governance Issue | Update | Responsible Officer(s) |
|--------------|------------------|---|------------------------|
| | | <p>has been undertaken to enhance the Council's governance framework.</p> <p>Update: Local Partnerships are expected to report their findings in August/September 2026, which will inform next steps as regards future direction of the companies in question.</p> | |

7. Progress Against Previous Governance Issues

The Council has reviewed actions reported in the previous Annual Governance Statement. Progress has been achieved in various governance areas, as listed in the table below.

The Council acknowledges that some actions remain ongoing due to their complexity and scale.

Key Governance Issues 2024/25

| Control Area | Governance Issue | Update | Responsible Officer(s) |
|------------------------|------------------|---|----------------------------------|
| Finances and Resources | Best Value | <p>Issue: On 8 May 2025 the Ministry of Housing, Communities and Local Government (MHCLG) issued a non-statutory Best Value notice to Newham Council. This is available here and so the detail is not repeated in this document. The Council needs to respond to this by improving its financial sustainability, implementing and measuring its cultural change work, focusing on the work around continuous improvement, and delivering recommendations from various inspection regimes.</p> <p>Update: Since the non-statutory Best Value Notice was issued in May 2025, Newham Council has developed an improvement plan which brings together the areas identified in the Best Value Notice as well as additional workstreams that aim to improve how we deliver best value for residents. The plan is updated on a quarterly basis and available publicly through Cabinet meetings and reports to the Overview and Scrutiny Committee. The Council's best value improvement plan is further supported by the Newham Transformation and Improvement Board, which offers external check and challenge as well as regular meetings with MHCLG to review progress.</p> | Paul Martin / Maria G. Christofi |

| Control Area | Governance Issue | Update | Responsible Officer(s) |
|--|------------------|---|------------------------------------|
| | | As at June 2026, the Council is awaiting an outcome from MHCLG, but in the meantime the terms of the non statutory Best Value notice remains in place on a rolling basis. | |
| Finances and Resources | Budget | <p>Issue: Newham Council has applied for a total of £67.2m Exceptional Financial Support for the years 2024/25 and 2025/26, to be funded, if approved, by the flexible use of capital receipts rather than borrowing. However, as at February 2025 there was still an identified funding gap of £132 m for the period 2026/27 and 2027/28 (£61m in 26/27 and £71m in 2027/28). This figure will be refreshed as the financial strategy is reviewed in July 2025. Whilst considerable savings have been identified, including with the benefit of significant external challenge, as yet no means have been identified to reduce this gap to nil and set a conventionally balanced budget.</p> <p>Update: Newham Council set a balanced sustainable budget for 2026/27, with no Exceptional Financial Support requirement. Years 2027/27 & 2028/29 are also balanced in the 5 year MTFs. The 2025/26 Outturn was a balanced position overall with a £16.523m underspend in Service Directorates.</p> | Maria G. Christofi/ Andrew Ward |
| Inclusive Economy, Housing and Culture | RSH, grading C4 | <p>Issue: In October 2024, the Regulator for Social Housing identified a number of failings against the required consumer standards and issued Newham Council with a C4 judgement.¹</p> <p>Update: In April 2026, Newham Council gave a Voluntary Undertaking to the Regulator, thereby formally committing to the delivery of the Housing Strategic Improvement Programme (HSIP). The programme is wide-ranging and complex, incorporating milestone delivery dates to December 2027. Delivery under the first milestone for March 2026 has already been achieved. Whilst recognising the need for pace, the Voluntary Undertaking has set realistic timescales for the HSIP. The main oversight group for the progress and delivery of the HSIP and the Voluntary Undertaking is the Housing Strategic Improvement Board. Independent assurance will also assess the extent to which each milestone is delivered, the</p> | Paul Kitson |

¹ For an explanation of the Regulator of Social Housing's scheme of gradings, see the RSH website. [Online] Available at: [How we approach regulatory judgements and gradings - GOV.UK](https://www.rsh.gov.uk/how-we-approach-regulatory-judgements-and-gradings). (Accessed on 26 May 2026).

| Control Area | Governance Issue | Update | Responsible Officer(s) |
|--------------|------------------|--|------------------------|
| | | reasons for any re-prioritisation and plans to bring any actions back on track in a timely way. | |
| Legal | Governance | <p>Issue: A claim was lodged at the Employment Tribunal by the Executive Mayor against the Council. The claim alleged sex and race discrimination against Newham Council, arising from an alleged matter at a Council meeting in 2022. The Council robustly defended the claim, which was settled without admission of liability, through mediation in December 2024.</p> <p>Update: RESOLVED The parties are committed to create a positive working environment for all elected officials and those who work for the Council as demonstrated through their joint commitment to work together collaboratively for the benefit of the residents, businesses and service users of the borough. This has been demonstrated by the establishment of an effective Members Development Strategy and Programme, comprising part of the LGA Improvement Plan, and the bolstering of the Council's Code of Conduct arrangements through recent changes made to the Constitution via its cross-party member working group and subsequent approval by Full Council.</p> <p>Following the election in May 2026, the Standards Committee acts as the custodian of the council's ethical governance framework and has strategic responsibility for the implementation, delivery and monitoring of the member development framework. The member development programme is standing item on the committee's work programme.</p> | Janie Berry |

8. Governance Improvement Plan 2026/27

During 2026/27 the Council will prioritise:

- Housing Governance by delivering its refreshed housing improvement programme milestones; embedding regulatory compliance assurance; and improving resident accountability mechanisms.
- Financial Sustainability by strengthening medium-term financial resilience; reducing reliance on short-term mitigations; and enhancing transformation benefits tracking.
- improving cultures and behaviours across the Council.
- Risk and Assurance by implementing the CIPFA 2025 governance review requirements; strengthening integration of risk, performance and finance reporting; and improving assurance mapping across the organisation.

- Organisational Effectiveness by enhancing leadership capability; strengthening programme management disciplines; and improving data quality and performance intelligence.
- Transparency and Accountability by increasing public reporting of governance outcomes; strengthening scrutiny effectiveness; and improving resident engagement and feedback mechanisms.

These actions will be monitored by Corporate Leadership Team, the Audit and Governance Committee, the Standards Committee and the Cabinet throughout the year.

9. Governance Opinion

Based upon the review undertaken, Newham Council is satisfied that its governance arrangements are substantially effective and fit for purpose, providing a reasonable level of assurance that the Council is operating in accordance with its governance framework and supporting the achievement of its strategic objectives.

The Council acknowledges that significant challenges remain, particularly in relation to housing governance, financial sustainability and organisational transformation. Improvement activity is underway and will continue to be closely monitored during 2026/27.

The Council is committed to continuous improvement and to maintaining governance arrangements that are transparent, accountable, financially sustainable and focused on delivering positive outcomes for the residents of Newham.

Signed:

F Hussain

P. Martin

Executive Mayor of Newham

Chief Executive

Date: 30 June 2026

Date: 30 June 2026

LONDON BOROUGH OF NEWHAM

DRAFT - LOCAL CODE OF CORPORATE GOVERNANCE

1. Introduction and Purpose

- 1.1. This Local Code of Corporate Governance sets out the framework through which the London Borough of Newham directs, manages and controls its functions and discharges its responsibilities to the community. It explains how Newham Council ensures that it achieves intended outcomes whilst acting in the public interest at all times. It underpins the Annual Governance Statement (AGS).
- 1.2. The Code is reviewed annually to ensure that it remains current, proportionate and effective. It reflects recognised governance frameworks and describes how Newham Council achieves the seven principles of good governance.
- 1.3. This Code has been developed to reflect proper practice as defined by professional standard-setting organisations, including the International Federation of Accountants (IFAC), the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Society of Local Authority Chief Executives and Senior Managers (SOLACE). The Code draws on the following documents:
 - CIPFA/SOLACE – [Delivering Good Governance in Local Government Framework 2016](#) (2016);
 - CIPFA/SOLACE – [Delivering Good Governance in Local Government Addendum 2025](#) (May 2025);
 - CIPFA/IFAC – [International Framework: Good Governance in the Public Sector](#) (March 2026); and
 - best-practice local authority codes, which emphasise clear behavioural principles, monitoring arrangements, and explicit linkage to the AGS.

2. Definition of Corporate Governance

- 2.1. Good corporate governance is about how the Council ensures that it is doing the right things, in the right way, for the communities that it serves, in a timely, transparent and accountable manner. A council's Code of Corporate Governance is "...the system by which local authorities direct and control their functions and relate to their communities." (CIPFA/SOLACE framework)
- 2.2. The Council adopts the CIPFA/International Federation of Accountants (IFAC) definition of governance:

"Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. To deliver good governance in the public sector, both governing bodies and individuals working for them must aim to achieve their objectives while acting in the public interest at all times." (CIPFA/IFAC, 2014)
- 2.3. Newham Council is committed to upholding the highest possible standards of good corporate governance. We believe that good governance leads to high standards of management, strong performance, effective use of resources, increased public involvement and trust in the Council, resulting in good outcomes for our residents.
- 2.4. Good governance flows from shared values, culture and behaviour, supported by strong systems and structures. This Code of Corporate

Governance is a public statement that sets out the framework through which the Council meets its commitment to good corporate governance.

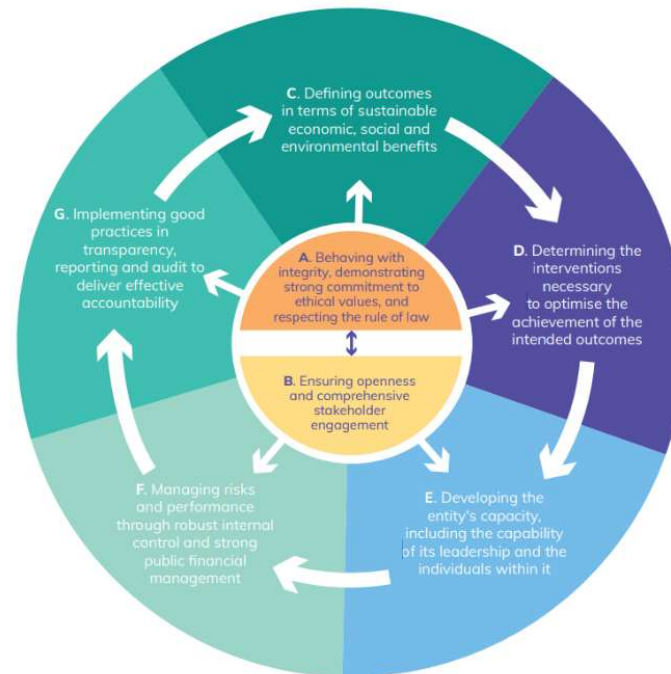
3. Governance Framework

3.1. Newham Council's governance framework consists of the systems, processes, culture and values by which the authority is directed and controlled, and through which it accounts to, engages with and, where appropriate, leads its communities. It enables the Council to monitor the progress and achievement of its strategic objectives, and to consider whether those objectives have led to the delivery of appropriate cost-effective services. The governance framework applies to:

- the Council's decision-making and service delivery functions;
- partnerships and collaborative arrangements; and
- wholly-owned companies and arm's-length bodies, where applicable.

3.2. The diagram below, taken from the International Framework: Good Governance in the Public Sector, illustrates the various principles of good governance in the public sector and how they relate to each other. The core principles of good governance are accountability, leadership, integrity, stewardship and transparency in accordance with legislation and public standards. In practice, this means our values and culture, the processes and systems by which the Council is controlled and directed as we deliver services for our communities.

3.3. Newham Council's Local Code of Governance is based on the IFAC Framework. Together with the Council's Constitution, these provide the corporate framework for our governance policies and practices.



4. Core Principles of Good Governance

- 4.1. 4.1 Consistent with the **CIPFA/IFAC International** and **CIPFA SOLACE** Frameworks, this Code is structured around **seven core principles of good governance**.

Overarching Requirement

There is an overarching requirement for local authorities, like Newham Council, to be “achieving intended outcomes **whilst acting in the public interest at all times**”.

Principles A and B – Core Behaviours

As part of the framework, there are two core behaviours related to integrity and transparency. These principles underpin and permeate the successful delivery of principles C–G:

- A. **Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**
- B. **Ensuring openness and comprehensive stakeholder engagement**

Principles C–G – Delivering Outcomes

Principles C to G relate to delivery of outcomes. These are:

- C. Defining outcomes in terms of sustainable economic, social and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of intended outcomes
- E. Developing the entity’s capacity, including leadership and workforce capability
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

5. Governance Structures and Roles

- 5.1. The Council discharges its governance responsibilities through:

- **Full Council** – setting the policy framework and budget
- **The Mayor and Cabinet** – executive decision-making
- **Overview and Scrutiny Committees and Commissions** – pre- and post-decision scrutiny
- **Audit and Governance Committee** – assurance, governance and risk oversight
- **Standards Committee** – culture and behaviours
- **Statutory Officers** – Head of Paid Service, Section 151 Officer and Monitoring Officer
- **Corporate Leadership Board** – operational leadership and delivery

5.2. Roles, delegations and responsibilities are defined in the Constitution and are reviewed regularly.

6. How Newham Council meets the Principles of Good Governance

| Principles of Good Governance | How we meet these Principles |
|--|--|
| <p>A</p> <p>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p> | <p>Constitution; Members’ Code of Conduct; Officer Code; Member/Officer Protocols; Monitoring Officer statutory role; Whistleblowing Policy; Anti-Fraud and Corruption Policy; Compliance with CIPFA’s Code of Practice on Managing the Risk of Fraud and Corruption; Regulation of Investigatory Powers Act (RIPA) Policy and compliance; Information Governance and Corporate Complaints Procedures; and People in Positions of Trust (PiPoT) safeguarding procedure.</p> <p>Decision making process for Committees and Members Committee forward plans, agendas, reports (including legal, financial, equalities and risk impact) and minutes (showing decisions taken and declaration of interests)</p> <p>Full Council and Cabinet; Standards Committee; Audit and Governance Committee; Overview and Scrutiny Committee; Member Registers of Interests and Registers of Gifts and Hospitality; Member induction programmes and training plans</p> <p>Statutory officers (including Monitoring Officer and S151 Officer) fulfil duties in line with regulatory requirements, and who meet as the Statutory Officers; Financial Regulations; Nolan Principles</p> <p>Mandatory training and learning including data protection, cyber security, equality diversity and inclusion, fraud awareness, and safeguarding awareness</p> <p>Council People / HR Strategy; Corporate Values; Staff Surveys; Officer Declaration of Interests, Gifts and Hospitality Policy Scheme of Delegations to Officers Decision making process for Officers; Record of Officer decisions; Recruitment and Selection Policy</p> <p>Equality and Diversity Policy and Governance Framework</p> <p>Contractual arrangements; Partnership Registers / Partnership Agreements; Agreements with subsidiaries, partners, and external providers; Procurement and CSO</p> <p>Local Plan / Local Development Scheme</p> |
| <p>B</p> <p>Ensuring openness and comprehensive stakeholder engagement</p> | <p>Public Cabinet and Council meetings; Overview & Scrutiny Commissions; Citizens’ Assemblies; Consultation Framework</p> <p>Multi-channel public communications, including: email newsletters, website, Facebook and X; proactive publication and reporting</p> |

| Principles of Good Governance | How we meet these Principles |
|--|--|
| | <p>Local Government Transparency Code 2015; Responses to Freedom of Information and Subject Access Requests; Corporate Complaints Procedure; Social Care Statutory Complaints Procedure, Information Governance Complaints Procedure</p> <p>Online Council Tax information</p> <p>Corporate Strategy</p> <p>Decision making process for Committees and Members; Committee forward plans, agendas, reports (including legal, financial, equalities and risk impact) and minutes (showing decisions taken and declaration of interests); Record of Officer decisions; Record of Delegated Authority decisions. Transparency reporting.</p> <p>Public/residential surveys, including online; Consultation Planning and Guidance; Public and officer consultations; Staff surveys; Local Neighbourhood Forums; Key national and local data</p> <p>Internal Communications; Media Relations Protocol [check]; Branding Guidelines; Social Media Guidance</p> <p>Partnership Registers / Partnership Agreements</p> <p>Neighbourhood Plans</p> |
| <p>C</p> <p>Defining outcomes in terms of sustainable economic, social, and environmental benefit</p> | <p>Mayoral/Organisational Corporate Plan; Medium-Term Financial Strategy; Performance Framework; Performance Monitoring framework and dashboards; Service Business Plans;</p> <p>Consultation Planning and Guidance - Public and officer consultations - Staff surveys - Local Forums</p> <p>Risk Management Framework; Capital Investment Strategy (Non-Treasury); Decision making process for Committees and Members; Committee forward plans, agendas, reports (including legal, financial, equalities and risk impact) and minutes (showing decisions taken and declaration of interests); Record of Officer decisions Record of Delegated Authority decisions; Equality and Diversity Policy; Corporate Leadership Board and Senior Leadership Team; [other Boards]; Local Plan; Contractual arrangements; Partnership Registers / Partnership Agreements, Social Value Procurement Policy</p> |
| <p>D</p> <p>Determining the interventions necessary to optimise the achievement of the intended outcomes</p> | <p>Cabinet decision reports; Options appraisals; Financial, legal and risk implications</p> <p>Decision making process for Committees and Members; Committee forward plans, agendas, reports (including legal, financial, procurement, equalities and risk impact) and minutes (showing decisions taken and declaration of interests); Record of Officer decisions Record of Delegated Authority decisions; Performance Monitoring Framework - Service business plans - Service performance monitoring and Corporate performance monitoring</p> |

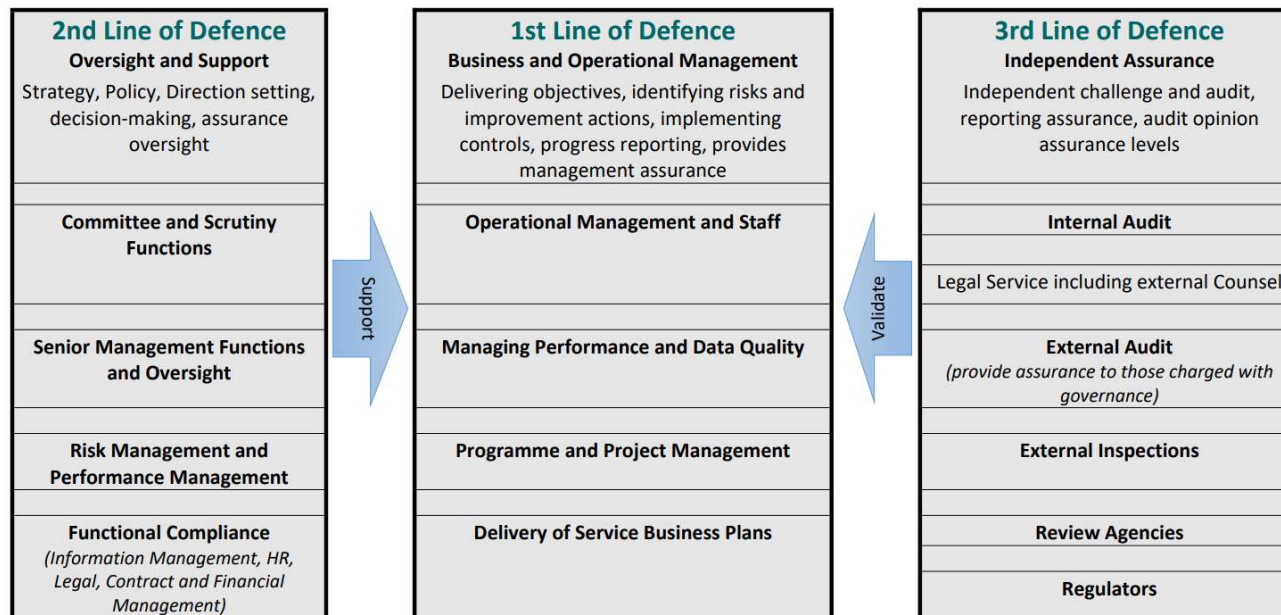
| Principles of Good Governance | How we meet these Principles |
|---|--|
| | <p>Medium-Term Financial Plan process; Risk Management Framework; Corporate Strategy Benchmarking and research; Capital Investment Strategy (Non-Treasury); Youth Justice Plan [check]; Council Safeguarding Strategies (Children and Adults) [Newham Safeguarding Children Partnership]; Equality Impact Assessment (EIA) and EIA processes; Corporate Parenting Board; Health and Wellbeing Board; Procurement and Contracts (CSO)</p> |
| <p>E</p> <p>Developing the entity's capacity, including the capability of its leadership and the individuals within it</p> | <p>Constitution; Roles of Cabinet, individual Cabinet Members and all other Members and Committees defined</p> <p>Roles of statutory officers (Chief Executive, S151 Officer and Monitoring Officer) and other senior officers defined; Member-Member, and Member-Officer Protocols</p> <p>Performance Monitoring Framework; Service business and action plans; Service performance monitoring; Corporate performance monitoring; Benchmarking and research</p> <p>People and Culture Strategy; Job descriptions for all employees; Performance Review Policy; Corporate and HR policies and procedures, including those to support health and wellbeing; ICT guidance and processes; Staff surveys; Pay and Reward including Terms and Conditions; Peer Reviews and Inspections; Workforce Strategy for Children's Services</p> <p>Scheme of Delegations to Officers; Officer induction programmes; Mandatory training and learning including data protection, cyber security, equality diversity & inclusion, fraud awareness, understanding of safeguarding</p> <p>Member induction programmes and training plans; Councillor Development Framework</p> <p>Standards Committee</p> <p>Public/residential surveys, including online; Key national data</p> <p>Consultation Planning and Guidance - public and officer consultations - Local Forums</p> |
| <p>F</p> <p>Managing risks and performance through robust internal control and strong public financial management</p> | <p>The Council has adopted a structured corporate risk management framework, requiring directorate and service-level risk registers, consistent risk documentation, defined ownership, and regular review through SMT, DMT and CLB governance. Audit and Governance Committee</p> <p>Strategic Risk Register; Directorate and Service Risk Registers; S151 financial oversight; Internal Audit plan; Risk Management Framework; Corporate Minimum Standard; Internal Audit Charter and Mandate operating in accordance with the Global Internal Audit Standards (GIAS); Risk-Based Annual Audit Plan and Key Assurance Work; Head of Internal Audit's Annual Report; Anti-Fraud and Corruption Policy; Whistleblowing Policy; Compliance with CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption;; Corporate Complaints Procedure Data Protection Impact Assessments, Third Party Risk Assessments</p> |

| Principles of Good Governance | How we meet these Principles |
|---|---|
| | <p>Annual Governance Statement</p> <p>Information Governance Accountability Framework</p> <p>Medium Term Financial Plan process</p> <p>Performance Monitoring Framework; Service business and action plans; Service performance monitoring; Corporate performance monitoring; Benchmarking and research</p> <p>Overview and Scrutiny Committee</p> <p>Financial Regulations; Regular scrutiny of financial monitoring reports by Councillors and Officers; Corporate Strategy & Delivery Plan; Treasury Management Strategy</p> <p>Decision making process for Committees and Members; Committee forward plans, agendas, reports (including legal, financial, equalities and risk impact) and minutes (showing decisions taken and declaration of interests); Record of Officer decisions</p> <p>Equality Impact Assessment (EIA) Panels and EIA processes</p> <p>Emergency planning and resilience arrangements (corporate)</p> <p>Compliance with the Statement of the Role of the Chief Financial Officer in Local Government; Procurement and Contracts [CSO]</p> |
| <p>G</p> <p>Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p> | <p>Audit and Governance Committee; External audit; Annual Governance Statement; Published accounts, External auditor's reports; Inspections</p> <p>Multi-channel public communications, including: email newsletters, website, Facebook and X; Proactive publication and reporting</p> <p>Local Government Transparency Code 2015</p> <p>Responses to Freedom of Information and Subject Access Requests</p> <p>Annual Financial Statements; External audit reports: Audit Findings Report, Annual Audit Letter and Certification Report</p> <p>External reviews, including Regulator of Social Housing; Ofsted and Peer Reviews</p> <p>Annual Governance Statement</p> <p>Internal Audit Function operating to the Global Internal Audit Standards (GIAS)</p> |

| Principles of Good Governance | How we meet these Principles |
|-------------------------------|---|
| | Risk-Based Annual Audit Plan and Key Assurance Work Internal Audit recommendations implementation reported to Audit & Governance Committee Compliance with the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government Partnership Registers / Partnership Agreements |

7. How Newham Council ensures that Good Governance is delivered in practice

- 7.1. The three lines of defence model is designed to provide confidence, based on sufficient evidence, that internal controls are in place and operating effectively, and that objectives are being achieved. As assurance is derived from multiple sources, the “Three Lines of Defence” concept helps identify and understand the different sources of assurance. Where controls are not operating effectively, then iterative improvements to strengthen the control environment are required, such
- 7.2. issues are set out below in the report and will be addressed in the coming year.
- 7.3. The review of Newham Council’s effectiveness is informed by the following three lines of defence:



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

operate the relevant policies and procedures of risk control;

- **Risk management and professional leads, including the Chief Finance Officer, the Chief Digital Information Officer and Director of Human Resources.** These professional leads work towards providing the policies, frameworks, tools, techniques and support to enable risk and compliance to be managed in the first line, conduct monitoring to judge how effectively they are doing it, and help ensure consistency of definitions and measurement of risk; and
- **Internal Audit and other inspections made by external auditors, independent review agencies and inspectorates, providing independent assurance.** Sitting outside the risk management processes of the first two lines of defence, the main roles of this third line are to ensure that the first two lines of defence are operating effectively and advise how they could be improved. Tasked by, and reporting to the Audit and Governance Committee, it provides an evaluation, through a risk-based approach, on the effectiveness of governance, risk management, and internal control to the organisation's governing body and senior management. It can also give assurance to sector regulators and external auditors that appropriate controls and processes are in place and are operating effectively. This includes sector regulators such as, for example, the Care Quality Commission, Ofsted, and the Regulator of Social Housing.

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

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

7.5. The Corporate Leadership Team (CLT) – comprising the Chief Executive, directors and statutory officers² – is responsible for implementing the policy and budgetary framework set by the Council and provides advice to Cabinet and the Council on the development of future policy and budgetary issues. The CLT meets as a board (CLB), with all CLB meetings having legal and finance input into their discussions.

7.6. There are regular meetings throughout the year of our three Statutory Officers (the Chief Executive/ Head of Paid Service, Monitoring Officer and Chief Finance Officer) to review and monitor governance issues.³ In addition, the Council has statutory officers overseeing Adult Social Services, Public Health,⁴ Education and Children's Social Care and Safeguarding, all reporting directly to the Chief Executive.

7.7. Since April 2024, new financial framework arrangements have been in place and embedded. These include new internal management boards, under the Corporate Leadership Board. These governance boards are: the Capital and Assets Oversight Board; Corporate Governance Board;

² For more information on statutory chief officers, see section 2(6)(zb) of the Local Government and Housing Act 1989.

³ The Statutory Officers are as follows: Paul Martin was appointed as Interim Chief Executive, Janie Berry was appointed as the Interim Monitoring Officer; and Maria Christofi was appointed as the LB Newham S151 Officer with effect from 5 January 2026.

⁴ In Newham Council, one Statutory Officer oversees both Adult Social Care and Public Health.

Data, Digital and ICT Board; Financial Management Board; Housing Strategic Improvement Board; Temporary Accommodation and Housing Supply Board; Newham Transformation and Improvement Board; and Workforce and Culture Group.

GLOSSARY OF FINANCIAL TERMS

For compiling the Statement of Accounts, the following definitions have been adopted:

Accounting Period - The Council's financial year is from the period 1st of April to the following 31st of March.

Accounting Policies - The specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting the financial statements.

Accounting Standards - A set of rules explaining how accounts are to be kept (See also International Financial Reporting Standards).

Accrual - The recognition of income and expenditure in the year when these amounts occur and not when any cash is received or paid.

Accumulated Absences - This represents the value of leave rolled over from one financial year to another. An unusable reserve account is used to avoid reducing General Fund reserves.

Actuary - An independent adviser to the Council regarding the year-end financial position of the Pension Fund.

Actuarial Valuation - Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports on the Fund's financial position and recommends employers' contribution rates. The last full valuation of the Scheme was in 2025, for contributions in the 2026/27 to 2028/29 years, although information relating to the 2022 valuation remains relevant to the 2025/26 statements.

Agency Services - Services provided by, or for, another Local Authority or Public Body where the costs of carrying out the service are reimbursed.

Amortisation - The write-off of an intangible asset or loan balance to the CIES over an appropriate period.

Amortised Cost - The carrying value of an asset or liability in the Balance Sheet, whose value has been increased via the Comprehensive Income and Expenditure Statement.

Balance Sheet - A statement of all the assets, liabilities and other balances of the Council at the end of an accounting period.

Billing Authority - Refers to a Council that is responsible for the collection of tax, both on behalf of itself and other local authorities.

Budget - A forecast of future expenditure plans for the Council. Detailed revenue budgets are prepared for each year, and it is based on these figures that Council Tax is determined. Budgets are revised throughout the year for changes as necessary.

Capital Adjustment Account - Represents amounts set aside from revenue resources or capital receipts to finance expenditure on Property, Plant and Equipment (PPE) or for the repayment of external loans or certain other capital financing transactions.

Capital Expenditure - Expenditure on the purchase of new PPE or expenditure which adds to the value of an existing PPE asset.

Capital Financing Requirement - Represents the Council's underlying need to borrow for a capital purpose.

Capital Grants Receipts in Advance - Capital grants and contributions that have conditions which may require future repayment if not spent.

Capital Grants Unapplied - Grant balances that are used to fund future capital expenditure.

Capital Receipt - Income received from the sale of PPE such as land or buildings.

Capital Receipts Reserve – Holds the proceeds from the sale of PPE available to meet future capital investment needs.

Carrying Value - In relation to the year-end value of Long-Term Assets, the carrying amounts are based on the original costs of individual assets less any depreciation, amortisation or impairment costs recorded against these assets.

Cash Equivalents - Highly liquid, low-risk investments that can be easily and readily converted into cash.

Chartered Institute of Public Finance and Accountancy (CIPFA) - A professional accountancy body specialising in the public sector. CIPFA promotes best practice by issuing accounting guidance, updates and Codes of Practice.

Collection Fund - A statutory account which receives Council Tax and National Non-Domestic Rates (NNDR) to cover the costs of services provided by the Council and its precepting authorities.

Collection Fund Adjustment Account - The Collection Fund Adjustment Account represents the Council's share of the Collection Fund Surplus or Deficit for the year.

Community Assets - Assets that a council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of Community Assets are parks and historic buildings.

Comprehensive Income and Expenditure Statement - A statement showing the expenditure and income of the Council's services during the year demonstrating how costs have been financed by general Government grants and income from local taxpayers.

Contingent Liability - Where future liabilities or losses are identified, but the level of uncertainty is such that the creation of a provision within the accounts is not appropriate.

Consumer Price Index (CPI) - Measures the average change in retail prices of a basket of goods and services purchased by most UK households to provide an indication of the rate of inflation. CPI is the official measure of the inflation of consumer prices in the United Kingdom.

Creditors - Monies owed by the Council to external parties for goods and services received. Creditors are also referred to as Payables within the Balance Sheet and supporting notes.

Debtors - Monies owed to the Council by individuals and organisations. Debtors are also referred to as Receivables within the Balance Sheet and supporting notes.

Dedicated Schools Grant - Grant monies provided by the Department for Education (DfE) that are ring-fenced to schools' budgets and certain other defined allowable costs relating to Education activities.

Deferred Capital Receipts - The balance of outstanding mortgages granted mainly to purchasers of Council Houses.

Deferred Income – Receipt in Advance - This represents an amount received because of the Council entering a building lease. The receipt is subsequently released over the term of the lease.

Deferred Liabilities - These are future liabilities that the Council is contractually obliged to pay for in future years. These liabilities often relate to Private Finance Initiative (PFI) schemes.

Defined Benefit Pension Scheme - An employer pension scheme which defines benefits independently of the contributions payable. Within this type of scheme, the Council is committed to a specified monthly benefit on retirement for employees that is predetermined by a formula based on the employee's earnings history, rather than depending directly on individual investment returns within the Pension Fund.

Depreciation - The measure of the wearing out, consumption or other reduction in the useful economic life of PPE assets, whether arising from use, the passage of time or obsolescence through technological or other changes.

Earmarked Reserves - Amounts set aside to meet future specific expenditure commitments or potential liabilities, for which it is not appropriate to establish separate provisions.

Fair Value - In relation to the value of financial instruments, this is the amount for which an asset can be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction.

Financial Instrument - A contract that gives rise to the creation of a financial asset for one entity and a corresponding financial liability or equity instrument of another.

Financial Instruments Adjustment Account - This represents the balance of deferred discounts relating to the premature redemption of debt.

General Fund (GF) - The main revenue account from which the costs of providing most of the Council's services are met.

Greater London Authority (GLA) - A strategic Local Authority with a capital-wide role.

Group Accounts - Where a Council has a material interest in a separate entity, this entity's assets and liabilities may need to be incorporated within a set of Group Accounts. If a Council does control an entity, for accounting purposes, it is defined as a subsidiary.

Heritage Asset - An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Historic Cost - Where the cost of an asset is defined by past purchase price rather than current market value.

Housing Revenue Account (HRA) - A summary account maintained separately from the General Fund to itemise the specific income and expenditure relating to the provision of Council Housing.

Impairment - A decrease in the value of PPE caused by a consumption of economic benefit or by a general reduction in price levels.

Infrastructure Assets - Assets; expenditure on which is only recoverable by continued use of the asset created. There is no prospect of future sale or alternative use. Examples include roads, bridges and tunnels.

Intangible Assets - Non-financial long-term assets that do not have physical substance but are identifiable and controlled by the Council, for instance purchased software licences.

Interest Rate Risk - The uncertainty of interest paid or received on variable rate financial instruments and the effect of fluctuations in interest rates on the fair values of such instruments.

International Financial Reporting Standards (IFRS) - The set of international accounting standards issued by the International Accounting Standards Board (IASB). Local Authorities are required to produce accounts based on IFRS.

Inventories - Comprises the value of stocks held and work in progress that has not been completed at year-end.

Investment Properties - Properties that are held by the Council solely to earn rental income and/or for capital appreciation purposes rather than for the delivery of services.

Lender Option Borrower Option (LOBO) – LOBOs are a long-term borrowing instrument commonly used by banks. The lender has an option to set revised interest rates at predetermined dates, and at which point the borrower has the option to accept the revised rates or pay the debt in full without penalty.

Levy - Payments to bodies such as the Environment Agency. The costs of running these bodies are funded by Local Authorities in the area concerned in proportion to their Council Tax base. Such costs are met by the Council's General Fund.

Long Term Assets - Assets that yield benefit to the Council and the services provided for a period of greater than one year.

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

Long Term Liabilities - Amounts that are payable by arrangement within a period of greater than one year.

Major Repairs Reserve - Represents the funds available to meet the capital investment needs for council dwellings.

Minimum Revenue Provision (MRP) - The amount that must be charged to revenue to provide for the redemption of debt. This provision does not apply within the HRA.

Movement In Reserves Statement - A summary of the Council's reserves at the year-end date split between usable and unusable reserves.

National Non-Domestic Rates (NNDR) - Non-Domestic Rates (Business Rates) are paid into a pool controlled by the Central Government. These funds are subsequently redistributed to Councils based on resident population.

Net Book Value - Applicable to the year-end value of PPE after depreciation has been deducted.

Net Realisable Value - The open market value of an asset less any expenses incurred in realising the asset.

Operating Lease - A lease other than a finance lease; a lease which permits the use of an asset without substantially transferring the risks and rewards of ownership.

Outturn - The final level of expenditure and income for the year.

Precept - The charge made by the Greater London Authority on the Council to finance its net expenditure.

Private Finance Initiative (PFI) - Contracts whereby private sector suppliers provide services and/or capital investment in return for a unitary payment subject to agreed performance targets.

Property, Plant and Equipment (PPE) - The land and building assets under the Council's control or ownership. Such assets have a physical existence and are expected to be used for a period exceeding one year.

Provisions - Amounts set aside for liabilities and losses which are certain or very likely to occur, but where the exact amount or timing of the payment is uncertain.

Public Works Loans Board (PWLB) - Central Government agency which provides the majority of Local Government borrowing.

Registered Social Landlord - A not-for-profit, independent housing organisation registered with the Housing Corporation under the Housing Act 1996 which owns and manages social housing.

Reserves - Amounts set aside to fund items of anticipated expenditure that do not fall within the definition of a provision. These include general reserves or balances which every Council must maintain as a matter of prudence.

Retail Price Index (RPI) - Measures the average change in retail prices of a basket of goods and services purchased by most UK households to provide an indication of the rate of inflation. The RPI includes mortgage interest payments and Council Tax in the basket of goods not included in the CPI. The measure is published monthly by the Office for National Statistics.

Revaluation Reserve - Represents the increase in value of the Council's land and building assets from 1 April 2007 onwards.

Revenue Contributions to Capital Outlay (RCCO) - The Council's use of revenue monies to fund capital expenditure.

Revenue Expenditure - The day-to-day expenditure of the Council including costs such as wages and salaries, goods and services and capital financing charges.

Revenue Support Grant (RSG) - A general grant paid by Central Government to Local Authorities.

Right to Buy - The Council is legally required to sell Council Homes to tenants at a discount where the tenant wishes to buy their home. The amounts received from such sales are capital receipts, some of which will be retained by the Council to fund capital expenditure, whilst the remainder may be paid over to the Department for Communities and Local Government (DCLG) under pooling arrangements.

Service Level Agreements (SLA) - Agreements between operational units that state the price and specifications of the support service from one function to another.

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

Soft Loan - A loan that the Council provides at an interest rate below the established market rate to community or other not-for-profit organisations.

Stepped LOBO - These loans have agreed dates when the interest rate is 'stepped' up to another rate (see also **LOBOs**)

Support Services - Activities of a professional, technical and administrative nature, such as Finance, Information Technology and Human Resources which support front-line departments.

Surplus Assets - Those assets which are not being used to deliver services, but which do not meet the criteria to be classified as either Investment Properties or Assets Held for Sale.

Unusable Reserves - These represent reserve balances that cannot be spent as part of a Council's medium-term financial planning.

Usable Reserves - Reserve balances that can be spent within a Council's medium-term financial plan.

Value for Money (VfM) - This term is used to describe the relationship between Economy, Efficiency, and Effectiveness (the 'three Es') of a service, function or activity. Value for money is high when there is an optimum balance between all three.

Zero to Par LOBO - The interest rate payable on these loans is fixed. Interest is not paid to the lender but added to the loan principal - or compounded. If the lender exercises their call option, only the interest compounded to date is payable by the borrower, If the lender does not exercise their option to receive the compounded interest, the principal plus compound interest is repaid (at Par) on the maturity date.