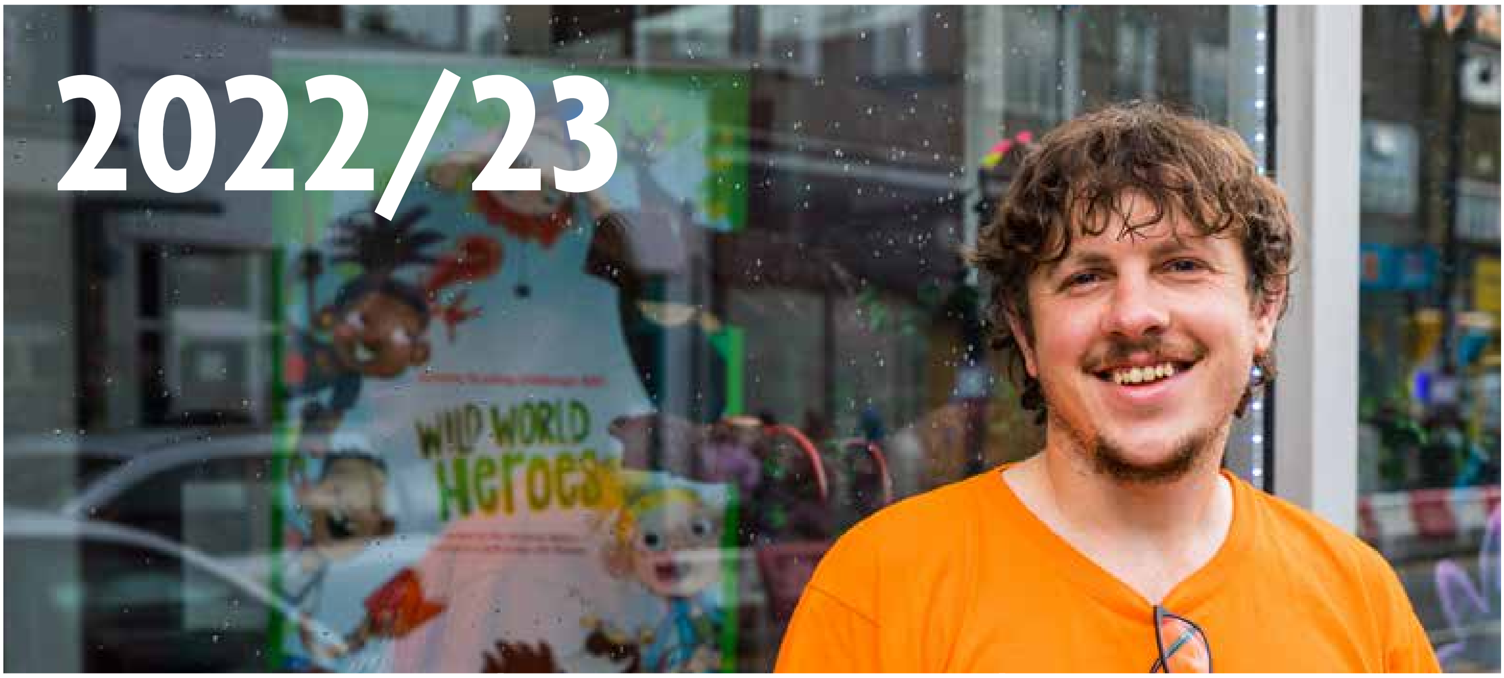
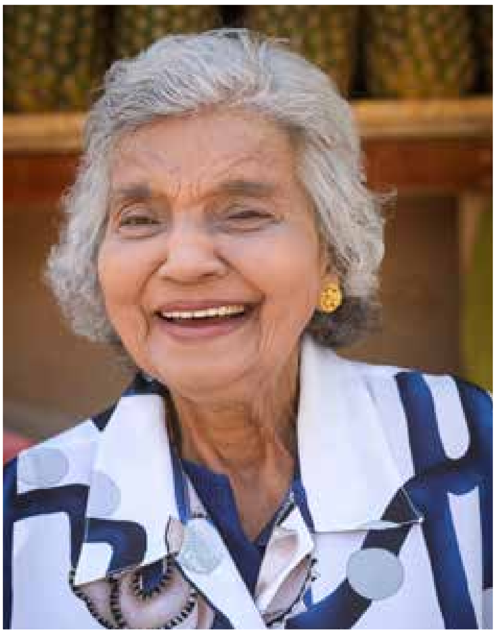
Newham London

STATEMENT OF ACCOUNTS.

2022/23





BUILDING A FAIRER NEWHAM

WE ARE NEWHAM.

Contents

Narrative Report

The Council's Statement of Accounts

The Statement of Accounts for the London Borough of Newham provides a summary of the Council's financial position as at 31st March 2023. They have been prepared in accordance with the code of practice on Local Authority Accounting (the CIPFA Code) and while the format and content of the accounts is largely prescribed by the code, every endeavour has been made to balance the statutory reporting requirements with the desire to make them clear and understandable to all interested parties.

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

London Borough of Newham

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

The borough is one of the fastest growing, young, and diverse boroughs in the country. Having experienced 14% growth in the preceding decade the population now stands at 351,000, and more than seven out of ten residents are from Black, Asian and ethnically diverse communities. There are 123,000 dwellings in Newham, the vast majority of which are flats or terraced and semi-detached houses. Homes are typically smaller than elsewhere in the country, and 94% of dwellings are in Council Tax bands A to D. In terms of tenure over 35% of homes are in the private rental sector, with social rented properties accounting for another 28%.

There are 14,000 businesses in the borough, 94% of which are small or micro business employing nine people or less. The rate of residents who are economically active (in employment / in training) is in line with the national average and the unemployment rate is 5%. Despite this there are deep rooted inequalities, with a quarter of neighbourhoods amongst the most deprived in the UK. After housing costs are taken into account, it is estimated that half of our residents live in poverty.

In February 2022 the Council passed the 'Supporting Our People through Uncertain Times' budget for the 2022/23 financial year which increased the General Fund budget from £299m to £327m. Budgetary growth was allocated to meet forecast demographic and cost pressures, but there was acknowledgement of the uncertainties the council would face over the financial year. The longer term impacts of the pandemic were not then clear, rates of inflation were rising but were expected to drop during the year and the local government financial settlement was made on a one year basis only, hindering the ability to plan budges over the longer term.

To mitigate these risks a contingency was prepared and reserves reviewed, with a planned increase to general reserves of £3m set in the budget. To balance the position relatively modest (compared to recent years) efficiency gains of £3.7m were implemented in the budget.

Inflation in 2022/23 in fact rose by much more than anticipated, reaching a 40 year high at over 10%. Pay settlements then exceeded the budget set and the £3m for General Reserves was repurposed to meet this costs. For residents, the worsening economic conditions and the resulting cost of living crisis has meant that demand for council services increased, most clearly the demand on housing services. Temporary Accommodation budgets have come under severe pressure, with the number of households supported rising to nearly 5,800.

Revenue Budget Performance

An analysis of budget performance by directorate is shown in the table below and a summary of the larger variances against budgets allocated is also included.

Directorate	Budget	Actual	Outturn Variance	Variance as a % of Budget
	£m	£m	£m	%
Children and Young People	107.4	107.5	**0.1**	0.1%
Inclusive Economy & Housing (Non TA)	8.6	8.8	**0.2**	2.1%
Adults & Health	105.5	106.5	**1.0**	0.9%
Marketing	7.6	7.8	**0.3**	3.4%
Digital	16.1	17.2	**1.1**	6.9%
Transformation	4.2	4.0	**(0.2)**	-4.8%
Environment and Sustainable Transport	26.2	25.8	**(0.5)**	-1.8%
Resources	(2.3)	(2.8)	**(0.5)**	20.2%
RMS	0.0	1.4	**1.4**	
oneSource - Non Shared	(1.9)	(2.0)	**(0.2)**	8.6%
oneSource	5.3	6.3	**1.0**	18.8%
Central Budgets	36.3	28.0	**(8.3)**	-22.9%
Sub-Total	**313.1**	**308.5**	**(4.7)**	**-0.2%**
Inclusive Economy & Housing - **Temporary Accommodation Only**	13.7	21.1	**7.4**	54.0%
Grand Total	**326.8**	**329.6**	**2.7**	**0.8%**

The table above shows a 0.8% overspend of £2.7m against the budget set for 2022/23. The sub-total line shows that overall through management actions council directorates managed to underspend by £4.7m, this partially offset the significant overspends on the provision of temporary accommodation. This was an improved position when compared to in-year budget monitoring reports presented to Cabinet.

The overspend on temporary accommodation was caused by rapid increases in demand and difficulties finding appropriate housing. The service has had to increasingly use high cost commercial hotel sector to provide for households in need, as the supply of lower cost accommodation has tightened up. The service was also impacted by overspends on the budgets allowed for bad debts, and on repairs and maintenance budgets.

Elsewhere inflationary pressures are evident in the overspends in the Repairs and Maintenance Service as the cost of materials increased, and Adult Social Care with provider fees rising during the year.

Central items budgets are underspent due to stronger than budgeted Treasury Management returns, as rates of interest rose in response to high inflation. The underspend also reflects improvement in the council's bad debt position, and lower than budgeted charges to cover Transport for London freedom passes.

Housing Revenue Account (HRA)

The Housing Revenue Account (HRA) is a ring-fenced account which manages income and expenditure in relation to the c.16,000 Council dwellings. The 2022/23 outturn was an underspend of £1.7m, and the HRA revenue surplus was put back into reserves to support the future activity in the HRA business plan.

Dedicated Schools Budget (DSB)

The dedicated schools grant (DSG) funds local authority schools' budgets and is the main source of income for schools. The 2021/22 DSG outturn position was an underspend of £0.6m, against a total grant of £475m. Although relatively minor, this was the first underspend on the DSG for a number of years and has reduced the total DSG deficit from £18.0m down to £17.4m. The size of the deficit is in-line with other similar London Boroughs.

Under current legislation this deficit will be carried forwards and applied to 2023/24 and future years' budget. This legislation, effectively protecting the Council's General Fund, is set to expire by April 2026. The Council is engaged with the Department for Education's 'Delivering Better Value' programme which aims to support councils to eliminate or reduce deficits down to manageable levels over the medium term.

Pension Fund

The pension liability for the London Borough of Newham (£0.147bn) represents the difference between the estimated cost of pension's payable in the future (£1.825bn) and the value of assets in the pension fund (£1.678bn). The net liability reduced significantly from £1.069bn in 2021/22 to £0.147bn in 2022/23 primarily due to a change in the discount rate as bond yields are higher than in 2022/23.

The Pension Fund as a whole is revalued every three years to set future contribution rates and the latest valuation was as at 31 March 2022. The funding level as at 31 March 2022 was assessed as 100% (96% at the 31 March 2019 valuation). In 2020/21 the Council pre-funded the pension fund by £57.2m which covered the period ending 31 March 2023.

Other significant Information

During 2022/23 the number of Council staff (officers and teachers) whose remuneration exceeded £50k increased by 322. The increase mainly relates to Council rather than school staff and is primarily due to the impact of inflationary pay increases, although staff moving up spinal points within pay grades, and the recruitment of more permanent staff has also had an impact. The salary banding which has seen the highest increase in numbers is the £50k - £55k banding, where there was a total increase of 142 officers and teachers.

The Council will periodically borrow money from authorised lenders in line with its treasury management strategy to meet cashflow or capital funding requirements. Amounts that need to be repaid within 12 months are classified as short term and amounts held for more than 12 months are classified as long term. As at the close of 2022/23, the Council's short term borrowing was £100m and long term borrowing was £796m.

Capital Investments

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

During 2023/24 £351m worth of capital investments (including expenditure incurred by Schools) were delivered, and a significant amount of that, £171m, was on regeneration schemes and investment in new and affordable homes, delivered through the HRA and the Council's wholly owned housing investments company, Populo.

The Council had budgeted to invest £434m across the various directorates and programmes. The total spend of £351m against this budget represents an improved rate of delivery when compared to previous years, and some slippage is to be expected across a large and varied capital programme. There are a few projects which have ended with underspends, but in the main projects that were not completed during 2022/23 will be carried forward and delivered during 2023/24 and future years. To manage this, the Council's capital strategy was revamped during 2022/23, and governance arrangements are being improved through a new capital oversight board to ensure more of the Council's capital ambition can be delivered sooner.

Below is a summary of the capital expenditure by directorate and the key investments initiatives were in the following areas:

Directorate	2022/23 Revised Budget £0.0m	2022/23 Period 9 Forecast £0.0m	Variance between Outturn and Budget £0.0m
Adults & Public Health	6.4	3.2	(3.3)
Children & Young People	1.0	0.3	(0.8)
Digital	0.4	0.2	(0.2)
Environment & Sustainable Transport	34.5	26.4	(11.5)
Inclusive Economy & Housing	28.6	19.7	(15.0)
Marketing	0.0	0.0	(0.0)
OneSource	7.9	3.9	(5.1)
Resources	102.5	62.8	(21.7)
Schools (Capital)	20.0	19.8	(1.3)
Council Total excluding Populo	**201.4**	**136.3**	**(58.8)**
Populo (Loans)	46.7	37.9	(9.2)
Housing Revenue Account	185.4	174.7	(14.1)
Total planned Capital Expenditure	**433.6**	**348.9**	**(82.1)**

Balance Sheet Position

The diagram below illustrates the Authority's single entity Balance Sheet position as at the end of 2021/22. The figures shown in brackets are for 2020/21.

Assets
£4,123m
(£3,868m)

Liabilities
£1,843m
(£2,390m)

Net Assets
£2,280m
(£1,477m)

Reserves Usable
£541m
(£577m)

Reserves Unsuable
£1,739m
(£901m)

Looking Ahead

Local authority funding from central government has continued to decline in real terms since 2010. The ongoing reductions in central government funding for local government, together with rising cost pressures and local growth in demand for services, mean that the Council continues to face a challenging financial position over the coming years.

Like many other local authorities, this continues to have a significant impact on Newham's financial position. The Council has been required to make approximately £200million of savings since 2010 in response to the funding reductions. £19m of saving and efficiencies have been agreed for the coming year leaving the net budget requirement for the Council for 2023/24 at £363m.

The financial uncertainty for the council will continue in the medium term whilst inflation is higher and remains more persistent than mainstream economic forecasters expected. Residents facing a higher cost of living will be more likely to be in need of the Council's services, and there is continued uncertainty over what the long term funding position for local government will look like. In addition the Council's general reserves still need be built back up following the pandemic. It is likely that further savings will have to be made to ensure sustainability in the medium to long term.

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 Corporate Director of Resources.
- 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 Chief Finance Officer:

- The Council's designated Chief Finance Officer is the Corporate Director of Resources. The Corporate Director of Resources 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 Corporate Director of Resources 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 Practice.

The Corporate Director of Resources has also:

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

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 2022 and its income and expenditure for the year ended 31 March 2022.

Signature:	**Signature:**
Conrad Hall CPFA	
Corporate Director of Resources	**Chair of Audit Committee**
Date:	**Date:**

Independent Auditors Report

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

To be added following completion of the Audit.

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Explanation of the Key Accounting Statements

The key financial statements set out within this document include:

- **Comprehensive Income and Expenditure Statement (CIES)** – This summarises the expenditure and income for the year.
- **Balance Sheet –** This shows the Council's assets, liabilities, cash balances and reserves at the year-end date.
- **Cash Flow Statement –** This summarises the cash inflows and outflows arising from transactions for both capital and revenue income and expenditure;
- **Movement in Reserves Statement (MiRS) –** This shows the changes in the Council's reserves during the year. Reserves are divided into useable and unusable reserves with the former being invested in capital projects or service improvements and latter being set aside for specific purposes.
- **Expenditure Funding Analysis (EFA) –** This shows how annual expenditure is used and funded from resources and accounted under local government statute as opposed to how it would accounted by private sector bodies under generally accepted accounting practices.
- **Notes to the Financial Statements –** The notes provide more detail about the items contained in the key financial statements, the Authority's Accounting Policies and other information to help with the understanding of the financial statements;
- **Housing Revenue Account (HRA) –** This records the Authority's statutory obligations to account separately for the cost of the landlord role in respect of the provision of Housing managed directly by the authority;
- **Collection Fund –** The Authority is responsible for collecting council tax and non-domestic rates and for keeping a separate account to detail the amounts owing to and from the Council, the GLA and the MHCLG.
- **Pension Fund –** The Pension Fund Accounts show the contributions from the Authority, participating employers and employees for the purpose of paying pensions. The Fund is separately managed by the Authority, acting as trustee, and its Accounts are separate from those of the Authority.

Single Entity 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.

2021/22 Gross Expenditure £'000	2021/22 Gross Income £'000	2021/22 Net Expenditure £'000		Notes	2022/23 Gross Expenditure £'000	2022/23 Gross Income £'000	2022/23 Net Expenditure £'000
124,062	(17,616)	**106,446**	Children and Young People		147,537	(40,121)	**107,416**
147,890	(129,337)	**18,553**	Inclusive Economy & Housing		152,774	(116,909)	**35,865**
209,843	(104,662)	**105,181**	Adults & Health		224,786	(135,522)	**89,264**
231,923	(211,771)	**20,152**	Digital		238,701	(214,176)	**24,525**
9,996	(2,338)	**7,658**	Marketing		15,548	(7,717)	**7,831**
1,913	(16)	**1,897**	Transformation		5,182	(1,398)	**3,784**
65,025	(46,525)	**18,500**	Environment and Sustainable Transport		92,072	(67,217)	**24,855**
10,864	(4,930)	**5,934**	Resources		21,934	(19,362)	**2,572**
30,446	(25,001)	**5,445**	oneSource - Non Shared		40,722	(36,724)	**3,998**
11,416	(7,290)	**4,126**	oneSource		29,190	(22,927)	**6,263**
68,631	(1,617)	**67,014**	Corporate Budgets		53,842	(957)	**52,885**
270,965	(267,568)	**3,397**	Dedicated Schools Budget		273,351	(272,144)	**1,207**
96,722	(109,641)	**(12,919)**	Housing Revenue Account		106,618	(117,440)	**(10,822)**
		-					**-**
1,279,696	**(928,312)**	**351,384**	**Cost of Services**		**1,402,257**	**(1,052,614)**	**349,643**
		106,674	Other Operating Expenditure	11			(5,194)
		29,063	Financing and Investment Income and Expenditure	12			(13,644)
		(363,728)	Taxation and Non-Specific Grant Income	13			(436,192)
		123,393	**(Surplus)/Deficit on Provision of Services**				**(105,387)**
		(24,875)	(Surplus)/Deficit on Revaluation of PPE and Heritage Assets	26			(63,987)
		(225,833)	Remeasurements of the Net Pensions Defined Benefit Liability	44			(618,010)
		(250,708)	**Other comprehensive income and expenditure**				**(681,997)**
		(127,315)	**Total Comprehensive Income and Expenditure**				**(787,384)**

Group Comprehensive Income and Expenditure Statement

The Group Comprehensive Income and Expenditure Statement (CIES) records all of the Council's Revenue income and expenditure for the year and consolidation of subsidiaries income and expenditure. 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. Details of the Council's subsidiaries are included on note 38.

2021/22 Gross Expenditure £'000	2021/22 Gross Income £'000	2021/22 Net Expenditure £'000		Notes	2022/23 Gross Expenditure £'000	2022/23 Gross Income £'000	2022/23 Net Expenditure £'000
126,225	(18,233)	**107,992**	Children and Young People		147,537	(40,121)	**107,416**
147,890	(129,337)	**18,553**	Inclusive Economy & Housing		152,774	(116,909)	**35,865**
211,929	(106,864)	**105,066**	Adults & Health		224,786	(135,522)	**89,264**
231,923	(211,771)	**20,152**	CYP Commissioner & Brighter Futures		238,701	(214,176)	**24,525**
31,456	(24,211)	**7,246**	People, Policy and Performance		37,123	(28,594)	**8,529**
4,324	(2,309)	**2,015**	Environment and Sustainable Transport		6,729	(2,719)	**4,010**
84,231	(69,327)	**14,903**	Resources		109,170	(77,035)	**32,135**
36,799	(33,245)	**3,554**	oneSource - Non Shared		49,546	(45,725)	**3,821**
11,416	(7,290)	**4,126**	oneSource		29,190	(22,927)	**6,263**
68,629	(1,617)	**67,012**	Corporate Budgets		53,842	(957)	**52,885**
270,965	(267,568)	**3,397**	Dedicated Schools Budget		273,351	(272,144)	**1,207**
96,722	(109,641)	**(12,919)**	Housing Revenue Account		106,618	(117,440)	**(10,822)**
1,333,373	**(986,342)**	**347,031**	**Cost of Services**		**1,451,301**	**(1,093,631)**	**357,670**
		106,674	Other Operating Expenditure	11			(5,194)
		35,021	Financing and Investment Income and Expenditure	12			(11,609)
		(363,728)	Taxation and Non-Specific Grant Income	13			(436,192)
		124,998	**(Surplus)/Deficit on Provision of Services**				**(95,325)**
		(1,922)	Tax on Profit				28
		123,076	**(Surplus)/Deficit on Provision of Services after Tax**				**(95,297)**
		(24,875)	(Surplus)/Deficit on Revaluation of PPE and Heritage Assets	26			(63,987)
		(225,833)	Remeasurements of the Net Pensions Defined Benefit Liability	44			(618,010)
		(250,708)	**Other comprehensive income and expenditure**				**(681,997)**
		(127,632)	**Total Comprehensive Income and Expenditure**				**(777,294)**

Group and Single Entity Movement in Reserves Statement

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 Single Entity Reserves	Group Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance At 31 March 2021	(4,298)	(232,017)	(78,240)	(48,698)	(158,683)	(95,122)	(617,058)	(767,048)	(1,384,106)	48,986	(1,335,120)
Movement in Reserves during 2021/22											
(Surplus) or Deficit on Provision of Services	107,574		15,820				123,394		123,394	(318)	123,076
Other Comprehensive Income and Expenditure							-	(250,708)	(250,708)	0	(250,708)
Total Comprehensive Income and Expenditure	107,574	-	15,820	-	-	-	123,394	(250,708)	(127,314)	(318)	(127,632)
Adjustments between accounting basis and funding basis under regulations	(114,128)		(10,316)	40,960	(8,406)	8,709	(83,181)	83,181	-		-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(6,554)	-	5,504	40,960	(8,406)	8,709	40,213	(167,527)	(127,314)	(318)	(127,632)
Transfers To/From Earmarked Reserves	3,771	(15,653)	11,882	-			-	-			-
(Increase)/Decrease In Year	(2,783)	(15,653)	17,386	40,960	(8,406)	8,709	40,213	(167,527)	(127,314)	(318)	(127,632)
Balance At 31 March 2022	(7,081)	(247,670)	(60,854)	(7,738)	(167,089)	(86,413)	(576,845)	(934,575)	(1,511,420)	48,668	(1,462,752)
		-	-	-	-	-	-	-	-		
Balance At 31 March 2022	(7,081)	(247,670)	(60,854)	(7,738)	(167,089)	(86,413)	(576,845)	(934,575)	(1,511,420)	48,668	(1,462,752)
Movement in Reserves during 2022/23											
(Surplus) or Deficit on Provision of Services	(42,735)		(62,652)				(105,387)		(105,387)	10,090	(95,297)
Other Comprehensive Income and Expenditure							-	(681,997)	(681,997)	(0)	(681,997)
Total Comprehensive Income and Expenditure	(42,735)	-	(62,652)	-	-	-	(105,387)	(681,997)	(787,384)	10,090	(777,294)
Adjustments between accounting basis and funding basis under regulations	76,139		62,653	7,738	(45,071)	20,572	122,031	(122,031)	-		-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	33,404	-	1	7,738	(45,071)	20,572	16,644	(804,028)	(787,384)	10,090	(777,294)
Transfers To/From Earmarked Reserves	(33,404)	29,713	22,547	-			18,856		18,856		18,856
(Increase)/Decrease In Year	-	29,713	22,548	7,738	(45,071)	20,572	35,500	(804,028)	(768,528)	10,090	(758,438)
Balance At 31 March 2023	(7,081)	(217,957)	(38,306)	-	(212,160)	(65,841)	(541,347)	(1,738,603)	(2,279,948)	58,758	(2,221,190)

Group and Single Entity Balance Sheet

	Notes	Single Entity 31 March 2022	Single Entity 31 March 2023	Group Accounts 31 March 2022	Group Accounts 31 March 2023
		£'000	**£'000**	**£'000**	**£'000**
Property, Plant and Equipment	14	2,762,320	3,072,452	2,846,352	3,175,728
Heritage Assets	15	3,658	3,658	3,658	3,658
Investment Properties	16	331,704	356,410	403,969	525,870
Intangible Assets	17	2,884	2,329	2,979	2,347
Long Term Investments	18	59,250	58,300	25,354	7,313
Long Term Receivables	22	345,575	378,676	169,264	140,621
Long Term Assets		**3,505,392**	**3,871,825**	**3,451,577**	**3,855,537**
Short Term Investments	18	229,464	43,648	229,464	43,648
Assets Held for Sale		1,665	1,608	1,665	1,608
Inventories	19	1,625	2,571	2,476	2,772
Short Term Receivables	22	123,707	138,067	141,900	156,900
Cash and Cash Equivalents	21	6,100	65,654	25,071	79,367
Current Assets		**362,561**	**251,548**	**400,576**	**284,295**
Cash and Cash Equivalents Overdrawn	21	-	-	-	-
Short Term Borrowing	18	(190,075)	(233,194)	(190,075)	(233,194)
Short Term Payables	23	(288,108)	(244,020)	(305,703)	(269,237)
Short Term Provisions	24	(3,428)	(727)	(3,428)	(727)
Current Liabilities		**(481,612)**	**(477,941)**	**(499,207)**	**(503,158)**
Long Term Provisions	24	(25,662)	(24,798)	(27,422)	(24,800)
Long Term Borrowing	18	(645,730)	(706,083)	(644,164)	(735,094)
Other Long Term Liabilities	36	(1,200,369) *	(600,866)	(1,200,369)	(621,850)
Capital Grants Receipts in Advance	13	(37,043)	(33,741)	(37,097)	(33,742)
Long Term Liabilities		**(1,908,804)**	**(1,365,488)**	**(1,909,052)**	**(1,415,486)**
Net Assets		**1,477,537**	**2,279,944**	**1,443,894**	**2,221,188**
Usable Reserves	25	(576,838) *	(541,341)	(543,195)	(529,835)
Unusable Reserves	26	(900,699)	(1,738,603)	(900,699)	(1,691,353)
Total Reserves		**(1,477,537)**	**(2,279,944)**	**(1,443,894)**	**(2,221,188)**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority as at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

Conrad Hall CPFA

Group and Single Entity 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.

		Single Entity		Group Accounts	
		2021/22	2022/23	2021/22	2022/23
	Note	£'000	£'000	£'000	£'000
Net Surplus/(Deficit) on the Provision of Services		(123,393)	105,387	123,076	95,297
Adjustments to Net Surplus on the Provision of Services for Non-Cash Transactions	27	297,776	(185,266)	129,312	(164,658)
Adjustments to Net Surplus on the Provision of Services that are Investing and Financing Activities	27	(53,058)	(149,182)	(67,128)	(146,327)
Net Cash Flows from Operating Activities		**121,325**	**(229,061)**	**185,260**	**(215,688)**
Investing Activities	28	(174,754)	194,176	121,448	175,348
Financing Activities	29	14,265	94,440	(36,787)	99,658
Net increase or (decrease) in Cash and Cash Equivalents		**(39,164)**	**59,555**	**269,921**	**59,318**
Cash and Cash Equivalents at the beginning of the Reporting Period		45,263	6,099	44,997	20,049
Cash and Cash Equivalents at the end of the Reporting Period	21	**6,099**	**65,654**	**314,917**	**79,367**

1. Statement of Accounting Policies

1.1 General

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at 31 March 2023. They have been prepared on the basis that the Council will remain a 'going concern' and continue to operate in the foreseeable future. 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 2022/23 and the Service Reporting Code of Practice for Local Authorities 2022/23, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act. There are no significant changes to the accounting policies applied in 2022/23.

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

1.2 Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies 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 is made to revenue to reflect the value of the income that may not be collected.
- Most accruals are automatically generated by the feeder system concerned, but a de minimis is applied in respect of accruals raised manually unless material to grant funding streams or to individual budgets. The de minimis for 2022/23 remains at £100,000.

1.3 Government Grants and Contribution

Revenue Grants

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

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.

1.4 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.

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

In addition, majority of the Council's receivables are non-contract based income and therefore, no adjustment is required to recognise the income through the concept of *Revenue from Contracts with Service Recipients*. Application of this concept ensures that the Council's financial statements reflects the consideration in exchange for fulfilment of goods or services only.

1.5 Fair Value Measurement

Where applicable, the Council measures its assets and liabilities and provides disclosures in accordance with IFRS 13 Fair Value Measurement. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions.

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

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

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

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).

1.6 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 from the reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then 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 25 and 26 to the Statement of Accounts.

1.7 Inventories, Work In Progress and Long-Term Contracts

The stock in the Council's stores (Inventories) is valued at the lower of historical cost 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.

1.8 Cost of Central Support Services

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

1.9 Value Added Tax

All transactions are disclosed net of any Value Added Tax (VAT), 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.

1.10 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.

1.11 Cash and Cash Equivalents

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

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

Prior period adjustments may arise from a change in accounting policy or in correcting a material error. Changes in accounting estimates are accounted for prospectively, i.e. 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.

NON CURRENT ASSETS

1.13 Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. In the specific case of Voluntary Controlled Schools, where the School has control over the use of the assets, these 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, where above the council's de-minimis of £10,000, 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.

The de-minimis level may be waived where grant or borrowing consent is made available for items of capital expenditure below £10,000.

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.

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 (i.e. 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:

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

Where there is no market-based evidence of current value or fair value, depreciated replacement cost (DRC) is used as an estimate.

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

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

Depreciation is calculated on the following 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, 5 years (3 years for IT assets) unless a suitably qualified officer determines a more appropriate period. Assets acquired under finance leases are depreciated over their lease term;
- Infrastructure Assets – straight-line allocation over 40 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, these components are depreciated separately.

Major components which have materially different asset lives will be identified in respect of:

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

Assets will only be considered for componentisation in the following circumstances and then only where the impact of componentisation would be material to the accounting disclosures:

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

As a consequence of the application of this policy the Authority has not identified any major components with materially different asset lives. However, the application of this policy will be reviewed on an on-going basis to ensure that the carrying value of assets is not materially affected.

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 (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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.

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, which are recorded on the balance sheet. However, control of the five voluntary aided schools remains with the diocese and therefore these five are not on the Authority balance sheet.

The basis for inclusion or exclusion for PPE 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.

- It has been verified that the five 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.

PPE Valuations

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

1.14 Infrastructure Assets

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

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

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

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

1.15 Investment Property

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

Rentals received from investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted 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.

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

1.16 Leases

Leases can be classified as either finance leasers or operating leases. Finance leases are those 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. By default, any lease that does not meet the definition of a finance is an operating lease.

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 (i.e. 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.

1.17 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).

1.18 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 when received would 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.

1.19 Revenue Expenditure Funded from Capital under Statute

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

1.20 Deferred Capital Receipts

Deferred capital receipts represent amounts from the disposal of non-current assets which have been deferred to future years where the 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 once the capital receipt is realised.

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 Intangible Assets

Intangible assets are non-financial, non-current assets that do not have physical substance and are controlled by us through custody or legal rights (such as software licences). Expenditure on intangible assets 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, the assets are therefore carried at amortised historic 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.

1.23 Accounting for Heritage Assets

Heritage Assets are assets that are held for their cultural, environmental or historical associations. Our 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, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the 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.

EMPLOYEE BENEFITS

1.24 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. These include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current and permanent employees. These are recognised as an expense for services in the year in which employees render service to the 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.

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

FINANCIAL INSTRUMENTS

1.26 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for Statements the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.
Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.
Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair

value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.
The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets 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, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset. 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.

LIABILITIES

1.27 Provisions

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 (e.g. 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.

1.28 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.

1.29 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

GROUP ACCOUNTS

1.30 Interest in Companies and Other Entities

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

Subsidiaries

An assessment of the council's interests has been carried out to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the council's control over the company or entity and the materiality of the interest. The council considers that it has a material interest in various entities detailed in Note 38 and has classified them as a subsidiaries. Accordingly Group Accounts are prepared. In consolidating the accounts, all transactions and balances between the council and the subsidiary are eliminated in full.

Associates and Jointly Controlled Entities

The Authority has interests in companies and other entities that have the nature of associates and jointly controlled entities that have been determined to be material. These interests are recorded as equity instruments at cost less any provision for losses and are detailed in note 38.

2. Impact of changes within Accounting Standards issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (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 2022/23 Code.

There following new accounting changes have been introduced in the 2023/24 code but are not expected to have any significant impact on the 2022/23 accounts;

- IFRS 16 (Leases)
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.

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 2022/23, 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. Populo Living, Future Newhomes Limited, The Language Shop Limited, Juniper Ventures Limited, Better Together Limited, London Network for Pest Solutions Limited and Early Start Education Limited deemed to constitute a material group interest and these wholly-owned subsidiaries have 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. 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 its property portfolio. The results of this valuation exercise reflect the specialist's professional assessment of the conditions within the external property market.

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

- **Municipal Mutual Insurance (MMI)**
  On 13 November 2012, the directors of MMI triggered 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

- **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 its merits, that only those schools which are in the direct ownership of the Authority should be disclosed within the Balance Sheet.

- **Accounting for Academies**
The Council has not recognised non-current assets relating to Academies as it is of the opinion that these assets are not controlled by the Authority. When a school that is held on the Authority's Balance Sheet transfers to Academy status, the Authority accounts for this as a disposal for nil consideration on the date that the schools converts to Academy status, rather than as an impairment on the date that approval to transfer to Academy status is announced. During 2022/23, one maintained schools converted to academy status.

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 2023 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.
Property, plant and equipment – major development projects	The Council own three large development sites, Carpenters Estate, Canning Town and Custom House, with a combined value of £42.6million. The assets are valued at fair value on the balance sheet. The Council have not fully finalised plans for future use of these sites. The Council have therefore estimated the value of the assets on their existing use and layout. This value may change as the Council finalise the plans for these sites. Factors that can cause the valuation of development sites to vary significantly include planning requirements, affordable/private split, costs to construct, likely phasing and timescale, any costs or delays associated with assembling vacant possession where there are either continuing tenancies or third party owners, such as owners who have previously exercised a right to buy. It is also important to note that there may be elements of the final development which are either not currently owned by the authority or are being recorded elsewhere due to their present use.	In the absence of a detailed scheme proposals the valuer has continued to exercise professional judgement in providing the valuation. The Council will provide to the valuer detailed site plans, detailed business plans outlining a clear strategy and expected timescale for the developments, when they have been approved.

Self-Insurance	The Authority has recognised a year-end provision of £6.5m 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 £0.3m.
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) to £31.8m; (b) if longevity increases by 1 year, this will increase liabilities (the projected service cost element) to approximately £34.3.

Receivables	The Authority has estimated that £216.7m of the year-end value of Receivables should be impaired. This principally relates to Sundry Receivables and Parking Receivables (£43.4m), Council Tax (£23.1m), Housing Benefit overpayments (£26.3m) and Housing Rents (£32.6m). In the current economic climate, it is not certain that such allowances are sufficient.	The Authority has estimated that £216.7m of the year-end value of Receivables should be impaired. This principally relates to Sundry Receivables and Parking Receivables (£43.4m), Council Tax (£23.1m), Housing Benefit overpayments (£26.3m) and Housing Rents (£32.6m). In the current economic climate, it is not certain that such allowances are sufficient.

5. Material Items of Income and Expense

There are no material items of separate income or expenditure to report.

6. Events after the Balance Sheet date

The Corporate Director of Resources authorised the Statement of Accounts on 29 June 2023. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

It has been determined that there are no other adjusting or non-adjusting events after the Balance Sheet date.

7. 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. This analysis is for the single entity only and is not a primary statement and Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the single entity Comprehensive Income and Expenditure Statement. The group expenditure and funding analysis is not materially different to the analysis for the single entity and is therefore not presented.

2021/22				2022/23		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
105,770	676	**106,446**	Children and Young People	100,429	6,987	**107,416**
13,198	5,355	**18,553**	Inclusive Economy & Housing	31,586	4,279	**35,865**
118,761	(13,580)	**105,181**	Adults & Health	85,226	4,038	**89,264**
19,255	897	**20,152**	Digital	22,928	1,597	**24,525**
5,329	2,329	**7,658**	Marketing	6,659	1,172	**7,831**
2,363	(466)	**1,897**	Transformation	3,293	491	**3,784**
5,592	12,908	**18,500**	Environment and Sustainable Transport	19,112	5,743	**24,855**
6,328	(394)	**5,934**	Resources	434	2,138	**2,572**
9,914	(4,469)	**5,445**	oneSource - Non Shared	3,257	741	**3,998**
3,184	942	**4,126**	oneSource	3,572	2,691	**6,263**
(298,878)	365,892	**67,014**	Corporate Budgets	24,958	27,927	**52,885**
(11,848)	15,245	**3,397**	Dedicated Schools Budget	467	740	**1,207**
(20,476)	7,557	**(12,919)**	Housing Revenue Account	(63,529)	52,707	**(10,822)**
(41,508)	**392,892**	**351,384**	**Net Cost of Services**	**238,393**	**111,250**	**349,643**
38,538	(266,529)	**(227,991)**	Other Income and Expenditure	(205,076)	(249,954)	**(455,030)**
(2,970)	**126,363**	**123,393**	**Surplus or Deficit**	**33,317**	**(138,704)**	**(105,387)**
(314,555)			**Opening General Fund & HRA Balances**	**(317,525)**		
-			Transfer to/(from) Earmarked Reserves	18,856		
(317,525)			**Closing General Fund & HRA Balances**	**(265,352)**		

** This includes Earmarked Reserve balances. For a split of this balance between the General Fund, HRA and Earmarked Reserve – see the Movement in Reserves Statement.

7. Note to the Expenditure and Funding Analysis

The Group's expenditure and funding analysis is not materially different to the Authority's expenditure and funding analysis. The Authority's expenditure and funding is analysed as follows:

2021/22				2022/23		
Adjustments for Capital Purposes	IAS 19 & Other	Total Adjustments		Adjustments for Capital Purposes	IAS 19 & Other	Total Adjustments
£'000	£'000	£'000		£'000	£'000	£'000
-	7,856	**7,856**	Children and Young People	-	6,987	**6,987**
-	10,702	**10,702**	Inclusive Economy & Housing	-	4,279	**4,279**
2,898	(9,676)	**(6,778)**	Adults & Health	-	4,038	**4,038**
-	4,234	**4,234**	Digital	-	1,597	**1,597**
-	5,715	**5,715**	Marketing	-	1,172	**1,172**
-	8,756	**8,756**	Transformation	-	491	**491**
-	9,400	**9,400**	Environment and Sustainable Transport	-	5,743	**5,743**
-	(365)	**(365)**	Resources	-	2,138	**2,138**
(4,453)	(1,545)	**(5,998)**	oneSource - Non Shared	-	741	**741**
-	7,409	**7,409**	oneSource	-	2,691	**2,691**
14,445	291,901	**306,346**	Corporate Budgets	20,783	7,144	**27,927**
317	7,462	**7,779**	Dedicated Schools Budget	-	740	**740**
(7,147)	2,174	**(4,973)**	Housing Revenue Account	49,043	3,664	**52,707**
6,060	**344,023**	**350,083**	**Net Cost of Services**	**69,826**	**41,425**	**111,251**
47,460	(262,796)	**(215,336)**	Other Income and Expenditure from the Funding Analysis	(236,048)	(13,907)	**(249,955)**
53,520	**81,227**	**134,747**	**Surplus or Deficit**	**(166,222)**	**27,518**	**(138,704)**

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 PFI payment and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices; and
- 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.

2) Net Change for the IAS 19 Pensions Adjustments

Represents the 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 –- this represent the removal of the net interest on the defined benefit liability that is charged to the CIES.

8. Expenditure and Income Analysed by Nature

In addition to the single entity expenditure and income below, group entity expenditure (£Xm) and income (£Xm) was incurred during the year and consolidated into the Council group accounts. The expenditure mainly relates to Populo Living and Future New Home's property development costs and other various expenditure adjustments. The authority’s expenditure and income is analysed as follows:

2021/22 £'000		2022/23 £'000
	Expenditure	
468,284	Staffing expenses	466,280
669,254	Other services expenses	1,356,689
44,814	Depreciation and amortisation	43,792
31,252	Impairment and revaluation	21,774
68,751	Interest payments	42,313
15,076	Precepts and levies	22,489
91,599	Loss on the disposal of assets	5,021
1,389,030	**Total Expenditure**	**1,958,358**
	Income	
(209,170)	Fees, charges and other service income	(1,608,965)
(39,687)	Interest and investment income	(18,588)
(194,900)	Income from council tax, non-domestic rates, district rate income	(221,300)
(821,877)	Government grants and contributions	(214,891)
(1,265,634)	**Total income**	**(2,063,744)**
123,396	**(Surplus) or Deficit on the Provision of Services**	**(105,386)**

9. Adjustments Between Accounting Basis And Funding Basis Under Regulations 2022/23

This note details the 2022/23 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 adjustments for the group are not materially different to the adjustments shown below:

	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	**£'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/ Impairment of non current assets	(25,527)	(18,265)				**43,792**
Revaluation (losses)/gain on Property, Plant and Equipment	9,004	(30,778)				**21,774**
Movements in the market value of Investment Properties	25,627	1,734				**(27,361)**
Amortisation of Intangible Assets						
Capital grants and contributions applied						
Revenue expenditure funded from capital under Statute	(4,261)					**4,261**
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	(4,818)	(10,529)				**15,347**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	26,066					**(26,066)**
Capital Expenditure charged against Revenue	3,026	27,323				**(30,349)**
Voluntary provision for the financing of capital investment						
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	51,329	52,712			(104,041)	
Application of grants to capital financing transferred to the Capital Adjustment Account					103,127	**(103,127)**
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	20,626	24,686	(45,312)			
Use of the Capital Receipts Reserve to finance new capital expenditure			58,026			**(58,026)**
Use of CFR to repay loans						
Capital Loan Repayment			(55,746)			**55,746**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals						
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool						
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(443)		(2,039)			**2,482**
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		18,265		(18,265)		
Use of the Major Repairs Reserve to finance new capital expenditure				26,003		**(26,003)**
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	1,874	1,169				**(3,043)**
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(51,770)	(5,053)				**56,823**
Employer's pensions contributions and direct payments to pensioners payable in the year	12,925	1,389				**(14,314)**
Adjustment to the brought forward Pensions Reserve						
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	31,740					**(31,740)**
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	1,616					**(1,616)**
Adjustment primarily involving the Dedicated Schools Grant Account:						
Amount by which expenditure on schools is charged to the Comprehensive Income and Expenditure Statement in excess of DSG grant chargeable in the year in accordance with statutory requirements	610					**(610)**
Other Adjustments:						
Other Adjustments	(21,486)				21,486	
Total Adjustments	**76,138**	**62,653**	**(45,071)**	**7,738**	**20,572**	**(122,030)**

9. Adjustments Between Accounting Basis And Funding Basis Under Regulations 2021/22

This note details the 2021/22 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 adjustments for the group are not materially different to the adjustments shown below:

	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	**£'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/ Impairment of non current assets	(26,953)	(17,522)				**44,475**
Revaluation (losses)/gain on Property, Plant and Equipment	(4,230)	(27,022)				**31,252**
Movements in the market value of Investment Properties	11,281	(1,405)				**(9,876)**
Amortisation of Intangible Assets	(339)					**339**
Capital grants and contributions applied	35,470	18,206				**(53,676)**
Revenue expenditure funded from capital under Statute	(3,215)					**3,215**
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	(92,362)	(8,984)				**101,346**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	21,807	2,873				**(24,680)**
Capital Expenditure charged againts HRA Revenue						
Voluntary provision for the financing of capital investment	(121)		716			**(595)**
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	9,779				(9,779)	
Application of grants to capital financing transferred to the Capital Adjustment Account					18,488	**(18,488)**
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	8,019	7,001	(15,020)			
Use of the Capital Receipts Reserve to finance new capital expenditure			5,056			**(5,056)**
Use of CFR to repay loans	(9,437)		9,437			
Capital Loan Repayment			(10,299)			**10,299**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals						
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		(2,134)	2,134			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(430)			**430**
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		17,522		(17,522)		
Use of the Major Repairs Reserve to finance new capital expenditure		5,396		58,482		**(63,878)**
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	1,794	1,169				**(2,963)**
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(85,081)	(5,848)				**90,929**
Employer's pensions contributions and direct payments to pensioners payable in the year	4,543	425				**(4,968)**
Adjustment to the brought forward Pensions Reserve						
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	10,739					**(10,739)**
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	1,272	7				**(1,279)**
Adjustment primarily involving the Dedicated Schools Grant Account:						
Amount by which expenditure on schools is charged to the Comprehensive Income and Expenditure Statement in excess of DSG grant chargeable in the year in accordance with statutory requirements	2,906					**(2,906)**
Total Adjustments	**(114,128)**	**(10,316)**	**(8,406)**	**40,960**	**8,709**	**83,181**

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 2022/23.

	Balance at 31/03/2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	**Balance at 31/03/2022 £'000**	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	**Balance at 31/03/2023 £'000**
General Fund Reserves							
1 Authority Transition Reserve	**(15,174)**	-	(1,575)	**(16,749)**	6,800	-	**(9,949)**
2 Borough Wide Licencing Reserve	**(11,193)**	1,663	-	**(9,530)**	2,100	-	**(7,430)**
3 Capital Reserve	**(5,205)**	-	-	**(5,205)**	2,700	-	**(2,505)**
4 Capital Financing Reserve	**(83,893)**	956	-	**(82,937)**	600	-	**(82,337)**
5 Collection Fund Smoothing Reserve	**(40,082)**	2,570	-	**(37,512)**	13,400	-	**(24,112)**
6 Corporate Social Responsibility Reserve	**(1,500)**	150	-	**(1,350)**	200	-	**(1,150)**
7 Grants Reserve	**(25,803)**	-	(10,908)	**(36,711)**	3,500	-	**(33,211)**
8 Education PFI Reserve	**(528)**	67	-	**(461)**	-	(100)	**(561)**
9 Highways Maintenance Reserve	**(3,264)**	-	(379)	**(3,643)**	1,500	-	**(2,143)**
10 Insurance Reserve	**(6,200)**	-	-	**(6,200)**	400	-	**(5,800)**
11 Schools Balances Reserve	**(29,466)**	642	-	**(28,824)**	1,800	-	**(27,024)**
12 Trading Operations Reserve	**(132)**	122	-	**(10)**	-	-	**(10)**
13 Treasury Reserve	**(8,822)**	-	(9,014)	**(17,836)**	-	(2,200)	**(20,036)**
14 Designated Schools Budget Reserve	**-**	-	-	**-**	-	-	**-**
15 POCA Reserve	**(755)**	53	-	**(702)**	-	-	**(702)**
Total General Fund Reserves	**(232,017)**	**6,223**	**(21,876)**	**(247,670)**	**33,000**	**(2,300)**	**(216,970)**
Housing Revenue Account (HRA)	**(72,839)**	17,386	-	**(55,453)**	22,500	0	**(32,953)**
Total HRA Reserves	**(72,839)**	**17,386**	**0**	**(55,453)**	**22,500**	**0**	**(32,953)**
Total Earmarked Reserves	**(304,856)**	**23,609**	**(21,876)**	**(303,123)**	**55,500**	**(2,300)**	**(249,923)**

10. Transfers To/From Earmarked Reserves (contd.1)

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

2) **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.

3) **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.

4) **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.

5) **Collection Fund Smoothing Reserve**
This reserve consists of compensation grants for loss of income in the Council Tax and Business Rates accounts in 202122 and 2020/21 due to Covid. The reserve is required to offset the impact on the 2021/22 and future years due to reduction in budgetted income from the Collection Fund.

6) **Corporate Social Responsibility Reserve**
This the CSR reserve generated from Council's dealing with commercial partners operating within the council's vacinity, to support local charitable bodies.

7) **Grants Reserve**
Grants reserves which includes balances for grants received but not yet used.

8) **Education PFI Reserve**
PFI to support Education Service

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

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

11) **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.

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

13) **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).

14) **Designated Schools Budget Reserve**
This reserve balance represents the DSG ring-fenced grant balance, that is specifically to meet expenditure in the Schools Budget, please see note 35 Designated Schools Grant (and note 26 Unsable Reserve as it's deficit). Like many authorities Newham has experienced difficulty in meeting its obligations with respect to High Needs from within the formula funding, this has led to a significant overspend in 2020-21 and 2021/22. Newham is working with its schools and the DFE to review this overspend and reduce it for future years.

15) **POCA Reserve**
The Proceeds of Crime Act fund is held in a reserve by the Authority, ring fenced to use in specific fraud and crime prevention schemes.

11. Other Operating Expenditure

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

2021/22 £'000		2022/23 £'000
15,076	Levies	22,489
5,242	Payments to the Government Housing Capital Receipts Pool	0
86,356	Losses on the disposal of non-current assets	(27,683)
106,674	**Total**	**(5,194)**

12. Financing And Investment Income and Expenditure

Financing and investment income and expenditure for group is not materially different to the single entity. The following table provides an analysis of the "Financing and Investment Income and Expenditure" line in the single entity Comprehensive Income and Expenditure Statement:

2021/22 £'000		2022/23 £'000
48,204	Interest Payable and Similar Charges	37,768
20,547	Pensions interest cost and expected return on pensions assets	4,545
(21,547)	Interest receivable and similar income	(18,588)
(22,595)	Income and expenditure in relation to investment properties and changes in their fair value	(38,743)
4,453	Other investment income and expenditure	1,374
29,062	**Total**	**(13,644)**

13.Taxation and Non-Specific Grant Income

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

2021/22 £'000		2022/23 £'000
(85,363)	Council Tax income	(107,440)
(109,537)	Business Rates (Retained share)	(113,861)
(124,689)	General Government Grants	(107,978)
(44,139)	Capital grants and contributions	(106,913)
(363,728)	**Total**	**(436,192)**

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

Grants Credited to Taxation and Non Specific Grant Income

2021/22 £'000		2022/23 £'000
	General Government Grants:	
(36,990)	Revenue Support Grant	(40,219)
(26,982)	Section 31 Grant	(22,909)
(9,434)	New Homes Bonus	(7,753)
(13,466)	Social Care Support Grant	(17,981)
-	Services Grant	(7,684)
(10,861)	Homelessness Support Grant	(11,432)
(25,233)	Covid Support Grants (non-specific)	-
(1,723)	Other	-
(124,689)	**Total**	**(107,978)**
	Capital Grants and Contributions:	
-	DLUHC	(6,800)
(7,737)	Dept of Education	(26,875)
(2,848)	Dept of Health	(2,848)
(1,887)	School Contributions	
(7,415)	Greater London Authority	(57,509)
(3,240)	Transport for London	(1,459)
(8,445)	Section 106	(9,598)
(12,567)	Other	(1,826)
(44,139)	**Total**	**(106,915)**

Grants Credited to the net cost of services include:

2021/22 £'000		2022/23 £'000
	Revenue Grants:	
(205,531)	Housing Benefit Subsidy	(190,554)
(241,189)	Dedicated Schools Grant (DSG)	(237,550)
(16,687)	Better Care Fund	(15,766)
(11,288)	Pupil Premium	(9,095)
(32,172)	Public Health Grant	(32,652)
(21,207)	Covid Support Grants (specific)	(2,532)
(124,976)	Other Grants and Contributions	(162,353)
(653,050)	**Total**	**(650,502)**

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 in the event that conditions are not met. The balances at year-end are as follows:

Capital Grants: Receipts In Advance

2021/22 £'000		2022/23 £'000
(37,043)	Section 106	(3,449)
(37,043)	**Total**	**(3,449)**

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 2022/23

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Long term Surplus	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2022	1,241,177	1,096,048	76,441	24,898	73,722	48,904	**2,561,190**
Additions and enhancement	114,131	25,321	2,062		-		**141,514**
Accumulated Dep. Written off on revaluation to gross book value	(16,640)	(12,417)	-	-	(612)	146,126	**116,457**
Revaluation movement recognised in the Revaluation Reserve	(5,723)	42,928	-	-	3,794	-	**40,999**
Revaluation movement recognised in the Surplus on the Provision of Services	(28,541)	8,125	-	-	(648)	-	**(21,064)**
Derecognition - Disposals	(10,467)	-	-	-	-	-	**(10,467)**
Derecognition - Other	-	(2,118)	-		-	-	**(2,118)**
Other reclassifications	1,243	(1,243)	-	-	-	-	**-**
At 31 March 2023	**1,295,180**	**1,156,644**	**78,503**	**24,898**	**76,256**	**195,030**	**2,826,511**
Accumulated Depreciation and Impairment							
At 1 April 2022	0	(5,391)	(69,858)	-	(386)	(11)	**(75,646)**
Depreciation Charge	(15,959)	(13,481)	(3,083)	-	(227)	-	**(32,750)**
Accumulated Dep. Written off on revaluation to gross book value	16,640	12,417	-	-	612	-	**29,669**
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	**-**
Depreciation written out to the Surplus on the Provision of Services	-	-	-	-	-	-	**-**
Derecognition - Disposals	142	-	-	-	-	-	**142**
Derecognition - Other	-	-	-	-	-	-	**-**
Other reclassifications	13	(13)	-	-	-	-	**-**
At 31 March 2023	**836**	**(6,468)**	**(72,941)**	**-**	**(1)**	**(11)**	**(78,585)**
Net Book Value							
At 31 March 2023	**1,296,016**	**1,150,176**	**5,562**	**24,898**	**76,255**	**195,019**	**2,747,927**
At 31 March 2022	1,241,177	1,090,657	6,583	24,898	73,337	48,893	**2,485,545**

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 2021/22

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Long term Surplus	Assets Under Construction	Total Property, Plant & Equipment
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation							
At 1 April 2021	1,179,561	1,148,089	76,249	24,898	83,629	18,902	**2,531,328**
Additions and enhancement	93,718	27,712	192	-	-	30,003	**151,625**
Accumulated Dep. Written off on revaluation to gross book value	(15,826)	(10,319)	-	-	(96)	-	**(26,241)**
Revaluation movement recognised in the Revaluation Reserve	18,343	24,066	-	-	(9,833)	-	**32,576**
Revaluation movement recognised in the Surplus on the Provision of Services	(26,817)	1,091	-	-	23	-	**(25,704)**
Derecognition - Disposals	(8,775)	(89,453)	-	-	-	-	**(98,228)**
Derecognition - Other	-	(4,165)	-	-	-	-	**(4,165)**
Other reclassifications	973	(973)	-	-	-	-	**0**
At 31 March 2022	**1,241,177**	**1,096,048**	**76,441**	**24,898**	**73,722**	**48,904**	**2,561,190**
Accumulated Depreciation and Impairment							
At 1 April 2021	-	(2,712)	(64,641)	-	(270)	(10)	**(67,632)**
Depreciation Charge	(15,959)	(14,312)	(5,217)	-	(212)	-	**(35,701)**
Accumulated Dep. Written off on revaluation to gross book value	15,826	10,319	-	-	96	-	**26,241**
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	**-**
Depreciation written out to the Surplus on the Provision of Services	-	-	-	-	-	-	**-**
Derecognition - Disposals	119	1,328	-	-	-	-	**1,447**
Derecognition - Other	-	-	-	-	-	-	**-**
Other reclassifications	14	(14)	-	-	-	-	**0**
At 31 March 2022	**0**	**(5,391)**	**(69,858)**	**-**	**(386)**	**(10)**	**(75,645)**
Net Book Value							
At 31 March 2022	**1,241,177**	**1,090,657**	**6,583**	**24,898**	**73,336**	**48,894**	**2,485,546**
At 31 March 2021	1,179,562	1,145,378	11,607	24,898	83,358	18,933	**2,463,736**

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for ingrastructure assets because historical reporting reporting practices and resultant information deficits mean that this would not faithfully represent the asset position by users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and rresultant informaiton deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to the infrastructure assets.

	2022/23 Infrastructure Assets £'000	2021/22 Infrastructure Assets £'000
Net Book Value (Modified Historical Cost)		
At 1 April	290,042	285,774
Additions and enhancement	22,451	13,043
Derecognition - Disposals	-	-
Derecognition - Other	-	-
Depreciation	(9,450)	(8,775)
Impaiment	-	-
Other Movements	-	-
At 31 March	**303,043**	**290,042**

	2022/23	2021/22
	303,043	290,042
	2,485,546	2,485,546
	2,788,589	**2,775,588**

The authority has determined in accordance with the Regulation of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacment expenditure is nil.

14. Property, Plant And Equipment (contd.)

In addition to the Authority property balance and equipment, the Group includes £103m of assets classified as other land and buildings held within Future Newhome Limited and Populo Living Limited (Note 38).

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

Included in the figures for other land and buildings are 41 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. During 2022/23 the following school was converted to an academy; St Winefride's Catholic Primary School.

2021/22 Number	Category of School	2022/23 Number
41	Community	41
5	Voluntary Aided	4
2	Voluntary Controlled	2
48	**Total**	**47**

Disclosure:
Capital Commitments
As at 31 March 2023, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2022/23 and future years budgeted to cost £148m. Similar commitments at 31 March 2022 were £103m. The major commitments are:

Commitment	Cost £'000
Affordable Homes New Build Programme	126,938
Asset Investment - Stock	6,124
Keeping Newham Moving	4,244
CTCH Regeneration	3,746
School Expansion	1,567
Transport for London	1,101
S106	1,005
Property	886
Community Wealth Building	543
EST LUF0195 Projects	491
Condition	367
Good Growth Programme	363
Regen and Additional Supply	211
EST LUF0296 Projects	198
Other minor schemes	307
TOTAL	**148,091**

PPE analysis showing those assets held at cost and those at valuation sub divided by last revaluation date as at 31/03/2023.

	Council Dwellings £'000	OL&B £'000	VP&E £'000	Infra £'000	CA £'000	LTS £'000	AUC £'000	Total PPE £'000
Carried at historic cost	-	-	6,372	290,041	24,898	-	48,893	370,204
Values at Fair value as at								
31/03/23	1,241,177	859,747	-	-	-	31,489		2,132,413
31/03/22	-	104,573	-	-	-	12,525		117,098
31/03/21	-	80,931	-	-	-	19,126		100,057
31/03/20	-	44,303	211	-	-	10,197		54,711
31/03/19	-	1,103	-	-	-	-		1,103
Total Cost or Valuation	**1,241,177**	**1,090,657**	**6,583**	**290,041**	**24,898**	**73,337**	**48,893**	**2,775,586**

Development assets at Carpenter's Estate, Canning Town and Customs House
The authority is currently developing plans to implement major estate regeneration projects at the above three sites. Red Book valuations of the assets with the project boundaries (where void and intended for redevelopment) have been commissioned and the balance sheet includes these values. With evolving projects such as these there is a level of inherent uncertainty which while every effort has been made to reduce, is not possible to altogether eliminate. It is also important to note that there may be elements of the final development which are either not currently owned by the authority or are being recorded elsewhere due to their present use. The authority will continue to work with external valuers and the audit team to ensure that these assets are accurately represented and regularly updated.

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 2021	59	2,205	1,394	3,658
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
At 31 March 2022	**59**	**2,205**	**1,394**	**3,658**
Balance as at 1 April 2022	59	2,205	1,394	3,658
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
At 31 March 2023	**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
- Victorian G.E. Railway boardroom table
- Bronze Portrait bust by Benno Schotz
- West Ham Memorial Document
- Railway items collection

Buxton Table

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

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 the Joan Littlewood statue coinstructed in 2015/16. Our heritage asset policy includes a deminimus value of £10k under which will not be included on the Balance sheet. The value of assets excluded because of this is £106k. 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
Further information can be found from the Newham Heritage Service; which aims to preserve, promote and interpret the rich diversity of Heritage in the London Borough of Newham and make it accessible to all. It aims to contribute to the quality of life in the Borough by promoting a sense of place, a feeling of belonging and of local pride, and to enhance Newham’s image both regionally and nationally.

16. Investment Properties

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

2021/22 £'000		2022/23 £'000
(9,876)	Rental income due from investment property	11,383

2021/22 £000		2022/23 £000
300,256	**Balance at 1 April**	331,704
21,971	Additions and Enhancement Expenditure*	1,012
9,876	Net gains/(losses) from fair value adjustments	27,360
	Transfers:	
-	To Property, Plant and Equipment	-
(399)	Disposals	(3,659)
331,704	**Balance at 31 March**	**356,417**

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

The fair value of investment properties at 31st March are analysed as follows:

2021/22 In Borough £'000	2021/22 Out of Borough £'000		2022/23 In Borough £'000	2022/23 Out of Borough £'000
195,345	22,206	Retail unit	215,274	24,036
21,830	42,659	Office	22,764	44,599
19,839	-	Industrial unit	22,218	-
18,316		Land	19,517	
7,152		Warehouse / Stores	3,724	
1,223		Community Centre	1,240	
1,375		Car Park	1,375	
940		Depot	935	
628		Cinema	518	
87		Garages	87	
113		Flats	129	
266,848	**64,865**	**Balance at 31 March**	**287,781**	**68,635**

In addition to investment properties held by the Authority, the group balance sheet includes £169m (2021/22: £124m) of investment property held within Populo Living Limited.

Valuations were carried out by Wilks, Head and Eve LLP (WHE) 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 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.

Purchased 2021/22 £'000		Purchased 2022/23 £'000
	Balance at start of year	
6,588	Gross Carrying Amounts	8,261
(5,038)	Accumulated Amortisation	(5,377)
1,550	**Net carrying amount at start of year**	**2,884**
	Additions	
1,673	Purchases	202
(339)	Amortisation	(757)
2,884	**Net carrying amount at end of year**	**2,329**
	Comprising	
8,261	Gross Carrying Amounts	8,463
(5,377)	Accumulated amortisation	(6,134)

18. Financial Instruments

Categories of Financial Instruments

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

Financial Assets

	Non Current				Current							
	Investments		Debtors		Cash and cash equivalents)		Investments		Debtors		Total	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
Fair Value through Profit or Loss	53,300	49,249	38,642	40,680	-	-	-	-	-	-	91,942	89,929
Amortised cost	10,000	10,003	276,741	300,988	64,907	28,542	43,599	229,464	614	32,043	395,861	601,040
Total Financial Assets	63,300	59,252	315,383	341,668	64,907	28,542	43,599	229,464	614	32,043	487,803	690,969
Non-Financial Assets	-	-	-	-	-	-	-	-	131,666	95,985	131,666	95,985
Total	**63,300**	**59,252**	**315,383**	**341,668**	**64,907**	**28,542**	**43,599**	**229,464**	**132,280**	**128,028**	**619,469**	**786,954**

Financial Liabilities

	Non Current				Current							
	Borrowings		PFI and Finance Lease liabilities and Other creditors		Cash and cash equivalents)		Borrowings		Creditors		Total	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
Fair Value through Profit or Loss	-	-	-	-	-	-	-	-	-	-	-	-
Amortised cost	744,843	(645,730)	(254,496)	(263,093)	64,900	-	194,433	(190,075)	(90,565)	(96,672)	659,115	(1,195,570)
Total Financial Liabilities	744,843	(645,730)	(254,496)	(263,093)	64,900	0	194,433	(190,075)	(90,565)	(96,672)	659,115	(1,195,570)
Non-Financial Liabilities	-	-	(347,464)	(937,276)	-	-	-	-	(147,669)	(191,437)	(495,133)	(1,128,713)
Total	**744,843**	**(716,181)**	**(601,960)**	**(1,200,369)**	**64,900**	**0**	**194,433**	**(190,075)**	**(238,234)**	**(288,109)**	**163,982**	**(2,324,283)**

*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 2022/23.

Soft Loans
The Authority has identified the following which may be categorised as soft loans (less than market rates):

	31 March 2023 £'000	31 March 2022 £'000
Social Care	0	680
London Community Credit Union (LCCU)	481	458
Total	481	1,138

Carrying value of the LCCU loan is measured at fair value based on an amortised cost of 5% and social care loans are measured at cost. Loans have been considered for impairment losses. The calculated expected credit loss is not material therefore resulting in no change in carry value.

18. Financial Instruments (contd.2)

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

	2021/22			2022/23		
	Financial Liabilities	Financial Assets		Financial Liabilities	Financial Assets	
	Liabilities Measured at Amortised Cost £'000	Financial Assets at Amortised Cost £'000	Total £'000	Liabilities Measured at Amortised Cost £'000	Financial Assets at Amortised Cost £'000	Total £'000
Interest expense*	48,204	-	**48,204**	26,289	-	**26,289**
Total expense in Surplus on the Provision of Services	**48,204**	**-**	**48,204**	**26,289**	**-**	**26,289**
Interest income		(21,547)	**(21,547)**		(11,600)	**(11,600)**
Total income in Surplus on the Provision of Services	**-**	**(21,547)**	**(21,547)**	**-**	**(11,600)**	**(11,600)**
Impact in Other Comprehensive Income			**-**			**-**
Net loss/(gain) for the year	**48,204**	**(21,547)**	**26,657**	**26,289**	**(11,600)**	**14,689**

* Interest expense shown above includes interest, premiums and other similar expenses

18. Financial Instruments (contd.3)

Financial Instruments - Fair Values

The fair value of Public Works Loans Board (PWLB) loans of £334m measures the economic effect of the terms agreed with the PWLB compared with estimated 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 measures 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 £386m would be valued at £284m. 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 £386m for the additional interest that will not now be paid. The exit price for the PWLB loan including the penalty charge would be £438m.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value. Other receivables and liabilities are carried on the Balance Sheet at amortised cost. Their fair value can 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 2023 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%.

Unquoted equity investment in Populo Living Ltd has been measured at fair value. Fair value has been based on the cost of equity. Due to early stages of its business model and a number of uncertain variables relating to this company it is difficult to value this company other than at cost of investment.

There has been no transfers between input levels during the year. There has been no change in the valuation technique used during the year.

Financial Assets
The fair value of financial assets is higher than the carrying amount because the Authority's portfolio of investments includes a number of loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2022) attributable to the commitment to receive interest above current market rates.

31 March 2022 Carrying Value £'000	31 March 2022 PR Rate Fair Value £'000	Financial Assets	Fair Value level	31 March 2023 Carrying Value £'000	31 March 2023 PR Rate Fair Value £'000
10,003	10,073	Long-Term Investments	2	10,000	10,000
49,249	49,249	Long-Term Investments - equities	2	53,300	53,300
828	828	Long-Term Receivables - Soft Loans (Note 22)	2	481	481
55,672	55,672	Long-Term Receivables - Finance Leases (Note 22)	2	55,044	55,044
289,076	289,076	Long-Term Receivables - Other (Note 22)	2	323,633	323,633
404,828	**404,898**	**Total Included in Long-Term Assets**		**442,458**	**442,458**
-	-	Short Term Investments	2	43,599	43,599
32,043	32,043	Short-Term Receivables		614	614
28,542	28,542	Cash and Cash Equivalents (Note 21)	2	92,471	92,471
60,585	**60,585**	**Total included in Current Assets**		**136,684**	**136,684**
465,413	**465,483**	**Total Financial Assets**		**579,142**	**579,142**

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.

31 March 2022 Carrying Value £'000	31 March 2022 PR Rate/CV Fair Value £'000	31 March 2022 NL Rate/CV Fair Value £'000	Financial Liabilities	Fair Value level	31 March 2023 Carrying Value £'000	31 March 2023 PR Rate/CV Fair Value £'000	31 March 2023 NL Rate/CV Fair Value £'000
182,675	267,890		Short Term Borrowing at amortised cost	2	189,611	202,838	185,391
7,400	1,423		Short Term Borrowing PWLB at amortised cost	2	4,822	1,096	1,087
			Cash and Cash Equivalents (Note 21)	2	26,817	26,817	
9,314	9,314		PFI and Finance Lease Liabilities (Note 23)	2	8,612	8,612	
87,358	87,358		Financial Liabilities at Contracted Amounts (Note 23)		81,953	81,953	
286,747	**365,985**	**-**	**Total Included in Current Liabilities**		**311,815**	**321,316**	**186,478**
271,429	686,903		Long-Term Borrowing	2	363,726	476,453	392,765
374,300	512,560	418,567	Long-Term Borrowing PWLB	2	381,117	333,188	283,399
85,428			PFI and Finance Lease Liabilities (Note 36)	2	78,666		
177,665	177,665		Financial Liabilities at Amortised Cost (Note 36)		175,830	175,830	
908,823	**1,377,128**	**418,567**	**Total included in Long Term Liabilities**		**999,339**	**985,471**	**676,164**
1,195,569	**1,743,113**	**418,567**	**Total Financial Liabilities**		**1,311,155**	**1,306,787**	**862,642**

19. Inventories

2021/22				2022/23		
Stocks	**Work in Progress**	**Total**		**Stocks**	**Work in Progress**	**Total**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
1,195	**-**	**1,195**	**Balance b/f**	**1,625**	**-**	**1,625**
		-	Purchases			**-**
430	-	**430**	Expensed in year	946		**946**
1,625	**-**	**1,625**	**Balance c/f**	**2,571**	**-**	**2,571**

The council holds inventories which are made up of 3 types - Store 9, Store 15 and Fuel.

Store 9 - This is general stock. For example bins, bags, chemicals, PPE etc. all these products are used by all of the council departments.
Store 15 - This is parts for vehicles to cover the repair & maintenance of the council vehicle fleet (approximately 400 vehicles & 120 items of plant).
Fuel Stock - This is diesel fuel which is supplied to all council vehicles.

All stock have undertaken an inventory check at year-end and have been certified.

20. Construction Contracts

As at 31st March 2023, the authority had entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2022/23 and future years budgeted to cost £148.1m (last year was £103.3m). Further details on these commitments are included in note 14.

21. 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:

Single Entity 2021/22	**Group Accounts 2021/22**		**Single Entity 2022/23**	**Group Accounts 2022/23**
£'000	**£'000**		**£'000**	**£'000**
65	65	Petty Cash	65	65
28,477	28,477	Cash at Bank (Schools)	27,506	27,506
	12,260	Cash Equivalents	64,900	64,900
28,542	**40,802**	**Total Cash and Cash Equivalents**	**92,471**	**92,471**
(22,442)		Cash Equivalents (Overdrawn)	(26,817)	(26,817)
6,100	**40,802**	**Total Cash and Cash Equivalents**	**65,654**	**65,654**

22. Receivables

2021/22 Single Entity Gross £'000	2021/22 Single Entity Impairment Allowance £'000	2021/22 Single Entity Net £'000	2021/22 Group Accounts Total £'000	**Short Term Receivables**	2022/23 Single Entity Gross £'000	2022/23 Single Entity Impairment Allowance £'000	2022/23 Single Entity Net £'000	2022/23 Group Accounts Total £'000
27,211	-	27,211	27,211	Central Government Bodies	37,098	-	37,098	37,098
17,762	-	17,762	17,762	Other Local Authorities	10,392	-	10,392	10,392
30,028	(25,070)	4,958	4,958	Council Tax Payers	28,886	(23,124)	5,762	5,762
3,521	(2,189)	1,332	1,332	Business Rate Payers	6,140	(2,528)	3,612	3,612
31,715	(27,199)	4,516	4,516	Housing Rents	38,106	(32,589)	5,517	5,517
38,527	(4,423)	34,104	58,436	Sundry Receivables	62,876	(8,178)	54,698	54,698
21,328	(14,549)	6,779	6,779	Housing Benefit Overpayments	35,234	(26,267)	8,967	8,967
5,663	-	5,663	5,663	Prepayments	647	-	647	647
47,691	(44,448)	3,243	3,243	Parking	38,886	(35,210)	3,676	3,676
5,631	(3,797)	1,834	1,834	Leaseholders	6,612	(4,701)	1,911	1,911
20,626	-	20,626	20,626	Pension Prefunding	-	-	-	-
-	-	-	-	Amount due from Pension Fund	-	-	-	-
249,703	**(121,675)**	**128,028**	**152,360**		**264,877**	**(132,597)**	**132,280**	**132,280**
				Long Term Receivables				
828		828	828	Soft Loans	1,285		1,285	1,285
55,672		55,672	55,672	Finance Leases (lessor)	55,044		55,044	55,044
3,519		3,519	3,519	Leaseholder Loans	4,073		4,073	4,073
236,861		236,861	919	Amounts due from subsidiary undertakings	275,593		275,593	275,593
40,680		40,680	40,680	Shared Equity Interest	38,642		38,642	38,642
-		-	-	Pension Prefunding	-		-	-
4,108		4,108	4,108	Other long term receivables	4,040		4,040	4,040
341,668	**-**	**341,668**	**105,726**		**378,677**	**-**	**378,677**	**378,677**

23. Payables

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

Single Entity	Group Accounts		Single Entity	Group Accounts
2021/22			2022/23	
£'000	£'000		£'000	£'000
(5,098)	(5,098)	Council Tax Payables	(8,322)	(8,322)
(1,977)	(1,977)	Business Rate Payables	(3,633)	(3,633)
(99,683)	(99,683)	Sundry Payables	(81,953)	(81,953)
(27,669)	(82,035)	Receipts In Advance	(24,219)	(24,219)
(9,314)	(9,314)	Finance Lease and PFI Liabilities	(8,612)	(8,612)
(14)	(14)	Other Balances	(12)	(12)
(17,839)	(17,839)	Employee Benefits	(16,223)	(16,223)
(23,393)	(23,393)	Revenue Grants Received In Advance	(9,469)	(9,469)
(98,919)	(98,919)	Central Government Bodies	(63,412)	(63,412)
(14,033)	(14,033)	Other Local Authorities	(13,001)	(13,001)
(2,372)	(2,372)	Deferred Income	-	-
(5,119)	(5,119)	Amount due to Pension Fund	(9,378)	(9,378)
(305,430)	**(359,796)**	**Total**	**(238,234)**	**(238,234)**

24. Provisions

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

Long term Provision

2022/23	**Insurance £'000**	**MMI £'000**	**NNDR £'000**	**Other £'000**	**Total £'000**
Balance at 1 April 2022	(5,254)	(1,291)	(6,900)	(12,218)	**(25,663)**
Additional provisions made in 2022/23	(3,113)	-	(71,184)	-	**(74,297)**
Amounts used in 2022/23	1,847	247	72,847	220	**75,161**
Balance at 31 March 2023	**(6,520)**	**(1,044)**	**(5,237)**	**(11,998)**	**(24,799)**

2021/22	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2021	(5,247)	(319)	(8,210)	(12,497)	**(26,273)**
Additional provisions made in 2021/22	(7)	(972)	-	-	**(979)**
Amounts used in 2021/22	-	-	1,310	280	**1,590**
Balance at 31 March 2022	**(5,254)**	**(1,291)**	**(6,900)**	**(12,217)**	**(25,662)**

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. Under the Scheme, the administrator may impose a levy on scheme creditors following a trigger event. A levy notice was issued on 1st January 2014 by the Scheme Administrator at a rate of 15% and this was subsequently increased to 25% on 1st April 2016. The levy applies retrospectively i.e. back to 1993 and total scheme liability as at 31st March 2023 was £9.1m, with applicable levy of £2.3m @ 25%. Actuarial opinion is to maintain 40%, which gives a residual figure of £1.1m. Please note that this is worst case scenario.

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% (30% in 2022) of the provision for appeals within the Balance Sheet. As at 31st March 2023, this was £5.96m (£9.97m in 2021/22) and split across Long Term £5.24m (£6.90m in 2021/22) and Short Term Provision £0.72 (£2.8m in 2021/22), see table below.

Other

The Council made a provision of £11.8m in 2020/21 to cover any potential liabilities arising from the recent water charges ruling, which requires local authorities to pass on any discounts received from Thames Water to tenants whose rent includes the cost of water rates. In addition to this the Council has a number of on-going litigation cases, provision for which is also included within the long term provision figure. £280k of the provision has been utilised in 2021/22 as shown in the table above.

Short term Provision

	NNDR £'000	**COVID-19 £'000**	**Other £'000**	**Total £'000**
Balance at 1 April 2022	(2,808)	-	(621)	**(3,429)**
Additional provisions made in 2022/23	(14,058)	-	-	**(14,058)**
Amounts used in 2022/23	16,139	-	621	**16,760**
Balance at 31 March 2023	**(727)**	**-**	**-**	**(727)**

Other

One of the Council's wholly owned service provision companies, initially funded through a loan by the Council is being wound up and a provision has been made to cover the potential non-recoverability of the loan.

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.

2021/22 £'000		2022/23 £'000
(7,079)	General Fund	(7,079)
(55,453)	Housing Revenue Account	(38,308)
(167,089)	Capital Receipts Reserve	(212,160)
(13,134)	Major Repairs Reserve	0
(86,413)	Capital Grants Unapplied	(65,841)
(247,670)	Earmarked Reserves	(217,952)
(576,838)	**Total Usable Reserves**	**(541,340)**

The Group Usable Reserves are £35m lower than the single entity reserve above, reflecting the consolidated position as at 31st March 2022. This is primarily driven by the deficit reported in the Populo Living Limited Accounts (also see note 38).

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.

2021/22 £'000		2022/23 £'000
(158,683)	**Balance as at 1 April**	**(167,089)**
	Sale of Assets:	
(6,451)	Sale of Council Houses	(22,927)
(8,570)	Sale of other Land and Buildings	(24,424)
(430)	Transfer to (from) DCRR	(443)
(10,299)	Capital Loan Repayments	(55,746)
(25,750)	**Total Receipts**	**(103,540)**
	Use of Receipts:	
2,134	Payments to Housing Capital Pool	-
15,210	Capital Receipts used for Financing	58,469
17,344		**58,469**
(167,089)	**Balance as at 31 March**	**(212,160)**

26. Unusable Reserves

31 March 2022 £'000		31 March 2023 £'000
(747,569)	Revaluation Reserve	(799,631)
(1,147,153)	Capital Adjustment Account	(1,289,092)
113,917	Financial Instruments Adjustment Account	110,874
(96,387)	Deferred Capital Receipts and Credits Reserve (DCRR)	(93,905)
905,891	Pensions Reserve	309,764
21,536	Collection Fund Adjustment Account	(10,204)
17,839	Accumulated Absences Account	16,223
17,978	Dedicated Schools Grant Adjustment Account	17,368
(913,948)	**Total Unusable Reserves**	**(1,738,603)**

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.

2021/22 £'000		2022/23 £'000
(737,934)	**Balance at 1 April**	**(747,569)**
(32,576)	Upward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(63,987)
9,975	Difference between fair value depreciation and historical cost depreciation	10,243
12,966	Accumulated gains on assets sold or scrapped	1,682
(747,569)	**Balance at 31 March**	**(799,631)**

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.

2021/22 £'000		2022/23 £'000
19,118	**Balance at 1 April**	**17,839**
(19,118)	Settlement or cancellation of accrual made at the end of the preceding year	(17,839)
17,839	Amounts accrued at the end of the current year	16,223
17,839	**Balance at 31 March**	**16,223**

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 or 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 than 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:

	2021/22			2022/23
£'000	**£'000**		**£'000**	**£'000**
	116,956	**Balance at 1 April**		**113,916**
(2,963)		Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(2,963)	
(77)		Effective interest rate (EIR) adjustment on LOBO borrowing	(77)	
	(3,040)	**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**		**(3,040)**
	113,916	**Balance at 31 March**		**110,876**

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.

2021/22 £'000		2022/23 £'000
1,066,269	**Balance at 1 April**	**885,265**
	Adjustment to the brought forward Pensions Reserve	
(205,207)	Actuarial (gains)/losses on pensions assets and liabilities	(618,010)
90,929	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	56,823
(41,132)	Adjustment for smoothing the pension fund pre-payment	0
(4,968)	Employer's pensions contributions and direct payments to pensioners payable in the year	(14,314)
905,891	**Balance at 31 March**	**309,764**

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.

2021/22 £'000		2022/23 £'000
32,275	**Balance at 1 April**	**21,536**
(10,739)	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	(31,740)
21,536	**Balance at 31 March**	**(10,204)**

Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account manages the Deficits arising from the schools budget expenditure exceeding the DSG funding available. The accumulated deficit balance is held separately from the general fund, to ensure the deficits do not place pressure on the Council's ability to delivery other services. The Council and Government will look at budgetary and financial management strategies to reduce the deficits by 2022/23.

2021/22 £'000		2022/23 £'000
15,072	**Balance at 1 April**	**17,978**
	*Transfer from Usable Reserve (DSG)**	
15,072	**Balance at 1 April restated**	**17,978**
2,906	Amount by which expenditure on schools is charged to the Comprehensive Income and Expenditure Statement in excess of DSG grant chargeable in the year in accordance with statutory requirements	(610)
17,978	**Balance at 31 March**	**17,368**

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.

2021/22 £'000	2021/22 £'000		2022/23 £'000	2022/23 £'000
	(1,124,499)	**Balance at 1 April**		(1,147,153)
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
44,475		Charges for depreciation and impairment of non-current assets	43,035	
13,049		Revaluation gains on Property, Plant and Equipment	21,774	
339		Amortisation of intangible assets	757	
3,215		Revenue expenditure funded from capital under statute	4,261	
101,345		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	15,346	
10,299		Repayment of subsidiary loans	55,746	
	172,722			**140,919**
	(22,940)	Adjusting amounts written out of the Revaluation Reserve		(11,925)
	149,782	**Net written out amount of the cost of non-current assets consumed in the year**		**128,994**
		Capital financing applied in the year:		
(5,056)		Use of the Capital Receipts Reserve to finance new capital expenditure	(58,026)	
(9,437)		Use of the Capital Receipts Reserve to reduce the CFR	0	
(63,878)		Use of Revenue and Revenue Reserves to finance new capital expenditure	(56,352)	
(53,676)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(88,432)	
(18,488)		Application of grants to capital financing from the Capital Grants Unapplied Account	(14,695)	
(24,681)		Provision for the financing of capital investment charged against the General Fund and HRA balances	(26,066)	
	(175,216)			**(243,571)**
	2,780	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(27,360)
	(1,147,153)	**Balance at 31 March**		**(1,289,090)**

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

Single Entity 2021/22 £'000	Group Accounts 2021/22 £'000	Description	Single Entity 2022/23 £'000	Group Accounts 2022/23 £'000
44,475	44,797	Depreciation	43,792	43,844
31,252	33,527	Increase in Revaluation charged to the Comprehensive Income and Expenditure Statement	21,774	22,294
339	339	Amortisation	0	0
17,630	17,630	Movement in Impairment Allowance	(10,924)	(10,924)
(2,833)	(8,100)	Movement in Receivables	52,184	58,068
36,885	39,912	Movement in Payables	(42,547)	(48,266)
(430)	179	Movement in Inventories	1	28
85,961	85,961	Pension Liability	42,509	42,509
107,335	107,335	Carrying Amount of Non-Current Assets sold	15,346	15,346
10	10	Movement in Provisions	4	4
(9,876)	(12,040)	Movement in the value of Investment Properties	(27,360)	(20,903)
(2,963)	(2,963)	Financial Instruments Adjustments	(3,043)	(4,658)
(10,009)	(9,534)	Other Non-Cash Adjustments	(277,002)	(275,408)
0	(1,931)	Taxation	0	13,408
297,776	**295,122**	**Total Adjustments for Non-Cash Transactions**	**(185,266)**	**(164,658)**
(53,058)	(42,406)	Investing and Financing Activities Adjustments to Net Surplus on the Provision of Services	(149,182)	(146,327)
244,718	**252,716**	**Net Cash Flows from Operating Activities**	**(334,448)**	**(310,985)**

The cashflow from operating activities include the following amounts:

Single Entity 2021/22 £'000	Group Accounts 2021/22 £'000	Description	Single Entity 2022/23 £'000	Group Accounts 2022/23 £'000
(21,547)	(21,547)	Interest received	(18,788)	(18,788)
48,204	48,204	Interest Paid	42,313	35,791
26,657	**26,657**	**Net Interest**	**23,525**	**17,002**

28. Cash Flow Statement - Investing Activities

Single Entity 2021/22 £'000	Group Accounts 2021/22 £'000	Description	Single Entity 2022/23 £'000	Group Accounts 2022/23 £'000
(166,283)	(165,699)	Purchase of Property, Plant and Equipment and Intangible Assets	(141,514)	(210,839)
(54,615)	(54,615)	Purchase of Short-Term Investments and Long-Term Investments	186,766	233,440
0	0	Other Payments for Investing Activities		
11,882	12,470	Proceeds from the sale of Property, Plant and Equipment and Non-Current Assets	45,312	49,135
34,262	34,262	Other receipts from investing	103,612	103,612
(174,754)	**(173,582)**	**Net Cash Flows from Investing Activities**	**194,176**	**175,348**

29. Cash Flow Statement - Financing Activities

Single Entity 2021/22 £'000	Group Accounts 2021/22 £'000		Single Entity 2022/23 £'000	Group Accounts 2022/23 £'000
23,296	(12,913)	Cash Repayment of Short-Term Borrowings and Long-Term Borrowings	103,471	103,472
(9,031)	17,168	Cash Payments to reduce Finance Lease and PFI Liabilities	(9,031)	(3,814)
0	0	Other payments for financing activities		
14,265	**4,255**	**Net Cash Flows from Financing Activities**	**94,440**	**99,658**

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:

2021/22				2022/23		
Expenditure £'000	**Income £'000**	**(Surplus) / Deficit £'000**		**Expenditure £'000**	**Income £'000**	**(Surplus) / Deficit £'000**
345	(211)	134	Building Control	656	(413)	243
1,190	(867)	323	Markets	1,084	(1,054)	30
365	0	365	Repairs & Maintenance Service (RMS)	47,075	(45,702)	1,373
1,900	**(1,078)**	**822**	**Total**	**48,815**	**(47,169)**	**1,646**

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. The deficit in 2021/22 was due to reduced income from markets resulting from closures during lockdown. This overspend has principally been funded through loss of income grants from central government.

The Repairs and Maintenance Service (RMS) is a trading division within the Inclusive Economy and Housing Directorate that provides over 100,000 housing repairs, cyclical and statutory maintenance as well as capital stock improvements to over 27,000 Newham Council Tenants and Leaseholders properties as well as providing services to support the Councils highways responsibilities. The range of services has extended to support repairs and maintenance in public buildings, some schools and Tenant Management Organisations and the reinstatements to housing voids both in and out of the borough. The change between the deficit in both years is predominantly caused by an increase in Vehicle costs related to the recall of vehicles as a result of a suspected manufacturing issue.

31. 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.

In 2017/18, the government made funding available to local authorities, worth £1.5 billion by 2019/20, which is included in the BCF. In looking ahead to later years it is important that BCF plans are aligned to other programmes of work including Sustainability Transformation Plans (STPs), new models of care as set out in the NHS Five Year Forward View and delivery of 7-day services. 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 Joint Health and Wellbeing Strategy provides the platform for our vision to become realised through common and shared themes that are reflected in all local key initiatives including Integrated care, Transforming Service Together, Care Close to Home Delivery Plans, NHS Newham clinical commissioning group (NCCG) Operating plan, Personal Health Budgets, Primary Care Co-commissioning, Carers Strategy and Sustainability Transformation Plans. The Authority and NCCG 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.

All parties to the better care fund pooled budget agreement have joint control. The better care fund pooled budget is a joint arrangement solely for the purpose of working together, with no single body having power of control over the other parties to the agreement. Each partner then accounts for its share of income, expenditure, assets liabilities and cash flows in line with the agreement.

The following table analyses the funding provided and the expenditure met from Better Care Fund:

	2021/22 £'000	2022/23 £'000
Funding provided to the pooled budget:		
London Borough of Newham	(110,531)	(119,971)
NHS Newham Clinical Commissioning Group (NCCG)	(56,003)	(57,718)
Total funding	**(166,534)**	**(177,690)**
Expenditure met from the pooled budget:		
London Borough of Newham	110,531	119,971
NHS Newham Clinical Commissioning Group (NCCG)	56,003	57,718
Total expenditure	**166,534**	**177,690**
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

Scheme Name	2022/23 Total BCF Actuals £000s
RAID and support	949
Existing Social Care	10,161
Continuing Care	5,114
NHS Funded Nursing Care	842
DFG/Capital	2,848
Equipment Services	3,327
Protection of Adult Social Care	6,180
Extension to Protection of Social Care	7,522
Care Act	1,175
Social Prescription/PPE	360
Rehab/Virtual Ward	1,700
Care Management	11,107
Care Packages/Placements	74,136
Community services	30,193
Public Health Commissioning (ASC)	6,827
Market Sustainability and Growth (ASC)	7,429
Out of Hospital / Admission Avoidance	2,242
Wheelchair Services	1,563
COVID 19 response IDH & Social care recovery	253
50 Steps - Inequalities, Prevention and transformation	1,424
CEG - Primary Care Data	49
Hospital Discharge Programme Scheme 2	2,288
Total	**177,690**

32. Members' Allowances

The total of members' allowances and expenses paid in 2022/23 (excluding National Insurance Contributions) was £1,582k compared to £1,342k in 2021/22. Full details of members' allowances paid are available on the website and upon request in writing to Member Services, 4th Floor, West Wing, Newham Dockside, London E16 2QU. Further details can also be found on the following website.

'https://www.newham.gov.uk/council/councillors%E2%80%99-allowances-expenses

33. 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.

2021/22 Non Teaching Employees	2021/22 Teaching Employees	2021/22 Total Employees	Earnings Band	2022/23 Non Teaching Employees	2022/23 Teaching Employees	2022/23 Total Employees
207	190	397	50 - 54,999	309	230	539
100	165	265	55 - 59,999	213	144	357
57	111	168	60 - 64,999	120	95	215
49	40	89	65 - 69,999	70	51	121
46	39	85	70 - 74,999	38	26	64
28	25	53	75 - 79,999	39	19	58
13	10	23	80 - 84,999	20	14	34
31	11	42	85 - 89,999	32	12	44
6	7	13	90 - 94,999	19	6	25
10	3	13	95 - 99,999	6	9	15
7	6	13	100 - 104,999	9	3	12
3	3	6	105 - 109,999	9	-	9
5	2	7	110 - 114,999	1	3	4
1	2	3	115 - 119,999	3	-	3
6	1	7	120 - 124,999	6	3	9
-	1	1	125 - 129,999	2	-	2
-	1	1	130 - 134,999	1	2	3
1	-	1	135 - 139,999	1	1	2
2	-	2	140 - 144,999	-	-	-
3	1	4	145 - 149,999	1	-	1
1	-	1	150 - 154,999	-	-	-
2	1	3	155 - 159,999	-	1	1
-	-	-	160 - 164,999	-	1	1
-	1	1	165 - 169,999	-	-	-
1	-	1	170 - 174,999	-	-	-
1	-		175 - 179,999	2	-	2
-	-		180 - 184,999	-	-	-
-	-		185 - 189,999	1	-	1
-	-	-	190 - 194,999	-	-	-
-	-		195 - 199,999	-	-	-
-	-	-	200 - 204,999	-	-	-
1	-		205 - 209,999	-	-	-
-	-	-	210 - 214,999	1	-	1
-	-	-	215 - 219,999	-	-	-
-	1	1	220 - 224,999	-	-	-
-	-	-	255 - 259,999	-	1	1
581	**621**	**1,200**	**Total £50,000 and over**	**903**	**621**	**1,524**

During 2022/23 the number of officers whose remuneration exceeded £50k increased by 324. The increase is primarily related to non-teaching staff and is generally due to the impact of restructure, inflationary pay increases and staff moving up spinal points . The bandings which have increased the most are between £50k - £80k, with a total increase of 308 officers and teachers. Similarly, the number of officers paid between £90k - £110k has increased by 13 compared to 2021/22.

33. 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:

2022/23

Council Officers

Name and position	Salary Fees and Allowances	Compensation for loss of employment	Council's contribution to Pension Fund	Total Remuneration
	£	£	£	£
Chief Executive Officer (Acting) - Mr Colin Ansell	210,665		39,194	**249,859**
Chief Executive Officer - Ms Althea Loderick - (left 22/05/2022)	29,376	-	5,699	**35,075**
Director of Legal & Governance (Interim-Monitoring Officer) - Ms Asmat Hussain (left 31/12/2022)	87,865	-	15,731	**103,596**
Director of Legal & Governance (Interim-Monitoring Officer) - Mr Satish Mistry (Agency) (started 10/01/2023)	67,423	-	-	**67,423**
Corporate Director of Adults & Health (DASS) (Acting) - Mr Jason Strelitz	147,448	-	28,605	**176,054**
Corporate Director of Resources (s151) - Mr Conrad Hall	179,024	-	34,731	**213,755**
Corporate Director of Children & Young People (DCS) - Mr Timothy Aldridge	179,024	-	34,731	**213,755**
Corporate Director of Environment and Sustainable Transport - Mr Jamie Blake (left 31/13/2022)	124,314	-	24,117	**148,431**
Corporate Director of Environment and Sustainable Transport (Acting) - Mr Jamie Cooke (started 01/12/2022)	50,496	-	9,796	**60,292**
Corporate Director of People, Policy & Performance - Ms Jessica Crowe (left 26/06/2022)	36,750	-	6,661	**43,411**
Newham's Children & Young People's Commissioner (Brighter Futures) - Mrs Geeta Subramaniam-Mooney (left 19/08/2022)	123,931	62,554	10,954	**197,439**
Assistant Chief Executive Chief Digital Officer - Mr Amit Shanker (started 11/01/2023)	31,237	-	6,060	**37,296**
Assistant Chief Executive Chief Transformation Officer - Mr James Partis (started 02/08/2022)	93,557	-	18,150	**111,707**
Corporate Director of Inclusive Economy & Housing - Mr David Hughes (left 31/12/2022)	126,466	-	24,535	**151,001**
Corporate Director of Inclusive Economy & Housing (Interim) - Ms Vicky Clark (Agency) (started 05/12/2022)	58,256	-	-	**58,256**
Assistant Chief Executive for Marketing (Interim) - Ms Natalie Orringe (Agency) (started 16/08/2022)	148,872	-	-	**148,872**
Total	**1,694,704**	**62,554**	**258,963**	**2,016,221**

For those directors who are employed via an agency it is the amount paid to the agency that is shown and not the amount received by the individual.

Senior Officers' Pay - LBN Controlled Companies

The Council has a number of wholly owned companies which deliver a range of services including housing investments, contract cleansing & catering, waste disposal and street cleansing and other

Company and Position	Salary	Compensation for loss of employment	Expenses	Total Remuneration
Juniper Ventures Limited - Managing Director	108,245			**108,245**
Enabled Living Healthcare Limited - Managing Director	-			**0**
Populo Living Limited - Chief Executive	175,148			**175,148**
Total	**283,393**	**-**	**-**	**283,393**

2021/22

Council Officers

Name and position	Salary Fees and Allowances	Compensation for loss of employment	Council's contribution to Pension Fund	Total Remuneration
	£	£	£	£
Chief Executive Officer - Ms A Loderick	206,184	-	40,000	**246,184**
Corporate Director of Adults & Health (DASS) - Mr C Ansell	149,658	-	29,034	**178,692**
Corporate Director of Children & Young People (DCS) - Mr T Aldridge	171,606	-	33,292	**204,898**
Corporate Director of Environment and Sustainable Transport - Mr J Blake	159,920	-	31,025	**190,945**
Corporate Director of People, Policy & Performance - Ms J Crowe	146,896	-	28,498	**175,394**
Corporate Director of Resources (s151) - Mr C Hall	177,099	-	34,357	**211,456**
Director of Legal & Governance (Monitoring Officer) - Ms A Hussain (started 03/01/22)	23,597	-	4,578	**28,174**
Director of Legal & Governance (Monitoring Officer) - Mr D Fenwick (left 05/12/21)	101,853	-	18,539	**120,392**
Director of Public Health - Mr J Strelitz	140,205	-	27,200	**167,405**
Newham CYPS Commissioner (Brighter Futures) Mrs G Subramaniam-Mooney	144,966	-	28,123	**173,089**
Corporate Director of Inclusive Economy & Housing - Mr Dave Hughes	156,537	-	30,368	**186,905**
Total	**1,578,520**	**-**	**305,013**	**1,883,533**

Senior Officers' Pay - LBN Controlled Companies

Company and Position	Salary	Bonus	Expenses	Total Remuneration
	£	£	£	£
Juniper Ventures Limited - Managing Director	111,913	0	0	**111,913**
Enabled Living Healthcare Limited - Managing Director	81,557	0	0	**81,557**
Populo Living Limited - Managing Director	156,825	0	0	**156,825**
Total	**350,295**	**-**	**-**	**350,295**

33. 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. There was a reduction in the number and total cost of exit packages during 2022/23. The average cost of exit packages remained unchanged at £17k.

In addition to the £607k exit payments made to the 36 staff leaving through the redundancy scheme, additional pensions contribution of £1.1m were also made to cover the pensions liability.

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)**	
	2021/22	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**
£0 – £20,000	53	16	10	9	63	25	552	207
£20,001 – £40,000	11	6	3	6	14	12	509	337
£40,001 – £60,000	3	-	-	3	3	3	414	-
£60,001 – £80,000	-	1	-	-	-	1	-	63
£80,001 – £100,000	-	-	-	-	-	-	-	-
£100,001 – £150,000	-	-	-	-	-	-	-	-
£150,001 – £250,000	-	-	-	-	-	-	-	-
Total	**67**	**23**	**13**	**18**	**80**	**41**	**1,475**	**607**

34. External Audit Costs

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

	2021/22 £'000	**2022/23 £'000**
Fees payable to Auditors with regard to the external audit of the Authority	176	175
Additional fees payable to Auditors with regard to the previous year's external audit of the Authority	153	160
Fees payable to Auditors with regard to the external audit of the pension fund	53	61
Fees payable to Auditors with regard to the certification of grant claims and returns	31	31
	413	**427**

<u>Audit Fees for external audit of Major Subsidiaries</u>

	2021/22 £'000	**2022/23 £'000**
Populo	85	115
Future New Homes	19	28
	104	**143**

35. Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools' budget, as defined in the School Finance and Early Years (England) Regulations 2022. The schools budget includes elements for a range of educational services provided on an authority-wide basis and for the individual schools budget (ISB), which is divided into a budget share for each maintained school. Like many authorities Newham has experienced difficulty in meeting its obligations with respect to High Needs from within the formula funding, and this led to increases in DSG deficit up to 2021/22. Newham has worked on reducing the overspend and has successfully reported an in-year surplus position in 2022/23 with a marginal reduction in the overall deficit. Further work is needed in future years to fully clear the deficit position. Details of the deployment of DSG receivable for 2022/23 are as follows:

	2022/23		
	Central Expenditure £'000	**ISB £'000**	**Total £'000**
Final DSG for 2022/23 before academy Recoupment	-	-	479,025
Academy figure recouped for 2022/23	-	-	(242,322)
Total DSG after academy recoupment for 2022/23	-	-	**236,703**
Plus: Brought forward from 2021/22	-	-	(17,978)
Agreed initial budgeted distribution in 2022/23	44,361	175,046	**219,407**
In-year adjustments	558	-	**558**
Final budget distribution for 2022/23	**44,919**	**175,046**	**219,965**
Less: Actual central expenditure	(62,286)		(62,286)
Less: Actual ISB deployed to schools	-	(175,046)	(175,046)
Carry-forward to 2023/24	**(17,367)**	**0**	**(17,367)**

	2021/22		
	Central Expenditure £'000	**ISB £'000**	**Total £'000**
Final DSG for 2021/22 before academy Recoupment	-	-	462,638
Academy figure recouped for 2021/22	-	-	(221,165)
Total DSG after academy recoupment for 2021/22	-	-	**241,473**
Plus: Brought forward from 2020/21	-	-	(15,072)
Agreed initial budgeted distribution in 2021/22	48,692	177,709	**226,401**
In-year adjustments	(27,067)	27,067	**-**
Final budget distribution for 2021/22	**21,624**	**204,776**	**226,401**
Less: Actual central expenditure	(39,603)		(39,603)
Less: Actual ISB deployed to schools	-	(204,776)	(204,776)
Carry-forward to 2022/23	**(17,978)**	**(0)**	**(17,978)**

36. Other Long Term Liabilities

The group other long term liabilities is not materially different to the authority's other long term liabilities. The authority's 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.

	2021/22 £'000	**2022/23 £'000**
Finance Leases (Note 40)	(177,665)	(175,830)
PFI Liability (Note 41)	(85,428)	(78,666)
Pensions Liability (Note 44)	(905,598)	(309,764)
Section 106	(31,678)	(37,700)
Deferred Income	0	0
Total	**(1,200,369)**	**(601,960)**

37. Related Party Transactions

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

Central Government 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 Fund is administered by LBN. During the reporting period, the Council incurred costs of £1.3m (2021/22: £1.16m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses (see Note 10). As at 31 March 2023 the Council owed the Fund £9.3m (2021/22 £5.1m).

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2022/23 is shown in Note 32. 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 2022/23	Amounts owed at 31/03/23	Income received during 2022/23	Income due at 31/03/23	
	£'000	£'000	£'000	£'000	Member
Ambition Aspire Achieve	359	5	1	0	Carleene Lee-Phakoe
	0	0	0	0	Sarah Ruiz
Edith Kerrison Nursery School	1364	0	4	0	Ann Easter
Rights & Equalities In Newham (Rein)	374	0	0	0	Joy Laguda
The Tapscott Learning Trust	3597	0	165	4	Joy Laguda
					Officers
Juniper Ventures Ltd	3,192	22	521	11	Beau Stanford-Francis

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.

38. Council's Association with External Bodies

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

Subsidiaries

Populo Living Limited - A wholly-owned subsidiary company that was formed in March 2014 to facilitate the Authority's construction and investment in private rental properties within the Borough. Ordinary share capital constitutes 47,249,614 Ordinary shares of £1 each as at 31 March 2023 (47,249,614 £1 Ordinary shares as at 31 March 2022). In 2022/23the company made a loss of £13.5m (2021/22: loss of £0.04m). This entity is fully controlled by the Authority and material for the purposes of group accounts.
Payments made during the year totalled £106.6m and £0.003m income received in 2022/23. £0.07m was owed from the company at 31 March 2023.

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

Following directors held office between 1 April 2022 and 31 March 2023:
Suzanne Forster, Michael Holland, Stephen Quartermain, Robin Atkin-House, Ruchira Neotia
Tim Seddon, Deborah Heenan, James Blake and Antony Travers, Micheal John Joannou

A copy of the company's financial statements can be obtained by writing to:
Populo Living Ltd, 373 High Street, Stratford, London, E15 4QZ | email: info@populoliving.co.uk | www.populoliving.co.uk

Better Together 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 the year totalled £1.6m as at 31st March 2022.

The company disclosed a profit after tax of £0.046m in 2021/22 (2020/21 £0.041m)

Following directors held office between 1 April 2021 and 31 March 2022:
Sarah Havard, James Smith, Gisela Iveson, Rafiuddin Patel, Donna Kelly, Humayrah Ramgoolam and Margaret Minter (Resigned Nov-21).
A copy of the company's financial statements can be obtained by writing to:
Stratford Advice Arcade 107-109 The Grove, Stratford, London, E15 1HP | email: sarah@bettertogether.org.uk | www.cqc.org.uk

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.

Following directors held office between 1 April 2021 and 31 March 2022:
Aprile Harman, Samuel Lingard, Jaimin Patel, Zoe Power and Joven Carino.

The company made profit after tax of £0.266m in 2021/22 (2020/21: £0.269m) and has net assets of £0.921m (2020/21: £0.655m)

Payments made during the 2021/22 totalled £7m and income of £1.7m was received in the year. £0.13m was owed from the company as at 31 March 2022.

A copy of the company's financial statements can be obtained by writing to:
Chief Executive, 1000 Dockside Road, Beckton, London, E16 2QU | email: languageshop@newham.gov.uk | www.languageshop.org

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

The company's 2022/23 financial results reported a loss of £0.094m (£0.206m profit in 2021/22).

Payments made during 2021/22 totalled £1.86m and £0.08m income received as at 31 March 2023.

Following directors held office between 1 April 2022 and 31 March 2023:
David Morris and W.F.M. Stokes and D M Mcnamara (appointed 9 December 2021)
A copy of the company's financial statements can be obtained by writing to:
Chief Executive, 1000 Dockside Road, Beckton, London E16 2QU | Email: Bobby.Arthur@newham.gov.uk

38. Council's Association with External Bodies (contd.1)

London Network for Pest Solutions Limited- A wholly owned subsidiary which provides pest control services. This company was incorporated in October 2016.
The company's 2021/22 financial results reported a profit of £0.026m (£0.022m profit in 2020/21).
Totals payments of £0.87m were made during 2021/22.

Following directors held office between 1 April 2021 and 31 March 2022:
Paul Cooper and Pradeep Lawrence

A copy of the company's financial statements can be obtained by writing to:
86-90 Paul Street, London EC2A 4NE | Email: info@lnpestsolutions.com | www.lnpestsolutions.com

Early Start Education Limited- Incorporated in August 2016, this company provides residents with high quality early years education including free child care to those who are entitled.
The company made loss of £0.005m in 2021/22 (Loss of £0.017m in 2020/21)

Payments of £0.83m were made during 2021/22.
£0.02m owed from this company as at 31 March 2021.
Following directors held office between 1 April 2021 and 31 March 2022:
Sharon Cox and Justin Elder.

A copy of the company's financial statements can be obtained by writing to:
2-24 Shrewsbury Road, London E7 8AL | Email: Justin.elder@earlystartgroup.com

Juniper Pursuits Limited -Juniper Pursuits Limited is a wholly owned subsidiary of Juniper Ventures Limited. The company's 2021/22 financial results disclosed a loss of £0.325m (Profit of £0.168m in 2020/21) and net assets of £0.057m (net assets of £0.381m in 2020/21).

Payments of £1500 was made during 2021/22 and £0.115m income received from the company. £0.008m was owed from this company as at 31 March 2022.

Following directors held office between 1 April 2021 and 31 March 2022:
David Gibbs, Steve Giles, Michael Hales, Philippa Terry, Clare Tyler, Jacinta Gasson-Mulcahy (appointed 1 April 2020) and M J W Eady (appointed 21 November 2021)

A copy of the company's financial statements can be obtained by writing to:
29 The Old Town Hall, 29 Broadway, Stratford, London E15 4BQ | Email: michael.hales@juniperventures.co.uk

Juniper Ventures Limited -Incorporated in April 2017.The company was established to provide professional services to the council.
The company's 2021/22 financial results disclosed a profit of £0.038m (Loss of £0.023m in 2020/21) and net assets of £0.067m (Net assets of £0.029m in 2020/21).

Payments of £3.7m was made suring 2021/22. Income of £0.43m received in 2021/22 and £0.037m was owed from the company as at 31 March 2022.
Following directors held office between 1 April 2021 and 31 March 2022:
David Gibbs, Steve Giles, Michael Hales, Philippa Terry and Clare Tyler, Jacinta Gasson-Mulcahy and M J W Eady (appointed 21 November 2021)

A copy of the company's financial statements can be obtained by writing to:
29 The Old Town Hall, 29 Broadway, Stratford, London E15 4BQ | Email: michael.hales@juniperventures.co.uk | www.juniperventures.co.uk

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

Enabled Living Healthcare Limited
Enabled Living Healthcare is wholly owned subsidiary of the authority. The company's 2021/22 financial results disclosed a profit of £0.045m (£0.062m Profit in 2020/21) and net assets of £0.222m (Net assets of £0.446m in 2020/21)

Payments of £2.2m was made during 2021/22 and Income of £0.061m received from the company. £0.011m was owed from this company as at 31 March 2022.

Following directors held office between 1 April 2021 and 31 March 2022:
Mathew Sheehan, Martin Blow, Kirsten Smilge and Dorothy Coleman

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

Joint Venture

Health and Care Space Newham Limited is jointly controlled by London Borough of Newham and East London NHS trust. The company's 2021/22 financial results disclosed a loss of £0.461m (2020/21 profit of £1.2m), and net assets of £6.9m.

Following directors held office between 1 April 2021 and 31 March 2022:
Andrew Ireland, Steven Course, Colin Ansell and Mohit Venkataram.

A copy of the company's financial statements can be obtained by writing to:
Health and Care Space Newham Ltd, 1000 Dockside Road, Newham Dockside, London E16 2QU | Email: Ian.Gallagher@activenewham.org.uk

Investments

Active Newham - 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 37.

Total payments of £2.9m were made during 2021/22, and income of £0.019m was received during the year. £0.008m was owed from the company as at 31 March 2022.

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.

Total payments of £9.3m were made during 2021/22.

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.

Total payments of £0.397m were made during 2021/22.

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.

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.

38. Councils Association with External Bodies (contd.3)

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 Boroug 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.

Joint committees

oneSource is a public sector shared back-office support arrangement which is supported by members through a joint committee. The joint committee receive key reports and make strategic decisions about oneSource's operation. oneSource was set up with a view to making savings by eliminating duplication, reducing senior management costs and introducing more efficient processes. oneSource started on 1 April 2014, when the London Boroughs of Havering and Newham contributed almost all their support services 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). On the 1st April 2016 the London Borough of Bexley joined oneSource in a more limited capacity than Havering and Newham, providing Bexley with Finance (excluding procurement) and Exchequer and Financial Transactional services.

On 31st July 2020, the London Borough of Bexley ceased to be part of the Joint Committee and on 6th September 2020 the London Borough of Newham created its sovereign Finance department. During the year Procurement and Finance were also split into two separate departments. During the course of 2021/22 (31st December 2021) the role of Executive Director was vacated and remains unoccupied whilst the two authorities consider the best approach for managing the arrangement in the future.

The oneSource net controllable expenditure for 2021/22 is disclosed below indicating the share falling to each of the authorities. The LBN share is charged against the Consolidated Income and Expenditure Statement.

Net Expenditure	2020/21 £'000	2021/22 £'000
Exchequer and Transactional Services	7,254	5,037
Finance	8,923	2,303
Procurement	-	1,596
Business Services	883	906
Legal and Governance	3,302	3,517
ICT	10,000	9,006
Asset Management	2,874	2,359
Strategic and Operational HR	3,446	3,633
Total Net Expenditure	**36,682**	**28,357**
Cost Sharing:		
London Borough of Newham	20,913	14,801
London Borough of Havering	15,595	13,556
London Borough of Bexley	174	-
Total	**36,682**	**28,357**

As at 31 March 2021, the Authority owed £2.513m to the London Borough of Havering and £0.274m to the London Borough of Bexley. These amounts owed are for 2019/20 and 2020/21, neither of which were paid during 2021/22

In addition, for the 2021/2022 financial year, the Authority was owed £0.398m from the London Borough of Havering, making the total net amount payable to LB of Havering of £2.115m and £0.274m to LB of Bexley.

The Newham Joint Committee Council Members are Councillors Fiaz, Ali and Paul and the Havering Joint Committee Council Members are Councillors Benham, Ramsey and White (D)

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
Executive Director	London Borough of Havering	April 2021 - December 2021
Director of Asset Management	London Borough of Havering	April 2021 - March 2022
Director of Exchequer and Transactional	London Borough of Havering	April 2021 - March 2022
Director of Legal and Governance	London Borough of Newham	April 2021 - March 2022
Director of Human Resources	London Borough of Havering	April 2021 - March 2022
Director of Business Development	London Borough of Newham	April 2021 - March 2022
Director of Finance	London Borough of Havering	April 2021 - March 2022
Director of ICT / Chief Information Officer	London Borough of Newham – Agency	April 2021 - March 2022
Director of Procurement	London Borough of Newham	April 2021 - March 2022

39. 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 2022 £'000		31 March 2023 £'000
1,260,357	**Opening CFR**	**1,360,353**
	Capital investment	
164,610	Property, Plant and Equipment	308,426
21,971	Investment Properties	1,012
1,673	Intangible Assets	202
3,215	Revenue Expenditure Funded from Capital under Statute	4,261
74,305	Loans (and Investment) to Organisations	92,754
265,774		**406,655**
	Sources of finance	
(5,056)	Capital receipts	(1,827)
(72,164)	Government grants and other contributions	(104,342)
(63,878)	Major Repairs Reserve	(32,382)
	Capital receipts reserve	(56,199)
	Revenue and revenue reserve	(21,099)
(24,680)	MRP/loans fund principal including PFI / finance lease	(26,066)
(165,778)		**(241,915)**
1,360,353	**Closing CFR**	**1,525,093**

40. 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	**2021/22 £'000**	**2022/23 £'000**
Finance Lease Receivable		
Current	443	457
Non - Current	55,178	54,220
Interest	72,919	69,488
Total	**128,540**	**124,165**

Gross Investment in Lease	**2021/22 £'000**	**2022/23 £'000**
Not later than one year	2,346	0
Later than one year and not later than five years	7,434	7,038
Later than five years	118,760	116,414
Total	**128,540**	**123,452**

Minimum Lease Payments	**2021/22 £'000**	**2022/23 £'000**
Not later than one year	443	0
Later than one year and not later than five years	1,450	1,459
Later than five years	53,779	53,227
Total	**55,672**	**54,686**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2022/23 £1.009m (£0.497m in 2021/22) additional rents were payable to the authority.

Operating Leases

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

	2021/22 £'000	**2022/23 £'000**
Within 1 year	16,532	14,239
Within 2 – 5 years	56,612	52,585
Over 5 years	423,455	398,989
Minimum Lease payments	**496,599**	**465,813**

40. Leases (contd.1)

Authority as a Lessee

Finance Leases
The Assets acquired under these leases are carried as Investment Property in the Balance Sheet at the following net amounts:

	2021/22 £'000	2022/23 £'000
Other Land and Buildings		
Stratford Workshop*	3,659	0
Industrial Site	552	852
Greenshields Industrial Estate	4,752	5,517
Novotel & IBIS (Accor)	103,093	112,053
Premiere Inn	21,250	29,339
Total	**112,056**	**147,761**

*Disposal

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

	2021/22 £'000	2022/23 £'000
Finance Lease liabilities (net present MLP)		
Current	2,064	2,110
Non - Current (Note 36)	177,410	175,301
Finance Costs Payable in future years	115,825	111,825
	295,299	**289,236**

The increase in lease payments is due to the Council entering into a 50 year lease agreement with Premiere Inn.

Minimum Lease payments

	2021/22 £'000	2022/23 £'000
Within 1 year	6,064	6,064
Within 2 – 5 years	24,256	24,256
Over 5 years	264,979	258,915
Minimum Lease payments	**295,299**	**289,235**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2022/23 £673k (£776k in 2021/22) contingent rents were payable.

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

	2021/22 £'000	2022/23 £'000
Within 1 year	22,394	22,903
Within 2 – 5 years	711	1,703
Over 5 years	14	41
Minimum Lease payments	**23,119**	**24,647**

41. Private Finance Initiatives And Similar Contracts

As at 31st March 2023, 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 initially recognised these assets on the Balance Sheet. Kaizen has since become an academy and so is no longer included on the authority's 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 15 years left to run. At the end of the contract, control of the assets revert back to the Authority. The Authority initially recognised these assets on the Balance Sheet however removed them when Cumberland became an academy.

(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:

2021/22 Council Dwellings	2021/22 Other Land and Buildings	2021/22 Total		2022/23 Council Dwellings	2022/23 Other Land and Buildings	2022/23 Total
£'000	£'000	£'000		£'000	£'000	£'000
84,120	118,286	**202,406**	Net book value at 1 April	88,079	54,943	**143,022**
0	0	**0**	Adjustment to opening balance	0	0	**0**
3,716	7,811	**11,527**	Additions	86,134	7,811	**93,945**
(1,752)	(2,433)	**(4,185)**	Depreciation and impairment	(1,833)	(1,165)	**(2,998)**
2,550	(4,956)	**(2,406)**	Revaluation	(84,302)	0	**(84,302)**
(555)	(63,765)	**(64,320)**	Disposals	0	0	**0**
88,079	54,943	143,022	**Net book value at 31 March**	88,078	61,589	149,667

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

2021/22 Council Dwellings	2021/22 Other Land and Buildings	2021/22 Total		2022/23 Council Dwellings	2022/23 Other Land and Buildings	2022/23 Total
£'000	£'000	£'000		£'000	£'000	£'000
(31,809)	(68,450)	**(100,259)**	Value at 1 April	(28,936)	(63,997)	**(92,933)**
2,873	4,453	**7,326**	Repayments made in year	-	-	**0**
(28,936)	(63,997)	(92,933)	**Value at 31 March**	(28,936)	(63,997)	(92,933)

41. 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.

2022/23	Schools			Dwellings			Total		
	Repayment of Liability	Interest	Service Charge	Repayment of Liability	Interest	Service Charge	Repayment of Liability	Interest	Service Charge
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Payment in 2023/24	5,004	5,048	3,799	1,758	2,325	8,085	6,762	7,373	11,884
Payments within 2-5 yrs	25,304	15,408	14,342	14,391	6,546	27,520	39,695	21,954	41,862
Payments within 6-10 yrs	18,193	8,360	12,731	7,421	1,650	17,171	25,614	10,010	29,902
Payments within 11-15yrs	10,667	1,442	3,716	22,102	15,311	97,704	32,769	16,753	101,420
Payments within 16-20 yrs	0	0	0	0	0	0	0	0	0
Total future payments (excluding any future indexation)	**59,168**	**30,258**	**34,588**	**45,672**	**25,832**	**150,480**	**104,840**	**56,090**	**185,068**

2021/22	Schools			Dwellings			Total		
	Repayment of Liability	Interest	Service Charge	Repayment of Liability	Interest	Service Charge	Repayment of Liability	Interest	Service Charge
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Payment in 2022/23	4,830	5,479	3,428	2,675	2,602	6,913	7,505	8,080	10,340
Payments within 2-5 yrs	22,326	17,420	15,421	11,675	7,758	29,108	34,001	25,178	44,529
Payments within 6-10 yrs	22,075	10,252	13,252	10,884	2,586	20,841	32,959	12,838	34,092
Payments within 11-15yrs	14,766	2,586	5,206	3,702	400	8,557	18,468	2,986	13,762
Payments within 16-20 yrs	0	0	0	0	0	0	0	0	0
Total future payments (excluding any future indexation)	**63,998**	**35,737**	**37,306**	**28,935**	**13,345**	**65,418**	**92,933**	**49,082**	**102,724**

42. Termination Benefits

Termination benefits paid to staff whose employment was terminated in 2022/23 totalled £0.8m (£1.6m in 2021/22).

Further details can be found in Note 33 (Officers' Remuneration).

43. 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 2022/23, the Authority paid £15.6m (£16.6m in 2021/22) to Teachers' Pensions (the government agency responsible for administering teachers pensions throughout England and Wales) in respect of teachers' pension costs. 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 contribution basis.

Public Health

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

In 2021/22, the Authority paid £1.3m (£1.3m in 2021/22) to the Department of Health Pension scheme in respect of pension costs.

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 planned 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 transactions in this note have been recorded in the Comprehensive Income and Expenditure Statement and the General Fund and HRA balances (via the Movement in Reserves Statement) during the current year:

Multi-employer defined benefit plan

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The latest actuarial valuation of the Fund was carried out as at 31 March 2019 and set contributions for the period from 1 April 2019 to 31 March 2024. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

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

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

McCloud Judgement - Post Balance Sheet Events

The potential impact of the McCloud & Sargeant judgement was taken into account in prior years, and is already included in the starting position for this report. The impact is therefore incorporated in the roll forward approach and is remeasured as at 31 March 2023.

44. Defined Benefit Pension Schemes (contd.1)

	2021/22 Funded £'000	2021/22 Unfunded £'000	2021/22 Total £'000	2022/23 Funded £'000	2022/23 Unfunded £'000	2022/23 Total £'000
Comprehensive Income and Expenditure Statement						
Cost of Services:						
Service cost	70,464	(1,511)	**68,953**	52,405	(1,524)	**50,881**
Administration Expenses	1,428	-	**1,428**	1,397	-	**1,397**
Financing and Investment Income and Expenditure						
Net interest expense	20,229	318	**20,547**	4,151	394	**4,545**
Total Post Employment Benefit Charged to the Surplus on the Provision of Services	**92,121**	**(1,193)**	**90,928**	**57,953**	**(1,130)**	**56,823**
Remeasurement in Other Comprehensive Income and Expenditure						
Return on Fund assets in excess of interest	(102,518)		**(102,518)**	71,422	-	**71,422**
Change in financial assumptions	(108,583)	(367)	**(108,950)**	(873,460)	(3,111)	**(876,571)**
Change in demographic assumptions	-	-	**-**	-	-	**-**
Other actuarial (gains)/losses on assets	-	-	**-**	-		**-**
Experience (gain)/loss on defined benefit obligation	6,088	53	**6,141**	185,840	-	**185,840**
Adjustment opening Pensions Reserve/liability	-	-	**-**	-	-	**-**
Total Remeasurements in Other Comprehensive Income and Expenditure	**(205,013)**	**(314)**	**(205,327)**	**(616,198)**	**(3,111)**	**(619,309)**

Movement in Reserves Statement	2021/22 Funded £,000s	2021/22 Unfunded £,000s	2021/22 Total £,000s	2022/23 Funded £,000s	2022/23 Unfunded £,000s	2022/23 Total £,000s
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits	(92,122)	1,193	**(90,929)**	(57,953)	1,130	**(56,823)**
Actual amount charged against General Fund and HRA Balances for pensions in the year						
Employers' contributions payable to scheme	4,968	-	**4,968**	14,314	-	**14,314**
Net adjustment between accounting basis and funding basis under regulations	**(87,154)**	**1,193**	**(85,961)**	**(43,639)**	**1,130**	**(42,509)**

Pensions Assets and Liabilities Recognised in the Balance Sheet

	2021/22 Funded £,000s	2021/22 Unfunded £,000s	2021/22 Total £,000s	2022/23 Funded £,000s	2022/23 Unfunded £,000s	2022/23 Total £,000s
Present value of the defined benefit obligation	2,334,751	17,961	**2,352,712**	1,580,492	12,960	**1,593,452**
Fair value of plan assets	(1,426,315)	-	**(1,426,315)**	(1,446,388)	-	**(1,446,388)**
Net Liability in balance sheet	**908,436**	**17,961**	**926,397**	**134,104**	**12,960**	**147,064**
Adjustment for smoothing of pension fund p	**20,626**		**20,626**	**-**		**-**
Adjusted Net Liability in Balance Sheet	**929,062**	**17,961**	**947,023**	**134,104**	**12,960**	**147,064**

44. Defined Benefit Pension Schemes (contd.2)

	2021/22			2021/22		
	Funded £'000	Unfunded £'000	**Total £'000**	Funded £'000	Unfunded £'000	**Total £'000**
Reconciliation of the Movements in the Fair Value of Fund Assets						
Opening fair value of assets	**(1,383,377)**	**-**	**(1,383,377)**	**(1,490,234)**		**(1,490,234)**
Adjustment opening Pensions Reserve/liability	-	-	**-**	-	-	**-**
Interest on assets	(24,877)	-	**(24,877)**	(57,950)	-	**(57,950)**
Return on assets less interest	(102,518)	-	**(102,518)**	71,422	-	**71,422**
Other actuarial gains	-	-	**-**	-	-	**-**
Administration expenses	1,428	-	**1,428**	1,397	-	**1,397**
Contributions by employer	(4,967)	-	**(4,967)**	(14,314)	-	**(14,314)**
Contributions by scheme participants	(8,923)	-	**(8,923)**	(12,587)	-	**(12,587)**
Estimated benefits paid	55,787	-	**55,787**	55,878	-	**55,878**
Settlement prices paid			**-**	-	-	**-**
Closing fair value of assets	**(1,467,447)**	**-**	**(1,467,447)**	**(1,446,388)**	**-**	**(1,446,388)**
Adjustment for smoothing of pension fund pre-payment	**-**		**-**	**-**		**-**
Adjusted Closing Defined benefit obligation	**(1,467,447)**	**-**	**(1,467,447)**	**(1,446,388)**	**-**	**(1,446,388)**
Reconciliation of the Movements in the defined benefit obligation						
Opening defined benefit obligation	**2,368,540**	**19,468**	**2,388,008**	**2,196,897**	**15,902**	**2,212,799**
Current service cost	68,365		**68,365**	52,085	-	**52,085**
Interest cost	45,106	318	**45,424**	62,101	394	**62,495**
Change in financial assumptions	(108,582)	(368)	**(108,950)**	(873,460)	(3,111)	**(876,571)**
Change in demographic assumptions	-	-	**-**	-	-	**-**
Experience loss/(gain)	6,089	52	**6,141**	185,840	1,299	**187,139**
Liabilities settled	-	(1,510)	**(1,510)**	-	(1,524)	**(1,524)**
Estimated benefits paid	(55,787)		**(55,787)**	(55,878)	-	**(55,878)**
Past service costs & curtailments	2,098		**2,098**	320	-	**320**
Contributions by scheme participants	8,923		**8,923**	12,587	-	**12,587**
Closing defined benefit obligation	**2,334,752**	**17,960**	**2,352,712**	**1,580,492**	**12,960**	**1,593,452**

44. Defined Benefit Pension Schemes (contd.3)

Assets

The return on the Fund (on a bid value basis) for the year to 31 March 2023 is estimated to be -0.91%.

The estimated asset allocation is as follows:

Employer asset share - bid value	31 March 2022		31 March 2023	
	£'000	%	£'000	%
Equities	808,343	55%	868,247	60%
Gilts	8,882	1%	8,948	1%
Other Bonds	99,283	7%	92,101	6%
Property	170,348	12%	222,496	15%
Cash	96,766	6%	67,853	5%
Other	283,825	19%	186,743	13%
Total	**1,467,447**	**100%**	**1,446,388**	**100%**

The following table provides a more detailed analysis of the Employer's assets as at 31 March 2023:

	Quoted/Unquoted	31 March 2023
Corporate Bonds		
UK	Quoted	6.0%
Overseas	Quoted	0.0%
Equities		
UK	Quoted	55.0%
Overseas	Quoted	0.0%
Property		
All	Unquoted	15.0%
Fixed Interest Government Securities		
UK	Quoted	1.0%
Overseas	Quoted	0.0%
Others		
Absolute return portfolio	Unquoted	6.0%
Hedge Fund	Unquoted	0.0%
Private Equity	Unquoted	5.0%
Private Debt	Unquoted	0.0%
Cash/Temporary Investments	Quoted	5.0%
Cash/Temporary Investments	Unquoted	0.0%
Debtors	Quoted	0.0%
Debtors	Unquoted	0.0%
Creditors	Quoted	0.0%
Creditors	Unquoted	0.0%
		93.0%
Total		**93.0%**

44. 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 2022.

The significant assumptions used by the actuary are:

	2021/22		2022/23	
	Funded	Unfunded	Funded	Unfunded
Life expectancy from age 65 years				
Retiring today				
Males	21.0	21.0	19.6	21.0
Females	23.8	23.8	23.0	23.8
Retiring in 20 years				
Males	22.5	n/a	21.0	n/a
Females	25.4	n/a	24.5	n/a
Financial Assumptions				
RPI increases (%p.a.)	3.55%	3.55%	3.55%	3.55%
CPI increases (%p.a.)	3.2%	3.2%	3.0%	3.2%
Salary increases (%p.a.)	4.2%	n/a	4.0%	n/a
Pension increases (%p.a.)	3.2%	3.6%	3.2%	3.6%
Discount rate (%p.a.)	2.6%	2.6%	4.8%	2.6%

44. 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	1,556,660	1,580,492	1,604,928
Projected service cost	31,775	32,919	34,102
Adjustment to long term salary increase	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligations	1,581,829	1,580,492	1,579,164
Projected service cost	32,941	32,919	32,897
Adjustment to pension increases and deferred revaluation	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligations	1,604,011	1,580,492	1,557,541
Projected service cost	34,117	32,919	31,761
Adjustment to life expectancy assumption	**+ 1 Year**	**None**	**- 1 Year**
Present value of total obligations	1,643,917	1,580,492	1,519,685
Projected service cost	34,267	32,919	31,609

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 latest actuarial valuation was carried out at March 2019 and the contributions payable by the participating employers were reviewed as part of that valuation.

45. Contingent Liabilities

The following organisations are admitted bodies of the pension fund have a guarantee in place with the Authority to guard against the possibility of being unable to meet their pension obligations. The Authority guarantees to meet the pension obligations of these admitted bodies in the event of default:

Active Newham
Better Together
Change, Grow, Live
Early Start
Enabled Living
The Good Support Company
London Network for Pest Solutions

46. 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.

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

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

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

Market Risk: the possibility that financial loss may arise for the authority as a result of changes in such measures as 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 described 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 28 February 2022 and the mid-year treasury Strategy was approve by Council on 21st November 2022 and is available on the Council website. The key limits within the Strategy were:
• The Authorised Limit for 2022/23 was set at £2,430m (*£1,975m 2021/22). This is the maximum limit of external borrowing or other long term liabilities
• The Operational Boundary 2022/23 was £2,300m (*£1,975m 2021/22). This is the expected level of debt and other long term liabilities
• The maximum amounts of net fixed and variable interest rate exposure were set at £1,200m and £450m (£1,000m and £350m 2020/21)

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.

46. 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's maximum exposure to credit risk in relation to its investments in banks and building societies of £68m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2021 that this was likely to crystallise. The figures quoted below all represent principal balances only.

31 March 2022			31 March 2023	
Long term £000s	Short term £000s	Credit Rating	Long term £000s	Short term £000s
0	0	AAA	0	0
0	(10,000)	AA-	0	0
0	(48,000)	A+	0	0
0	0	A	0	0
0	(5,000)	A-	0	(10,000)
0	0	BBB (UK government part owned)	0	0
(10,000)	(166,000)	Local authorities	(5,000)	(97,900)
0	0	Unrated -other	0	0
0	0	Unrated Corporate Bonds	0	0
(10,000)	**(229,000)**	Total Investments	**(5,000)**	**(107,900)**

Using the expected credit loss model the calculated loss allowance for investments at amortised cost is negligible therefore having no impact on the carrying value of investments.

Credit risk arise from the Council's exposure to other debtors; this excludes monies from government and public institutions. Payments for services are either required in advance or due at the time the service is provided.

Write off of debtors is subject to Council procedures.

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

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

Other collateral and soft loans balances have been reviewed for expected credit loss and have been assessed based on the simplified approach looking at probability of default which has resulted in no change in carrying value.

The debtor balances as per Note 22 have been reviewed for loss allowance, providing details of material balances. These debtors have been grouped into Housing, Adult Social Care and Other. For each category of debt there has been an assessment of recoverability based on past collection rates therefore using the probably matrix to determine the loss allowance.

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

Liquidity Risk

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. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the 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 2022	31 March 2023
	Carrying Amount £'000	**Carrying Amount £'000**
Public Works Loans Board	387,358	385,940
Market debt	456,319	553,337
Total	**843,677**	**939,277**

Maturity analysis of financial liabilities

	31 March 2022	31 March 2023
	£'000	**£'000**
Less than 1 year	190,075	194,551
Between 1 and 2 years	11,055	12,427
Between 2 and 5 years	12,427	108,760
Between 5 and 10 years	42,110	42,110
More than 10 years	588,010	581,429
Total	**843,677**	**939,277**

The Authority has a number of market Lender Option, Borrowers' Option (LOBO) loans within it's borrowing portfolio. As at the 31st March 2023 18% of the total portfolio was made up of LOBO debt.

Newham has 11 LOBO loans - they are by type and nominal value

	31 March 2023
	£000
Vanilla LOBO (6)	95,000
Stepped LOBO (3)	30,000
Zero to Par LOBO (2)	40,000
Total	**165,000**

The Authority has a number of market Lender Option, Borrowers' Option (LOBO) loans within its borrowing portfolio. 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.

46. Nature and Extent of Risks Arising from Financial Instruments (contd.3)

Market Risk

Interest Rate Risk: The Authority is exposed to risks arising from movements in interest rates.

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

Borrowing at variable rates - the interest expense charged to the Surplus / Deficit on the Provision of Services will rise.

Borrowings at fixed rates - the fair value of the liabilities will fall.

Investments at variable rates - the interest income credited to the Surplus /Deficit on the Provision of Services will rise

Investments at fixed rates - the fair value of the assets will fall.

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

The Treasury Management Strategy aims to mitigate these risk by setting an upper limit of £1,000m on net external debt that can be subject to fixed interest rates and £350m on net external debt subject to variable rates. At 31 March 2022 100% of the debt portfolio was held in fixed 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:

	2021/22 £'000	2022/23 £'000
Decrease in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	(3,044)	(1,888)
Impact on Comprehensive Income and Expenditure Statement	**(3,044)**	**(1,888)**

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). The Authority has investment in equity in relation to its own subsidiaries which is for the purpose of service delivery.

Foreign Exchange Risk: The Authority, has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

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.

2021/22 £'000		2022/23 £'000
	Income:	
(85,700)	Rent from Dwellings (gross)	(89,175)
(1,315)	Rent from Other Properties (gross)	(1,233)
(7,052)	Tenant contributions to Services and Facilities	(7,305)
(7,608)	Leaseholder contributions to Services and Facilities	(8,138)
(7,315)	Government subsidy towards the financing of PFI Schemes	(7,315)
(651)	Contribution Towards Expenditure	(1,268)
(109,641)	**Total income**	**(114,434)**
	Expenditure:	
15,628	Repairs and Maintenance	18,792
54,481	Supervision and Management	58,867
4,585	Rent, rates, taxes and other charges	4,679
17,522	Depreciation and amortisation of non-current assets	18,265
27,022	Revaluation of non-current assets	30,778
-	Revenue expenditure funded from capital under statute	-
101	Debt Management Costs	208
2,783	Movement in Impairment Allowance	2,656
122,122	**Total expenditure**	**134,245**
12,481	**Net income of HRA services as included in whole Authority Comprehensive Income and Expenditure Statement**	**19,811**
752	HRA services share of Corporate and Democratic Core	522
13,233	**Net income of HRA services**	**20,333**
	HRA share of the operating income and expenditure included in the whole Authority Comprehensive Income and Expenditure Statement:	
(351)	Gain on sale of HRA non-current assets	(14,157)
12,324	Interest payable and similar charges	10,774
1,405	Movement on the fair value and income - Investment Properties	(1,734)
(3,377)	HRA Interest and investment income	(5,107)
(7,415)	HRA share of capital grants and contributions receivable	(52,712)
2,586	**Total**	**(62,936)**
15,819	**(Surplus) for year on HRA services**	**(42,603)**

Statement of Movement on the Housing Revenue Account

2021/22 £'000		2022/23 £'000
15,819	(Surplus) on the HRA Income and Expenditure Statement	(42,603)
(10,316)	Adjustments between accounting basis and funding basis under regulations	62,652
5,503	**Net increase before transfers to or from reserves**	**20,049**
(81,445)	Balance on the HRA as at the end of the previous reporting period	(64,060)
11,882	Transfer from HRA Reserves to Fund Capital Expenditure	5,703
(64,060)	**Balance on the HRA as at the end of the current reporting period**	**(38,308)**

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

2021/22 £'000		2022/23 £'000
1,169	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	1,169
(4,118)	Gain on sale of HRA non-current assets	14,157
(5,422)	HRA share of contributions to or from the Pensions Reserve	(3,664)
(43,076)	Transfers from capital adjustment account	5,402
22,918	Transfer from the Major Repairs Reserve	18,265
7	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	-
18,206	Capital Expenditure charged against HRA Revenue	27,323
(10,316)	**Net additional amount required by statute to be debited or credited to the HRA balance for the year**	**62,652**

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.

51. Major Repairs Reserve

The authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

2021/22 £'000		2022/23 £'000
(54,094)	**Balance at 1 April**	**(7,738)**
(15,959)	Depreciation: Stock	(15,959)
(1,563)	Non-stock	(2,306)
	Additional Contribution to MRR	(6,378)
63,878	Major Repairs Reserve applied	32,382
(7,738)	**Balance at 31 March**	**1**

52. Capital Expenditure and Financing

2021/22 £'000		2022/23 £'000
	Expenditure	
108,271	Council Dwellings, Land and other Property	171,327
	Financing	
(63,878)	Major Repairs Reserve	(32,382)
(5,019)	RTB Receipts	(57,999)
	HRA Reserves	(20,944)
(39,374)	Capital Grants and Contributions	(60,002)
(108,271)		**(171,327)**

53. Capital Receipts

2021/22 £'000		2022/23 £'000
5,941	Sales of Council Dwellings	22,927
4,574	Sales of Land and Other Property	29
10,515		**22,956**

48. Numbers and Types of Dwellings in the Housing Stock

2021/22 Number	Type of dwelling	2022/23 Number
3,320	Low rise flats	3,280
5,021	Medium rise flats	5,023
3,271	High rise flats	3,266
4,668	Houses	4,701
16,280	**Total**	**16,270**

49. Balance Sheet Valuation of HRA Assets

31 March 2022 £'000		31 March 2023 £'000
	Operational assets	
1,241,177	Dwellings	1,306,664
138,635	Other land and building	139,674
	Non-Operational assets	
20,603	Surplus assets not held for sale	19,343
	Assets held for Sale	
31048	Investment properties	31048
43,640	Assets Under Construction	109,501
36	Intangible assets	37
1,475,103		**1,606,267**

50. Vacant Possession

As at 31st March 2022, the vacant possession value of dwellings within the HRA was £5.178 billion (£4.865 billion as at 31st March 2021). The difference between vacant possession value and the Balance Sheet value of dwellings within the HRA shows the economic cost to government of providing council housing at less than open market rents, net of the impairment to the value of the housing Stock.

54. Depreciation and Amortisation

2021/22 £'000		2022/23 £'000
15,959	Dwellings	16,795
1,468	Other land and buildings	1,366
95	Surplus assets not held for sale	105
17,522	**Total**	**18,266**

The total depreciation charge for Council assets during 2022/23 was £18.266. This is £0.744m higher than 2021/22.

55. Impairment Losses

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

During 2022/23, there was no impairment losses recognised in the accounts (none in 2021/22).

56. 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 2022/23, HRA revenue expenditure funded from capital under statute totalled £0.0m (£0.0m in 2021/22).

57. Rent Arrears

The total gross rent arrears at 31 March 2023 was £16.505m, an increase of £2.036m (14%) from the balance of £14.469m at 31 March 2022. The Authority has made provision for possible uncollectable debts of £14.316m (£12.436m at 31 March 2022). 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.

Collection Fund 2022/23

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.

2021/22					2022/23			
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				
(123,536)			**(123,536)**	Income from Council Tax	(133,485)			**(133,485)**
	(121,349)		**(121,349)**	Income from Business Rates		(146,867)		**(146,867)**
	936		**936**	Transitional Relief - Business Rates		953		**953**
		(3,992)	**(3,992)**	Business Rate Supplements			(4,708)	**(4,708)**
				Contributions towards previous years' Collection Fund deficit:				
(2,977)	(25,131)		**(28,108)**	Central Government		(13,632)		**(13,632)**
(940)	(22,804)		**(23,744)**	London Borough of Newham	(4,992)	(12,393)		**(17,385)**
	(28,179)		**(28,179)**	Greater London Authority	(1,615)	(15,284)		**(16,899)**
(127,453)	**(196,527)**	**(3,992)**	**(327,972)**	**TOTAL INCOME**	**(140,092)**	**(187,223)**	**(4,708)**	**(332,023)**
				Expenditure				
				Precepts				
	51,199		**51,199**	Central Government		43,040		**43,040**
88,665	46,544		**135,209**	London Borough of Newham	93,062	39,128		**132,190**
29,215	57,405		**86,620**	Greater London Authority	32,388	48,257		**80,645**
				Business Rate Supplement				
		3,982	**3,982**	Payment to Greater London Authority			4,699	**4,699**
		10	**10**	Cost of collection			9	**9**
				Charges to Collection Fund				
8,165	0		**8,165**	Write-offs of uncollectable amounts				**0**
1,940	3,857		**5,797**	Increase/(decrease) in bad debt provision	(1,949)	3,295		**1,346**
	(2,294)		**(2,294)**	Increase in provision for appeals		(12,480)		**(12,480)**
	386		**386**	Cost of collection		388		**388**
				Other transfers				
	2,450		**2,450**	Enterprise Zone		1,006		**1,006**
				Apportionment of previous year's estimated surplus				
			-	Central Government		0		**-**
			-	London Borough of Newham	0	0		**-**
			-	Greater London Authority	0	0		**-**
127,985	**159,547**	**3,992**	**291,524**	**TOTAL EXPENDITURE**	**123,501**	**122,634**	**4,708**	**250,843**
532	**(36,980)**	**(0)**	**(36,448)**	**(Surplus)/Deficit arising during the year**	**(16,591)**	**(64,589)**	**0**	**(81,180)**
9,039	84,774	0	**93,813**	(Surplus)/Deficit b/f at 1 April	9,571	47,794	0	**57,365**
9,571	**47,794**	**(0)**	**57,365**	**(Surplus)/Deficit c/f at 31 March**	**(7,020)**	**(16,795)**	**0**	**(23,815)**

Notes to the Collection Fund

58. 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 (A to H) depending upon the valuation of the property (estimated market value at 1 April 1991). An adjustment is then made for properties that are subject to discounts such as single person or non-residency. The resulting number of properties per valuation banding is then adjusted to calculate the number of equivalent Band D properties, using a defined ratio. Finally the tax base is adjusted to reflect an anticipated collection rate, 95.80% for 2022/23.

2021/22			Council Tax band			2022/23		
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
3,352	2,234	978.22	A	6/9	up to 40,000	3,596	2,395	1,021.51
22,294	17,340	1,141.26	B	7/9	40,001 - 52,000	22,461	17,470	1,191.76
40,960	36,409	1,304.29	C	8/9	52,001- 68,000	41,126	36,556	1,362.01
19,063	19,063	**1,467.33**	**D**	1	68,001 - 88,000	20,194	20,194	**1,532.26**
4,498	5,498	1,793.40	E	11/9	88,001 - 120,000	5,059	6,183	1,872.76
1,376	1,988	2,119.48	F	13/9	120,001 - 160,000	1,539	2,222	2,213.27
234	391	2,445.55	G	15/9	160,001 - 320,000	219	363	2,553.77
35	69	2,934.66	H	2	320,001 and over	39	79	3,064.52
91,812	**82,992**					**94,233**	**85,462**	
	(2,656)			Less Allowance for Non-Collection			**(3,589)**	
	80,336			**Council Tax base**			**81,873**	

59. 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 49.9p (49.9p in 2021/22); and
(ii) the standard multiplier was 51.2p (51.2p in 2021/22).
The total amount, less reliefs and other reductions, is shared between the Department of Communities and Local Government, who receive 33% (2021/22 33%), and the London Borough of Newham and Greater London Authority, who retain 30% (2021/22 30%) and 37% (2021/22 37%) respectively.

The total business rateable value for Newham at 31 March 2023 was £473,145,4219 (2021/22 £416,376,209).

60. Going Concern

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on the going concern basis.

In carrying out its assessment that this basis is appropriate, made for the going concern period to 31st March 2025, management of the Council have undertaken forecasting of both income and expenditure, the expected impact on reserves, and cashflow forecasting.

The key assumptions within this forecast included the achievement of £19m savings by 31/03/2024 and that government grant and other funding levels will remain within the assumptions laid out within the February 2023 budget setting report to Full Council for 2023/24, and longer term are within the parameters modelled in the July Finance Review reported to cabinet in July 2023. We have considered a downside scenario where around 15% of the agreed savings are either delayed or not delivered and the above projections would not be significantly affected with both minimum levels of reserves and liquidity remaining through the same period.

The Council has also made substantial investment in affordable housing and investment property through its subsidiary companies, Populo Limited and Future New Homes Limited, and is satisfied that both remain financially viable during the going concern period.

Our most recent year-end balances, as reported in these statements are as follows:

Date	General Fund	Earmarked reserves
31/03/23	£7m	£217m

Our expected General Fund has a predicted balance of £14 million at 31 March 2025. This is in-line with the approved budget approach to build General Fund reserves back up to appropriate levels across the medium term as detailed in the 2023/24 Budget Setting report. Furthermore, approximately £10-14 million of the earmarked reserves could be re-directed to manage any unforeseen risk with minimal disruption to services should the need arise.

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

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

2022/23 Pension Fund Accounts

31-Mar-22 £'000		Notes	31-Mar-23 £'000
	Dealings with members, employers and		
39,951	Contributions	7	46,967
8,511	Transfers in from other pension funds		7,011
48,462			**53,978**
(61,729)	Benefits	8	(63,431)
(7,953)	Payments to and on account of leavers	9	(8,789)
(69,682)			**(72,220)**
(21,220)	**Net withdrawals from dealing with**		**(18,242)**
(8,475)	Management expenses	10	(8,516)
(29,695)	**Net additions/deductions including fund**		**(26,758)**
	Returns on investments		
22,385	Investment income	11	22,347
(72)	Taxes on income		(29)
128,943	Profit and losses on disposal of investments	12a	(5,518)
151,256	**Net return on investments**		**16,800**
121,561	**Net increase/decrease in the assets**		**(9,958)**
1,588,384	**Opening net assets of the Fund**		**1,709,945**
1,709,945	**Closing net assets of the Fund**		**1,699,987**

Net Asset Statement

31-Mar-22 £'000		Notes	31-Mar-23 £'000
1,612,699	Investment assets		1,616,989
(14,537)	Investment liabilities		(970)
89,029	Cash deposits		61,317
1,687,191	**Total invested assets**	12	**1,677,335**
23,699	Current assets	19	22,757
(945)	Current liabilities		(105)
22,753	**Net current assets**		**22,652**
1,709,945	**Net assets of the Fund available to fund benefits at 31 March**		**1,699,987**

Notes to the Pension Fund Accounts

Note 1: Description of Fund

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

The following description of the Fund is a summary only, for more detail reference should be made to the Fund's Annual Report 2022/23.

a) General

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

· The Local Government Pension Scheme Regulations 2013 (as amended)

· The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)

· The Local Government Pension Scheme (Management and Investment of Funds)

Regulations 2016.

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

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

b) Membership

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

Organisations participating in the Fund include:

- Scheduled bodies, which 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.

31-Mar-22	Membership	31-Mar-23
54	Number of employers with active members	54
	Number of employees in scheme	
5,511	London Borough of Newham	5,811
3,886	Other employers	3,949
9,397	**Total**	**9,760**
	Number of pensioners	
7,467	London Borough of Newham	7,635
594	Other employers	679
8,061	**Total**	**8,314**
	Number of deferred members	
10,108	London Borough of Newham	10,223
2,236	Other employers	2,418
12,344	**Total**	**12,641**
29,802		**30,715**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with The LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2022. 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 2022, employer contribution rates range from 10% to 26.2% of pensionable pay, the average employer primary rate is 18.4%. https://www.newham.gov.uk/downloads/file/5992/newh-2022-valuation-report-v1

A secondary contribution rate (previously known as deficit amount or past service adjustment) may also be charged. This rate is either paid as a monetary value or as an additional percentage of pensionable pay.

d) Benefits

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

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

Note 2: Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its year-end position as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the code") which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector, and Guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG).

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2022/23 by the Fund.

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

Going Concern Statement

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

The LGPS is a statutory defined benefit scheme and is effectively guaranteed by Government. It operates on a funded basis, which means that contributions from employees and employers are paid into a fund which is then invested, from which pension benefits are paid as they fall due.

The Fund reduces investment risk by diversifying its investments across a number of different types of global assets; these include shares; equities; property; government bonds and company bonds; infrastructure; and private debt. This diversification means that not all assets are affected by economic events.

The Committee reviewed its Environmental, Social and Governance Policy (ESG) in May 2021, strengthening the Funds commitment to invest responsibly and manage climate risk. The Committee has taken the view that well run companies perform better over the long term.

From time to time the Fund experiences economic downturns and a long-term view must be taken of investment returns. For this reason the actuary carries out a smoothing exercise when assessing the valuation of the Fund's assets.

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

In carrying out its assessment that this basis is appropriate, made for the going concern period to 31 March 2025.

What is the process management followed to make its assessment?

The one year investment returns for 2022/23 was -3.65% and the three year period was 8.01%. Asset values have increased by £35.7m over the year to 31 Mach 2023, however from time to time the Fund experiences economic downturns and a long-term view must be taken of investment returns. There is sufficient flexibility in the investment strategy to be able to respond to short term market fluctuations. The Fund is comparatively low risk with smaller proportion of its assets held in volatile equities.

The Fund held cash of £61m at the Balance Sheet date, equivalent to 3.5% of the Fund Assets. In addition, the Fund held £628m in Level 1 and Level 2 investment assets which could be realised within 3 months if required. Based upon review of its operational cash flow projections the Fund is satisfied it has sufficient cash to meet its obligations to pay pensions, for at least 12 months from the date of authorisation of these accounts, without the need to sell any of these investments.

In line with statutory requirements the Fund undertakes a valuation every three years to determine the ratio of the Funds' assets to its liabilities. This funding position is a summary statistic often quoted to give an indication of the health of the Fund. The Fund's triennial valuation at 31 March 2022 reported that the Fund had sufficient assets to cover 100% of the accrued liabilities as it is fully funded.

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

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

The Fund's Investment Strategy Statement (ISS) sets out its strategic asset allocation in order to deliver the investment returns which the Fund requires to achieve full funding over the longer term. The ISS is continually developed and updated at each quarterly Committee. The Commitee last reviewed the investment strategy in July 2022.

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

The Fund also monitors the timeliness and value of contributions, this will help us to intervene early if we suspect that an employer is struggling to meet their pension obligations.

The Fund's Investment Advisor reports quarterly to the Committee at which fund manager performance is reviewed and discussed to ensure that the investment strategy remains on track.

What are the assumptions on which the assessment is based including whether the key assumptions underlying the budgets and/or forecasts appear appropriate in the circumstances?

Details on the assumptions used in the valuation are contained within the actuary's 2022 valuation report and the updated Funding Strategy Statement, December 2022.

The Fund monitors budgets and cash flow on a monthly basis and the Committee review these on a quarterly basis. Cash flow will include predictable payments, such as the monthly pension payroll, or more unpredictable payments such as transfer out payments, retirement lump sums or death benefits. The Fund is maturing which means that the cash flow position of the Fund is negative, contributions from employers and employees are not sufficient to meet the payments of benefits due without needing to utilise investment income, or liquidate investment assets. However, this has been forecast for a number of years and the Committee took steps to invest in income yielding assets , currently some assets classes are non-distributing as there is sufficient cash balances to maintain this approach, the Committee will review this approach as the need arises.

In establishing an acceptable working cash balance, we wish to determine a sum that is sufficient to cover predictable benefit payments, taking account of expected cash flow, whilst also providing a buffer to meet unpredictable payments together with any deterioration in cash inflow.

	Cash Balance	Cash Balance Forecast		
	31/03/2023	**31/03/2024**	**31/03/2025**	**31/03/2026**
	£000	**£000**	**£000**	**£000**
Balance b/f	**15,037**	**11,652**	**24,892**	**21,796**
Income	66,164	91,400	81,944	81,944
Outgoings	(69,544)	(78,160)	(85,040)	(85,040)
Balance	**11,657**	**24,892**	**21,796**	**18,700**

The Fund's cash flow remains robust. The Fund held cash of £61m at the Balance Sheet date, equivalent to 0.3% of the Fund Assets. In addition, the Fund held £1.2b in Level 1 and Level 2 investment assets which could be realised within 3 months if required. However, based upon review of its operational cash flow projections the Fund is satisfied it has sufficient cash to meet its obligations to pay pensions, for at least 12 months from the date of authorisation of these accounts, without the need to sell any of these investments. As such the accounts have been prepared on a going concern basis.

What are Management's plans for future action?

The Committee continue to monitor manager performance and review the Fund's ISS taking advice from the schemes advisors and officers and take any remedial actions to the portfolio where necessary.

The next triennial valuation is 31 March 2025 and will become effective on 1 April 2026. This will assess the funding level at that time and contributions rates and the investment strategy will be reviewed and revised as necessary to ensure that there are sufficient assets to fund the liabilities. The Fund will continue to keep the funding position under review.

The Fund maintains a balance of cash sufficient to meet operational requirements, and this will continue to be monitored on a monthly basis. The Funds cash position is monitored regularly and reported on a quarterly basis to the Committee.

The Fund has an equity hedge to protect against market volatility and also a currency hedge in place to partly remove currency risk from non-sterling denominated assets.

Note 3: Summary of Significant Accounting Policies

Fund account – revenue recognition

a) Contribution income

Normal contributions are accounted for on an accruals basis as follows;

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.

- Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they relate.

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

b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the Fund.

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

c) Investment income

- Interest income is recognised in the Fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

- Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

- Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Asset Statement (NAS) as a current financial asset.

- Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

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

Administrative expenses

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

Oversight and governance costs

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

Investment management expenses

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

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 decrease as the value of these investments change.

Lifetime Allowances

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

Net assets statement

g) Financial assets

Investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the NAS on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of 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 14). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Foreign currency transactions

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

i) Derivatives

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

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

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

j) Cash and cash equivalents

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

k) Financial liabilities

A financial liability is recognised in the NAS on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the Fund account as part of the Change in Value of Investments.
Other financial liabilities classed as amortised costs are carried at amortised cost i.e. the amount carried in the NAS is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

l) Actuarial present value of promised retirement benefits

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

m) Additional voluntary contributions

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

n) Contingent assets and contingent liabilities

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

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

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

Note 4: Critical judgements in applying accounting policies

Pension fund liability

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

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

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the present value of total pension obligation in individual assumptions can be measured. For instance: • a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £29m • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £2m, and • a one year increase in assumed life expectancy would increase the liability by approximately £78m.
Level 3 Investments (Note 14)	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.	Level 3 investments total £402m, which represents 24% of the total Fund value of £1,699m.

Note 6: Events after the Reporting Date

The Present Value of Promised Retirement Benefits (note 20) includes an allowance for the "McCloud ruling", i.e an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. This estimate was allowed for in the 31 March 2023 IAS26 reporting and is continued to be allowed for within the liabilities this year. There will be changes made to scheme regulations that will remove age discrimination from the LGPS in due course.

The Fund has valued its assets based on the 31 March 2023 position as reported by its investment managers. However, there is uncertainty over asset valuations, in particular for real and private market assets. The Fund believes that these valuations are the most reliable, as there are not alternative reliable estimates given the absence of trading in these asset classes.

Markets were disrupted by Geopolitics, banking instability, global inflationary pressures and accompanying central bank rate rises have increased market volatility. As a result, asset returns have lagged expectation while members received a higher than anticipated benefit increase of 10.1% in April 2023. However, these impacts were more than offset by a material increase in expected future returns due to rising interest rates which decreased the value placed on the Fund's liabilities.

Note 7: Contributions Receivable

2021/22 £'000	By Category	2022/23 £'000
15,248	**Employees contributions**	**16,979**
	Employers contributions:	
21,474	Normal contributions	26,604
1,764	Deficit recovery contributions	1,968
1,465	Augmentation contributions	1,416
24,703	**Total Employers contributions**	**29,988**
39,951	**Total**	**46,967**

2021/22 £'000	By Authority	2022/23 £'000
22,039	Administering Authority	28,316
4,836	Admitted Body	4,057
13,076	Scheduled Body	14,594
39,951	**Total**	**46,967**

Note 8: Benefits Payable

2021/22 £'000	By Category	2022/23 £'000
(49,827)	Pensions	(52,879)
(9,614)	Commutation and lump sum retirement be	(9,728)
(2,288)	Lump sum death benefits	(824)
(61,729)	**Total**	**(63,431)**

£'000	By Authority	£'000
(56,042)	Administering Authority	(57,650)
(2,372)	Admitted bodies	(2,360)
(3,315)	Scheduled bodies	(3,421)
(61,729)	**Total**	**(63,431)**

Note 9: Payments to and on account of leavers

2021/22 £'000		2022/23 £'000
(248)	Refunds to members leaving service	(315)
(7,705)	Individual transfers	(8,474)
(7,953)	**Total**	**(8,789)**

Note 10: Management Expenses

2021/22 £'000		2022/23 £'000
(939)	Administrative costs	(994)
(6,967)	Investment management expenses	(6,887)
(569)	Oversight and governance costs	(635)
(8,475)	**Total**	**(8,516)**

Note 10a: Investment Management Expenses

2022/23	Management Fees	Transaction Costs	Total
	£'000	£'000	£'000
Asset pool	(144)	0	(144)
Equity	(539)	0	(539)
Fixed income	(142)	(422)	(564)
Managed Alternatives	0	0	0
Pooled equity	(298)	(744)	(1,042)
Pooled fixed income	(77)	0	(77)
Pooled property Investments	(652)	0	(652)
Private debt	(303)	(305)	(608)
Private equity	(2,482)	0	(2,482)
Real assets	(718)	0	(718)
	(5,356)	**(1,470)**	**(6,826)**
Custody Fees			(61)
Total			**(6,887)**

2021/22	Management Fees	Transaction Costs	Total
	£'000	£'000	£'000
Asset pool	(130)	(249)	(379)
Equity	(1,155)	(75)	(1,230)
Fixed income	(201)	(638)	(839)
Managed Alternatives	(25)	-	(25)
Pooled equity	(144)	-	(144)
Pooled fixed income	(34)	(30)	(64)
Pooled property Investments	(876)	-	(876)
Private debt	(76)	(54)	(130)
Private equity	(2,458)	-	(2,458)
Real assets	(700)	-	(700)
	(5,799)	**(1,046)**	**(6,845)**
Custody Fees			(122)
Total			**(6,967)**

Note 10b: External Audit Costs

2021/22 £'000		2022/23 £'000
(21)	Payable in External audit	(29)
(21)	**Total**	**(29)**

Note 11: Investment Income

2021/22 £'000		2022/23 £'000
3,855	Fixed interest securities	3,829
2,652	Equities	2,231
0	Pooled equities	259
3,896	Pooled property	5,635
184	Pooled fixed income	0
6,854	Private debt	5,580
1,954	Private equity	3,103
194	Real assets	0
442	Diversified alternatives	0
228	Interest on cash deposits	1,710
22,385	**Total**	**22,347**

Note 12: Investments

Market Value as at 31 March 2022 £'000	**Analysis of Investments**	**Market Value as at 31 March 2023 £'000**
147,474	**Equities**	**0**
0	**Fixed interest securities**	**0**
	Pooled funds - additional analysis	
125,466	Fixed income unit trust	117,645
798,495	Equity unit trust	945,514
0	Managed alternatives	282
923,961		**1,063,441**
197,597	**Pooled property investments**	**186,343**
	Other Investments	
71,757	Private equity	77,013
84,889	Real assets	94,151
112,895	Private debt	121,672
57,205	Social Housing	70,911
326,746		**363,747**
2,330	**Diversified Alternatives**	543
150	**Shares in London CIV**	150
89,029	**Cash deposits**	**61,317**
	Other investment assets	
226	Investment income due	313
0	Amount receivable for sales	0
6,215	Derivative assets	2,451
8000	Spot FX contracts	0
14,441		**2,764**
	Investment liabilities	
(13,554)	Derivative liabilities	(454)
(983)	Amounts payable for purchases	(516)
0	Other Investment liabilities	0
(14,537)		**(970)**
1,687,191	**Total investment assets**	**1,677,335**

Note 12a: Reconciliation of Movements in Investments and Derivatives

	Market value as at 31 March 2022	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 2023
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Equities (active)	147,474	23,293	(26,066)	(144,700)	0
Pooled funds	923,961	8,903	(110)	130,686	1,063,440
Pooled property investments	197,597	9,259	(8,482)	(12,031)	186,343
Other investments	326,746	40,320	(22,311)	18,992	363,747
Diversified alternatives	2,330	-	(172)	(1,615)	543
Shareholding in London CIV	150	-	-	-	150
	1,598,258	**81,774**	**(57,141)**	**(8,667)**	**1,614,223**
Derivative contracts:					
Purchased/written options	(6,124)	9,649	(12,977)	9,358	(94)
Forward currency contracts	(1,215)	16,157	(3,687)	(9,162)	2,093
	1,590,919	**107,581**	**(73,805)**	**(8,472)**	**1,616,222**
Other Investment balances:	8,000	0	0	0	0
Cash deposits	89,029			1,924	61,317
Investment income due	226			0	313
Amount receivable for sales of investments	-			0	0
Amounts payable for purchases of investments	(983)			0	(516)
Spot FX Contracts				1,030	0
	1,687,191			**(5,518)**	**1,677,336**

	Market value as at 31 March 2021	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 2022
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Equities (active)	238,245	53,356	(175,790)	31,663	147,474
Fixed interest securities	85441	-	(180,006)	94,565	0
Pooled funds	761,122	261,834	(51,494)	(47,501)	923,961
Pooled property investments	161,833	19,615	(14,161)	30,310	197,597
Other investments	268,581	56,283	(40,072)	41,954	326,746
Diversified alternatives	8,976	(493)	(7,276)	1,123	2,330
Shareholding in London CIV	150	-	-	-	150
	1,524,348	**390,595**	**-468,799**	**152,114**	**1,598,258**
Derivative contracts:					
Purchased/written options	(34,346)	55,533	(6,653)	(20,658)	(6,124)
Forward currency contracts	(1,069)	7,795	(3,552)	(4,390)	(1,215)
	1,488,933	**453,923**	**(479,004)**	**127,066**	**1,590,919**
Other Investment balances:	140				8,000
Cash deposits	43,609			1,591	89,029
Investment income due	2,355			0	226
Amount receivable for sales of investments	2,091			2	0
Amounts payable for purchases of investments	-			0	(983)
Spot FX Contracts	-			284	0
	1,537,128			**128,943**	**1,687,191**

Note 12b: Investments analysed by Fund manager

Market value as at 31 March 2022 £'000	%	Fund manager	%	Market value as at 31 March 2023 £'000
		Pooled investments – London CIV		
150	0	LCIV Shareholding	0	150
115,164	6.8	LCIV Global Bond Fund (PIMCO)	6.42	107,284
	0	LCIV Global Equity Focus Fund (Longview)	9.42	157,418
		Investments aligned with London CIV asset pool		
798,500	47.3	Legal and General Investment Management (LGIM)	47.14	788,034
		Investments managed outside of the London CIV asset pool		
41,325	2.4	Arcmont	2.62	43,875
21	-	Baring	0.00	0
37,626	2.2	Brightwood	2.49	41,640
8,962	0.5	Brockton	0.5	9,105
189,338	11.9	CBRE	11.40	181,438
57,205	3.4	Cheyne	4.24	70,890
74,487	4.4	Fiera Capital	4.69	78,470
83,993	5	HarbourVest	4.93	82,384
12,114	0.7	KGal Capital	1.00	16,715
148,922	8.8	Longview	0.00	226
23,561	1.4	Man FRM	0.00	0
2,956	0.2	Morgan Stanley	0.00	543
27,942	1.7	Northern Trust cash deposits	0.75	12,497
10,304	0.6	Payden & Rygel	0.62	10,361
40,762	2.4	Permira	2.40	40,135
13,859	0.8	Schroders (formerly River & Mercantile)	1.83	36,170
1,687,191	**100**	**Total investment assets**	**100**	**1,677,336**

Individual investments exceeding 5% of net assets

Market value as at 31 March 2022 £'000	% of total fund %		Market value as at 31 March 2023 £'000	% of total fund %
679,983	40	LGIM – Paris Aligned	676,585	40.47
0	0	LCIV Global Equity Focus Fund	157,418	9.42
115,164	6.83	LCIV Global Bond Fund	107,284	6.42
89,941	5.33	LGIM - <15YR Index-linked gilts	83,942	5.02
91,928	5.45	CBRE Global Alpha Fund	98,836	5.91
977,016			**1,124,065**	

Note 12c: Stock Lending

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

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

All income arising from stock lending less the custodian/administrator's costs are credited to the Funds lending the stocks. LGIM does not receive any revenue from the stock lending. As at 31 March 2023, the value of quoted equities on loan was £37m (2021/22: £80m). These equities continue to be recognised in the Fund's financial statements.

Note 13: Analysis of Derivatives

Objectives and policies for holding derivatives

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

The Fund currently has exposure to forward currency contracts and the purpose of this is to reduce the Fund's exposure to fluctuations in exchange rates. The Fund managers who use forward currency contracts is Schroders, formerly River and Mercantile. A breakdown of forward contracts held by the Fund as at 31 March 2022 is given below:

Open forward currency contracts

Settlements	Currency bought	Local value £'000	Currency sold	Local value £'000	Asset value £'000	Liability value £'000
One to six months	GBP	107	USD	(130)	2,127	0
One to six months	GBP	51	EUR	(58)	0	(34)
Open forward currency contracts at 31 March 2023					**2,127**	**(34)**
Net forward currency contracts at 31 March 2023						**2,092**
Prior year comparative						
Open forward currency contracts at 31 March 2022					**0**	**(1,215)**
Net forward currency contracts at 31 March 2022						**(1,215)**

Purchased/written options

As part of its risk management strategy, the Fund purchases equity option contracts that protect it from falls in value in its main investment markets.

Investment underlying option contract	Expires	Put/Call	Notional Holdings	Market Value as at 31/03/2022	Notional Holdings	Market Value as at 31/03/2023
			£'000	£'000	£'000	£'000
Assets						
Overseas equity purchased	One to three months	Put	0	0	70	325
Overseas equity purchased	Over three months	Put	73	6,215	0	0
				6,215		**325**
Liabilities						
Overseas equity written	One to three months	Put	0	0	(81)	(5)
Overseas equity written	Over three months	Put	(91)	(2,525)	0	0
Overseas equity written	One to three months	Call	0	0	(70)	(414)
Overseas equity written	Over three months	Call	(73)	(9,814)	0	0
				(12,339)		**(419)**
Net purchased/written options				**(6,124)**		**(95)**

Note 14: Fair Value - Basis of Valuation

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of accounting period	Not required	Not required
Quoted bonds	Level 1	Market value based on current yields	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Overseas bond options	Level 2	Fixed income securities are priced based on	Evaluated price feeds	Not required
Pooled investments - unit trusts	Level 2	Closing bid price where bid and offer are published	NAV-based pricing set on a forward pricing basis	Not required
Structured equity	Level 2	Estimated valuation reported by counterparty	Market information such as interest rates, equity values, implied volatility, implied dividends	Reported values are estimates and do not represent trading value to enter into or close a position.
Pooled investments- property 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.
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.
Private (Unquoted) equity / debt and real assets	Level 3	Comparable valuation of similar companies in accordance with *International Private Equity and Venture Capital Valuation Guidelines (2012)*	· Earnings before interest, tax, depreciation and amortisation multiple · Revenue multiple · Discount for lack of marketability · Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

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 2022.

The figures set out below are independent investment advisors assessment of the 1 year volatility for the asset classes held.

Description of asset	Assessed valuation range (+/-)	Value as 31 March 2023	Value on increase	Value on decrease
	%	£'000	£'000	£'000
Private debt*	10	121,672	133,839	109,505
Private equity	25	47,968	59,960	35,976
Real assets**	10	62,060	68,266	55,854
Social Housing	10	70,890	77,979	63,801
Subtotal		**302,590**	**340,044**	**265,136**
Pooled investments-hedge funds	15	543	624	462
Overseas Hedge Funds	15	282	324	240
Property funds	10	98,860	108,746	88,974
Total		**402,275**	**449,739**	**354,811**

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

Note 14a: Fair Value Hierarchy

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

Level 1 –where the fair values are derived from adjusted quoted prices in active markets for identical assets or liabilities. 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 2023	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				
Equities	0	0	0	0
Pooled investments	0	1,063,159	825	1,063,984
Pooled property investments	7,275	141,365	37,704	186,343
Private equity	-	0	363,747	363,747
Derivative assets	0	2,451	0	2,451
Cash deposits	61,317	0	0	61,317
Other investment assets	150	0	0	150
Investment income due	313	0	0	313
Net investment assets	**69,055**	**1,206,975**	**402,276**	**1,678,306**
Financial liabilities at fair value through profit and loss				
Payable for investment purchases	0	(516)	0	(516)
Other Investment Liabilities	0	0	0	0
Derivative liabilities	0	(454)	0	(454)
Total	**69,055**	**1,206,005**	**402,276**	**1,677,336**

Values at 31 March 2022	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				
Equities	147,474	0	0	147,474
Pooled investments	0	923,961	0	923,961
Pooled property investments	8,743	137,747	51,107	197,597
Private equity	0	0	326,746	326,746
Diversified alternatives	0	0	2,330	2,330
Derivative assets	0	6,215	0	6,215
Cash deposits	89,029	0	0	89,029
Other investment assets	8,150	0	0	8,150
Investment income due	226	0	0	226
Net investment assets	**253,622**	**1,067,923**	**380,183**	**1,701,728**
Financial liabilities at fair value through profit and loss				
Payable for investment purchases	0	(983)	0	(983)
Derivative liabilities	0	(13,554)	0	(13,554)
Total	**253,622**	**1,053,386**	**380,183**	**1,687,191**

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

	Market value as at 31/03/2022 £'000	Transfers in/out of level 3 £'000	Purchases £'000	Sales £'000	Unrealised gains (losses) £'000	Realised gains (losses) £'000	Market value as at 31/03/2023 £'000
Diversified Alternatives	2,264	0	0	(2,165)	(1,371)	1,816	544
Overseas Property Funds	9,747	0	0	0	(2,475)	0	7,272
Overseas Venture Capital	156,624	0	14,479	(11,075)	4,483	6,652	171,163
Private Debt	112,895	0	16,059	(10,817)	3,953	(418)	121,672
UK Property Funds	41,360	0	1,665	(2,242)	(4,940)	(5,413)	30,430
UK Venture Capital	57,226	0	11,021	(21)	2,664	21	70,911
Overseas Hedge Fund	0	0	356	(88)	(62)	75	281
Total	**380,116**	**0**	**43,580**	**(26,408)**	**2,252**	**2,733**	**402,273**

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

Note 15: Classification of Financial Instruments

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

Market value as at 31 March 2022				Market value as at 31 March 2023		
Fair value through profit and loss	**Assets at amortised cost**	**Liabilities at amortised cost**		**Fair value through profit and loss**	**Assets at amortise d cost**	**Liabilities at amortise d cost**
£'000	**£'000**	**£'000**	**Financial assets**	**£'000**	**£'000**	**£'000**
147,474	0	0	Equities	0	0	0
0	0	0	Fixed Interest Securities	0	0	0
923,961	0	0	Pooled funds	1,063,984	0	0
197,597	0	0	Pooled property Investments	186,343	0	0
326,746	0	0	Private equity/debt & real assets	363,747	0	0
2,330	0	0	Diversified alternatives	0	0	0
150	0	0	London collective investment vehicle	150	0	0
89,029	15,037	0	Cash and cash equivalents	61,317	0	0
6,215	0	0	Derivatives	2,451	0	0
8,226	0	0	Other investment balances	313		0
0	0	0	Amounts receivable for sales	0	0	0
0	6,532	0	Sundry debtors and prepayments	0	0	**0**
1,701,728	**21,569**		**Total Financial Assets**	**1,678,306**	**0**	**0**
			Financial liabilities			
0	0	(13,554)	Derivatives	(454)	0	
0	0	(945)	Sundry creditors	0	0	(175)
0	0	(983)	Spot currency contracts	(516)	0	
0	**0**	**(15,482)**	**Total Financial liabilities**	**(970)**	**0**	**(175)**
1,701,728	**21,569**	**(15,482)**	**Total**	**1,677,336**	**0**	**(175)**

Note 15a: Net Gains and Losses on Financial Instruments

31st March 2022 £'000		31st March 2023 £'000
	Financial Assets	
152,113	Fair value through profit and loss	(8,667)
1,878	Other investment balances	2,953
	Financial Liabilities	
(25,048)	Fair value through profit and loss	195
128,943	**Total**	**(5,519)**

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

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

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

Risk and risk management

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

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

Market risk

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

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

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels

- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

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

Other price risk

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

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

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

Other price risk – sensitivity analysis

In consultation with its investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for 2022/23, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset type	**Movement**	**Market value as at 31 March 2023**	**Movement on increased value**	**Movement on decreased value**
	%	**£'000**	**£'000**	**£'000**
Equities	20	0	0	0
Pooled investments	10	1,063,984	1,170,383	957,586
Pooled Property Investments	10	186,343	204,978	167,709
Private Equity	25	363,747	454,684	272,810
Derivative Assets	10	2,451	2,696	2,206
Cash deposits	5	61,317	64,382	58,251
Other investment assets	0	0	0	0
Investment income due	0	313	313	313
London collective investment vehicle	15	150	173	128
Other investment assets	0	(970)	(970)	(970)
Total Investment assets		**1,677,335**	**1,896,639**	**1,458,033**

Asset type	Movement	Market value as at 31 March 2022	Movement on increased value	Movement on decreased value
	%	£'000	£'000	£'000
Equities*	15	147,474	169,595	125,353
Pooled funds	10	924,027	1,016,430	831,625
Pooled property investments	10	197,597	217,357	177,838
Private equity	15	71,757	82,521	60,994
Private debt	10	112,895	124,185	101,606
Real assets	10	84,889	93,378	76,400
Diversified alternatives	15	2,265	2,605	1,925
Social housing	10	57,205	62,925	51,484
London collective investment vehicle	15	150	173	128
Cash and cash equivalents	0	89,029	89,029	89,029
Other investment assets	0	14,440	14,440	14,440
Payable for investment purchases	0	(983)	(983)	(983)
Investment liabilities	0	(13,554)	(13,554)	(13,554)
Total Investment assets		**1,687,191**	**1,858,101**	**1,516,285**

* unhedged position

Interest rate risk

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

The Fund's direct exposure to interest rate movements as at 31 March 2023 and 31 March 2022 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate – risk sensitivity analysis

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

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

	Market value as at 31 March 2023	Value on 1% price increase	Value on 1% price decrease
	£'000	£'000	£'000
Asset type			
Cash and Cash equivalents	61,317	61,930	60,703
Cash balances	11,657	11,774	11,540
Total	**72,974**	**73,703**	**72,244**

	Market value as at 31 March 2022 £'000	Value on 1% price increase £'000	Value on 1% price decrease £'000
Asset type			
Cash and Cash equivalents	89,029	89,919	88,139
Cash balances	15,037	15,187	14,887
Total	**104,066**	**105,106**	**103,026**

Interest Receivable

	Market value as at 31 March 2023 £'000	Value on 1% price increase £'000	Value on 1% price decrease £'000
Asset type			
Cash and Cash equivalents	1,710	1,727	1,693
Total	**1,710**	**1,727**	**1,693**

	Market value as at 31 March 2022 £'000	Value on 1% price increase £'000	Value on 1% price decrease £'000
Asset type			
Cash and Cash equivalents	228	230	226
Total	**228**	**230**	**226**

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

Currency risk

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

Asset type	Market value as at 31 March 2023 £'000	Value on 10% price increase £'000	Value on 10% price decrease £'000
Overseas fixed interest unit trusts	10,361	11,397	9,325
Overseas pooled property investments	118,273	130,101	106,446
Overseas venture capital	171,163	188,280	154,047
Overseas Equity Funds	157,480	173,228	141,732
Overseas Hedge Fund	282	310	254
Total	**457,559**	**503,315**	**411,803**

Asset type	Market value as at 31 March 2022	Value on 10% price increase	Value on 10% price decrease
	£'000	£'000	£'000
Overseas quoted equities	138,588	152,447	124,729
Overseas fixed interest unit trusts	10,302	11,332	9,272
Overseas pooled property investments	112,024	123,226	100,822
Overseas private debt	112,895	124,185	101,606
Overseas real assets	84,889	93,378	76,400
Total	**458,698**	**504,568**	**412,829**

a) **Credit risk**

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

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

Summary	Rating	Asset value as at 31 March 2022	Asset value as at 31 March 2023
		£'000	£'000
Held with Custodian			
Northern Trust custody cash accounts	AAA	89,029	61,317
Money market funds			
BNP Paribas	AAA	14,990	10,860
Federated Prime Rate	AAA	-	452
Bank current accounts			
Lloyds	A+	47	344
Total		**104,066**	**72,973**

The Fund has experienced no defaults from fund managers, brokers or bank accounts over many years. Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties. All contributions due at 31 March 2023 and 31 March 2022 (£2.3m and £2.1m respectively) were received in the first two months of the respective financial year.

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's cash holding under its treasury management arrangements at 31 March 2023 was £23m (31 March 2022: £43m).

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

The Fund also has access to an overdraft facility for short-term cash needs (up to seven days). This facility is only used to meet timing differences on pension payments. As at 31 March 2023 the balance on this facility stood at £0 (31 March 2022: £0).

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2023 the value of liquid assets represented 76% of the total Fund value (31 March 2022: 69% of the total Fund assets).

b) **Refinancing risk**

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

Note 17: Funding Arrangements

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

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due 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 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.

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

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

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

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

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

Financial assumptions as noted in the triennial valuation

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

Mortality assumptions as noted in the triennial valuation

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

Life expectancy from age 65	31st March 2022	31st March 2019	31st March 2016
	Years	**Years**	**Years**
Males retiring today	19.51	21.2	21.6
Females retiring today	22.88	23.8	24
Males retiring in 20 years	20.87	22.7	23.3
Females retiring in 20 years	24.43	25.4	25.8

Commutation assumptions

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

50:50 option

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

Note 18: Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Fund liabilities, on an 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 17). The actuary has also used valued ill-health and death benefits in line with IAS 19.

31st March 2022		31st March 2023
£m		**£m**
(2,771)	Present value of promised retirement benefits	(1,825)
1,702	Fair value of scheme assets (bid value)	1,678
(1,069)	**Net Liability**	**(147)**

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

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation (see Note 17) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Note 19: Current Assets

31st March 2022 £'000		31st March 2023 £'000
1,234	Contributions due – employees	1,357
896	Contributions due – employers	934
1,335	Prepayments	0
77	Receivables	69
5,119	Debtors	8,740
15,038	Cash balances	11,657
23,699	**Total Current Assets**	**22,757**

Note 20: Additional Voluntary Contributions

Market value at 31 March 2022 £'000		Market value at 31 March 2023 £'000
1,029	Clerical Medical	1,123
160	Utmost Life and Pensions	TBC
1,189	**Total**	**1,123**

AVC contributions of £0.079m were paid directly to Clerical Medical during the year (£0.059m 2021/22).There have been no further contributions to Utmost in either financial year.

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

Note 21: Agency Services

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

2021/22 £'000		2022/23 £'000
316	Payments on behalf of London Borough of	312
316	**Total**	**312**

Note 22: Related Parties

The Fund is administered by LBN. During the reporting period, the Council incurred costs of £1.3m (2021/22: £1.16m) in relation to the administration the Fund and was subsequently reimbursed by the Fund for these expenses (see Note 10). As at 31 March 2023 the Council owed the Fund £9.3m (2021/22 £5.1m).

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

Of the Committee members there are no active members of the LGPS and three deferred members; Councillor John Gray, Councillor Harvinder Singh-Virdee and Councillor James Asser. The Members of the Committee do not receive fees in relation to their specific responsibilities as Members of the Committee.

The Council is also the largest employer in the Fund and in 2022/23 contributed £34.9m (2021/22 £30.1m) to the Pension Fund in respect of employer's contributions. All monies owing to and due from the fund were paid in year.

The Fund is a minority shareholder in London LGPS CIV Ltd. Shares valued at £0.15m at 31 March 2023 (£0.15m at 31 March 2022) are included as long-term investments in the NAS. A mixed portfolio of investments is managed by the regional asset pool as shown in Note 12b. During 2022/23 a total of £0.14m was charged to the pension fund by London CIV in respect of investment management services (£0.13m in 2021/22).

Note 22a: Key Management Personnel

Key management personnel are members of the Committee, the Corporate Director of Resources, the Director of Exchequer and Transactional Services and the Head of Pensions & Treasury for oneSource. Total remuneration payable to key management personnel which is recharged to the Fund is set out below:

2021/22		**2022/23**
£'000		**£'000**
35	Short-term benefits	37
1,387	Post-employment benefits	1,030
1,422	**Total**	**1,067**

Note 23: Contingent Liabilities and Contractual Commitments

Outstanding capital commitments for private debt, property, private equity, real assets and social housing at 31 March 2023 totalled £79m (31 March 2022: £114m). There are no contingent liabilities to report.

Four admitted body employers in the Fund hold insurance bonds and seven admitted bodies have a guarantee in place with the Local Authority to guard against the possibility of being unable to meet the pension obligations. These bonds/guarantees are drawn in favour of the Fund and payment will only be triggered in the event of employer default. No such defaults have occurred.

The Fund, in conjunction with other Borough shareholders in the London CIV, has entered into an exit agreement with the London CIV, acting as a guarantor. The Fund will meet any exit payments due should the London CIV cease its admission arrangements with City of London. Should an amount become due the Fund will meet 1/32 share of costs.