Newham London

Statement of Accounts 2016/17

Newham: a place where people choose to
live, work & stay

Contents

Narrative Report

The Statement of Accounts summarises the Authority's financial performance during the year 2016/17. The purpose of this narrative report is to explain the overall context in which the Council operates, and to highlight the most significant matters contained in the Statement of Accounts. A Glossary of terms used within the Statement of Accounts is located on Page 173.

1. Introduction

The London Borough of Newham is situated in north east London, bordering the River Thames. Newham was one of the six host boroughs for the 2012 London Olympics and contains most of the Olympic Park including London Stadium. As well as legacy projects centred around the Olympic site, significant redevelopment is also underway elsewhere in the borough at Custom House, Canning Town and Royal Docks.

Newham is a youthful, vibrant and diverse place to live. The average age of residents is 30, with almost 40% of the population under 24 and only 7% over 65. People describing themselves as Asian or Asian British make up over 40% of the population but all 16 ethnic groups on the most recent Census are well represented.

Despite having a high percentage of people of working age in the Borough, average weekly wages are comparatively low and parts of Newham are amongst the most deprived in London. Strenuous efforts made in recent years to improve education, housing and job prospects are now starting to pay off, but in the meantime, more people in Newham rely on public services than in many parts of London or the UK.

2. Aims and Achievements

The Council's focus in tackling the root causes of poverty and deprivation has been central to its achievements to date:

- 'Workplace' has helped residents into 30,000 jobs since 2007, and has recently focused on supporting those with disabilities and mental health issues
- "Every Child Matters" initiatives include a reading guarantee, universal free school meals and the largest music program in the country
- During 16/17 Children Services received an average of 452 referrals to social care and completed 390 assessments each month. There were 398 children in care at the end of year, the lowest number since 2001
- A tough stance against rogue landlords, and the Council's unique approach to licensing all rented property, has improved the quality of rented accommodation. The services pioneering borough-wide landlord licensing scheme has throughout 2016/17 increased the number of households covered by the scheme. The number of registered properties increased from 35,929 to 39,190, with over 26,000 individual license holders (i.e. landlords)
- Furthermore, the authority's Planning Enforcement team maintained a focus on securing quality homes and protecting Newham's housing stock, issuing 279 enforcement notices for breaches in planning control (Section 172 notices) in 2016/17, the highest number in London

- ‘New Share’ will help around 1,200 people into shared equity home ownership
- To ensure the authority’s housing is well maintained, 70,406 repairs were carried out upon resident request, with 94.2% achieved within the target timeframe. In 2016/17 tenant satisfaction with the repairs was over 95%
- For Sports & Leisure, the borough’s Leisure Centres had nearly 1.7 million visits, an increase in usage in 2016/17, up 29.6%, (over 383 thousand visits) against 2015/16. A new gym, Atherton Leisure Centre opened in March 2016 and had nearly 460 thousand attendees over the first year
- Over 74,000 fly tips were collected throughout the borough in 2016/17, an increase from just over 55,000 the previous year. To help tackle fly-tipping, the borough operates an efficient bulky waste collection service, which collected over 1,100 tonnes of bulky household waste items in 2016/17. Just under 16,000 service requests were received, and 97% of items collected within the target of 2 working days
- Local Space, a social landlord set up by the council, has provided more than 1,800 homes to homeless families and another 800 homes are on the way
- Action taken to reduce crime and anti-social behaviour includes funding an additional 40 police officers and capital investment in CCTV cameras, road and street safety
- Over 2,800 Fixed Penalty Notices (FPN) for anti-social behaviour were issued throughout 2016/17 for offences including littering, fly posting, illegal street trading, highway obstruction, breaches of skip regulations, and dog fouling and fly tipping
- A new MoneyWorks service formally launched in March 2016 supporting Newham residents by building economic resilience, providing access to affordable finance and money management advice. In its first year of activity 3,187 residents registered with the MoneyWorks service
- The authority’s programme of Borough wide community events provided the opportunity for people to come together and celebrate their shared values and identity. In July 2016 50,000 people attended the Mayor's Newham show and 3,000 took part in the Mayor’s Newham Carnival

Current promises to local residents include:

- Freezing the Newham element of Council Tax for the eighth year running
- Protecting all frontline services from Budget cuts
- Committing £100m over ten years to highways improvements
- £1m investment to tackle fly tipping
- Offering every child the opportunity to try 20 different sports at primary school level, and to attend at least one theatre performance at secondary school
- Working with schools and colleges to improve vocational and skills-based courses and prepare young people for the labour market.
- Free tuition for all residents wanting to learn English
- Red Door Ventures which aims to build 3,000 new homes for rent over the next ten years. Three schemes have been completed so far; The Tanneries in Stratford, Libra Road in Plaistow and Nelson Street in East Ham. Planning committee approval has also been granted for 77 units in Grange Road, Plaistow and 185 units at Town Hall Annexe and Brian Didsbury Centre in East Ham

3. Delivering Our Priorities

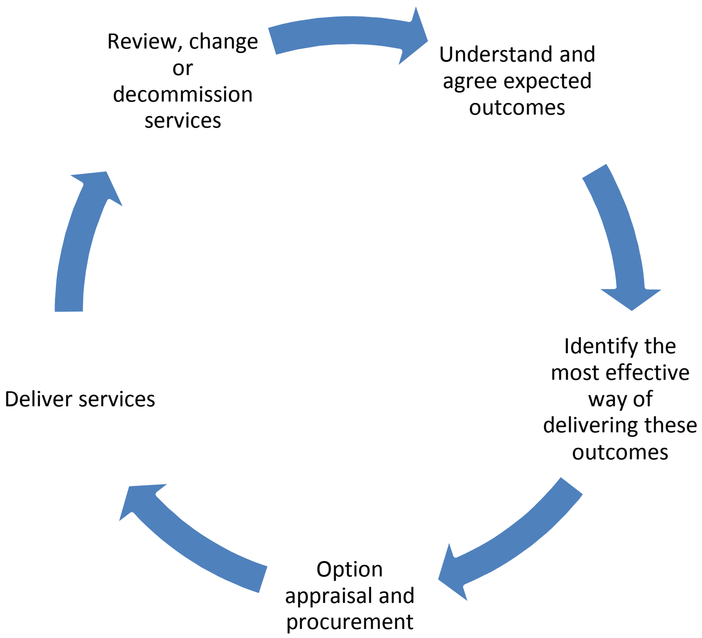
In 2015 the Council carried out extensive consultation on residents' priorities, conducting online and face to face surveys as well as holding eight special meetings where residents were invited to discuss what Council priorities ought to be. This process underpinned the *New Deal for Newham* – balanced budgets for 2016/17 and 2017/18 which took account of the elected Mayor's manifesto, residents' priorities and the need to make substantial savings in the light of Government funding changes and increasing demand for services.

In order to deliver *New Deal for Newham*, the Council uses a commissioning- based approach to:

- prioritise resource allocations to services
- identify scope for savings
- define service outcomes, and
- confirm that expected outcomes are being delivered.

The Newham 2020 programme drives the commissioning process, training and encouraging staff to be more commercially focused, entrepreneurial and innovative.

The Commissioning Cycle



Commissioning intention meetings are undertaken for each service with the Mayor, lead members and one of six Commissioning Directors. Once priorities and outcomes have been agreed, detailed option appraisal is carried out to identify whether services which can be delivered more cost effectively or in different ways. Examples of new delivery mechanisms include:

- OneSource – Bringing together the London boroughs of Havering, Newham and Bexley, this is the biggest shared back-office service in London. OneSource is set up as a joint committee and managed through service level agreements. Functions include HR, ICT, Legal Services, Housing Benefits, Procurement, and Corporate Finance.
- The Language Shop offers translation and interpreter services. Set up as a limited company in 2014, it now provides services to several local authorities, the Ministry of Justice and the NHS.
- Seven businesses have been externalised since Apr-16: preserving jobs for 191 full-time employees, generating £243k of profit from £15.25m revenue in first 12 months; delivering 250% bottom-line growth over the first 3 years and realising a 3.4% improvement in profit through operational efficiencies.

The Council regularly measures actual against expected outcomes across all of its commissioned services and activities. Commissioning Directors and the Corporate Leadership team review performance reports each month and the Council uses external benchmarking to compare services with other local authorities, providers and operators, to assess quality and value for money. Progress in delivering the Mayor's promises and other Council priorities are reported regularly to residents through the Council website and the Newham Magazine.

4. Governance and Risk Management

The Medium Term Financial Strategy

The Council's Medium Term Financial Strategy is underpinned by these objectives:

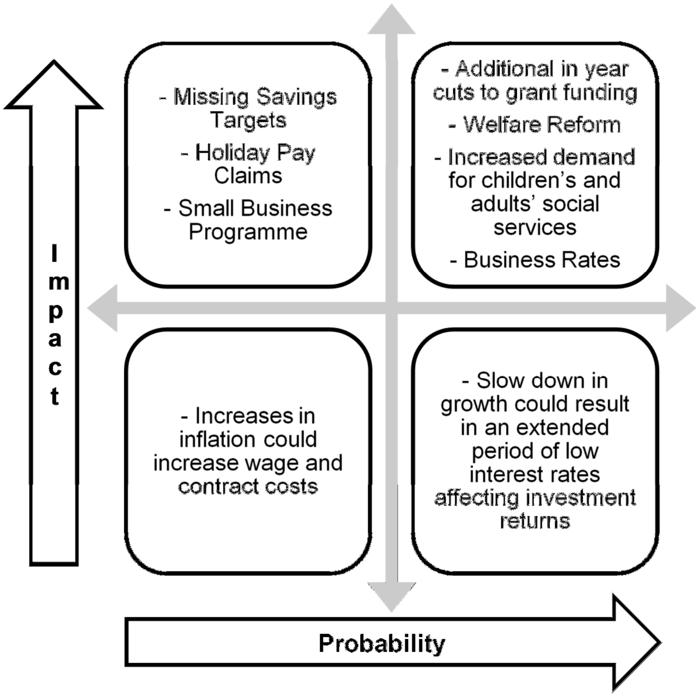
- To fulfil the Mayor's election promises. which have been voted for by residents.
- To provide strong, robust financial management and control
- To deliver a balanced budget
- To continue to generate savings and secure value for money through improved efficiency
- To ensure that the allocation of resources is policy and commissioning led, evidence-based and strongly influenced by residents' concerns and aspirations
- To support local residents and businesses through the current challenging economic climate
- To keep local taxation increases as low as possible
- To maintain working balances at or above prudent levels
- To comply with prudential borrowing limits and the Treasury Management Strategy
- To undertake investment where a value for money case can be demonstrated.

In practical terms, the Strategy consists of a rolling 3 year financial plan which models expected sources of funding, predicted demand for services, cost and inflation changes, agreed improvement priorities and delivery of savings to date. It drives and informs the annual decisions around setting Council Tax, updating efficiency plans and ensuring that the Council has a balanced, achievable budget in place at the start of each financial year.

Risk Management

All Council departments maintain a risk register covering both operational and strategic issues which are assessed in terms of (1) the probability of the risk occurring and (2) the impact on the Council if it does. Risks are rated red, amber or green and reviewed on a monthly basis.

The Council's significant financial risks are set out below. Changes to grant funding, the new business rate retention scheme and increasing demand for services have been assessed as having the most impact as well as being the most likely to occur, but all eight risks are reflected in the medium term financial plan and Council budgets.



No events have occurred since the year-end which would have a significant impact on the Council's finances or corporate plans. On 23 March 2017 the Government triggered Article 30, the formal mechanism to facilitate the UK leaving the EU by 2019, but it is too early as yet to estimate the potential impact on local authorities.

5. What Residents Say

The Council places residents at the centre of decision making and in 2015 completed its biggest ever residents' survey. Based on face to face interviews, 77% of local taxpayers were satisfied with the way the Council runs things. Residents' top three priorities were:

- 'making this a place where people feel safe'
- 'creating a clean and pleasant neighbourhood'
- 'quality housing that local people can afford'.

When asked how the Council should make savings and generate additional income, there was most support for 'investing in businesses that could make a profit to fund services' and 'making savings in areas other than front line service delivery'. Asked to identify which three priorities the Council should consider when delivering services, residents selected:

- 'protecting people who are vulnerable, like older people and children at risk of abuse'
- 'providing good basic services that everyone uses' and
- 'investing in preventative work, to stop problems arising later'.

These findings were used as a foundation for a *New Deal for Newham*, and continue to shape savings plans and how the Council operates generally through the commissioning process and its drive to identify new models of service delivery.

We continue to consult with local people to make sure we understand their needs and what is important to them. Current consultations include:

- Rented property licensing
- Council Tax Reduction Scheme
- Cycling route improvements
- New and extended residential parking zones

Further details can be found on: **https://www.newham.gov.uk/Pages/Services/Current-consultations.aspx**

Financial Performance for 2016/17

This section of the Foreword summarises the financial performance in respect of the year 2016/17, across the following areas:

- General Fund Revenue Outturn
- Movement in Usable Reserves
- Housing Revenue Account (HRA) Outturn
- Dedicated Schools Budget
- Capital Expenditure and Financing
- Collection Fund
- Material or Unusual Charges or Credits
- Financial Instruments – Borrowings and Investments
- Accounting for Pensions
- Future Revenue Spending
- Future Capital Expenditure

1. General Fund Revenue Outturn

The final Revenue Outturn position for 2016/17 was an overspend of just under £2.2m, which is summarised in Table 1 below.

Table 1: Revenue Outturn against Approved Budget 2016/17

	Approved Budget	Outturn	Variance
	£000	£000	£000
Spending on Services	208,107	214,447	6,340
Capital Financing	37,817	36,167	(1,650)
Central Budgets	32,134	30,366	(1,768)
Corporate Income	(36,132)	(36,932)	(800)
Total	**241,926**	**244,047**	2,122
Aggregate External Finance	(241,926)	(241,850)	76
Underspend	-	**2,198**	**2,198**

Spending on Services was £6.3m over the approved budget allocation. Additional information regarding this movement is included within Table 2 (Service Revenue Outturn against Approved Budget) below.

Capital Financing budget achieved a surplus of £1.65m arising from a strong performance in Treasury Management investments and restructuring of long term debt portfolio. Central Budgets were underspent by £1.77m. The main contributory factors are an underspend in the Contingency budget and pay and price increase cost pressures being contained within service budgets, offsetting non achievement of planned savings targets. There is also a surplus of £0.8m on corporate income.

Amounts in respect of Council Tax and Settlement Funding Assessment income comprise Aggregate External Finance. These sums are calculated prior to the Budget being set and will have small variances between the Approved Budget and Outturn position which was £76k for the year.

Table 2: Service Revenue Outturn against Approved Budget

Services	Approved Budget £000	Outturn £000	Variance £000
Childrens' and Young Peoples Service	100,025	106,108	6,083
Adults & Public Health	75,838	75,618	(220)
Community and Environment	37,396	36,604	(792)
Regeneration and Planning	7,958	6,776	(1,182)
Community Infrastructure	7,639	10,744	3,105
Strategic Services	7,052	6,547	(505)
Enforcement and Safety	1,740	383	(1,357)
oneSource Non-shared	7,080	8,396	1,316
oneSource Shared	380	272	(108)
Less Depreciation Charges	(37,001)	(37,001)	-
Total Spending on Services	**208,107**	**214,447**	**6,340**

Children's and Young Peoples Services (CYPS) was overspent by £6.08m against the budget allocation. This was principally due to overspends incurred in relation to the cost and number of children's care packages, private and voluntary residential placements, the Council's integrated neighbourhoods initiatives, the CYPS managed share of public health services, and central and financing charges. **Community Infrastructure** was overspent by £3.1m arising from additional pressures on the Housing Needs budget; principally relating to private sector leasing and providing accommodation to the borough's homeless. There was a one off legal settlement above the provision. There was also a significant overspend of £1.3m within the **oneSource Non-shared** budget. This was primarily due a shortfall in anticipated rental income from the commercial property portfolio and additional expenditure on facilities management costs offset by improved income collection performance within Housing Benefits. Provisions in respect of potential bad debts were reduced accordingly.

These cost pressures were offset by significant underspends in **Community and Environment** arising from an underspend on the Council's Greenspace activity; **Regeneration and Planning** as a result of Development and Control achieving income in excess of anticipated and an underspend on administering regeneration projects; **Strategic Services** as a result of restructuring and business efficiencies, and **Enforcement and Safety** primarily arising from parking operations and enforcement and underspend in licensing activity and neighbourhood crime reduction services.

2. Housing Revenue Account (HRA) Outturn

Cessation of Housing Subsidy in 2012 means that local authority landlords are now wholly reliant on income from rents and service charges to fund social housing expenditure and activities, including debt charges, depreciation and capital expenditure. Any income received in excess of expenditure is held in balances and reserves pending planned future investment.

On 8th July 2015 the Government ended rent setting formulae and required social housing landlords to reduce rents by at least 1% per year over a period of four years, commencing 1 April 2016. Properties managed as part of PFI schemes (Forest Gate and Canning Town) were to be exempt from the change and their rents would increase by inflation plus 0.5%.

The Council has implemented these changes for 2016/17 and 2017/18 following consultation with tenants. It has resulted in a loss of income of £488m over the next 30 years, with £33m lost by 2020. The impact of any further decrease in rent levels is currently under consideration alongside the potential impact on repairs and maintenance, estate management and capital investment programmes.

HRA achieved a £12.6m surplus for 2016/17. The main drivers are:

- Under utilised contingency budget allocated for in-year pressures.
- A significant adjustment arising from major repairs allowance adjustment, permitted within the 5 year transitional arrangement introduced with HRA self financing.
- Reduced spend on Housing Compliance functions pending restructure and externalisation of service.
- A reduction in recharges to Customer Services and reduced spend within the Grounds Maintenance contract.

3. Dedicated Schools Budget

There is a net underspend of £5.9m in the current year within the Dedicated Schools Budget. When analysed, the underspend can be categorised between Central Support Services (£1.5m), Early Years Services (£4.2m) and High Needs Block (£0.2m). The retained surplus will be carried forward into 2017/18 as a ring-fenced grant. The overall budget was funded by the Dedicated Schools Grant allocation of £314m, Pupil Premium summing £21.9m and a balance brought forward of £12.3m.

4. Capital Expenditure and Financing

The Council maintains a rolling capital investment programme such that projects are approved and scheduled over a time period of three financial years. Major capital projects are shown below but In addition there is an ongoing programme of work to maintain and improve schools, leisure centres, existing social housing and other Council buildings:

Transport and infrastructure	Keep Newham Moving – since March 2016 the Council has re-laid 2,065 metres of pavements, resurfaced 1,035 metres of road, replaced 2,000 streetlight bulbs and installed 850 new street light columns. £100m will be invested over the next decade on the borough's roads, footpaths and streetlights. We are also working with Transport for London to improve Stratford Gyratory, the one-way traffic system around Stratford Shopping Centre.
Housing	Over the next 10 years, New Share, Local Space and Red Door Ventures will build at least 15,000 new homes for shared ownership, affordable rent or social housing in Newham. The majority of these new units will be family sized homes.
Regeneration	Newham is well placed to take much of London's eastwards growth. By 2025 it is estimated that £22 billion will have been invested in the area, creating more than 35,000 new homes and 100,000 new jobs. Queen Elizabeth Olympic Park and Stratford City represent exciting new developments for the north of the borough, matched by the redevelopment of the Royal Docks with its Enterprise Zone status and the Siemens Crystal global sustainability centre to the south. Projects are also underway at Canning Town and Custom House and planned for Carpenters.

In 2016/17, the Authority undertook £157.6m of capital investment across the Borough. The charts below illustrate total capital expenditure analysed by service area how this was financed:

Figure 1 Capital Expenditure by Service (2016/17) - £m

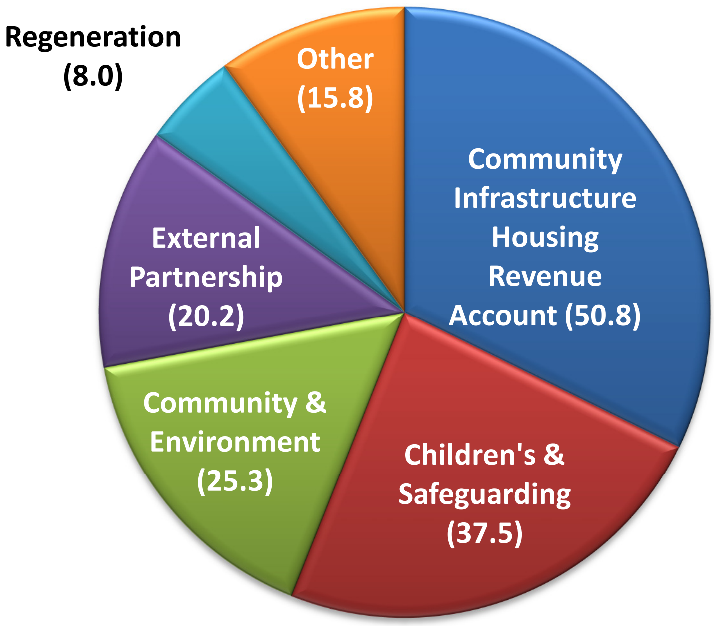
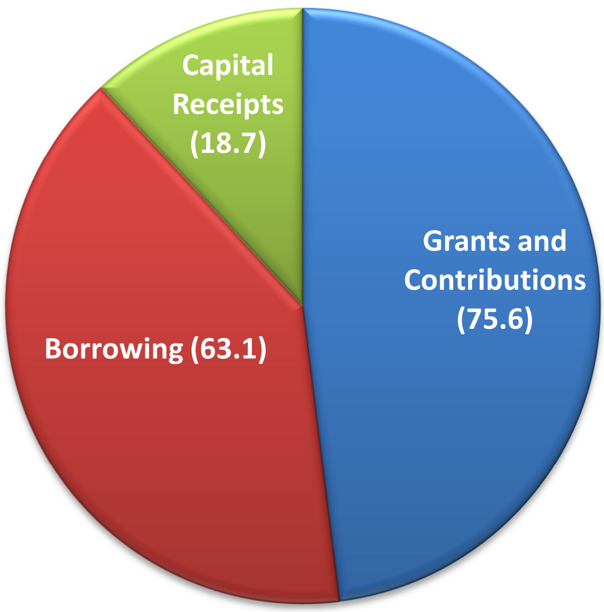


Figure 2 Capital Financing 2016/17 (£m)



5. Collection Fund

The Collection Fund reflects the statutory obligation for the Authority to maintain these funds separately from other funding sources. The Collection Fund and supporting notes are located from Page 113 onwards.

Council Tax

The Council Tax element of the Collection Fund generated a deficit of £3.0m during 2016/17, contributing to a carried forward surplus for the Authority of £0.8m.

Non-Domestic Rates

The Non-Domestic Rates element of the Collection Fund generated a surplus of £8.4m during the year.

6. Movement in Usable Reserves

The usable reserves total has increased by £38.1m year-on-year. The movements are detailed in the Movement in Reserves Statement (MIRS) on Page 26. The primary reasons for this uplift are:

1. The Housing Revenue Account (HRA) balance has grown by £29.6m since 31 March 2016;
2. Earmarked Reserves have decreased by £19.1m since 2016/17. Details of this variance are located in Note 10;
3. Capital Grants Unapplied have increased by £7.2m. The majority of this funding has been committed to new capital projects. Section 11 (Future Capital Expenditure) below discusses this area in further detail;
4. The Capital Receipts Reserve has increased by £31.1m since last year due to increased sales of Council Houses as part of the ‘Right to Buy’ initiative. Such capital receipts are required to be reinvested within the Borough in order to increase affordable housing stock levels. Further information is referenced in Note 25;
5. The Major Repairs Reserve has decreased by £0.5m. The funds within this reserve are earmarked for future capital investment within the HRA.

7. Material or Unusual Charges or Credits

Included within the Comprehensive Income and Expenditure Statement are the following material amounts:

- £82.9m relating to the de-recognition of nine schools that have converted to Academy status during 2016/17;
- £108m gain on the valuation of Council Dwellings, of which £48.9m was recognised within the Comprehensive Income and Expenditure Statement that reversed accumulated valuation losses previously charged to the Housing Revenue Account; and
- Impairment totalling £44.4m of a Long Term Debtor in one of the Council’s group undertaking, Newham Legacy Investments Ltd.

These charges are subsequently charged to the Capital Adjustment Account (Note 26) through the Movement in Reserves Statement (Page 26), ensuring neutral impacts on the

General Fund and Housing Revenue Account balances in accordance with statutory accounting regulations. £4.4m of the debtor impairment has been charged to revenue, with the effect on the general fund being offset by a transfer from earmarked reserves.

8. Financial Instruments – Borrowings and Investments

Borrowings - The Authority borrows from external sources in order to finance capital expenditure and meet day-to-day cash flow needs. Total debt outstanding must not exceed Authorised Limits defined within the requirements of the Prudential Code. The Authority has access to a wide range of borrowing facilities. Total external borrowing as at 31 March 2017 was £803.8m (£730.9m as at 31 March 2016), which was also within approved internal borrowing guidelines.

The basis of accounting for premia and discounts is outlined within the Statement of Accounting Policies. The cost of redeeming debt early has been spread over the length of replacement borrowing. Receipts from rescheduling loans are typically credited to income over a maximum of 10 years.

Investments - The Authority has investments of £458.3m as at 31 March 2017 (£445.4m as at 31 March 2016).

Further information on Borrowings and Investments is contained within Notes 18 and 47.

9. Accounting for Pensions

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits through its participation in three separate pension schemes – one for teachers administered by the Teachers' Pension Agency, the Department of Health administered pension scheme for Public Health staff transferred from Primary Care Trusts and a scheme incorporating all other employees under the Local Government Pension Scheme (LGPS) administered locally by the Authority. These schemes are reported within Notes 44 and 45.

IAS 19 – Employee Benefits is the accounting standard that governs the treatment of the Authority's pension schemes. Although IAS 19 is regarded as a complex standard, it adopts a simple principle that an organisation should account for retirement benefits at the point that the liabilities for the associated benefits are incurred. This is the case even if the payment of these benefits occurs a number of years into the future. The value of the assets and liabilities in relation to pensions as reported in the Balance Sheet are a snapshot of the Authority's estimated net obligations as at 31 March 2017. This estimate has been calculated by the Actuary engaged by the Authority.

Valued under IAS 19, there has been a increase of £284.2 million in the level of the net pension deficit from a deficit of £657m at 31 March 2016 to a deficit of £941.2m at 31 March 2017.

More pertinent is the funding valuation undertaken every three years to determine future employers' contribution rates to the Newham Pension Fund. The most-recent triennial valuation of the scheme occurred in March 2016 and noted a funding level of 85% (up from 73% at March 2013). The Actuary has estimated that the March 2017 funding level is 93%. The scheme's long-term investment strategy is to seek a fully-funded position within the next 20 years. This long-term strategy allows for short-term volatility within related financial markets.

10. Looking Ahead

A net revenue budget of £231.5m has been approved for 2017/18, a reduction of almost £10m on the previous year. Once again there will be no increases to Newham's element of Council Tax and, unlike 2016/17, no Adults Social Care precept. The Council believes that the pressures regarding adult social care have been well documented nationally and require fundamental solutions, and that it is disingenuous of the government to claim to be solving these problems by asking residents to pay an additional (and discretionary) local tax.

Since 2011/12, significant savings have been required to meet reductions in local government funding. To date £155m of savings have been identified and further savings will be required for 2017/18 and future years as shown below.

	2017/18 £m	**2018/19 £m**	**2019/20 £m**
Establishment Savings and staff vacancies/unfilled posts	4	4	4
Pension contributions	4	4	4
Service Transformation initiatives	11	13	13
Total Savings	**£19m**	**£21m**	**£21m**

Due to the success of its pension scheme investment strategy, the Council is one of only a handful of authorities able to reduce employer contribution rates following the 2016 triennial revaluations. This will realise £4m savings per year, however most savings will continue to be delivered through corporate service reviews, the commissioning process, and the small business programme. Any reduction in the delivery of front line services will only be considered as a last resort.

The 2017/18 provisional Settlement outlined core funding allocations (Settlement Funding Assessment – SFA) for local authorities for the period 2017/18 to 2019/20 which indicate budget gaps of up to £20m in 2018/19 and £26m in 2019/20. These gaps will need to be balanced though further savings and/or income growth and all possible options are currently being explored.

The Settlement covering the years 2017/18 to 2019/20 presented a continuation of the deep funding cuts faced by Newham over the last seven years. Since the current finding regime started in 2013/14 Newham has seen a dramatic reduction in the level of funding from Central Government. From 2013/14 to 2017/18 Newham's SFA has fallen by £84.1m or 34.4%. From 2017/18 to 2019/20 it is set to further fall by another £13m or 8.1% totalling a massive £97.1m, or 40% from 2013/14 to 2019/20. However, beyond 2020 there remains a significant degree of uncertainty on the level of public sector funding that will be available.

11. Future Capital Expenditure

Total planned expenditure from 2017/18 to 2019/20 is £464.6m. Table 4 below summarises the areas of investment:

Table 4: Future Capital Expenditure

Directorate	Total £,000s
Business Services	7,550
Children's Services (schools)	76,580
Community and Environment	100,188
Community Infrastructure GF	219
Community Infrastructure HRA	89,387
Children's Services (non-schools)	850
Enforcement and Safety	751
External Partnerships	38,100
Leisure	290
Regeneration	1,597
Red Door Ventures	149,052
Total planned Capital Expenditure	**464,564**

A further £535m of capital expenditure was noted within the Budget Report, including just under £427m in relation to Red Door Ventures. However, these are contingent upon appropriate business cases and alignment with the Council's strategic priorities and, are subject to agreement. Further details can be found within the Council's Budget Report, available at www.newham.gov.uk

12. Value for Money

The authority continues to strive towards improving efficiency and value for money, in particular:

- To provide strong, robust financial management and control in order to deliver a balanced budget and a sound financial framework
- To continue to generate savings and secure value for money through measures aimed at greater efficiency in service delivery and management, including invest to save interventions.
- To ensure that the allocation of resources is research, policy and commissioning led, based on the most robust evidence available and strongly influenced by local residents' concerns and aspirations and that it supports local residents and businesses through the current challenging economic climate
- To keep local taxation increases as low as possible
- To maintain balances at or above the minimum prudent level as determined by the Chief Finance Officer and to add to balances whenever the opportunity arises
- To comply with the prudential borrowing limits as set in the Treasury Management Strategy
- To undertake investment where a value for money case can be demonstrated

Our Efficiency Plan 2016 - 2020, based on our Medium Term Financial Strategy (MTFS), sets out how we will continue to change the way we deliver services, generate income, build our independence, and create efficiencies in order to meet the challenges ahead and continue to deliver for our residents. The efficiency plan can be found on the Council's website on the following page: https://www.newham.gov.uk/Pages/Services/budget-challenge.aspx

Explanation of the Statement of Accounts

The Statement is presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code"), based upon International Financial Reporting Standards (IFRS). The Code constitutes "proper accounting practice" under the Local Government Act 2003, and Accounts and Audit (England) Regulations 2015.

The Statement of Accounts comprises:

- **An Narrative Report** (Page 1) – this document details the most significant matters reported within the financial statements;
- **Responsibilities for the Statement of Accounts** (Page 19) – which outline the respective responsibilities of the Authority and the Chief Financial Officer for the accounts;
- **The Statement of Accounting Policies** (Page 30) – the accounting policies are the principle bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements.
- **Financial Statements and Related Notes** - report the Authority's financial performance during the year and its financial position as at 31 March 2017;
- **Annual Governance Statement** (Page 152) - describes how the Authority ensures that its business is conducted in accordance with established laws and regulations.

The Council's financial performance is reported through the:

- **Movement In Reserves Statement (MIRS)** (Page 26) – the MIRS identifies the net change in the balances on reserves allowing for statutory adjustments. Reserves are analysed into usable reserves and unusable reserves. Usable reserves represent revenue or capital resources available to fund revenue or capital expenditure or repay debt in the future, subject to the need to maintain a prudent level of reserves to cover contingencies and unforeseen commitments. Unusable reserves are not available for use. The General Fund balance is key in determining Council Tax levels;
- **Comprehensive Income and Expenditure Statement** (Page 25) – the Comprehensive Income and Expenditure Statement discloses the surplus or deficit on the provision of services and any other gains and losses recognised in the year before any statutory adjustments for the differences between the way transactions are presented on a strict accounting basis and the amounts which are required to be met under legislation from local taxpayers and housing rents to meet the cost of General Fund and Housing Revenue Account services;
- **Balance Sheet** (Page 28) – summarises the values of assets and liabilities recognised by the Authority as at 31 March 2016. Net assets (total assets less total liabilities) represent net worth and are matched by the reserves held by the Authority. Reserves are analysed into usable and unusable reserves in the same way as set-out within the MIRS;
- **Cashflow Statement** (Page 29) – this Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities;
- **Housing Revenue Account (HRA)** (Page 107) – this Account summarises the income and expenditure in respect of Local Authority housing accommodation. Local Authorities are required by statute to account separately for all transactions relating to the costs of providing such accommodation;

- **Collection Fund** (Page 113) – denotes how income from Council Tax and Business Rates is used to meet expenditure by the Council and its preceptors. The Fund reflects the statutory obligation for the Authority to maintain this separately from other funds and accounts;
- **Group Accounts** (Page 115) – incorporates the Council's material subsidiaries.

The Authority's financial statements also include the **Pension Fund Accounts** (Page 123), which summarise the operation of the London Borough of Newham Pension Fund.

Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this case, the responsible officer is the Director of Financial Sustainability.
- Manage its affairs in order to generate an economic, efficient and effective use of resources and to safeguard its assets; and
- Approve the Statement of Accounts.

The Responsibilities of the Director of Financial Sustainability

The Director of Financial Sustainability is ultimately responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing the Statement of Accounts, the Director of Financial Sustainability has:

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

The Director of Financial Sustainability has also:

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

In accordance with the Accounts and Audit (England) Regulations 2015, I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2017 and its income and expenditure for the year ended 31 March 2017. These financial statements replace the unaudited financial statements signed on 30th June 2017

Date: **Signature:**

D Hindson CPFA

Director of Financial Sustainability (S151)

Date: **Signature:**

Councillor Forhad Hussain

Chair of Investments and Accounts Committee

Independent auditors' report to the Members of the London Borough of Newham (the "Authority") *[to be inserted at the conclusion of the audit]*

Opinion on the Authority's financial statements

We have audited the financial statements of London Borough of Newham for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- Related notes 1 to 47, and the Expenditure and Funding Analysis
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 48 to 61, and
- Collection Fund and the related notes 62 to 64.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of London Borough of Newham, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Financial Sustainability and auditor

As explained more fully in the Responsibilities for the Statement of Accounts set out on page 19, the Director of Financial Sustainability is responsible for the preparation of the Statement of Accounts 2016/17, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Financial Sustainability; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of London Borough of Newham and Group as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under schedule 7 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on London Borough of Newham arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether London Borough of Newham had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Controller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether London Borough of Newham put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, London Borough of Newham had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, London Borough of Newham put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for 2016/17 until the following has taken place:

The completion certificate for 2014/15 has yet to be issued. This is delayed due to ongoing audit work relating to an objection to the 2014/15 statement of accounts. Following issue of the 2014/15 certificate, the 2015/16 certificate will also need to be issued;

The 2016/17 certificate will also be delayed due to ongoing audit work in relation to objections to the 2016/17 statement of accounts;

We have yet to complete the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion;

We are also required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of Newham Pension Fund; this is yet to be issued.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Janet Dawson
for and on behalf of Ernst & Young LLP, Appointed Auditor
London

The maintenance and integrity of the London Borough of Newham web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. This is a new requirement as per 2016/17 Code of Practice to compare the council's internal management structure to that required for the CIES.

2015/16					2016/17			
Net Expenditure Chargeable to the General Fund	**Adjustments between Funding and Accounting**	**Other Adjustments**	**Net Expenditure in the CI&ES**		**Net Expenditure Chargeable to the General**	**Adjustments between Funding and Accounting**	**Other Adjustments**	**Net Expenditure in the CI&ES**
£'000	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**
86,853	(2,162)	10	**89,005**	Adult Services	79,325	(144)	(3)	**79,472**
(2,044)	21,933	(1,124)	**(22,853)**	Central Services	16,859	13,591	7,430	**(4,163)**
64,829	(1,775)	(247)	**66,851**	Children's Services	101,584	(40,117)	969	**140,732**
38,834	(761)	416	**39,179**	Community and Environment	26,438	108	333	**25,997**
9,047	(3,841)	(294)	**13,182**	Community Infrastructure	13,423	1	6	**13,416**
620	-	-	**620**	Enforcement and Safety	(58)	(441)	-	**383**
(7,213)	134,769	(72)	**(141,910)**	HRA	(71,775)	(11,930)	(89)	**(59,756)**
1,072	-	-	**1,072**	oneSource	399	128	-	**271**
5,291	-	-	**5,291**	oneSource - Non Shared	11,876	3,480	-	**8,396**
1,041	(8)	(8)	**1,056**	Public Health	-	-	-	**-**
7,817	(70)	(33)	**7,920**	Regeneration & Planning	6,879	25	68	**6,786**
4,033	-	-	**4,033**	Strategic Services	7,895	-	-	**7,895**
210,180	**148,085**	**(1,351)**	**63,446**	**Net Cost of Services**	**192,845**	**(35,299)**	**8,714**	**219,430**
(216,503)	37,758	**(27,742)**	**(226,519)**	Other Income and Expenditure	(220,203)	(52,684)	(27,845)	**(139,674)**
(6,323)	**185,843**	**(29,093)**	**(163,073)**	**Surplus or Deficit**	**(27,358)**	**(87,983)**	**(19,131)**	**79,756**
(39,397)				Opening General Fund and HRA Balance	**(45,720)**			
(6,323)				Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year	(27,358)			
(45,720)				**Closing General Fund and HRA Balance at 31 March 2017**	**(73,078)**			

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) records all of the Council's Revenue income and expenditure for the year. Expenditure represents a combination of statutory duties and discretionary spend 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. The 2016/17 Code requires that authorities present expenditure and income on services on the basis of its reportable segments, which in the Council's case is its internal management reporting structure. This is a change from the previous requirement to report according to Service Expenditure Code of Practice (SERCOP). This represents a re-analysis of the Cost of Services presented in the CIES, however, there is no change to the total Cost of Services.

2015/16 *					2016/17		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Notes**	**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
113,160	(24,155)	**89,005**	Adult Services		114,822	(35,350)	**79,472**
(9,896)	(12,957)	**(22,853)**	Central Services		10,478	(14,640)	**(4,163)**
499,788	(432,937)	**66,851**	Children's Services		522,236	(381,504)	**140,732**
47,513	(8,334)	**39,179**	Community and Environment		35,123	(9,126)	**25,997**
63,892	(50,710)	**13,182**	Community Infrastructure		77,033	(63,617)	**13,416**
19,427	(18,807)	**620**	Enforcement and Safety		9,759	(9,376)	**383**
(25,782)	(116,128)	**(141,910)**	HRA		57,888	(117,644)	**(59,756)**
8,260	(7,188)	**1,072**	oneSource		10,250	(9,979)	**271**
319,455	(314,164)	**5,291**	oneSource - Non Shared		295,190	(286,794)	**8,396**
25,358	(24,302)	**1,056**	Public Health		17,646	(17,646)	**-**
12,514	(4,594)	**7,920**	Regeneration & Planning		14,755	(7,969)	**6,786**
18,544	(14,511)	**4,033**	Strategic Services		16,501	(8,606)	**7,895**
1,092,233	**(1,028,787)**	**63,446**	**Cost of Services**		**1,181,681**	**(962,251)**	**219,430**
		60,591	Other Operating Expenditure	11			**85,424**
		54,558	Financing and Investment Income and Expenditure	12			**100,780**
		(341,668)	Taxation and Non-Specific Grant Income	13			**(325,877)**
		(163,073)	**(Surplus)/Deficit on Provision of Services**				**79,756**
		(328,791)	Surplus on Revaluation of PPE and Heritage Assets	14,15			**(466,380)**
		(117,167)	Remeasurements of the Net Pensions Defined Benefit Liability	45			**267,412**
		(609,031)	**Total Comprehensive Income and Expenditure**				**(119,212)**

*** 2015/16 have been represented inline with the internal ,management reporting structure for the council**

Movement in Reserves Statement 2016/17

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. Additional detail on these reserves is given in Note 25 and Note 26. The Surplus on the Provision of Services line shows the true economic cost of providing the authority'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 authority tax setting and dwellings rent setting purposes. The 'Adjustments Between Accounting Basis and Funding Basis under Regulations' line accounts for this difference and is detailed in Note 9. 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 Authority.

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance At 31 March 2016	**(19,491)**	**(174,460)**	**(26,229)**	**(59,244)**	**(51,988)**	**(64,122)**	**(395,534)**	**(1,234,061)**	**(1,629,595)**
Movement in Reserves during 2016/17									
(Surplus)/Deficit on Provision of Services (Accounting Basis)	146,004	-	(66,248)	-	-	-	**79,756**	**-**	**79,756**
Other Comprehensive Income	-	-	-	-	-	-	**-**	**(198,968)**	**(198,968)**
Total Comprehensive Income	**146,004**	**-**	**(66,248)**	**-**	**-**	**-**	**79,756**	**(198,968)**	**(119,212)**
Adjustments Between Accounting Basis and Funding Basis Under Regulations (Note 9)	(141,240)	-	53,257	526	(31,071)	(7,171)	**(125,699)**	**125,699**	**-**
Net (Increase) Before Transfers To Earmarked Reserves	**4,764**	**-**	**(12,991)**	**526**	**(31,071)**	**(7,171)**	**(45,943)**	**(73,269)**	**(119,212)**
Transfers (To)/From Earmarked Reserves (Note 10)	(2,567)	19,131	(16,564)	-	-	-	**-**	**-**	**-**
(Increase) In Year	**2,197**	**19,131**	**(29,555)**	**526**	**(31,071)**	**(7,171)**	**(45,943)**	**(73,269)**	**(119,212)**
Balance At 31 March 2017	**(17,294)**	**(155,329)**	**(55,784)**	**(58,718)**	**(83,059)**	**(71,293)**	**(441,477)**	**(1,307,330)**	**(1,748,808)**

Movement in Reserves Statement 2015/16

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance At 31 March 2015	**(19,265)**	**(145,367)**	**(20,132)**	**(47,488)**	**(28,853)**	**(51,364)**	**(312,469)**	**(708,095)**	**(1,020,564)**
Movement in Reserves during 2015/16									
Deficit/(Surplus) on Provision of Services (Accounting Basis)	(15,935)	-	(147,138)	-	-	-	**(163,073)**	**-**	**(163,073)**
Other Comprehensive Expenditure	-	-	-	-	-	-	**-**	**(445,958)**	**(445,958)**
Total Comprehensive (Income)/Expenditure	**(15,935)**	**-**	**(147,138)**	**-**	**-**	**-**	**(163,073)**	**(445,958)**	**(609,031)**
Adjustments Between Accounting Basis and Funding Basis Under Regulations (Note 9)	(13,371)	-	141,028	(11,756)	(23,135)	(12,758)	**80,008**	**(80,008)**	**-**
Net (Increase)/Decrease Before Transfers To Earmarked Reserves	**(29,306)**	**-**	**(6,110)**	**(11,756)**	**(23,135)**	**(12,758)**	**(83,065)**	**(525,966)**	**(609,031)**
Transfers (To)/From Earmarked Reserves (Note 10)	29,080	(29,093)	13	-	-	-	**-**	**-**	**-**
(Increase)/Decrease In Year	**(226)**	**(29,093)**	**(6,097)**	**(11,756)**	**(23,135)**	**(12,758)**	**(83,065)**	**(525,966)**	**(609,031)**
Balance At 31 March 2016	**(19,491)**	**(174,460)**	**(26,229)**	**(59,244)**	**(51,988)**	**(64,122)**	**(395,534)**	**(1,234,061)**	**(1,629,595)**

Balance Sheet

The Balance Sheet shows the value as at 31 March 2017 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between Accounting Basis and Funding Basis under Regulations".

31 March 2016 £'000		Notes	31 March 2017 £'000
2,560,956	Property, Plant and Equipment	14	2,991,173
3,658	Heritage Assets	15	3,658
109,742	Investment Properties	16	114,320
1,261	Intangible Assets	17	664
261,506	Long Term Investments	18	212,583
74,376	Long Term Receivables	21	52,102
3,011,499	**Long Term Assets**		**3,374,500**
183,846	Short Term Investments	18	279,188
914	Inventories	19	1,543
77,913	Short Term Receivables	21	113,732
73,672	Cash and Cash Equivalents	22	67,703
336,345	**Current Assets**		**462,166**
(42,902)	Cash and Cash Equivalents Overdrawn	22	(29,858)
(396,694)	Short Term Borrowing	18	(223,967)
(121,752)	Short Term Payables	23	(130,009)
(561,348)	**Current Liabilities**		**(383,834)**
(15,382)	Long Term Provisions	24	(10,320)
(334,218)	Long Term Borrowing	18	(579,795)
(779,827)	Other Long Term Liabilities	37	(1,072,215)
(27,474)	Capital Grants Receipts in Advance	13	(41,694)
(1,156,901)	**Long Term Liabilities**		**(1,704,024)**
1,629,595	**Net Assets**		**1,748,808**
(395,534)	Usable Reserves	25	(441,478)
(1,234,061)	Unusable Reserves	26	(1,307,330)
(1,629,595)	**Total Reserves**		**(1,748,808)**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2017 and its income and expenditure for the year ended 31 March 2017. These financial statements replace the unaudited financial statements signed by the Director of Financial Sustainability on 30 June 2017

D Hindson CPFA
Date

Cash Flow Statement

The Cash Flow Statement shows the changes in Cash and Cash Equivalents of the Authority during the Reporting Period. The Statement shows how the Authority generates and uses Cash and Cash Equivalents by classifying cash flows as Operating, Investing and Financing Activities. Net Cash Flows from Operating Activities is a key indicator of the extent to which the operations of the Authority are funded by way of Taxation and Grant Income or from the recipients of services provided by the Authority. Investing activities represent the extent to which Cash Outflows have been made for resources that are intended to contribute to the Authority's future service deliveries. Cash Flows arising from Financing activities are useful in predicting claims on future Cash Flows by providers of capital (lenders) to the Authority.

2015/16 £'000		**2016/17 £'000**
163,073	Net Surplus/(Deficit) on the Provision of Services	(79,756)
(53,029)	Adjustments to Net Surplus on the Provision of Services for Non-Cash Transactions (Note 27)	224,099
(44,276)	Adjustments to Net Surplus on the Provision of Services that are Investing and Financing Activities (Note 27)	(58,246)
65,768	**Net Cash Flows from Operating Activities**	**86,097**
(46,483)	Investing Activities (Note 28)	(94,868)
1,098	Financing Activities (Note 29)	15,846
20,383	**Increase in Cash and Cash Equivalents**	**7,075**
10,387	Cash and Cash Equivalents at the beginning of the Reporting Period	30,770
30,770	**Cash and Cash Equivalents at the end of the Reporting Period (Note 20)**	**37,845**

1. Statement of Accounting Policies

1.1 General

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, to be prepared in accordance with proper accounting practices as defined in the Local Government Act 2003 (the 2003 Act). Proper accounting practices primarily comprise the *Code of Practice for Local Authority Accounting in the United Kingdom 2016/17* and the *Service Reporting Code of Practice for Local Authorities 2016/17*, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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 Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, 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 will be 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 Authority and the cost of the item can be measured reliably. 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.

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 in the manner intended by management;
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Local authorities are required to follow the fair value hierarchy prescribed by IFRS 13 to increase consistency and comparability in fair value measurements and related disclosures. This hierarchy categorises into three: levels the inputs to valuation techniques used to measure fair value, these include:

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 Inputs – inputs other than quoted prices included within Level 1 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).

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Authority). 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 Authority.

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 - an Unusable Reserve in the Movement in Reserves Statement.

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

- 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 fair value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently frequently (on a rolling five year basis) 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 has become operational during the year a re-valuation of that asset is included within the next re-valuation cycle the following year.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising prior to that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end to determine whether or not there is an indication that their values may be impaired. Where indications exist and any possible 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.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, 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 provided for 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 bases:

- 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, as estimated at the time of purchase. 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.

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 to 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 (ie 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.

Amounts received for a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is credited to the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement) (England and Wales)]. Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of Property, Plant and Equipment is fully provided for 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.

Investment Properties

Assets 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 by statute to have an impact on the General Fund balance. Therefore, the 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.

Valuations

The annual valuation of the Authority's property portfolio is completed by the Valuation Office Agency. 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 the Royal Institute of Chartered Surveyors (RICS) Valuation standards. Fair Value is used as the basis for valuations with the exception of those assets where there is no market-based evidence to support the use of EUV to arrive at Fair Value. In these instances, the DRC approach is used. Non-Housing Revenue Account (HRA) properties are valued on a rolling five year basis and there are yearly beacon valuations for HRA assets.

Accounting for 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 authority or with another body. All community schools are controlled by the authority along with the two voluntary controlled schools, so are on balance sheet. However, it has been established that of the ten voluntary aided schools, control of eight of them remains with the diocese and therefore these eight are not on the authorities balance sheet.

The 31 March 2016 basis for inclusion or exclusion as Capital Assets is determined as follows:

All Community Schools have been included within the Authority's Balance Sheet as a result of direct ownership.

The two voluntary controlled schools, West Ham Church of England and St James are owned by the authority. There are no lease arrangements on these.

Two Voluntary aided schools, St Antony's and St Francis are recorded within the Balance Sheet as these two Schools are Authority-owned. There are no lease arrangements with the diocese.

It has been verified that the other eight Voluntary Aided Schools are owned by the respective Diocese. The Authority's internal Property Services section has additionally confirmed that the Council has no lease obligations (as dictated by IAS 17 Leases or IFRIC 4 Determining Whether an Arrangement Contains a Lease) 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.

1.3 Leases

Leases are classified as finance leases where the terms of the lease transfers substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for the purposes of lease classification unless the value of the land is negligible. Where the land has an indefinite economic life, the land element is normally classified as an operating lease unless title is expected to pass to the lessee by the completion of the lease term.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement depends upon the use of specific assets.

Finance Leases – the Authority as Lessee

Property, plant and equipment held under finance leases is recognised as an asset in the Balance Sheet at the inception of the lease at the lower of the fair value or the present value of the minimum lease payments. The asset is matched by a long-term liability reflecting the obligation to pay the Lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid upon entry into a lease are applied in writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The Authority uses assets under a long-term contract which is deemed to incorporate an embedded finance lease. The lease obligations and asset values have been assessed to have a De Minimis impact on the Authority's accounts.

Annual lease rental payments are apportioned between:

- a charge for the acquisition of the interest in the asset (the principal element) which is recognised as a liability in the Balance Sheet at the start of the lease, matched with an asset in property, plant and equipment. The liability is written down as the rent is paid, and
- a finance charge to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement over the term of the lease, calculated so as to produce a constant rate of return on the investment.

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to these assets, subject to the depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Finance Leases – the Authority as Lessor

Where the Authority is the lessor of property, plant and equipment and the risks and rewards are judged to be passed to the lessee under a finance lease, the asset is eliminated from the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet 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. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), and matched by a long term debtor (for the lease asset) in the Balance Sheet.

In accordance with The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended (SI 2003/3146), for leases entered into after 31 March 2010, the lease payment receivable is treated as a capital receipt for the repayment of the principal sum, reducing the debtor and the finance income included in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, calculated so as to produce a constant periodic rate of return on the net investment. For leases entered into before 31 March 2010, rental income for finance leases is treated as revenue income where the lease was classified as an operating lease under the UK GAAP-based SORP.

Lease rentals receivable are split between:

- a charge for acquiring the interest in the property – applied to write down the lease debtor (together with any premiums received) and debiting the Capital Adjustment Account; and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement). The credit to the Comprehensive Income and Expenditure Statement is then matched by a debit to write down the Capital Receipts Reserve, whilst the reversal of the entry to the Comprehensive Income and Expenditure Statement in the Movement in Reserves Statement is offset by a credit to the Capital Receipts Reserve.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases – the Authority as Lessee

Lease rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased assets. Any hire purchase contracts that have similar characteristics to an operating lease are accounted for as an operating lease and disclosed in a note to the Statement of Accounts. Charges are accounted for on a straight-line basis over the term of the lease regardless of the actual payments stream.

Operating Leases – the Authority as Lessor

Where the Authority grants an operating lease in respect of an item of property, plant and equipment, the asset is retained in the Balance Sheet and subsequently depreciated over its useful life. Rental income from operating leases is credited as Other Operating Expenditure in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease, regardless of the pattern of payments. The initial direct cost of negotiating and arranging the lease may be added to the carrying value of the asset and charged as an expense over the term of the lease.

Any hire purchase contracts that have similar characteristics to a finance lease and are of a financing nature are accounted for as finance leases. Leases are classed as operating leases if assets are worth less than £500,000 or annual rental payments are less than £100,000. Property leases of up to twenty years are normally classed as operating leases. The estimated remaining life of property assets beyond the term of lease agreements is fundamental in determining if an asset should be recognised under a finance or an operating lease. Assets acquired under operating leases are not included in the Balance Sheet - lease rentals on these assets are charged directly to service revenue accounts and are outside the arrangements for capital charges to revenue.

1.4 Charges to Revenue for Non-Current Assets

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

- Depreciation 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 Authority 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 Authority in accordance with statutory guidance).

1.5 Debt Redemption

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

The Authority 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; This will include retrospective application to 1st April 2008. 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 for “large and novel” projects (e.g. the acquisition of offices at Newham Dockside - Building 1000); or
  - under exceptional circumstances the equal instalments method may be applied;

- Furthermore, where appropriate, provision for MRP will commence when an asset becomes operational. Estimated life periods will be determined under delegated powers. 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 would when received be 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, taking into account any contractually obligated lifecycle repairs and maintenance.

External interest payable on the Authority’s debt is debited to the Comprehensive Income and Expenditure Statement. However, in certain cases, the Authority continues to receive reimbursement for external interest and repayments of external loans (debt charges). This reimbursement is credited to the appropriate service revenue accounts, thus the relevant proportions of external interest and debt repayment are also charged to those revenue accounts.

1.6 Financial Instruments – Loans and Investments

Financial Liabilities

Financial liabilities are recognised in the Balance Sheet when the Authority becomes party to the contractual provisions of a financial instrument, with these 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 the majority of the Authority’s borrowings, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), 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 repurchase or early settlement of borrowings are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. Where repurchase 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, (SI 2003/3146) allows the impact on the General Fund balance to be spread over future years. The Authority 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 into three types:

- Loans and receivables – assets which have fixed or determinable payments but are not quoted in an active market;
- Fair value through profit and loss – assets that have a quoted market price or do not have fixed or determinable payments, and which are "held for trading". "Held for trading" is defined as:
    - acquired or incurred principally for the purpose of selling or repurchasing it in the near future; or
    - part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of actual short-term profit taking; or
    - a derivative;
- Available-for-sale assets – assets that are not required to be classed as loans and receivables or fair value through profit and loss.

Long-term investments are intended to be held for use on a continuing basis within the activities of the Authority. Investments that do not meet this criteria are classified as current assets.

Loans and Receivables

Loans and receivables are recognised within the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. These items are subsequently carried at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest), and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Additionally, the Authority has taken the decision, for policy reasons, to enter into a number of loan agreements (known as soft loans) that charge interest at below established market rates. When such soft loans are transacted, a loss is recognised in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal sum. Interest is accordingly credited to the Investment Income and expenditure line of the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the loan recipients, with the difference serving to increase the amortised cost of the loan to the Balance Sheet.

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, require that the impact of soft loans on the General Fund balance is the actual interest receivable for the year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the carrying value of the asset is written down and a charge made to the relevant service or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-For-Sale Assets

Available-for-sale-assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for the interest are based on the amortised cost of the asset multiplied by the effective interest rate for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Fair values for available-for-sale assets are:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis; and
- equity shares with no quoted market prices – independent appraisal of company valuations.

Where fair values cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Changes in fair value are balanced by an entry in the Available-For-Sale Reserve and the gain or loss is recognised in the Surplus or Deficit on Revaluation of Available-For-Sale Financial Assets. The gain or loss is recognised as a charge to the General Fund Balance when the asset is finally derecognised. Only where impairment losses have been incurred are these charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Reserve.

Fair Value through Profit and Loss assets

Fair value through profit and loss assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially and subsequently measured and carried at fair value.

Any unrealised gains or losses arising from changes in the market value of the instruments before they mature are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Similarly, any gains or losses on de-recognition of the assets are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.7 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.

1.8 Deferred Capital Receipts

Deferred capital receipts represent amounts from the disposal of non-current assets which have been deferred to future years where the Authority has granted a loan to assist the purchaser. As the loan (whether for mortgages or finance lease receivables) is repaid, the deferred capital receipt is written down as the capital receipt is realised.

1.9 Long-Term Debtors

Long-term debtors relate to loans made to house purchasers and Housing Associations.

1.10 Grants

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 the grant has not been used to finance capital expenditure in the year, it is posted to the Capital Grants Unapplied Account. If it has been used to finance capital expenditure, it is posted to the Capital Adjustment Account.

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 immediately met. If there are conditions which cannot immediately be met, the income is credited to Revenue Grants Received in Advance in Payables.

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

1.11 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority 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 Authority. 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.

1.12 Contingent Assets

A contingent asset arises where an event has taken place that offers the Authority 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 Authority. 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.

1.13 Provisions and Reserves

Provisions

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

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

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, taking into account the relevant risks and uncertainties.

When subsequent payments are made, these are charged to the provision carried in 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 of the payment required to settle a provision is expected to be recovered from another party (eg from 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 Authority settles the obligation.

The Authority has established a number of specific provisions, including an Insurance Provision, to meet the estimated cost of insurance claims outstanding.

Reserves

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

When expenditure to be financed form 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 appropriated 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.

The Authority has both usable and unusable reserves. Usable reserves are those reserves that the Authority may utilise to provide services. Unusable reserves are retained to manage the accounting processes for non-current assets, financial instruments, and retirement and employment benefits, and do not represent usable resources for the Authority. Usable and Unusable Reserves are detailed in Notes 24 and 25 to the Statement of Accounts. Note 25 includes a brief description of the purpose of each unusable reserve.

1.14 Receivables and Payables

The Authority's financial statements are prepared on an accruals basis, in that sums due to or from the Authority are reflected within the Statement of Accounts regardless of whether or not 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 Authority's financial statements is not deemed to be material. Regeneration scheme balances are included as receivables or payables balances at year-end as appropriate.

All receivables and payables amounts relate to individual services and supplies, thus there are no significant estimates in the sums shown included within the financial statements.

1.15 Inventories, Work In Progress and Long-Term Contracts

The stock in the Council's stores (Inventories) is valued at the lower of historical cost or 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 on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received within the contract during the financial year.

1.16 Cost of Central Support Services

The cost of overheads and support services is charged to the services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services being shared between users in proportion to the benefits received.

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.

1.17 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 (eg cars) for current, permanent employees and are recognised as an expense for services in the year in which employees render service to the Authority. 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 as a result of a decision by the Authority to terminate an officer’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 line in the Comprehensive Income and Expenditure Statement when the Authority 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 Authority 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.

1.18 Post-Employment Benefits

The Authority 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); and
- National Health Service (NHS) Pension Scheme.

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

The Local Government Pension Scheme

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

The liabilities of the London Borough of Newham pension fund attributable to the Authority 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 discount rate (based on the indicative rate of return on high quality corporate bonds).

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

- quoted securities – current bid price;
- unquoted securities – professional estimate;
- unitised securities – current bid price;
- property – market value.

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

- Service cost comprising:
  - current service cost – the increase in liabilities as a result 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 as a result 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 i.e. net interest expense for the Authority – 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 as a result of contribution and benefit payments.

- Re-measurements comprising:
  - the return on plan 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 – charged to the Pensions Reserve as Other Comprehensive Income or Expenditure.
- 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 Authority 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 on the basis of 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 Authority's liabilities for these benefits cannot be identified specifically. The two schemes are therefore accounted for as if they were defined contribution schemes, resulting in the fact 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 to the NHS and DfE respectively.

Discretionary Benefits

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

1.19 Prior Period Adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise from a change in accounting policy or correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and 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 Authority'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.

1.20 Value Added Tax

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

1.21 Private Finance Initiative (PFI) Schemes

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 into 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 applied and met:

a) The Authority controls or regulates the services that the operator must provide with the asset, to whom it must provide them, and at what price; and
b) The Authority 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 reflect the requirement 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 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 e.g. a bank current account.

Cash equivalents are investments instantly repayable to the Authority on demand that are readily convertible to known amounts of cash with insignificant risk of change in value. These will be balances 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 Authority's cash management.

1.23 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance (eg software licences) but are controlled by the Authority, is capitalised when it is anticipated that future economic benefits or service potential will flow from the intangible asset.

Intangible assets are measured initially at cost. Since the fair values of these assets cannot be determined by reference to an active market, these assets are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure statement. An asset is reviewed for impairment whenever there is an indication that the asset may be impaired, and any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

1.24 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 the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- Revenue from the provision of services is recognised when the Authority can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- 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 within the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received as opposed to the point that payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure has 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 made to revenue to reflect the value of the income that may not be collected.

1.25 Accounting for Heritage Assets

Heritage Assets (including any associated revaluation gains and losses) are recognised and measured in accordance with the Authority'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, eg 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 Authority'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. An annual 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 Authority 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 Authority considers that obtaining valuations for the vast majority of machinery, equipment and other artefacts would involve a disproportionate cost in comparison to the benefits to the users of the Authority's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. The Authority does not recognise this collection of Heritage Assets on the Balance Sheet.

1.26 Accounting for Carbon Reduction Commitment Allowances

Allowances will be recognised as current or intangible assets in the Statement of Accounts. The liability is recognised as energy is consumed and is measured at the present market price of the number of allowances required to cover the emissions made. Income received from recycled allowances has no direct link to an Authority's purchase of allowances or carbon emissions. Income is recognised as it becomes receivable rather than accruing for the income based on its performance in the year.

1.27 Interests in Other Companies and Other Entities

The Authority has interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities that have been determined to be material. These interests are recorded as financial assets at cost less any provision for losses.

1.28 Interests in Companies and Other Entities

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 Newham Legacy Investments and Red Door Ventures and has classified it as a subsidiary. Accordingly Group Accounts are prepared. In consolidating the accounts, all transactions and balances between the council and the subsidiary are eliminated in full.

1.29 Accounting for Business Rate Supplements

The Authority 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 with Payables in the Balance Sheet.

2. Impact of changes within accounting standards issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) requires an authority 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 by the 2016/17 Code. There are two such accounting changes, and additional disclosures will be required in the 2017/18 accounts when these accounting changes are introduced by the 2017/18 Code.

These will affect the Pension Fund accounts, and are:

- the requirement to disclose the total amount of transaction costs of all major pension fund scheme asset classes, as defined in IAS 39 Financial Instruments, Recognition and Measurement and IAS 40 Investment Property.

- the requirement to disclose details of any single investment exceeding 5% of the net assets available for benefits. In previous years, authorities were required to disclose details of any single investment exceeding either 5% of the net assets available for benefits or 5% of any class or type of security. The accounting standards that bring about these amendments will be applied on 1 April 2017, and the council will adopt these standards on 1 April 2017.

3. Critical judgements in applying accounting policies

In applying the accounting policies outlined above, the Authority has made certain key decisions regarding complex transactions. The critical judgements made within this Statement of Accounts are:

- **Impairment**
  There is a high degree of uncertainty regarding future funding for Local Authorities. The Medium-Term Financial Strategy (MTFS) described within the Narrative Report outlines the Council's strategies for generating the cost savings that will assist in addressing future funding shortfalls. In light of this plan, the Authority has determined that the uncertainty is not sufficiently quantifiable as an indicator that the assets of the Authority are impaired due to a need to close facilities and accordingly reduce service provision levels;

- **Leases**
  The Authority has to determine whether individual leases are operating or finance leases in nature, based upon assessment criteria set-out in IAS 17 "*Leases"* and IFRIC 4 "*Determining whether an arrangement contains a lease."* The relevant accounting policy applied to the lease is based upon the outcome of this assessment;

- **Investment Properties**
  The Authority has to decide whether Land and Buildings elements owned by the Authority should be classed as Investment Properties in accordance with IAS 40 "*Investment Property*." Based upon this assessment, the Authority has identified a number of 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 2015/16, the Council has undertaken a detailed review to assess the extent of group accounting relationships. The Authority has identified the entities that it consolidates on the basis of materiality in relation to the financial statements. Newham Legacy Investments Limited, Red Door Ventures Ltd and Future New homes are deemed to constitute a material group interest and these wholly-owned subsidiaries has been consolidated within the Group Accounts.

The Authority also has a number of interests in other entities which have been deemed as falling outside the scope of consolidation on the grounds of significant influence and control in line with the Code. Furthermore, the Authority's interests in these entities in aggregate are not sufficiently substantial to warrant consolidation within the Group Accounts. These parties are outlined within Note 38;

- **Provisions**
  The Authority has assessed whether any potential exposure to losses should be accounted for as a year-end provision or a contingent liability based upon an analysis of significant possible liabilities using the criteria set out in IAS 37 "*Provisions, Contingent Liabilities and Assets*";

- **Government Grants**
  Judgement is required to determine whether the Authority 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 Authority's Balance Sheet involve a significant degree of judgement and estimation techniques. The Authority engages a specialist to value it's 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 Authority analyses Land and Buildings across several individual components in order to estimate depreciation;

- **Municipal Mutual Insurance (MMI)**
  On 13 November 2012, the directors of MMI triggered their 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. Consequently, it is not currently possible to quantify a reliable estimate of the Levy, if any, that the Authority will be required to pay so as to calculate and disclose an amount as a year-end Contingent Liability within Note 46;

- **Voluntary-Controlled Schools**
  The Authority has assessed whether or not schools deemed to be voluntary-controlled in nature should be included within the year-end Balance Sheet. In accordance with CIPFA guidance, the Authority has determined, following the assessment of each individual case on it's merits, that only those schools which are in the direct ownership of the Authority should be disclosed within the Balance Sheet.

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 take into account a number of 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 Authority's 31 March 2017 Balance Sheet for which there is a significant risk of material adjustment in the forthcoming financial year are listed below:

Item	Uncertainties	Accounting effect if actual results differ from assumptions
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 Authority 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.
Self-Insurance	The Authority has recognised a year-end provision of £5.7m for future claims under its Self-Insurance provision. This amount is a component of the overall Insurance Reserve.	An increase in the estimated average settlement of 10% during the forthcoming year would increase the provision required by £0.5m.
Pension Liabilities	Estimation of the Authority's net liability in respect of year-end pension liabilities is driven by a number of complex judgements including the discount rate used, adjustments to long-term salaries, mortality age rates and expected returns on pension scheme assets. The Authority's consulting actuary (Barnett Waddingham) provides expert advice on the value of the Authority's year-end pension liabilities.	The principal factors influencing the valuation of the pension liability are the discount rate and the longevity (mortality rate) assumptions: (a) if the discount rate increases by 0.1%, this change reduces overall pension liabilities (in terms of the projected service cost element) by £40.0m; (b) if longevity increases by 1 year, this will increase liabilities (the projected service cost element) by approximately £80.0m.)
Receivables	The Authority has estimated that £129.4m of the year-end value of Receivables should be impaired. This principally relates to Sundry and Parking Receivables (£79.6m), Council Tax (£22.9m), Housing Benefit overpayments (£14.7m) and Housing Rents (£9.4m). In the current economic climate, it is not certain that such allowances are sufficient.	If collection rates were to deteriorate, this may require an additional amount to be set-aside as an allowance to reflect non-collectability.

5. Material Items of Income and Expense

Included within the Comprehensive Income and Expenditure Statement are the following material amounts:

- £82.9m relating to the de-recognition of nine schools that have converted to Academy status during 2016/17;
- £108m gain on the valuation of Council Dwellings, of which £48.9m was recognised within the Comprehensive Income and Expenditure Statement that reversed accumulated valuation losses previously charged to the Housing Revenue Account; and
- Impairment totalling £44.4m of a Long Term Debtor in one of the Council's group undertaking, Newham Legacy Investments Ltd.

These charges are subsequently written-off to the Capital Adjustment Account (Note 26) through the Movement in Reserves Statement (Page 26), ensuring neutral impacts on the General Fund and Housing Revenue Account balances in accordance with statutory accounting regulations. £4.4m of the debtor impairment has been charged to revenue, with the effect on the general fund being offset by a transfer from earmarked reserves.

6. Post Balance Sheet Events

Following the majority vote to end the UK's membership of the European Union (EU) in the National Referendum held on 23 June 2016, there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&P, Fitch and Moody's) took action on the UK's Sovereign credit rating following the Rating Action on the UK Government. The Treasury Strategy (described in Note 47) is protected as the Authority has limited short-term debt maturities.

There is likely to be an impact on investment property valuations if investor confidence in the wider UK property market falls. The valuation of the Authority's defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact on the financial statements and there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations. For the purposes of these financial statements, the Referendum is considered a non-adjusting event. There have been no other events occurring after the reporting date that would have a material impact upon the financial statements.

One of the Council's wholly owned subsidiaries, Newham Legacy Investments Ltd (NLI) was a partner with the London Legacy Development Corporate (LLDC) in a Joint Venture, E20 LLP. This entity managed the site formerly known as the Olympic Stadium. Members of the partnership agreed to NLI retiring from the LLP with effect from 30th November 2017 on a full and final basis. The Resignation Deed removes any future responsibility from NLI for liabilities of E20 LLP, and waives the right to any future income. Accordingly, the loan of £40m from the Council to NLI is no longer recoverable. This was impaired in full as at the balance sheet date.

In the wake of the tragic events of Grenfell Tower in June 2017, Newham Council like every other local authority has reviewed the fire risk in relation to its Dwellings portfolio. This has identified 4 blocks that require further works. The cost of these works are as yet unknown, and will be reflected in future years accounts.

7. Note to the Expenditure and Funding Analysis

2015/16 Adjustments for Capital Purposes £'000	2015/16 IAS 19 £'000	2015/16 Other Adjustments £'000	2015/16 Total Adjustments		2016/17 Adjustments for Capital Purposes £'000	2016/17 IAS 19 £'000	2016/17 Other Adjustments £'000	2016/17 Total Adjustments £'000
(2,330)	168	10	**(2,152)**	Adult Services	(142)	(2)	(3)	**(147)**
24,088	(2,155)	(1,124)	**20,809**	Central Services	19,846	(6,255)	7,430	**21,021**
(2,797)	1,022	(247)	**(2,022)**	Children's Services	(40,103)	(14)	969	**(39,148)**
(1,053)	292	416	**(345)**	Community and Environment	112	(4)	333	**441**
(3,987)	146	(294)	**(4,135)**	Community Infrastructure	2	(1)	6	**7**
-	-	-	**-**	Enforcement and Safety	(441)	-	-	**(441)**
134,617	152	(72)	**134,697**	HRA	(11,927)	(3)	(89)	**(12,019)**
-	-	-	**-**	oneSource	128	-	-	**128**
-	-	-	**-**	oneSource - Non Shared	3,480	-	-	**3,480**
(16)	8	(8)	**(15)**	Public Health	-	-	-	**-**
(140)	70	(33)	**(103)**	Regeneration & Planning	26	(1)	68	**93**
-	-	-	**-**	Strategic Services	-	-	-	**-**
148,382	**(297)**	**(1,351)**	**146,734**	**Net Cost of Services**	**(29,020)**	**(6,279)**	**8,714**	**(26,585)**
14,015	23,743	(27,742)	**10,016**	Other Income and Expenditure from the Funding Analysis	(75,758)	23,076	(27,845)	**(80,527)**
162,397	**23,446**	**(29,093)**	**156,750**	**Surplus or Deficit**	**(104,778)**	**16,797**	**(19,131)**	**(107,112)**

Adjustments for Capital Purposes
1) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments
2) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** –- the net interest on the defined benefit liability is charged to the CIES.

Other differences
3) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

8. Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:

2015/16 £'000		2016/17 £'000
	Expenditure	
469,634	Employee benefits expenses	409,517
720,744	Other services expenses	712,896
7,880	Support service recharges	82,965
75,156	Depreciation and Amortisation	82,732
(181,180)	Impairment	(57,277)
74,717	Interest payments	118,988
15,371	Precepts and levies	16,399
45,220	Gain on the disposal of assets	67,229
1,227,542	**Total Expenditure**	**1,433,449**
	Income	
(356,771)	Fees, charges and other service income	(353,943)
(20,159)	Interest and investment income	(12,000)
(106,297)	Income from council tax, nondomestic rates, district rate income	(107,178)
(907,387)	Government grants and contributions	(880,572)
(1,390,614)	**Total income**	**(1,353,693)**
(163,072)	**Surplus or Deficit on the Provision of Services**	**79,756**

9. Adjustments Between Accounting Basis And Funding Basis Under Regulations

The notes on the following pages detail the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The financial years 2016/17 and 2015/16, are detailed:

2016/17 Page 1 of 2

	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	**Movement in Unusable Reserves £'000**
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(76,410)	(45,724)				**122,134**
Revaluation losses on Property Plant and Equipment	(10,787)	62,058				**(51,271)**
Movements in the market value of Investment Properties	4,224	1,985				**(6,209)**
Amortisation of intangible assets	(583)	(14)				**597**
Capital grants and contributions applied	43,530	2,577				**(46,107)**
Revenue expenditure funded from capital under Statute	(12,363)	(10,811)				**23,174**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(91,221)	(27,598)				**118,819**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	60					**(60)**
Voluntary provision for the financing of capital investment		2,604				**(2,604)**
Capital expenditure charged against the General Fund and HRA balances						**-**
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	15,785	(2,229)			(13,556)	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account					6,385	**(6,385)**
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		51,667	(51,667)			**-**
Use of the Capital Receipts Reserve to finance new capital expenditure			18,723			**(18,723)**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(78)		78			**-**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		(1,795)	1,795			**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						**-**

continued on next page

2016/17 Page 2 of 2

	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	**Movement in Unusable Reserves £'000**
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						**-**
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		22,644		(22,644)		**-**
Use of the Major Repairs Reserve to finance new capital expenditure				23,170		**(23,170)**
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(331)	98				**233**
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(52,720)	(6,433)				**59,153**
Employer's pensions contributions and direct payments to pensioners payable in the year	38,217	4,139				**(42,356)**
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	568					**(568)**
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	869	89				**(958)**
Total Adjustments	(141,240)	53,257	(31,071)	526	(7,171)	**125,699**

9. Adjustments Between Accounting Basis And Funding Basis Under Regulations

2015/16 Page 1 of 2

	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	**Movement in Unusable Reserves £'000**
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Depreciation of Property, Plant and Equipment	(32,316)	(42,840)				**75,156**
Revaluation (losses)/gain on Property, Plant and Equipment	39,283	141,897				**(181,180)**
Movements in the market value of Investment Properties	7,205	6,239				**(13,444)**
Amortisation of Intangible Assets	(711)					**711**
Capital grants and contributions applied	42,645					**(42,645)**
Revenue expenditure funded from capital under Statute	(11,627)	(7,838)				**19,465**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(55,142)	(29,853)				**84,995**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment						**0**
Voluntary provision for the financing of capital investment	1,956	2,222				**(4,178)**
Capital expenditure charged against the General Fund and HRA balances	5,961					**(5,961)**
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	10,452	7,839			(18,291)	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account					5,533	**(5,533)**
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,267	39,473	(41,740)			**-**
Use of the Capital Receipts Reserve to finance new capital expenditure			16,640			**(16,640)**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(131)		131			**-**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		(1,834)	1,834			**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						

continued on next page

2015/16 Page 2 of 2

	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	**Movement in Unusable Reserves £'000**
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		27,307		(27,307)		**-**
Use of the Major Repairs Reserve to finance new capital expenditure				15,551		**(15,551)**
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(723)	(258)				**981**
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(62,763)	(3,946)				**66,709**
Employer's pensions contributions and direct payments to pensioners payable in the year	40,829	2,434				**(43,263)**
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(629)					**629**
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	73	186				**(259)**
Total Adjustments	(13,371)	141,028	(23,135)	(11,756)	(12,758)	**(80,008)**

10. Transfers To/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 2016/17.

	Balance at 31/03/2015 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	**Balance at 31/03/2016 £'000**	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	**Balance at 31/03/2017 £'000**
General Fund Reserves							
Authority Transition Reserve	**(29,484)**	9,362	(20,969)	**(41,091)**	18,702	(11,805)	**(34,194)**
Borough-Wide Licensing Reserve	**(4,297)**	892	-	**(3,405)**	1,509	-	**(1,896)**
Capital Reserve	**(25,060)**	3,101	(2,386)	**(24,345)**	2,031	-	**(22,314)**
Crime and Disorder Reduction Partnership	**(56)**	-	-	**(56)**	56	-	**-**
Capital Financing Reserve	**-**	-	(18,934)	**(18,934)**	-	(19,163)	**(38,097)**
DSG Reserve	**(22,019)**	8,794	-	**(13,225)**	15,258	(10,382)	**(8,349)**
EBU Reserve	**-**	-	(142)	**(142)**	142	-	**-**
Education PFI Reserve	**-**	126	(1,511)	**(1,385)**	552	(49)	**(882)**
Enterprise Zone Reserve	**(354)**	-	(456)	**(810)**	-	(630)	**(1,440)**
Highways Maintenance Reserve	**(1,518)**	-	-	**(1,518)**	20	-	**(1,498)**
Housing General Fund Reserve	**(262)**	231	(100)	**(131)**	131	-	**-**
HRA Bond Reserve	**(613)**	-	-	**(613)**	-	(100)	**(713)**
Insurance Reserve	**(3,146)**	-	(1,176)	**(4,322)**	-	(443)	**(4,765)**
Regeneration Reserve	**(581)**	-	-	**(581)**	-	-	**(581)**
Schools Balances Reserve	**(32,981)**	450	(3,227)	**(35,758)**	11,930	(4,774)	**(28,602)**
Trading Operations Reserve	**(550)**	258	(55)	**(347)**	-	(125)	**(472)**
Treasury Reserve	**(7,155)**	70	(3,307)	**(10,392)**	1,812	(2,105)	**(10,685)**
Warm Homes Healthy Project Reserve	**(841)**	-	-	**(841)**	-	-	**(841)**
Total General Fund Reserves	**(128,917)**	**23,284**	**(52,263)**	**(157,896)**	**52,143**	**(49,576)**	**(155,329)**
Housing Revenue Account (HRA)							
Housing Earmarked Reserves	**-**	-	-	**-**	-	-	**-**
Housing Repairs Reserve	**(1,287)**	-	(100)	**(1,387)**	1,387	-	**-**
HRA Choice Homes UK Reserve	**(1,070)**	21	(35)	**(1,084)**	1,084	-	**-**
HRA PFI Reserve	**(14,093)**	-	-	**(14,093)**	14,093	-	**-**
Total HRA Reserves	**(16,450)**	**21**	**(135)**	**(16,564)**	**16,564**	**0**	**0**
Total Earmarked Reserves	**(145,367)**	**23,305**	**(52,398)**	**(174,460)**	**68,707**	**(49,576)**	**(155,329)**

(i) Authority Transition Reserve

This reserve is to facilitate service transformation and mitigate cost pressures anticipated in the Authority's Medium-Term Financial Strategy.

(ii) 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.

(iii) 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.

(iv) Crime and Disorder Reduction Partnership

This is the accumulated balance on the Crime and Disorder Reduction Partnership which is a statutory local partnership, and surplus funds are held for this purpose.

(v) Capital Financing Reserve

The Capital Financing Reserve (separate to the Capital Reserve above) holds funds to provide additional capacity and flexibility to meet the needs of the Council's Capital Strategy.

(vi) DSG Reserve

This is ring-fenced grant carried forward to match the academic year.

10. Transfers To/From Earmarked Reserves (contd.)

(vii) EBU Reserve
Reserve created to support the External Business Units.

(viii) Education PFI Reserve
PFI to support Education Service

(ix) Enterprise Zone Reserve
The Royal Docks has been designated as an Enterprize Zone that offers incentives such as tax concessions to encourage business investment. These amounts represent business rates collected within the area that have been set aside for reinvestment and for future use by Local Enterprise Partnerships (LEP).

(xi) Highways Maintenance Reserve
This reserve is grant funding received from the Olympic Development Authority for highways works in the East Village.

(xii) Housing General Fund Reserve
Reserve to improve housing provision in the private sector under the Authority's General Fund housing powers.

(xiii) Insurance Reserve
The Insurance Reserve forms part of the Authority's self-insurance arrangements, earmarked to meet future potential and continge liabilities (as distinct from the Insurance Provision - see Note 24).

(xiv) Regeneration Reserve
Set up to promote economic regeneration in the Borough.

(xv) 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.

(xvi) Trading Operations Reserve

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

(xvii) Treasury Reserve

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

(xviii) Warm Homes Healthy Project Reserve
Funding provided by the Olympic Delivery Authority to improve the thermal efficiency of private sector dwellings.

(xix) Housing Earmarked Reserves
This represents accrued income arising from Major Works rechargeable to leasehold properties. The monies are earmarked for future capital investment into Housing stock.

(xx) Housing Repairs Reserve
This is the accumulated balance on the Housing Repairs Reserve, which is part of the HRA accounts, and is held to meet future dilapidation needs.

(xxi) HRA Bond Reserve
Reserve holding bonds from private sector leaseholders to compensate for damages and rent arrears on leased property.

(xxii) HRA Choice Homes UK Reserve
This is the accumulated balance arising from the Choice Homes UK joint operation and funds are held solely for the operations of this venture. The choice-based lettings service focuses on advertising affordable rented housing available on a secure tenancy from a Local Authority landlord or on an assured tenancy from a Housing Association landlord.

(xxiii) HRA PFI Reserve

The HRA PFI Reserve recognises that funding received in the earlier years of the Authority's two Housing PFI schemes exceeds expenditure in the early years of each scheme but that expenditure will rise significantly during the course of the contracts.

11. Other Operating Expenditure

The following table provides an analysis of the "Other Operating Expenditure" line in the Comprehensive Income and Expenditure Statement:

2015/16 £'000		2016/17 £'000
15,371	Levies	16,399
1,834	Payments to the Government Housing Capital Receipts Pool	1,795
43,386	Losses on the disposal of non-current assets	67,229
60,591	**Total**	**85,423**

12. Financing And Investment Income And Expenditure

The following table provides an analysis of the "Financing and Investment Income and Expenditure" line in the Comprehensive Income and Expenditure Statement:

2015/16 £'000		2016/17 £'000
50,974	Interest Payable and Similar Charges	51,527
-	Investment Impairment	44,385
23,743	Pensions interest cost and expected return on pensions assets	23,076
(5,948)	Interest receivable and similar income	(9,584)
(13,444)	Income and expenditure in relation to investment properties and changes in their fair value	(6,209)
(767)	Other investment income and expenditure	(2,416)
54,558	**Total**	**100,780**

13.Taxation And Non-Specific Grant Income

The following table provides an analysis of the "Taxation and Non-Specific Grant Income" line in the Comprehensive Income and Expenditure Statement:

2015/16 £'000		2016/17 £'000
(68,350)	Council tax income	(66,986)
(37,947)	Business Rates (Retained share)	(40,192)
(174,435)	General Government Grants	(159,037)
(60,936)	Capital grants and contributions	(59,662)
(341,668)	**Total**	**(325,877)**

13.Taxation And Non-Specific Grant Income (contd.)

Grants Credited to Taxation and Non Specific Grant Income

2015/16 £'000		2016/17 £'000
	General Government Grants:	
(85,815)	Revenue Support Grant	(70,661)
(70,728)	Business Rates Top Up Grant	(71,179)
(5,015)	Education Service Grant	(4,285)
(12,119)	New Homes Bonus	(12,912)
(758)	Council Tax Freeze Grant	
(174,435)	**Total**	**(159,037)**
	Capital Grants and Contributions:	
(1,007)	Comms and Local Gov	(1,133)
(30,745)	Dept of Education	(43,536)
(811)	Dept of Health	(1,240)
(7,839)	Leaseholders	2,229
(6,390)	School Contributions	(1,218)
(80)	Other Entities	(15)
(3,972)	Greater London Authority	(20)
(7,215)	Transport for London	(10,345)
(1,784)	Section 106	(3,978)
(19)	Stratford Transport Implementation Group	(70)
(1,074)	Other	(336)
(60,936)	**Total**	**(59,662)**

Grants Credited to the net cost of services include:

2015/16 £'000		2016/17 £'000
	Revenue Grants:	
(271,339)	Housing Benefit Subsidy	(269,980)
(327,500)	Dedicated Schools Grant (DSG)	(312,900)
(23,708)	Pupil Premium	(21,887)
(28,924)	Public Health Grant	(32,739)
(20,545)	Other Grants	(24,367)
(672,016)	**Total**	**(661,873)**

The Authority has received a number of 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. The balances at year-end are as follows:

Capital Grants: Receipts in advance

2015/16 £'000		2016/17 £'000
(414)	CIL	(566)
(22,414)	Section 106	(35,736)
129	London Thames Gateway Development Corporation	-
(862)	Greater London Authority	(1,530)
(10)	ODA	(10)
(730)	Stratford Transport Implementation Group	(730)
(63)	Department for Communities and Local Government	(63)
(808)	Department of Health	(370)
381	Transport for London	-
(102)	NHS	(102)
(2,581)	Other	(1,395)
-	Department of Education	(1,189)
(27,474)	**Total**	**(41,691)**

14. Property, Plant And Equipment

The value of non-current assets shown on the balance sheet represents the value of assets held by the Authority.

Property, Plant and Equipment 2016/17

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Long term Surplus £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
Cost or Valuation								
At 1 April 2016	1,098,819	1,104,098	55,506	289,480	24,756	94,765	36,373	**2,703,797**
Additions and enhancement	34,112	24,474	3,508	26,537	-	-	23,411	**112,042**
Revaluation recognised in the Revaluation Reserve	34,336	318,516	-	-	-	65,769	-	**418,621**
Revaluation recognised in the Surplus on the Provision of Services	31,368	(35,083)	-	-	-	17,850	-	**14,135**
Derecognition - Disposals	(24,885)	-	-	-	-	(207)	-	**(25,092)**
Derecognition - other	(2,504)	(94,644)	(827)	-	-	(842)	-	**(98,817)**
Other reclassifications	-	23,578	-	-	-	(32,951)	10,951	**1,578**
At 31 March 2017	**1,171,246**	**1,340,939**	**58,187**	**316,017**	**24,756**	**144,384**	**70,735**	**3,126,264**
Accumulated Depreciation and Impairment								
At 1 April 2016	-	(24,129)	(34,828)	(81,350)	-	(2,329)	(205)	**(142,841)**
Depreciation Charge	(43,351)	(24,577)	(6,667)	(6,143)	-	(1,397)	-	**(82,135)**
Depreciation written out to the Revaluation Reserve	24,779	20,598	-	-	-	2,354	-	**47,731**
Depreciation written out to the Surplus on the Provision of Services	17,553	19,080	-	-	-	300	-	**36,933**
Disposals	983	-	-	-	-	7	-	**990**
Derecognition - other	36	3,309	733	-	-	43	-	**4,121**
Other reclassifications	-	(469)	-	-	-	1,020	(445)	**106**
At 31 March 2017	**-**	**(6,188)**	**(40,762)**	**(87,493)**	**-**	**(2)**	**(650)**	**(135,095)**
Net Book Value								
At 31 March 2017	1,171,246	1,334,751	17,425	228,524	24,756	144,382	70,085	**2,991,169**
At 31 March 2016	1,098,819	1,079,969	20,678	208,130	24,756	92,436	36,168	**2,560,956**

14. Property, Plant And Equipment

Property, Plant and Equipment 2015/16

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Long term Surplus	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2015	843,342	911,946	82,718	274,021	24,713	89,115	63,422	**2,289,277**
Additions and enhancement	9,502	32,148	4,634	15,459	43	23,416	23,075	**108,277**
Revaluation recognised in the Revaluation Reserve	172,414	116,690	-	-	-	3,611	-	**292,715**
Revaluation recognised in the Surplus on the Provision of Services	100,436	19,946	-	-	-	245	-	**120,627**
Derecognition - Disposals	(22,732)	(342)	-	-	-	(2,666)	-	**(25,740)**
Derecognition - other	(2,829)	(46,595)	(31,846)	-	-	(19,048)	-	**(100,318)**
Other reclassifications	(1,314)	70,305	-	-	-	92	(50,124)	**18,959**
At 31 March 2016	**1,098,819**	**1,104,098**	**55,506**	**289,480**	**24,756**	**94,765**	**36,373**	**2,703,797**
Accumulated Depreciation and Impairment								
At 1 April 2015	(27,999)	(39,227)	(58,847)	(75,594)	-	(7,437)	-	**(209,104)**
Depreciation Charge	(35,879)	(19,134)	(7,827)	(5,756)	-	(6,560)	-	**(75,156)**
Depreciation written out to the Revaluation Reserve	22,794	13,037	-	-	-	-	-	**35,831**
Depreciation written out to the Surplus on the Provision of Services	40,182	20,371	-	-	-	-	-	**60,553**
Disposals	835	35	-	-	-	12	-	**882**
Derecognition - other	-	648	31,846	-	-	11,659	-	**44,153**
Other reclassifications	67	141	-	-	-	(3)	(205)	**-**
Reclassifications	-	-	-	-	-	-	-	**-**
At 31 March 2016	**-**	**(24,129)**	**(34,828)**	**(81,350)**	**-**	**(2,329)**	**(205)**	**(142,841)**
Net Book Value								
At 31 March 2016	1,098,819	1,079,969	20,678	208,130	24,756	92,436	36,168	**2,560,956**
At 31 March 2015	815,343	872,719	23,871	198,427	24,713	81,678	63,422	**2,080,173**

14. Property, Plant And Equipment (contd.)

The Authority's property portfolio is valued on a rolling basis by the District Valuer. 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 CLG.

Included in the figures for other land and buildings are 62 Community schools (primary and secondary). The Council also provides revenue funding, through the Dedicated Schools Grant, for all schools in the Borough. The table below shows the numbers of schools in the Borough across various categories.

2015/16 Number	Category of School	2016/17 Number
71	Community	62
10	Voluntary Aided	10
2	Voluntary Controlled	2
83	**Total**	**74**

Disclosure:

Capital Commitments

At 31 March 2017, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2016/17 and future years budgeted to cost £18.6m. Similar commitments at 31 March 2016 were £150.9m. The major commitments are;

Commitment	Cost £'000
Newshare	**5,763**
Affordable Homes Programme	**1,938**
West Ham Church Primary - Remodelling	**1,752**
Trinity Gardens	**1,734**
Janson Close	**1,448**
East Ham Town Hall Roof Repairs	**1,283**
Nelson Primary - Remodelling	**1,230**
Rosetta Primary - Remodelling	**1,026**
Edith Kerrison Nursery - Extension	**982**
East Ham Town Hall (6th Form)	**953**
Telecommunications Network	**528**
Total outstanding commitments at 31 March 2017	**18,635**

PPE analysis showing those assets held at cost and those at valuation sub divided by last revaluation date as at 31/03/2017.

	Council Dwellings £'000	OL&B £'000	VP&E £'000	Infra £'000	CA £'000	LTS £'000	AUC £'000	Total PPE £'000
Carried at historic cost		1,634	17,426	228,524	24,756	83	70,085	342,508
Values at Fair value as at								
31st March 2017	1,171,247	1,215,748				137,197		2,524,192
1st April 2016		65,821				6,979		72,800
1st April 2015		29,655				32		29,687
1st April 2014		405				-		405
1st April 2013		21,487				91		21,578
		-				-		
Total Cost or Valuation	**1,171,247**	**1,334,750**	**17,426**	**228,524**	**24,756**	**144,382**	**70,085**	**2,991,170**

Surplus Assets

The assets within surplus assets are based on the market approach current market conditions and recent sale prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to properties being categorised at Level 2 in the current value hierarchy.

15. Heritage Assets

	Civic Regalia £'000	Museum Art Collection £'000	Street Art £'000	Total £'000
Balance as at 1 April 2016	59	2,205	1,394	3,658
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
At 31 March 2017	**59**	**2,205**	**1,394**	**3,658**
Balance as at 1 April 2015	55	1,964	1,314	3,333
Additions	-	-	37	37
Transfers	-	-	43	43
Revaluations	4	241	-	245
At 31 March 2016	**59**	**2,205**	**1,394**	**3,658**

Civic Regalia

Civic Regalia above 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.

Museum Art Collection

Items classified within Museum Art Collection are:

- Bow Porcelain & Museum Collection
- Edward V1 Fine Royal Letters Patent
- Madge Gill artworks
- 5 Pieces of artwork by artists John Bettes, Charles Catton the Elder, John Wilson Carmichael, Andrea Casali and George Romney
- 1 no. Victorian G.E. Railway boardroom table
- Bronze Portrait bust by Benno Schotz
- West Ham Memorial Document
- Railway items collection

Street Art Collection

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

Five year summary of transactions

There have been no purchases of Heritage Assets during the past five years.

The only addition to Heritage Assets during the last 5 years is a donated asset which was added during 2013/14 and the Joan Littlewood Statue constructed in 2015/16. The Heritage Asset policy includes a deminimis value of £10k under which has not been included within the Balance Sheet. The value of assets excluded is £0.1m. Valuation of the heritage assets is in accordance with the Corporate Insurance Register. The Register holds values for those assets of material value or which are exposed to a particular risk.

Further information on the Collections

Newham Heritage Service 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 both regionally and nationally.
The service currently holds:

15. Heritage Assets (contd.)

Local Archaeology
Extensive collections including items illustrating some of the earliest settlement in the area, finds resulting from rescue archaeology carried out in the Borough include;
• Roman finds from buildings and cemeteries. Roman pottery, especially fine wares.
• Post Roman/Medieval material showing the development of West Ham and Stratford and churches including St Mary's.
• Archaeological archives from excavations undertaken in Newham from the 1970s to 1990s.

• Policy: to collect archaeological material from Newham whether obtained by organised excavation, field walking, metal detecting, casual find or purchase but only provided that sufficient resources are available for post-excavation curation and care.

Local and Social History

General
• Large collection of approximately 5,000 items largely Victorian in date with some duplication of items.

• Policy: to collect pre 1800 material if available. To severely restrict the collection of Victorian items and to concentrate on 20th century and contemporary material, especially items relating to Newham's diverse ethnic communities not yet represented in the collections. Active collecting to be concentrated on these. This to be largely achieved through focussed projects or exhibitions.

Dress and Textiles
• Local collections of clothing, accessories, domestic textiles, sewing, knitting and haberdashery accessories. Approx 2,500 pieces.
• Policy: this collection will not be expanded except with items from Newham communities not already represented or something with an outstanding link to a local resident.

Local Archives and Photographs

• Collections include local manorial documents and transcripts and indexes of local parish registers. There is also the local pictorial survey. There is a bias to the Victorian and Edwardian eras. In addition there is the slide collection, a visual archive of the museum service's work since c1970 including local building records, items in the collection, exhibitions and events.

• Policy: to actively collect 20th century and 21st century photographs and ephemera.

Oral History

• The Service has collected oral reminiscences on tape and in written form both through Eastside Community Heritage and on its own account. Eastside and the Museum of London both hold relevant collections of material.

• Policy: to actively collect more material starting with the 'Your Moving Story' project. To set up further projects to produce material to feed 'The Newham Story' website. To encourage the production of content through the direct involvement of Newham community groups and individual residents or employees, both past and present.
• To liaise closely with Eastside Community Heritage and the Museum of London to prevent any duplication of material and to ensure its widest possible dissemination.

Railway and Transportation History

• Two locomotives on loan (no 2000 owned by P Elms, no. 229 owned by W. Parker). 'Dudley' the diesel Locomotive, LNER Gresley coach and other wagons and carriages. These are not included in the carrying value of assets in the accounts.

• 4,000 photographic negatives, slides and prints.
• Station furniture and fittings, approximately 80 items.

• Posters and ephemera produced by the Great Eastern Railway (GER) and its descendants, many related to the Stratford Works.

• Archive of plans and journals owned by the GER Society in the process of being transferred to the Essex Record Office.

• Policy: to concentrate on collecting items relating to recent, local railway developments especially the Cross Channel Rail Link at Stratford and items which illustrate the broader transport history of the Borough.

Fine and Applied Art

• There are approximately 50 paintings, largely of local people or places, with single paintings by artists including Romney, Kneller and Carmichael.
• There are also approximately 400 items, mostly pen and ink drawings, by 'Outsider Artist' Madge Gill.

• There is also a major collection (99 pieces) of Bow porcelain.
• Policy: to collect works of art depicting local scenes and the work of artists and craftspeople with strong local connections, particularly those from communities not already represented. Further acquisitions of local connections, particularly those from communities not already represented. Further acquisitions of Bow porcelain or artworks by Madge Gill to be considered on a case by case basis.

Buxton Table

• The service has collected the table around which 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, in 1833. Known as the Buxton Table.

16. Investment Properties

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

2015/16 £'000		2016/17 £'000
6,429	Rental income due from investment property	7,577

2015/16 £000		2016/17 £000
119,363	**Balance at 1 April**	109,742
-	Additions and Enhancement Expenditure	74
13,444	Net gains from fair value adjustments	6,209
	Transfers:	-
(19,093)	To Property, Plant and Equipment	(1,683)
(3,972)	Disposals	(21)
109,742	**Balance at 31 March**	**114,321**

Valuations are carried out annually by the District valuation office and are valued to Fair Values as defined by IFRS 13.

Where an asset is valued to 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.

The inputs to this technique constitute **Level 2** inputs in each instance. Level 2 inputs are inputs observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

17. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and 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. The amortisation of £0.6m charged to revenue in 2016/17 (£0.7m in 2015/16) was charged directly to users' costs centres where they 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.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are 5 years unless it is anticipated to be otherwise.

In accordance with the CIPFA Code, leased intangible assets are disclosed in this section after their initial recognition.

There are no internally generated assets.

Purchased 2015/16 £'000		Purchased 2016/17 £'000
	Balance at start of year	
4,577	Gross Carrying Amounts	4,645
(2,673)	Accumulated Amortisation	(3,384)
1,904	**Net carrying amount at start of year**	**1,261**
	Additions	
68	Purchases	-
(711)	Amortisation	(597)
-	Write out GBV of fully depreciation assets	(554)
-	Write out cumulative depreciation of fully depreciation assets	554
1,261	**Net carrying amount at end of year**	**664**
	Comprising	
4,645	Gross Carrying Amounts	4,091
(3,384)	Accumulated amortisation	(3,427)

18. Financial Instruments

The definition of a financial instrument is: 'Any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entitity.

The term 'financial instrument' covers both financial assets and financial liabilities. The Authority's borrowing, service concession arrangements (PFI and finance leases), and investment transactions are classified as financial instruments

Financial Liabilities

A Financial Liability is an obligation to transfer economic benefits controlled by the Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Authority.

The Authority's loan portfolio at year end consisted of PWLB, market debt and temporary borrowing. Under the 2013/14 Code of Practice, these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to the Comprehensive Income and Expenditure Statement.

Other types of financial liabilities the Authority has include service concession arrangements (PFI Schemes), finance leases and trade payables (creditors). Further detail of these is disclosed in notes 23,37,41 and 42 to the Accounts

Financial Assets

A Financial Asset is a right to future economic benefits controlled by the Authority that is represented by cash or other instrument or a contractual right to receive cash or another financial asset.

The three classifications for financial assets under the Code of Practice are:

- Loans and Receivables;
- Available for Sale; and
- Fair Value through Profit and Loss.

The Authority's portfolio of investments consist of fixed term deposits, money market funds, fixed term deposits, call accounts, structured deposits and corporate bonds. Term deposits and call accounts are classed as 'Loans and Receiveables' and are measured at amortised cost. this form of measurement does not change the amount of cash received under the terms of the investment. Money market funds are classed as Available for Sale, however these funds are 'Constant Net Asset Value' fnds and therefore are not exposed to the risk of change in the value of principal invested. Trade receivables are also a financial asset and these are disclosed in detail in Note 21 to the Accounts.

Balances in money market funds and call accounts at 31st March 2017 are shown under 'Cash and Cash Equivalents' in the Balance Sheet, as they represent highly liquid investments that readily convertible to known amounts of cash.

The Authority does not have any investments required to be measured at Fair Value through Profit and Loss.

Transaction costs

Measurement at amortised cost requires transaction costs related to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. Where these are considered to be immaterial they can be charged in full to the Comprehensive Income and Expenditure Statement in the financial year in which they are incurred. The Authority has adopted this latter approach.

Fair Value Measurements

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

- Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. the bid value of the investment is based on the bid market quotation of the relevant stock exchange.
- 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 sued to determine fair value and where these techniques use inouts that are based significantly on observable market data. They comprise property unit trusts.
- Level 3 are those where at least one input that could have a significant effect on the instruments valuation is not based on observable market data.

18. Financial Instruments (contd.1)

Financial Instruments - Balances

The financial assets and liabilities disclosed in the Balance Sheet are analysed across the following categories:

31 March 2016			Category of Financial Instruments	31 March 2017		
Long Term £'000	**Current £'000**	**Total £'000**	**Financial Assets**	**Long Term £'000**	**Current £'000**	**Total £'000**
246,506	-	246,506	Long-Term Investments	208,500	-	208,500
1,546	-	1,546	Long-Term Receivables - Soft Loans (Note 21)	1,639	-	1,639
8,291	-	8,291	Long-Term Receivables - Finance Leases (Note 21)	8,292	-	8,292
64,539	-	64,539	Long-Term Receivables - Other (Note 21)	42,171	-	42,171
15,000	-	15,000	Long Term Investments - Available for Sale		-	-
335,882	-	**335,882**	**Total Included in Long-Term Assets**	**260,602**	-	**260,602**
-	183,846	183,846	Short Term Investments	-	263,786	263,786
-	1,540	1,540	Short-Term Receivables - Leaseholders (Note 21)	-	1,540	1,540
-	30,003	30,003	Short-Term Receivables (Note 21)	-	32,695	32,695
-	190	190	Short Term Available for Sale	-	15,402	15,402
-	18,288	18,288	Cash and Cash Equivalents (Note 22)	-	67,703	67,703
-	**233,867**	**233,867**	**Total Included in Current Assets**	-	**381,126**	**381,126**
335,882	**233,867**	**569,749**	**Total Financial Assets**	**260,602**	**381,126**	**641,728**
Long Term £'000	**Current £'000**	**Total £'000**	**Financial Liabilities**	**Long Term £'000**	**Current £'000**	**Total £'000**
-	396,694	396,694	Short Term Borrowing	-	223,963	223,963
-	5,738	5,738	PFI and Finance Lease Liabilities (Note 23)	-	5,102	5,102
-	86,052	86,052	Financial Liabilities at Contracted Amounts (Note 23)	-	98,699	98,699
-	**488,484**	**488,484**	**Total Included in Current Liabilities**	-	**327,764**	**327,764**
334,218	-	334,218	Long Term Borrowing	579,798		579,798
122,320	-	122,320	PFI and Finance Lease Liabilities (Note 37)	117,358	-	117,358
467	-	467	Financial Liabilities at Amortised Cost (Note 37)	465	-	465
457,005	-	**457,005**	**Total other Long-Term Liabilities**	**697,621**	-	**697,621**
457,005	**488,484**	**945,489**	**Total Financial Liabilities**	**697,621**	**327,764**	**1,025,385**

*The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under ‘current liabilities’ or ‘current investments’. This includes accrued interest on long term liabilities and investments that is payable in 2016/17.

Soft loans made by the Authority

The Authority approved a loan to the London Community Credit Union (LCCU) to facilitate and support the transfer of the NewCred Community Credit Union to the LCCU to esnure a continued presence in the borough of a Credit Union Facility. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the homeowners, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

2015/16 £'000		2016/17 £'000
2,063	Opening Balance	1,546
-	Nominal value of loans advanced in the year	93
(517)	Loans repaid	
1,546	**Nominal Value at 31 March**	**1,639**
-	Fair value adjustment on initial recognition	-
1,546	**Closing Balance**	**1,639**

18. Financial Instruments (contd.2)

Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consists of the following items:

	2015/16			2016/17		
	Financial Liabilities	Financial Assets		Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost	Loans and receivables	Total	Liabilities measured at amortised cost	Loans and receivables	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	50,974	-	50,974	39,621	-	**39,621**
Total expense in Surplus on the Provision of Services	**50,974**	**-**	**50,974**	**39,621**	**-**	**39,621**
Interest income	-	(5,948)	(5,948)		(7,106)	**(7,106)**
Total income in Surplus on the Provision of Services	**-**	**(5,948)**	**(5,948)**	**-**	**(7,106)**	**(7,106)**
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**-**	**-**	**-**	**-**
Net loss/(gain) for the year	**50,974**	**(5,948)**	**45,026**	**39,621**	**(7,106)**	**32,515**

18. Financial Instruments (contd.3)

Financial Instruments - Fair Values

The fair value of Public Works Loans Board (PWLB) loans of £138m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB redemption interest rates (PR Rate). The difference between the carrying amount and the fair value measues the additional interest that the authority will pay over the remaining term of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB certainty rate (NL rate). A supplementary measure of the fair value as a result of PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a fair value is calculated on this basis, the carrying amount of £138m would be valued at £154m. But if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early redemption of £154m for the additional interest that will not now be paid. The exit price for the PWLB loan including the penalty charge would be £188m.

Financial liabilities, financial assets represented by loans and receivables and long-term receivables and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions-

(i) estimated ranges of interest rates at 31 March 2017 for loans from the PWLB and for other loans receivables and payable have been applied based on new lending rates for equivalent loans at that date;
(ii) no early repayment or impairment is recognised;
(iii) where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
(iv) the fair value of trade and other receivables is taken to be the invoice or billed amount.

In regard to soft loans; fair value has been estimated by using a valuation technique based on an amortised cost of 5%

31st March 2016 Carrying Value £'000	31st March 2016 PR Rate Fair Value £'000	Financial Assets	Fair Value level	31st March 2017 Carrying Value £'000	31st March 2017 PR Rate Fair Value £'000
246,506	246,816	Long-Term Investments	2	208,500	213,574
1,546	1,546	Long-Term Receivables - Soft Loans (Note 21)	2	1,639	1,639
8,291	8,291	Long-Term Receivables - Finance Leases (Note 21)	2	8,292	8,292
15,000	15,242	Long Term Investments Available for Sale		-	-
64,539	64,539	Long-Term Receivables - Other (Note 21)	2	42,171	42,171
335,882	**336,434**	**Total Included in Long-Term Assets**		**260,602**	**265,676**
183,846	161,366	Short Term Investments	2	263,786	262,255
1,540	1,540	Short-Term Receivables - Leaseholders (Note 21)	2	1,540	1,540
30,003	30,003	Short-Term Receivables (Note 21)	2	34,531	34,531
190	190	Short Term Investments Available for Sale	2	15,402	15,402
18,288	19,111	Cash and Cash Equivalents (Note 22)	2	67,703	67,703
233,867	**212,210**	**Total included in Current Assets**		**382,962**	**381,431**
569,749	**548,644**	**Total Financial Assets**		**643,564**	**647,107**

Financial Liabilities

The fair value of financial liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

31st March 2016 Carrying Value £'000	31st March 2016 PR Rate Fair Value £'000	Financial Liabilities	Fair Value level	31st March 2017 Carrying Value £'000	31st March 2017 PR Rate Fair Value £'000	31st March 2017 NL Rate Fair Value £'000
396,460	832,835	Short Term Borrowing	2	223,963	287,597	-
234	242	Short Term Borrowing PWLB				
5,738	5,738	PFI and Finance Lease Liabilities (Note 23)	2	5,102	5,102	-
86,052	86,052	Financial Liabilities at Contracted Amounts (Note 23)	2	98,699	98,699	-
488,484	**924,867**	**Total Included in Current Liabilities**		**327,764**	**391,398**	**-**
271,216	580,980	Long-Term Borrowing	2	441,796	923,600	-
63,002	64,002	Long-Term Borrowing PWLB	2	138,002	235,286	189,663
122,320	122,320	PFI and Finance Lease Liabilities (Note 37)	2	117,358	117,358	-
467	467	Financial Liabilities at Amortised Cost (Note 37)	2	465	465	-
457,005	**767,769**	**Total included in Long Term Liabilities**		**697,621**	**1,276,709**	**189,663**
945,489	**1,692,636**	**Total Financial Liabilities**		**1,025,385**	**1,668,107**	**189,663**

18. Financial Instruments (contd.4)

LOBO's

The Authority has a number of market Lender Option, Borrowers' Option (LOBO) loans within its borrowing portfolio. As at the 31 March 2017 41% of the total portfolio was LOBO, (81% in 2015/16). During 2016/17 44% of the LOBO portfolio was restructured into long term, fixed rate debt removing all options and with it the re-financing risk. The nature of LOBO agreements is that after an initial fixed period, at periodic intervals throughout the loan, the lender has the option of amending the interest rate. At this point, if the revised interest rate is deemed unacceptable by the Authority, as the borrower it has the option to repay the loan without penalty. To mitigate the risk of having to repay these loans ahead of the actual maturity date, the Authority keeps under review the potential for lenders to propose changes to the interest rate at the 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. To date the probability of lenders seeking to revise interest rates on the Authority's LOBO loans has been low, although this may be influenced in the future by changes to the lenders appetite to reschedule their loan books.

The tables below disclose the fair values of the Authorities' LOBO's:

Summary Portfolio Valuation

	31st March 2017	
	Nominal/Principal	**Fair Value**
Financial Liabilities	**£'000**	**£'000**
LOBO loan - Fixed rate	125,000	201,014
LOBO loan - Libor	-	-
LOBO loan - Inverse	150,000	348,692
Zero-to-Par loan	40,000	80,832
Total	**315,000**	**630,538**

Summary Portfolio Valuation

	31st March 2016	
Financial Liabilities	**Nominal/Principal**	**Fair Value**
	£'000	**£'000**
LOBO loan - Fixed rate	135,000	234,335
LOBO loan - Libor	238,500	590,544
LOBO loan - Inverse	150,000	380,494
Zero-to-Par loan	40,000	83,102
Total	**563,500**	**1,288,475**

Further details on the nature of the Authority's LOBO's are disclosed in Note 47.

19. Inventories

2015/16 Stocks £'000	2015/16 Work in Progress £'000	2015/16 Total £'000		2016/17 Stocks £'000	2016/17 Work in Progress £'000	2016/17 Total £'000
518	**196**	**714**	**Balance b/f**	**1,062**	**(148)**	**914**
544	-	**544**	Purchases	630	-	**630**
-	(344)	**(344)**	Expensed in year	-		**-**
1,062	**(148)**	**914**	**Balance c/f**	**1,692**	**(148)**	**1,544**

20. Construction Contracts

The Authority has no significant construction contracts to disclose at year-end.

21. Receivables

2015/16 Gross £'000	2015/16 Impairment Allowance £'000	2015/16 Net £'000	**Short Term Receivables**	2016/17 Gross £'000	2016/17 Impairment Allowance £'000	2016/17 Net £'000
11,261	-	11,261	Central Government Bodies	22,088	-	22,088
1,711	-	1,711	Other Local Authorities	10,246	-	10,246
31,032	(22,186)	8,846	Council Tax Payers	29,488	(22,909)	6,579
8,406	(550)	7,856	Business Rate Payers	1,358	(1,342)	16
10,839	(9,179)	1,660	Housing Rents	11,139	(9,435)	1,704
41,117	(11,114)	30,003	Sundry Receivables	45,275	(10,744)	34,531
20,672	(15,046)	5,626	Housing Benefit Overpayments	22,529	(14,680)	7,849
8,484	-	8,484	Prepayments	10,304	-	10,304
55,552	(54,626)	926	Parking	70,000	(68,839)	1,161
2,862	(1,322)	1,540	Leaseholders	2,941	(1,401)	1,540
			Intra-company (Pension Fund)	17,714	-	17,714
191,936	**(114,023)**	**77,913**		**243,082**	**(129,350)**	**113,732**
			Long Term Receivables			
185	-	185	Mortgages	185	**-**	185
1,546	-	1,546	Soft Loans (Note 18)	1,639		1,639
8,292	-	8,292	Finance Leases (lessor)	8,292	**-**	8,292
11,675	-	11,675	Leaseholder Loans	6,267		6,267
52,678	-	52,678	Other long term receivables	80,104	(44,385)	35,719
74,376	**-**	**74,376**		**96,487**	**(44,385)**	**52,102**

22. 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 Authority's cash management.

Balances classified as 'Cash Equivalents' fit the definition of being 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:

2015/16 £'000		2016/17 £'000
84	Petty Cash	89
56,201	Cash at Bank (Schools)	37,309
17,387	Cash Equivalents	30,305
73,672	**Cash and Cash Equivalents**	**67,703**
(42,902)	Cash and Cash Equivalents overdrawn	(29,858)
30,770	**Total Cash and Cash Equivalents**	**37,845**

23. Payables

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

2015/16 £'000		2016/17 £'000
(5,175)	Council Tax Payables	(5,562)
(9,492)	NNDR	(4,025)
(12)	Housing Rents	(12)
(27,271)	Sundry Payables	(67,705)
(28,879)	Receipts in advance	(8,899)
(5,738)	Finance Lease and PFI Liabilities	(5,102)
(3)	Other Balances	(8)
(15,954)	Employee Benefits	(14,996)
(463)	Revenue Grants Received in advance	(454)
(26,531)	Central Government Bodies	(15,707)
(2,234)	Other Local Authorities	(6,649)
-	Pension Fund	(890)
(121,752)	**Total**	**(130,009)**

24. Long-term Provisions

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

2016/17	Insurance £'000	MMI £'000	Other £'000	Total £'000
Balance at 1 April 2016	(8,091)	(361)	(6,930)	**(15,382)**
Additional provisions made in 2016/17		(777)		**(777)**
Amounts used in 2016/17	2334		3,505	**5,839**
Balance at 31 March 2017	**(5,757)**	**(1,138)**	**(3,425)**	**(10,320)**

2015/16	£'000	£'000	£'000	£'000
Balance at 1 April 2015	(9,008)	(361)	(6,460)	**(15,829)**
Additional provisions made in 2015/16	(92)	-	(1,950)	**(2,042)**
Amounts used in 2015/16	1,009	-	1,480	**2,489**
Balance at 31 March 2015	**(8,091)**	**(361)**	**(6,930)**	**(15,382)**

Insurance Provision
The Insurance provision is required because some of the Authority'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 Authority self-insures. Depending on the claims, these payments may be made over a period of a number of years.

The Authority 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.

MMI Provision
On 21st January 1994, the Authority entered into a scheme of arrangement under s.425 of the Companies Act 1985 with Municipal Mutual Insurance Limited (MMI), under which the Authority, along with other local authority members of MMI, might be required to reimburse MMI a proportion of claims paid by MMI since 1st October 1993. The value of Outstanding claims as at 31 March 2017 was £1.1m.

Under the Scheme, the administrator may impose a levy on scheme creditors following a trigger event. MMI have notified creditors of a proposed 25% levy to be based on the position at 31st March 2017, which will be due for payment in future years.

Other
The Council has a number of other provisions for known liabilities. The amounts above are estimates based on the best information available. These include:

Education
Following the externalisation of Newham Partnership Working (NPW) the Council is contractually obligated to fulfil a number of educational projects within the Borough, for which it has made a provision of £0.2m.

Litigation
The Council has a number of on-going litigation cases, further information cannot be detailed due to legal sensitivities.

NNDR Appeals
The Council levies Business Rates to 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. At 31st March 2017, this was £1.5m.

25. Usable Reserves

The Authority keeps a number of 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 Authority's agreed reserves policy in accordance with s.23 of the Local Government Act 2003.

Movements in the Authority's Usable reserves are detailed in the Movement in Reserves Statement. Unusable reserves are further detailed in Note 26. Earmarked reserves are detailed in Note 10.

2015/16 £'000		2016/17 £'000
(19,491)	General Fund	(17,293)
(26,229)	Housing Revenue Account	(55,784)
(51,988)	Capital Receipts Reserve	(83,059)
(59,244)	Major Repairs Reserve	(58,718)
(64,122)	Capital Grants Unapplied	(71,294)
(174,460)	Earmarked Reserves	(155,330)
(395,534)	**Total Usable Reserves**	**(441,478)**

Usable Capital Receipts Reserve

The capital receipts are income from the sale of long-term assets and repayments of capital advances. Legislation requires that a proportion of these receipts are paid to Central Government. The remaining amounts can then be used to finance capital expenditure.

2015/16 £'000		2016/17 £'000
(28,853)	**Balance as at 1 April**	**(51,988)**
	Sale of Assets:	
(39,473)	Sale of Council Houses	(33,507)
(2,267)	Sale of other Land and Buildings	(18,161)
(41,740)	**Total Receipts**	**(51,668)**
	Use of Receipts:	
1,834	Payments to Housing Capital Pool	1,795
131	Disposal Costs financed from receipts	78
16,640	Capital Receipts used for financing	18,722
18,605		**20,595**
(51,988)	**Balance as at 31 March**	**(83,061)**

26. Unusable Reserves

31 March 2016 £'000		31 March 2017 £'000
(496,110)	Revaluation Reserve	(915,521)
(1,411,525)	Capital Adjustment Account	(1,348,396)
8,135	Financial Instruments Adjustment Account	8,466
(8,292)	Deferred Capital Receipts and Credits Reserve	(8,292)
657,039	Pensions Reserve	941,245
739	Collection Fund Adjustment Account	171
15,953	Accumulated Absences Account	14,996
(1,234,061)	**Total Unusable Reserves**	**(1,307,331)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Heritage Assets. The balance is reduced when assets with accumulated gains:

1. Are revalued downwards or impaired and the gains are lost; or
2. Used in the provision of services and the gains are consumed through depreciation; or
3. 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.

2015/16 £'000		2016/17 £'000
(213,886)	**Balance at 1 April**	**(496,110)**
(328,791)	Upward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(466,379)
21,484	Difference between fair value depreciation and historical cost depreciation	24,616
25,083	Accumulated gains on assets sold or scrapped	22,351
(496,110)	**Balance at 31 March**	**(915,522)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on 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.

2015/16 £'000		2016/17 £'000
16,213	**Balance at 1 April**	**15,953**
(16,213)	Settlement or cancellation of accrual made at the end of the preceding year	(15,953)
15,953	Amounts accrued at the end of the current year	14,996
15,953	**Balance at 31 March**	**14,996**

26. Unusable Reserves (cont.1)

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 of benefitting from gains per statutory provisions.

Premiums and Discounts
The code requires that, unless directly attributable to a loan held at 31st March 2007, then all premiums and discounts carried on the balance sheet be written off to the General Fund balance at 1st April 2007. * 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 amortised to revenue in line with the provisions set down in the Authority's accounting policies.

*The Code requires that premiums and discounts arising from debt restructuring on or after 1st April 2007 shall be charged to the General Fund. Exceptions are permitted where they meet the modification criteria prescribed in the CIPFA Accounting Code of Practice. In these instances, they are valued at the carrying value of the new loan and amortised over the remaining period via the effective interest rate.

Soft Loans
The Code also requires that where the Authority has provided loans at less that market rates then these should be accounted for on a fair value basis. The difference between the fair value and loan amount is accounted for as an immediate charge to the Comprehensive Income and Expenditure Statement and the impact to be instigated through a transfer to the FIAA via the Movement in Reserves Statement. The fair value increases over the period of the loan and the annual impact is neutralised by writing down the balance to the General Fund balance via transfer from the FIAA via the MIRS.

Stepped Interest Loans
Under the Code, where the Authority 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:

a) The effective interest rate; or
b) 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:

	2015/16			2016/17
£'000	**£'000**		**£'000**	**£'000**
	7,154	**Balance at 1 April**		**8,135**
258		Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	322	
723		Effective interest rate (EIR) adjustment on LOBO borrowing	9	
	981	**Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements**		**331**
	8,135	**Balance at 31 March**		**8,466**

26. Unusable Reserves (cont.2)

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 Authority 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 Authority 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 Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2015/16 £'000		2016/17 £'000
750,760	**Balance at 1 April**	**657,039**
(117,167)	Actuarial (gains)/losses on pensions assets and liabilities	267,409
66,709	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	59,153
(43,263)	Employer's pensions contributions and direct payments to pensioners payable in the year	(42,356)
657,039	**Balance at 31 March**	**941,245**

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 across amounts to the General Fund from the Collection Fund.

2015/16 £'000		2016/17 £'000
110	**Balance at 1 April**	**739**
629	Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(568)
739	**Balance at 31 March**	**171**

26. Unusable Reserves (contd.3)

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 Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority 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 Authority.

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 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2015/16 £'000			2016/17 £'000
	(1,260,154)	**Balance at 1 April**		**(1,411,525)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
75,156		Charges for depreciation and impairment of non-current assets	122,134	
(181,180)		Revaluation gains on Property, Plant and Equipment	(51,271)	
711		Amortisation of intangible assets	597	
19,465		Revenue expenditure funded from capital under statute	23,174	
84,995		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	118,819	
	(853)			**213,453**
	(46,567)	Adjusting amounts written out of the Revaluation Reserve		(46,967)
	(47,420)	**Net written out amount of the cost of non-current assets consumed in the year**		**166,486**
		Capital financing applied in the year:		
(16,640)		Use of the Capital Receipts Reserve to finance new capital expenditure	(18,722)	
(15,551)		Use of the Major Repairs Reserve to finance new capital expenditure	(23,171)	
(42,645)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(46,106)	
(5,533)		Application of grants to capital financing from the Capital Grants Unapplied Account	(6,385)	
(4,178)		Provision for the financing of capital investment charged against the General Fund and HRA balances	(2,762)	
(5,961)		Capital expenditure charged against the General Fund and HRA balances	0	
	(90,508)			**(97,146)**
	(13,444)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(6,209)
	(1,411,525)	**Balance at 31 March**		**(1,348,394)**

27. Cash Flow Statement – Adjustments for Non-Cash Transactions

2015/16 £'000	Description	2016/17 £'000
75,156	Depreciation	122,134
(181,180)	Increase in Revaluation charged to the Comprehensive Income and Expenditure Statement	(51,271)
711	Amortisation	597
19,275	Movement in Impairment Allowance	65,155
(14,684)	Movement in Receivables	(78,700)
(45,967)	Movement in Payables	32,070
(200)	Movement in Inventories	(629)
23,446	Pension Liability	16,797
84,995	Carrying Amount of Non-Current Assets sold	118,819
(447)	Movement in Provisions	5,062
(13,444)	Movement in the value of Investment Properties	(6,209)
(981)	Financial Instruments Adjustments	233
291	Other Non-Cash Adjustments	41
(53,029)	**Total Adjustments for Non-Cash Transactions**	**224,099**
(44,276)	Investing and Financing Activities Adjustments to Net Surplus on the Provision of Services	(58,246)
(97,305)	**Net Cash Flows from Operating Activities**	**165,853**

28. Cash Flow Statement - Investing Activities

2015/16 £'000	Description	2016/17 £'000
(108,382)	Purchase of Property, Plant and Equipment and Intangible Assets	(112,116)
(33,351)	Purchase of Short-Term Investments and Long-Term Investments	(46,419)
53,549	Other Payments for Investing Activities	12,000
41,701	Proceeds from the sale of Property, Plant and Equipment and Non-Current Assets	51,667
(46,483)	**Net Cash Flows from Investing Activities**	**(94,868)**

29. Cash Flow Statement - Financing Activities

2015/16 £'000		2016/17 £'000
57,271	Cash Repayment of Short-Term Borrowings and Long-Term Borrowings	72,850
(5,896)	Cash Payments to reduce Finance Lease and PFI Liabilities	(5,476)
(50,277)	Other payments for financing activities	(51,528)
1,098	**Net Cash Flows from Financing Activities**	**15,846**

30. Trading Operations

The Authority operates a number of trading accounts identified as those where the service managers are required to operate in a commercial environment and balance their budgets by generating income from other parts of the Authority and other organisations. A commercial environment is one in which the customer has the choice to use an alternative supplier to the Authority; and the Authority charges the user on a basis other than that solely to cover the costs of the service.

The Trading Accounts operated by the Authority during the year were:

	2015/16				**2016/17**	
Expenditure £'000	**Income £'000**	**(Surplus) / Deficit £'000**		**Expenditure £'000**	**Income £'000**	**(Surplus) / Deficit £'000**
6,156	(7,004)	(848)	Newham Catering & Cleaning Services	3,575	(4,923)	(1,348)
597	(597)	0	Building Control	499	(443)	56
1,080	(999)	81	Markets	1,143	(1,092)	51
244	(244)	0	Repairs & Maintenance Service (RMS)	283	(566)	(283)
8,077	**(8,844)**	**(767)**	**Total**	**5,500**	**(7,024)**	**(1,524)**

Newham Catering and Cleaning Services (NCCS) provide catering management, cleaning, waste and pest control services primarily to schools within Newham.

Building control is responsible for ensuring that building work meets legally required standards and is authorised to make a charge and any surplus is used for future related work as laid out in the Building (Local Authority Charges) Regulations 2010.

Markets trading account charges clients for the administration of Market/Street trading duties and as such any surplus should be ring fenced for Market Activities in line with the London Local Authorities Act 1990.

RMS provides building repairs and maintenance services primarily for the Authority's housing stock.

31. Agency Services

Under section 101(I) of the Local Government Act 1972 (LGA 1972), a local authority may arrange for any other local authority to act as its agent and provide services. The Council carries out work on an Agency basis for which it is reimbursed.

	2015/16 £'000	**2016/17 £'000**
On behalf of the East London Waste Authority	26	26

32. Pooled Budgets

Introduced in April 2015, the Better Care Fund is the largest financial incentive to date for the integration of Health and Social Care. It requires Clinical Commissioning Groups (CCG's) and Local Authorities in each area to pool budgets and agree integrated spending plans determining how their Better Care Fund allocations will be most efficiently resourced. In 2015/16, Central Government committed £3.8 billion to the Better Care Fund, with many local areas contributing an additional £1.5 billion, taking the total spending power of the Better Care Fund to £5.3 billion.

For 2016-17, the BCF was been increased to a mandated minimum of £3.9 billion to be deployed locally on health and social care through pooled budget arrangements between local authorities and Clinical Commissioning Groups. The local flexibility to pool more than the mandatory amount has remained. This agreement has been formed in accordance with the provisions within Section 75 of the National Health Service Act 2006. A robust governance infrastructure is in place to monitor the schemes within the BCF. Schemes are monitored through the BCF Governance and Delivery Group with regular updates provided to the Health and Wellbeing board for the duration of the section 75 agreement.

The common and overlapping outcomes from the Better Care Fund deliver on a number of the Authority's resilience aspirations, primarily 'People are in Control and Independent' and People are Healthy.' The Authority and NHS Newham CCG have defined within the Section 75 confirmed funding levels required to operate these services and they are reviewed on an annual basis. Some schemes are demand led and partners make relevant contributions depending on the type of services being accessed.
The following table analyses the funding provided and the expenditure met from Better Care Fund:

	2015/16 £'000	2016/17 £'000
Funding provided to the pooled budget:		
London Borough of Newham	(66,909)	(70,001)
NHS Newham Clinical Commissioning Group (CCG)	(53,513)	(51,328)
Total funding	**(120,422)**	**(121,329)**
Expenditure met from the pooled budget:		
London Borough of Newham	66,909	70,001
NHS Newham Clinical Commissioning Group (CCG)	53,513	51,328
Total expenditure	**120,422**	**121,329**
Net deficit/(surplus) arising on the pooled budget during the year	**-**	**-**

Below is a summary of the funding agreed with the CCG, Newham and governed by the LAs Health & Well Being Board and agreed by LBN Mayor and Members.

Scheme Name	2016/17 Total BCF Actuals £000s
Care Coordination	1,005
Rapid Response/SPA	1,000
Self Care Management	250
RAID and suport	949
Existing Social Care	7,970
Continuing Care	5,136
NHS Funded Nursing Care	1,342
DFG/Capital	1,933
ICES	3,372
Advocacy	323
Protection of Adult Social Care	4,000
Care Act	1,000
Social Prescription/PPE	360
Supported Discharge	120
Rehab/Virtual Ward	1,700
Care Management	6,788
Care Packages/Placements	47,114
Community services	28,900
Public Health Commissioning (ASC)	8,067
Total	**121,329**

33. Members' Allowances

The total of members' allowances and expenses paid in 2016/17 (excluding National Insurance Contributions) was £1,239k compared to £1,237k in 2015/16. 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.

34. Officers' Remuneration

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 overleaf.

2015/16 Non Teaching Employees	2015/16 Teaching Employees	2015/16 Total Employees	Earnings Band	2016/17 Non Teaching Employees	2016/17 Teaching Employees	2016/17 Total Employees
85	335	420	50 - 54,999	89	281	370
71	204	275	55 - 59,999	77	185	262
33	75	108	60 - 64,999	34	79	113
36	42	78	65 - 69,999	44	32	76
17	22	39	70 - 74,999	14	24	38
19	25	44	75 - 79,999	9	21	30
7	19	26	80 - 84,999	15	13	28
6	5	11	85 - 89,999	7	8	15
8	13	21	90 - 94,999	7	6	13
1	5	6	95 - 99,999	6	11	17
2	5	7	100 - 104,999	1	6	7
2	9	11	105 - 109,999	1	5	6
1	1	2	110 - 114,999	3	5	8
0	4	4	115 - 119,999	-	1	1
3	2	5	120 - 124,999	3	1	4
1	0	1	125 - 129,999	1	-	1
1	-	1	130 - 134,999	1	1	2
-	2	2	135 - 139,999	-	-	-
-	-	-	140 - 144,999	-	-	-
-	-	-	145 - 149,999	1	1	2
-	-	-	150 – 154,999	-	1	1
-	2	2	155 – 159,999	-	1	1
0	1	1	160 – 164,999	-	-	-
-	-	-	165 – 169,999	-	-	-
-	-	-	170 – 174,999	-	-	-
-	-	-	175 – 179,999	1	-	1
-	-	-	180 – 184,999	-	-	-
-	-	-	185 – 189,999	-	-	-
-	-	-	190 – 194,999	-	-	-
1	-	1	195 – 199,999	1	-	1
294	**771**	**1,065**	**Total £50,000 and over**	**315**	**682**	**997**

The reduction in the number of teaching staff reflects the change to Academy status for a number of schools.

34. Officers' Remuneration (contd.1)

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:

2016/17

Name and position	Salary Fees and Allowances	Expenses	Compensation for loss of employment	Council's contribution to Pension Fund	Total Remuneration
	£	£	£	£	£
Mr K Bromley-Derry - Chief Executive	196,950	-	-	49,828	246,778
Mrs J West - Managing Director for One Source	146,449	-	-		146,449
Ms D Hindson - Director of Finance & Sustainability	132,518	-	-	33,527	166,045
Ms G Siggins - Director of Adult Social Care	122,312	-	-	30,945	153,257
Mr James Thomas - Director for Commissioning (Childrens and Safeguarding)	128,712	-	-	32,564	161,276
Mr G Connell - Director ICT Services (Note 1)	59,057	-	-	11,271	70,328
Mrs P Javeri - Director ICT Services (Note 2)	42,037	-	-	10,636	52,673
Mr N Bracken - Chief operating officer	176,220	-	-	44,584	220,804
Mr Douglas Trainer - Assistant Chief Executive	111,760	-	-	28,275	140,035
Mr Anthony Clements - Interim Assistant Chief Executive (External Partnerships) (Note 3)	111,556	-	-	28,224	139,780
Mrs Deirdra Armsby - Head of Planning and Regeneration	111,674	-	-	28,254	139,928
Mr Daniel Fenwick - Director of Legal Services	122,941	-	-	31,104	154,045
Mr. Matthew Hooper - Director of Commissioning (Enforcement and Safety) (Note 4)	82,221	-	-	21,896	104,117
Ms Meradin Peachey - Director of Public Health	122,674	-	-	31,037	153,711
Total	**1,667,081**	**-**	**-**	**382,145**	**2,049,226**

Note 1 - Left 30/08/2016
Note 2 - Started 01/09/2016

2015/16

Name and position	Salary Fees and Allowances	Expenses	Compensation for loss of employment	Council's contribution to Pension Fund	Total Remuneration
	£	£	£	£	£
Mr K Bromley-Derry - Chief Executive	195,000	-	-	51,784	246,784
Ms J Belton - Executive Director for Strategic Commissioning (Note 1)	13,334	-	170,086	3,373	186,793
Ms D Hindson - Director of Finance & Sustainability (Note 2)	131,528	-	-	33,765	165,293
Ms G Siggins - Director of Adult Social Care	121,101	-	-	30,638	151,739
Mr James Thomas - Director for Commissioning (Childrens and Safeguarding)	125,592	-	-	31,731	157,323
Mr G Connell - Director ICT Services	122,568	-	-	31,010	153,578
Mr N Bracken - Director for Commissioning (Enforcement and Safety)	103,912	-	-	26,288	130,200
Mr Douglas Trainer - Assistant Chief Executive	100,248	-	-	25,356	125,604
Mr Anthony Clements - Interim Assistant Chief Executive (External Partnerships) (Note 3)	88,700	482	-	22,423	111,605
Mrs Deirdra Armsby - Head of Planning and Regeneration	99,891	-	-	24,050	123,941
Ms Meradin Peachey - Director of Public Health	121,568	-	-	30,757	152,325
Total	**1,223,442**	**482**	**170,086**	**311,175**	**1,705,185**

Note 1 - Left 30/04/2015
Note 2 - Left Interim Managing Director (oneSource) role 30/10/2015
Note 3 - Started 01/06/2015
Note 4 - Acting up from 23rd June 2016, this was covered by an interim until then

34. Officers' Remuneration (contd.2)

Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		**Total number of exit packages by cost band**		**Total cost of exit packages in each band (£000s)**	
	2015/16	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**
£0 – £20,000	108	24	5	32	113	56	878	459
£20,001 – £40,000	18	3	-	16	18	19	478	528
£40,001 – £60,000	2	2	-	3	2	5	97	248
£60,001 – £80,000	-	1	-	1	-	2	-	157
£80,001 – £100,000	1	4	-	-	1	4	89	360
£100,001 – £150,000	-	2	1	-	1	1	135	108
£150,001 – £250,000	-	1	1	-	1	2	170	360
Total	**129**	**37**	**7**	**52**	**136**	**89**	**1,847**	**2,220**

35. External Audit Costs

The table below details the amounts due to the Authority's external auditors in respect of the following services.

	2015/16 £'000	**2016/17 £'000**
Fees payable to Auditors with regard to the external audit of the Authority	218	218
Additional fees payable to Auditors with regard to the previous year's external audit of the Authority		50
Fees payable to Auditors with regard to the external audit of the pension fund	21	21
Fees payable to Auditors with regard to the certification of grant claims and returns	35	17
	274	**306**

36. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education - the Dedicated School Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an Authority-wide basis, and for the Individual Schools Budget, which is divided into a budget share for each school. The new funding formula in 2013/14 sets out the new arrangements for LA's to allocate the Schools block element of the DSG to schools. Any carry forward of DSG as part of the new arrangements must be allocated against the schools block for redistribution. Over and under spends on the two elements are required to be accounted for separately.

	2016/17		
	Central Expenditure £'000	ISB £'000	Total £'000
Final DSG for 2016/17 before academy Recoupment	-	-	386,990
Academy figure recouped for 2016/17	-	-	(74,090)
Total DSG after academy recoupment for 2016/17	-	-	**312,900**
Plus: Brought forward from 2015/16	-	-	12,293
Less: Carry-forward to 2017/18 agreed in Advance	-	-	-
Agreed initial budgeted distribution in 2016/17	39,680	285,513	**325,193**
In-year adjustments	1,102	-	1,102
Final budget distribution for 2016/17	**40,782**	**285,513**	**326,295**
Less: Actual central expenditure	(34,820)	-	(34,820)
Less: Actual ISB deployed to schools	-	(285,513)	(285,513)
Plus Local authority contribution for 2016/17	-	-	-
Carry-forward to 2017/18	**5,962**	**-**	**5,962**

	2015/16		
	Central Expenditure £'000	ISB £'000	Total £'000
Final DSG for 2015/16 before academy Recoupment	-	-	379,550
Academy figure recouped for 2015/16	-	-	(52,050)
Total DSG after academy recoupment for 2015/16	-	-	**327,500**
Plus: Brought forward from 2014/15	-	-	13,533
Less: Carry-forward to 2016/17 agreed in Advance	-	-	0
Agreed initial budgeted distribution in 2015/16	45,572	295,461	**341,033**
In-year adjustments	-	-	-
Final budget distribution for 2015/16	**45,572**	**295,461**	**341,033**
Less: Actual central expenditure	(33,279)	-	**(33,279)**
Less: Actual ISB deployed to schools	-	(295,461)	**(295,461)**
Plus Local authority contribution for 2015/16	-	-	-
Carry-forward to 2016/17	**12,293**	**-**	**12,293**

37. Other Long Term Liabilities

Other long term liabilities are made up of the following items. Further information on each line can be found in the notes referred to against each line.

	2015/16 £'000	2016/17 £'000
Finance Leases (Note 41)	645	774
HAA Mortgages	467	465
PFI Liability (Note 42)	121,675	116,584
Pensions Liability (Note 45)	657,040	941,245
Section 106	-	13,147
Total	**779,827**	**1,072,215**

38. Related Party Transactions

The Council is required to disclose material transactions 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 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 utilising current advice and guidance.

Pension Fund

The Council oversees the administration of the Pension Fund. The Pension Fund can borrow from the Council. At 31st March 2017, the Pension Fund owed the Council £17.7m and the Council owes Pension Fund £890k. The Pension Fund accounts are located at Page 125 onwards.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2016/17 is shown in Note 33. Members of the Authority 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 Authority's website.

Organisation	Payments made during 2016/17	Amounts owed at 31/03/17	Income received during 2016/17	Income due at 31/03/17	Member
	£'000	£'000	£'000	£'000	
ActiveNewham	2,170	4	5,104	1,141	Ken Clarke
					Ian Corbett
East London Waste Authority	17,270	-	1,016	-	Ken Clark
E20 Stadium LLP	178	-	315	111	Lester Hudson
Local Government Association	52	-	-	-	Sir Robin Wales
Local Space	20,862	4	51	-	Andrew Baikie
					Tahmina Rehman
					Richard Crawford
London Councils	1,456	159	530	18	Sir Robin Wales
					Forhad Hussain
					Ken Clark
					Lester Hudson

38. Related Party Transactions (contd.1)

Organisation	Payments made during 2016/17 £'000	Amounts owed at 31/03/17 £'000	Income received during 2016/17 £'000	Income due at 31/03/17 £'000	Member
London Legacy Development Corporation (LLDC)	124	-	1,015	-	Sir Robin Wales Ken Clark Forhad Hussain
Newham College of Further Education	1,088	-	91	49	Quintin Peppiatt
Red Door Ventures Limited	9,044	21,300	588	56	David Christie
Royal Docks Learning and Activity Centre	18	-	2	-	Patrick Murphy
Royal Albert Dock Trust	414	-			Ian Corbett
Stratford School Academy	747	-	-	-	Idris Ibrahim
Stratford Original Bid	275	-	22	-	Masihullah Patel

Officers

Organisation	Payments made during 2016/17 £'000	Amounts owed at 31/03/17 £'000	Income received during 2016/17 £'000	Income due at 31/03/17 £'000	Officer
Local Space	20,862	4	-	-	Douglas Trainer
Newham Transformation Partnership Limited	4,133	-	-	-	Dave Baldock
Newham Learning Partnership (Project Co) Limited	8,344	-	73	-	Dave Baldock
Newham Legacy Investments Limited	13,441	44,420	7	-	Zoe Power Tony Clements (Note 1)
Newham Partnership Working Limited	552	19	4,081	1,179	Dave Baldock James Thomas
Newham Foundation	2,569	911	-	447	Deborah Hindson
The Language Shop	479	-	2	30	Zoe Power

Note 1 - Resigned 29/09/2016

All transactions have been made on an arm's length basis and at commercial terms. Enquiries can be made with the Council regarding these transactions via Freedom of Information requests.

39. Councils Association with External Bodies

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

Subsidiaries

· **Newham Legacy Investments Limited** - A subsidiary company wholly-owned by the Authority. Share capital constitutes 1 Ordinary share of £1. This entity was formed to act as a holding company for the Authority's investment in E20 Stadium LLP, a partnership (with London Legacy Development Corporation) that will assume long-term responsibility for operating the former Olympic Stadium site. Newham Legacy Investments Limited has been consolidated as a group company within the Authority's Group Accounts (see Note 67) as this subsidiary represents a material investment in relation to the Authority's overall assets and liabilities profile. The Authority would be entitled to the assets of this limited company in the event of it being wound-up, once all debts and liability obligations had been met.

The company's 2016/17 financial results disclosed a loss of £2.5m (2015/16: loss of £41.6m), and net liabilities of £44.4m (£41.9m of net liabilities as at 31 March 2016).

Current Board members connected to the Council and classified as related parties are Zoe Power and Tony Clements. Tony Clements resigned in September 2016.

Payments made during 2016/17 totalled £13.4m, and £44.4m was owed from this company as at 31 March 2017.

Full details of Members and transactions with the Authority are disclosed in Note 38.

· **Red Door Ventures Limited** - A wholly-owned subsidiary company that was formed in March 2014 to facilitate the Authority's construction and investment in private rental properties within the Borough. Ordinary share capital constitutes 4,082,802 Ordinary shares of £1 each as at 31 March 2017 (4,082,802 £1 Ordinary shares as at 31 March 2016). In 2016/17, the company made a profit (reflecting trading with RDV Design and Build Limited, a subsidiary undertaking) of £1.0m (2015/16: profit of £4.6m). Net assets were £10.2m (net assets of £9.2m as at 31 March 2016). This entity is controlled by the Authority and is deemed to be material for the purposes of group consolidation.

There are currently 8 Board members. David Christie is connected to the Authority and is deemed to be a related party.

During 2016/17, the Authority advanced loans totalled £9.0m, leaving the amounts owed as at 31 March 2017 as £21.3m.

Full details of Members and transactions with the Authority are disclosed in Note 38.

· **RDV Design and Build Limited** - Incorporated in June 2015, this company is a 100%-owned subsidiary of Red Door Ventures Limited, and Ordinary share capital is 1 £1 Ordinary share. The Authority is therefore the ultimate parent undertaking of RDV Design and Build Limited. The company's set of financial statements has been prepared in respect of the accounting period to 31 March 2017. 2016/17 financial results show a £0.6m profit (including trading with the company's parent undertaking), and net assets of £0.9m. This entity is ultimately controlled by the Authority but is deemed to be immaterial for consolidation purposes.

· **Newco Enterprises Limited** – A wholly-owned subsidiary (formed in March 2012) that acts as the holding company for NewCo Products Limited. Share capital is 2,934,734 Ordinary shares of £1 each. Primary trading activities within the company ceased on 31 December 2015. Accordingly, the directors do not regard the company as a going concern. The Authority holds a non-material interest in this entity, and this company is therefore not included within the Group Accounts.

John East was a director of the company but resigned in March 2017.

No payment was made during 2016/17 and no amount owed from/to this company as at 31 March 2017.

Full details of Members and transactions with the Council are disclosed in Note 38.

· **Newco Products Limited** - The company's principal trading activity was the manufacture and sale of doors, windows and kitchen units. The company's immediate parent undertaking is Newco (Enterprises) Limited. Newco (Enterprises) Limited holds 100% of the Ordinary share capital of Newco Products Limited (100 Ordinary shares of £1 each). Primary trading activities ceased on 31 December 2015 and as a result the directors do not regard the company as a going concern. Newco Products Limited is ultimately controlled by the Authority owing to the stakeholding in Newco Enterprises Limited. Newco Products Limited is a non-material interest and is not consolidated by the Authority.

Full details of Members and transactions with the Council are disclosed in Note 38.

· **BetterTogether Limited -** Incorporated in January 2016, it is anticipated that this limited company will deliver the Authority'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. Payments made during 2016/17 totalled £0.7m and £nil was owed as at 31st March 2017.

There are 4 Board members, Sarah Havard, James Smith, Gisela Iveson and Anne Kasibante.

· **The Language Shop Limited -** A wholly-owned company incorporated in February 2014 which offers translation and interpretation services. Share capital amounts to 100 Ordinary shares of £1 each. Payments made during 2016/17 totalled £0.5m and £Nil was owed at 31st March 2017.

The company has 4 Board members in place, and all are connected to the Authority as related parties. These Officers are Aprile Harman, Samuel Lingard, Jaimin Patel and Zoe Power.

39. Councils Association with External Bodies (contd.1)

The Language Shop Trustee Limited- A private dormant company limited by guarantee incorporated in January 2016. The company has 2 board members, Aprile Harman and Jaimin Patel.

Future Newhome Limited- Incorporated in October 2016, this limited company will deliver affordable Housing for Newham residents. Share capital amounts to 100 Ordinary shares of £1 each. The company has 1 board member who resigned in April 2017.

Public Realm Services Limited- This is a wholly owned subsidary incorporated in July 2016 which provides a range of cleaning support services. There are 3 board members, John Wild, Douglas Wilkinson and Stephen Reimer who resigned in May 2017.

London Network for Pest Solutions Limited- A wholly owned subsidary which provides pest control services. This company was incorporated in October 2016 and currently has 3 board members in place.

Early Start Education Limited- Incorporated in August 2016, this company will provide residents with high quality early years education including free child care to those who are entitled. This is a wholly owned subsidary and there are currently 3 board members in place.

Investments

· **ActiveNewham** - A Leisure Trust that has managed the Authority's leisure, sports and volunteering opportunities in Newham since January 2013. The Authority has 4 of 10 places on the Board of Trustees, and therefore no overall voting majority.

Full details of Members and their associated transactions with the Authority are disclosed within Note 38.

· **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 Authority 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) Limited** - 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.

Payments made during 2016/17 totalled £8.3m, and £Nil was owed from this company as at 31 March 2017.

· **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 Authority has the ability to appoint 3 of the 19 Board members in place, and is therefore unable to exert significant influence over the entity.

Payments made during 2016/17 totalled £0.6m, and £0.02m was owed to this company as at 31 March 2017.
Full details of Members and transactions with the Authority are disclosed in Note 38.

· **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 a number of schools. Based upon a 10% shareholding, the Council is unable to control this entity.

Payments to this company during 2016/17 amounted to £4.1m, and £Nil was owed to this company as at 31 March 2017.

· **Newham Foundation** – A company limited by guarantee, the Foundation was formed by the Authority 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 Authority holds 19% of the overall voting rights established and is unable to exert significant influence over decision-making processes.

Full details of Members and transactions with the Authority are disclosed in Note 38.

Associate

· **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 Authority (50%) and the London Borough of Havering (50%).

Full details of Members and transactions with the Authority 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 Authority 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.

The Authority received £0.48m from this arrangement during 2016/17. Payments totalled £0.39m, with a surplus of £0.09m therefore generated.

39. Councils Association with External Bodies (contd.2)

Joint committees

oneSource is a public sector shared back-office support service which is supported by members through a joint committee arrangement. 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 for the two authorities including HR, ICT, Finance, Legal services, Exchequer and Transactional services, Asset Management and Business services (Newham's Exchequer service was subsequently removed during the course of 2016/17). On the 1st April 2016 the London Borough of Bexley joined the joint committee arrangement. Bexley joined in a more limited capacity than Havering and Newham with oneSource providing Finance (excluding procurement) and Exchequer and Financial Transactional services to the London Borough of Bexley

The oneSource outturn position for 2016-17 is disclosed below and is split between the Newham and Havering Authorities. The Newham share is charged against the Comprehensive Income and Expenditure Statement.

oneSource

Net Expenditure	**2015/16 £'000**	**2016/17 £'000**
Exchequer and Transactional Services	17,472	8,780
Finance	7,727	9,250
Business Services	1,421	790
Legal and Governance	3,879	3,781
ICT	8,439	8,448
Asset Management	1,712	3,467
Strategic and Operational HR	3,266	3,170
Total Net Expenditure	**43,916**	**37,686**
Cost Sharing:		
London Borough of Newham	27,091	18,626
London Borough of Havering	16,825	16,273
London Borough of Bexley	-	2,787
Total	**43,916**	**37,686**

As at 31 March 2017, the Authority was owed £1.162m. £0.999m by the London Borough of Havering and £0.163m by London Borough of Bexley. This amount is disclosed within the 'Other Local Authorities' heading in Note 21 Receivables.

The Newham Joint Committee Council Members are Councillors Hudson, Hussain and Wilson, the Havering Joint Committee Council Members are Councillors Ower, Wallace and White (D) and the Bexley Joint Committee Member is Councillor Massey.

The following oneSource Chief Officers have joint managerial responsibility for services across both Authorities and as such have significant influence over the operational effectiveness and decision-making policies of this arrangement. Their roles are defined below:

Shared oneSource role	**Employing Organisation**	**Period**
Managing Director	London Borough of Newham	April 2016 - March 2017
Director of Asset Management	London Borough of Havering	April 2016 - March 2017
Director of Exchequer and Transactional	London Borough of Havering	April 2016 - March 2017
Director of Legal and Governance	London Borough of Newham	April 2016 - March 2017
Director of Human Resources	London Borough of Havering	April 2016 - March 2017
Director of Business Development	London Borough of Havering	April 2016 - March 2017
Director of Finance	London Borough of Newham	April 2016 - March 2017
Director of ICT	London Borough of Newham	April 2016 - March 2017

40. 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The movement in the CFR is analysed in the second part of this note.

31 March 2016 £'000		31 March 2017 £'000
752,204	**Opening CFR**	**808,036**
	Capital investment	
108,277	Property, Plant and Equipment	112,042
37	Heritage Assets	-
-	Investment Properties	74
68	Intangible Assets	-
14,267	Revenue Expenditure Funded from Capital under Statute	23,174
23,691	Loans to Organisations	22,261
146,340		**157,551**
	Sources of finance	
(16,640)	Capital receipts	(18,722)
(48,178)	Government grants and other contributions	(52,491)
(15,551)	Major Repairs Allowance	(23,171)
	Sums set aside from revenue:	
(5,961)	Reserves and Revenue Budgets	-
(4,178)	MRP/loans fund principal including PFI / finance lease	(2,762)
(90,508)		**(97,146)**
808,036	**Closing CFR**	**868,441**
	Explanation of movement in CFR	
36,318	Increase in underlying need to borrow (supported by Government financial assistance)	40,906
-	Increase in underlying need to borrow (unsupported by government financial assistance)	-
23,692	Loans to organisations	22,261
(4,178)	MRP/loans fund principal repaid	(2,762)
55,832	**Increase in CFR**	**60,405**

41. Leases

Authority as Lessor

Finance Leases

The Authority has leased out property at Stratford Centre, Caxton and Nene on finance leases with terms ranging from 77-136 years

The Authority 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 Authority.

Minimum Lease Payments	**2015/16 £'000**	**2016/17 £'000**
Finance Lease Receivable		
Non - Current	8,291	8,291
Interest	135,441	134,295
Total	**143,732**	**142,586**

Gross Investment in Lease	**2015/16 £'000**	**2016/17 £'000**
Not later than one year	1,157	1,157
Later than one year and not later than five years	3,470	4,628
Later than five years	139,105	136,801
Total	**143,732**	**142,586**

Minimum Lease Payments	**2015/16 £'000**	**2016/17 £'000**
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	8,292	8,292
Total	**8,292**	**8,292**

41. Leases (contd.1)

Authority as a Lessee

Finance Leases

The Assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	2015/16 £'000	2016/17 £'000
Other Land and Buildings		
Stratford Workshop	974	963
Vehicles, Plant and Equipment		
Vehicles	75	-
Schools	23	-
Total Vehicles, Plant and Equipment	**98**	**0**
Grand Total	**1,072**	**963**

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

	2015/16 £'000	2016/17 £'000
Finance Lease liabilities (net present MLP)		
Current	201	11
Non - Current (Note 37)	645	774
Finance Costs Payable in future years	1,865	1,797
Minimum Lease payments	**2,711**	**2,582**

	2015/16 £'000	2016/17 £'000
Within 1 year	166	71
Within 2 – 5 years	288	284
Over 5 years	2,257	2,227
Minimum Lease payments	**2,711**	**2,582**

Operating Leases

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

	2015/16 £'000	2016/17 £'000
Within 1 year	24,866	2,713
Within 2 – 5 years	4,894	3,000
Over 5 years	24,202	23,712
Minimum Lease payments	**53,962**	**29,425**

In the year 2016/17 the Council paid £24.8m (2015/16: £26.0m) in respect of Operating leases

42. Private Finance Initiatives And Similar Contracts

As at 31st March 2017, the Authority has five long-term contracts in place under Private Finance Initiative (PFI) arrangement, details of which are summarised below:

(i) 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 revert back to the Authority. The Authority has recognised these assets on the Balance Sheet.

(ii) Schools PFI 2

Schools PFI 2 is a second PFI scheme to build and operate Cumberland Secondary School. The contract is for 25 years and has 16 years left to run. At the end of the contract, control of the assets revert back to the Authority. The Authority has recognised these assets on the Balance Sheet.

(iii) 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.

(iv) 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.

(v) BSF Wave 1

This involves the design, building and operation of Lister and Rokeby Schools under 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 back to being controlled by the Authority. The assets are recognised on the Authority's Balance Sheet.

The value of assets held under the PFI schemes is summarised below:

	2015/16				2016/17	
Council Dwellings £'000	Other Land and Buildings £'000	Total £'000		Council Dwellings £'000	Other Land and Buildings £'000	Total £'000
57,153	120,653	**177,806**	Net book value at 1 April	81,749	108,856	**190,605**
-	1,275	**1,275**	Additions	-	562	**562**
(4,104)	(3,359)	**(7,463)**	Depreciation and impairment	(4,971)	(3,098)	**(8,069)**
30,120	(9,713)	**20,407**	Revaluation	11,202	18,789	**29,991**
(1,420)	-	**(1,420)**	Disposals	(1,537)	(5,164)	**(6,701)**
81,749	**108,856**	**190,605**	**Net book value at 31 March**	**86,443**	**119,945**	**206,388**

In 2015/16, additions compromised £1.3m of Other Land and Buildings.

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

	2015/16				2016/17	
Council Dwellings £'000	Other Land and Buildings £'000	Total £'000		Council Dwellings £'000	Other Land and Buildings £'000	Total £'000
(44,263)	(87,870)	**(132,133)**	Value at 1 April	(42,041)	(85,171)	**(127,212)**
2,222	2,699	**4,921**	Repayments made in year	2,604	2,932	**5,536**
(42,041)	**(85,171)**	**(127,212)**	**Value at 31 March**	**(39,437)**	**(82,239)**	**(121,676)**

42. Private Finance Initiatives And Similar Contracts (contd.1)

Future payments to be made

Payments

The Authority 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.

2016/17	Schools			Dwellings			Total		
	Repayment of Liability £'000	Interest £'000	Service Charge £'000	Repayment of Liability £'000	Interest £'000	Service Charge £'000	Repayment of Liability £'000	Interest £'000	Service Charge £'000
Payment in 2017/18	3,193	7,104	3,652	1,898	3,638	6,773	5,091	10,742	10,425
Payments within 2-5 yrs	15,046	25,445	14,631	8,605	12,841	27,546	23,651	38,286	42,177
Payments within 6-10 yrs	27,158	22,899	18,849	14,349	10,359	36,021	41,507	33,258	54,870
Payments within 11-15yrs	22,075	10,252	13,252	10,884	2,586	20,841	32,959	12,838	34,093
Payments within 16-20 yrs	14,766	2,586	5,206	3,702	400	8,557	18,468	2,986	13,763
Payments within 21-25 yrs	-	-	-	-	-	-	-	-	-
Total future payments (excluding any future indexation)	**82,238**	**68,286**	**55,590**	**39,438**	**29,824**	**99,738**	**121,676**	**98,110**	**155,328**

2015/16	Schools			Dwellings			Total		
	Repayment of Liability £'000	Interest £'000	Service Charge £'000	Repayment of Liability £'000	Interest £'000	Service Charge £'000	Repayment of Liability £'000	Interest £'000	Service Charge £'000
Payment in 2016/17	2,933	7,360	3,442	2,604	3,874	5,857	5,537	11,234	9,299
Payments within 2-5 yrs	13,786	26,675	14,873	7,630	13,580	27,880	21,416	40,255	42,753
Payments within 6-10 yrs	25,019	25,146	18,628	13,701	11,778	35,360	38,720	36,924	53,988
Payments within 11-15yrs	25,163	12,465	15,068	13,397	3,840	25,142	38,560	16,305	40,210
Payments within 16-20 yrs	18,270	4,000	7,020	4,709	626	11,357	22,979	4,626	18,377
Payments within 21-25 yrs	-	-	-	-	-	-	-	-	-
Total future payments (excluding any future indexation)	**85,171**	**75,646**	**59,031**	**42,041**	**33,698**	**105,596**	**127,212**	**109,344**	**164,627**

43. Termination Benefits

Termination benefits paid to staff whose employment was terminated in 2016/17 totalled £2.220m (£1.847m in 2015/16).

Further details can be found in Note 34 (Officers' Remuneration).

44. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers

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

In 2016/17, the Authority paid £16.9m (£17.6m in 2015/16) to Teachers’ Pensions (the government agency responsible for administering teachers pensions throughout England and Wales) in respect of teachers’ pension costs, which represent 16.48% of teachers' pensionable pay (16.48% from 1st September 2015, previously 14.1%). The Authority 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 benefit basis and included in Note 45.

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.

In 2016/17, the Authority paid £52k (£302k in 2015/16) to the Department of Health Pension scheme in respect of pension costs which represent 14% (14% in 2015/16) of pensionable pay.

45. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Authority 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 Authority 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 built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually 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 Investments and Accounts 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 disclosed on www.newham.gov.uk.
- The principal risks of this defined benefit scheme are the longevity assumptions, statutory changes, structural changes (ie 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 to the General Fund and the Housing Revenue Account the amounts required by Statute as described in the Statement of Accounting Policies.

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 plan assets built up 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 Authority 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 following transactions 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 as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. 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 where employer leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

45. Defined Benefit Pension Schemes (contd.1)

	2015/16			2016/17		
	Funded £'000	Unfunded £'000	**Total £'000**	Funded £'000	Unfunded £'000	**Total £'000**
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Service cost	41,696	-	**41,696**	35,088	-	**35,088**
Administration Expenses	1,270	-	**1,270**	989	-	**989**
Financing and Investment Income and Expenditure						
Net interest expense	23,101	642	**23,743**	22,477	599	**23,076**
Total Post Employment Benefit Charged to the Surplus on the Provision of Services	**66,067**	**642**	**66,709**	**58,554**	**599**	**59,153**
Remeasurement in Other Comprehensive Income and Expenditure						
Return on Fund assets in excess of interest	8,141	-	**8,141**	(171,410)	-	**(171,410)**
Change in financial assumptions	(123,741)	(927)	**(124,668)**	436,247	2,907	**439,154**
Experience (gain)/loss on defined benefit obligation	-	(640)	**(640)**	196	(535)	**(339)**
Total Remeasurements in Other Comprehensive Income and Expenditure	**(115,600)**	**(1,567)**	**(117,167)**	**265,033**	**2,372**	**267,405**

	2015/16			2016/17		
Movement in Reserves Statement	Funded £,000s	Unfunded £,000s	**Total £,000s**	Funded £,000s	Unfunded £,000s	**Total £,000s**
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits	(66,067)	(642)	**(66,709)**	(58,554)	(599)	**(59,153)**
Actual amount charged against General Fund and HRA Balances for pensions in the year						
Employers' contributions payable to scheme	41,362	-	**41,362**	40,496	-	**40,496**
Retirement benefits payable to pensioners	-	1,901	**1,901**	-	1,860	**1,860**
Net adjustment between accounting basis and funding basis under regulations	**(24,705)**	**1,259**	**(23,446)**	**(18,058)**	**1,261**	**(16,797)**

Pensions Assets and Liabilities Recognised in the Balance Sheet

	2015/16			2016/17		
	Funded £,000s	Unfunded £,000s	**Total £,000s**	Funded £,000s	Unfunded £,000s	**Total £,000s**
Present value of the defined benefit obligation	1,660,950	24,880	**1,685,830**	2,157,210	25,995	**2,183,205**
Fair value of plan assets	(1,028,790)	-	**(1,028,790)**	(1,241,960)	-	**(1,241,960)**
Net Liability in balance sheet	**632,160**	**24,880**	**657,040**	**915,250**	**25,995**	**941,245**

45. Defined Benefit Pension Schemes (contd.2)

	2015/16			2016/17		
	Funded	Unfunded	**Total**	Funded	Unfunded	**Total**
	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Reconciliation of the Movements in the Fair Value of Fund Assets						
Opening fair value of assets	**(1,000,795)**	**-**	**(1,000,795)**	**(1,028,791)**	**-**	**(1,028,791)**
Interest on assets	(33,081)	-	**(33,081)**	(37,981)	-	**(37,981)**
Return on assets less interest	8,141	-	**8,141**	(171,410)	-	**(171,410)**
Other actuarial gains	-	-	**-**	(7,709)	-	**(7,709)**
Administration expenses	1,270	-	**1,270**	989	-	**989**
Contributions by employer	(41,362)	-	**(41,362)**	(40,496)	-	**(40,496)**
Contributions by scheme participants	(10,340)	-	**(10,340)**	(10,327)	-	**(10,327)**
Estimated benefits paid	46,668	-	**46,668**	50,317	-	**50,317**
Settlement prices paid	709	-	**709**	3,448	-	**3,448**
Closing fair value of assets	**(1,028,790)**	**-**	**(1,028,790)**	**(1,241,960)**	**-**	**(1,241,960)**

	Funded	Unfunded	Total	Funded	Unfunded	Total
Reconciliation of the Movements in the defined benefit obligation						
Opening defined benefit obligation	**1,723,849**	**27,706**	**1,751,555**	**1,660,950**	**24,880**	**1,685,830**
Current service cost	43,946	-	**43,946**	40,466	-	**40,466**
Interest cost	56,182	642	**56,824**	60,458	599	**61,057**
Change in financial assumptions	(123,741)	(927)	**(124,668)**	429,215	2,912	**432,127**
Experience loss/(gain)	-	(640)	**(640)**	14,937	(536)	**14,401**
Liabilities settled	(3,814)	-	**(3,814)**	(10,038)	-	**(10,038)**
Estimated benefits paid	(46,668)	-	**(46,668)**	(50,317)	-	**(50,317)**
Past service costs & curtailments	855	-	**855**	1,212	-	**1,212**
Contributions by scheme participants	10,341	-	**10,341**	10,327	-	**10,327**
Unfunded pension payments	-	(1,901)	**(1,901)**	-	(1,860)	**(1,860)**
Closing defined benefit obligation	**1,660,950**	**24,880**	**1,685,830**	**2,157,210**	**25,995**	**2,183,205**

45. Defined Benefit Pension Schemes (contd.3)

Assets

The return on the Fund (on a bid value basis) for the year to 31 March 2017 is estimated to be 20%.

The estimated asset allocation is as follows:

Employer asset share - bid value	**31 March 2016**		**31 March 2017**	
	£'000	%	£'000	%
Equities	604,963	59%	830,013	67%
Gilts	-	0%	58,002	5%
Other Bonds	96,259	9%	102,004	8%
Property	113,646	11%	88,570	7%
Cash	213,783	21%	163,371	13%
Other	140	0%	-	0%
Total	**1,028,791**	**100%**	**1,241,960**	**100%**

The following table provides a more detailed analysis of the Employer's assets as at 31 March 2016:

		Quoted/Unquoted	**31 March 2017**
Corporate Bonds			
	UK	Quoted	0.0%
	Overseas	Quoted	8.2%
Equities			
	UK	Quoted	29.8%
	Overseas	Quoted	29.8%
Property			
	All	Unquoted	7.1%
Fixed Interest Government Securities			
	Overseas	Quoted	4.7%
Others			
	Hedge Fund	Unquoted	4.4%
	Private Equity	Unquoted	2.8%
	Infrastructure	Unquoted	0.0%
	Cash/Temporary Investments	Unquoted	2.9%
	Cash/Temporary Investments	Quoted	10.0%
			99.7%
Net Current Assets			
	Debtors	Quoted	0.4%
	Creditors	Quoted	-0.1%
			0.3%
Total			**100.0%**

45. Defined Benefit Pension Schemes (contd.4)

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 latest full valuation of the scheme as at 31 March 2017.

The significant assumptions used by the actuary are:

	2015/16		**2016/17**	
	Funded	Unfunded	Funded	Unfunded
Life expectancy from age 65 years				
Retiring today				
Males	22.1	22.1	22.5	22.5
Females	24.6	24.6	25.0	25.0
Retiring in 20 years				
Males	24.4	n/a	24.7	n/a
Females	26.9	n/a	27.4	n/a
Financial Assumptions				
RPI increases (%p.a.)	3.3%	2.5%	3.6%	3.1%
CPI increases (%p.a.)	2.4%	1.6%	2.7%	2.2%
Salary increases (%p.a.)	4.2%	0.0%	4.2%	0.0%
Pension increases (%p.a.)	2.4%	1.6%	2.4%	2.2%
Discount rate (%p.a.)	3.7%	2.5%	2.7%	1.8%

The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA-rated coporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities. This is consistent with the approach used at the last accounting date.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 19 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.6% p.a. This is consistent with teh approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.9% p.a. below RPI i.e. 2.7% p.a. This is a slightly higher differential than last year. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale.

45. Defined Benefit Pension Schemes (contd.5)

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, ie on an actuarial basis using the unit credit method.

	Impact on Defined Benefit Obligations		
	£'000	**£'000**	**£'000**
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligations	2117053	2157210	2198169
Projected service cost	60894	62380	63904
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligations	2162751	2157210	2151714
Projected service cost	62380	62380	62380
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligations	2192588	2157210	2122510
Projected service cost	63902	62380	60892
Adjustment to mortality age rating assumption	+ 1 Year	None	- 1 Year
Present value of total obligations	2237610	2157210	2079790
Projected service cost	64370	62380	62452

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 Authority's Cash Flows

The objective of the Scheme is that employers' contributions are maintained at a constant rate. The Authority has agreed a strategy with the Scheme's actuary to achieve funding level of 100% during the next 20 years. Funding levels are monitored on an annual basis. The next actuarial valuation should be carried out with an effective date of 31 March 2019 and the contributions payable by the participating employers will be reviewed as part of that valuation.

46. Contingent Liabilities

The Authority has a contingent liability for a number of claims concerning property and related matters for which trial dates are awaited.

On 13 November 2012, the directors of Municipal Mutual Insurance Limited (MMI) triggered MMI's Scheme of Arrangement and appointed Ernst and Young to manage MMI's business affairs. Whilst Ernst and Young have notified Scheme creditors of an initial Levy, projections of the future liabilities under the scheme are subject to substantial uncertainty. The Council has made a provision for amounts deemed to be probable. A further disclosure is made here to acknowledge that future claims may be raised.

47. Nature and Extent of Risks Arising from Financial Instruments

Newham Council is an Authority 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 Authority may hold substantial assets and liabilities. The Authority uses financial instruments to manage the risks arising from holding assets and liabilities; it does not use financial instruments for trading or speculative purposes.

The main risks covered are:

Credit Risk: The possibility that one party to a financial instrument will fail to meet their contractual obligations causing a loss for the other party.

Liquidity Risk: The possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments.

Market Risk: The Authority is only exposed to one of the possible market risks, which is interest rate risk. This is the possibility that the value of interest paid or received in respect of an instrument will fluctuate because of changes in interest rates.

The Authority'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 describede within the Local Government Act 2003 and the associated regulations. These require the Authority 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 Authority 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 Authority'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 Authority'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 22nd February 2016 and the mid-year treasury Strategy was approved by Council on 30/1/17 and is available on the Council website. The key issues within the Strategy were:
• The Authorised Limit for 2016/17 was set at £1,725m (£996m 2015/16). This is the maximum limit of external borrowing or other long term liabilities
• The Operational Boundary was expected to be £1,827m (£942m 2015/16). This is the expected level of debt and other long term liabilities
• The maximum amounts of fixed and variable interest rate exposure were set at £800m and £700m (£1,040m and £900m 2015/16)

These policies are implemented by a central treasury team. The Authority 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 Authority's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

47. Nature and Extent of Risks Arising from Financial Instruments (contd.1)

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 Authority's counterparty criteria occurred during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Authority has a number of market Lender Option, Borrowers' Option (LOBO) loans within it's borrowing portfolio. As at the 31 March 2017 40% of the total portfolio was LOBO, (81% in 2015/16). During 2016/17 43% of the LOBO portfolio was restructured into long term, fixed rate debt removing all options and with it the re-financing risk.

Newham has 17 LOBO loans - they are by type and nominal value

	31 March £000
Vanilla LOBO (6)	95,000
Stepped LOBO (3)	30,000
Range LOBO (10)	-
Zero to Par LOBO (2)	40,000
Inverse Floating LOBO (6)	150,000
Total	**315,000**

Vanilla LOBO
These are fixed rate loans, the interest rate the borrower pays cannot be changed by the lender, the lender does though have the option to request repayment of the loan on the next call date. The call dates are set out in the loan documentation and vary from between every 6 months to every 3 years.

Stepped LOBO

These loans have agreed dates when the interest rate is 'stepped' up to another. Again, the lender does not have the option to change these rates but can demand repayment on the next call date. Call dates for these loans vary from every 2 years to every 10 years

Range LOBO

The interest rates on these loans are variable and are fixed on the call date every six months. They all have the same characteristics but the interest is calculated differently in each. All start with the same 'reference' rate - this is 6month LIBOR (6mL) (London interbank offered rate). If the 6mL rate falls within a 'range' at the call date the borrower pays X%, if the 6mL rate is below this 'range' the borrower pays 'Y'% and if 6mL is above the 'range' the borrower pays 'Z'. The 'range' varies on each loan and can be as broad as 5.75%, or as narrow as 2.20%. Call dates on these loans are 6 monthly.

Zero to Par (ZTP) LOBO
The interest rate payable on these loans is fixed. Interest is not paid to the lender but instead added to the loan principal - or capitalised. If the lender exercises their call option, only the capitalised interest is payable by the borrower, thereafter the loan is converted to a vanilla type LOBO with the borrower paying interest to the lender annually and the lender able to exercise their call option every 5 years. If the lender does not exercise their option to receive capitalised interest, the principal plus capitalised interest is repaid (at Par) on the maturity date.

Inverse Floating LOBO

These LOBOs have a reference rate - this being the GBP 10year SWAP rate. The interest rate payable is calculated by taking the agreed and fixed 'coupon rate' less the reference rate (GBP 10year SWAP rate), so, as rates increase, the interest payable by the borrower is reduced. Call dates cannot be exercised until the first agreed date and thereafter vary from 1 year to every 5 years.

The nature of LOBO agreements is that after an intial fixed period, at periodic intervals throughout the loan, the lender has the option of amending the interest rate. At this point, if the revised interest rate is deemed unacceptable by the Authority, as the borrower it has the option to repay the loan without penalty.

To mitigate the risk of having to repay these loans ahead of the acutal maturity date, the Authority keeps under review the potential for lenders to propose changes to the interest rate at the 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.

To date, the probability of lenders seeking to revise interest rates on the Authority's LOBO loans has been low, although this may be influenced in the future by changes to the lenders appetite to reschedule their loan books.

Futher details on the nature of the Authorty's LOBO's are dislosed in Note 18.

47. Nature and Extent of Risks Arising from Financial Instruments (contd.2)

Liquidity Risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy Reports), as well as through cash flow management procedures required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Authority 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. The Authority is also required to provide a balanced budget under the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing for specified periods. The strategy is to ensure that no more than:

(a) 90% of fixed interest rate loans are due to mature within a five year period; and
(b) 90% of variable interest loans are due to mature within a two year period.

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

	31 March 2016		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Public Works Loans Board	64,297	115,034	138,002	235,286
Market debt	666,615	1,363,025	665,759	1,211,197
Total	**730,912**	**1,478,059**	**803,761**	**1,446,483**

Maturity analysis of financial liabilities

	31 March 2016		31 March 2017	
		Fair Value		Fair Value
	£'000	£'000	£'000	£'000
Less than 1 year	416,694	833,077	216,584	287,597
Between 1 and 2 years	56,365	84,628	10,550	16,833
Between 2 and 5 years	185,949	434,319	176,502	385,841
Between 5 and 10 years	3,798	5,710	18,375	29,482
More than 10 years	68,106	120,325	378,454	726,730
Total	**730,912**	**1,478,059**	**800,465**	**1,446,483**

Market Risk

Interest Rate Risk: The Authority is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risk by setting an upper limit of £800m on external debt that can be subject to fixed interest rates and £700m on external debt subject to variable rates. At 31 March 2017 81% of the debt portfolio ws held in fixed rate instruments, 19% in variable rate instruments.

Investments are also subject to movements in interest rates. The Authority is making use of money market funds which pay a variable rate of interest. This risk has to be balanced against actions taken to mitigate credit risk.

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

	2015/16	2016/17
	£'000	£'000
Decrease in interest payable on variable rate borrowings	(9,581)	(1,500)
Increase in interest receivable on variable rate investments	(3,362)	(5,391)
Impact on Comprehensive Income and Expenditure Statement	**(12,943)**	**(6,891)**

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 Authority does not invest in equity shares and therefore is not subject to any price risk (i.e. the risk that the Authority will suffer loss as a result of adverse movements in the price of financial instruments).

Housing Revenue Account - Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2015/16 £'000		2016/17 £'000
	Income:	
(86,795)	Rent from Dwellings (gross)	(84,529)
(4,253)	Rent from Other Properties (gross)	(4,636)
(12,616)	Tenant contributions to Services and Facilities	(13,212)
(5,149)	Leaseholder contributions to Services and Facilities	(7,953)
(7,315)	Government subsidy towards the financing of PFI Schemes	(7,315)
(116,128)	**Total income**	**(117,645)**
	Expenditure:	
10,179	Repairs and Maintenance	15,515
31,201	Supervision and Management	44,113
19,872	Rent, rates, taxes and other charges	2,235
42,840	Depreciation and amortisation of non-current assets	45,731
(141,064)	Revaluation of non-current assets	(62,058)
7,838	Revenue expenditure funded from capital under statute	10,830
164	Debt Management Costs	320
3,188	Increase in bad debt provision	473
(25,782)	**Total expenditure**	**57,159**
(141,910)	**Net income of HRA services as included in whole Authority Comprehensive Income and Expenditure Statement**	**(60,486)**
730	HRA services share of Corporate and Democratic Core	730
(141,180)	**Net income of HRA services**	**(59,756)**
	HRA share of the operating income and expenditure included in the whole Authority Comprehensive Income and Expenditure Statement:	
(9,620)	Gain on sale of HRA non-current assets	(22,275)
16,155	Interest payable and similar charges	16,994
(6,239)	Movement on the fair value of Investment Properties	(1,985)
-	Surplus on Trading Activities	(283)
(776)	HRA Interest and investment income	(893)
1,360	Net Interest on the net defined benefit liability	2,297
(6,005)	HRA share of capital grants and contributions receivable	(348)
(5,125)	**Total**	**(6,493)**
(146,305)	**(Surplus) for year on HRA services**	**(66,249)**

Statement of Movement on the Housing Revenue Account

2015/16 £'000		2016/17 £'000
(147,138)	(Surplus) on the HRA Income and Expenditure Statement	(66,249)
141,028	Adjustments between accounting basis and funding basis under regulations	53,257
(6,110)	**Net increase before transfers to or from reserves**	**(12,992)**
(20,132)	Balance on the HRA as at the end of the previous reporting period	(26,229)
13	Transfers to/(from) Reserves	1,622
-	Transfers to/(from) Earmarked Reserves	(18,186)
(26,229)	**Balance on the HRA as at the end of the current reporting period**	**(55,785)**

48. Notes to the Movement on the Housing Revenue Account Statement

2015/16 £'000		2016/17 £'000
(258)	Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with Statute	(331)
9,620	Gain on sale of HRA non-current assets	22,275
(1,511)	HRA share of contributions to or from the Pensions Reserve	(2,294)
133,177	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	33,607
141,028	**Net additional amount required by statute to be debited or credited to the HRA balance for the year**	**53,257**

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 9.

49. Numbers and Types of Dwellings in the Housing Stock

2015/16 Number	Type of dwelling	2016/17 Number
3,366	Low rise flats	3,277
5,204	Medium rise flats	5,056
3,380	High rise flats	3,318
4,611	Houses	4,755
3	Shared Ownership	1
16,564	**Total**	**16,407**

The Authority was responsible for managing 16,407 properties as at 31 March 2017 (16,564 as at 31 March 2016). The Authority's housing stock decreased by a net 157 units during the year as a result of the sale of properties under Right to Buy legislation, transfers out of Stock, handbacks and one other disposal, offset by acquisitions under the Affordable Homes Open Market Purchase scheme and Buy Backs.

50. Balance Sheet Valuation of HRA Assets

31 March 2016 £'000		31 March 2017 £'000
	Operational assets	
1,098,821	Dwellings	1,171,246
37,033	Other land and building	119,755
15	Vehicles plant and equipment	-
	Non-Operational assets	
65,126	Surplus assets not held for sale	99,377
29,717	Investment properties	31,838
11,241	Assets Under Construction	26,988
1,241,953		**1,449,204**

51. Vacant Possession

The vacant possession value is an estimate of the open market value of all HRA dwellings. The balance sheet value is calculated on the basis of rent receivable on existing tenancies. This is less than the rent that would be obtainable on the open market, and the balance sheet value is therefore lower than the vacant possession valuation. The difference between the two values shows the economic cost to the Government of providing council housing at less than open market value.

31 March 2016 £'000		31 March 2017 £'000
4,395,284	HRA dwellings and hostels	4,641,942

52. Major Repairs Reserve

The Major Repairs Reserve records the unspent balance of HRA subsidy paid to the Authority in the form of the Major Repairs Allowance.

2015/16 £'000		2016/17 £'000
(47,488)	**Balance at 1 April**	**(59,244)**
(35,879)	Depreciation: Stock	(43,351)
(6,961)	Non-stock	(2,374)
15,533	Difference between Notional MRA and Depreciation credited to the MRR as per 5 year transition	23,086
15,551	Major Repairs Reserve applied	23,171
(59,244)	**Balance at 31 March**	**(58,712)**

53. Capital Expenditure and Financing

2015/16 £'000		2016/17 £'000
	Expenditure	
29,058	Council Dwellings, Land and other Property	35,050
	Financing	
(15,551)	Major Repairs Reserve	(23,171)
(6,431)	RTB Receipts	(3,802)
(4,439)	Loans Fund	-
(2,637)	Capital Grants and Contributions	(8,077)
(29,058)		**(35,050)**

54. Capital Receipts

2015/16 £'000		2016/17 £'000
31,826	Sales of Council Dwellings	31,865
7,648	Sales of Land and Other Property	18,008
39,474		**49,873**

55. Depreciation and Amortisation

2015/16 £'000		2016/17 £'000
35,879	Dwellings	43,351
435	Other land and buildings	1,049
-	Intangibles	-
29	Vehicles plant and equipment	8
6,475	Surplus assets not held for sale	1,314
42,818	**Total**	**45,722**

56. Impairment Losses

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

During 2016/17, there was no impairment losses recognised in the accounts (none in 2015/16).

57. 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. During 2016/17, HRA revenue expenditure funded from capital under statute totalled £10.83m (£7.838m in 2015/16).

58. HRA Share of Contributions to the Pensions Reserve

The charges in the HRA relating to the defined benefit pension scheme, accounted for in accordance with IAS 19 are shown below. These costs have been apportioned to the HRA on the basis of pensionable pay, except for past service costs which were estimated by the Actuary. The full disclosure of the pension related transactions is detailed in Note 47 to the primary statements. The HRA share of contributions to the Pensions Reserve for 2016/17 is £2.294m.

2015/16 £'000		2016/17 £'000
2,586	Current service cost	4,136
2,586	**Operating charges**	**4,136**
	Expected return on employer assets	
	Interest on pension scheme liabilities	
1,360	Net Interest	2,297
1,360	**Amount charged to Other Operating Costs**	**2,297**
3,946	**Net charge to HRA for IAS 19 costs**	**6,433**
2,434	Employer contributions	4,139
1,512	Appropriation from the Pension Reserve	**2,294**

59. Gross Rent Income and Rent Arrears

The total rent arrears at 31 March 2017 was £6,182m decrease of £0.261m (4.0%) from the balance of £6,443m at 31 March 2016. The Authority has made provision for possible uncollectable debts of £5.392m (£5.408m at 31 March 2016). The provision is based on the Authority'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.

2015/16 £'000	Type of debt outstanding	2016/17 £'000
2,850	Current tenants	2,638
3,593	Former tenants	3,544
6,443	**Housing rents**	**6,182**

60. Directions by the Secretary of State

The Secretary of State, in exercise of the powers conferred by Section 87 of and Item 9 of Part i and Item 10 of Part ii of Schedule 4 to the Local Government and Housing Act 1989, and after consulting such representatives of local government and relevant professional bodies as deemed appropriate, has made a Direction known as the 'Item 9 Credit and Item 10 Debit (Newham) 2016.' It impacts the Authority's Housing Revenue Account (HRA) during the current reporting period (1 April 2016 to 31 March 2017). The Direction is as follows:

Item 9 Credit
The Authority shall carry to the HRA from the General Fund such sums that it considers appropriate as repayment of amounts debited from the HRA to meet Discretionary Housing Payments (DHP).

Item 10 Debit
The Authority shall carry from the HRA to the credit of the General Fund such sums that the Authority has paid as DHP to secure tenants, non-secure tenants and tenants under an introductory tenancy of the Authority as the Authority considers appropriate, provided that DHP payments meet the following conditions:

- The rent payable by secure tenants, non-secure tenants and introductory tenants in receipt of DHP has been calculated in accordance with the principles set out in the formula rent calculation.

- The total amount carried from the HRA shall not exceed 1.5 times the grant amount paid to the Authority for the purpose of making DHP payments pursuant to an order made under Section 70 of the Child Support, Pensions and Social Security Act 2000.

The content of the Secretary of State's Direction is unchanged in respect of the Authority's next reporting period (1 April 2017 to 31 March 2018) and will be applied during this financial year.

61. Exceptional Items

There were no exceptional or prior year items in 2016/17.

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.

2015/16					2016/17			
Council Tax	Business Rates	Business Rates Supp.	Total		Council Tax	Business Rates	Business Rates Supp.	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				INCOME				
				Council Tax				
(87,942)			**(87,942)**	Council Tax due	(90,457)			**(90,457)**
			-	Transfers from General Fund - council tax benefit				
				Income collectable from Business Ratepayers				
	(128,344)		**(128,344)**	Non-domestic rates		(127,192)		**(127,192)**
	498		**498**	Transitional protection payments - non-domestic rates		626		**626**
		(4,166)	**(4,166)**	Income collectable in respect of Business Rate Supplements			(3,896)	**(3,896)**
				Contributions towards previous years' Collection Fund deficit:				
	(2,840)		**(2,840)**	Central Government		(5,079)		**(5,079)**
	(1,704)		**(1,704)**	London Borough of Newham		(3,048)		**(3,048)**
	(1,136)		**(1,136)**	Greater London Authority		(2,031)		**(2,031)**
(87,942)	**(133,526)**	**(4,166)**	**(225,635)**	**Total amounts to be credited**	**(90,457)**	**(136,724)**	**(3,896)**	**(231,078)**
				EXPENDITURE				
				Business Rate:				
			-	Payment to National Pool				-
				Precepts, demands and shares				
	63,068		**63,068**	Central Government		66,060		**66,060**
63,449	37,947		**101,396**	London Borough of Newham	66,097	39,780		**105,877**
19,794	25,298		**45,092**	Greater London Authority	18,913	26,520		**45,433**
				Business Rate Supplement:				
		4,154	**4,154**	Payment to levying Authority's Business Rate Supplement Revenue Account			3,886	**3,886**
		12	**12**	Administrative Costs			10	**10**
				Charges to Collection Fund				
710			**710**	Write-offs of uncollectable amounts	3,154			**3,154**
330	696		**1,026**	Increase/(decrease) in allowance for impairment	1,146	944		**2,090**
	2,193		**2,193**	Increase in allowance for appeals		(5,505)		**(5,505)**
	372		**372**	Transfer to General Fund for allowable collection costs for non-domestic rates		374		**374**
				Other transfers to General Fund in accordance with regulations				
	203		**203**	Enterprise Zone		154		**154**
				Apportionment of previous year's estimated Collection Fund surplus:				
			-	Central Government				**-**
4,901			**4,901**	London Borough of Newham	3,151			**3,151**
1,550			**1,550**	Greater London Authority	983			**983**
90,734	**129,778**	**4,166**	**224,678**	**Total amounts to be debited**	**93,444**	**128,327**	**3,896**	**225,667**
2,792	**(3,748)**	**-**	**(957)**	**Deficit arising during the year**	**2,987**	**(8,397)**	**0**	**(5,410)**
(6,624)	16,505	**-**	**9,881**	Deficit b/f at 1 April	(3,832)	12,758	**-**	**8,926**
(3,832)	**12,757**	**-**	**8,924**	**Deficit c/f at 31 March**	**(845)**	**4,361**	**0**	**3,516**

Notes to the Collection Fund

62. Calculation of the Council Tax Base

The Council Tax is calculated per equivalent Band D property. In order to determine the number of equivalent Band D properties, the Council Tax Base is calculated. All properties are categorised into one of eight bandings depending upon the valuation of the property. 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 of 95.86%.

2015/16			**Council Tax band**			**2016/17**		
Number of chargeable dwellings	Band D equivalent dwellings	Council tax payable	Band	Ratio to Band D	Property value	Number of chargeable dwellings	Band D equivalent dwellings	Council tax payable
					£			
2,760	1,840	630	A	6/9	up to 40,000	3,053	2,036	827
19,508	15,173	735	B	7/9	40,001 - 52,000	21,563	16,771	965
35,153	31,247	841	C	8/9	52,001- 68,000	38,749	34,444	1,103
14,778	14,778	946	D	1	68,001 - 88,000	15,905	15,905	1,241
2,474	3,024	1,156	E	11/9	88,001 - 120,000	2,771	3,387	1,516
585	846	1,366	F	13/9	120,001 - 160,000	628	907	1,792
94	157	1,576	G	15/9	160,001 - 320,000	104	174	2,068
16	32	1,891	H	2	320,001 and over	15	31	2,481
75,369						**82,789**		
	67,098			**Council Tax base**			**73,655**	

63. 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:
(i) the small business multiplier was 48.4p (48.0p in 2015/16); and
(ii) the standard multiplier was 49.7p (49.3p in 2015/16).
The total amount, less reliefs and other reductions, is shared between the Department of Communities and Local Government, who receive 50%, and the London Borough of Newham and Greater London Authority, who retain 30% and 20% respectively.

The total business rateable value for Newham at 31 March 2017 was £318,642,848 (2015/16 £319,008,725).

64. Exceptional Items

There were no exceptional or prior year items in 2016/17.

Group Accounts

65. Introduction to the Group Accounts

The Council has determined that for the financial year ended 31 March 2017, it has a material interest in the following subsidiaries:

- Newham Legacy Investments Limited (NLI),
- Red Door Ventures Limited (RDV), and
- Future Newhomes Limited (FN).

Details of the Council's other subsidiaries and external bodies together with the associated accounting treatment are disclosed within Note 38.

Newham Legacy Investments Limited (NLI)

NLI's principal business activity is to act as an investment vehicle in sporting infrastructure. Specifically, the company has entered into a joint venture arrangement with the London Legacy Development Corporation (LLDC) in order to form a partnership organisation, E20 Stadium LLP, that operates the London Stadium site located in the Queen Elizabeth II Olympic Park, Stratford, East London.

NLI 's issued share capital is 1 Ordinary share, held at a nominal value of £1 by the Authority.

NLI's directors who have held office between 1st April 2016 and 31st March 2017 are as follows:

- K Deas
- T Clements – Resigned on 29 September 2016
- Z Power

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

Chief Executive
c/o Deirdre Walsh
1000 Dockside Road
Beckton
London
E16 2QU

Red Door Ventures Limited (RDV)

Red Door Ventures (RDV or Red Door) is a commercial residential developer established in 2014. The London Borough of Newham owns 100% of the issued share capital. RDV's Directors that have held office between 1st April 2016 and 31st March 2017 are as follows:

- K Taylor - Appointed on 25th April 2016,
- L Alexander, and
- D Christie, and
- C Wood, and
- J Swinney, and
- S Gaventa - Appointed on 28th July 2016.

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

Red Door Ventures
319 Stratford Business Centre
11 Burford Road
Stratford
London
E15 2ST

Future Newhomes Limited (FN)

Future Newhomes is a new company established in October 2016, with the intention of purchasing and renting residential properties at affordable levels . The London Borough of Newham owns 100% of the issued share capital. FV's Directors that have held office between 1st April 2016 and 31st March 2017 are as follows:

- I Dick - Appointed on 19th October 2016,

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

Chief Executive
c/o Deirdre Walsh
1000 Dockside Road
Beckton
London
E16 2QU

Group Movement in Reserves Statement 2016/17

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. Additional detail on these reserves is given in Note 25 and Note 26. The Surplus on the Provision of Services line shows the true economic cost of providing the authority'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 authority tax setting and dwellings rent setting purposes. The 'Adjustments Between Accounting Basis and Funding Basis under Regulations' line accounts for this difference and is detailed in Note 9. 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 Authority.

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves	Authority's share of Reserves of Subsidiaries	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance At 31 March 2016	(17,091)	(174,460)	(26,229)	(59,244)	(51,988)	(64,122)	(393,134)	(1,234,061)	(1,627,195)	27,944	(1,599,251)
Bought forward surplus for New Geoup Entities											-
	(17,091)	(174,460)	(26,229)	(59,244)	(51,988)	(64,122)	(393,134)	(1,234,061)	(1,627,195)	27,944	(1,599,251)
Movement in Reserves during 2016/17											
(Surplus) or Deficit on Provision of Services (Accounting Basis)	146,004	-	(66,248)	-	-	-	79,756	-	79,756	7,080	86,836
Other Comprehensive Income	-	-	-	-	-	-	-	(198,968)	(198,968)		(198,968)
Total Comprehensive Income and Expenditure	146,004	-	(66,248)	-	-	-	79,756	(198,968)	(119,212)	7,080	(112,132)
Adjustments between Group Accounts and Authority Accounts	(41,357)	-	-	-	-	-	(41,357)	-	(41,357)	(3,409)	(44,766)
Net (Increase)/Decrease before Transfers	104,647	-	(66,248)	-	-	-	38,399	(198,968)	(160,569)	3,671	(156,898)
Adjustments between Accounting Basis and Funding Basis Under Regulations	(101,240)	-	53,257	526	(31,071)	(7,171)	(85,699)	85,699	-	-	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	3,407	-	(12,991)	526	(31,071)	(7,171)	(47,300)	(113,269)	(160,569)	3,671	(156,898)
Transfers (To)/From Earmarked Reserves	1,818	14,746	(16,564)	-	-	-	-	-	-	-	-
(Increase)/Decrease In Year	5,225	14,746	(29,555)	526	(31,071)	(7,171)	(47,300)	(113,269)	(160,569)	3,671	(156,898)
Balance At 31 March 2017	(11,866)	(159,714)	(55,784)	(58,718)	(83,059)	(71,293)	(440,434)	(1,347,330)	(1,787,764)	31,615	(1,756,149)

Group Movement in Reserves Statement 2015/16

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. Additional detail on these reserves is given in Note 25 and Note 26. The Surplus on the Provision of Services line shows the true economic cost of providing the authority'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 authority tax setting and dwellings rent setting purposes. The 'Adjustments Between Accounting Basis and Funding Basis under Regulations' line accounts for this difference and is detailed in Note 9. 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 Authority.

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves	Authority's share of Reserves of Subsidiaries	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance At 31 March 2015	**(18,924)**	**(145,367)**	**(20,132)**	**(47,488)**	**(28,853)**	**(51,364)**	**(312,128)**	**(708,095)**	**(1,020,223)**	**30**	**(1,020,193)**
Bought forward surplus for New Geoup Entities										**(551)**	**(551)**
	(18,924)	**(145,367)**	**(20,132)**	**(47,488)**	**(28,853)**	**(51,364)**	**(312,128)**	**(708,095)**	**(1,020,223)**	**(521)**	**(1,020,744)**
Movement in Reserves during 2015/16											
(Surplus) or Deficit on Provision of Services (Accounting Basis)	(15,935)	-	(147,138)	-	-	-	**(163,073)**	**-**	**(163,073)**	**30,524**	**(132,549)**
Other Comprehensive Income	-	-	-	-	-	-	**-**	**(445,958)**	**(445,958)**	**-**	**(445,958)**
Total Comprehensive Income and Expenditure	**(15,935)**	**-**	**(147,138)**	**-**	**-**	**-**	**(163,073)**	**(445,958)**	**(609,031)**	**30,524**	**(578,507)**
Adjustments between Group Accounts and Authority Accounts	**2,059**	-	-	-	-	-	**2,059**	**-**	**2,059**	**(2,059)**	**-**
Net (Increase)/Decrease before Transfers	**(13,876)**	**-**	**(147,138)**	**-**	**-**	**-**	**(161,014)**	**(445,958)**	**(606,972)**	**28,465**	**(578,507)**
Adjustments between Accounting Basis and Funding Basis Under Regulations	(13,371)	-	141,028	(11,756)	(23,135)	(12,758)	**80,008**	**(80,008)**	**-**	**-**	**-**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(27,247)**	**-**	**(6,110)**	**(11,756)**	**(23,135)**	**(12,758)**	**(81,006)**	**(525,966)**	**(606,972)**	**28,465**	**(578,507)**
Transfers (To)/From Earmarked Reserves	29,080	(29,093)	13	-	-	-	**-**	**-**	**-**	**-**	**-**
(Increase)/Decrease In Year	**1,833**	**(29,093)**	**(6,097)**	**(11,756)**	**(23,135)**	**(12,758)**	**(81,006)**	**(525,966)**	**(606,972)**	**28,465**	**(578,507)**
Balance At 31 March 2016	**(17,091)**	**(174,460)**	**(26,229)**	**(59,244)**	**(51,988)**	**(64,122)**	**(393,134)**	**(1,234,061)**	**(1,627,195)**	**27,944**	**(1,599,251)**

Group Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2015/16 Gross Expenditure £'000	2015/16 Gross Income £'000	2015/16 Net Expenditure £'000		2016/17 Gross Expenditure £'000	2016/17 Gross Income £'000	2016/17 Net Expenditure £'000
113,160	(24,155)	**89,005**	Adult Services	114,822	(35,350)	**79,472**
(9,896)	(12,957)	**(22,853)**	Central Services	27,478	(31,640)	**(4,163)**
499,788	(432,937)	**66,851**	Children's Services	534,529	(393,797)	**140,732**
47,513	(8,334)	**39,179**	Community and Environment	35,123	(9,126)	**25,997**
63,892	(50,710)	**13,182**	Community Infrastructure	77,033	(63,617)	**13,416**
19,427	(18,807)	**620**	Enforcement and Safety	13,585	(13,202)	**383**
(25,782)	(116,128)	**(141,910)**	HRA	57,888	(117,644)	**(59,756)**
8,260	(7,188)	**1,072**	oneSource	10,250	(9,979)	**271**
319,455	(314,164)	**5,291**	oneSource - Non Shared	299,636	(291,240)	**8,396**
25,358	(24,302)	**1,056**	Public Health	33,646	(33,646)	**-**
12,514	(4,594)	**7,920**	Regeneration & Planning	14,755	(7,969)	**6,786**
19,422	19,231	**38,653**	Strategic Services	17,198	(9,306)	**7,892**
1,093,111	**(995,045)**	**98,066**	**Cost of Services**	**1,235,943**	**(1,016,516)**	**219,427**
		60,591	Other Operating Expenditure			**85,424**
		49,426	Financing and Investment Income and Expenditure			**63,091**
		(341,668)	Taxation and Non-Specific Grant Income			**(325,877)**
		(133,585)	**(Surplus)/Deficit on Provision of Services**			**42,064**
		1,036	Tax on Profit			**387**
		(132,549)	**(Surplus)/Deficit on Provision of Services after Tax**			**42,451**
		(328,791)	Surplus on Revaluation of PPE and Heritage Assets			(466,380)
		(117,167)	Remeasurements of the Net Pensions Defined Benefit Liability			267,412
		(578,507)	**Total Comprehensive Income and Expenditure**			**(156,517)**

Group Balance Sheet

The Balance Sheet shows the value as at 31 March 2017 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between Accounting Basis and Funding Basis under Regulations".

31 March 2016 £'000		31 March 2017 £'000
2,560,988	Property, Plant and Equipment	2,991,235
3,658	Heritage Assets	3,658
128,439	Investment Properties	139,526
1,261	Intangible Assets	1,076
259,690	Long Term Investments	207,599
25,040	Long Term Receivables	30,844
2,979,076	**Long Term Assets**	**3,373,938**
183,846	Short Term Investments	280,089
914	Inventories	1,543
82,632	Short Term Receivables	122,174
74,393	Cash and Cash Equivalents	69,450
341,785	**Current Assets**	**473,256**
(42,902)	Cash and Cash Equivalents Overdrawn	(29,858)
(396,694)	Short Term Borrowing	(223,967)
(123,697)	Short Term Payables	(131,607)
(563,293)	**Current Liabilities**	**(385,432)**
(16,782)	Long Term Provisions	(10,320)
(334,234)	Long Term Borrowing	(579,623)
(779,827)	Other Long Term Liabilities	(1,074,762)
(27,474)	Capital Grants Receipts in Advance	(40,908)
(1,158,317)	**Long Term Liabilities**	**(1,705,613)**
1,599,251	**Net Assets**	**1,756,149**
(400,822)	Usable Reserves	(408,819)
(1,198,429)	Unusable Reserves	(1,347,330)
(1,599,251)	**Total Reserves**	**(1,756,149)**

Group Cash Flow Statement

The Cash Flow Statement shows the changes in Cash and Cash Equivalents of the Authority during the Reporting Period. The Statement shows how the Authority generates and uses Cash and Cash Equivalents by classifying cash flows as Operating, Investing and Financing Activities. Net Cash Flows from Operating Activities is a key indicator of the extent to which the operations of the Authority are funded by way of Taxation and Grant Income or from the recipients of services provided by the Authority. Investing activities represent the extent to which Cash Outflows have been made for resources that are intended to contribute to the Authority’s future service deliveries. Cash Flows arising from Financing activities are useful in predicting claims on future Cash Flows by providers of capital (lenders) to the Authority.

2015/16 £'000		2016/17 £'000
132,599	Net Surplus/(Deficit) on the Provision of Services	(42,451)
(34,294)	Adjustments to Net Surplus on the Provision of Services for Non-Cash Transactions (Note 69)	192,531
(10,556)	Adjustments to Net Surplus on the Provision of Services that are Investing and Financing Activities (Note 69)	(58,246)
87,749	**Net Cash Flows from Operating Activities**	**91,834**
(71,788)	Investing Activities (Note 70)	(108,914)
4,193	Financing Activities (Note 71)	25,181
20,154	**Increase in Cash and Cash Equivalents**	**8,101**
11,337	Cash and Cash Equivalents at the beginning of the Reporting Period	31,491
31,491	**Cash and Cash Equivalents at the end of the Reporting Period**	**39,592**

Notes to Group Accounts

66. Group Receivables

The following amounts are shown net of impairment allowances. Further details are disclosed within Note 21.

2015/16		2016/17
£'000	**Short-Term Receivables**	**£'000**
11,261	Central Government Bodies	22,278
1,711	Other Local Authorities	10,246
8,846	Council Tax Payers	6,579
7,856	Business Rate Payers	16
1,660	Housing Rents	1,704
35,648	Sundry Receivables	35,009
5,626	Housing Benefit Overpayments	7,849
8,484	Prepayments	18,078
1,540	Parking	1,161
-	Leaseholders	1,540
-	Intra-company (Pension Fund)	17,714
82,632		**122,174**
	Long-Term Receivables	
185	Mortgages	185
1,546	Soft Loans (Note 18)	1,639
8,292	Finance Leases (lessor)	8,292
11,675	Leaseholder Loans	6,267
3,342	Other long term receivables	14,461
25,040		**30,844**

67. Group Payables

Further details are disclosed in Note 22.

2015/16		2016/17
£'000		**£'000**
(5,175)	Council Tax Payables	(5,562)
(9,492)	NNDR	(4,025)
(12)	Housing Rents	(12)
(29,216)	Sundry Payables	(69,303)
(28,879)	Receipts in advance	(8,899)
(5,738)	Finance Lease and PFI Liabilities	(5,102)
(3)	Other Balances	(8)
(15,954)	Employee Benefits	(14,996)
(463)	Revenue Grants Received in advance	(454)
(26,531)	Central Government Bodies	(15,707)
(2,234)	Other Local Authorities	(6,649)
-	Pension Fund	(890)
(123,697)		**(131,607)**

68. Group Cash Flow Statement – Adjustments for Non-Cash Transactions

2015/16 £'000	Description	2016/17 £'000
75,161	Depreciation	122,134
(181,180)	Increase in Revaluation charged to the Group Comprehensive Income and Expenditure Statement	(51,271)
711	Amortisation	597
19,275	Movement in Impairment Allowance	20,770
8,607	Movement in Receivables	(45,809)
(43,916)	Movement in Payables	14,177
(200)	Movement in Inventories	(629)
23,447	Pension Liability	16,797
84,995	Carrying Amount of Non-Current Assets sold	118,819
(447)	Movement in Provisions	5,422
(20,092)	Movement in the value of Investment Properties	(8,878)
(981)	Financial Instruments Adjustments	233
332	Other Non-Cash Adjustments	169
(34,288)	**Total Adjustments for Non-Cash Transactions**	**192,531**
(44,276)	Investing and Financing Activities Adjustments to Net Surplus on the Provision of Services	(58,246)
(78,564)	**Net Cash Flows from Operating Activities**	**134,285**

69. Group Cash Flow Statement - Investing Activities

2015/16 £'000		2016/17 £'000
(116,006)	Purchase of Property, Plant and Equipment and Intangible Assets	(121,863)
(51,032)	Purchase of Short-Term Investments and Long-Term Investments	(50,260)
53,549	Other Payments for Investing Activities	11,542
41,701	Proceeds from the sale of Property, Plant and Equipment and Non-Current Assets	51,667
(71,788)	**Net Cash Flows from Investing Activities**	**(108,914)**

70. Group Cash Flow Statement - Financing Activities

2015/16 £'000		2016/17 £'000
57,271	Cash Repayment of Short-Term Borrowings and Long-Term Borrowings	76,290
(5,896)	Cash Payments to reduce Finance Lease and PFI Liabilities	(5,476)
(47,182)	Other Payments for Financing Activities	(45,633)
4,193	**Net cash flows from financing activities**	**25,181**

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

Opinion on the pension fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of London Borough of Newham in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Financial Sustainability and auditor

As explained more fully in the Statement of the responsibilities of the Director of Financial Sustainability set out on page 19, the Director of Financial Sustainability is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Financial Sustainability; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the London Borough of Newham pension Fund Annual report and Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the pension fund financial statements:
- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and the amount and disposition of the fund's assets and liabilities as at 31 March 2017; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Tessa Gilbert
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading
Date:

The maintenance and integrity of the London Borough of Newham web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

2016/17 PENSION FUND ACCOUNTS

2015/16 £000		Notes	2016/17 £000
	Dealings with members, employers' and others directly involved in the Fund:		
57,099	Contributions	7	57,055
3,288	Transfers in from other pension funds	8	3,346
60,387			**60,401**
(49,254)	Benefits	9	(49,176)
(3,588)	Payments to and on account of leavers	10	(7,633)
(52,842)			**(56,809)**
7,545	**Net additions from dealing with members**		**3,592**
(5,205)	Management expenses	11	(4,413)
	Returns on investments		
15,537	Investment income	12	16,597
(111)	Taxes on income (irrecoverable withholding tax)	13	(238)
20,834	Profit and losses on disposal of investments and changes in the market value of investments	14a	194,307
36,260	Net return on investments		**210,666**
38,600	**Net increase in the net assets available for benefits during the year**		**209,845**
1,066,891	**Opening net assets of the fund**		**1,105,491**
1,105,491	**Closing net assets of the fund**		**1,315,336**

Net Asset Statement

2015/16 £000		Notes	2016/17 £000
878,284	Investment assets	14a	1,163,630
216,697	Cash deposits	14a	164,043
(57)	Investment liabilities	14	-
1,094,924	**Total invested assets**		**1,327,673**
11,351	Current assets	21	6,576
(784)	Current liabilities	22	(18,913)
10,567	**Net current assets**		**(12,337)**
1,105,491	**Net assets of the fund available to funds benefits at 31 March**		**1,315,336**

NOTES TO THE PENSION FUND`

Note 1: Description of Fund

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

The following description of the fund is a summary only, for more detail reference should be made to the Fund's Annual Report 2016/17 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

a) **General**

The scheme 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 the London Borough of Newham to provide pensions and other benefits for pensionable employees' of the London Borough of Newham and a range of other scheduled and admitted bodies within the borough. Teachers, police officers and firefighters are not members as they are included within other national pension schemes.

The Fund is overseen by the Investment and Accounts Committee (the Committee), a committee of the London Borough of Newham and supported by the Local Pension Board.

b) **Governance**

The Authority has delegated management of the Fund to the Committee who decide on the investment policy most suitable to meet the liabilities of the Fund and have ultimate responsibility of the investment policy. The Committee is made up of four Members, each of whom has equal voting rights.

The Committee reports to the Full Council and has full delegated authority to make investment decisions. The Committee considers views from the Director of Financial Sustainability and seeks advice, where necessary, from the Fund's appointed investment advisors, fund managers and the actuary.

In line with the provision of the Public Service Pension Act 2013 the Authority has set up a Local Pension Board to oversee the governance arrangements of the Pension Fund. The Board meets quarterly and has its own Terms of Reference. Board members are independent of the Committee. Two members of the Local Pension Board are active members of the LGPS pension scheme.

c) **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.

During 2016/17 11 new employers' joined the Fund.

Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff 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 the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local Authority function following outsourcing to the private sector.

There are 40 employer organisations (see Note 19) within the Fund including the Local Authority itself, as detailed below.

Membership	31 March 2016	31 March 2017
Number of employers' with active members	29	40
Number of employees' in scheme		
London Borough of Newham	8,101	6,878
Other employers	920	1,149
Total	**9,021**	**8,027**
Number of pensioners		
London Borough of Newham	6,727	6,826
Other employers'	284	302
Total	**7,011**	**7,128**
Deferred pensioners		
London Borough of Newham	8,670	9,429
Other employers'	788	932
Total	**9,458**	**10,361**

d) 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 2017. 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 2016. Currently, employer contribution rates range from 12% to 26.9% of full pensionable pay. The 2016 valuation has been completed but does not impact the 2016/17 Accounts.

e) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

	Service pre 1 April 2008	Service post 31 March 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 annual 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.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme 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.

f) Investment Principles

The LGPS (Management and Investment of Funds) Regulations 2016 requires administering authorities to prepare and review from time to time a written statement recording the investment policy of the Fund. The Committee approved the new Investment Strategy Statement in March 2017 and this is available on the Fund's website at the link below. The Statement shows the Authority's compliance with the Myners principles of investment management.

http://www.yourpension.org.uk/handr/Newham-Publications/Newham-Fund-Members.aspx

The Committee has delegated management of the Fund's investments to external investment managers (see Note 14b) appointed in accordance with the above Regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

Note 2: Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2016/17 financial year and its position at year-end as at 31 March 2017. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* (the code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and 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.

Note 3: Summary of Significant Accounting Policies

Fund account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund's actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations 2013 (see Notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

c) Investment income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

Investment income is reported gross of withholding taxes which are accrued in line with the associated investment income. Investment income arising from the underlying investments of the

Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price.

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 Assets Statement (NAS) as an investment 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 an investment asset.

Movement in the net market value of investments and changes in the net market value of investments 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 as at the end of the financial year. Any amounts due but unpaid are disclosed in the NAS as current liabilities.

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. As the Authority is the administering Authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. 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 Code does not require any breakdown of Pension Fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Expenses (2016)*. These are detailed as:

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged 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 oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with oversight and governance is charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

The costs of obtaining investment advice from external advisors are included in oversight and governance costs.

Investment management expenses

All investment management expenses are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Where an investment manager's fee note has not been received by the NAS date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2016/17 £1,206,932 of fees is based on such estimates (2015/16: £784,170).

The costs of the Authority's in-house fund management team are charged direct to the fund and a proportion of the Authority's costs representing management time spent by officers on investment management are also charged to the Fund.

Net assets statement

g) Financial assets

Financial assets are included in the NAS on a best available pricing 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 asset 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 16). 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 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 valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

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 were matched at the year-end with an equal and opposite contract.

j) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

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

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the NAS on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Fund's actuary in accordance with the requirements of 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 20).

m) Additional voluntary contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Clerical Medical as its AVC provider. AVCs are paid to the AVC provider by employers' and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(1)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23).

n) Recharges from the General Fund

The LGPS (Management and Investment of Funds) Regulations 2009 permit the Authority to charge administrations costs to the Fund. A proportion of the relevant Authority costs have been charged to the Fund on the basis of actual time spent on Pension Fund business.

Note 4: Critical Judgements in applying accounting policies

Pension fund liability

The Fund's liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19.

These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies.

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 amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the NAS at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension 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 net pension liability of changes in individual assumptions can be measured. For instance: • a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £40m • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £5.5m, and • a one year increase in assumed life expectancy would increase the liability by approximately £80m.

Private equity/Infrastructure	Private equity 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.	The total private equity and infrastructure investments in the financial statements are £37.3m. There is a risk that this investment may be under or overstated in the accounts.
Diversified Alternative Fund	The fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund of funds' directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total diversified alternative fund value in the financial statements is £58.5m. There is a risk that this investment may be under or overstated in the accounts. The custodian reports a tolerance of +/- 5% around the net asset values on which the hedge fund of funds valuation is based. This equates to a tolerance of +/- £3m.

Note 6: Events after the Reporting Date

There have been no events occurring after the reporting date that would have a material impact upon the Fund Accounts.

Note 7: Contributions Receivable

2015/16	By Category	2016/17
£000		£000
11,660	Employees' contributions	11,901
11,660	**Employees' contributions**	**11,901**
24,145	Normal contributions	24,730
18,882	Deficit recovery contributions	18,959
2,412	Augmentation contributions	1,465
45,439	**Total Employers' contributions**	**45,154**
57,099	**Total**	**57,055**

2015/16	By Authority	2016/17
£000		£000
51,702	Administering Authority	50,700
1,502	Admitted Body	4,492
3,895	Scheduled Body	1,863
57,099	**Total**	**57,055**

Note 8: Transfers in from other Pension Funds

2015/16		2016/17
£000		£000
3,288	Individual transfers	3,346
3,288	**Total**	**3,346**

Note 9: Benefits Payable

By category

2015/16 £000		2016/17 £000
38,683	Pensions	40,256
8,750	Commutation and lump sum retirement benefits	7,447
1,821	Lump sum death benefits	1,473
49,254	**Total**	**49,176**

By authority

2015/16 £000		2016/17 £000
47,210	Administering Authority	46,771
1,593	Scheduled bodies	1,940
451	Admitted bodies	465
49,254	**Total**	**49,176**

Note 10: Payments to and on account of leavers

2015/16 £000		2016/17 £000
(332)	Refunds to members leaving service	(293)
(3,256)	Individual transfers	(7,340)
(3,588)	**Total**	**(7,633)**

Note 11: Management Expenses

2015/16 £000		2016/17 £000
(702)	Administrative costs	(392)
(3,842)	Investment management expenses	(3,403)
(661)	Oversight and governance costs	(618)
(5,205)	**Total**	**(4,413)**

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sale of investments (see Note 14a).

Note 11a: Investment Management Expenses

Investment management expenses are further analysed below in line with the CIPFA *Guidance on Accounting for Management Costs in the LGPS.*

2015/16 £000		2016/17 £000
(3,730)	Management Expenses	(3,284)
(112)	Custody fees	(119)
(3,842)	**Total**	**(3,403)**

Note 12: Investment Income

2015/16 £000		2016/17 £000
6,506	Equity dividends	8,571
3,444	Pooled property investments	3,022
3,064	Overseas fixed interest unit trust	4,032
1,652	Interest on cash deposits	1,017
871	Diversified	(45)
15,537	**Total**	**16,597**

Note 13: Taxes on Income

2015/16 £000		2016/17 £000
(111)	Withholding tax	(238)
(111)	**Total**	**(238)**

Note 14a: Reconciliation of Movements in Investments and Derivatives

	Market value as at 31 March 2016 £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 2017 £000
Equities	349,447	81,850	(79,747)	100,428	451,978
Fixed Interest Securities	-	66,436	(61,055)	(5,381)	-
Index Linked Securities	-	61,376	-	911	62,287
Pooled Investments	321,393	543,294	(479,449)	67,891	453,129
Pooled property Investments	86,926	8,911	(3,409)	2,685	95,113
Overseas private equity/infrastructure	70,512	4,874	(43,139)	5,036	37,283
Overseas diversified alternatives	47,181	22,947	(22,467)	10,828	58,489
London collective investment vehicle	150	-	-	-	150
	875,609	789,688	(689,266)	182,398	**1,158,429**
Derivative contracts:					
Forward currency contracts	423	14,334	(6,063)	(6,735)	1,959
	876,032	**804,022**	**(695,329)**	**175,663**	**1,160,388**
Other Investment balances:					
Cash deposits	216,697			19,873	164,043
Investment income due	2,195				2,202
Amount receivable for sales of investments	-			(2)	1,034
Spot FX Contracts	-			(1,191)	6
	1,094,924	**804,022**	**(695,329)**	**194,307**	**1,327,673**

	Market value as at 31 March 2015	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market value as at 31 March 2016
	£000	**£000**	**£000**	**£000**	**£000**
Equities	339,694	146,668	(142,033)	5,118	349,447
Pooled Investments	435,143	3,777	(104,567)	(12,960)	321,393
Pooled property Investments	98,497	781	(17,207)	4,855	86,926
Overseas private equity/infrastructure	65,567	3,933	(25,620)	26,632	70,512
Overseas diversified alternatives	75,548	19,789	(47,432)	(724)	47,181
London collective investment vehicle	-	150	-	-	150
	1,014,449	175,098	(336,859)	22,921	**875,609**
Derivative contracts:					
Forward currency contracts	(962)	10,517	(7,351)	(1,781)	423
	1,013,487	**185,615**	**(344,210)**	**21,140**	**876,032**
Other Investment balances:					
Cash deposits `	49,856				216,697
Amount receivable for sales of investments	817				2,195
Investment income due	2,939			(306)	-
Amounts payable for purchases of Investments	(1,927)				-
	1,065,172			**20,834**	**1,094,924**

Note 14b: Analysis of Investments

Market Value as at 31 March 2016 £000	Analysis of Investments	Market Value as at 31 March 2017 £000
	Equities	
50,397	UK quoted	70,369
299,050	Overseas quoted	381,608
349,447		**451,977**
	Pooled funds - additional analysis	
103,416	Overseas fixed interest unit trusts	109,540
-	Index linked securities	62,287
73,681	UK equity unit trusts	119,021
144,296	Overseas equity unit trusts	224,568
321,393		**515,416**
86,926	Pooled property investments	95.113
70,512	Overseas private equity/infrastructure	37,283
47,181	Overseas diversified alternatives	58,489
150	London collective investment vehicle	150
423	Forward currency contracts	1,959
-	Spot FX Contracts	6
205,192		**193,000**
	Cash	
169,195	UK Cash and Bank Deposits	89,265
47,502	Overseas Cash and Bank Deposits	74,779
216,697		**164,044**
2,195	Investment income due	2,202
-	Amount receivable for sales	1,034
2,195		**3,236**
1,094,924	**Total investment assets**	**1,327,673**

Investments analysed by fund manager

Market value as at 31 March 2016 £000	%	Fund manager	%	Market value as at 31 March 2017 £000
105,439	9.6	Aberdeen Asset Management	13.2	175,399
52,003	4.7	Arcus*	-	-
11	-	Baring	-	16
117,034	10.7	CBRE	7.5	99,927
60,443	5.5	Harbourvest	5.0	66,229
72,023	6.6	In house temporary cash deposits	2.9	39,000
217,963	19.9	Legal and General	25.9	343,589
150	-	London CIV	-	150
365,430	33.5	Longview	35.7	473,906
58,013	5.3	Morgan Stanley	4.7	62,989
46,415	4.2	Northern Trust cash deposits	5.1	66,468
1,094,924	**100**	**Total**	**100**	**1,327,673**

All of the above entities are registered in the United Kingdom.

*The Arcus fund was sold on 3-Aug-16 for a value of £33m.

Individual investments exceeding 5% of net assets

Fund manager	Asset name	MV at 31 March 2017 £000	Percentage of fund %
Legal and General	North America equity index	121,372	9.14
Aberdeen	World Opportunistic Bond	109,540	8.25

Note 14c: Property Holdings

The Fund's investment in property portfolio comprises investments in pooled property funds and no directly owned properties.

Note 14d: Stock Lending

The Fund does not engage in stock lending arrangements for any of its direct holdings as set out on the Fund's investment strategy.

Note 15: 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.

Open forward currency contracts

Settlements	Currency bought	Local value	Currency sold	Local value	Asset value	Liability value
		000		000	£000	£000
One to six months	GBP	117,121	USD	(144,228)	1,824	-
One to six months	GBP	7,452	EUR	(8,577)	107	-
One to six months	GBP	559	HKD	(5,410)	3	-
One to six months	GBP	240	NZD	(426)	3	-
One to six months	GBP	419	SGD	(731)	2	-
One to six months	GBP	479	JPY	(65,956)	5	-
One to six months	GBP	1,742	AUD	(2,841)	15	-
Open forward currency contracts at 31 March 2017					**1,959**	**-**
Net forward currency contracts at 31 March 2017						**1,959**
Prior year comparative						
Open forward currency contracts at 31 March 2016					**480**	**(57)**
Net forward currency contracts at 31 March 2016						**423**

Note 16: Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

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	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	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- overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer are published	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments- hedge funds	Level 3	Closing bid price where bid and offer are published	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.
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with *International Private Equity and Venture Capital Valuation Guidelines (2012)*	EBITDA 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

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 2017.

Description of asset	Assessed valuation range (+/-)	Value as 31 March 2017 £000	Value on increase £000	Value on decrease £000
Pooled investments-hedge funds	5%	17,472	18,346	16,598
Private equity	10%	37,282	41,010	33,554
Total		**54,754**	**59,356**	**50,152**

Note 16a: Fair Value Hierarchy

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 – Assets and liabilities at level 1 are those where the fair values are derived from adjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise 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.

Values at 31 March 2017	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant observable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	883.409	410,853	54,754	1,329,016
Loans and receivables	124,834	1,034	-	125,868
Financial liabilities at fair value through profit and loss	-	(127,211)	-	(127,211)
Net financial assets	**988,243**	**284,676**	**54,754**	**1,327,673**

The Pensions Research Accountants Group (PRAG) published a practical guidance for investment disclosures during 2016 in response to FRS102 amendments in respect of the fair value hierarchy disclosures alignment with IFRS. The paper states that pooled fund holdings should not just be analysed in terms of their underlying investments but should also be dependent on the nature and the investor's ability to exit the holding. Taking this into account the following movements have been made.

Values at 31 March 2016	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant observable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	665,322	234,718	89,925	989,965
Loans and receivables	144,355	-	-	144,355
Financial liabilities at fair value through profit and loss	-	(39,396)	-	(39,396)
Net financial assets	**809,677**	**195,322**	**89,925**	**1,094,924**

Note 16b: Fair Value Hierarchy

	Market Value as at 31/03/2016 £000	Transfers in/out of level 3 £000	Purchases £000	Sales £000	Unrealised gains (losses) £000	Realised gains (losses) £000	Market Value as at 31/03/2017 £000
Diversified Alternatives	19,413	(70)	1,784	(5,922)	898	1,369	17,472
Overseas Venture Capital	35,342	-	4,874	(9,780)	543	6,288	37,267
UK Venture Capital	35,170	-	-	(33,359)	(16,934)	15,138	15
Total	**89,925**	**(70)**	**6,658**	**(49,061)**	**(15,493)**	**22,795**	**54,754**

(a) transferred from level 3 to level 2 due to an improvement in observable market data arising from an increase in market activity for the instruments

(b) transferred from level 2 to level 3 due to a reduction in observable market data arising from a lack of market activity

(c) transferred from level 2 to level 3 due to reappraisal of property valuation techniques

(d) 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 17: 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 as at 31 March 2016				Market value as at 31 March 2017		
Fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000		Fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised cost £000
			Financial assets			
-	-	-	Index linked securities	62,287	-	-
349,447	-	-	Equities	451,978	-	-
321,393	-	-	Pooled investments	453,129	-	-
86,926	-	-	Pooled property Investments	95,113	-	-
70,512	-	-	Private equity/infrastructure	37,283	-	-
47,181	-	-	Diversified	58,489	-	-
150	-	-	London Collective Investment Vehicle	150	-	-
480	-	-	Overseas derivative contracts	1,959	-	-
-	-	-	Spot currency contracts	6	-	-
-	227,742	-	Cash	-	171,574	-
2,195	-	-	Other investment balances	2,202	-	-
-	-	-	Amounts receivable for sales	1,034	-	-
-	306	-	Current Assets	-	1,116	-
878,284	**228,048**	**-**	**Total Financial Assets**	**1,163,630**	**172,690**	**-**
			Financial liabilities			
(57)	-	-	Derivative contracts	-	-	-
-	-	(784)	Current liabilities	-	-	(20,984)
(57)	**-**	**(784)**	**Total Financial liabilities**	**-**	**-**	**(20,984)**
878,227	**228,048**	**(784)**	**Total**	**1,163,630**	**172,690**	**(20,984)**

Note 17a: Net Gains and Losses on Financial Instruments

31 March 2016 £000		31 March 2017 £000
21,140	Fair value through profit and loss	175,663
(306)	Loans and receivables	18,644
20,834	**Total**	**194,307**

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

Note 18: 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 Authority manages these investment risks as part of its overall Fund risk management programme.

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

Market risk

Market risk is the risk of loss emanating from general market fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk across all its investment activities. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset class, geographical and industry sectors and individual securities. To mitigate market risk, the Committee and its investment advisors undertake regular monitoring of market conditions and benchmark analysis.

Price risk

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 represent a risk of loss of capital. The maximum risk resulting from financial instruments (with the exception of derivatives where the risk is currency related) is determined by the fair value of the financial instruments. The Fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

The following table demonstrates the change in the net assets available to pay benefits if the market price had increased or decreased by 10%. The analysis excludes cash, debtors, creditors, other investment balances and forward foreign exchange, as these financial instruments are not subject to price risk.

Asset type	Market value as at 31 March 2017	Value on 10% price increase	Value on 10% price decrease
Cash and cash equivalents	164,043	180,447	147,639
Investment portfolio assets:			
UK equities	70,369	77,406	63,332
Overseas equities	381,608	419,769	343,448
Overseas fixed income unit trusts	109,540	120,494	98,586
Index linked securities	62,287	68,516	56,058
UK equity unit trust	119,021	130,923	107,119
Overseas equity unit trusts	224,568	247,024	202,111
Pooled property investments	95,113	104,624	85,602
London CIV	150	165	135
Overseas private equity	37,283	41,012	33,555
Overseas diversified alternatives	58,489	64,338	52,640
Net derivative assets	1,959	2,155	1,763
Spot currency contracts	7	8	6
Investment income due	2,202	2,422	1,982
Amounts receivable for sales	1,034	1,137	930
Total investment assets	**1,327,673**	**1,460,440**	**1,194,907**

Asset type	Market value as at 31 March 2016	Value on 10% price increase	Value on 10% price decrease
Cash and cash equivalents	216,697	238,367	195,027
Investment portfolio assets:			
UK equities	50,397	55,437	45,357
Overseas equities	299,050	328,955	269,145
Overseas fixed income unit trusts	103,416	113,758	93,074
UK equity unit trust	73,681	81,049	66,313
Overseas equity unit trusts	144,296	158,726	129,866
Pooled property investments	86,926	95,619	78,233
London CIV	150	165	135
Overseas private equity/infrastructure	70,512	77,563	63,461
Overseas diversified alternatives	47,181	51,899	42,463
Net derivative assets	423	465	381
Investment income due	2,195	2,415	1,976
Total investment assets	**1,094,924**	**1,204,416**	**985,432**

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 interest rate risk is routinely monitored by the Authority and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

Fixed interest securities, cash and cash equivalents are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%.

Asset type	Market value as at 31 March 2017	Value on 1% price increase	Value on 1% price decrease
Cash and Cash equivalents	164,043	165,683	162,403
Fixed interest unit trusts	109,540	110,635	108,445
Index linked securities	62,287	62,910	61,664
Total	**335,870**	**339,228**	**332,512**

Asset type	Market value as at 31 March 2016	Value on 1% price increase	Value on 1% price decrease
Cash and Cash equivalents	216,697	218,864	214,530
Fixed interest unit trusts	103,416	104,450	102,382
Total	**320,113**	**323,314**	**316,912**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than Sterling. The Fund aims to mitigate this risk through the use of derivatives (see Note 15). The Committee recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

Overseas equities, fixed interest securities and futures, cash in foreign currencies, forward foreign exchange contracts and some elements of the pooled investment vehicles are exposed to currency risk. The following table demonstrates the change in value of these assets had there been a 10% strengthening/weakening of the pound against foreign currencies.

Asset type	Market value as at 31 March 2017	Value on 10% price increase	Value on 10% price decrease
Overseas quoted securities	381,608	419,769	343,448
Overseas fixed income unit trusts	109,540	120,494	98,586
Index linked securities	62,287	68,516	56,058
Overseas unit trusts	224,568	247,024	202,111
Overseas pooled property	-	-	-
Overseas private equity	119,021	130,923	107,119
Diversified alternatives	58,489	64,338	52,640
Total	**955,513**	**1,051,064**	**859,963**

Asset type	Market value as at 31 March 2016	Value on 10% price increase	Value on 10% price decrease
Overseas quoted securities	299,050	328,955	269,145
Overseas fixed income unit trusts	103,416	113,758	93,074
Overseas unit trusts	144,296	158,726	129,866
Overseas pooled property	12,661	13,927	11,395
Overseas private equity/infrastructure	70,512	77,563	63,461
Diversified alternatives	47,181	51,899	42,463
Total	**677,116**	**744,828**	**609,404**

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.

There is a risk that some admitted bodies may not honour their pension obligations with the result that any ensuing deficit might fall upon the Fund. To mitigate this risk, the Fund regularly monitors the state of its admitted bodies.

Summary	Rating	Asset value as at 31 March 2016	Asset value as at 31 March 2017
Money market funds			
Northern Trust Global Investments (NTGI) Cash Fund	AAA	89,516	112,120
Federated Prime Rate	AAA	10,114	614
Standard Life	AAA	-	3,740
Bank deposit accounts			
*Variation Margin		-	-
*Cash (externally held)		8,752	4,062
Bank current accounts			
*Northern Trust (NT) custody cash accounts		46,429	3,722
Total		**154,811**	**124,258**

*Cash and variance margin accounts do not receive credit ratings, figures are provided to reconcile the investment cash.

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Authority therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates and the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The Authority has immediate access to its Pension Fund cash holdings.

The Fund also has access to a £500k 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 2017 the balance on this facility stood at £0 (31 March 2016: £0). As these borrowings are of a limited short-term nature, the Fund's exposure to credit risk is considered negligible.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2017 are due within one year.

b) **Refinancing risk**

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

Note 19: 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 2016. The next valuation will take place as at 31 March 2019 although contribution rates in 16/17 are based on 2013 valuation.

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 for payment
- 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 the administering Authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers' and ultimately to the authority tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years. Solvency is achieved when the Funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. If the assets of the scheme relating to an employer are less than the funding target at the effective date of any actuarial valuation, a recovery plan will be put in place, which requires additional contributions from the employer to meet the shortfall.

At the 2016 actuarial valuation, the Fund was assessed as 85% funded (73% at the March 2013 valuation). This corresponded to a deficit of £201m (2013 valuation: £298m) at that time.

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

The contribution rates for each employer are as follows.

Name of Body	Scheduled or Admitted	Contribution Rates %	Employee Contribution 2015/16 £000s	Employee Contribution 2016/17 £000s	Employer Contribution 2015/16 £000s	Employer Contribution 2016/17 £000s
Active Newham	Admitted	16.4	22	18	56	46
Better Together	Admitted	12.0	-	6	-	10
Birkin Services	Admitted	17.7	-	2	-	10
Boleyn Trust	Scheduled	17.7	-	13	-	41
Brampton Manor Primary School	Scheduled	23.5	55	65	184	220
Carpenters TMO	Admitted	15.0	6	-	75	28
Chobham Academy	Scheduled	12.0	53	63	102	120
Churchill	Admitted	24.6	3	2	12	11
Community Links	Admitted	13.7	1	-	2	-
Community Schools Trust	Scheduled	15.0	-	15	0	48
Change Grow Live (formally named as CRI)	Admitted	12.0	5	4	10	9
Education Links Free School	Scheduled	12.0	3	4	5	8
East London Arts and Music School	Scheduled	12.0	6	5	11	10
East London Science School	Scheduled	12.0	5	14	8	22
EKO Trust	Scheduled	15.1	-	32	-	98
FM Conway	Admitted	15.3	-	-	204	-
Learning in Harmony MAT	Scheduled	19.8	89	160	278	524
Langdon Academy	Scheduled	23.5	105	104	392	387
London Academy of Excellence	Scheduled	12.0	17	17	33	34
London Borough of Newham	Administering Authority	13.4	10,339	10,352	41,364	40,496
London Design and Engineering	Scheduled	12.0	2	6	3	11
London Network for Pest Solution	Admitted	12.0	-	2	-	5
Leading Learning Trust	Scheduled	12.0	-	65	-	201
Lunchtime Company	Admitted	15.8	-	-	-	50
Mitie	Admitted	17.0	7	6	17	15
Newco	Scheduled	25.6	37	-	145	-
Newham College of Further Education	Scheduled	16.7	372	326	942	812
NewVic	Scheduled	12.1	168	153	308	284
Newham Partnership Working	Admitted	26.9	194	198	717	742
Oasis Academy	Scheduled	12.0	7	6	15	12
Olive Dining	Admitted	22.6	7	9	30	39
Our Lady of Grace MAT	Scheduled	24.6	52	53	195	220

Pabulum	Admitted	22.9	-	4	-	14
Public Realm	Admitted	12.0	-	34	-	92
RM Education	Admitted	20.9	5	5	18	16
School 21	Scheduled	12.0	42	57	82	106
Stratford Academy	Scheduled	25.6	41	37	164	150
Stratford Regeneration Partnership Ltd	Scheduled	25.6	9	-	30	-
Strictly Education	Scheduled	25.3	-	61	-	248
Wilson Jones	Admitted	25.3	8	3	37	15
Total 40 employers			**11,660**	**11,901**	**45,439**	**45,154**

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 in the 2016 Actuarial Valuation

Investment Return (Discount rate)	5.4%	Based on 20-year bond returns extrapolated to reflect the duration of the Fund's liabilities
Inflation	3.0%	Assumed to be CPI
Salary increases	3.9%	1.5% pa over CPI
Pension increases	2.4%	In line with CPI - assumed be 0.9% less than RPI

Mortality assumptions

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

Mortality assumption at age 65	**Male**	**Female**
Current pensioners	22.4 years	24.9 years
Future pensioners (assumed current age 45)	24.6 years	27.2 years

Historic mortality assumptions

Life expectancy for the year ended 31 March 2016 is based on SIPA actuarial tables. The allowances for future life expectancy are as follows.

Prospective pensioners	Current pensioners
Year of birth, medium cohort and 1.5% per annum minimum improvement from 2015	Year of birth, medium cohort and 1.5% per annum minimum improvement from 2015

Commutation assumptions

It is assumed that members at retirement will commute pension to provide a lump sum of 50% of the maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension.

Note 20: 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 IAS 19 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.

In order 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 19). The actuary has also used valued ill health and death benefits in line with IAS 19.

2015/16		2016/17
£m		**£m**
(1,783.4)	Present value of promised retirement benefits	(2,274.7)
1,105.3	Fair value of scheme assets (bid value)	1,333.7
678.1	**Net Liability**	**941.0**

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial funding valuation (see Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used	2015/16	2016/17
	%	%
Inflations/pension increase rate assumption	2.4	2.7
Salary increase rate	4.2	4.2
Discount rate	3.7	2.8

Note 21: Current Assets

2015/16		2016/17
£000		**£000**
83	Contributions due – employees	153
223	Contributions due – employers	433
-	Sundry debtors	1,420
11,045	Cash and cash equivalents	4,570
11,351	**Total Current Assets**	**6,576**

The contributions due all related to March 2017 (which became payable on 21 April 2017).

Analysis of debtors

2015/16 £000		2016/17 £000
-	Local authorities	890
306	Public corporations and trading funds	1,116
306	**Total Debtors**	**2,006**

Note 22: Current Liabilities

2015/16 £000		2016/17 £000
(784)	Sundry creditors	(18,913)
(784)	**Total Current Liabilities**	**(18,913)**

Analysis of creditors

2015/16 £000		2016/17 £000
-	Local authorities	(17,716)
(784)	Public corporations and trading funds	(1,197)
(784)	**Total Creditors**	**(18,913)**

Note 23: Additional Voluntary Contributions

Market Value at 31 March 2016 £000		Market Value at 31 March 2017 £000
743	Clerical Medical	754
241	Equitable Life	228
984	**Total**	**982**

AVC contributions of £62,672 were paid directly to Clerical Medical during the year (£48,773 2015/16).

There have been no further contributions to Equitable Life in 2016/17 or 2015/16.

Note 24: Agency Services

The Fund pays discretionary awards to the former teachers of the London Borough of Newham. The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the employer bodies. The sums are disclosed below.

2015/16 £000		2016/17 £000
339	Payments on behalf of London Borough of Newham	324
339	**Total**	**324**

Note 25: Related Parties

The Fund is administered by the London Borough of Newham. Consequently there is a strong relationship between the Authority and the Fund.

The following key management personnel are members of the Fund; Director of Financial Sustainability, Director of Exchequer and Transactional Services and Head of Pensions & Treasury for OneSource.

During the reporting period, the Authority incurred costs of £724k (2015/16: £672k) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses (see Note 11).

The Council overseas the administration of the Pension Fund. The Pension Fund can borrow from the Council. At 31st March 2017, the council owed the Pension Fund £890k (31 March 2016: £890k). The Council paid on behalf of the Pension Fund and in total the Pension Fund owes £17.7m.

Governance

The Transitional Provisions, Savings and Amendment Regulations 2014 removes access to the LGPS from 1 April 2014 for councillors and elected mayors in England and for the Mayor of London and members of the London Assembly.

Councillors, elected mayors, the Mayor of London and members of the London Assembly who were members of the LGPS on 31 March 2014 will retain access to the LGPS up to the end of their current term of office only (or to age 75 if earlier). They will retain the benefits accrued until the end of their term of office, which for Newham councillors was 22 May 2014.

There are four deferred members of the LGPS of the IAC; Councillor Forhad Hussain, Councillor Andrew Baikie, Councillor John Gray and Councillor Lester Hudson. No additional remuneration beyond their salary is paid to members of the Committee.

Each member of the Committee is required to declare their interests at each meeting.

Support is provided to the Committee by the Local Pensions Board.

Note 26: Contingent Assets

Admitted bodies - Active Newham have a guarantee in place with the Authority to guard against the possibility of being unable to meet their pension obligations. This guarantee will only be drawn upon in the event of an employer default.

New admitted bodies may be required to put an insurance bond in place if stipulated in the actuary's report – admissions are considered by the Committee.

Note 27: Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2017 totalled £73m (31 March 2016: £29m)

There are no contingent liabilities to report

Annual Governance Statement

Mayor and Member Engagement

The Mayor and Members are at the centre of our community engagement activity, and their contact with residents is key to understanding local priorities. The Mayor holds regular weekly 'Here to Help' sessions which take place throughout the borough, and holds telephone surgeries, and is contactable by email and letter.

Members also have regular contact with the general public through council meetings, telephone calls and surgeries. Surgeries take place on a regular basis and provide an opportunity for any resident to talk to their councillor face to face.

Throughout the borough's community neighbourhoods, community lead councillors work with volunteers and residents to run activities and events and to make change in the area based on local demand and need.

Supported by the full programme of engagement by the Mayor and Member, the council conducts a range of research projects and surveys which are used to identify resident priorities and subsequently inform council decisions.

To inform the Mayor's and Council's priorities for the next few years, Newham Council conducted, throughout 2015/16 a large scale public consultation on the budget challenge faced by the Council. At 2,447 responses to the open questionnaire and 1,264 face to face surveys, the Budget Challenge received the largest response to any consultation ever held in Newham.

As part of the consultation besides borough-wide communication channels (advertising in prominent locations around the borough, in print media and on the council's website), engagement activities included the council speaking to residents at the annual Mayor's Newham Show, and running local community events led by elected councillors, and hosting street stalls across the borough.

Scope of Responsibility

Newham is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. Newham also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Newham is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions including arrangements for the management of risk.

Newham's Local Code of Corporate Governance is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government.* A copy of the Code is on our website as Appendix 3 to the council's Constitution, with the council's Financial Regulations set out in Part 8 of the Constitution. These documents can also be obtained from the council's Monitoring Officer.

This AGS statement explains how Newham currently complies with the Code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement of internal control.

The Council's Commissioning Approach

The Council's overall approach to commissioning can be identified through four key stages:

- **Understanding** - Clear political and member-led direction, based on resident needs and expectations, to identify and agree the outcomes being sought. These are clearly identified in our *Resilience* policy and performance framework.

- **Planning** – Systematic approach to commissioning activities and initiatives to achieve the desired outcomes for residents in the most efficient and effective way. Throughout 2015/16 a series of commissioning intention meetings between the Mayor, Members and relevant directors took place. At the meetings, the intended outcomes for the council's various services were discussed, agreed or reconfirmed. The agreed commissioning intentions inform a subsequent options appraisal carried out by the council's Councils Services to Small Businesses (CSSB) team. The option appraisal identifies the best ways to deliver the service and outcomes. It includes considering new models for council services, based on co-operative principles, such as externalising the services into mutual organisations, local authority traded companies or shared services.

- **Doing** - the commissioning process drives actual programme and procurement activity and shapes the types of services delivered to residents in order to achieve the outcomes being sought.

- **Reviewing** – commissioned activity is monitored and evaluated for its impact on the intended outcomes. The reviewing stage informs decisions around shaping or decommissioning commissioned activities, and feeds back into the understand, planning and doing elements of the commissioning cycle.

The Council's Change Programmes: Council Services to Small Businesses (CSSB) and Newham 2020

The Council Services to Small Businesses (CSSB) Programme is a unique initiative that works with services to identify where the service could be better delivered by converting them to independent businesses or community enterprises. It is believed that staff are able to be more responsive to residents' needs in local areas so as to deliver a better, fairer deal for residents and strengthen resilience within these communities.

A decision to create a small business is initially taken following an options appraisal of the service (business unit) which identifies potential benefits to becoming a small business.. The decision is taken by senior officers in consultation with Mayor and Members. Subsequently a business lead is appointed to develop a business plan and seek approval of it.

The business plan is considered for approval at a gateway meeting, again with the decision being taken by senior officers in consultation with Mayor and Members. This also allows progression to Cabinet for a formal decision to externalise, with delegated authority to sign off the detailed arrangements delegated to the Director of Financial Sustainability in consultation with relevant officers and/or Members.

During the process of business plan writing, and subsequent to this completing and agreeing all due diligence, the projects report to a Mayor's Project Board on status, progress against timescales, and key risks. The business leads additionally report to Externalising Portfolio Board (EPB) on a monthly basis. EPB is structured in a similar way to a company or shareholder board . Business leads produce management accounts (profit and loss, cash flow) rather than local authority budgets, monitor business progress against agreed metrics, and discuss progress towards externalisation and achievement of business plan projections.

On the company becoming live a board of directors is established, with a requirement for the board to meet on a monthly basis. All material decisions are made by the board of directors. The company's articles of incorporation include governance requirements addressing rules and procedures for decision making and shareholders reserved matters.

The Board of Directors and the Management team of the company provide leadership with a business plan being approved on completion of externalisation. This is updated at least annually and is subject to approval by the shareholders. The Board is responsible for driving the strategic direction of the business. As part of externalisation the company is required to meet S151 requirements, The Business Transfer Agreement and Working Loan Agreements require financial reporting to strategic finance and shareholders.

The Council has the aspiration of becoming a fully commissioning based organisation. In order to achieve this and also meet its budget challenges, the Council has a dedicated change programme called 'Newham 2020'. Over the next three years, the Council will need to be even more resilient as, like many other Councils, Newham is facing pressure on budgets and continuing cuts in government funding.

Newham 2020 and the Council Services to Small Businesses (CSSB) are the two key programmes that will transform how the Council currently works and delivers services. They will create opportunities for services and staff to be more commercially focused, entrepreneurial and innovative. An Interim Transformational Director oversees the ambitious transformation programme and works with the Chief Executive, Mayor and Strategic Leadership Team to drive the necessary change and ensure that the Council becomes a fully strategic commissioning based organisation.

Annual Report

The Newham Mag is distributed every two weeks to each household in the borough, and provides information to residents on the council's progress on delivering local priorities, and also communicates service changes and council activities, events and initiatives. The Mayor's annual update is published within the Newham Magazine usually around the end of each financial year. For this year, the Newham Mag (issue 341) provided a comprehensive mid-term (2014-18) update on Mayoral priorities and key projects and initiatives delivered.

Commissioning Roles and Responsibilities

The following reflects the roles and responsibilities with regards to the Council's overall commissioning process at the beginning of the calendar year 2017:

- The Mayor and Members are accountable for strategic and major policy decisions and hold officers to account for delivery against agreed outcomes.

- The Chief Executive is responsible for ensuring the Council's overall governance and that the organisational structure is fit for purpose to deliver the Council's intended outcomes.

- The Council's Commissioning Directors and Chief Operating Officer are responsible for determining the best commissioning method (such as to providing directly, contract out the service, setting up an external enterprise/company, advocating, regulating etc.) and the councils commissioning structures to achieve our Resilience Aspirations.

- The Managing Director (MD) of *oneSource* is responsible for the delivery of oneSource services and reports to the oneSource Joint Committee and the Newham Chief Executive. OneSource enables commission activity through effective financial management of resources and provide a wide variety of strategic and support services (such as IT, HR, procurement, legal, property, etc.).

Corporate Performance Management

The Council's Resilience Performance Management Framework (PMF) sets out and measures the direction of travel towards achieving our aspirations and the performance of the Council's range of commissioned services and activities. Throughout 2016/17, the PMF has systematically identified areas for management action through:

- Performance being considered across a range of performance measures by all levels of the organisation.
- The Council's Commissioning Directors considering PMF performance measures and further operational-based performance indicators on a monthly basis at their relevant management team meeting.
- The CE and Strategic Leadership team considering performance highlights report each month.

The Council uses external benchmarking to compare the services with other Councils, providers and operators. This is used as a tool to assess the cost effectiveness and value for money of services commissioned by the Council.

Shared services: oneSource

Launched April 2014, oneSource brought together the London Borough of Havering's Resources Directorate and Newham's Resources and Commercial Development Directorate to create the biggest shared back-office service in London. Staff remain employees of their respective Councils but are part of a shared service (with staff able to support the activities of both boroughs when appropriate). The functions included in oneSource for 2016/17 are: Human Resources, ICT, Legal Services, Council Tax and Benefits, Procurement, Finance,Asset and Property Management.

oneSource performance is overseen by a joint committee of councillors and subject to service level agreements with commissioning directorates. Performance regarding the key deliverables such as Council Tax, non-domestic rates collection, client satisfaction and savings delivered are monitored. The Managing Director and oneSource directors are responsible for the operational delivery of oneSource services.

London Borough of Bexley joined oneSource on 1 April 2016 delegating its financial services to the joint committee.

Decision Making and Governance

The Council has a directly elected Mayor and Cabinet model of executive. All executive functions are delegated under the Local Government Act 2000 to the Mayor, who may delegate those powers to the Cabinet, individual cabinet members and officers. Full Council retains those powers reserved to it by the 2000 Act and may delegate those powers to committees or officers.

Both executive and non-executive functions may be delegated to the oneSource joint committee and onwards to officers.

The Constitution provides rules for the conduct of decision-making meetings.

Executive Decision Making: Mayor and Cabinet

The Mayor is directly elected every 4 years and is the Council's political leader as well as executive decision maker. The Mayor appoints a Cabinet of between 2 and 9 members. Mayoral advisors are appointed to specific areas but they are not members of the executive and have no decision making powers.

The Mayor delegates executive powers through his Mayor's Scheme of Delegation. The Mayor makes decisions reserved to him as Mayor at Mayoral Proceedings and makes decisions at Cabinet in consultation with Cabinet members.

Cabinet meetings are chaired by the Mayor and usually follow Mayoral Proceedings.

The Mayor also approves Schemes of Delegation to Officers for the majority of the operational delivery of executive powers.

Non-Executive Decision Making: Full Council and Committees

Full Council is the meeting of all 60 Councillors (and the Mayor). Full Council has the powers reserved to it by the Local Government Act 2000 regime, called non-executive powers.

These powers comprise:
- Agreement of the budget and Council Tax annually;
- Agreement of major policies reserved to it;
- Regulatory functions such as licensing and planning largely where they relate to individual applications and consents;
- Governance matters such as the Constitution, elections, the Code of Conduct and members allowances;
- Staffing and pensions matters and the appointment of the Chief Executive.

Except for the policy framework and the budget, most powers are delegated to member committees or officers. The delegations to Committees are included in the Constitution and the delegations to Officers are included in the Officers' Schemes of Delegation.

Full Council meets 6 times a year and is chaired by a Chair, not the elected Mayor.

Committees

Full Council delegates most of its operational functions to committees of members and officers. Committees are largely in the regulatory, conduct or governance areas, including licensing and planning where they determine individual applications applying the Council's policies.

The Council has advisory committees for functions such as ethical conduct and audit to allow the membership of non-councillors as co-opted members.

Committees are largely established under s.101 of the Local Government Act 1972 and must comply with rules of procedure in the Constitution.

Overview and Scrutiny

The Council must have one or more Overview and Scrutiny committees. Scrutiny's role is to contribute to policy review and development and, secondly, to scrutinise the decisions of the executive. It also has statutory powers to scrutinise health functions in Newham and this can be done jointly with other boroughs. All Councilors, with the exception of Cabinet Members, can be scrutiny members.

The role of Scrutiny is that of a critical friend. Scrutiny has no decision making powers but may require evidence to be called and information to be provided. It may also "call in" executive decisions that have been made but not implemented. This allows Scrutiny to review decisions and make recommendations to the original decision-maker who must consider any recommendations before making a final decision.

The Council has an Overview and Scrutiny Committee and is currently supported by Task and Finish Groups that undertake ad hoc reviews. The Council is currently reviewing how it discharges its Overview and Scrutiny function.

The Corporate Leadership Team (CLT)

CLT, chaired by the Chief Executive, was the Council's senior management team for the majority of 2015/16 (it was changed to the Strategic Leadership Team (SLT) moving into 2016/17). It included all Commissioning Directors (Including Director of Public Health), the Assistant Chief Executive, the MD of oneSource, the Director of Legal (oneSource) and the section 151 Officer and was held once a week. CLT's role was to ensure the Council has strategic direction at an officer level and that there was a corporate approach across the Council.

CLT was not a key decision making body; decisions being taken by the Chief Executive and individual Directors. CLT also acted as a Corporate Programme Board, and oversaw the implementation of major Council projects
2020 Programme Board is led by the Chief Executive and consists of CLT members and additional transformation officers. The Board oversees the transformation of the Council towards a commissioning model by 2020.

Council Constitution

The Constitution sets out how the Council will discharge its statutory functions, the roles and responsibilities of members and officers and the governance of its decision-making. It also contains rules for governance of specific areas.

The Monitoring Officer (Director of Legal & Governance) ensures that the Constitution is regularly reviewed, prioritising elements that require change and removal of redundant terms. Full Council is required to approve all changes to the Constitution.

Codes of Conduct

The Council has a Code of Conduct for both Councillors and officers.

The Council's current Code and Protocols relating to officers are supported by a requirement to make declarations of interest and to declare gifts and hospitality. Interests must be declared by officers above a certain grade and those in certain decision-making and procurement positions. Email alerts go to officers requiring a DOI when required. Officers are required to generally decline gifts and hospitality to ensure that officers are not inappropriately influenced. These Codes and processes are made available to staff at their induction; are on the Intranet; and online training is available to ensure every staff member understands their responsibilities. All declarations are made on-line and are automatically referred to the manager for approval under the on-line system.

Members must agree to abide by the Council's Code of Conduct for Members, which complies with the Localism Act 2011 and is based on the 7 Nolan Principles for conduct in public life. The Code's main obligations on members are:

- To register disclosable pecuniary interests [DPI] and to disclose any interests in meetings where they are affected by a decision;
- Where a DPI is disclosed in a meeting, to withdraw when the item is considered and not participate in the decision-making;
- To register gifts and hospitality with an estimated value over £25 [declarations are recorded on the website];
- To comply with general standards of conduct when acting in their official capacity.

Details of members' interests are available online and members' obligations are set out in all public agenda papers.

Any person may complain in writing that a member has breached the Code of Conduct. The Monitoring Officer [Director of Legal & Governance] will determine whether the complaint should be investigated and, where a complaint is investigated, whether further action is necessary.

The Standards Advisory Committee [SAC] is an advisory committee [it is advisory to allow an independent chair] that receives reports from the Monitoring Officer on conduct matters and his decisions. It has no decision making powers but may, on the Monitoring Officer's advice agree that an investigated complaint should be determined by a Hearing Sub-Committee. The Sub-Committee must be comprised of elected members which determines whether the Code has been breached and if so the sanction. The Council has appointed Independent Persons who will be consulted during consideration of complaints.

Procedure Rules
The Council's Constitution contains procedures to govern key aspects of the authority's decision making. These include:

- **The Mayors and Officer Schemes of Delegation**
  The schemes of delegation set out who is delegated authorised to make decisions to discharge Council duties and powers. They supplement the Responsibility for Functions section of the Constitution. .

  The Council has also delegated functions provided by oneSource to the oneSource Joint Committee most recently in September 2015. In January 2016, the Joint Committee renewed its scheme of delegation to its officers.

- **Financial Regulations**
  The Council has financial regulations which provide details of officers' responsibilities for the Council's control environment relating to income, expenditure, internal control, risk management and partnerships.

- **Contract Standing Orders and Procedure Rules**
  The Council has rules to ensure works, goods and services are procured in accordance with EU and domestic law and best value is obtained. The Council has developed guidance, templates and model documents to assist with procurement activity.

- **Access to Information:**
  In accordance with legislation, these rules require all formal member meetings are open to the press and public and papers are published 5 clear days in advance of the meeting. The Rules set out the exemptions to this rule, including the categories of exempt information [schedule 12A of the Local Government Act 1972] that may be removed from publication and considered in private where it is considered to be in the public interest.

  The Rules set out the rules on the advance notification of key decisions by publication in the Forward Plan 28 days prior to the meeting in which the decision-making takes place. The Forward Plan also includes notification of any reports which are in whole or partly excluded from publication and provides for public consultation on this and other aspects of the governance process. The Rules also provide how decisions that must be made urgently but are not on the Forward Plan can be made and that they are exempt from call in.

- **Officer Employment Rules**
  The mandatory standing orders for the employment of staff and for the appointment and dismissal of senior employees.

Statutory Officers

The Council employs statutory officers to discharge specific functions. These include:

The Head of Paid Service (the Chief Executive), the Chief Finance Officer designated under s151 of the Local Government Act 1972 (The Director of Financial Sustainability) and the Monitoring officer (the Director of Legal and Governance).

Each has the power to refer certain matters to the Council. These officers meet regularly to discuss current issues and liaise regularly in between meetings on matters affecting the governance of the authority. The statutory officers ensure the provision of professional advice on all key decision-making reports to ensure legal, financial, risk management, procedure and equality implications are addressed.

Executive decisions follow an agreed report writing procedure, which ensures reports comply with governance standards and contain all necessary implications.

Under the provisions of the Children Act 2004, the Local Authority must appoint an officer, who has lead responsibility for children. This role is carried out by the Director of Commissioning (Children's Services). The Council is required to appoint a lead Member for Children Services and Councillor Rev. Quentin Peppiatt is on the Council's Cabinet with the portfolio as the Cabinet Member for Children and Young People (including Children's Safeguarding) and he is supported by Councillor Lakmini Shah, Cabinet Member Children's Safeguarding (Deputy) and Domestic Violence. The Director of Commissioning (Adult Social Care), discharges the Council's responsibility for Adults under the provision of s.6 of the Local Authority Social Services Act 1970. Two elected members share lead responsibility for Adult Social Services, Councillor Clive Furness, Mayoral Advisor – Adults and Health, and Councillor Joy Laguda, Associate Cabinet Member and Mayoral Advisor – Adults Safeguarding and Chair of Council.

Whistle-blowing and Personal Interests

The Council takes disclosures of wrongdoing, or malpractice (in any form) very seriously, and will seek to ensure that employees acting in the public interest - who genuinely believe that wrongdoing is evident or has occurred - are able to make a disclosure in confidence, without fear of detriment or victimisation. The Whistle-blowing policy is actively promoted through all staff emails and intranet news articles, to remind staff of the process for raising their concerns. The effectiveness of the policy and the type of issues raised are reviewed and monitored annually by the Council's Audit Board.

In addition, the Council has formally adopted an anti-bribery and corruption policy. The Council also has an online Declarations of Interest system which is promoted to all staff and monitored on an annual basis.

Complaints Process

The Council has a corporate complaints process which is administrated by the Complaints and Members' Enquiries Team. The team operate a one stage process with a review stage if the complainant remains dissatisfied with the response.

The team continues to work with services to reduce complaints further through early intervention and resolution. A new ICT system has been implemented which should enable better quality reporting and monitoring for services, which will identify trends and high profile issues.

Freedom of Information

The Council must respond to Freedom of Information (FOI) requests within 20 days. The following table shows the Council's overall performance for 2014/15, 2015/16 and

2016/17. Whilst there was a decrease in requests in 2015/16, 2016/17 so far has shown a substantial rise. Work is continuing on the implementation of a new ICT system which will allow a fully searchable Disclosure Log, which should help to reduce the number of requests. The new system will also aide monitoring and reporting and will allow services greater access to information on requests/complaints and performance data which should enable a more efficient and streamlined service, which is transparent to all services. All FOI responses continue to be cleared at Director level in order to ensure accuracy and quality.

Year	Status	Quarter 1	Quarter 2	Quarter 3	Quarter 4
2014/15		**464**	**417**	**397**	**484**
	In Time	**327**	**299**	**249**	**337**
	Overdue	**137**	**118**	**148**	**147**
2015/16		**357**	**390**	**327**	**381**
	In Time	**218**	**217**	**235**	**291**
	Overdue	**139**	**173**	**92**	**90**
2016/17		**526**	**427**	**469**	
	In Time	**452**	**352**	**437**	
	Overdue	**74**	**75**	**32**	

Information requests under provisions of the Data Protection Act

The Council must respond to requests within 40 days. The following table shows the Council's overall performance for 2015/16 and 2016/17. These requests are now logged on the new ICT and work is currently being undertaken with services to ensure that information and data is captured and available across the Council.

Year	Status	Quarter 1	Quarter 2	Quarter 3	Quarter 4
2015/16		200			
	In time	160			
	Overdue	40			
2016/17		45	51	50	
	In time	43	44	47	
	Overdue	2	7	3	

In addition the Information Governance team dealt with 1964 information sharing requests in 2015/16 and so far in 2016/17, up to 31st December, 2016, 1245 requests.

Procurement Gateway and Governance

A Checkpoint process operates within the Council to ensure that the service leading a procurement is adhering to the Council's appropriate procurement processes and following relevant procurement legislation.

- Checkpoint is a three step Governance process designed to help staff who commission high value contracts, works and goods above £164,176;
- Checkpoint ensures that the correct decisions and steps have been undertaken to achieve better procurement outcomes, and mitigate risks;
- It provides a checkpoint of three key points, overseen by a panel, with representatives from services including: Legal, Procurement and Finance, to offer expert advice, support and guidance;
- It makes sure the procurement process complies with the Contract Procedure Rules and The Public Contract Regulations 2015;

- The Strategic Leadership Team acts as a pre-procurement gateway, adding challenge to the Council's procurement activities and robustness to the overall procurement process.

Corporate Health and Safety

The formal Governance arrangements for Health and Safety across LBN are set out in the Health and Safety Policy. A Corporate Health and Safety Board meets quarterly and is chaired by the Director of Public Health. The Director of Public Health is the key link into SLT. The Board deals with strategic and high level health and safety issues and monitors health and safety arrangements. The members of the H&S Board either Chair or are members of their respective service divisions to enable more operational aspects to be considered and allow a two way communication flow that highlights key risks and monitoring arrangements.

The Council has a robust reporting procedure to the Health & Safety Executive (HSE) under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR). The reportable categories under RIDDOR are: deaths, specified injuries, over-seven-day injuries to workers, injuries to non-workers if they are taken from the accident scene to the hospital, dangerous occurrences and reportable diseases.

The highest risks to the organisation (and are unlikely to change in the near future):

- Fire;
- Lone Working / Violence;
- Stress;
- Musculoskeletal;
- Construction work;
- Asbestos Management;
- Works commissioned directly by schools.

In order to mitigate the above areas of risk a new H&S framework has been introduced by oneSource Corporate Health and Safety on behalf of Havering and Newham. The objective of the Framework is to strengthen the H&S Management System and to provide the following:

- A RAG rated compliance assessment;
- Clearer reporting;
- Consistency across services;
- Flexibility for different clients and services;

The Framework is based on the Occupational Health and Safety Standard 18001 and fits in with the requirements of the HSE model (HS(G)65). The model has been fully developed from within the oneSource Corporate H&S Team taking advantage of utilising current systems.

The Framework assessment process is health and safety adviser led and involves an in-depth examination of the entire health and safety management system and associated arrangements. It will focus on the key aspects of each service area's approach to managing occupational health and safety in the workplace and the outcome will provide a structured path for continuous improvement towards best practice.

The assessment process is intended to ensure all appropriate aspects of occupational health and safety have been considered within the safety management system and how effectively such arrangements are being implemented against the set criteria. A subsequent RAG rated compliance assessment report is prepared to identify the strengths and areas for improvement within the health and safety management system and also to provide observations and recommendations, together with action planning, for consideration. Health and Safety Advisers are able to assist with support and advice etc. on implementation of the action plan.

Grading of a Service/Directorate/Council will be based on the Framework criteria as follows:

Green – 100% compliant
Amber – 80% or more compliant
Red – Less than 80% compliant

The new accredited course has been introduced in Newham – Managing Safely. The IOSH Managing Safely is designed for managers and supervisors in any sector, in any organisation. Its content is designed and quality-controlled by IOSH, the chartered body for health and safety professionals.

It is a nationally recognised level of competence which gives the Council a reassurance that managers and supervisors understand their responsibilities and are managing safely. It focusses on the practical actions they need to take and builds knowledge to tackle the safety and health issues they're responsible for. The course is delivered in house by accredited Corporate Health and Safety Advisers.

Some of the benefits of the course are:

- Greater productivity as fewer hours are lost due to sickness and accidents;
- Improved organisation-wide safety awareness culture and appreciation for safety measures;
- Active staff involvement to improve the workplace and Council activities (that affect staff and members of the public);
- Nationally recognised and respected certification for managers and supervisors.

Reviewing Governance Effectiveness

Reviewing the governance arrangements for their effectiveness is ongoing and is carried out through the work of the Directors and Statutory Officers within the Authority (who have responsibility for the development and maintenance of the governance environment); the Head of Assurance's annual report; the work of the Audit Board; and also by comments made by the external auditors, other review agencies and inspectorates.

The processes that maintain the effectiveness of the governance framework includes the following:

• The Council's internal management processes, such as performance monitoring and reporting; the staff performance appraisal framework; monitoring of policies, such as the corporate complaints and health and safety policies; and the corporate budget challenge process;

• The procurement checkpoint governance process which is designed to give assurance on Council procurement;

• An annual self-assessment of the adequacy of the governance arrangements in departments completed by each director of commissioning;

• The Council's internal audit coverage, which is planned using a risk-based approach. The outcome from the internal audit coverage helps inform the Head of Assurance's opinion on the overall adequacy of the Council's internal control framework, which is reported in their Annual report;

• Ofsted's inspection of Children's Social Care and Safeguarding services;

• External audit of the Council's financial statements and the Pension Fund accounts;

• The work of the Audit Board, which reviews the outcomes from the annual audit plan and the Annual Report of the Head of Assurance;

• The work of the Overview and Scrutiny committee;

• Work of the Standards committee, which includes monitoring the operation of the members' code of conduct and the member and officer Protocol.

• Findings from fraud investigations

• Findings from whistle blowing

• Complaints Information

Internal Audit

Annual report from Head of Assurance 2016/17

The Assurance service, based in oneSource, provides a number of services to the Council Including; Internal Audit, Insurance, Risk Management and Pro-Active Audit & Counter Fraud. This report sets out the Head of Assurance's opinion on the overall adequacy and effectiveness of the Council's internal control framework, together with the details upon which the opinion is based. Each area has a contribution to the annual opinion as indicated below:

Internal Audit

The audit section has a plan of work that is discussed with Audit Board and is agreed by the section 151 Officer. The plan is kept under review during the year and is adapted to take account of changes in circumstances within the Authority and to assist in supporting services where weakness is identified. The plan is intended to provide assurance to managers that the controls they have put in place address the Council's risks and that they are working effectively.

The section works in accordance with the Public Sector Internal Auditing Standards.

Summaries of audit reports and performance are provided to the Audit Board on a regular basis.

Pro-Active Audit & Counter Fraud

Members of the Board review the counter fraud policies to ensure that they are fit for purpose. These reviews form part of members' assessment of the system of internal audit, as required by the Accounts and Audit Regulations.

The section has a role in preventing, detecting and deterring fraud. It uses a number of methods to achieve these objectives. The section runs training courses and on line training packages, to raise awareness of the risk of fraud and to assist with fraud prevention. It uses publicity to help deter and prevent fraud by letting people know that they will be caught, and about the type of sanctions that they can expect. In terms of detection, the section participates in data matching with the National Fraud Initiative. Additionally, locally initiated data matching is carried out in discreet areas to try to identify other types of frauds such as housing tenancy fraud.

Where fraud investigations take place the investigation can be the result of a control weakness in the system. There is a system in place to report any such weakness identified to management, for them to take corrective action and put in preventative controls to prevent a re-occurrence. There is a close working relationship between Internal Audit & Counter Fraud and if there is a perceived weakness in control identified by the Counter Fraud Team Internal Audit are made aware.

Head of Assurance's interim opinion

Annually, the Head of Assurance is required to give an opinion on the internal control environment and the level of assurance that can be gained from the work carried out by the service. The opinion set out below is based upon work reported to Audit Board from 23 March 2016 to 24 January 2017 inclusive.

In formulating my interim opinion, as Head of Assurance, I have taken account of:

- 2015/16 Ernst& Young ISA 260 Report

37 reports in total were submitted to the Audit Board: This data is based on reports submitted to Audit Board from 23 March 2016 to 24 January 2017.

Service	Number of reports	Substantial assurance opinion	Moderate assurance opinion	Limited assurance opinion
Adults'	1	1		
Children's' Services	4	1	2	1
Schools	17	14	2	1
Community and Environment	2	1		1
Housing	3	3		
Enforcement and Safety	0			
Regeneration and Planning	0			
oneSource (Finance, IT, Asset Management, Transactional Services, Legal and HR)	10	5 and 1 substantial compliance	1	3

Six of the reports that have been submitted to Audit Board in this period have had a limited assurance opinion. Audit Board members receive limited assurance reports in full and have the opportunity to ask questions of the relevant director at the meeting. One of these reports related to a school.

In a time of considerable change, with reduced resources, it is imperative that the Council operates a robust risk management system, managers take their roles and accountabilities seriously and that the organisation has a robust governance and control framework in place. However, the number of limited or no assurance opinion reports continues to fall.

In my opinion the control framework remains adequate but efforts need to continue to ensure that controls are in place to mitigate the risks the council is facing particularly as the organisation is in a period of considerable change.

Audit Board

The Council has a committee called the Audit Board comprising elected Members drawn from Cabinet or Mayoral Advisers and other Members. They meet up to eight times per year. Their role is to advise and review the Council's Internal Control Framework and to hold those responsible for any apparent failures to account. Board members receive regular training and briefings on matters relating to their terms of reference to keep them up to date.

Any report with a limited assurance opinion, is reported to the Board, and relevant officers are invited to go through the findings, field questions and outline intended actions. During the year, the Audit Board has called officers to its meetings to explain how they are progressing with internal and external audit recommendations. The Board has received a range of reports from the internal and external auditors to assist them in considering the effectiveness of the Council's Control Framework. The Board also receives regular reports on internal audit, risk management and counter fraud performance.

External Audit

The Statement of Accounts is prepared in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and Service Expenditure Reporting Code of Practice (SerCOP). The accounts are then audited in accordance with the Audit Commission Act 1998, and the Code of Audit Practice issued by the Audit Commission.

Each year the Council receives a report from its external auditor on the results of the audit of the financial statements. The most recent audit letter indicated that the Council's financial statements give a true and fair view of the Council's affairs and of the Authority's income and expenditure and cash flows for the year, and have been prepared in accordance with the requirements of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Leadership and Organisational Development

The Council recognises that effective performance from every individual is critical to the commissioning and delivery of excellent services for the people it serves. It recognises the importance of giving all employees clarity in relation to their job role, their individual contribution and that of their team through setting performance objectives. The appraisal scheme enables managers and staff to connect their objectives to our behaviours and competency framework. It enables managers and staff to discuss performance, goals, behaviours and competencies and any personal development needed to achieve them. How employees behave is critical to the delivery of cultural change and the delivery of excellent services, and a behavioural competency framework was introduced and incorporated within the Personal Development Scheme (PDS) to ensure performance discussions support individuals to understand what is expected at the Council. This framework will be revised during early 2017 as part of the Council's transformation programme – Newham 2020 and a programme to embed it more consistently across the organisation. Through the PDS, leaders, managers, teams and individuals are able to explain both the behaviours that the organisation needs to succeed, and those which do not contribute to the delivery of excellent services. In addition, leaders and managers have key accountabilities and requirements associated with their roles and these are assessed through PDS discussions.

The Council will commission learning & development interventions to ensure employees are supported and a particular focus will be on the move to a fully commission based organisation and our desire to achieve greater commerciality and income raising potential. Each course will be matched to the behaviours and competency framework, to ensure it is meeting the Council's needs. The next offer will include generic corporate courses, but the focus will be more on self-directed learning and an improved E Learning offer.

The Council is committed to inducting new employees effectively and provides induction guidance, which we are now exploring how to do this more digitally through the use of an E Learning platform. The Council has an agreed framework for managing people which articulates the Council's approach to leadership development, talent management and employee development, employee engagement, culture change and performance.

The Council is continually developing its e-learning delivery capacity and has developed on-line governance and financial training including compulsory modules in Codes of Conduct; Data Protection; Declaration of Interest; Fraud Awareness; Information Security, Safeguarding and Whistle-blowing. The range of modules will expand during 2017/18.

The Audit Board and the Investment and Accounts Committee, include training as part of their agendas and agree specific training plans for themselves annually. For some aspects of Council work, members are required to undertake a period of study and pass a test to ensure they can demonstrate appropriate competence. This applies to Planning and Licensing arrangements, for example. For other positions Members are supported through briefings and conferences.

Communication and Engagement

In Newham, community engagement is led from the top. Newham's elected Mayor and Councillors have regular and widespread contact with residents and communities throughout the borough. They have a key role in listening to and talking with local people about their aspirations, as well as the day-to-day issues that affect their quality of life. The Mayor of Newham, for instance, personally undertakes an extensive schedule of listening opportunities through borough events, here to help sessions and telephone surgeries.. From these many contacts, the Mayor and Councillors are well informed to take decisions that aim to improve people's lives and futures.

Community engagement is a key strength for Newham and is essential to the Council's 'building resilience' approach. We attract over 140,000 people a year to our free community events designed to get people from different backgrounds and areas together; get them active; and provide information on how they can make the most of local services from the Council and partners. We have one of the biggest community activity events programmes in the country, including sports and cultural activities.

Central to community engagement within Newham are our Community Neighbourhoods. Led by local Councillors, Community Neighbourhoods are localised networks bringing together physical assets like libraries and community centres with social assets like volunteering and sports activities.

A Community Lead Councillor is appointed by the Mayor to lead activity and engagement in each of the eight Community Neighbourhood areas. This includes engagement with residents, schools, businesses and community groups within the neighbourhood area to identify local priorities. Each Neighbourhood produces an annual community plan which details how local priorities will be delivered.

Lead Councillors work closely with ward Councillors and Community Neighbourhood managers to instigate local projects and arrange neighbourhood events and activities. Through this leadership, Neighbourhoods provide opportunities for local residents to build their own local networks and get involved in action to improve their neighbourhood.

Just as importantly, Community Neighbourhoods provide a local intelligence-gathering function and ensure appropriate action is taken to address persistent issues. The Community Neighbourhood model ensures a consistent and high-quality public service offer that makes good use of public assets, is responsive to local priorities and is central to building community resilience.

The Council also understands residents' priorities and needs through surveys, a programme of qualitative research and ongoing consultation. These include the Newham Survey focused on council services and quality of life and the Newham Household Panel Survey which is focused on understanding households in Newham. The findings of the surveys directly inform corporate planning processes, service improvements and ongoing policy making. The Council uses a range of tools to engage directly with service users, including user and partnership groups, consultations on specific issues and user surveys, such as the regular Tenants and Leaseholders Survey, again, informing service improvements and policy issues.

With regard to communication the Council has strong and proactive communication channels, including:

- Marketing communications: The marketing and information team consists of a marketing and design function and together develop and deliver more than 100 campaigns and other marketing activities annually. These are aimed at residents, businesses, visitors and other stakeholders and support a range of Mayoral, corporate or service area priorities. These marketing communications provide information about the Council's services, drive behaviour change among residents, support resilience, and promote the borough as a destination for inward investment and as a place to live, work and stay. The team works with partner and stakeholder organisations to provide a brand guardianship service, ensuring that Newham brand values are upheld in the content of materials produced for partnership or funded activity or for the Council Services to Small Business programme, and that these materials are produced within brand guidelines.

- New media: The New Media Team maintains and develops the Council's corporate digital platforms, which include the website, social media and audio-visual channels. The team centrally manage the digital content and provide proactive and reactive editorial support to Council services to ensure content is written in a suitable online style. An out of hours service is provided 24 hours per day seven days per week. The team's key objective is to drive users to more efficient, convenient and cheaper online platforms and encourage self-service and resilience as part of the Council's wider channel shift strategy. The team uses the Council's social media channels to engage with residents, partners and external bodies at reduced costs. Social media is factored into key marketing campaigns and is used as a tool for networking and maintaining good relationships. The team provide a customer service role which involves signposting users to the website or to a relevant Council officers. The team use a range of software to identify emerging issues discussed on social media for the Council and its services to respond accordingly.

- Events: The events team manage the delivery of events such as the Mayor's Newham Show and Carnival, Under the Stars music concerts, the Great Newham London Run and Guy Fawkes Night. The team offers expert guidance on event style, structure and set-up, objective setting, venue management, event management on the day, catering, audio/visual requirements, lighting, the invitation process, floor plans, signage, branding, delegate management, briefing hosts, hospitality, health and safety and licence guidance. Community events deliver increased community cohesion and offer residents opportunities that they may not otherwise be able to access and help build Newham's reputation. Newham's events are aspirational and aim to inspire residents and especially Newham's young people.

- Publications: The Newham Mag is produced fortnightly with a print run of 118,100 copies. It is also available through Council information outlets such as libraries, the customer service centre, leisure centres and other public buildings. It ensures residents are well informed about Council services and work that the Council is doing on their behalf. It also helps to communicate how the Council listens and responds to residents. The Mag offers a dedicated focus on the work of the eight community neighbourhoods. It publicises the work of Councillors and informs residents about specific events and news in their area as well as seeking to increase public participation in local activities. The Newham Mag is also widely used by a range of public sector bodies in Newham to communicate important information to residents. These include Newham Clinical Commissioning Group, the London Legacy Development Corporation, the Mayor of London, Metropolitan Police, Transport for London, the NHS, Greater London Authority, Public Health England and London Fire Brigade.

- Media relations: The media team works to ensure a positive profile for the Council in local, regional, specialist and national media, either in print, on air or online. The media team also works to defend and protect the Council's reputation by providing robust responses and rebuttals when appropriate or inaccuracies have taken place. Key audiences are residents and businesses; central and regional government and other statutory and stakeholder partners; inward investors; those whom the Council wishes to recruit and retain.

- Internal communications: the Council engages with staff through the intranet, bulletins to managers, strategic leadership forums, all staff emails, and The Buzz, a fortnightly online newsletter keeping people informed about the programme to transform the way the council works by 2020 to be more effective, innovative and pioneering in the way we deliver services that residents say matter most.

Newham has one of London's youngest populations and in 2007 the Council decided to engage with young people in a new way. One of the first programmes of its kind, Newham's Young Mayor scheme is the Council's flagship youth democracy initiative. Each year, young people nominate themselves to stand as Young Mayor in an election which is held each October, with young people aged 11–18 taking to polling stations to vote. The most recent election in 2016 saw an impressive 76% turn-out: thought to be the highest turnout nationally. The Young Mayor is responsible for a £25,000 budget which goes towards initiating projects for young people. As part of the programme a total of 21 young people make up the Youth Council including the Young Mayor, Deputy Young Mayor, Member of UK Youth Parliament and three Heads of Boards. The Boards are made up of seven young people and focus on the delivery of specific manifesto points with a remit to support and advise the Youth Council.

Partnerships

The Sustainable Community Strategy sets out the agreed aspirations that the Council shares with partners, and which we will work in partnership to deliver. The vision of building resilience in Newham is the priority of the partnership. The Resilience Performance Framework allows the Council and partners to target actions and measure progress as a partnership towards this aim. The Council will regularly review the measures set out in the framework to ensure they align with current priorities and activities provided to achieve the agreed outcomes.

The Council has partnership arrangements with NHS Newham and NHS City and East London, with whom we work closely on proposals for arrangements for health governance and delivery across the borough. The statutory Strategic Health and Well Being Board (established in 2013), brings together Newham Council, NHS bodies and other organisations which provide health and social care in Newham and represent customers.

There are also partnership arrangements in place with the Police, Probation, Fire and Rescue and Youth Justice Services to help meet the targets for reducing crime and making Newham a safer and stronger community through the Community Safety Partnership. The Council also has Partnership Boards for Children and Young People which have key roles in developing a joint strategic approach to the delivery of services and improving outcomes for Newham's young people. The adults and children’s safeguarding boards are chaired independently bringing together the Council and other partners to focus on safeguarding and improving outcomes for those at risk of violence and abuse. The Employment and Enterprise Partnership Action Board focuses on facilitating joint partnership work between the public, private and third sectors, to enable Newham residents to access employment opportunities through job brokerage and skills development.

Newham has been working with seven other boroughs across east and north east London under the Local London partnership, which is seeking to maximise opportunities for growth in the sub-region through greater devolution of power and responsibilities from central Government.

The Council is also developing partnerships in order to increase its long-term financial security becoming less reliant on government grant funding. For example, Newham is making sound investments that will deliver in the short term, such as the investment in Local Space as well as those that will deliver longer term returns such as Red Door Ventures and the London Stadium.

Through the small business programme, Newham is scrutinising services to identify improvements and removing waste and duplication through a process of transforming services into independent mutuals and co-ops led by staff who are free to innovate and generate profit.

Significant Governance Issues

2015/16 – Update: Significant Governance Issues

The review process to support the production of the Annual Governance Statement for 2016/17 has provided updates on the Significant Governance issues identified in **2015/16.**

Control Area	Governance Issue	Issue/Action Taken	Responsible Officer for subsequent action
Resources and Commercial Development/ oneSource.	Capital Expenditure/ Revenue Expenditure - potentially unlawful	**For the 2014/15 AGS statement, it was reported that unauthorised overspend had been incurred in relation to a Newham Collegiate Sixth Form capital project. No further unauthorised expenditure has been incurred** **Action: The longer-term regularisation of the college continues to be pursued via an established dedicated Programme Board.** *Update:* *Newham Collegiate Sixth Form Centre, in Barking Road, East Ham, was set up in 2014 by a group of the borough's schools – Cumberland, Kingsford, Lister, Little Ilford, Plashet, Rokeby, Royal Docks, Sarah Bonnell and Stratford School Academy.* *The Council has sought to regularise the Collegiate since it opened and the Department of Education announced in January2017 that The City of London will be the sponsor for the college.* *The decision was taken by the Regional Schools Commissioner via a Headteacher Panel process where two potential sponsors were considered.* *The City of London and Newham Community Schools Trust - a trust made up of Rokeby, Lister and Sarah Bonnell Schools - both expressed interest in sponsoring the Collegiate.*	Chief Executive *Cabinet agreed at its meeting on 4th December 2014 to the reallocation of the role of Senior Responsible Officer for EHCRP to the Chief Executive*
Procurement	Highways Procurement	**The procurement of external contractors is an area of risk to all public authorities, having significant financial and strategic impact on the delivery of the Council's vision and outcomes. Procurement is also subject to EU and domestic regulation**	Managing Director, oneSource

Control Area	Governance Issue	Issue/Action Taken	Responsible Officer for subsequent action
		and increasing risk of legal challenge to individual processes and decisions. This requires clear and effective contract procedure rules to ensure compliance, which Newham has, and compliance in practice. **Newham has mitigation "checkpoint process" in place that's supports the procurement element and a new capital e-sourcing programme that provides an audit trail for the tendering process.** **However, there was a failing in the procurement of the Planned and Reactive Highways Maintenance and Improvement Schemes for Highways in 2015. Lots within the process had to be retendered following errors in the process, including the contractual documentation used.** **Action: Procurement support in Legal Services has been strengthened by the recruitment of an additional senior lawyer to provide capacity in Procurement processes overall. Procurement ensure that members of the procuring project group have been trained and a full understand of Capital eSourcing (the Council's tendering system), along with a senior officer having oversight of every stage of the procuring process. Regular meetings are held with stakeholders providing a timely identification and review of any issues.** ***Update:*** *The Highways contract has now been successfully awarded. There are regular liaison meetings between Legal and Procurement. Bespoke Capital e Sourcing training for individual projects has been provided as well as the introduction of a Procurement Initiation e form to gain earlier awareness of procurement activity.*	

2016 / 17 Significant Governance Issues

Control Area	Governance Issue	Issue/Action Taken	Responsible Officer for subsequent action
Procurement	Procurement standing orders	Internal audit reviews and work undertaken by the oneSource procurement team have identified instances where procurement standing orders have not been adhered to. In some cases, contracts have been awarded without a formal procurement process being undertaken, which could result in best value not being obtained. Action: an internal audit review has been undertaken in one specific business area to establish the extent of non-compliance with procurement rules. This work is ongoing. The Procurement team are working across the Council to review the contracts register, procurement arrangements and enhancing the control environment through robust systems and procedures.	Managing Director - oneSource
Sub Ledger Reconciliations	Financial Control	Following the implementation of 1Oracle at Newham, there was a lower level of compliance in the internal control environment in relation to the reconciliation of postings by the Accounts Receivable, Accounts Payable and Payroll modules of 1Oracle. Action: During the course of the audit, these reconciliations were performed in full with all significant differences investigated and reconciled. Going forward, additional resources have been secured tasked with ensuring that that these reconciliations are completed in a routine and timely manner, and procedure notes are being drafted to ensure business continuity.	Managing Director - oneSource
Bank Reconciliation	Financial Control	The overall Bank Reconciliation needed to be reperformed in full during audit examination, contributing to delays in the audit of the Councils accounts. Action: The responsibility of managing and reconciling the Councils cash position was transferred to the Financial Control team. A full reconciliation was undertaken, identifying a number of misclassifications between cash, debtors and creditors, resulting in amendments to the draft accounts.	Managing Director - oneSource

Control Area	Governance Issue	Issue/Action Taken	Responsible Officer for subsequent action
		To support the position going forward, an interim resource has been bought in to review the priorities and processes of the team, and realign them with those of the wider financial control environment. Bank reconciliations are being produced in a timely manner, and are reviewed by the interim Chief Accountant.	

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Sir Robin Wales

Mayor

Signed

Kim Bromley-Derry

Chief Executive

Glossary

Accounting Period - The period of time covered by the Council's accounts. The Council's financial year is from the period 1 April to the following 31 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 'International Financial Reporting Standards').

Accrual - The recognition of income and expenditure in the year that these amounts occur and not when any cash is received or paid.

Accumulated Absences Account - This account represents the value of leave rolled over from one financial year to another. This reserve account is used to avoid reducing General Fund reserves.

Actuary - An independent adviser to the Authority 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 recommended employers' contribution rates. The last full valuation of the Scheme was in 2013.

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 Comprehensive Income and Expenditure Statement over an appropriate period of time.

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 Authority at the end of an accounting period.

Billing Authority - Refers to a Local Authority that is responsible for the collection of tax, both on behalf of itself and other local authorities in it's area.

Budget - A forecast of future expenditure plans for the Council. Detailed revenue budgets are prepared for each year and it is on the basis of 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 Authority's underlying need to borrow for a capital purpose.

Capital Grants Receipts In Advance - Balances of 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 - Represents 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 it's 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 Local Authority 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 from general Government grants and income from local taxpayers.

Contingent Liability - Where possible "one-off" 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 in order to provide an indication of the rate of inflation. The CPI includes some financial services in the basket of goods not included within the separate RPI calculation. 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 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.

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 as a result of the Council entering into 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 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 for a specific purpose to meet future 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.

Finance Lease - A lease that substantially transfers the risks and rewards associated with the ownership of an asset to the lessee.

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 account represents the balance of deferred discounts relating to the premature redemption of Public Works Loans Board (PWLB) debt.

Flippable Accrual - A range accrual note where the issuer has the option to amend the interest rate to an alternative measure at specified dates in the future.

General Fund (GF) - The main revenue account from which the costs of providing the majority of the Council's services are met.

Greater London Authority (GLA) - A strategic Local Authority with a capital-wide role.

Gross Spending - The total cost of providing services before any income such as government grants, fees and charges are deducted.

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 an Authority 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 within the Statement of Accounts maintained separately from the General Fund in order 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 - Inalienable 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.

Levy - Payments to bodies such as the Environment Agency. The costs of running these bodies are funded by Local Authorities in the area concerned as determined by their Council Tax base. Such costs are met from 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 Liabilities - Amounts that are payable by arrangement within a period of greater than one year.

Major Repairs Reserve - Represents the funds available to meet capital investment needs in respect of Council Housing.

Minimum Revenue Provision (MRP) - The amount that has to 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) Pool - Non-Domestic Rates (Business Rates) are paid into a central pool controlled by Central Government. These funds are subsequently redistributed to Councils on the basis of 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.

Non-Current Assets Held for Sale - Items of PPE whose carrying amount is to be recovered principally through a sale rather than by continued use by the Council.

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 actual 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.

Projected Unit Credit Method - Pension Scheme valuation method whose key feature is to assess future service cost. The Actuary calculates the employer's contribution rate which will meet the cost of benefits accruing in the year following the valuation date.

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 are uncertain.

Public Works Loans Board (PWLB) - Central Government agency which funds 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 so as 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 cash amounts received from such sales are capital receipts, some of which will be retained by the Council to fund capital expenditure, whilst the remainder must 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 by one function to another.

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.

Support Services - Activities of a professional, technical and administrative nature which are not Council services in their own right, but which support front-line departments such as Finance, Information Technology and Human Resources.

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 Non-Current Assets Held for Sale.

Unusable Reserves - These represent reserve balances that cannot be spent as part of an Authority's medium-term financial plan. Examples include the Revaluation Reserve and Capital Adjustment Account.

Usable Reserves - Reserve balances that can be spent within an Authority's medium-term financial plan. As best practice, all organisations must review reserve levels to ensure long-term financial stability. Usable reserves include the General Fund and the Housing Revenue Account (HRA).

Value for Money (VfM) - This term is used to describe the relationship between the Economy, Efficiency, and Effectiveness (known as the 'three Es') of a service, function or activity. Value for money is high when there is an optimum balance between all three.

Abbreviations used in Statement of Accounts

AGS Annual Governance Statement
BSF Building Schools for the Future
CAA Capital Adjustment Account
CCG Clinical Commissioning Group
CFR Capital Financing Requirement
CIES Comprehensive Income and Expenditure Statement
CIPFA Chartered Institute of Public Finance and Accountancy
CPI Consumer Price Index
CRC Carbon Reduction Commitment
DCLG Department of Communities and Local Government
DEFRA Department for Environment, Food and Rural Affairs
DfE Department for Education
DSG Dedicated Schools Grant
DWP Department for Work and Pensions
EIR Effective Interest Rate
ELWA East London Waste Authority
EY Ernst and Young LLP
GAAP Generally Accepted Accounting Principles
GLA Greater London Authority
HMRC Her Majesty's Revenue & Customs
HRA Housing Revenue Account
IAS International Accounting Standard
IFRS International Financial Reporting Standards
LABGI Local Authority Business Growth Incentive
LASAAC Local Authority (Scotland) Accounts Advisory Committee
LATS Landfill Allowance Trading Scheme
LBN London Borough of Newham
LGPS Local Government Pension Scheme
LOBO Lender's Option – Borrower's option
LPFA London Pensions Fund Authority
MMI Mutual Municipal Insurance
MRA Major Repairs Allowance
MRP Minimum Revenue Provision
NCS Net Cost of Services
NPV Net Present Value
NRV Net Realisable Value
NNDR National Non-Domestic Rates
PFI Private Finance Initiative
PPA Prior Period Adjustment
PPE Property, Plant and Equipment
PwC PricewaterhouseCoopers LLP
PWLB Public Works Loans Board
REFCUS Revenue Expenditure Funded by Capital under Statute
RICS Royal Institute of Chartered Surveyors
RPI Retail Price Index
RSG Revenue Support Grant
RTB Right To Buy
SeRCOP Service Reporting Code of Practice
VAT Value Added Tax
VfM Value for Money
WDA Waste Disposal Authority
WGA Whole of Government Accounts