



Meeting of the

# TOWER HAMLETS COUNCIL

---

Wednesday, 14 July 2010 at 7.30 p.m.

---

## A G E N D A

---

### VENUE

Council Chamber, 1<sup>st</sup> Floor,  
Town Hall, Mulberry Place,  
5 Clove Crescent,  
London E14 2BG

If you require any further information relating to this meeting, would like to request a large print, Braille or audio version of this document, or would like to discuss access arrangements or any other special requirements, please contact:

John S Williams, Service Head, Democratic Services  
Tel: 020 7364 4204, E-mail: [johns.williams@towerhamlets.gov.uk](mailto:johns.williams@towerhamlets.gov.uk)



Chief Executive's  
Directorate

Democratic Services  
Tower Hamlets Town Hall  
Mulberry Place  
5 Clove Crescent  
London E14 2BG

Tel      **020 7364 4204**  
Fax      **020 7364 3232**

[www.towerhamlets.gov.uk](http://www.towerhamlets.gov.uk)

**TO THE MAYOR AND COUNCILLORS OF THE LONDON BOROUGH OF TOWER  
HAMLETS**

You are summoned to attend a meeting of the Council of the London Borough of Tower Hamlets to be held in **THE COUNCIL CHAMBER, 1ST FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE CRESCENT, LONDON, E14 2BG** at **7.30 p.m.** on **WEDNESDAY, 14 JULY 2010**

Dr Kevan Collins  
**Chief Executive**

# LONDON BOROUGH OF TOWER HAMLETS

## COUNCIL

WEDNESDAY, 14 JULY 2010

7.30 p.m.

**1. APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

**2. DECLARATIONS OF INTEREST**

To note any declarations of interest made by Members, including those restricting Members from voting on the questions detailed in Section 106 of the Local Government Finance Act, 1992. See attached note from the Chief Executive.

**3. MINUTES**

To confirm as a correct record of the proceedings the unrestricted minutes of the Annual Meeting of the Council held on 26<sup>th</sup> May 2010.

**4. TO RECEIVE ANNOUNCEMENTS (IF ANY) FROM THE MAYOR, LEADER OF THE COUNCIL, MEMBERS OF THE CABINET OR THE CHIEF EXECUTIVE**

**5. TO RECEIVE ANY PETITIONS OR DEPUTATIONS**

The petitions and deputations received for presentation to the Council meeting are set out in agenda item 5 attached.

**6. TO RECEIVE WRITTEN QUESTIONS FROM MEMBERS OF THE PUBLIC**

**(Maximum of 30 minutes allowed for this agenda item)**

The questions which have been received from members of the public to be put at this meeting are set out in agenda item 6 attached.

**PAGE  
NUMBER**

**1 - 2**

**3 - 24**

**25 - 28**

**29 - 30**

<b>7.</b>	<b>TO RECEIVE WRITTEN QUESTIONS FROM MEMBERS OF THE COUNCIL</b>	<b>31 - 38</b>
	<b>(Maximum of 30 minutes allowed for this agenda item)</b>	
	The questions which have been received from Members of the Council to be put at this meeting are set out in agenda item 7 attached.	
<b>8.</b>	<b>REPORTS FROM THE EXECUTIVE AND THE COUNCIL'S COMMITTEES</b>	
<b>8 .1</b>	<b>Annual Report of the Overview and Scrutiny Committee</b>	<b>39 - 64</b>
	To receive the Annual Report of the Overview and Scrutiny Committee for 2009/10. The Annual Report is attached.	
<b>9.</b>	<b>TO RECEIVE REPORTS AND QUESTIONS ON JOINT ARRANGEMENTS AND EXTERNAL ORGANISATIONS (IF ANY)</b>	
<b>10.</b>	<b>OTHER BUSINESS</b>	
<b>10 .1</b>	<b>Petition Scheme</b>	<b>65 - 86</b>
	To adopt a Petition Scheme as required by the Local Democracy, Economic Development & Construction Act 2009. The report of the Assistant Chief Executive (Legal Services) is attached.	
<b>10 .2</b>	<b>Draft Statement of Accounts 2009-2010</b>	<b>87 - 192</b>
	To approve the draft final Statement of Accounts for the financial year ending 31 <sup>st</sup> March 2010. The report of the Corporate Director of Resources is attached.	
<b>10 .3</b>	<b>Appointment of Independent Members of the Standards Committee</b>	<b>193 - 196</b>
	To appoint persons to serve as Independent Members of the Standards Committee. The report of the Service Head, Democratic Services is attached.	
<b>11.</b>	<b>TO CONSIDER MOTIONS SUBMITTED BY MEMBERS OF THE COUNCIL</b>	<b>197 - 200</b>
	The motions submitted by Members of the Council for debate at this meeting are set out in agenda item 11 attached.	

# Agenda Item 2

## DECLARATIONS OF INTERESTS - NOTE FROM THE CHIEF EXECUTIVE

This note is guidance only. Members should consult the Council's Code of Conduct for further details. Note: Only Members can decide if they have an interest therefore they must make their own decision. If in doubt as to the nature of an interest it is advisable to seek advice **prior** to attending at a meeting.

### Declaration of interests for Members

Where Members have a personal interest in any business of the authority as described in paragraph 4 of the Council's Code of Conduct (contained in part 5 of the Council's Constitution) then s/he must disclose this personal interest as in accordance with paragraph 5 of the Code. Members must disclose the existence and nature of the interest at the start of the meeting and certainly no later than the commencement of the item or where the interest becomes apparent.

You have a **personal interest** in any business of your authority where it relates to or is likely to affect:

- (a) An interest that you must **register**
- (b) An interest that is not on the register, but where the well-being or financial position of you, members of your family, or people with whom you have a close association, is likely to be affected by the business of your authority more than it would affect the majority of inhabitants of the ward affected by the decision.

Where a personal interest is declared a Member may stay and take part in the debate and decision on that item.

**What constitutes a prejudicial interest?** - Please refer to paragraph 6 of the adopted Code of Conduct.

**Your personal interest will also be a prejudicial interest in a matter if (a), (b) and either (c) or (d) below apply:-**

- (a) A member of the public, who knows the relevant facts, would reasonably think that your personal interests are so significant that it is likely to prejudice your judgment of the public interests; AND
- (b) The matter does not fall within one of the exempt categories of decision listed in paragraph 6.2 of the Code; AND EITHER
- (c) The matter affects your financial position or the financial interest of a body with which you are associated; or
- (d) The matter relates to the determination of a licensing or regulatory application

The key points to remember if you have a prejudicial interest in a matter being discussed at a meeting:-

- i. You must declare that you have a prejudicial interest, and the nature of that interest, as soon as that interest becomes apparent to you; and
- ii. You must leave the room for the duration of consideration and decision on the item and not seek to influence the debate or decision unless (iv) below applies; and

- iii. You must not seek to improperly influence a decision in which you have a prejudicial interest.
- iv. If Members of the public are allowed to speak or make representations at the meeting, give evidence or answer questions about the matter, by statutory right or otherwise (e.g. planning or licensing committees), you can declare your prejudicial interest but make representations. However, you must immediately leave the room once you have finished your representations and answered questions (if any). You cannot remain in the meeting or in the public gallery during the debate or decision on the matter.

# Agenda Item 3

## LONDON BOROUGH OF TOWER HAMLETS

### MINUTES OF THE ANNUAL COUNCIL MEETING

HELD AT 7.30 P.M. ON WEDNESDAY, 26 MAY 2010

THE COUNCIL CHAMBER, 1ST FLOOR, TOWN HALL, MULBERRY PLACE, 5  
CLOVE CRESCENT, LONDON, E14 2BG

#### Members Present:

Councillor Helal Abbas	Councillor Dr. Emma Jones
Councillor Khaled Uddin Ahmed	Councillor Anwar Khan
Councillor Kabir Ahmed	Councillor Rabina Khan
Councillor Ohid Ahmed	Councillor Aminur Khan
Councillor Rajib Ahmed	Councillor Shiria Khatun
Councillor Rofique U Ahmed	Councillor Anna Lynch
Councillor Shelina Akhtar	Councillor Harun Miah
Councillor Shahed Ali	Councillor Md. Maium Miah
Councillor Tim Archer	Councillor Mohammed Abdul Mukit MBE
Councillor Abdul Asad	Councillor Ahmed Adam Omer
Councillor Craig Aston	Councillor Lesley Pavitt
Councillor Lutfa Begum	Councillor Joshua Peck
Councillor Mizanur Rahman Chaudhury	Councillor Zenith Rahman
Councillor Alibor Choudhury	Councillor Lutfur Rahman
Councillor Zara Davis	Councillor Oliur Rahman
Councillor Stephanie Eaton	Councillor Rachael Saunders
Councillor David Edgar	Councillor David Snowdon
Councillor Marc Francis	Councillor Gloria Thienel
Councillor Judith Gardiner	Councillor Bill Turner
Councillor Carlo Gibbs	Councillor Helal Uddin
Councillor Peter Golds	Councillor Kosru Uddin
Councillor Shafiqul Haque	Councillor Abdal Ullah
Councillor Sirajul Islam	Councillor Motin Uz-Zaman
Councillor Ann Jackson	Councillor Amy Whitelock
Councillor Denise Jones	

#### 1. ELECTION OF MAYOR

**The Mayor, Councillor Ahmed Adam Omer, in the Chair**

#### MAYOR'S OPENING ADDRESS

The Mayor, Councillor Ahmed Adam Omer, welcomed all present to the annual meeting of the Council.

Councillor Omer addressed the meeting about his year of office. He said that it had been a privilege to serve as the Mayor of the Borough. Highlights of a good year had included meeting the former Mayoress of Stepney of 1938. During his term of office, the Mayor's charity account had raised over £30,000 for his two charities, Bangladesh Parents and Carers Association and St. Margaret's Settlement. Councillor Omer had been proud to attend many Citizenship Ceremonies and he

urged everyone to work together regardless of age, ability and colour towards the vision of One Tower Hamlets.

Councillor Helal Abbas paid tribute to Councillor Omer on behalf of the Council and Councillors Peter Golds, Stephanie Eaton and Harun Miah also addressed the meeting about his year in office and echoed Councillor Abbas's comments.

The Mayor then called for nominations to serve as Mayor of Tower Hamlets for the coming year.

It was **MOVED** by Councillor Helal Abbas, **SECONDED** by Councillor Joshua Peck and

### **RESOLVED**

That Councillor Motin Uz-Zaman be elected to hold office as Mayor of the London Borough of Tower Hamlets until 21<sup>st</sup> October 2010 and then, following the change on that date to a directly elected mayoral system, as Chair of Council until the Annual Meeting of the Council on 18<sup>th</sup> May 2011.

Councillors Helal Abbas and Joshua Peck then came forward to witness the Mayor signing the statutory declaration of acceptance of office.

### **The Mayor, Councillor Motin Uz-Zaman in the Chair**

The incoming Mayor then addressed the meeting. He paid tribute to Councillor Ahmed Omer and thanked Members of the Council for electing him as Mayor which would be a daunting but exciting challenge. He welcomed the distinguished guests and thanked everyone for their support. The Mayor introduced the Mayoress, his wife Mrs. Nargis Bahar, who would be accompanying him at his engagements. He said the borough was made up of many nationalities and cultures and those residents had entrusted their confidence in Members to make the correct decisions to enable high quality services and opportunities for all residents in a time of scarce resources.

The Mayor informed the Council that during his term of office he would be raising funds for two charities – HEMS, the Helicopter Emergency Medical Services, which was the first air ambulance in the UK to provide a 24/7 emergency service; and the Thesis Trust, which aimed to relieve poverty and distress among the Bangladeshi community in Tower Hamlets and help young people to get the opportunity of an education.

## **2. ELECTION OF DEPUTY MAYOR**

It was **MOVED** by Councillor Helal Abbas, **SECONDED** by Councillor Joshua Peck and

### **RESOLVED**

That Councillor Anna Lynch be elected to hold office as Deputy Mayor of the London Borough of Tower Hamlets until 21<sup>st</sup> October 2010 and then, following the change on that date to a directly elected mayoral system, as Deputy Chair of Council until the Annual Meeting of the Council on 18<sup>th</sup> May 2011.



### **3. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Carli Harper-Penman and Rania Khan.

#### **RESOLVED**

That the apologies be noted.

### **4. DECLARATIONS OF INTEREST**

No declarations of interest were made.

### **5. MINUTES**

#### **RESOLVED**

That the minutes of the ordinary meeting of the Council held on 24<sup>th</sup> March 2010 be confirmed as a correct record of the proceedings and the Mayor be authorised to sign them accordingly.

### **6. TO RECEIVE ANNOUNCEMENTS (IF ANY) FROM THE MAYOR OR THE CHIEF EXECUTIVE**

No announcements were made.

### **7. ELECTION OF LEADER**

Councillor Joshua Peck **MOVED**, Councillor Anwar Khan **SECONDED** and it was

#### **RESOLVED**

That Councillor Helal Abbas be elected to serve as Leader of the Council until 21<sup>st</sup> October 2010, when the new directly elected mayoral system will be introduced.

Councillor Peter Golds and Councillor Stephanie Eaton congratulated Councillor Abbas on his appointment as Leader of the Council.

Councillor Abbas then addressed the meeting. He thanked the Council for their support and also paid tribute to those former Councillors who had retired at the recent council elections for their service to the borough. Councillor Abbas went on to outline his priorities for his term of office and urged all Councillors to work together over the coming months to ensure that the Council was able effectively to represent and protect the borough's communities through what was likely to be a challenging period.

## 8. APPOINTMENT OF DEPUTY LEADER AND CABINET MEMBERS

### RESOLVED

That the Council notes the appointment, by the Leader of the Council, of the Deputy Leader and Cabinet Members to serve until 21<sup>st</sup> October 2010 or until otherwise notified by the Leader, whichever is the sooner, as follows:-

Councillor Helal Abbas: Leader of the Council (Chair of Cabinet)  
Councillor Joshua Peck: Deputy Leader of the Council (Vice-Chair of Cabinet)  
Councillor Shahed Ali: Lead Member, Environment  
Councillor David Edgar: Lead Member, Resources  
Councillor Marc Francis: Lead Member, Housing, Heritage and Planning  
Councillor Sirajul Islam: Lead Member, Regeneration and Employment  
Councillor Denise Jones: Lead Member, Culture and Creative Industries  
Councillor Shiria Khatun: Lead Member, Children's Services  
Councillor Rachael Saunders: Lead Member, Health & Wellbeing  
Councillor Abdal Ullah: Lead Member, Community Safety

## 9. COUNCIL MEMBERSHIP, REVIEW OF PROPORTIONALITY AND ESTABLISHMENT OF COMMITTEES AND PANELS

### Change to order of business

Councillor Joshua Peck **MOVED** and Councillor Helal Abbas **SECONDED** – “That under Rule 14.1.3 the order of business be changed to allow items 9, 10, 11 and 13 to be considered at the same time.”

On being to the vote, the procedural motion was carried.

Councillor Peter Golds **MOVED**, and Councillor Tim Archer **SECONDED**, an **AMENDMENT** to item 11 – “That this meeting agrees to an additional council meeting to be held on Wednesday 27<sup>th</sup> October, following the election of the Executive Mayor which will be in advance of the first Cabinet meeting to be held under the Mayor system.

This meeting also calls for an urgent meeting of the Constitution Working Party to make appropriate amendments to be approved on 27<sup>th</sup> October.”

Councillor Helal Abbas said that he was happy to accept this as a friendly amendment. He also amended the circulated schedule under item 13 to nominate Councillor Mizanur Rahman Chaudhury as the Deputy to the London Councils Culture, Tourism and 2012 Forum.

On being put to the vote, the recommendations as amended above were **agreed** and accordingly it was:-

### RESOLVED

1. That the Council notes the membership of the Authority following the Council Elections held on 6<sup>th</sup> May 2010 and the review of proportionality as set out at section 3 of the interleaved report of the Service Head, Democratic Services.

2. That the Committees and Panels of the Council be established for the Municipal Year 2010/11 and the allocation of places to groups be agreed as set out in the table below:-

Committees/panels covered by the requirement for proportionality:

Committee/panel	Total	Labour	Conserv -ative	Liberal Democrat	Respect
Overview & Scrutiny Committee (plus 5 co-optees)	9	6	1	1	1
Health Scrutiny Panel	7	6	1	-	-
Appeals Committee	7	6	1	-	-
Audit Committee	7	5	1	1	-
Development Committee	7	6	1	-	-
Strategic Development Committee	7	6	1	-	-
General Purposes Committee	7	6	1	-	-
Human Resources Committee	7	6	1	-	-
Licensing Committee	15	11	3	-	1
Pensions Committee	7	6	1	-	-

Committee not covered by the requirement for proportionality:

Committee	Total	Labour	Conserv -ative	Liberal Democrat	Respect
Standards Committee (plus 9 independent members)	5	3	2	-	-

3. That Part 3 of the Council's Constitution be amended as necessary to reflect the changes agreed to the membership of the committees and panels.

## 10. APPOINTMENTS TO COMMITTEES AND PANELS OF THE COUNCIL

### RESOLVED

- That Members and Deputy Members be appointed to the Committees and Panels of the Council for the Municipal Year 2010/11 as set out in the tabled schedule appended to these minutes at Appendix A.
- That Councillor Mizanur Rahman Chaudhury be appointed as the Olympics Ambassador.

## 11. PROGRAMME OF MEETINGS 2010/11

### RESOLVED

- That an additional Council meeting be held on Wednesday 27<sup>th</sup> October 2010, following the election of the Executive Mayor which will be in advance of the first Cabinet meeting to be held under the Mayoral system.

2. That subject to (1) above, the revised programme of meetings for 2010/11 be agreed; and
3. That an urgent meeting of the Constitutional Working Party be held to make appropriate amendments to the Constitution to be approved on 27th October 2010.

## **12. APPOINTMENT OF POLITICAL ADVISORS**

In response to a Member's question, the Service Head, Democratic Services confirmed that, notwithstanding the change to an elected mayoral system on 21<sup>st</sup> October 2010, the Council could agree the appointment of political advisors to support the Majority and Minority Groups for the duration of the administration to May 2014.

Councillor Helal Abbas **MOVED**, Councillor Joshua Peck **SECONDED** and it was:-

### **RESOLVED**

1. That the posts of Political Assistants (known as Political Advisors) to the Labour Group and the Conservative Group be re-established for the duration of the current administration in accordance with Section 9 of the Local Government and Housing Act 1989.
2. That the Political Advisor posts be re-established as previously on the basis of a full-time post to support the Labour Group and a half-time post to support the Conservative Group.

## **13. APPOINTMENTS TO LONDON COUNCILS COMMITTEES AND FORUMS**

### **RESOLVED**

That the Council agree to the appointment of Members and Deputy Members to the London Councils committees and forums as listed in the tabled schedule appended to these minutes at Appendix B, subject to the amendment of the nomination as Deputy to the Culture, Tourism and 2012 Forum from Councillor Amy Whitelock to Councillor Mizanur Rahman Chaudhury.

The meeting ended at 8.23 p.m.

Chair,  
Council



APPENDIX A

LONDON BOROUGH OF TOWER HAMLETS

COMMITTEE MEMBERSHIP 2010-2011

ANNUAL COUNCIL MEETING – 26<sup>TH</sup> MAY 2010

<b>DEVELOPMENT COMMITTEE</b> (Seven members of the Council)		
<i>Labour Group Nominations (and deputies)</i>	<i>Conservative Group Nominations (and deputies)</i>	<i>Other</i>
Cllr Carli Harper-Penman (Chair) Cllr Judith Gardiner (Vice-Chair) Cllr Shelina Akhtar Cllr Ann Jackson Cllr Mohammed Abdul Mukit, MBE Cllr Kosru Uddin  (Deputies:- Cllr Lutfu Begum Cllr Shafiqul Haque)	Cllr Peter Golds  (Deputies:- Cllr Tim Archer Cllr Dr. Emma Jones)	-

<b>STRATEGIC DEVELOPMENT COMMITTEE</b> (Seven members of the Council, to include no more than two members of the Cabinet)		
<b>Labour Group Nominations</b> (and deputies)	<b>Conservative Group Nominations</b> (and deputies)	<b>Other</b>
Cllr Carli Harper-Penman (Chair) Cllr Bill Turner (Vice-Chair) Cllr Kabir Ahmed Cllr Shahed Ali Cllr David Edgar Cllr Anwar Khan  (Deputies:- Cllr Khales U. Ahmed ) (Deputy for Cllrs C. Cllr Judith Gardiner ) Harper-Penman, B. Turner, A. Khan, K. Ahmed)	Cllr Dr. Emma Jones  (Deputies: Cllr Tim Archer Cllr Peter Golds)	-
Cllr Denise Jones ) (Deputy for Cllrs S. Ali Cllr Rachael Saunders) and D. Edgar)		

<b>LICENSING COMMITTEE</b>		
<b>(Fifteen members of the Council) (No deputies permitted)</b>		
<b>Labour Group Nominations</b>	<b>Conservative Group Nominations</b>	<b>Other</b>
<p>Cllr Kabir Ahmed (Chair)                      Cllr Carlo Gibbs (Vice-Chair)                      Cllr Khales U. Ahmed                      Cllr Rofique U. Ahmed                      Cllr Ohid Ahmed                      Cllr Rajib Ahmed                      Cllr Lutfa Begum                      Cllr Shafiqul Haque                      Cllr Aminur Khan                      Cllr Oliur Rahman                      Cllr Amy Whitelock</p>	<p>Cllr Zara Davis                      Cllr Peter Golds                      Cllr David Snowdon</p>	<p>Cllr Harun Miah</p>



<b>OVERVIEW AND SCRUTINY COMMITTEE</b> (Nine members of the Council and five co-opted members)			
<b>Labour Group Nominations (and deputies)</b>	<b>Conservative Nominations (and deputies)</b>	<b>Other</b>	<b>Nominated/Co-opted Members (for information – to be appointed by Overview &amp; Scrutiny Committee)</b>
<p>Cllr Ann Jackson (Chair) Cllr Ahmed Omer (Vice-Chair) Cllr Rajib Ahmed Cllr Rabina Khan Cllr Lesley Pavitt Cllr Zenith Rahman</p> <p>(Deputies:- Cllr Alibor Choudhury Cllr Lutfur Rahman)</p>	<p>Cllr Tim Archer</p> <p>(Deputies:- Cllr Peter Golds Cllr David Snowdon)</p>	<p>Cllr Stephanie Eaton Cllr Harun Miah</p>	<p>Mr Mushfique Uddin – Muslim Community representative</p> <p>Vacancy – Roman Catholic Diocese of Westminster representative</p> <p>Vacancy - Parent Governor representative</p> <p>Vacancy – Parent Government representative</p> <p>Revd Michael Ainsworth - Church of England Diocese representative</p>

<b>HEALTH SCRUTINY PANEL – (Nominations for Information, Panel to be appointed by Overview &amp; Scrutiny Committee) (Seven members of the Council)</b>		
<i>Labour Group Nominations (and deputies)</i>	<i>Conservative Group Nominations (and deputies)</i>	<i>Other</i>
<p>Cllr Rania Khan (Vice-Chair) Cllr Shelina Akhtar Cllr Abdul Asad Cllr Alibor Choudhury Cllr Lutfur Rahman Cllr Kosru Uddin</p> <p>(Deputy- Cllr Mohammed Abdul Mukit, MBE)</p>	<p>Cllr Tim Archer (Chair)</p> <p>(Deputy:- Cllr Dr. Emma Jones)</p>	<p>-</p>

<b>APPEALS COMMITTEE</b> (Seven members of the Council)		
<b>Labour Group Nominations</b> (and deputies)	<b>Conservative Group Nominations</b> (and deputies)	<b>Other</b>
Cllr Bill Turner (Chair) Cllr Anna Lynch (Vice-Chair) Cllr Khales U. Ahmed Cllr Rania Khan Cllr Lesley Pavitt Cllr Mizanur Rahman Chaudhury  (Deputy:- Cllr Lutfa Begum)	Cllr Gloria Thienel  (Deputies:- Cllr Dr. Emma Jones Cllr Peter Golds)	-

<b>AUDIT COMMITTEE</b> (Seven members of the Council)		
<i>Labour Group Nominations (and deputies)</i>	<i>Conservative Group Nominations (and deputies)</i>	<i>Other</i>
Cllr Carlo Gibbs (Chair) Cllr Rabina Khan (Vice-Chair) Cllr Abdul Asad Cllr Lutfa Begum Cllr Mizanur Rahman Chaudhury  (Deputy:- Cllr Khales Uddin Ahmed)	Cllr Craig Aston  (Deputy:- Cllr David Snowdon)	Cllr Stephanie Eaton

<b>GENERAL PURPOSES COMMITTEE</b> (Seven members of the Council)		
<b>Labour Group Nominations</b> (and deputies)	<b>Conservative Group Nominations</b> (and deputies)	<b>Other</b>
Cllr Helal Uddin (Chair) Cllr Abdul Asad (Vice-Chair) Cllr Lutfa Begum Cllr Aminur Khan Cllr Ahmed Omer Cllr Motin Uz-Zaman  (Deputy:- Cllr Mizanur R. Chaudhury)	Cllr Maium Miah  (Deputy:- Cllr Peter Golds)	-

<b>HUMAN RESOURCES COMMITTEE</b> (Seven members of the Council)		
<b>Labour Group Nominations (and deputies)</b>	<b>Conservative Group Nominations (and deputies)</b>	<b>Other</b>
<p>Cllr Mohammed Abdul Mukit, MBE (Chair)                      Cllr Helal Uddin (Vice-Chair)                      Cllr Rofique U. Ahmed                      Cllr Abdul Asad                      Cllr Mizanur R. Chaudhury                      Cllr Zenith Rahman</p> <p>(Deputy-                      Cllr Oliur Rahman)</p>	<p>Cllr Gloria Thienel</p> <p>(Deputy:-                      Cllr Craig Aston)</p>	-

<b>PENSIONS COMMITTEE</b> (Seven members of the Council)		
<b>Labour Group Nominations</b> (and deputies)	<b>Conservative Group Nominations</b> (and deputies)	<b>Other</b>
Cllr Anwar Khan (Chair) Cllr Shafiqul Haque (Vice-Chair) Cllr Alibor Choudhury Cllr Mohammed Abdul Mukit, MBE Cllr Rabina Khan Cllr Rania Khan  (Deputy- Cllr Lutfa Begum)	Cllr Craig Aston  (Deputies:- Cllr Tim Archer Cllr David Snowdon)	-

<b>STANDARDS COMMITTEE</b>			
(Not subject to proportionality rules. Five Members of the Council (which may not include the Leader or more than one other Cabinet Member), three from the majority group and two from opposition group, plus nine Independent Members)			
<i>Labour Group Nominations (and deputies)</i>	<i>Conservative Group Nomination (and deputies)</i>	<i>Other</i>	<i>Independent Members</i>
<p>Councillor Carli Harper-Penman Councillor Anwar Khan Councillor Joshua Peck</p>	<p>Cllr Zara Davis Cllr Maium Miah  (Deputy:- Cllr Gloria Thienel)</p>	<p style="text-align: center;">-</p>	<p>Continuing Members:  Mr. I. Ali (until 20.5.11) Mr. E. Pemberton (until 20.5.11)  Mr. B. Lowe (until May 2012) Mr. M. Rowe (until May 2012) Ms. S. Bagum (until May 2012) Mr. R. Hopkins (until May 2012)  Three vacancies in the process of being filled.</p>



<b>ADOPTION PANEL</b>		
<b>(To comprise two Social Workers, one elected Member, three Independent Persons and to include one man and one woman, up to a maximum of ten persons)</b>		
<b>Labour Group Nominations (and deputies)</b>	<b>Conservative Group Nominations (and deputies)</b>	<b>Other</b>
Cllr Bill Turner	Not applicable	Not applicable

<b>FOSTERING PANEL</b>		
<b>(To comprise two Social Workers, one elected Member and four Independent Persons, up to a maximum of ten persons)</b>		
<b>Labour Group Nominations (and deputies)</b>	<b>Conservative Group Nominations (and deputies)</b>	<b>Other</b>
Cllr Lesley Pavitt	Not applicable	Not applicable

<b>CHILDREN/ADULTS (ACCESS TO FILES) PANEL</b> (To comprise three Members of the Council; only one of whom may also be a Cabinet member)		
<i>Labour Group Nominations (and deputies)</i>	<i>Conservative Group Nominations (and deputies)</i>	<i>Other</i>
Cllr Bill Turner One vacancy	Cllr Dr. Emma Jones	Not applicable

<b>STANDING ADVISORY COUNCIL ON RELIGIOUS EDUCATION (SACRE)</b> (To comprise members appointed by the LEA)		
<i>Labour Group Nominations (and deputies)</i>	<i>Conservative Group Nominations (and deputies)</i>	<i>Other</i>
Cllr Shiria Khatun	Cllr Peter Golds  (Deputy:- Cllr Tim Archer)	Not applicable

**OTHER POSTS WITH SPECIAL RESPONSIBILITIES**

1. Olympics Ambassador – Councillor Mizanur Rahman Chaudhury

**TO NOTE OPPOSITION GROUP APPOINTMENTS**

- |                    |   |   |   |                           |
|--------------------|---|---|---|---------------------------|
| Conservative Group | - | Leader of the Conservative Group        | - | Councillor Peter Golds    |
|                    |   | Deputy Leader of the Conservative Group | - | Councillor Timothy Archer |

## APPENDIX B

**NOMINATIONS TO LONDON COUNCILS COMMITTEES/FORUMS 2010/11 (as agreed at Annual Council held on 26<sup>th</sup> May 2010)**

<b>Committees</b>	<b>Nominations</b>
Leaders Committee (s101 Joint Committee) & London Councils Limited.	Councillor Helal Abbas Councillor Joshua Peck (deputy)
Transport and Environment Committee (Associated Joint Committee)	Councillor Shahed Ali Councillor Joshua Peck (deputy)
Grants Committee (Associated Joint Committee)	Councillor Helal Abbas Councillor Sirajul Islam (deputy) Councillor Denise Jones (deputy)
Greater London Provincial Council	-
<b>Forums</b>	<b>(Nominees will usually be the lead member in the relevant area. Appointment of officer positions are made by the Leaders' Committee)</b>
Health and Adult Services Forum	Councillor Rachael Saunders Councillor Shiria Khatun (deputy)
Housing Forum	Councillor Marc Francis Councillor Joshua Peck (deputy)
Culture, Tourism and 2012 Forum	Councillor Denise Jones Councillor Mizanur Rahman Chaudhury (deputy)
Crime and Public Protection Forum	Councillor Abdal Ullah Councillor Shahed Ali (deputy)
Economic Development Forum	Councillor Sirajul Islam Councillor David Edgar (deputy)
Children and Young People Forum	Councillor Shiria Khatun Councillor Rachael Saunders (deputy)
Greater London Employment Forum	Councillor David Edgar Councillor Joshua Peck (deputy)
Lead Members for Equalities, Improvement and Sustainability are appointed by the Leaders' Committee.	These are not nominated directly by boroughs but appointed from candidates put forward by the party groups at London Councils.



## **LONDON BOROUGH OF TOWER HAMLETS**

### **COUNCIL MEETING**

**WEDNESDAY 14<sup>TH</sup> JULY 2010**

### **PETITIONS AND DEPUTATIONS**

### **REPORT OF THE SERVICE HEAD, DEMOCRATIC SERVICES**

#### **SUMMARY**

1. The Council's constitution provides that a maximum of six petitions and deputations in total are received at any meeting. These are taken in order of receipt within each category. This report sets out the valid petitions and deputations submitted by members of the public for presentation at the Council meeting on Wednesday 14<sup>th</sup> July 2010.
2. The deadline for receipt of deputations and petitions for this meeting is noon on Thursday 8<sup>th</sup> July 2010. At the time of agenda despatch two petitions had been received. Any further valid petitions or deputations received before the deadline will be notified to Members before the commencement of the Council meeting.
3. In each case the members of the deputation/petitioners may address the meeting for no more than three minutes. Members may then question the deputation/petitioners for a further three minutes. The relevant Lead Member or Chair of Committee may then respond to the deputation or petition for up to three minutes.
4. Any outstanding issues will be referred to the relevant Corporate Director for attention who will respond to those outstanding issues in writing within 28 days.
5. Members should confine their contributions to questions and answers and not make statements or attempt to debate.

## 5.1 PETITIONS

Two petitions have been received as set out below:-

### 5.1.1 Petition from Mr. Terry McGrenera and others regarding the forthcoming Mayoral elections:

“Following the failure of assurances given at the council meeting in March that checks had been put in place to eradicate the abuse of postal voting, I am petitioning the Council to introduce identity checks at polling stations and for anyone requesting a postal vote in the forthcoming mayoral election as the only lay to prevent the widespread undermining of the democratic process.”

### 5.1.2 Petition from Mr. Sheikh Raquib and others re: the major work plans for Devons Estate Blocks

“We the undersigned leaseholders and tenants authorise this petition to stop all major work plans for Devons Estate blocks. Some of the flats already have been served with Section 20 Notice and we are objecting to those. Below are some of our reasons for concern:-

- We feel the work isn't justified and not necessary and are being done solely for Poplar Harca's interests.
- The contractors appointed are charging extortionately.
- Our views are not heard or met instead costs are forced upon us without any fairness and consideration.
- Some of the major works isn't needed for example: double glazing window that are in good working condition but proposal is to replace them with new ones. Why should leaseholders pay for someone else's windows and service that they don't use such as lift for those ground floor leaseholders? When voting Poplar Harca in we were promised that they will operate same way as Tower Hamlets and costs won't rise. Since then there has been a large rise on service charge and recharges for items we don't know about or need.
- The payment plans to pay back for major works are structured as a bank only to profit Poplar Harca and they are supposed to be a charitable organisation. This will only put us in further debt and in the long run we would have to surrender our lease. This is because majority of leaseholders are not on high income or have private businesses. This not a wealthy estate.
- The flats were bought as an investment opportunity with family savings for a way out to a better future. This is our livelihood and it seems like it is being taken away slowly by applying large bills and interpreting each

section of our leases to charge us for any or all types of cost to favour themselves. This is unfair and inconsiderate. We believed Poplar Harca to be a people's housing association and trusted them to liaise with us before going ahead with any costs.

- Poplar Harca tenant's rent has gone up and other new costs are being applied which they are not happy about.
- We would like an honest open plan and transparent discussion. If however we don't then we may have to look at alternative solutions either by taking on management of each block ourselves or complaining to the Leaseholder Valuation Tribunal Service. This will be extremely unpopular approach and costly. We would like to in the first instance resolve this dispute between each other if we are to look at the future of Devons Estate to prosper."

## **5.2 DEPUTATIONS**

No deputations have been received at the time of printing the agenda.

This page is intentionally left blank



**LONDON BOROUGH OF TOWER HAMLETS**

**COUNCIL MEETING**

**WEDNESDAY 14<sup>TH</sup> JULY 2010**

**QUESTIONS SUBMITTED BY  
MEMBERS OF THE PUBLIC**

**REPORT OF THE SERVICE HEAD,  
DEMOCRATIC SERVICES**

## **SUMMARY**

1. Set out overleaf are the questions submitted by members of the public, for response by the appropriate Cabinet Member or committee chair at the Council Meeting on 14<sup>th</sup> July 2010.
2. The Council's Constitution provides a maximum time limit of thirty minutes for this item.
3. A questioner who has put a question in person may also put one brief supplementary question without notice to the Member who has replied to his or her original question. A supplementary question must arise directly out of the original or the reply. Supplementary questions and Members' responses to written and supplementary questions are each limited to two minutes.
4. Any question which cannot be dealt with during the thirty minutes allocated for public questions, either because of lack of time or because of non-attendance of the questioner or the Member to whom it was put, will be dealt with by way of a written answer.
5. Unless the Mayor decides otherwise, no discussion will take place on any question, but any Member of the Council may move, without discussion, that the matter raised by a question be referred for consideration by the Cabinet or the appropriate Committee or Sub-Committee.

## QUESTIONS

Two questions have been submitted as set out below:-

**6.1 Question from Mr. Terry McGreenera to the Lead Member for Housing, Heritage and Planning, Councillor Marc Francis:**

“Following the admission by Liam Byrne, Labour’s Chief Secretary to the Treasury on leaving the Treasury that there is no money and confirmed by the incoming Housing Minister, Grant Snapps, that the coffers are empty for affordable housing and that a ‘myriad’ of schemes will face the axe, what is the point of pursuing the objective of achieving the standards to obtain £200 million if there is no money at the end of the rainbow?”

**6.2 Question from Ms. Kate Gould to the Lead Member for Housing, Heritage and Planning, Councillor Marc Francis:**

“Regarding planning permission PA/09/00203 for the redevelopment of the former Safeway site, Gladstone Place, Bow, was there any internal or external consultation or report on condition 12, the opening hours of the new supermarket? The permission gives the hours 8am to 11pm, 7 days a week. These hours seem excessively long, and would impact on local residents with additional shoppers' traffic in the late evenings and on Sundays, and with late night drinkers leading to anti-social behaviour in Gladstone Place. It will also impact severely on the existing convenience stores who would otherwise be able to compete by offering earlier and later opening, and could even lead to more shops being vacant instead of the promised regeneration.”

**LONDON BOROUGH OF TOWER HAMLETS**

**COUNCIL MEETING**

**WEDNESDAY 14<sup>th</sup> JULY 2010**

**QUESTIONS SUBMITTED BY  
MEMBERS OF THE COUNCIL**

**REPORT OF THE SERVICE HEAD,  
DEMOCRATIC SERVICES**

## **SUMMARY**

1. Set out overleaf are the questions submitted by Members of the Council for response by Members of the Executive at the Council meeting on Wednesday 14<sup>th</sup> July 2010.
2. Questions are limited to one per Member per meeting, plus one supplementary question unless the Member has indicated that only a written reply is required and in these circumstances a supplementary question is not permitted.
3. Oral responses are time limited to one minute. Supplementary questions and responses are also time limited to one minute each.
4. There is a time limit of thirty minutes for consideration of Members' questions with no extension of time allowed and any question not answered within this time will be dealt with by way of a written response. The Mayor will decide the time allocated to each question.
5. Members must confine their contributions to questions and answers and not make statements or attempt to debate.

## **MEMBERS' QUESTIONS**

32 questions have been received from Members of the Council as follows:-

### **7.1 Question from Councillor Ohid Ahmed to the Lead Member for Resources, Councillor David Edgar**

"On 24 May 2010 Chancellor George Osborne announced reductions in public sector spending of £6.243 billion pounds. £1.165 billion of the total budget cut will come from grants to local government. Can the Lead Member inform us of the magnitude of problems Tower Hamlets will face because of this cut and how the Council is going to embark upon the deficit issue without cutting front line services? "

### **7.2 Question from Councillor Zara Davis to the Lead Member for Children's Services, Councillor Shiria Khatun**

"With 28% of children in Tower Hamlets having been victims of bullying, would the Lead Member explain what is being done to tackle bullying in our schools?"

### **7.3 Question from Councillor Kabir Ahmed to the Leader of the Council, Councillor Helal Abbas**

"Can the Leader explain the steps the Council took to ensure the safety of Tower Hamlets residents in light of the recent events involving the Troxy, English Defence League (EDL) and United East End?"

### **7.4 Question from Councillor Tim Archer to the Lead Member for Housing, Heritage and Planning, Councillor Marc Francis**

"Will the Lead Member outline the most recent actions undertaken regarding the future of Poplar Baths?"

### **7.5 Question from Councillor Carli Harper-Penman to the Lead Member for Children's Services, Councillor Shiria Khatun**

"Can the Lead Member tell us what activities the Council plans for young people in the Borough over the summer school holidays?"

**7.6 Question from Councillor David Snowden to the Leader of the Council, Councillor Helal Abbas**

“The Tower Hamlets partnership is facing, by my count, its third Restructuring in as many years. There is great uncertainty amongst Steering Group members as to what the future holds, and a co-chairs meeting attended by myself and Cllr Jackson showed key officers to be incapable of explaining clearly exactly how the new structures will work. Will the lead member explain how the new structures will work, especially the relationship between the Ward Panels and the Steering Groups?”

**7.7 Question from Councillor Shafiqul Haque to the Lead Member for Environment, Councillor Shahed Ali**

“Could the Lead Member confirm what steps he has taken to address the parking and CCTV issue surrounding Whitechapel, New Road and adjacent to Royal London Hospital, Whitechapel?”

**7.8 Question from Councillor Peter Golds to the Lead Member for Regeneration and Employment, Councillor Sirajul Islam**

“As only 62 Tower Hamlets residents secured jobs on the Olympic Site as a result of applications advertised in through borough's Job Brokerages Scheme, what steps are the Development and Renewal directorate taking to improve this?”

**7.9 Question from Councillor Carlo Gibbs to the Lead Member for Culture and Creative Industries, Councillor Denise Jones**

“How many more young people, adults and over 60s have taken up swimming as a result of the free swimming initiative and what impact will the cancellation of funding by the coalition government have?”

**7.10 Question from Councillor Gloria Thienel to the Lead Member for Community Safety, Councillor Abdal Ullah**

“Given the recent incidents around the Blackwall and East India DLR station, including muggings reported in, what will the Lead Member be doing to reassure local residents and combat the problem?”

**7.11 Question from Councillor Ann Jackson to the Lead Member for Housing, Heritage and Planning, Councillor Marc Francis**

“Can the Lead Member inform us as to the benefits of the Council’s new Lettings Policy and the effect it will have on those residents on the housing waiting list?”

**7.12 Question from Councillor Maium Miah to the Lead Member for Environment, Councillor Shahed Ali**

“Will the Lead Member indicate what strategy he has in place to improve roads in Millwall Ward?”

**7.13 Question from Councillor Judith Gardiner to the Lead Member for Children’s Services, Councillor Shiria Khatun**

“How many young people in the Borough have benefited from the Every Child A Reader initiative and what impact will the cancellation of its funding by the coalition government have?”

**7.14 Question from Councillor Craig Aston to the Lead Member for Resources, Councillor David Edgar**

“Will the Lead Member indicate what the Council’s plans are for the former Limehouse Library buildings?”

**7.15 Question from Councillor Ahmed Omer to the Lead Member for Health and Wellbeing, Councillor Rachael Saunders**

“Could the Lead Member for Health and Wellbeing confirm whether elderly services would be affected by the Tory Liberal government?”

**7.16 Question from Councillor Dr. Emma Jones to the Lead Member for Children’s Services, Councillor Shiria Khatun**

“Will the Lead Member outline the Council’s proposals and locations for new secondary schools within the borough?”

**7.17 Question from Councillor Bill Turner to the Lead Member for Children’s Services, Councillor Marc Shiria Khatun**

“Comprehensive schools in Tower Hamlets have a proud record of getting excellent results for our children, and all council members will have enjoyed celebrating the numerous successes of young people, often exceeding results

in more affluent areas. Given the change of government and the more hostile funding environment in Inner London as a result of decisions made by the Coalition government, what will the Lead Member do to ensure that Tower Hamlets children are able to continue receiving excellent comprehensive education in future?"

**7.18 Question from Councillor Stephanie Eaton to the Lead Member for Resources, Councillor David Edgar**

"In their 2008/09 annual report the Council's internal auditors gave only limited assurance to the Council's processes for managing sickness absence of staff. What improvement has taken place since the auditors' report, how many days of work are lost through sickness absence annually and how much does sickness absence cost this Council?"

**7.19 Question from Councillor Aminur Khan to the Lead Member for Community Safety, Councillor Abdal Ullah**

"Can the Lead Member tell us what initiatives are currently taking place to reduce crime in Tower Hamlets and how successful they have been to date?"

**7.20 Question from Councillor Harun Miah to the Leader of the Council, Councillor Helal Abbas**

"Does the Lead Member agree with me that the English Defence League is a racist organisation intent on inciting racial hatred especially towards members of the Muslim community, that the EDL has encouraged physical violence wherever it has organised its thugs to demonstrate and that it should be banned from coming to Tower Hamlets?"

**7.21 Question from Councillor Kosru Uddin to the Lead Member for Culture and Creative Industries, Councillor Denise Jones**

"How many young people have benefited from five hours of culture each week from the Find Your Talent and what benefits has this brought about?"

**7.22 Question from Councillor Anwar Khan to the Lead Member for Resources, Councillor David Edgar**

"Can the Lead Member tell us how much funding was cut from grants to Newham, Hackney and Tower Hamlets as part of the coalition government's £6bn in public sector cuts compared with the authorities which cover David Cameron, George Osborne and Eric Pickles' constituencies?"

**7.23 Question from Councillor Lesley Pavitt to the Lead Member for Community Safety, Councillor Abdal Ullah**

“Can the Lead Member tell us what the Council are doing to ensure a safer community over the summer?”

**7.24 Question from Councillor Alibor Choudhury to the Lead Member for Housing, Heritage and Planning, Councillor Marc Francis**

“What additional powers can the Council obtain to deal with the problems of Houses of Multiple Occupancy (HMO’s)?”

**7.25 Question from Councillor Helal Uddin to the Lead Member for Regeneration and Employment, Councillor Sirajul Islam**

“What are HM Treasury’s predictions of job losses as a result of the collation government’s first Budget and what will be the likely effect on residents of Tower Hamlets?”

**7.26 Question from Councillor Rabina Khan to the Lead Member for Resources, Councillor David Edgar**

“Does the Lead Member think that an increase in the rate of VAT is a regressive or progressive tax rise and what will be the likely impact on residents in Tower Hamlets when it is introduced?”

**7.27 Question from Councillor Shelina Akhtar to the Lead Member for Resources, Councillor David Edgar**

“What are the likely effects of the coalition government’s plans to make £11bn in cuts to Welfare including cutting housing benefit, tax credits, Disability Living Allowance and freeze Child Benefit on residents in Tower Hamlets?”

**7.28 Question from Councillor Oliur Rahman to the Lead Member for Regeneration and Employment, Councillor Sirajul Islam**

“Can the Lead Member tell us when work will begin on the regeneration of the Ocean Estate and what changes it will bring about for residents?”

**7.29 Question from Councillor Mizanur Chaudhury to the Lead Member for Children’s Services, Councillor Shiria Khatun**

“Can the Lead Member tell us the key findings of the Children and Young Persons Plan Annual Review 2009/10?”



**7.30 Question from Councillor Rania Khan to the Deputy Leader of the Council, Councillor Joshua Peck**

“How has the composition of the Council changed following May’s elections?”

**7.31 Question from Councillor Abdul Asad to the Lead Member for Health and Wellbeing, Councillor Rachael Saunders**

“Can the Lead Member tell us the likely impact of the Council’s new Single Equality Framework for 2010/11?”

**7.32 Question from Councillor Rofique Uddin Ahmed to the Lead Member for Environment, Councillor Shahed Ali**

“Can the Lead Member tell us what plans the Council has to tackle graffiti and litter as well as any other environmental improvements over next few months?”

This page is intentionally left blank

## **LONDON BOROUGH OF TOWER HAMLETS**

### **COUNCIL MEETING**

**WEDNESDAY 14<sup>th</sup> JULY 2010**

### **ANNUAL REPORT OF THE OVERVIEW & SCRUTINY COMMITTEE**

### **REPORT OF THE ASSISTANT CHIEF EXECUTIVE**

#### **1. INTRODUCTION**

- 1.1 Under the Council's Constitution, the Overview and Scrutiny Committee must report annually to the Council documenting the Committee's activities during the past year.
- 1.2 The Overview and Scrutiny Committee considered and approved its annual report for the year 2009-10 at the meeting of the Committee held on 6<sup>th</sup> April 2010. The annual report is attached for Members' information.
- 1.3 This report also proposes that an additional co-opted position be created on the Overview & Scrutiny Committee to provide for a third Parent Governor representative to serve on the Committee.

#### **2. RECOMMENDATIONS**

- 2.1 That the Council note the annual report of the Overview and Scrutiny Committee for 2009-10 as attached.
- 2.2 That the number of positions for Parent Governor representative co-options to the Overview and Scrutiny Committee be increased from two to three; and the Committee's terms of reference at Part 3.3.2 of the Council's Constitution and the Overview and Scrutiny Procedure Rules at Part 4.5 of the Constitution be amended accordingly.

#### **3. THE ANNUAL REPORT OF OVERVIEW AND SCRUTINY**

- 3.1 The Overview and Scrutiny Committee co-ordinates all of the scrutiny activity within the Council. Alongside the Chair of Overview and Scrutiny Committee, there are six Scrutiny Leads: one each for the five Community Plan themes, with a further Lead for Excellent Public Services. Under the

Council's Constitution, Overview and Scrutiny must submit an annual report of its work to Council. This is attached.

- 3.2 The Annual Report outlines the work of both the Committee and the Scrutiny Leads and their working groups during the municipal year 2009-10. It highlights the constructive policy development role that scrutiny undertakes through its reviews. It also outlines the ongoing progress that has been made in embedding overview and scrutiny within the Council. Pre-decision scrutiny of Cabinet reports continues to encourage greater debate around key issues, while call-ins have been debated in a rigorous manner at the Overview and Scrutiny Committee. The majority of the work programme agreed at the start of the year has been delivered.
- 3.3 Following presentation to the Council, the annual report will be circulated widely within the Council and to its partners. A summary article will also be placed in East End Life.

#### **4. CO-OPTIONS TO THE OVERVIEW AND SCRUTINY COMMITTEE**

- 4.1 By law the Overview and Scrutiny Committee must include in its membership a number of voting co-opted members in respect of education matters as follows:-
- One Church of England diocese representative;
  - One Roman Catholic diocese representative; and
  - Up to five Parent Governor representatives elected in accordance with procedures set out in the Parent Governor Representatives (England) Regulations 2001.
- 4.2 These representatives may also speak but not vote on other (i.e. non-educational) matters.
- 4.3 The Overview and Scrutiny Committee may also include additional co-opted member(s) in a non-voting capacity and in this regard Tower Hamlets has co-opted a Muslim community representative to the committee.
- 4.4 With regard to the Parent Governor representatives, the regulations allow for up to five co-optees to be appointed, each with a term of office of no less than two years and no more than four years.
- 4.5 Currently the Council's Overview and Scrutiny Procedure Rules provide for only two such representatives to be co-opted to the Committee. Following the development of Overview and Scrutiny Committee Co-opted Member Guidelines and considerable interest shown by parent governors to be involved in the scrutiny process, it is recommended that this number be increased to three.

## **5. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)**

- 5.1 By virtue of Section 21 Local Government Act 2000 the Council has a duty to deliver effective and robust overview and scrutiny of the discharge of executive functions through the medium of one or more Overview and Scrutiny Committees.
- 5.2 Article 6.03 (d) of the Constitution provides that the Overview and Scrutiny Committee must report annually to the Council on its work. This report fulfils that obligation.
- 5.3 In relation to the proposed additional parent governor co-opted position, the legal implications of the proposal are set out in the main body of the report.

## **6. COMMENTS OF THE CHIEF FINANCIAL OFFICER**

- 6.1 There are no direct financial implications arising from the recommendations in this report.
- 6.2 The report details a summary by Scrutiny Lead Members of their overview and scrutiny work during the civic year 2009/10. The reviews include value for money issues that allow monitoring of the use of resources by the Council and as evidence to the Audit Commission's assessment of how well it is managing and using its resources to deliver value for money and better and sustainable outcomes for local people.
- 6.3 Any financial implications arising from specific Overview and Scrutiny reviews and recommendations as set out in the annual report will be reported to the appropriate executive decision-making body when those recommendations are considered.

## **7. ONE TOWER HAMLETS CONSIDERATIONS**

- 7.1 Equal opportunities are central to the work of the Overview and Scrutiny Committee. A number of reports and reviews, including Reducing Worklessness, English for Speakers of Other Languages and Strengthening Local Community Leadership, have specific equalities or anti-poverty themes and make proposals that seek to reduce inequalities and improve outcomes for our local residents.

## **8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 8.1 There are no direct implications.

## **9. RISK MANAGEMENT**

9.1 There are no direct risk management implications arising from this report.

**Overview and Scrutiny  
Annual Report**

**Tower Hamlets Council  
April 2010**

## Index

---

	Page
Overview and Scrutiny in Tower Hamlets	3
Overview and Scrutiny Cllr Sirajul Islam, Chair	5
Excellent Public Services Cllr Bill Turner, Vice-Chair	10
Prosperous Community Cllr Abdul Aziz Sardar	11
Great Place to Live Cllr Alex Heslop	12
Safe and Supportive Cllr Denise Jones	13
One Tower Hamlets Cllr Ann Jackson	14
Health Scrutiny Panel Cllr Tim Archer	15



## Overview and Scrutiny in Tower Hamlets

---

Overview and Scrutiny looks at how the Council and its partners deliver services so that they meet local needs and contribute to the overall vision in the borough's Community Plan. It also monitors the decisions made by the Council's Cabinet to make sure that they are robust and provide good value for money.

Overview and Scrutiny has statutory powers to review and scrutinise local health services and make recommendations to NHS bodies. It also considers other issues of concern to local people, including services provided by other organisations, and advises the Cabinet, Council and other partners, on how those policies and services can be improved.

In Tower Hamlets, the Overview and Scrutiny Committee coordinates all Scrutiny work. It appoints the Vice Chair and six Scrutiny Leads. The Scrutiny Leads actively promote the work of Overview and Scrutiny with residents, partners and other stakeholders. They also pick up any relevant issues on behalf of the Committee as a whole and lead the working groups within their theme.

### Membership

Reflecting the overall political balance of the Council during 2009/10 the Committee's membership comprised six Labour councillors and one each from the Conservative, Respect and Liberal Democrat parties.

As well as the councillors, there are five education co-optee positions in the Committee. In 2009/10 only three of these positions were filled. Among them, there were two parent governors. Each of these representatives could contribute to any matters discussed by the Committee but they could only vote on education issues. The final member was a non-voting representative of the Muslim community for education issues. The decision to have this position was a local one in recognition of the large Muslim community in the borough. It is expected that two representatives will be appointed by the Anglican and Roman Catholic Dioceses in early 2010-11.

### Scrutiny Chair and Leads

In 2009/10, the Chair of the Committee was Councillor Sirajul Islam. The Chair oversees the work programme of the committee as well as taking lead on monitoring the Council's budget.

Apart from Excellent Public Services, the other five themes which each Scrutiny Lead is responsible for are pillars of the boroughs Community Plan. The Scrutiny Leads were:

- Cllr Bill Turner (Labour) for "Excellent Public Services," focusing on improving public services to make sure they represent good value for money and meet local needs. He was also Vice-Chair of the Overview and Scrutiny Committee.
- Cllr Abdul Aziz Sardar (Labour) for "Prosperous Community," focusing on raising educational aspirations, expectations and achievement, and bringing investment into the borough and ensuring residents and businesses benefit from growing economic prosperity.
- Cllr Alex Heslop (Labour) for "Great Place to Live," focusing on improving housing and the environment and providing a wide range of arts and leisure services.
- Cllr Denise Jones (Labour) for "Safe and Supportive," focusing on reducing crime, making people feel safer and providing excellent services to the borough's most vulnerable communities.

- Cllr Ann Jackson (Labour) for “One Tower Hamlets,” focusing on reducing inequalities and improving community cohesion through community leadership.
- Cllr Tim Archer (Conservative) for “Healthy Community,” through the Health Scrutiny Panel, focusing on improving local health services and the co-ordination of different health service providers within the borough.

Scrutiny Leads actively promote the work of Overview and Scrutiny with residents, partners and other stakeholders by conducting in-depth ‘Scrutiny Reviews’, which usually involve several meetings and visits to gather evidence on particular Council services. ‘Scrutiny Challenge Sessions’ are also undertaken by some Scrutiny Leads which are a one off meeting looking at a specific area of concern within the community.

In 2009/10, there were two other non-executive Members who also served on the Committee:

Cllr Abjol Miah  
Cllr Stephanie Eaton

They have contributed both to the work of the Committee and Scrutiny Review Groups. In particular their contribution on the call-ins, scrutiny spotlights and performance monitoring have been really useful in holding the Executive to account and ensuring that our services meet the needs of our local residents. They have also been actively involved in a number of the Scrutiny Review Working Groups and contributed to the formation of a number of recommendations from those groups.

### **What does Overview and Scrutiny do?**

The Committee:

- looks at how the Council is performing by monitoring key strategies and plans
- looks at the Council’s budget and how it uses its resources.
- sets up time-limited working groups to look at issues in depth and make proposals for change. Suggestions for topics may come from elected Members, full Council, the Cabinet or from local organisations and residents.
- considers decisions made by the Cabinet that are ‘called in.’ This happens if there is concern about the decision or what information was considered.
- reviews briefly the reports that are going to Cabinet for decision and raises any concerns.

As the Committee has such a broad responsibility, it focuses on a number of key priorities each year. These make up an annual work programme for each of the Scrutiny Leads. For each area there is usually one in-depth review, as well as other shorter pieces of work.

### **Health Scrutiny**

The Government has given local councils specific responsibilities to scrutinise health services. The Health Scrutiny Panel was set up to do this and can look at any matter relating to health services within the borough, including hospital and GP services, health promotion and prevention. This includes the way that health services are planned, how services are provided and how NHS organisations consult with local people.

An emerging area for development replacing the Healthcare Commission’s Annual Health Check will be the Quality Accounts submitted to the Care Quality Commission where Health Scrutiny will have the opportunity to comment on these. This is an area that the Panel will be looking to develop over the next year.

There is also a duty on local health services to consult with the Health Scrutiny Panel if they are making substantial changes to services.

### **Annual Report**

This report provides a brief summary of the work of Overview and Scrutiny in 2009/10. Each member of the Committee outlines the work that they have undertaken both in the reviews that they have led and also their work on the Committee.

## Overview and Scrutiny Committee Councillor Sirajul Islam, Chair

---

The Overview and Scrutiny arrangements in Tower Hamlets include:

- a single co-ordinating Overview and Scrutiny Committee
- five Scrutiny Leads scrutinising the Community Plan themes and one for Excellent Public Services
- pre-decision scrutiny of Cabinet reports
- performance monitoring by considering the Tower Hamlets Index, Quarterly Strategic Plan & Budget Monitoring report, the Diversity and Equality Action Plan, Corporate Complaints and Members' Enquiries
- a robust call-in procedure
- Holding the Executive to account through Scrutiny Spotlight for Cabinet Members
- A Health Scrutiny Panel to respond to consultation from NHS Trusts

We agreed a challenging and extensive work programme in July 2009 and I believe we have delivered on the majority of it. Over the year, we regularly monitored our progress to make sure we remained on track to complete our work.

This year, we have improved significantly the engagement with Lead Members at Committee. They have presented the majority of reports within their portfolio that the Committee considered, as well as responding to call-ins. This is really important in making sure we hold the Executive directly to account and encouraging more discussion and debate amongst councillors.

There has also been a good level of engagement with the public. Firstly, the majority of our reviews sought the views and experiences of local people through visits and focus groups. And secondly, a number of deputations were made by members of the public at Committee, usually related to a call-in that was being considered.

### **Performance Monitoring**

We monitor the Tower Hamlets Index (THI) regularly, quarterly the Council's Strategic Plan & Budget and twice a year we monitor the Diversity and Equality Action Plan. We are the only formal councillor forum that does this and it's important in making sure that our services are performing well. I believe this worked effectively and helped Overview and Scrutiny understand and comment on the wider performance of services - a key part of improving the quality of life of local people.

We also had monthly Scrutiny Spotlights at our Committee meetings for the Cabinet Members including the Leader and Deputy Leader of the Council. At all the sessions Lead Members discussed the performance and challenges facing services in their area of responsibility. This was particularly useful for us to discuss issues of concern and suggest ways performance could be improved. It also helped involve Lead Members more in the scrutiny process and several of them commented how useful they found the opportunity to discuss policy and performance issues with non-executive councillors at Committee.

The Committee consistently challenged Cabinet Members on areas of underperformance, including anti-social behaviour, provisions for young people and perhaps most importantly on housing. This last area has been subject to a number of full-scale scrutiny reviews the past few years as well as a deputation involving up to 80 local residents who raised their concerns about the Blackwall Reach Regeneration. The committee was determined that the Council continues to explore improvements in housing for local residents.

We also considered the Council's annual Corporate and Social Care Complaints report. All councillors were pleased to see the improved performance in responding to complaints. Councillors take up many complaints each year, and getting a quick and full response is an essential part of that work. We welcomed the on-going work the Council was doing with local Registered Social Landlords and other partners to improve their performance and quality of response.

### **Policy Framework**

Within the Council's Budget and Policy Framework there are a number of key policy documents that set out how the Council will act. The Overview and Scrutiny Committee consider these before Council agrees them and this year we discussed the following:

- **Local Development Framework (LDF) Core Strategy**  
The committee welcomed the strategy and raised a number of issues for Cabinet to consider including mechanisms for bringing intermediate housing within the reach of Borough residents, in accordance with the aim of providing affordable social housing. The committee also noted that development of the borough fringe areas, particularly the Bethnal Green/Hackney border, needed more attention to improve quality of the environment. Members also felt that outdated overcrowding standards were now inappropriate and required updating.
- **Gambling Policy**  
The committee considered the Gambling Policy refresh and offered a number of comments for Cabinet's consideration. Members raised concerns at the poor response rate to the consultation in particular the lack of consultation with religious organisations. It was suggested when the policy is reviewed again more extensive consultation be undertaken particularly with Children, School and Families Directorate, Local Area Partnerships and the services of the Council's Consultation and Involvement Team be utilised to ensure greater engagement. The saturation of gambling establishments within certain areas was also highlighted as an area which needed to be considered to ensure those areas do not become hotspot for gambling establishments. There is a need to do some work to highlight how residents can object to these establishments as the Committee felt local residents were not aware of the process.

### **Other Policy Work**

The committee also considered a number of other policy area as part of its work and offered comments and recommendations to Cabinet for their consideration.

- **Third Sector Strategy**  
The Committee welcomed the Third Sector Strategy and stated that transparency and accountability was needed in any allocation of funds to local groups. We considered that it would be helpful to compile a report of historical problems, challenges and mistakes from the past to signpost what needed to be avoided in the future. We recommended that a comprehensive piece of work be undertaken to better understand the types of third sector organisations that exist in Tower Hamlets. We also felt that clarity was needed to ensure geographical equity of service provision.
- **Transport for London (TfL) Red Route Network Investment Plan**  
The Committee considered a presentation from representatives from TfL about their investment plans on the Red Route Network in particular within Tower Hamlets. The Committee raised a number of issues with them including issues around length of time it was taking in implementing some schemes, safety issues around Mile End Road and the junction of Whitechapel Road and Vallance Road, the poor investment in the

borough considering we have major roads into the City and also how we can further ensure local views can be better communicated to TfL.

- **Domestic Violence Service – Sustainable Funding**

As part of our monitoring of past scrutiny reviews the Scrutiny Lead for Safe and Supportive re-visited the review on Domestic Violence undertaken in 2005/06. One of the issues that were highlighted was around funding for key posts in the service. This included the Domestic Violence and Substance Misuse Worker and the Independent Domestic Violence Advisor Service. The Committee received a presentation from the Cabinet Member who provided assurances that work was on going to secure sustainable funding for these key areas.

- **Car-Free Development Schemes and Parking Permit Arrangements**

At the request of a Committee Member we considered issues around parking arrangements in car free development. Around 20 residents from Gaverick Mews attended the meeting and we received a deputation on impact of the implementation of the policy on residents from this estate. The Committee discussed with the Cabinet Member on how we can better manage implementation of Car Free Developments in the future and resolving confusion around old schemes which were now being implemented. We were assured by the Cabinet Member that he would look into this and inform residents.

### **Scrutiny of the Budget**

We considered the Council's budget at two of our meetings.

In July 2009 we considered the Resource Allocation and Budget Review 2010/11 – 2012/13 and supported the Council's approach in recognition of the strong financial management. However, we noted that public finances were severely in deficit and growth in public spending would need to be curtailed from the levels experienced over recent years in order to bring them back into balance. The Committee sought reassurances from the Lead Member that in this instance the Council's budget would be managed carefully to reduce the potential impact on our residents.

In February 2010, we considered Cabinet's budget proposals for 2010/11. Committee Members challenged the Lead Member for Resources & Performance about the quality of consultation with residents and asked for improvements in future years. The Committee expressed concerns about overspends in a number of Council Directorates and generally supported the budget proposals, in particular for freezing Council Tax in 2010/11. The Committee also welcomed the proposed efficiency savings and additional investments proposed.

### **Pre-decision scrutiny**

The committee can submit questions about Cabinet reports before a decision is taken. I feel we have strengthened this over the year and commented on 23 Cabinet reports (compared to 38 last year). Among these were:

- Children's Services Capital Spend
- Disposal of various Council owned properties
- Blackwall Reach Regeneration
- Ocean Estate Regeneration
- Leisure Facilities strategy
- Overcrowding Reduction Strategy

- Improving Health and Wellbeing Strategy
- Poplar Baths Development Plans

Our questions and concerns provided further information at Cabinet and clarified some uncertainties thus improving the decision-making process. The responses also inform councillors' decisions over call-ins.

### Call-ins

The Committee has considered five call-ins this year. This was consistent to last year and is a significant decrease from previous years.

Report Called-in	O&S Decision
Blackwall Reach Regeneration Project	Confirmed
Consideration of Individual Case for Severance	Referred back to Cabinet
Ideas Stores Strategy	Confirmed
Adoption of Street and Building Naming and Numbering Policy	Confirmed
Proposed Acquisition of Leasehold Interest at 585-593 Commercial Road, E1 and Temporary Relocation of Leven Road Car Pound	Confirmed

Debate of the call-ins was robust and rigorous. We confirmed all but one of the decisions of the Cabinet although on a number of these the Lead Members gave assurances that they would take some of the concerns raised on board. For example, on Blackwall Reach Regeneration Project the Committee made 4 recommendations to improve resident engagement and ensure they benefit from the regeneration which have been taken on by the Cabinet and updates have been provided to the Committee informing us on the development of this area.

It is also worth highlighting that because of the items called in, attendance by local people and other councillors has increased substantially at the Committee meetings, including the 80 residents who attended the call-in involving Blackwall Reach. This helps increase the profile of scrutiny and highlight the important role it has within the borough.

### Co-opted and Appointed Representatives

There has been some difficulty in appointing an Anglican and Catholic Diocese to the committee although a new policy framework is currently being drafted to ensure that a fully functioning committee is in place for 2010-11. We organised an Induction Session for current co-opted members and considered how we could develop their role and help them be more effective. We also welcomed a number of local residents onto many of the Scrutiny Working Groups. This has been particularly useful in bringing local residents views into our scrutiny reviews and also the development of a number of recommendations of the Working Groups.

We intend to build on this further next year to enable co-opted Members to help us engage more local residents in the scrutiny process and ensure that more of their concerns come to the Committee's attention.

### Checking our own progress

Twice a year we monitor the recommendations we have made, not just those at committee but also those from our reviews and other investigations. Services are asked to provide an update

so we can see whether progress is being made. The latest monitoring indicates that nearly all of our recommendations since July 2006 are being acted on or achieved.

In developing the first monitoring report all the Scrutiny Lead Members revisited a review within their portfolio area. This was undertaken through 1-2-1 meetings with Lead Officers from the service area of the review. This provided Members a useful way of monitoring the implementation of recommendations, identify key outcomes as a result of the review and also consider any difficulties around implementing recommendations. The details of these discussions are summarised below:

- Councillor Denise Jones revisited the Domestic Violence Review undertaken in 2005/06 and reported that progress had been made against all the recommendations. She highlighted the outcomes from the review were the production of the Domestic Violence booklets to raise awareness, the training of the Council's Customer Contact Centre and One Stop Shops staff to recognise Domestic Violence. A key concern she highlighted was funding to some of the specialist Domestic Violence services provided by third sector organisations.
- Councillor Alex Heslop considered the review on Leaseholders undertaken in 2006/07. He reported that of the 19 recommendations are all either completed or partially completed. This review has significantly improved the services received by Leaseholders particularly with an extensive staff training programme being developed and improved engagement with Leaseholders. In August 2009 Tower Hamlets Homes also implemented a decentralised housing management system which provided Leaseholders greater access to key officers and solve problems more quickly.
- Councillor Ann Jackson revisited the Interpreting and Translating Service Challenge Session held in 2007/08. One of the key issues highlighted by this session was the link between English for Speakers of Other Languages (ESOL) provision and the demand for interpreting and translating services in Tower Hamlets. Progress had been made against all the recommendations and significant funding had been secured for ESOL provision in the borough through the Working Neighbourhood Fund and the Council also allocating additional funding. There is also a strategic review taking place of interpreting and translation services which will support service planning and delivery.
- Councillor Abdul Aziz Sardar reviewed the Graduate Unemployment Review undertaken in 2006/07. He highlighted that progress has been made against all but one of the recommendations, which is due to the lack of funding. There has been a positive impact from this review for graduates. There are opportunities for graduates to be employed in the Council and other places through schemes developed with the Partnership.
- Councillor Bill Turner considered the review on the Use of Consultants undertaken in 2007/08 and reported that progress has been made against all of the recommendations. The review has had a positive impact on the service with greater assurance that consultants are used in the right circumstances and their outputs are monitored and managed correctly. Furthermore Directorates are required to submit monthly reports to the Corporate Director of Resources on their use of consultants. Directorate Management Teams reviews the use of consultants on a regular basis.
- Councillor Tim Archer revisited the review on Access to GP and Dentistry Service undertaken in 2006/07 and reported that all the recommendations had been implemented or there was on-going work. There has been significant improvement in access to GP and Dentistry Services since this review was undertaken.



## **Raising the Profile**

We continue to improve how and when we communicate with Members, Officers and the public. We used the weekly Members' Bulletin regularly. The Manager's Briefing and the staff newsletter, *Pulling Together*, were also used to promote scrutiny work, so that council officers are well informed about the scrutiny work programme, upcoming reviews, review findings, and how they can be involved.

*East End Life* and our Scrutiny web pages are also vehicles to keep residents informed about the work scrutiny was undertaking. A number of the reviews attracted significant interest from local people, particularly the Reducing Worklessness Amongst Young Adults 18-24 and Youth Offending reviews. More detail of these is included in the reports by the Scrutiny Leads.

## **Councillor Call for Action (CCfA)**

Section 119 of the Local Government and Public Involvement in Health Act 2007 includes provision for CCfA that came into force on 1<sup>st</sup> April 2009. This means the Council is now under statutory obligation to provide Members the opportunity to refer to Overview and Scrutiny Committee (OSC) any local government matter where other methods of resolution have been exhausted.

OSC agreed a local proposal for implementing CCfA which includes pooling together the joint information gleaned from complaints, petitions, members enquiries and FOI requests into one performance report that can be used both corporately and by councillors to spot patterns and problem-solve on behalf of the community. This Performance Digest report will be prepared at six-monthly intervals for use at OSC to consider issues strategically and a local version would be presented to LAP Steering Group Members. The combination of the two would aim to ensure that both neighbourhood and borough-wide aspects are covered.

The Strengthening Community Leadership Scrutiny Review led by the Scrutiny Lead for One Tower Hamlets tested a mock performance digest report and how CCfA can be used by councillors to problem solve on behalf of their constituents. They have made a number of recommendations to improve the CCfA process which are detailed in the Scrutiny Lead's section of this report. A report outlining the CCfA proposals has been considered by all the Partnership Delivery Groups. While supporting the proposals the Groups were anxious that CCfA should not replicate work being undertaken elsewhere and not create a bureaucratic burden for partner organisations. They welcomed the opportunity to utilise the Performance Digest as a problem solving tool and use Members' community leadership role to develop and improve services. Similar discussions have also been held at the Health Scrutiny Panel about combining the complaints information from each of the three local NHS Trusts to create a more sophisticated tool for Members to help make improvement in the health sector. This was also discussed at the LAP Steering Group Conference in January 2010. There was a great deal of enthusiasm amongst LAP Steering Group Members to get involved in local problem solving and holding services to account at a local level.

## **Strengthening Local Democracy**

The Strengthening Local Democracy Consultation paper was published in July 2009 proposing giving councillors greater power to scrutinise the spending and decisions of local service providers, extending scrutiny to issues not directly related to LAA targets. Scrutiny will also be extended to a wider range of partners e.g. utility companies and sub-regional partnerships. Our response to the consultation supports the principle of extending the scrutiny powers beyond the Council and health services as more and more work of non-executive councillors is cross-cutting and goes beyond organisational boundaries – and most residents are not interested in these boundaries when they raise concerns with their elected representatives.

However we recognise the need for this to be proportionate, the complexity of making it happen and the need to ensure it delivers something useful.

In considering these 'new' powers it is worth reminding ourselves that there is already engagement from local partners in a number of ways. For instance, over the last three years the Borough Commander has always attended OSC to answer questions as part of the Lead Member for Cleaner, Safer, Greener's Scrutiny Spotlight. All of the reviews in this year's Work Programme involve partners and relate to the partnership improvement agenda identified in the Community Plan.

The Communities and Local Government Department have recently published their response to the consultation which notes overwhelming support for extending the scrutiny powers beyond LAA partners. The Government has sought the earliest opportunity to implement these proposals to broaden the powers of local authority scrutiny committees and extend them to cover a wide range of external bodies. A Private Member's Bill was considered by Parliament before the election but did not manage to go through in time. As part of the discussion with the Community Plan Delivery Groups on CCfA the paper also asked the Partnership on how we could enhance the role of scrutiny within the Partnership. It was recognised that scrutiny had already been working with many of the partners over the last few years. There are opportunities to further strengthen this through developing the Scrutiny Leads role in the Delivery Groups, managing expectations of all stakeholders involved in scrutiny reviews and ensuring monitoring and follow up on review work is further developed to demonstrate the impact of scrutiny. It was also noted that scrutiny offers the Partnership the forum to discuss and resolve difficult issues with Members and local residents.

## **Conclusion**

Overall, I believe the Overview & Scrutiny Committee has made considerable progress this year. In particular, having Lead Members attend the Committee to present reports and outline the reasons for decisions has significantly enhanced the role and value of scrutiny. We are holding the Executive to account - particularly around performance monitoring and through considering call-ins – and influencing Cabinet decisions. The reviews have also made an important contribution to addressing local people's concerns – for example, around Strengthening Community Leadership, Reducing Childhood Obesity and improving housing in the Private Rented Sector.

This is an exciting time to be part of scrutiny with the emphasis the government has placed on strengthening local community leadership and increasing the involvement of local residents in the democratic process. I believe our work this year has equipped us to strengthen the impact of the committee in the future.

I was pleased to continue with my role for Excellent Public Services in 2009-2010. This year saw my involvement in two key scrutiny challenge sessions: Dangerous dogs and English for Speakers of Other Languages (ESOL) both struck a chord with the community and were very well attended by our local residents.

### **Dangerous Dogs**

A challenge session was arranged to highlight the issue of dangerous dogs and to consider residents' views about the subject. Over 70 residents attended the session that included presentations from the Metropolitan Police, the Council's Animal Warden Service and the Royal Society for the Prevention of Cruelty to Animals (RSPCA).

The key aims were to increase Members understanding of the issue, to consider and evaluate the Council's approach to dealing with the rise of dangerous dogs, to provide residents with an opportunity to express their views and concerns and assist in developing recommendations for future approaches to dealing with this issue.

The members of the session noted that it had become a growing trend to use dogs as a weapon to settle scores between gangs, and for organised dog fighting. The Council's Animal Warden Service had taken in over 170 stray dogs since 1st April 2008, and 140 of them were Staffordshire bull terriers or similar crossbreeds. Of these, it was reported that 105 had to be put down.

It was argued during this session that it was important to tailor recommendations to tackle irresponsible dog ownership so that it incorporates both education and enforcement elements. Enforcement action was viewed as a more serious consideration. However, Members and residents argued that in some serious instances where animal cruelty or human safety needs to be protected, it may be the only option.

The recommendations covered a wide range of areas including the need for the Animal Warden Service to work with schools to develop interactive activities for children of all ages, encouraging them to think about dog welfare and responsible ownership as well as promoting responsible pet ownership at local community events and through East End Life. Moreover, it was emphasised that a partnership amongst Animal Welfare Officers, the Council, Safer Neighbourhood Teams, Registered Social Landlords, Status Dogs Unit, the Tower Hamlets Enforcement Officers and the RSPCA be officially set up to work together on dog welfare and ownership issues.

### **English for Speakers of Other Languages (ESOL)**

The second scrutiny challenge session I oversaw looked at ESOL provision in the borough with a particular focus on Tower Hamlet College. ESOL provision remains the largest single curriculum area offered by the College. 43% of all adult students are on ESOL courses. Provision is offered from Entry Level through to Level 2. In June 2009 the College commenced a consultation with staff and Trade Unions regarding proposals for cost savings of £1.75 million for the academic year 2009/10. The consultation paper highlighted the financial and educational challenges facing the College and the inevitable shortfalls that these cuts would bring. The important need for ESOL provision within the borough is well understood by all the key stakeholders. The aim of this session was to develop Members' understanding on the

impact of the ESOL cuts occurring at Tower Hamlets College and to consider the current and future provision of ESOL services in the borough.

At the challenge session, evidence was received from the University and College Union, an ESOL lecturer from Tower Hamlets College, the Head of Lifelong Learning and the Skills for Life Manager at Tower Hamlets Council. Two documents were also tabled by the Learning and Skills Council and the Principle of Tower Hamlets College. Discussions centred on national cuts in ESOL provisions which have impacted on Tower Hamlets as well as the future of local ESOL provisions.

Five recommendations were devised during the session. These include investigating the issuing of bogus Skills for Life certificates and ESOL qualifications by some private colleges in the borough and lobbying the Department for Innovation, Universities and Skills and the Mayor of London for further entry level ESOL provisions.

I believe that the issues around ESOL provisions and the concerns raised by both residents and staff from the college are increasingly important to our borough especially considering that half the total population are from Black and Ethnic Minority (BME) communities and the fact that many new communities will be moving into the borough which will contribute to a changing profile over the next ten years.

#### Conclusion

These challenge sessions were well attended by councillors and residents highlighting their importance locally. I hope our recommendations support policy developments in these areas and address residents concerns. Finally I would like to thank all those who participated in these challenge sessions and shared their invaluable experiences and also contributed immensely to the final recommendations.

## **Prosperous Community**

### **Cllr Abdul Aziz Sardar**

---

As the Scrutiny Lead for a Prosperous Community my portfolio ranges from education, employment and skills, economic development and reducing poverty in the communities of Tower Hamlets. I was keen to explore worklessness amongst young adults in the borough as this is a key issue for local residents. The borough has more than two jobs available for every resident but yet we have one of the highest concentrations of economic inactivity in the country. The importance of worklessness locally is also highlighted in our Community Plan where it is seen as a key priority for the Partnership.

#### **Reducing Worklessness amongst Young Adults 18-24**

The review focused on what the Council and its partners can do to reduce worklessness in the borough and what early intervention methods can be implemented to deter a future generation of worklessness.

From the outset of this review I was very keen to get resident involvement and hence three local residents were co-opted onto the working group. Furthermore, of the seven sessions that we undertook, two of these included focus groups with young adults who are economically inactive and living in the borough. This gave Members first hand experience of some of the barriers that young adults face.

We gathered evidence from a range of different stakeholders including national and regional organisations including the London Development Agency and the Host Boroughs Unit. In addition, we undertook a workshop with eight third sector organisations and discussed the issue with a number of different Council services such as Skillsmatch and the HUB.

Our recommendations included increasing employment opportunities for women, ex-offenders and the most vulnerable, and strengthening both the role of the third sector and community leaders in reducing worklessness. We were also keen to introduce greater careers education in primary schools and encourage all young people to leave compulsory education with an employment and skills qualification.

#### **Conclusion**

The timeliness of this review, given the recent recession has been most welcome. Reducing worklessness is a complex issue within the community but I am convinced that the working group's recommendations can improve the opportunities available to young adults locally to secure employment and in turn create further prosperity for all our residents.

My portfolio as the Scrutiny Lead for A Great Place to Live includes aspects ranging from housing and development, environment, the arts and leisure. To build on previous years scrutiny review on housing I decided to look at the important area of housing in the Private Rented Sector (PRS), as this is an area which has in the past year or so received a tremendous amount of negative publicity. The borough has some of the best PRS properties in the country but it also has some of the worst properties. It is an issue which a number of residents have raised with councillors and with the growing number of PRS properties in the borough an issue we could improve.

### **The Private Rented Sector (PRS)**

The PRS review primarily looked at improving the health aspect of those residing in private rented housing and in particular the role of landlords. The reviews key aims included:

- To analyse issues facing tenants of the Private Rented Sector
- To identify gaps in the support available to tenants of the Private Rented Sector
- To examine issues that may effect landlords who are renting out to tenants
- To analyse the growing number of private tenants of council leaseholders and how the council should interact with such tenants

The working group heard evidence from a range of national organisations such as the National Landlords Association, Praxis and Crises. In addition, we heard from Tower Hamlets Homes, Queen Mary College and Registered Social Landlords. Furthermore a number of Council services also presented on aspects of the PRS.

We have made a number of recommendations including the need to develop a new Private Housing Strategy for the borough. A key feature of the review was also to support and strengthen good landlords in the borough and in turn drive out poor landlords. The working group acknowledged the importance of the PRS and the need to utilise the sector more. We believe through the evidence that there is a need to publicise both the Landlords Forum more and those Landlords who are accredited. The working group also believes strongly that considering the high number of leaseholders who are sub-leasing their properties, the Council should actively explore developing a full management service for these landlords.

### **Conclusion**

The PRS is a very important sector within the borough and one that needs to be better utilised. We hope our review and recommendations will help to improve the quality of life for residents who reside in this sector by adding value to the existing work of the Council and its partners in strengthening the PRS.

The aim of the safe and supportive theme is to create a Tower Hamlets where crime is rare. It is to be tackled in an effective manner, so that all communities are able to live in peace. The Community Plan recognises that it is the most disadvantaged people who are often most at risk of becoming both offenders and victims of crime. With this in mind, I have used this year's work program to focus on ways the Council and its partners can support some of the most vulnerable members of our community. Therefore, I have led a review into youth offending and a Scrutiny Challenge Session into anti-bullying initiatives at schools.

### **Youth Offending: Supporting Vulnerable Young People**

Youth crime is a concern that residents continue to raise with Councillors. It also affects not only victims and perpetrators but their families and the wider community. This review aimed to find feasible solutions to preventing youth crime. The review examined the current preventative initiatives used by the Young Offenders Team (YOT), the national agenda on youth crime, issues that could lead to criminal activity such as lack of housing and the reasons that young people become involved in youth crime.

The Working Group visited Huntercombe Youth Offending Institute and Thames Youth Court, interviewed young people who were on a number of different preventative programmes run by the YOT, held a focus group with parents of young offenders, and had meetings with the Council's Youth and Community service and YOT, the Police, the Youth Justice Board and a local Magistrate. We then considered this evidence alongside the national evidence.

It was clear to us that there is no one cause for youth offending or re-offending. We found that the borough's YOT was performing really well compared to our statistical neighbours and worked well with partners. However, we felt there were areas which we could improve and our recommendations include ways youth offenders could be properly resettled after conviction, how we could re-engage young people with the education system to lessen their risk of offending, supporting families to deal with young offenders and developing our frontline staff to support the YOT in helping young people avoid offending.

### **Anti-bullying Challenge Session**

The stress for victims of bullying can have far reaching effects on their personal and social development. It can also impact on the educational achievement of them and their peers. Therefore I wanted to have a challenge session which considered our local anti-bullying initiatives and how this compared to other areas. We noted that substantial amount of work had been undertaken in the borough's schools and there are best practice examples of anti-bullying work. We have made six recommendations on developing resilience to bullying in the borough and this includes developing specific work around homophobic, disability and cyber bullying and working with parents and third sector organisations to raise awareness.

### **Conclusion**

I have enjoyed being the Scrutiny Lead for Safe and Supportive this year. It has allowed me to explore challenging issues that affect vulnerable members of our community. I believe both these issues can have a huge impact on the future of our young people and support our aim of developing a safe and cohesive community.

As Scrutiny Lead for One Tower Hamlets, my remit focuses on ensuring Tower Hamlets is a place people feel a part of and are able to freely live in. To achieve this it is vital that there is a strong element of community leadership within Tower Hamlets. Community leadership ensures that the community are involved in the decision making and that Councillors are able to promote the well being of their area. Last year, I led a review into Child Poverty where we successfully developed a model of community leadership which enabled councillors to identify residents who collectively might represent the diversity of Tower hamlets and interview them about their experiences of child poverty. In developing a better understanding of our local residents needs we were able influence policy and service development. Therefore, in an attempt to explore how community leadership could be strengthened, I decided to carry on the work we had started in the Child Poverty review and have undertaken a review into this important area.

### **Scrutiny Review: Strengthening Local Community Leadership**

This review aimed to further develop Members awareness of the national drivers which are trying to strengthen the leadership part of their roles, question how we could scrutinise our partners and test the community leadership model of Councillor Call for Action (CCfA).

The Working Group found that there were already a number of initiatives in place to allow local residents to take a more active role in their community such as Council Committees, Local Area Partnership structures and other forums such as the Interfaith Forum, the LGBT Community Forum or Pan Disability Panel. However, there are a number of things the Council could do to bring democracy further to the local community and improve the working relationship between Members and their constituents.

To this end, the Working Group made a number of recommendations in three key areas. The first was to look at how the Council could develop a new model of community leadership. The Working Group felt that the proposals developed for Councillor Call for Action offered a real opportunity for Councillors and residents to take an active role in problem-solving. The second was around improving resident participation through better communications and systems. The final area was to look at improving engagement of Councillors and residents through the Partnership, which included a recommendation that ward councillors have an allocated budget.

### **Conclusion**

I was grateful for the opportunity to carry out this interesting review. I feel that if these recommendations are implemented we will be able to improve the state of democracy in Tower Hamlets. It is through such improvement that, as a Council, we will be able to ensure that the services we offer to our residents are what they need and want.



The Health Scrutiny Panel undertakes the Council's functions under the Health and Social Care Act, 2001. The Panel includes members who are co-opted from the Tower Hamlets Involvement Network (THINK) to represent patient views as well as our health partners at NHS Tower Hamlets, East London NHS Foundation Trust and Barts and the London NHS Trust.

This was the final year of the four-year work programme developed by the Health Scrutiny Panel. We looked to build on the work undertaken in the last three years by retaining the focus on reducing health inequalities.

### **Scrutiny Review: Reducing Childhood Obesity – Increasing the availability of healthy choices**

The key health scrutiny review this year looked at reducing childhood obesity with a focus on promoting healthy eating by increasing the availability of and access to healthy food choices and reducing the availability of and access to foods that are high in fat, sugar and salt.

Tower Hamlets has the 3<sup>rd</sup> highest level of childhood obesity in the country. It is the only London borough to be awarded 'healthy town' status as part of the Government's Change 4 Life initiative.

The Health Scrutiny Panel were keen to ensure that their work added value to existing work that had taken place in the borough on tackling obesity. The Panel considered how the Council might directly address the problem with the proliferation of fast-food outlets, particularly in the vicinity of schools, and the quality of the food they provide.

In carrying out the review the Group looked at whether local or national legislation such as the Sustainable Communities Act or the London Acts could help to limit the further spread of fast food outlets and examined the lettings policies of public sector landlords and Registered Social Landlords with regards to fast food outlets to identify what action can be taken. We also examined the possibility of Tower Hamlets offering healthy free school meals for all and how we can increase children's access to healthy breakfast clubs through extended schools.

The working group met three times to collect evidence from a range of sources and key stakeholders, including Tower Hamlets Planning Team and Children, Schools and Families Directorate. The Group also carried out focus groups with families.

### **Health for North East London – Joint Overview Scrutiny Committee (JOSC)**

Health for North East London (H4NEL) is the NHS programme review, run on behalf of the north east London's Primary Care Trusts (PCT) and acute hospital trusts. The aim of the health for north east London consultation are to significantly improve the health of thousands of patients and ensure the NHS delivers the best possible care by taking advantage of new medical developments and improving the way it delivers care to patients. It intends to do this by bringing some services closer to people's homes and centralise others to provide better specialist care.

Cllr Sirajul Islam, Cllr Ann Jackson and myself were nominated to represent the borough on the Inner North East London JOSC with Members from the London Boroughs of Hackney, Newham and the City of London. We considered and responded to the proposals set out in the

PCT consultation document, and examined whether the Health for North East London proposals would deliver better healthcare for the people of North East London. The JOSC had the opportunity to collect evidence from clinical specialists, the London Ambulance Service, Transport for London and service users to reach its conclusions.

The public consultation for H4NEL ends on 22<sup>nd</sup> March 2010 and the INEL JOSC will submit its report with recommendations on 14<sup>th</sup> April 2010.

### **Evaluation of the 4 year programme**

As the Health Scrutiny Panel's four-year work programme approached its end. It was agreed in October 2009 that it would be beneficial for an external evaluation. The evaluation was based on the Centre for Public Scrutiny's principles of good scrutiny and tested views from across the authority and its partners on the effectiveness of the four-year programme. The bulk of the evaluation took place in January and early February 2010. The approach was based on a review of extensive documentation from the Council and all health partners; a range of interviews with Members, council officers and health partner's personnel as well as an observation of the Health Scrutiny Panel meeting on 26<sup>th</sup> January 2010.

It is an important piece of work identifying both strengths and weaknesses as well as providing recommendations for improvements to the Panel as we look to the 2010/2011 programme.

The evaluation recognises that Tower Hamlets has built strong foundations for its health scrutiny function but there are improvements that need to be made. Particularly in relation to improving the partnership approach to health scrutiny and developing the Health Scrutiny Panel's abilities and Member's community leadership role. The suggestions will assist Members and all health partners to make the journey as one contributor in the report quotes "from good to great."

### **Conclusion**

It has been another positive and very full year for the Health Scrutiny Panel. We have considered a number of key reports through the formal Panel meetings which included consultation on PCT managed practices and NHS Tower Hamlets Commissioning Strategic Plan and annual complaints reports from Bart's and the London NHS Trust and NHS Tower Hamlets. We have also monitored review from previous years through updates on progress of implementing our recommendations and are pleased to report the positive work the Council and the NHS Tower Hamlets have undertaken to implement our recommendations.

## Scrutiny and Equalities in Tower Hamlets

---

If you want to find out more about Overview and Scrutiny in Tower Hamlets, please contact the Scrutiny Policy Team:

Please contact:

Scrutiny Policy Team  
Tower Hamlets Council  
6<sup>th</sup> Floor, Mulberry Place  
5 Clove Crescent  
London  
E14 2BG

Tel: 0207 364 4636  
Email: [scrutiny@towerhamlets.gov.uk](mailto:scrutiny@towerhamlets.gov.uk)  
Web: [towerhamlets.gov.uk/scrutiny](http://towerhamlets.gov.uk/scrutiny)

This page is intentionally left blank

## LONDON BOROUGH OF TOWER HAMLETS

### COUNCIL MEETING

WEDNESDAY 14<sup>th</sup> JULY 2010

### ADOPTION OF PETITION SCHEME

### REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)

#### 1. SUMMARY

- 1.1 The Local Democracy, Economic Development & Construction Act 2009 ('the 2009 Act') places a duty on principal authorities to respond to petitions. Each authority must adopt and publish a 'Petition Scheme', informing local people of how to submit petitions and how the authority will respond. The scheme must include a number of specific provisions. The duty applies from 15 June 2010. The Council must therefore review urgently its arrangements for receiving and responding to petitions, and adopt a Petition Scheme.
- 1.2 The Council has an established procedure for petitions to Council, Cabinet and committee meetings or directorates and this is well used by residents. However, some of the specific requirements of the 2009 Act are not included in the existing procedure and must now be introduced, including:-
  - Provision for a petition exceeding a stated number of signatures (to be determined by the Council) to either:-
    - trigger a debate at the Council meeting (as opposed to merely presenting the petition for Members questions and response); or
    - require a senior officer to appear before the Overview & Scrutiny Committee to answer questions on the matter
  - A right of 'review' by the Overview & Scrutiny Committee if the petition organiser feels the authority's response to the petition is inadequate.
  - An 'e-petitions' facility (from 15 December 2010)

#### 2. RECOMMENDATIONS

- 2.1 That the Council note the duty to respond to petitions included in the Local Democracy, Economic Development & Construction Act 2009 and the consequent requirement on the Council to agree a Petition Scheme; and
- 2.2 That the Council consider any comments from the Overview & Scrutiny Committee or Cabinet and adopt the draft petition scheme at Appendix 'C' to this report.

### **3. REASONS FOR THE DECISIONS: TOWER HAMLETS' EXISTING PROCEDURE AND ACTION REQUIRED**

- 3.1 The Council has a well established petition procedure (see Appendix A) that provides for a written response to all petitions by the relevant Chief Officer within 28 days and for petitions that include over 30 signatures to be presented on request to the Council meeting or (if the petition relates to an agenda item) to a meeting of the Cabinet, O&S or other committee.
- 3.2 It is proposed that these provisions should be retained. In addition, the Council's Petition Scheme will need to include further provisions to meet the requirements of the new duty as follows:-
- Petition to trigger a Council debate. In order to force the allocation of time for a debate at Council, a petition should provide evidence of widespread concern or support and the number of signatures required should reflect this. The maximum threshold that can be set is 5% of the borough's population or approximately 10,000. However, 2,000 signatures is proposed as a more realistic and potentially achievable level, and indeed this is consistent with the notional 1% figure included in the Government's model scheme (1,500 for a hypothetical authority with a population of 150,000).
  - Petition to trigger O&S Committee evidence: Similarly, to justify the allocation of O&S Committee time and officer resources to an issue, the petition should provide evidence of widespread concern. A threshold of 1,000 signatures is suggested for this purpose (again, this is proportionate to the figure included in the model scheme).
  - It will no longer be possible to stipulate that signatories are on the electoral register as the scheme must enable under 18's to participate in petitions.
  - A review provision ('appeal' to the Overview and Scrutiny Committee) will be required.
- 3.3 A draft Petition Scheme for Tower Hamlets, based on the model scheme and incorporating where possible the Council's existing practice and the above provisions, is attached at Appendix C. Subject to any comments of the Overview & Scrutiny Committee or Cabinet (which will be reported at the Council meeting) the scheme is now proposed for adoption.
- 3.4 Following the adoption of the Petition Scheme it will be necessary to issue a revised procedure and guidance to directorates on its implementation and logging of petitions under the scheme.

### **4. ALTERNATIVE OPTIONS**

- 4.1 The Council is required to have a Petition Scheme that complies with the requirements of the 2009 Act. Within these requirements there are matters that the Council may determine, such as the specified time periods in which the Council will take action and the numbers of signatures required to trigger a debate before full Council or the calling to account of a senior officer. Provided the requirements of the 2009 Act are met, the Council may also include such additional provisions as it considers appropriate. The options

considered in preparing the Petition Scheme proposed in Appendix C are set out within the body of the report. As set out above, the proposed Scheme is based on the model scheme, retaining the Council's existing practice where possible.

## **5. BACKGROUND**

- 5.1 The 2009 Act contained a range of provisions to take forward the community empowerment agenda of the 'Communities in Control' white paper and related legislation. A stated aim was to put local authorities at the forefront of the drive to reconnect people with public and political decision-making.
- 5.2 The Government recognises that signing a petition is one way for citizens to express their concerns and priorities, and research suggests that petitions are amongst the most popular and recognised forms of civic action. The 2009 Act therefore placed a duty on principal local authorities to take certain steps in response to petitions on local matters. Each authority must adopt a Petition Scheme which sets out clearly what local people should do to make their feelings known on local issues, and how the council will respond.
- 5.3 Following a consultation period the Government has issued statutory guidance on the new duty and has directed that the duty will come into force on 15 June 2010. Recognising that a longer preparation time will be required for the 'e-petitions' element of the duty, the requirement to provide this facility will come into force later, on 15 December 2010.
- 5.4 The statutory guidance includes a model Petition Scheme that authorities may wish to adopt, amended (within the requirements of the Act) to meet the needs of their own locality.
- 5.5 At Tower Hamlets, the recent Scrutiny Review on Strengthening Local Community Leadership has also recommended that the Council review the way that petitions are managed and develop a more comprehensive system for receiving and responding to petitions.

## **6. THE DUTY TO RESPOND TO PETITIONS**

- 6.1 The 2009 Act introduces a legal requirement for all councils to respond to petitions and tell local people what action is going to be taken to address their concerns. Petitions cannot be ignored, for example because they raise a difficult issue in the local area.
- 6.2 The Act requires all principal authorities in England to establish a scheme for handling petitions made to the authority. The scheme:
- must be approved by a meeting of the council before it comes into force;
  - must be published on the authority's website and by any other method appropriate for bringing it to the attention of those who live, work or study in its area;
  - can be revised at any time but the revised scheme must be approved and publicised as above; and

- the authority must comply with its petition scheme.

6.3 Councils have some flexibility around how they fulfil the duty but the Act sets out some minimum standards that Petition Schemes must meet:-

- anyone who lives, works or studies in the local authority area, including under 18's, can sign or organise a petition and trigger a response;
- a facility for electronic petitions must be provided by the local authority;
- petitions must be acknowledged within the time period specified in the scheme;
- the scheme must list possible options for the steps that the Council may choose to take in response to a petition, including:
  - taking the action requested in the petition
  - considering the petition at a meeting of the authority
  - holding an inquiry
  - holding a public meeting
  - commissioning research
  - a written response setting out the authority's views on the request
  - referring the petition to an overview and scrutiny committee
- the scheme must secure that: (a) the petition organiser is notified within a period specified in the scheme of the steps taken or proposed to be taken by the Council and the Council's reasons for that action; and (b) the notification is published on the Council's web site;
- petitions with a significant level of support trigger a debate of the full Council (Councils will determine this threshold locally but it must be no higher than 5 per cent of the local population);
- petitions with a requisite level of support, set by the local authority, which seek to hold a senior officer to account for a function for which the officer is responsible trigger at least the attendance by the senior officer to give evidence to the overview and scrutiny committee;
- petition organisers can prompt a review of the local authority's response if they feel it is inadequate

6.4 Statutory guidance encourages authorities to adopt schemes wider than these requirements, e.g. responding to petitions from those who do not live, work or study in the area or e-petitions on non-council sites. Councils may include other information such as details of how they handle petitions which do not qualify under the scheme or which apply to the functions of another authority.

## **7. THE PETITION SCHEME**

7.1 Government believes that petitions are an important tool for local people to raise concerns and that councils should approach their scheme from the starting point of responding in some way to all the petitions they receive – including those on very local issues - regardless of the number of signatures providing they follow the guidelines set out in the scheme i.e. the petition is not discriminatory or about an excluded matter such as a planning decision. Tower Hamlets' existing petitions procedure (see Appendix A) does provide for a response in all cases. In designing their scheme, councils are expected to:



- take into account local circumstances to ensure the scheme is appropriate e.g. in relation to the thresholds set to trigger different types of response;
- ensure that the scheme is accessible to all; and
- ensure that the process is easy for citizens to use.

7.2 Thresholds may be reviewed periodically and amended if necessary. Should it become apparent that authorities are setting unachievable requirements, the Secretary of State has power to direct them to amend their petition schemes.

## **8. THE DETAILED REQUIREMENTS**

### **(a) Items covered by the petitions duty**

8.1 As a minimum, a council's petition scheme must apply if a petition meets all of the following criteria:

- it calls for the authority to take action or to cease to take action;
- it is signed by the requisite number of people who live, work or study in the local area (this number must be specified in the Scheme);
- if made under another enactment, it does not qualify under that enactment (for example a mayoral petition under the Local Government Act 2000 which does not contain enough signatures to trigger a referendum); and
- if made electronically, it is made through the authority's e-petition facility

8.2 The legislation does not define a petition – in most cases this will be obvious but authorities sometimes have to decide whether to deal with an item of correspondence under its petition scheme or in another way, e.g. via the complaints procedure. Government guidance is that authorities should treat as a petition anything which identifies itself as a petition, or which a reasonable person would regard as a petition.

### **(b) Verification of signatures and acknowledgement**

8.3 Authorities can choose to verify the signatures given on a petition if they wish, and it is suggested that such a provision should be included in the Tower Hamlets scheme. Under the provisions of the 2009 Act, a hard copy signature only counts if the petition gives the signatory's name and an address where the signatory lives, works or studies. In the case of e-petitions the authority must decide what counts as an authentic signature, for example a valid email address, a valid postcode or both. All petitions which meet the scheme criteria must be acknowledged within the period specified in the scheme.

### **(c) Relevant matters**

8.4 Recognising councils' wider community leadership role, the Act requires an authority to respond to any petition relating to one of the Council's functions, but also one relating to other matters that are not within the Council's functions but which relate to the economic, social or environmental well-being of the area and to which any of the Council's partners could contribute. This could mean acting as an advocate for the local community, working with

partners to resolve the issue or instigating a scrutiny review. Should a petition of this sort call for something which goes against council policy the council may choose to say 'no' to the request but must explain their position in their response.

#### **(d) Exclusions**

- 8.5 Certain petitions are excluded from the duty to respond as follows:-
- Petitions which are vexatious, abusive or otherwise inappropriate – these must still be acknowledged and the acknowledgement should explain why the authority will not be taking action.
  - Certain petitions may be inappropriate to deal with during a pre-election period.
  - Petitions made under another enactment (if they meet the requirements of that enactment)
  - Matters excluded by order, where established processes already exist for communities to have their say:-
    - any matter relating to a planning decision, including about a development plan document or the community infrastructure levy;
    - any matter relating to an alcohol, gambling or sex establishment licensing decision;
    - any matter relating to an individual or entity in respect of which that individual or entity has a right of recourse to a review or right of appeal conferred by or under any enactment

#### **(e) Appropriate steps**

- 8.6 Councils are required to take appropriate steps when responding to petitions received. The response should be proportionate to the seriousness of the issue and the level of support contained in the petition. The actions listed at 6.3 above must be among those considered but councils are encouraged to be innovative, including considering any courses of action open to them that are specific to the subject of the petition. The Statutory Guidance includes a number of examples of appropriate steps that local authorities should consider in response to specific subjects, as set out at Appendix B attached.
- 8.7 The authority must notify the petition organiser of the steps it intends to take and publish this notification on the authority's website.

#### **(f) Petition Debates**

- 8.8 The Act requires that petitions which receive a specified level of support should be debated at a meeting of the Council. Authorities must set out in their scheme the number of signatures needed to trigger a debate. The petition organiser should be informed when the debate will be held (normally the next meeting) with sufficient notice to attend and offered the option of presenting their petition at the beginning of the debate, and councils should also consider what other contribution the petitioners might make to the discussion, e.g. answering questions put by councillors.

- 8.9 The guidance states that a petition debate should conclude with a decision being taken by the Council. This could be to take the action the petition requests, not to take the action for reasons put forward in the debate, or to commission further investigation e.g. by a relevant committee. Where the issue is the responsibility of the Council's Executive, the Council should decide whether to make recommendations to inform that decision.
- 8.10 The Local Authorities (Petitions) (England) Order 2010 stipulates that the maximum number at which the threshold for triggering a council debate may be set is 5% of the local population, but the Government expects that in most cases a much lower figure will be considered locally appropriate.

#### **(g) Requiring officer evidence to the Overview & Scrutiny Committee**

- 8.11 The petition scheme must allow for petitions to trigger attendance by a senior officer at the Overview and Scrutiny Committee to answer questions about the issue raised. The scheme must specify how many signatures will be needed to require an officer to attend a public hearing. The scheme must also specify the officers who may be called to account in this way. The final decision on which officer (and/or member) should attend, and the questions to be asked, rest with the Overview and Scrutiny committee.
- 8.12 The Council must inform the petition organiser when the Overview and Scrutiny meeting will take place with sufficient notice to enable them to attend. After the relevant person has appeared before the overview and scrutiny committee, the committee must make a report or recommendations to the authority and send a copy of that report or recommendations to the petition organiser.

#### **(h) Petition Reviews**

- 8.13 The Act provides for a review provision under which petitioners can appeal to the Overview and Scrutiny committee if they feel the Council's response to their petition is not adequate. The committee may decide to carry out a full review of the issues raised in the petition or, if it is very concerned – for instance if the committee thinks that the authority is seriously neglecting its responsibility to listen to local people – the committee can arrange for the authority's response to the petition to be discussed at a meeting of the full Council. The Council must inform the petition organiser of the results of the review and must publish the results on its website, unless the Council considers it would be inappropriate to do so in all the circumstances.

### **9. E-PETITIONS**

- 9.1 The Act requires all authorities to provide an 'e-petition' facility for citizens to create a petition online to be made available to others for electronic signature. Mere acceptance of e-mailed petitions does not meet this requirement.
- 9.2 The e-petition facility must be included in the Petition Scheme and substantially the same requirements apply to electronic petitions as to paper

petitions. Authorities must determine, for each e-petition received, whether the petition is appropriate for publishing on their facility; and will decide what equates to a signature on an e-petition. Although only required to respond to e-petitions made through their own e-petition facility, an authority may choose also to respond to e-petitions submitted by other means and the petition scheme should indicate how these types of petitions will be dealt with.

- 9.3 In order to allow time for preparation of the necessary systems, the Government has agreed that the provisions in relation to e-petitions will not come into effect until 15 December 2010. The Council's draft Petition Scheme therefore does not include provision for e-petitions at this stage.
- 9.4 However, the Council's existing committee management software (Modern.gov) includes provision for an e-petitions facility linked to the Council's website and development work is underway to bring this into use as soon as possible.

## **10. COMMENTS OF THE CHIEF FINANCIAL OFFICER**

- 10.1 The administration of the Petition Scheme, and in a number of cases the Council's response to the petitions submitted under the scheme, will give rise to additional costs from increased work for directorates, time at council and committee meetings and set up costs for e-petitions. The Government has indicated that under the new burdens principles, it will meet the costs of the new burdens associated with the duty
- 10.2 The Government expects that the national cost of responding to local petitions will be approximately £4.7 million per year, decreasing over time. Local authorities will each receive a grant for 2010/11, although this needs to be seen in the context of the authority's share of the £1.1bn in year grant reductions for local government announced in May. It is therefore highly likely that these changes will result in additional expenditure by the Council, although the extent of this will depend upon the number and nature of petitions received and will need to be contained within available budgets. This amount of grant will vary by local authority dependent on the local population. It is expected that funding for future years will be incorporated into the revenue support grant.
- 10.3. In responding to petitions, it will be necessary for the Council to consider the financial implications of the matter in question.

## **11. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)**

- 11.1 The report proposes the adoption of a petition scheme to comply with the requirements of the 2009 Act. The report properly addresses the requirements of the Act, the Local Authorities (Petitions) (England) Order 2010 and statutory guidance given by the Secretary of State in March 2010 entitled "Listening to communities: Statutory guidance on the duty to respond to petitions".

11.2 The Act provides that the scheme must be adopted at a meeting “of the authority” and the statutory guidance emphasises that this should be at a meeting of full council. This is consistent, in any event, with the provisions of the Council’s Constitution, which provide that only the full Council will adopt or change the Constitution.

**12. ONE TOWER HAMLETS CONSIDERATIONS**

12.1 The Petition Scheme and subsequent introduction of the e-petitions facility aim to promote access to the decision-making process for all local residents. This is consistent with the objective of One Tower Hamlets expressed in the Community Plan, as it tends to promote equality of opportunity and to encourage contributions to local government from persons who live, work or study in Tower Hamlets.

**13. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

13.1 Not applicable.

**14. RISK MANAGEMENT IMPLICATIONS**

14.1 This paper identifies primarily legal risks which have been covered as part of the legal comments above. There are no other immediate risks in relation to the Scheme.

**15. CRIME AND DISORDER REDUCTION IMPLICATIONS**

15.1 Not applicable.

**16. EFFICIENCY STATEMENT**

16.1 The new Petitions Scheme will be one way in which people can inform the Council of their concerns with a robust procedure to be followed.

**17. APPENDICES**

- Appendix A – The Council’s existing petitions procedure
- Appendix B - Examples of steps that Councils should consider in response to specific subjects raised in petitions
- Appendix C - Draft Petition Scheme

---

**Local Government Act, 1972 Section 100D (as amended)  
List of “Background Papers” used in the preparation of this report**

Brief description of “background papers”	Name and telephone number of holder and address where open to inspection.
None	N/A



## **APPENDIX A – THE COUNCIL’S EXISTING PETITIONS PROCEDURE**

### **LONDON BOROUGH OF TOWER HAMLETS**

#### **PROCEDURE FOR RECEIVING AND RESPONDING TO PETITIONS**

Petitions are an important way for local residents to inform the Council of their views or raise matters of concern. Petitions may be received in a number of ways including by post to the Chief Executive or a department, by hand at Mulberry Place or a local office or via a Member’s Enquiry or surgery.

This procedure is designed to ensure that petitions are tracked and responded to within the agreed timescales and should be followed in all cases.

#### **1. RECEIPT AND LOGGING OF PETITIONS**

- All petitions received by the Council, whether presented at a meeting or otherwise received from residents, Members or others, will be referred to the relevant Corporate Director for action.
- If the officer receiving a petition is unsure of the procedure or which is the appropriate department, they should pass the petition to the Service Head, Democratic Services who will log and forward it to the relevant Corporate Director.
- The Corporate Director should record the date of receipt of any petition received in his/her office.

#### **2. ACKNOWLEDGEMENT**

- On receipt of a petition, the Corporate Director should without delay send an acknowledgement to the lead contact or person co-ordinating the petition, or if this is not indicated, to the first named signatory.
- If the petition was passed to the Council by a Member, the acknowledgement should be copied to that Member.
- The acknowledgement should give the name of the Corporate Director responsible for responding to the issues raised, and should state that this response will be sent within 28 days.

#### **3. PETITIONS RELATING TO MORE THAN ONE DIRECTORATE**

- Where a petition relates to several services the Corporate Directors concerned should agree which of them will lead and co-ordinate the response. Normally this will be the Corporate Director to whose services most of the petition relates. If there is not agreement on this the lead director will be the one whose service is first named in the petition.
- The identity of the lead Corporate Director should be included in the acknowledgement letter at 2 above.

#### **4. RESPONSE TO PETITIONS**

- The Corporate Director should arrange for the relevant officer(s) to prepare a draft response to the issues raised in the petition including reference to any relevant Council policy, any action planned in relation to the matters raised and/or any other agency with relevant responsibilities.
- The Corporate Director is responsible for ensuring that a written response is provided within 28 days of receipt of the petition.
- The response should be sent to the lead contact/person co-ordinating the petition or, if this is not indicated, to the first named signatory.
- If the petition was passed to the Council by a Member, the response should be copied to that Member.
- If the petition was forwarded to the department by the Chief Executive or Service Head, Democratic Services they should receive a copy of the response.

#### **5. RECORD KEEPING**

- The Corporate Director should maintain a record of petitions received and replied to and any outstanding items referred to officers for a draft response.

#### **6. KEEPING MEMBERS INFORMED**

- Petitions and responses are not routinely reported to the Cabinet and Corporate Directors are responsible for responding to petitions received.
- However, in relation to petitions affecting particular wards or Lead Member portfolios the Corporate Director may wish to consult the relevant Lead Members(s) and/or ward councillors about the issues raised.
- Any relevant Lead Member(s), ward councillors and/or a Member who has presented a petition to the Council should be sent a copy of the written response to the petitioners.

#### **7. PRESENTATION OF PETITIONS TO COUNCIL/OTHER MEETINGS**

- Subject to certain conditions, petitions of more than 30 signatures can be presented to a meeting of the full Council (on any matter for which the Council has responsibility or which affects the borough); or the Cabinet, Overview & Scrutiny or other committee (on a matter that is on the agenda for the meeting).
- Such petitions will be sent to the Service Head, Democratic Services, who will notify the relevant Corporate Director of receipt and ask him/her to prepare a briefing for the Lead Member to respond orally to the petition at the meeting.
- After the meeting the petition is forwarded to the Corporate Director in the normal way for a written response on any outstanding matters within 28 days.



## **8. PETITIONS ON PLANNING AND LICENSING ISSUES**

- Where a petition relates to planning or licensing and there is a current application the petition will be referred to the (Strategic) Development or Licensing Committee to be heard at the time of consideration of the application.
- In relation to development control, subject to certain conditions the (Strategic) Development Committee will consider an application where the officer recommendation is opposed by more than 20 individual representations or a petition of at least 20 local residents. The representations and petitions are summarised in the committee report and copies are available at the meeting.
- The Development Procedure Rules at Part 4.8 of the Constitution set out the arrangements for public speaking at Development/Strategic Development Committee meetings.



## **APPENDIX B**

### **EXAMPLES OF STEPS THAT COUNCILS SHOULD CONSIDER IN RESPONSE TO SPECIFIC SUBJECTS RAISED IN PETITIONS**

(Extract from DCLG Statutory Guidance on the duty to respond to petitions)

#### **(i) Alcohol related crime and disorder:**

If a local authority receives a petition about alcohol-related crime or disorder, Government expects them to fully consider with their partners the range of options available to them including considering the case for establishing a designated public place order or, as a last resort, establishing and imposing an alcohol disorder zone covering the relevant area.

#### **(ii) Anti-social behaviour (ASB):**

As the elected representatives of the local area, and often as social landlord and licensing authority, local councils have a significant role to play in tackling anti-social behaviour. Recently crime and disorder reduction partnerships, of which local authorities are a constituent member, have been challenged to set minimum service standards and publicise these to their local communities by March 2010. The police and many local authorities also have a target to increase public confidence that the police and council are working together to deal with crime and ASB issues that matter most locally. As such, when responding to petitions on ASB, local authorities are expected to consider, in consultation with local partners, all the options available to them including the wide range of powers and mechanisms they have to intervene as part of these roles. They should, for example, work with the neighbourhood policing team in the affected area to identify what action might be taken including what role CCTV might play, consider identifying a dedicated contact within the council to liaise with the community, Registered Social Landlords and other neighbourhood partners on issues of ASB in the area in question and, where appropriate, alert the crime and disorder reduction partnership and crime and disorder overview and scrutiny committee to the issues highlighted in the petition.

#### **(iii) Under-performing schools:**

Local authorities are expected to consider, in consultation with local partners, all the options available to them when working with schools to secure their improvement. For example, on behalf of the local authority, the school improvement partner will play a pivotal role, challenging and brokering support for poorly performing schools. Where a school is under performing the local authority should consider whether it is appropriate in the circumstances to issue a warning notice outlining expectations and a timeframe for the school to improve its performance standards. Other measures available to local authorities, where schools fail to comply with a warning notice or are in an Ofsted category of notice to improve (requiring significant improvement) or special measures include; appointing additional governors, establishing an interim executive board, removal of the school's delegated budgets, requiring the school to enter into a formal contract or partnership or, only if the school is in special measures, closure.

**(iv) Under-performing health services:**

Local authorities are expected to work with local health partners to consider the matter raised in the petition including, where appropriate, exploring what role the Local Involvement Network (LiNk) might have in reviewing and feeding back on the issue. The health overview and scrutiny committee should also be alerted to the petition and where the matter is sufficiently or potentially serious, the issue should be referred to them to consider for review.

## APPENDIX C

# LONDON BOROUGH OF TOWER HAMLETS

## DRAFT PETITION SCHEME

### 1. SUBMITTING A PETITION TO THE COUNCIL

Tower Hamlets Council welcomes petitions and recognises that petitions are one way in which people can let us know their concerns. All petitions sent or presented to the council will receive an acknowledgement from the council within 10 working days of receipt. This acknowledgement will set out what we plan to do with the petition. We will treat something as a petition if it is identified as being a petition, or if it seems to us that it is intended to be a petition.

Paper petitions can be sent to:

The Service Head, Democratic Services,  
1<sup>st</sup> Floor,  
Town Hall,  
Mulberry Place,  
E14 2BG

Or can be scanned and e-mailed to [petitions@towerhamlets.gov.uk](mailto:petitions@towerhamlets.gov.uk)

All petitions will receive a response from the relevant Council Directorate as set out at section 4 below within 28 days of receipt. This will usually be the quickest way of addressing the issue. If you wish to present your petition to a meeting of elected councillors, please see section 5 below for details of how this may be done.

The Council is currently developing a facility for residents to host or sign on-line petitions via our website. This facility will be available by December 2010.

### 2. GUIDELINES FOR SUBMITTING A PETITION

Petitions submitted to the Council must include:

- a clear and concise statement covering the subject of the petition. This should state what action the petitioners wish the Council to take
- the name, address and signature of each person supporting the petition
- contact details, including an address, for the petition organiser. This is the person we will contact to explain how we will respond to the petition. The contact details of the petition organiser will not be placed on the website.
- If the petition does not identify a petition organiser, we will contact the first listed signatory to the petition to agree who should act as the petition organiser.

The Council will seek to verify the authenticity of each entry on a petition by reference to existing information such as (where appropriate) the current electoral

register or other relevant records. Entries which cannot be verified may not be counted for the purposes of determining whether a petition has exceeded a threshold set out in this scheme.

Petitions which are considered to be vexatious, abusive or otherwise inappropriate will not be accepted.

In the period immediately before an election or referendum, when certain legal restrictions apply, we may need to deal with your petition differently – if this is the case we will explain the reasons and discuss the revised timescale which will apply.

If a petition does not follow the guidelines set out above, the Council may decide not to do anything further with it. In that case, we will write to you to explain the reasons.

### **3. ACTION BY THE COUNCIL ON RECEIPT OF A PETITION**

An acknowledgement will be sent to the petition organiser within 10 working days of us receiving the petition. This will let them know what we plan to do with the petition and when they can expect to hear from us again.

If we can do what your petition asks for, the acknowledgement may confirm that we have taken the action requested and the petition will be closed.

If the petition has enough signatures to trigger a Council debate, or a senior officer giving evidence (see section 5 below), the acknowledgment will confirm this and tell you when and where the meeting will take place (if known at that stage). If the petition needs more investigation, we will tell you the steps we plan to take.

If the petition applies to a planning or licensing application, is a statutory petition (for example requesting a referendum on having an elected mayor), or on a matter where there is already an existing right of appeal, such as council tax banding and non-domestic rates, other procedures apply. Further information on all these procedures and how you can express your views is available on the Council's website *[insert link]*

We will not take action on any petition which we consider to be vexatious, abusive or otherwise inappropriate. If this is the case, we will explain the reasons for this in our acknowledgement of the petition.

To ensure that people know what we are doing in response to the petitions we receive, the details of all petitions submitted to the Council will be published on our website, except in cases where this would be inappropriate. Whenever possible we will also publish all correspondence relating to the petition (all personal details will be removed).

### **4. THE COUNCIL'S RESPONSE TO YOUR PETITION**

The Council's response to a petition will depend on what a petition asks for and how many people have signed it, but may include one or more of the following:

- taking the action requested in the petition;

- considering the petition at a Council meeting
- holding an inquiry into the matter
- undertaking research into the matter
- holding a public meeting
- holding a consultation
- holding a meeting with petitioners
- referring the petition for consideration by the Council's Overview and Scrutiny Committee (a cross-party committee of councillors which has the power to hold the Council's decision makers to account.)
- calling a referendum
- writing to the petition organiser setting out our views about the request in the petition

In addition to these steps, the Council will consider all the specific actions it can potentially take on the issues highlighted in a petition, including potential use of any of the Council's statutory powers; and/or recommendations to, or action in conjunction with, our partner agencies or others.

If your petition is about something over which the Council has no direct control (for example the local railway or hospital) we will consider making representations on behalf of the community to the relevant body. The council works with a large number of local partners [link to Tower Hamlets Partnership website] and where possible will liaise with these partners to respond to your petition. If we are not able to do this for any reason (for example if what the petition calls for conflicts with Council policy), then we will set out the reasons for this to you.

You can find more information on the services for which the Council is responsible on our website *[insert link]*.

If your petition is about something that a different authority is responsible for we will give consideration to what the best method is for responding to it. This might consist of simply forwarding the petition to the other authority, but could involve other steps. In any event we will notify you of the action we have taken.

In all cases we will provide the written response within 28 days of receiving your petition.

## **5. PRESENTATION OF A PETITION TO ELECTED COUNCILLORS**

Subject to your petition containing sufficient signatures as set out below, you may request to present the petition to a meeting of elected councillors. There are a number of ways in which this can be done.

### **(a) Presentation to a meeting of the Council, Cabinet or relevant committee**

If your petition includes the names, addresses and signatures of at least 30 persons who live, work or study in the borough, it may be presented to an ordinary meeting of the Council or (if it relates to a matter that is on the agenda for the meeting) to the Council's Cabinet or a Council Committee. A full calendar of meeting dates can be found on the Council's website *[insert link]*.

If you would like to present your petition to one of these meetings, please contact the Service Head, Democratic Services on 020 7364 4204 well in advance of the meeting for further information. The final deadline for receipt of petitions is noon, three clear working days before the meeting. However, please note that a maximum of three petitions will normally be taken at any meeting and these slots are allocated in order of receipt, so early submission is advised.

At the meeting, you will be invited to speak for up to three minutes in support of your petition and councillors may then ask you questions for a further three minutes before the relevant Lead Member or Committee Chair responds to the matter that you have raised.

### **(b) Debate at a Council Meeting**

If your petition includes the names, addresses and signatures of at least 2,000 persons who live, work or study in the borough you may request that a debate be held about the petition at the full Council meeting. The Council will endeavour to consider your petition at its next meeting, although on some occasions this may not be possible and consideration will then take place at the following meeting. We will tell you the date of the meeting at which the debate will take place once this is confirmed.

At the meeting, the petition organiser or another signatory to the petition will be given three minutes to present the petition. The person who presents the petition must live, work or study within the borough. The petition will then be debated by Councillors for a maximum of 15 minutes. Following the debate, the Council will decide how to respond to the petition at this meeting. They may decide to take the action the petition requests, not to take the action requested for reasons put forward in the debate, or to commission further investigation into the matter, for example by a relevant committee.

Where the issue is one on which the Council's Executive (Cabinet) are required to make the final decision, the Council will decide whether to make recommendations to inform that decision. As the petition organiser, you will receive written confirmation of this decision, which will also be published on our website.

### **(c) Officer evidence to the Overview and Scrutiny Committee**

As an alternative to a Council debate, your petition may ask for a senior Council officer to provide information in public about something for which the officer is responsible as part of their job – for example to explain progress on an issue, or the advice given to councillors to enable them to make a particular decision. The senior officers who may be called to give evidence under this procedure include the Head of the Paid Service (Chief Executive) and any of the Council's statutory or non-statutory Chief Officers (Corporate Directors).

If your petition includes the names, addresses and signatures of at least 1,000 persons who live, work or study in the borough, the relevant senior officer will give evidence at a public meeting of the Council's Overview and Scrutiny Committee.



You should be aware that the Overview and Scrutiny Committee may decide that it would be more appropriate for another officer to give evidence instead of any officer named in the petition – for instance if the named officer has changed jobs. The Committee may also decide to call the relevant Executive Councillor(s) to attend the meeting. Committee members will ask the questions at this meeting, but you will be able to suggest questions to the Chair of the Committee by contacting the Service Head, Democratic Services up to three working days before the meeting.

## **5. IF YOU ARE NOT SATISFIED WITH THE COUNCIL'S RESPONSE**

If you feel that we have not dealt with your petition properly, the petition organiser has the right to request that the Council's Overview and Scrutiny committee review the steps that the Council has taken in response to your petition.

It is helpful to everyone, and can improve the prospects for a review if the petition organiser gives a short explanation of the reasons why the Council's response is not considered to be adequate.

The Committee will endeavour to consider your request at its next meeting, although on some occasions this may not be possible and consideration will take place at the following meeting. Should the Committee determine we have not dealt with your petition adequately, it may use any of its powers to deal with the matter. These powers include instigating an investigation, making recommendations to the Council's Executive or arranging for the matter to be considered at a meeting of the full Council.

Once the appeal has been considered the petition organiser will be informed of the outcome within 5 working days. The results of the review will also be published on our website.

This page is intentionally left blank

**LONDON BOROUGH OF TOWER HAMLETS**

**COUNCIL MEETING**

**WEDNESDAY 14<sup>th</sup> JULY 2010**

**DRAFT STATEMENT OF ACCOUNTS 2009-2010**

**REPORT OF THE  
CORPORATE DIRECTOR OF RESOURCES**

**1. SUMMARY**

- 1.1 This report presents the Authority's draft Statement of Accounts for the financial year ending 31<sup>st</sup> March 2010, prior to audit.
- 1.2. It also provides an update on progress towards meeting the International Financial Reporting Standard (IFRS).

**2. RECOMMENDATIONS**

Full Council is recommended to:-

- 2.1 Approve the draft final Statement of Accounts for the financial year ending 31<sup>st</sup> March 2010.
- 2.2 Note that the accounts will now be submitted for audit.
- 2.3. Note progress towards meeting the International Financial Reporting Standard (IFRS).

### **3. BACKGROUND**

- 3.1 The approval of the authority's Statement of Accounts is subject to a two stage process. Firstly, Members are requested to approve the draft Statement of Accounts for submission to the Audit Commission. Under statute this must take place on or before 30th June 2010. Member approval is normally by Members of the Audit Committee.
- 3.2 As Audit Committee were not able to consider these Accounts on 29th June 2010, they are being submitted to this meeting of the Council to comply with the Accounts and Audit (Amendment) (England) Regulations 2006. These require that in these circumstances the authority's accounts are considered by a meeting of the members of the body as a whole within 20 working days of the deadline.
- 3.3 After the Council's accounts have been subjected to external audit, the auditor will issue his opinion and, providing he finds no reason not to do so, his audit certificate. The final accounts must be published by 30<sup>th</sup> September each year.
- 3.4 Under legislation, if there are any material amendments arising as a result of the audit, these must be reported back to Members. In the case of the Council this will be to Audit Committee.
- 3.5 The auditor is also required to make a report setting out any matters that are not material to the accounts but are more than merely trifling. If necessary, this report will be made to the Audit Committee at the end of September.
- 3.6 An important change this year is that for the first time, PFI schemes have been brought "on balance sheet" in accordance with changes in recommended accounting practice.

### **4. STATEMENT OF ACCOUNTS 2009-2010**

- 4.1 The draft Statement of Accounts is attached to the report as **Appendix 1**.
- 4.2 The contents of the accounts are largely determined by statutory requirements and mandatory professional standards as set out within the "Statement of Recommended Practice" published by the Chartered Institute of Public Finance and Accountancy (CIPFA). A summarised version of the accounts is published as a leaflet once they are approved.
- 4.3 The Council's final spending against budgets is reported to the Cabinet and this will take place at the meeting of 4<sup>th</sup> August 2010.
- 4.4 The accounts are an important aspect of the financial management of the Council as they set out the Council's financial position, including its main assets and liabilities on a year-by-year basis as well as

summarising the transactions of the Council during the year. The accounts influence the Council's financial plans because balanced budgets and sustainable medium term planning depend upon a healthy overall financial position. If an authority finds itself in a position in which it needs to set money aside in its accounts to cover existing liabilities or future risks, for example, these items are the first call on the budget.

- 4.5. The draft accounts provide some important information about the Council's finances which Members will wish to bear in mind.

<p>Income and Expenditure Account (<i>Page 17</i>)</p>	<p>The Income &amp; Expenditure Account summarises the revenue activities of the Council during 2009/10 and shows the day-to-day costs of services provided by the Council together with charges made to the revenue accounts in respect of the use of assets, costs of borrowing and income from investments. This includes the activities of the General Fund and the Housing Revenue Account.</p> <p>The draft accounts show that in 2009/10, the Council spent £1,296 million on services, most of which was funded from income which comes in the form of specific grants, rents, fees and charges for services. General Fund levels are almost unchanged at £27.133 million. Any surplus or deficit on the Income and Expenditure Account is carried to the Statement of Movement on the General Fund Balance.</p>
<p>Housing Revenue Account (<i>Page 52</i>)</p>	<p>The Housing Revenue Account is a separate ring-fenced account showing the expenditure and income relating to the provision of Social Housing by the Council.</p> <p>The HRA balance as at 31<sup>st</sup> March is £12.978 million; this was a reduction of £10.323 million. The reduction included the use of £4.2 million from Housing Choice reserves, £1.95 million of HRA balances towards the overcrowding strategy and £2.35 million from when the budget was set. The reserve balance of £12.978 million is in excess of the £12.169 million expected when the 2010/11 budget was set.</p>

<p>Group Accounts (<i>Pages 61 to 66</i>)</p>	<p>The Group Accounts show the financial position of the Council's 'Group'- comprising the Council itself plus its share of any controlled Companies. The Council incorporates Tower Hamlets Homes (THH) within its group accounts. THH is 100% owned by the Council and does all of its business with the Council. For this reason the Group Accounts are not substantially different from the Council's own accounts at this stage.</p>
<p>Reserves &amp; Balances</p>	<p>Reserves are those that have been set aside to cover a particular risk, or are ring fenced for particular purposes or services. The level of earmarked reserves now stands at £98.889m, a decrease of £2.976m over the previous year. The detail is set out in Note 46 to the Accounts (<i>Pages 46 to 48</i>). Most of the decrease is explained by application of the decent homes reserve. The earmarked reserves are set aside against specific risks or approved spending.</p> <p>The level of the General Fund balance now stands at £27.133m (<i>Page 18</i>). This is the amount which is generally available for use in unforeseen circumstances. The amount is being held at a relatively high level at the moment in view of the risks to the authority's expenditure and income arising from the economic downturn and the consequential squeeze on public spending.</p> <p>The accounts assume certain transfers to reserves requested by Directorates which have yet to be formally approved, and these will be reported in full to the Cabinet for approval on 4<sup>th</sup> August. In the event that the Cabinet does not agree to these transfers, the accounts will be adjusted as part of the audit process subject to the auditor's agreement.</p>
<p>Balance Sheet (<i>Page 20</i>)</p>	<p>The Balance Sheet shows the various assets and liabilities of the Council as at 31<sup>st</sup> March 2010. The value of the assets of the Council must equal the value of</p>

	<p>liabilities plus reserves.</p> <p>Assets include land and buildings, equipment and vehicles, cash and investments held by the Council, and any debts owing to the Council.</p> <p>Liabilities include loans taken out by the Council to finance capital expenditure and any debts owed by the Council.</p> <p>The net assets of the Council (assets less liabilities) were £2.178 billion, which was a slight increase from 31<sup>st</sup> March 2009 when the figure was £2.097 billion. The main reason for the increase is that fixed asset values have increased.</p> <p>The increase in value has no immediate impact on the Council but may indicate increased opportunities to increase income from the disposal of surplus fixed assets.</p>
Collection Fund ( <i>Page 62</i> )	<p>The Collection Fund is a separate account detailing local taxes collected by the Council on behalf of itself, the Greater London Authority (GLA) and the Government. The account shows the distribution of the amount of Council Tax collected between the Council and the GLA and the payment of non-domestic rates to the Government pool.</p> <p>Any surplus on the Fund is distributed between the Council and the GLA in proportion to their share of tax income drawn from the fund, and any deficit is similarly distributed. The Fund shows a surplus of just over £6 million in 2009/10. The additional income collected arises from the fact that so far, housing completions in Tower Hamlets have been affected less than anticipated by the recession.</p>
Cash Flow Statement ( <i>Page 21</i> )	<p>The Cash flow Statement is an alternative way of showing the financial activity of the Council in terms of payments made and received during the year. It gives quite a good idea of the scale of the financial operations of the</p>

	Council, showing where its money comes from and how it has been spent.
Pension Fund Accounts (Pages 71 to 77)	<p>The Pension Fund accounts are separate from the rest of the Council's accounts and show the expenditure and income, assets and liabilities of the Pension Fund provided by the Council under legislation for the benefit of its employees and pensioners, and those of admitted bodies. They are audited at the same time as the Council's accounts but are subject to a separate audit opinion. The market value of the assets of fund at the end of the year was £752.5m, an increase of 33.8% from March 2009 largely reflecting the market conditions affecting investments over the last year.</p> <p>However the current valuation could impact the next valuation of the Fund, which is due in 2010 and sets the Council's contributions to the Fund for the following three years.</p> <p>The Pensions Fund accounts were also considered by the Pensions Committee on 10<sup>th</sup> June.</p>

- 4.6. The Statement of Accounts also incorporates the Annual Governance Statement. This statement is to be considered by a special Audit Committee meeting.
- 4.7. Members are now invited to approve the accounts and formally submit them to the Audit Commission for audit. The auditor is expected to issue his opinion in September. Any material issues arising from the audit will be reported back to Audit Committee. Any immaterial but more than merely trifling issues will be reported to the Audit Committee.

## **5. INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS)**

- 5.1. With effect from the 2010/11 financial year, local authorities will be required to prepare their financial statements in accordance with the International Financial Reporting Standard (IFRS). This replaces the existing standards and the Generally Accepted Accounting Code of Practice for the UK (UKGAAP). IFRS, which has applied to Companies for some years, has already been introduced in central government and the NHS and the purpose is to have a single standard upon which



all organizations throughout the world are required to report. Adoption is mandatory for local authorities.

- 5.2. The IFRS introduces many changes to the way results are reported, but the main changes which will make a noticeable difference to the way information is used are:
- Increasing the level of detail required in reporting the valuation of assets.
  - Bringing assets procured through PFI onto the balance sheet.
  - Enhancing the level of information required to be reported on leases and contracts.
  - Providing more information in the accounts which relates back to Services and Directorates, so that the performance of budget managers will become clearer from the accounts.
  - Increasing the level of reporting required relating to employee benefits.

It is understood from experience elsewhere that the changes are likely to increase the size of the accounts by about 50%.

- 5.3. As IFRS is introduced fully in 2010/11, it will be necessary to state the current year's (2009/10) accounts in IFRS terms as well as in accordance with existing standards. The changes relating to the treatment of PFI schemes are reflected in the 2009/10 accounts.
- 5.4. There is a considerable amount of work involved in progressing towards IFRS, which affects most parts of the Council. Consequently a project has been set up to address these requirements. A qualified accountant within the Corporate Finance Service has been seconded to the role of IFRS Accountant in order to progress the project. The Financial Reporting & Technical Excellence Group, which comprises senior finance officers from all Directorates, is acting as the project board. The group receives monthly updates. The project began in December 2008 and has made good progress so far.
- 5.5. Further updates will be provided to the Audit Committee as the project proceeds.

## **6. COMMENTS OF THE CHIEF FINANCIAL OFFICER**

- 6.1 The comments of the chief financial officer are incorporated within this report of which he is the author.
- 6.2 There are additional costs incurred in adopting IFRS, both in relation to the project and to maintain processes and systems and continue to

report on the new basis. These will need to be contained within existing resources.

## **7. RISK MANAGEMENT**

7.1 There are no specific risk management implications.

## **8. CONCURRENT REPORT OF THE CHIEF LEGAL OFFICER**

8.1. The Accounts and Audit Regulations 2003 specify the process by which the authority's accounts are initially approved and then examined by the external auditor. This process and the dates by which the various stages have to be achieved are set out in paragraph 3 of the report and are binding on the authority.

## **9. ONE TOWER HAMLETS CONSIDERATIONS**

9.1 The Statement of Accounts is a single statement of the financial position of the whole Council which is potentially of interest to all individuals and organisations which have dealings with the Council.

9.2. The statements are published on the Council's website both in draft and in audited form. Interested parties have the right to inspect the accounts during the audit and local electors have the right to submit questions to the auditor. Details of these rights are published in local newspapers at appropriate stages.

## **10. ANTI-POVERTY CONSIDERATIONS**

10.1 There are no specific anti-poverty implications arising out of this report.

## **11. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT (SAGE)**

11.1 There are no SAGE implications arising out of this report.

---

**LOCAL GOVERNMENT ACT, 2000 (SECTION 97)**  
**LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT**

*Brief description of "background papers"*

*Name and telephone number of holder and address where open to inspection*

# LONDON BOROUGH OF TOWER HAMLETS

## STATEMENT OF ACCOUNTS 2009-10



## STATEMENT OF ACCOUNTS 2009-10

### CONTENTS

	Page
Foreword by the Corporate Director of Resources	1
Review of the Year	2
The Accounting Statements	7
Statement of Accounting Policies	8
Income and Expenditure Account	17
Statement of Movement on the General Fund Balance	18
Statement of Total Recognised Gains and Losses	19
Balance Sheet	20
Cash Flow Statement	21
Notes to the Core Financial Statements	22
Housing Revenue Account	56
Statement of Movement on the Housing Revenue Account Balance	57
Notes to the Housing Revenue Account	58
Collection Fund	62
Group Accounts	65
Pension Fund Accounts	71
Auditor's Report	78
Statement of Responsibilities	80
Annual Governance Statement	81
Glossary and Abbreviations	92

## **EXPLANATORY FOREWORD**

### **Overview by the Corporate Director of Resources**

I am pleased to introduce Tower Hamlets Council's Statement of Accounts for 2009/10, which reports our financial results for the year.

The accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 and the Best Value Accounting Code of Practice 2009. These constitute "proper accounting practice" with which councils must comply by statute. The Council has also produced a summary of the accounts, which is less detailed than the full statement. This has been produced following consultation with stakeholders and is available from the Council's website at [www.towerhamlets.gov.uk](http://www.towerhamlets.gov.uk).

The Council's last Use of Resources score was a '3', the second highest category, against the Audit Commission's 'harder test'. Overall, the Council's finances are sound, and we will need this solid financial base as we face the period of tighter public spending ahead. Expenditure in 2009/10 was kept under control and the revenue budget ended the year slightly under spent.

Pressures on the Council's budget year on year from demographic growth, new legislation and inflation will generally exceed the additional income we receive, while uncertainty in the economy means that we may have to plan for greater financial risk as we go forward. The Council's prudent treasury management strategy allowed us to avoid some of the consequences of the 2008 banking crisis, but the Council's investment income has been hit by lower interest rates. However, the Council has delivered or planned to deliver savings which have enabled the budget to be balanced and increases in Council Tax kept to affordable levels.

For the period 2007/08 to 2009/10, the Council set a three year budget plan, and this will help us to look beyond this to plan the use of our resources better in the longer term. Tower Hamlets' Council Tax remains, for 2010/11, the sixth lowest Band D charge in London. At the same time, the Council continues to retain a prudent level of reserves against foreseen and unforeseen eventualities, while fully taking into account its ambitious improvement programme.

Tower Hamlets Homes, the Council's Arms Length Management Organisation (or ALMO), was established in July 2008 to run Council housing in the Borough. These accounts therefore include Group Accounts, reflecting the financial position of the ALMO as well as the Council. The ALMO faces inspection in November 2010 to determine whether it can achieve 2 Star performance and with it draw substantial new investment for housing to Tower Hamlets.

The Council has played its part in reshaping the highly-regarded Tower Hamlets Partnership during 2009/10, and looks forward to working with its partners to deliver further community benefits across all public services in the Borough.

In summary whilst we face challenging times ahead, the Council through prudent and effective financial management is in a strong position financially to respond and to maintain itself as an improving Council in support of its local community.

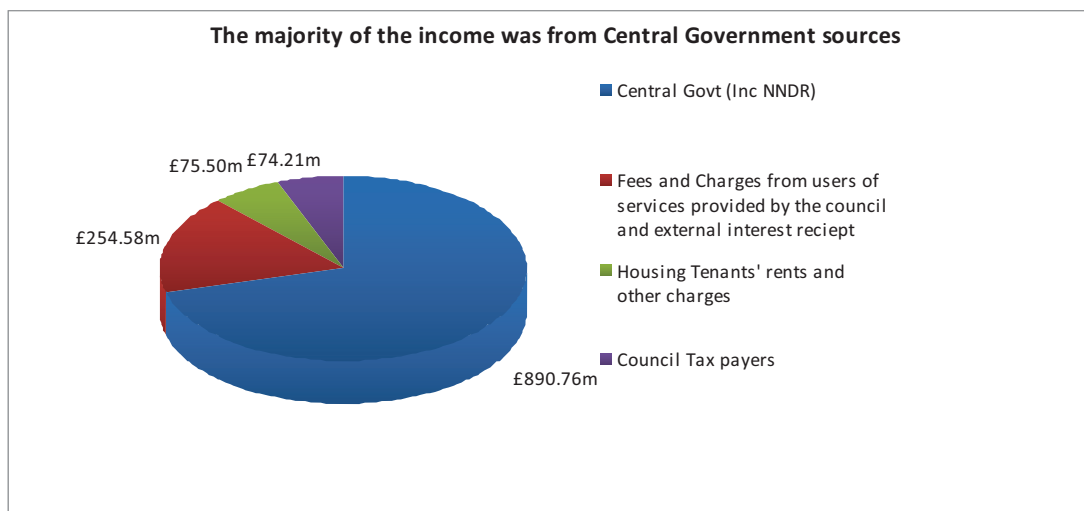
**Chris Naylor ACA CPFA MA Cantab**  
**Corporate Director of Resources**

## REVIEW OF THE YEAR

The Council's expenditure and income are defined either as revenue (spending on or income from the day to day running of services) or capital (spending on or income from items that provide a benefit for more than one year, such as building a school). The following shows revenue income and expenditure for the year.

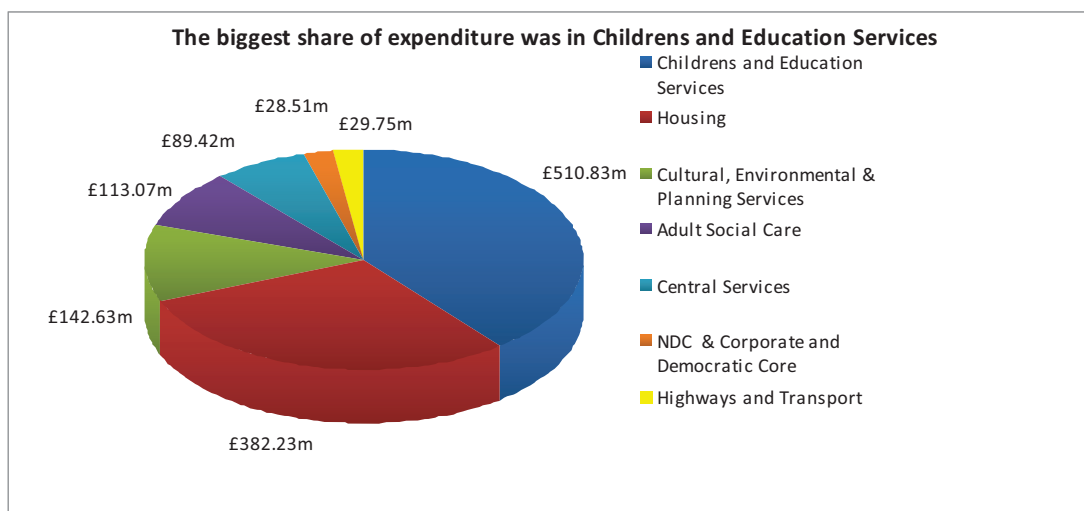
### WHERE THE MONEY CAME FROM

The Council's overall income for the year was £1,295.05 million (£1,195.00 million in 2008-09) and came from a number of different sources:



### HOW THE MONEY WAS SPENT

The Council spent £1,296.44 million (£1,201.24 million in 2008-09) on services:



Grants from Central Government form the biggest single source of income to the Council - £890.76 million (£839.70 million in 2008/2009). Of this, approximately 69% is grant towards the costs of providing specific services. The rest is grant for the Council's service provision as a whole.

Income received from housing tenants' rents and other charges amounted to £75.50 million (£72.71 million in 2008/2009). "Other" income of £254.58 million (£212.09 million in 2008-09) includes fees and charges from

users of services provided by the Council and external interest receipts. The balance of £74.21 million came from Council Tax (£70.07 million in 2008-09).

£1,296.44 million was spent in the year (£1,201.24 million in 2008-09). 39% of spending was on Children's and Education services; 29% on Housing; Adult Social Care accounted for 9%, Culture and Environment (including leisure, environmental health, planning and refuse collection) 11% and a further 2% on Non-Distributed Costs and Corporate and Democratic Core. A fuller analysis is shown in the Income and Expenditure Account on page 17.

## REVENUE SPEND COMPARED TO BUDGET

The Council's revenue expenditure and income is divided between "General Fund" (services excluding council housing) and the "Housing Revenue Account" (HRA) - a separate account for the Council acting as a housing landlord. The General Fund net budget requirement for the year was agreed at £297.9 million consisting of service budgets of £300.4 million and a net contribution from balances of £2.5 million. Actual spend amounted to £297.9 million. The HRA expenditure requirement for the year was agreed at £104.2 million. In total there was a net under spend of £2.1 million. HRA balances and reserves have reduced by a total of £10.3 million. More details are shown below:

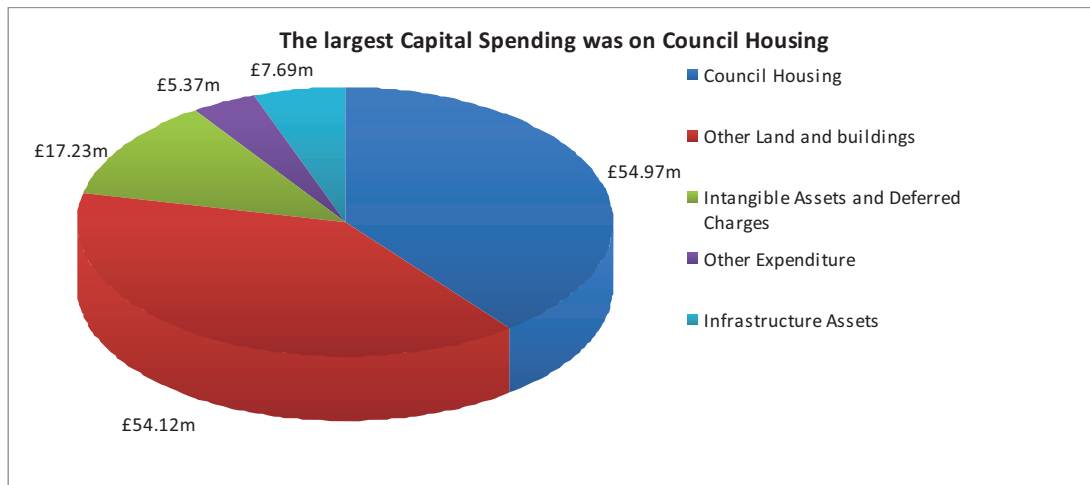
<b>General Fund</b>	<b>Adjusted Budget £'m</b>	<b>Actual £'m</b>	<b>Variance £'m</b>
Net expenditure	300.4	297.9	(2.5)
Contribution to balances	(2.5)	0.0	2.5
<b>Budget requirement</b>	<b>297.9</b>	<b>297.9</b>	<b>0.0</b>
Government Grants			
Revenue Support Grant	(42.9)	(42.9)	0.0
Redistributed Business Rates	(185.9)	(185.9)	0.0
(Surplus)/Deficit on Collection Fund	2.0	2.0	0.0
<b>Council Tax requirement</b>	<b>71.1</b>	<b>71.1</b>	<b>0.0</b>
<b>Housing Revenue Account</b>	<b>Adjusted Budget £'m</b>	<b>Actual £'m</b>	<b>Variance £'m</b>
Expenditure	104.2	102.1	(2.1)
Accounting adjustments	(5.0)	(4.2)	0.8
Budgeted contribution from HRA	(4.3)	(4.3)	0.0
Additional contribution from HRA Reserve	0.0	(2.2)	(2.2)
<b>Budget requirement</b>	<b>94.9</b>	<b>91.4</b>	<b>(3.5)</b>
Income			
Rents	(58.0)	(57.2)	0.8
Government grant	(19.3)	(14.9)	4.4
Charges and contributions	(17.0)	(19.1)	(2.1)
Interest	(0.6)	(0.2)	0.4
<b>Total Income</b>	<b>(94.9)</b>	<b>(91.4)</b>	<b>3.5</b>
<b>Reserves C/Fwd</b>		<b>13.0</b>	



## PENSIONS

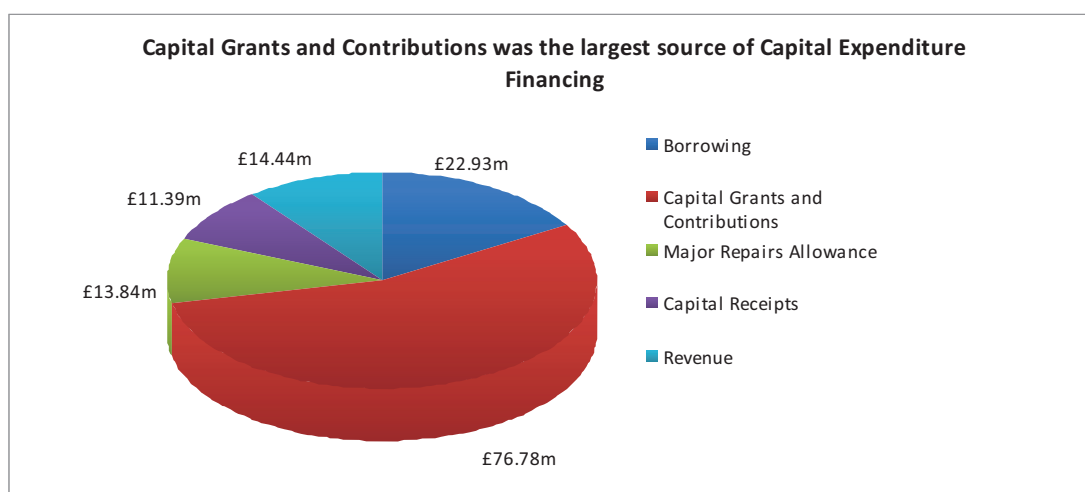
The Council offers retirement pensions to its staff under a statutory scheme and makes contributions to pension schemes on their behalf. Although the pension benefits are not payable until employees retire, the Council has a commitment to make the payments and must account for them in the year in which the future entitlements are earned. This commitment is compared with the assets (investments) of the pension schemes and the net amount is included in the accounts as the Council's "Pensions Liability". At the end of 2009-10 this liability was £670.69 million (£270.57 million 2008-09). Although this sum has a significant impact on the net worth of the Council as shown in its Balance Sheet, there are statutory arrangements for meeting the liability. The deficit will be addressed by increased contributions to the schemes over the remaining working lives of the staff. These contributions were assessed by the Council's actuary in 2007 and a budget provision has been made accordingly.

## CAPITAL SPENDING



Capital spending during the year amounted to £139.38 million (£68.98 million in 2008-09). £54.97 million (£21.77 million in 2008-09) of this was on projects relating to the conversion and improvement of the Council's housing stock. Spending on other land and buildings projects was £54.12 million (£17.84 million in 2008-09) and was primarily on the refurbishment, improvement and extension of schools in the borough. Infrastructure spending of £7.69 million (£5.69 million in 2008-09) was mainly on improving the existing roads system within the borough and the provision of street lighting. Other expenditure comprises equipment, which amounted to £1.87 million (£2.83 million in 2008-09) and a further £3.50 million (£3.32 million in 2008-09) was spent on improving parks and open spaces in the borough. Spending on Intangible Assets and Revenue Expenditure Funded from Capital under Statute (REFCUS) includes information technology, home improvement grants paid to homeowners and grants paid to voluntary organisations, and amounted to £17.23 million (£17.53 million in 2008-09).

## HOW CAPITAL SPENDING WAS PAID FOR



The Government pays the Council a grant called the Major Repairs Allowance to be spent on its housing stock. This amounted to £13.84 million for the year (£12.31million in 2008-09). Capital receipts are income from the sale of assets, such as council houses. £11.39 million was used in 2009-10 (£8.91million in 2008-09). The Council can pay for capital spending from its revenue monies and £14.44 million was used in the year (£3.32 million in 2008-09). There are other Government grants which have to be used for specific projects and the Council receives contributions from others (for example developers). A total of £76.78 million was used in 2009-10 (£20.59 million in 2008-09). Finally, the Council is allowed to borrow money to finance capital spending and £22.93 million was borrowed in the year (£23.85 million in 2008-09).

### **FURTHER INFORMATION**

Further information about the accounts and a copy of the summary of accounts are available from the Head of Corporate Finance, Mulberry Place, 5 Clove Crescent, London, E14 2BG. The summary is also on the Council's website at [www.towerhamlets.gov.uk](http://www.towerhamlets.gov.uk).

## THE ACCOUNTING STATEMENTS

These comprise:

The **Statement of Accounting Policies** on which the figures in the accounts are based.

The **Core Financial Statements**:

The **Income and Expenditure Account** which reports the net cost for the year of all the functions for which the Council is responsible and demonstrates how the cost has been financed from general Government grants and income from local taxpayers. It brings together income and expenditure relating to all the Council's functions in three distinct sections, each divided by a sub-total, to give the net deficit or surplus for the year.

The **Statement of Movement on the General Fund Balance** which shows the amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute or non-statutory proper practices to be taken into account in determining the movement on the General Fund Balance.

The **Statement of Total Recognised Gains and Losses** which shows all gains and losses recognised in the Council's Balance Sheet including those that are not reflected in the Income and Expenditure Account.

The **Balance Sheet** which shows the Council's financial position at the year-end - its balances and reserves and its long-term indebtedness, and the fixed and net current assets employed in its operational activities together with summarised information on the fixed assets held.

The **Cash Flow Statement** which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

**Notes to the Core Financial Statements**

The **Housing Revenue Account (HRA)** which reflects a statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989, and details the credit and debit items required to be taken into account in determining the surplus or deficit on the HRA for the year. It is accompanied by the **Statement of Movement on the HRA Balance** and appropriate **Notes**.

The **Collection Fund** which shows the transactions of the Council in relation to non-domestic rates and Council Tax and illustrates the way these have been distributed between Tower Hamlets Council and the Greater London Authority. It reflects the statutory requirement for billing authorities such as the Council to maintain a separate account.

The **Group Accounts** which combine the financial activities and position of the Council and its subsidiary Arms Length Management Organisation (ALMO), Tower Hamlets Homes, into amalgamated Core Financial Statements

The **Pension Fund Accounts** which provide information about the financial position, performance and the financial adaptability of the statutory pension fund. They show the results for the fund for the year and the disposition of its assets at the period end.

We try to produce the statements in a form that is understandable to most stakeholders. However, they include some technical terms which are explained in the **Glossary**, which starts at page 92.

## STATEMENT OF ACCOUNTING POLICIES

### 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2009-10 financial year and its position at the year-end of 31<sup>st</sup> March 2010. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2009* (the "SORP"). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets. Expenditure and income are reported in accordance with a total cost basis of accounting. Gross total cost includes all expenditure attributable to the service/activity, including employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and depreciation. No categories of income are considered to be abatements of expenditure, and movements to and from reserves are excluded from total cost.

### 2. Accruals of Income and Expenditure

Generally, activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as stocks on the Balance Sheet.
- Works are charged as expenditure less deposits and are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for 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 income or expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Exceptionally, income in respect of adults in residential care under the National Assistance Act 1948 is accounted for on a cash basis, although the amount involved is not material to the presentation of the accounts.

### 3. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, if the Council were to be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Provisions are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle an obligation is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

#### **4. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred it is charged to the relevant service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

#### **5. Government Grants and Contributions (Revenue)**

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

#### **6. Retirement Benefits**

Employees of the Council are members of three separate pension schemes:

- The Local Government Pension Scheme, administered by the Council
- The Local Government Pension Scheme, administered by the London Pensions Fund Authority
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

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

However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the education service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

##### **The Local Government Pension Scheme**

The Local Government scheme is a defined benefits scheme.

The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and estimates of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate derived from corporate bond yields (as measured by the yield on iBoxx Sterling Corporates Index, AA over 15 years) as at 31<sup>st</sup> March 2010.

Assets attributable to the Council are included in the Balance Sheet at their fair value. Quoted or unitised securities are valued at current bid price; unquoted securities on the basis of professional estimate; and property at market value.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions the effect of which relates to years of service earned in earlier years, debited to the Net Cost of Services as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid, debited to Net Operating Expenditure in the Income and Expenditure Account
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return, credited to Net Operating Expenditure in the Income and Expenditure Account
- gains and losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees, credited or debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, debited to the Statement of Total Recognised Gains and Losses
- contributions paid to the pension funds – cash paid as employer’s contributions to the pension funds.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension funds and any amounts payable to the funds but unpaid at the year-end.

### **Discretionary Benefits**

The Council also 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 are applied to the Local Government Pension Scheme.

## **7. VAT**

Income and expenditure exclude any amounts related to VAT, as generally all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them. Any irrecoverable VAT is included in the cost of services.

## **8. Overheads and Support Services**

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2009* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services is shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.
- Non-material end of year balances on support services treated as trading accounts.

The first two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of the Net Cost of Services. Balances on the third category are accounted for as a surplus or deficit on a trading account, as part of Net Operating Expenditure.

## 9. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (software licenses) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

## 10. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. Tangible fixed assets may also be non-operational, which comprise assets held for investment purposes and surplus assets awaiting development or disposal.

**Recognition:** Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. The de minimis level above which expenditure on tangible fixed assets is classified as capital is £50,000 except where the expenditure is financed by grants or contributions; or where lesser amounts on the same scheme accumulate above that level.

**Measurement:** Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- infrastructure assets – depreciated historical cost
- community assets – historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost,
- investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date the reserve came into existence. Gains arising before that date have been consolidated into the Capital Adjustment Account.

**Impairment:** The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

**Disposals:** When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 received from disposals 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 required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

**Depreciation:** This is provided for on all assets with a determinable finite life (except for investment properties and land), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- dwellings – equivalent to the Major Repairs Allowance payable by the Government which has been used as an appropriate proxy for depreciation
- other land and buildings – straight-line allocation over the life of the property as estimated by the valuer
- vehicles, plant and equipment – for vehicles and plant, a percentage of the value of each class of assets in the Balance Sheet as advised by a suitably qualified officer. For equipment, over 5 years.
- infrastructure – straight-line allocation over 40 years.

Were an asset to have major components identified by a qualified valuer, and assessed to have different estimated useful lives, these would be depreciated separately.

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 on their historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

- **Grants and contributions:** Grants and contributions received after the 31st March 2007 which are identifiable to fixed assets with a finite useful life are credited to the Government Grants Deferred Account. The balance is then written down to revenue to balance depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

## 11. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service.



The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, impairment losses and amortizations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

## **12. Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of Council Tax.

## **13. Leases**

The Council has reviewed in detail its leases and has determined that, except for PFI agreements, there are a small number of finance leases with immaterial asset value, so the agreement costs are charged to revenue. If the Council was to have a material finance lease the accounting policy would be as per the following;

### **Finance Leases**

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

### **Operating Leases**

Leases that do not meet the definition of finance leases or that are immaterial as described above are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on an equalized basis over the term of the lease, to reflect the economic benefits consumed over the life of the lease, irrespective of fluctuations in annual payments.

## **14. Financial Liabilities**

Financial liabilities in relation to borrowing are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and the interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. Where repurchase has taken place as part of a restructuring of the loan portfolio that involves a modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premia and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading (amortising) the gains/losses over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

## **15. Financial Assets**

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

The Council has no available-for-sale assets. Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where soft loans to be made (loans at less than market rates), a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

## **16. Stocks and Work in Progress**

Stocks are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress consists of rechargeable works which are shown net of deposits.

## **17. Interests in Companies and Other Entities**

The Council has a material interest in Tower Hamlets Homes which is a wholly owned subsidiary of the Council and which requires group accounts to be prepared. The Council, as part of the Government's Building Schools for the Future (BSF) initiative, also has a ten percent shareholding in the delivery company Tower Hamlets Local Education Partnership Ltd. but has determined that the interest is outside the group accounts requirement. The group accounts are at pages 65 to 70 In the Council's own single-entity accounts, interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

## **18. Private Finance Initiative (PFI)**

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide services passes to the PFI contractor. The Council is party to two PFI contracts in respect of schools which terminate in 2027 and 2029. The Combined Heat and Power (CHP) contract is treated as an end user agreement.

The SORP 2009 requires these contracts to be accounted for in 2009-10 in a manner that is consistent with the adaptation of International Financing Reporting Interpretation 12 (IFRIC 12) - Service Concession Arrangements - contained in the Government's Financial Reporting Manual (FRm), as this will assist in the transition to International Finance Reporting Standards (IFRS) for 2010/11. IFRIC 12 is the interpretation of IFRS that applies to operators of PFI and similar contracts, and is expected to form part of United Kingdom Generally Accepted Accounting Principles (UK GAAP) in due course. The 2009 SORP is consistent with the accounting treatment required of other public sector bodies in the UK set out in the FRm and approved by the Financial Reporting Advisory Board.

This is a change in accounting policy compared with previous years when PFI contracts were accounted for in accordance with Financial Reporting Standard 5 and the fixed assets were carried on the Balance Sheet of the contractor and not the Council. The effect of IFRIC 12 is that the Council is deemed to control the services that are provided under its PFI schemes and, as ownership of the fixed assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the fixed assets used under the contracts on the Balance Sheet.

The original recognition of these fixed assets has been balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. The fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council. The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Income and Expenditure Account
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator lifecycle replacement costs – recognised as fixed assets on the Balance Sheet.

This change in accounting policy has required prior period adjustments to the Council's accounts. See note 57 page 55.

There is also a contract for the Barkantine Heat and Power scheme. This concession agreement is a user pay arrangement where the end user pays the operator for the combined heat and power (CHP) services rendered. The Council receives a profit share but pays no unitary charge for the service. This agreement is not to be treated as a finance lease and that any costs are charged to revenue.

## **19. Collection Fund**

The Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR).

Up to 2008-09 the Council Tax income included in the Income and Expenditure Account was the amount that was required to be transferred to the General Fund under regulations. From 1<sup>st</sup> April 2009 the amount included in the Income and Expenditure Account, as specified in the 2009 SORP, is the accrued income for the year. The difference between the two amounts is taken to a Collection Fund Adjustment Account. In addition, there is a revised debtor / creditor relationship between the Council and the Greater London Authority (GLA) as the 2009 SORP determines that the collection of the tax on behalf of the GLA is an agency arrangement. This is a change in accounting policy which requires a prior year adjustment. See note 57 page 55.

Up to 2008-09 NNDR taxpayers' debtor and creditor balances and an allowance for doubtful debts were included on the Council's Balance Sheet. The 2009 SORP determines that the Council collects NNDR under what is in substance an agency arrangement with the Government. From 1<sup>st</sup> April 2009 the amount included in the Council's Balance Sheet is the amount of cash collected from NNDR taxpayers (less the amount retained in respect of a cost of collection allowance) that has not yet been paid to the Government or has been overpaid to the Government on the Balance Sheet date. This is a change in accounting policy which requires a prior year adjustment. See note 57 page 55.

## INCOME AND EXPENDITURE ACCOUNT

This account brings together all of the functions of the Council and summarises all the resources it has generated, consumed or set aside in providing services during the year.

	Note	2009/10 Gross Expenditure	2009/10 Gross Income	2009/10 Net Expenditure	2008/09 Gross Expenditure As Restated <sup>1</sup>	2008/09 Gross Income	2008/09 Net Expenditure As Restated <sup>1</sup>
		£'000	£'000	£'000	£'000	£'000	£'000
Cultural, Environmental, Regulatory and Planning Services	4	142,626	48,701	93,925	130,252	53,909	76,343
Central Services		89,424	77,339	12,085	55,655	47,018	8,637
Children's and Education Services	55	510,826	425,197	85,629	470,703	374,075	96,628
Highways and Transport Services		29,754	24,141	5,613	30,989	27,693	3,296
Local Authority Housing (Housing Revenue Account)	6	96,701	90,760	5,941	110,565	91,599	18,966
Other Housing Services	6	285,533	279,240	6,293	259,630	255,347	4,283
Adult Social Care	19	113,069	20,948	92,121	102,959	17,201	85,758
Corporate and Democratic Core		10,719	6,334	4,385	21,072	6,339	14,733
Non-distributed Costs		17,791	26	17,765	15,185	481	14,704
<b>NET COST OF SERVICES</b>		<b>1,296,443</b>	<b>972,686</b>	<b>323,757</b>	<b>1,197,010</b>	<b>873,662</b>	<b>323,348</b>
Net (gain)/loss on disposal of fixed assets	3			21,428			(13,394)
Total net (surplus)/deficit on trading accounts	8			11			1,555
Amounts due to levying authorities	9			1,636			1,641
Contribution to housing pooled capital receipts				572			4,766
Interest payable and similar charges				27,379			28,544
Interest and investment income				(1,313)			(6,144)
Amortisation of premiums and discounts				0			2,849
Unattached capital receipts				(8,734)			(1,331)
Pensions interest cost and expected return on pensions assets	47			22,887			12,234
<b>NET OPERATING EXPENDITURE</b>				<b>387,623</b>			<b>354,068</b>
<b>INCOME FROM TAXATION AND GENERAL GOVERNMENT GRANT</b>							
Council Tax income				(74,206)			(70,073)
Government grants (not attributable to specific services)	14			(76,714)			(55,384)
Distribution from non-domestic rate pool				(185,907)			(197,503)
<b>(SURPLUS)/DEFICIT FOR THE YEAR TRANSFERRED TO THE GENERAL FUND</b>				<b>50,796</b>			<b>31,108</b>

<sup>1</sup> See note 57

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government counts as a loss in the Income and Expenditure Account, but is met from the Capital Receipts Reserve rather than Council Tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

	Note	2009/10 £'000	2008/09 As Restated <sup>1</sup> £'000
(Surplus)/Deficit for the year on the Income and Expenditure Account		50,796	31,108
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	2	(49,402)	(24,883)
<b>(Increase)/decrease in General Fund Balance for the year</b>		<b>1,394</b>	<b>6,225</b>
General Fund Balance brought forward		(47,638)	(53,863)
<b>General Fund Balance (including schools' balances) carried forward</b>		<b>(46,244)</b>	<b>(47,638)</b>
<b>Amount of General Fund Balances Held by Schools under Local Management Schemes</b>			
Schools' Balances brought forward		(20,536)	(28,349)
Movement on Schools Balances in year		1,425	7,813
<b>Schools' Balances carried forward <sup>2</sup></b>		<b>(19,111)</b>	<b>(20,536)</b>
<b>Amount of General Fund Balance Generally Available for New Expenditure</b>		<b>(27,133)</b>	<b>(27,102)</b>

<sup>1</sup> See note 57

<sup>2</sup> Schools' Balances are included in Earmarked Reserves on the Council's Balance Sheet (see page 46)

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits. The gains and losses for the year are adjusted by the effect on reserves of prior period adjustments.

	2009/10	2008/09
		As Restated <sup>1</sup>
	£'000	£'000
(Surplus)/Deficit on the Income and Expenditure Account for the year	50,796	31,108
(Surplus)/Deficit arising on revaluation of fixed assets	(39,641)	(168,154)
Actuarial (gains)/losses on pension fund assets and liabilities	396,292	85,644
Other (gains) and losses <sup>2</sup>	(487)	481
<b>Total recognised (gains) and losses for the year</b>	<b>406,960</b>	<b>(50,921)</b>
Cumulative effect on reserves of prior period adjustments		93,579
<b>Aggregate (increase)/decrease in net worth</b>	<b>406,960</b>	<b>42,658</b>

<sup>1</sup> See note 57

<sup>2</sup> The 2008-09 amount represents the Council element of the Collection Fund deficit. The 2009-10 amount represents the amortisation of premiums and discounts in respect of the premature redemption of debt.

## BALANCE SHEET

as at 31st March

This statement shows the Council's balances and reserves and its long-term indebtedness, and the fixed assets and net current assets employed in its operations.

	Note	2010	2010	2009	2009
		£'000	£'000	As Restated <sup>1</sup>	As Restated <sup>1</sup>
				£'000	£'000
<b>Fixed Assets</b>					
<b>Tangible Fixed Assets</b>	20				
<b>Operational assets</b>					
Council dwellings		925,378		901,291	
Other land and buildings		983,324		968,157	
Infrastructure assets		91,170		86,397	
Equipment		4,456		3,643	
Community assets		48,410		45,220	
<b>Non-operational assets</b>					
Investment properties		52,769		50,042	
Surplus assets		5,072		802	
<b>Total Fixed Assets</b>			2,110,579		2,055,552
Long Term Debtors	27		1,067		855
<b>Total Long Term Assets</b>			<b>2,111,646</b>		<b>2,056,407</b>
<b>Current Assets</b>					
Stocks and Work in Progress	28	531		303	
Debtors	29	88,620		80,618	
Investments	31	85,508		78,427	
Cash and Bank		37,010	211,669	27,452	186,800
<b>Total Assets</b>			<b>2,323,315</b>		<b>2,243,207</b>
<b>Current liabilities</b>					
Short-term borrowing	31	15,324		16,310	
Creditors	32	129,702	145,026	132,166	148,476
<b>Total Assets less Current Liabilities</b>			<b>2,178,289</b>		<b>2,094,731</b>
<b>Long Term Liabilities</b>					
Long-term borrowing	31	302,475		249,075	
Capital Grants Unapplied	34	38,511		37,363	
Capital Grants and Contributions Deferred	35	130,864		96,139	
Deferred liabilities	10	38,287		38,637	
Deferred Income - Receipts in Advance	36	9,817		11,006	
Provisions	37	11,216		8,560	
Liability related to defined benefit pension schemes	47	670,693	1,201,863	270,565	711,345
<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>976,426</b>		<b>1,383,386</b>
<b>Financed by</b>					
Revaluation Reserve	39		510,138		486,712
Capital Adjustment Account	41		975,634		994,431
Capital Receipts Reserve	42		16,309		18,091
Deferred Capital Receipts	43		298		412
Pensions Reserve <sup>1</sup>	47		(670,693)		(270,565)
Major Repairs Reserve	38		1,074		2,354
Council Tax Adjustment Account	47		3,902		(597)
Financial Instruments Adjustment Account	40		764		280
Balances					
General Fund	38		27,133		27,102
Housing Revenue Account	38		12,978		23,301
Earmarked Reserves	46		98,889		101,865
<b>TOTAL NET WORTH</b>			<b>976,426</b>		<b>1,383,386</b>

<sup>1</sup> See note 57



## CASH FLOW STATEMENT

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. From 2008-09 the SORP permits presentation of the Cash Flow Statement by either the direct method showing gross cash flows, or by the indirect method, whereby revenue cash flow is derived by adjusting the overall Income and Expenditure Account surplus or deficit to a cash basis. Under the latter method gross cash flow categories are not presented in the Statement and non-cash items, returns on investments and servicing of finance are removed from the surplus or deficit in order to calculate a single overall figure for revenue cash flow. The Council's Cash Flow Statement is presented by the indirect method.

	Note	2009/2010	2009/2010	2008/2009	2008/2009
		£'000	£'000	As Restated <sup>1</sup>	As Restated <sup>1</sup>
				£'000	£'000
<b>NET REVENUE ACTIVITIES CASH FLOW</b>	50		<b>41,194</b>		<b>17,276</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>					
<i>Cash outflows</i>					
Interest paid		(22,455)		(21,038)	
Interest element of finance lease rental payments		(5,846)		(5,348)	
<i>Cash inflows</i>					
Interest received		1,385		6,434	
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			<b>(26,916)</b>		<b>(19,952)</b>
<b>CAPITAL ACTIVITIES</b>					
<i>Cash outflows</i>					
Purchase of fixed assets		(119,730)		(66,564)	
Other capital cash payments		(554)		-	
<i>Cash inflows</i>					
Sale of fixed assets		1,383		25,873	
Other capital cash receipts		243		67	
Capital grants received		69,124		36,716	
<b>NET CASH OUTFLOW FROM CAPITAL ACTIVITIES</b>			<b>(49,534)</b>		<b>(3,908)</b>
<b>NET CASH INFLOW/OUTFLOW BEFORE FINANCING</b>			<b>(35,257)</b>		<b>(6,584)</b>
<b>MANAGEMENT OF LIQUID RESOURCES</b>					
Net increase/decrease in other liquid resources	54	(8,402)		22,390	
			<b>(8,402)</b>		<b>22,390</b>
<b>FINANCING</b>					
<i>Cash outflows</i>					
Repayments of amounts borrowed		(12,901)		(21,719)	
Capital Element of Finance Lease Rental Payments & PFI payments		(350)			
<i>Cash inflows</i>					
New loans raised		66,467		7,000	
<b>NET CASH INFLOW FROM FINANCING</b>			<b>53,216</b>		<b>(14,719)</b>
<b>INCREASE/(DECREASE) IN CASH</b>			<b>9,558</b>		<b>1,087</b>

<sup>1</sup> See note 57

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1 SERVICE EXPENDITURE ANALYSIS

The service expenditure analysis has been compiled in accordance with the Best Value Accounting Code of Practice.

### 2 NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	2009/2010 £'000	2009/2010 £'000	2008/2009 As Restated <sup>1</sup> £'000	2008/2009 As Restated <sup>1</sup> £'000
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund balance for the year</b>				
Amortisation of intangible fixed assets	(1,374)		(969)	
Depreciation and impairment of fixed assets	(61,712)		(28,908)	
Excess of depreciation of Housing Revenue Account compared with Major Repairs Allowance	(335)		(734)	
Impairment relating to Housing Stock transfer	(6,842)		(23,363)	
Deferred considerations adjustment			(1,434)	
Government Grants Deferred amortisation	37,275		25,851	
Difference between amounts debited/credited to the Income and Expenditure account and amounts payable/receivable to be recognised under statutory provisions relating to premiums and discounts on the early repayment of debt	484		(2,284)	
Revenue expenditure funded from capital under statute	(15,045)		(16,281)	
Unattached capital receipts	8,734		1,331	
Gain or loss on sale of Housing Revenue Account fixed assets	(2,379)		3,720	
Net profit/(loss) on sale of fixed assets	(19,049)		9,674	
Net charges made for retirement benefits in accordance with FRS 17	(38,081)	(98,324)	(38,249)	(71,646)
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund balance for the year</b>				
Minimum revenue provision for capital financing	7,260		7,302	
Capital expenditure financed from the General Fund	14,437		3,316	
Transfer from Capital Receipts Reserve to meet payments to the housing capital receipts pool	(572)		(4,766)	
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	34,245		36,353	
Transfer from the Council Tax Adjustment Account	5,097	60,467	(427)	41,778
<b>Transfers (to) or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund balance for the year</b>				
Transfer of statutory surplus/(deficit) for the year on the Housing Revenue Account	(10,323)		(11,887)	
Transfers made at the discretion of the Council to or from reserves that have been earmarked for specific purpose	(1,222)	(11,545)	16,872	4,985
<b>Net additional amount required to be credited to the General Fund balance for the year</b>		<b>(49,402)</b>		<b>(24,883)</b>

<sup>1</sup> See note 57

### 3 GAIN OR LOSS ON DISPOSAL OF FIXED ASSETS

This represents the gain/loss to the Council on the sale of fixed assets. The effects are reversed in the Statement of Movement on the General Fund balance to avoid any impact on the General Fund balance.

	2009/10 Disposal £'000	2008/2009 Disposal £'000
Market value of assets sold	483	5,911
*Adjustments for demolitions/transfers/disposals	27,056	0
Book value of disposals	27,539	5,911
Capital receipts received	(1,340)	(19,387)
Cost of disposal on dwellings	10	82
Deferred contributions written off	(4,781)	0
<b>Loss/(Gain) on Disposal</b>	<b>21,428</b>	<b>(13,394)</b>

\*The adjustments represent write out of the carrying value of assets disposed of in previous years, identified during an asset verification exercise.

#### 4 BUILDING CONTROL ACCOUNT

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of its building control function. The statement below shows the total cost of the building control function divided between chargeable and non-chargeable activities.

	2009/2010			2008/2009		
	Chargeable	Non Chargeable	Total Outturn	Chargeable	Non Chargeable	Total Outturn
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Expenditure</b>						
Employee costs	1,068	638	1,706	1,127	628	1,755
Transport	25	14	39	24	15	39
Premises	134	80	214	168	95	263
Supplies and services	136	21	157	211	47	258
Support services	132	221	353	149	168	317
<b>Total Expenditure</b>	<b>1,495</b>	<b>974</b>	<b>2,469</b>	<b>1,679</b>	<b>953</b>	<b>2,632</b>
<b>Income</b>						
Building Regulation fees	1,149	111	1,260	1,766	197	1,963
<b>Deficit (Surplus) for the year</b>	<b>346</b>	<b>863</b>	<b>1,209</b>	<b>(87)</b>	<b>756</b>	<b>669</b>

#### 5 CONTROLLED PARKING ACCOUNT

The Council operates a separate Controlled Parking Account in accordance with s.55 of the Road Traffic Regulation Act 1984 (as amended by the 1991 Road Traffic Act), the costs of which are incorporated within the income and expenditure for Highways and Transport Services.

This account records all income and expenditure attributable to on-street parking activities, including enforcement. The account may incur a deficit in the year in which case the deficit must be made good from the General Fund at the end of the year. The use of any surplus is prescribed by legislation and is restricted largely to reinvestment within the service and highways and transportation initiatives. The balance of the surplus at 31st March 2010, after the funding of General Fund service initiatives, has been transferred into an earmarked reserve.

	2009/2010	2008/2009
	£'000	£'000
<b>Expenditure</b>		
Employee costs	4,136	4,270
Premises	510	529
Transport	159	152
Supplies and services	2,277	2,098
Third party payments	1,681	1,524
Support services	1,377	1,691
Capital financing	0	10
<b>Total Expenditure</b>	<b>10,140</b>	<b>10,274</b>
<b>Income</b>		
Fees and charges	14,650	14,646
Decrease in provision for bad debts	358	491
<b>Total Income</b>	<b>15,008</b>	<b>15,137</b>
<b>(Surplus)/Loss for the year</b>	<b>(4,868)</b>	<b>(4,863)</b>
Balance at 1st April	957	0
Surplus for year	4,868	4,863
Funding of General Fund service initiatives.	(3,997)	(3,906)
<b>Balance at 31st March</b>	<b>1,828</b>	<b>957</b>

## 6 HOUSING SERVICES

The Housing Revenue Account (HRA), which is separately reported at page 56, is consolidated into the Income and Expenditure Account. Before consolidation certain adjustments are required to ensure the proper reporting of expenditure and income for the Council as a whole. The amounts consolidated are as follows:

	2009/2010 Gross Expenditure £'000	2009/2010 Gross Income £'000	2009/2010 Net Expenditure £'000	2008/2009 Net Expenditure £'000
Housing Revenue Account (page 56)	97,203	(90,760)	6,443	19,294
Internal recharges				
Corporate and Democratic Core	(502)	0	(502)	(328)
<b>Local Authority Housing</b>	<b>96,701</b>	<b>(90,760)</b>	<b>5,941</b>	<b>18,966</b>
Other Housing	285,533	(278,526)	7,007	5,215
Internal recharges				
Supporting people	0	(714)	(714)	(932)
<b>Other Housing Services</b>	<b>285,533</b>	<b>(279,240)</b>	<b>6,293</b>	<b>4,283</b>
<b>NET COST OF SERVICES</b>	<b>382,234</b>	<b>(370,000)</b>	<b>12,234</b>	<b>23,249</b>

## 7 MEMBERS' ALLOWANCES

Includes total allowances paid to Council Members of £926,521 in 2009/2010 (£856,159 in 2008/2009).

## 8 TRADING ACCOUNTS

The following services are reported as trading activities in 2009/2010:

	2009/2010		2008/2009	
	Expenditure £'000	Income £'000	Surplus/ (Deficit) £'000	Surplus/ (Deficit) £'000
Vehicle Maintenance	0	0	0	47
Cleansing and Welfare Catering	0	0	0	(9)
Building and Property Services	99	0	(99)	(14)
Support Services	0	0	0	(1,711)
Street Trading (see note 44)	2,002	2,090	88	104
Mile End Park	0	0	0	28
<b>TOTAL TRADING ACCOUNTS</b>	<b>2,101</b>	<b>2,090</b>	<b>(11)</b>	<b>(1,555)</b>

**Note:** A number of services previously treated as trading accounts have been fully recharged to services for 2009/10 resulting in nil balances.

## 9 LEVIES

Levies payable by the Council for services received were as follows:

	2009/2010 £'000	2008/2009 £'000
Lee Valley Regional Park Authority	247	243
Environment Agency	161	161
London Pensions Fund Authority	1,228	1,237
<b>TOTAL LEVIES</b>	<b>1,636</b>	<b>1,641</b>

The Council is party to two Private Finance Initiative (PFI) schemes in respect of the design, construction, maintenance and servicing of 28 schools - the Mulberry and Group Schools schemes - until the year 2029. Prior to 2009-10 the assets involved were treated as "off balance sheet" in accordance with relevant accounting standards. SORP 2009 requires that the schemes are now accounted for under International Financial Reporting Standards and that the position as at 31 March 2009 is restated. The assets are now included on the Council's Balance Sheet, matched by a finance lease liability.

**Movement on PFI Assets**

	Mulberry School £'000	Group Schools £'000	Total £'000
Asset value at 31 March 2009	48,500	224,599	273,099
Depreciation	(1,012)	(4,667)	(5,679)
Enhancements		3,501	3,501
<b>Asset value at 31 March 2010</b>	<b>47,488</b>	<b>223,433</b>	<b>270,921</b>

**Movement on PFI Liabilities**

	Mulberry School £'000	Group Schools £'000	Total £'000
Liabilities at 31 March 2009	7,606	31,730	39,336
Repayments	(154)	(204)	(358)
<b>Liabilities at 31 March 2010</b>	<b>7,452</b>	<b>31,526</b>	<b>38,978</b>

**Consisting of:**

Long term liability	7,123	31,164	38,287
Short-term liability	329	362	691
	<b>7,452</b>	<b>31,526</b>	<b>38,978</b>

**Payments due under PFI schemes**

	Mulberry School £'000	Group Schools £'000	Total £'000
<b>Liability</b>			
Within 1-2 years	328	363	691
Within 2 - 5 years	791	1,717	2,508
Within 6 - 10 years	1,582	4,417	6,000
Within 11 - 15 years	2,185	13,202	15,386
Within 16 - 19 years	2,566	11,827	14,393
<b>Interest</b>			
Within 1 year	836	4,638	5,474
Within 2 - 5 years	3,147	19,362	22,509
Within 6 - 10 years	3,310	22,229	25,538
Within 11 - 15 years	2,338	16,485	18,823
Within 16 - 19 years	777	3,501	4,278
<b>Service Charges</b>			
Within 1 year	673	3,830	4,504
Within 2 - 5 years	2,694	12,855	15,549
Within 6 - 10 years	3,367	13,538	16,905
Within 11 - 15 years	3,367	13,414	16,781
Within 16 - 19 years	2,694	7,200	9,894

## 11 AGENCY INCOME AND EXPENDITURE

The Council has an agency agreement with Thames Water Authority (TWA) whereby the Council is responsible for collecting unmetered water charges from council tenants. For this service the Council receives a commission based on the total TWA bill chargeable for the year. In 2009/2010 this commission amounted to £ 774,552 (£798,738 in 2008/2009).

## 12 OFFICERS' EMOLUMENTS

### All Employees except Senior Employees

The numbers of employees whose remuneration was equal to or greater than £50,000 were as follows. Categorisation includes the effect of any redundancy or severance payments. The first table excludes senior employees details of which are shown in the second table below.

Remuneration Band £	2009/2010			2008/2009		
	Teaching	Other	Total	Teaching	Other	Total
	Staff	Staff	Staff	Staff	Staff	Staff
50,000 - 54,999	213	68	281	187	80	267
55,000 - 59,999	105	77	182	70	79	149
60,000 - 64,999	40	41	81	45	31	76
65,000 - 69,999	41	21	62	25	22	47
70,000 - 74,999	20	19	39	16	28	44
75,000 - 79,999	18	12	30	11	4	15
80,000 - 84,999	9	11	20	2	8	10
85,000 - 89,999	2	5	7	1	3	4
90,000 - 94,999	0	11	11	2	2	4
95,000 - 99,999	4	4	8	4	9	13
100,000 - 104,999	2	6	8	1	8	9
105,000 - 109,999	5	0	5	3	1	4
110,000 - 114,999	1	1	2	1	0	1
115,000 - 119,999	1	0	1	1	0	1
120,000 - 124,999	2	0	2	0	1	1
125,000 - 129,999	0	0	0	0	0	0
130,000 - 134,999	0	0	0	0	1	1
135,000 - 139,999	0	0	0	0	0	0
140,000 - 144,999	0	0	0	1	0	1
145,000 - 149,999	0	1	1	0	1	1
150,000 - 154,999	0	0	0	0	0	0
155,000 - 159,999	0	0	0	0	0	0
160,000 - 164,999	0	0	0	0	0	0
165,000 - 169,999	0	1	1	0	1	1
170,000 - 174,999	0	0	0	0	0	0
175,000 - 179,999	0	0	0	0	0	0
180,000 - 184,999	0	0	0	0	0	0
185,000 - 189,999	0	0	0	0	1	1
190,000 - 194,999	0	0	0	0	0	0
195,000 - 199,999	0	0	0	0	0	0
200,000 - 204,999	0	0	0	0	0	0
205,000 - 209,999	0	1	1	0	0	0
<b>Total employees</b>	<b>463</b>	<b>279</b>	<b>742</b>	<b>370</b>	<b>280</b>	<b>650</b>

### Senior Employees <sup>1</sup>

The remuneration of senior employees whose annual salary for the year was equal to or greater than £50,000 (pro rata for employment for fewer than the usual full time hours) was broken down as follows:

	Salary, fees & allowances	Taxable expenses allowances	Compensation for loss of employment	Council's contribution to Pension Fund	Other	Total Remuneration
	£	£	£	£	£	£
<b>2008-2009</b>						
Mr M F Smith - Chief Executive	186,974			29,056		216,030
Corporate Directors						
Children, Schools and Families	147,003			22,740	147	169,890
Communities, Localities and Culture	138,008			21,319		159,327
Resources	133,225			20,569	20	153,814
Adults Health and Wellbeing	130,967			20,207	346	151,520
Development and Renewal	92,008			14,221		106,229
Assistant Chief Executive (Legal)	120,862			18,661		139,523
Assistant Chief Executive	70,692			10,886		81,578
	<b>1,019,739</b>	<b>0</b>	<b>0</b>	<b>157,659</b>	<b>513</b>	<b>1,177,911</b>

	Salary, fees, allowances	Taxable, expenses allowances	Compensation for loss of employment	Council's contribution to Pension Fund	Other	Total Remuneration
	£	£	£	£	£	£
<b>2009-2010</b>						
Mr M F Smith - former Chief Executive <sup>2</sup>	73,966			10,107		84,073
Mr K A Collins - Chief Executive	177,413			26,848		204,261
Corporate Directors						
Children, Schools and Families	120,789			18,270		139,059
Communities, Localities and Culture	140,980			21,788		162,768
Resources	135,604			20,940		156,544
Adults Health and Wellbeing	112,982	161		18,434		131,577
Development and Renewal	136,306			21,050		157,356
Assistant Chief Executive (Legal)	121,052			18,661		139,713
Former Assistant Chief Executive <sup>2</sup>	113,694			17,508	11,620	142,822
	<b>1,132,786</b>	<b>161</b>	<b>0</b>	<b>173,606</b>	<b>11,620</b>	<b>1,318,173</b>

<sup>1</sup> The above posts have been designated as senior employees of the Council in accordance with the Accounts and Audit (Amendment No. 2) (England) Regulations 2009.

<sup>2</sup> The former Chief Executive and former Assistant Chief Executive received severance payments during 2009/10. Details have not been published in this document due to confidentiality agreements in place.

The Council's expenditure on publicity was as follows:

	2009/2010 £'000	2008/2009 £'000
Recruitment advertising	1,672	1,571
Media and public relations	1,298	1,267
Other	1	1
<b>Total expenditure</b>	<b>2,971</b>	<b>2,839</b>

## 14 GOVERNMENT GRANTS (NOT ATTRIBUTABLE TO SPECIFIC SERVICES)

This includes Revenue Support Grant, Local Authority Business Growth Incentives Scheme Grant and, from 1st April 2008, Area Based Grant (ABG). ABG is a non-ringfenced general grant, no conditions on use are imposed and, unlike LAAG, it is paid directly to the authority that benefits from the grant, rather than being paid to the authority in the area with 'accountable body' status for onward distribution to the

	2009/10 £'000	2008/09 £'000
Revenue Support Grant	(42,910)	(27,494)
Local Authority Business Growth Incentives Scheme Grant (LABGI)	(306)	(215)
Area Based Grant	(31,171)	(27,675)
Housing and Planning Delivery Grant (HPDG) <sup>1</sup>	(2,327)	(3,416)
<b>Total</b>	<b>(76,714)</b>	<b>(58,800)</b>

<sup>1</sup> HPDG was included in Net Cost of Services in the 2008-09 Income and Expenditure Account. The above note has been restated for 2008-09 for comparative purposes.

## 15 AUDIT FEES

Fees payable to the Audit Commission for external audit services were as follows:

	2009/2010 £'000	2008/2009 £'000
External audit services carried out by the appointed auditor	500	442
Statutory inspection	-	27
Certification of grant claims and returns	119	113
Other services provided by the appointed auditor	13	2
<b>Total</b>	<b>632</b>	<b>584</b>

The fees for other services related to the National Fraud Initiative.

## 16 ECONOMIC DEVELOPMENT

The Local Government (Promotion of Economic Development) Regulations 1990 require authorities to disclose any financial assistance given to relevant bodies in the form of a loan with a rate of interest at less than market rate. At 31st March 2010 the Council had no outstanding loan agreements of this nature.



## 17 RELATED PARTY TRANSACTIONS

The Code of Practice on Local Authority Accounting requires disclosure of additional information regarding transactions between the Council and related parties in accordance with Financial Reporting Standard 8. 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.

### (i) Central Government

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transaction that the Council has with other parties. Details of transactions with Government departments are set out in a note to the Cash Flow Statement.

### (ii) Partnerships

The Council has partnership arrangements with the following organisations:

NDC (New Deal for the Community)

PCT (Primary Care Trust)

### (iii) Pension Fund

The Council borrows from or lends to the Pension Fund. The year end balance is shown in note 31 to the Core Financial Statements. The Pension Fund accounts are presented on pages 71 to 77 of this Statement.

### (iv) Membership of and relationship with other organisations

Council Members have made declarations of their interests in the following organisations to which the Council made payments in 2009-10:

Organisations	Councillor	Payments by the Council £'000
Alpha Grove Community Trust	S A Houghton *	29
Bromley by Bow Centre	A A Sardar *	1067
Chisenhale Gallery	J J Peck	10
Collective of Bangladeshi School	A A Sardar *	25
	M. Uz-Zaman	
Council of Mosques	A A Sardar *	109
	A Ullah	
Cultural Industries Development Agency	R U Ahmed	35
	D Jones	
Docklands Sailing & Watersports Centre	M S Ali	42
East End Citizens Advice Bureau	R U Ahmed	260
East End Homes	M Uz-Zaman	1002
	R M A Saunders	
East London NHS Foundation Trust	P J Briscoe *	1
	S A Houghton *	
Eastside Books	D Jones	
Ensign Youth Club	A Asad	89
Gateway Housing Association	J J Peck	671
Greater London Enterprise	W Islam *	24
Greenwich & Docklands Festivals	R U Ahmed	38
Invest in Thames Gateway London Ltd	A M O Ahmed	15
Island Health Educational Trust	M S Ali	8
	R H B Eckhardt *	
	P Golds	
	B Turner	
Isle of Dogs Community Foundation	T J Archer	863
	M S Ali	
Jewish East End Celebration Society	R M A Saunders	5
John Scurr JM & I School	S Islam	45
Keen Students School	H U Abbas	19
Kingsley Hall Community Centre	Rania Khan	19
Leaside Regeneration Ltd	M Francis	655
	C Harper-Penman	
London Youth Games	B Turner	7
	W Islam *	
Montefiore Centre	M Rashid *	28
Mudchute Association	R H B Eckhardt *	292
Poplar HARCA	Rania Khan	2252
	A A Sardar *	

\* indicates former Councillor

## (iv) Membership of and relationship with other organisations (continued)

Organisations	Councillor	Payments by the Council £'000
Queen Mary University of London & Nursery	A Ullah	36
Rich Mix / Al-Isharah / Cultural Enterprises / Cultural Foundation	D Jones	60
	R M A Saunders	
Shelter / Shelter Legal / Shelter Training	M Francis	10
Smith Street Primary School	M. Uz-Zaman	4
Solander Gardens Community & Education	H Miah	3
Spitalfields Housing Association Ltd	H U Abbas	7
	M Rashid *	
SSBA-Montefiore Centre	M Rashid *	30
St Katharine & Shadwell Trust	E Jones	5
The Housing Forum Ltd	A K Heslop *	1
The London Thames Gateway	A M O Ahmed	20
Tower Hamlets Community Credit Union	A K Heslop *	21
Tower Hamlets Community Housing Ltd	H U Abbas	292
	S Haque	
	S Islam	
Tower Hamlets Law Centre	M Rashid *	225
	L Rahman	
Tower Hamlets Primary Care Trust	D Jones	1862
Tower Hamlets Sports Council	A M O Ahmed	13
	R U Ahmed	
	C Harper-Penman	
	W Islam *	
	L Rahman	
	B Turner	
Tower Project	A T Jackson	2244
Visit London	D Jones	27

\* indicates former Councillor

## 18 INTERESTS IN COMPANIES

Tower Hamlets Homes Limited is a private company limited by guarantee with no share capital. It is a wholly owned subsidiary of the Council and is incorporated in the Council's Group Accounts at pages 65 to 70.

## 19 POOLED BUDGETS

Under the terms of a Section 31 Agreement (Health Act 1999), the Council entered into five Pooled Budget and Lead Commissioning agreements with the Primary Care Trust. The Council will manage and deliver statutory functions, alongside the Primary Care Trust, in respect of the following:

- (a) Integrated Community Equipment Service (ICES)
- (b) Services for Adults with Learning Difficulties (LDSA)
- (c) Integrated Services for Disabled Children in the Children's Trust Pathfinder (DCTP)
- (d) Commissioning Health and Social Care Services for Adults with Learning Disabilities (CLDSA) pooling arrangements ceased at the end of 2008/09 when funding transferred from Health.
- (e) Occupational Therapy Service (OTS)

The purpose of these arrangements is to work collaboratively with health providers in the Borough, to deliver efficient, joined up health and social care services to residents.

A summary memorandum Income and Expenditure Account for each pooled budget is shown below. The Council's contribution to each pool is included in the Adult Social Care gross expenditure figure disclosed in the Income and Expenditure Account.

<b>2009-10</b>	<b>ICES £'000</b>	<b>LDSA £'000</b>	<b>DCTP £'000</b>	<b>CLDSA £'000</b>	<b>OTS £'000</b>
<b>Income</b>					
The Council	1,102	1,299	6,521	0	1,803
Tower Hamlets Primary Care Trust	565	1,704	1,538	0	1,591
Learning Disabilities Development Fund	0	0	0	0	0
	<b>1,667</b>	<b>3,003</b>	<b>8,058</b>	<b>0</b>	<b>3,394</b>
<b>Expenditure</b>					
	1,667	3,003	8,058	0	3,394
<b>Surplus/Deficit for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2008-09</b>					
<b>Income</b>					
The Council	924	1,278	6,301	17,885	1,805
Tower Hamlets Primary Care Trust	610	1,661	1,538	3,142	1,385
Learning Disabilities Development Fund	0	0	0	245	0
	<b>1,534</b>	<b>2,939</b>	<b>7,839</b>	<b>21,272</b>	<b>3,190</b>
<b>Expenditure</b>					
	1,534	2,939	7,839	21,272	3,190
<b>Surplus/Deficit for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

20 MOVEMENT ON FIXED ASSETS	Council Dwellings		Other Land and Buildings		Infrastructure		Equipment		Community		Operational		Investment Properties		Surplus Assets Held for Disposal or Redevelopment		Total Non-Operational		Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000
<b>Cost or valuation</b>																				
<b>At 1st April 2009<sup>1</sup></b>	1,051,615	1,037,745	109,690	12,281	45,220	2,256,551	54,449	802	55,251	2,311,802										
Additions	54,973	54,121	7,688	1,866	3,503	122,151	806	0	806	122,957										
Disposals	(17,685)	(24,512)	(190)	0	(313)	(42,700)	(4,543)	0	(4,543)	(47,243)										
Reclassifications	0	(3,307)	0	0	0	(3,307)	(963)	0	(963)	0										
Revaluations	(12,469)	(13,934)	0	0	0	(26,403)	7,283	0	7,283	(19,120)										
<b>At 31 March 2010</b>	1,076,434	1,050,113	117,188	14,147	48,410	2,306,292	57,032	5,072	62,104	2,368,396										
<b>Depreciation and impairments</b>																				
<b>At 1st April 2009<sup>1</sup></b>	150,324	69,588	23,293	8,638	0	251,843	4,407	0	4,407	256,250										
Depreciation charge for 2009-10	12,556	13,717	2,768	1,053	0	30,094	0	0	0	30,094										
Disposals	0	(2,028)	(43)	0	0	(2,071)	(72)	0	(72)	(2,143)										
Revaluations	(11,824)	(14,488)	0	0	0	(26,312)	(72)	0	(72)	(26,384)										
<b>Depreciation as at 31st March 2010</b>	151,056	66,789	26,018	9,691	0	253,554	4,263	0	4,263	257,817										
<b>Balance sheet amount at 31st March 2010</b>	925,378	983,324	91,170	4,456	48,410	2,052,738	52,769	5,072	57,841	2,110,579										
<b>Balance sheet amount at 31st March 2009<sup>1</sup></b>	901,291	968,157	86,397	3,643	45,220	2,004,708	50,042	802	50,844	2,055,552										

<sup>1</sup> See note 57

#### Nature of asset holding

Owned	925,378	712,403	91,170	4,456	48,410	1,781,817	52,769	5,072	57,841	1,839,658										
Private Finance Initiative	0	270,921	0	0	0	270,921	0	0	0	270,921										
<b>Total</b>	925,378	983,324	91,170	4,456	48,410	2,052,738	52,769	5,072	57,841	2,110,579										

21 FIXED ASSET VALUATIONS	Council Dwellings		Other Land and Buildings		Infrastructure		Equipment		Community		Operational		Investment Properties		Surplus Assets Held for Disposal or Redevelopment		Total Non-Operational		Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000
Valued at historic cost	0	0	91,170	4,456	48,410	144,036	0	0	0	0	144,036	0	0	0	0	0	0	0	0	144,036
Valued at current value in:																				
2009/10	925,378	100,641	0	0	0	1,026,019	0	0	0	0	1,026,019	0	0	0	0	0	0	0	0	1,026,019
2008/09	0	857,943	0	0	0	857,943	0	0	0	0	857,943	0	0	0	5,072	0	0	0	0	863,015
2007/08	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2006/07	0	24,740	0	0	0	24,740	0	0	0	0	24,740	0	0	0	0	0	0	0	0	24,740
2005/06	0	0	0	0	0	0	52,769	0	0	0	52,769	0	0	0	0	0	0	0	0	52,769
<b>Total</b>	925,378	983,324	91,170	4,456	48,410	2,052,738	52,769	5,072	57,841	2,110,579										

The following shows the progress of the Council's rolling programme for the revaluation of fixed assets.

Valued at historic cost

Valued at current value in:

2009/10  
2008/09  
2007/08  
2006/07  
2005/06

The freehold properties which comprise the Council's property portfolio have been valued by Royal Institute of Chartered Surveyors (RICS) qualified valuers as follows:

Dwellings - M.Checksfield, MRICS

Other assets - O.Saunders, MRICS and A.Osibogun, MRICS

#### **General Fund Property Valuation**

The Council operates a five-year rolling programme of revaluation. The valuations carried out complied with the requirements of Financial Reporting Standard (FRS) 15, "Tangible Fixed Assets", issued by the Accounting Standards Board. A table showing the analysis of revaluations of fixed assets is shown above.

Properties considered by the valuer to be specialised within the definition provided by FRS 15 were valued on the basis of Depreciated Replacement Cost where there is no active market for the asset being valued. Properties considered by the valuer to be non-specific were valued on an Existing Use Value basis. Community assets and infrastructure assets have been included at historic cost.

Independent RICS qualified valuers have undertaken a review of the value of assets as required under FRS 11, "Impairment of Fixed Assets", and consider that the value of the assets has not been impaired in 2009/10.

#### **Housing Revenue Account Property Valuation**

The valuation of Housing Revenue Account assets has been carried out by the District Valuer London (DVS) in accordance with guidelines produced by central government in the "Guidance on Stock Valuation for Resource Accounting".

For council dwellings the Major Repairs Allowance has been used as a reasonable estimate of depreciation, as it represents the estimated average annual cost of maintaining the condition of the housing stock over a 40 year period.

#### **Depreciation**

Depreciation on a straight line basis is provided for on all fixed assets with a finite useful life, except non-operational investment properties and land. Community assets are not depreciated as they have no determinable useful life. The depreciation bases adopted for each type of asset are disclosed in the Statement of Accounting Policies on page 12. The projected asset lives, which form the basis of the depreciation charges, are reviewed as part of the revaluation exercise.

## 22 CAPITAL EXPENDITURE AND FINANCING

(i) The following table shows how capital expenditure was financed in the year:

	2009/2010 £'000	2008/2009 As Restated <sup>1</sup> £'000
<b>Expenditure</b>		
Tangible Fixed Assets		
Operational	122,151	50,519
Non Operational	806	209
Intangible Fixed Assets	1,374	969
Deferred Consideration	0	1,002
Revenue Expenditure Funded from Capital Under Statute	15,045	16,281
<b>TOTAL</b>	<b>139,376</b>	<b>68,980</b>
<b>Source of Finance</b>		
Borrowing	22,934	23,846
Capital Receipts and Contributions	88,169	29,508
Major Repairs Reserve	13,836	12,311
Direct Revenue Funding	14,437	3,315
<b>TOTAL</b>	<b>139,376</b>	<b>68,980</b>

(ii) The following table shows the relationship to the Council's Capital Financing indicator under the Prudential Code for Capital Finance in Local Authorities:

	2009/2010 £'000	2008/2009 As Restated <sup>1</sup> £'000
<b>Opening Capital Financing Requirement</b>	<b>421,698</b>	<b>404,835</b>
<b>Capital Investment</b>		
Tangible Fixed Assets	122,957	51,730
Intangible Assets	1,374	969
Revenue Expenditure Funded from Capital Under Statute	15,045	16,281
<b>Sources of Finance</b>		
Capital Receipts and Contributions	(88,169)	(29,508)
Major Repairs Reserve	(13,836)	(12,311)
Direct Revenue Funding	(14,437)	(3,315)
Minimum Revenue Provision <sup>1</sup>	(6,902)	(6,983)
<b>Closing Capital Financing Requirement</b>	<b>437,730</b>	<b>421,698</b>
<b>Explanation of movements in the year</b>		
Increase (decrease) in underlying need to borrow (supported by Government financial assistance)	11,003	16,309
Increase in underlying need to borrow (unsupported by Government financial assistance)	5,029	554
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>16,032</b>	<b>16,863</b>

<sup>1</sup> Capital Financing Requirement (CFR) excludes Private Finance Initiative schemes.

## 23 ANALYSIS OF TANGIBLE FIXED ASSETS

The tangible fixed assets of the Council can be analysed as follows.

	2009/2010	2008/2009
<b>Land and buildings</b>	<i>Number</i>	<i>Number</i>
Dwellings	12,827	13,058
Administrative buildings	22	34
Commercial properties	399	492
Depots	8	6
Cemeteries	2	2
Public mortuary	1	1
Recreation and leisure facilities	34	25
Schools	81	48
Social services establishments - Residential Homes, Day Centres etc.	24	16
Other	121	74
	<i>Hectares</i>	<i>Hectares</i>
<b>Parks and open spaces</b>	242	238
	<i>Kilometres</i>	<i>Kilometres</i>
<b>Infrastructure</b>		
Principal built up roads	14.7	14.7
Other built up roads	248.2	248.2

## 24 CAPITAL COMMITMENTS

The Council had contractually binding capital commitments, in respect of schemes costing in excess of £1 million, totalling £59.9 million at 31st March 2010 (£52.7 million at 31st March 2009).

	Committed sum £m	Costs to 31/3/2010 £m	2010/2011 onwards £m
Building Schools for the Future:			
Bethnal Green Technology College	17.046	12.313	4.733
St Pauls Way Secondary School	36.055	20.276	15.779
Morpeth School	20.483	2.296	18.187
Sir John Cass school	17.100	2.072	15.028
Manorfield School extension	3.617	2.805	0.812
Marnier Primary School Phase 4	3.429	0.292	3.137
Smithy St Primary School	2.256	0.000	2.256
<b>TOTAL</b>	<b>99.986</b>	<b>40.054</b>	<b>59.932</b>

## 25 LEASES

The Council has identified a small number of finance leases. The amounts involved are not material to the Council's accounts and for accounting purposes the leases are treated as operational.

### Operating Leases

The Council was committed at 31 March 2010 to making payments of £8.127 million under operating leases as follows:

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000
Leases expiring in 2010/11	0	639
Leases expiring between 2011/12 and 2015/16	71	669
Leases expiring after 2015/16	6,443	305

## 26 INTANGIBLE FIXED ASSETS

These are computer software licences which are treated as non-financial fixed assets which do not have a substance but are controlled by and provide a future economic benefit to the Council. The cost of the licences is charged to revenue over the economic life of the licences, which is currently one year.

	Balance at 1/4/2009 £'000	Expenditure 2009-10 £'000	Revenue Charge 2009-10 £'000	Balance at 31/3/2010 £'000
Software licences	0	1,374	(1,374)	0

## 27 LONG TERM DEBTORS

	Balance at 1/4/2009 As Restated <sup>1</sup> £'000	Advances £'000	Income and adjustments £'000	Balance at 31/3/2010 £'000
Mortgages on Right to Buy properties	431	0	(99)	332
Sundry loans	424	554	(243)	735
<b>TOTAL LONG TERM DEBTORS</b>	<b>855</b>	<b>554</b>	<b>(342)</b>	<b>1,067</b>

<sup>1</sup> SORP 2009 requires amended accounting treatment for Private Finance Initiative (PFI) schemes. See Note 57 for more details. PFI schemes are no longer included as Long-Term debtors and 2008-09 figures have been restated accordingly.

## 28 STOCK AND WORK IN PROGRESS

	2009/2010 £'000	2008/2009 £'000
Work in progress	518	289
Stocks	13	14
<b>TOTAL STOCKS AND WORKS IN PROGRESS</b>	<b>531</b>	<b>303</b>

Work in progress consists of rechargeable works which are shown net of deposits.



## 29 DEBTORS AND PAYMENTS IN ADVANCE

	2009/2010	2008/2009 As Restated <sup>1</sup>
	£'000	£'000
Government	8,725	11,256
Her Majesty's Revenue and Customs	14,782	8,002
Council Taxpayers	14,496	10,566
Other local authorities	307	243
Rents: sundry tenants	4,421	4,792
Rents: homeless families	13,049	13,368
Employees	352	306
Payments in advance	4,695	3,563
Housing benefits overpayments	13,731	11,317
Controlled parking fees	7,534	5,749
Sundry	58,474	63,195
<b>TOTAL DEBTORS</b>	<b>140,566</b>	<b>132,357</b>
<b>Provisions for bad debts</b>		
Rents: sundry tenants	(2,631)	(3,207)
Housing benefits overpayments	(11,080)	(10,277)
Rents: homeless families	(13,192)	(13,154)
Controlled parking fees	(6,865)	(5,437)
Council Taxpayers	(5,135)	(4,979)
Sundry	(13,043)	(14,685)
<b>TOTAL PROVISIONS FOR BAD DEBTS</b>	<b>(51,946)</b>	<b>(51,739)</b>
<b>TOTAL NET DEBTORS</b>	<b>88,620</b>	<b>80,618</b>

<sup>1</sup> SORP 2009 requires revised accounting treatment of the debtor / creditor relationship between the Council and the Government (in respect of National Non-Domestic Rates) and the Greater London Authority (in respect of Council Tax). 2008-09 figures have been restated accordingly. See Note 57 for more details.

<sup>2</sup>See Note 30

## 30 DEFERRED CONSIDERATIONS

Deferred considerations were in respect of initial capital contributions by the Council under Private Finance Initiative schemes, which were written off to the appropriate service revenue accounts over the lifetime of the contracts. SORP 2009 requires amended accounting treatment for Private Finance Initiative (PFI) schemes. See Note 57 for more details. PFI schemes are no longer included as Deferred Considerations and 2008-09 figures have been restated accordingly.

	2009/2010	2008/2009 As Restated
	£'000	£'000
Balance at beginning of year	0	26,241
SORP 2009 restatement	0	(26,241)
<b>BALANCE AT END OF YEAR</b>	<b>0</b>	<b>0</b>

## 31 FINANCIAL ASSETS AND LIABILITIES

With effect from 1 April 2007, local authorities have had to adopt a major change of accounting policy in order to comply with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom – the Statement of Recommended Practice 2007, issued by the Chartered Institute of Public Finance and Accountancy / LASAAC Joint Committee.

### Amortised Cost

This change in accounting standards has meant that most financial instruments (whether borrowing or investment) in 2007/08 and subsequent years, have to be valued on an amortised costs basis using the effective interest rate (EIR) method.

### Fair Value

In these disclosure notes, financial instruments are also required to be shown at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

## 31 FINANCIAL ASSETS AND LIABILITIES (contd)

### Compliance

The Council has:

- 1 Adopted the CIPFA's Treasury Management in the Public Services: Code of Practice.
- 2 Set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code .

### Types of Financial Instruments

Accounting regulations require the financial instruments (investment, lending and borrowing of the Council) shown on the balance sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the balance sheet are made up of the following categories of "financial instruments".

Financial Instrument Balances	Long-Term		Current		Total	
	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010	2008/2009
	£'000	As Restated <sup>1</sup> £'000	£'000	As Restated <sup>1</sup> £'000	£'000	As Restated <sup>1</sup> £'000
Financial Liabilities						
Borrowings at amortised cost	302,475	249,075	14,633	15,611	317,108	264,686
Deferred Liabilities (PFI)	38,287	38,637	691	699	38,978	39,336
Investments						
Loans and receivables	0	0	85,508	78,427	85,508	78,427

The adjustments are as set out below:

	2009/2010	2008/2009
	£000s	As Restated <sup>1</sup> £000s
Balance Sheet: long term loans	302,475	249,075
Balance Sheet: deferred liability	38,287	38,637
Balance Sheet: short term loans	15,324	16,310
<b>Total Borrowing</b>	<b>356,086</b>	<b>304,022</b>

For comparison purposes 2008/09 figures have been restated to reflect the reclassification of accrued interest of £2.71m from long-term to short-term borrowing.

### Gains and Losses on Financial Instruments

The gains and losses recognised in the Income and Expenditure Account in relation to financial instruments are made up as follows:

	2009/2010		2008/2009	
	Financial Liabilities measured at amortised cost	Financial Assets Loans and receivables	Financial Liabilities measured at amortised cost	Financial Assets Loans and receivables
	£000s	£000s	As Restated <sup>1</sup> £000s	£000s
Interest expense	27,379		29,361	
Interest income		1,313		6,059
<b>TOTAL INTEREST AND INVESTMENT INCOME</b>	<b>27,379</b>	<b>1,313</b>	<b>29,361</b>	<b>6,059</b>

The interest payable relates to third party debt and excludes interfund interest payments amounting to £0.296 million. These payments to the HRA and Pension Fund have been included in the balance sheet.

### Fair Value of Assets and Liabilities carried at Amortised Cost

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below.

### Methods and Assumptions in valuation technique

The fair value of an instrument is determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling.

The rates quoted in this valuation were obtained by the Council's treasury management consultants from the market on 31st March, using bid prices where applicable.

## 31 FINANCIAL ASSETS AND LIABILITIES (contd)

The calculations are made with the following assumptions:

- The PWLB liabilities have been calculated by reference to the "Premature Redemption" set of rates in force on the 31st March 2010.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- Interpolation techniques have been used between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- Fair values for all instruments in the portfolio have been calculated, but only those which are materially different from the carrying value are disclosed.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are as follows

### Fair Value of Liabilities Carried at Amortised Cost

Public Works Loans Board
Lender's option, borrower's option loans
Short term
PFI
Financial liabilities

2009/2010	2009/2010	2008/2009	2008/2009
£'000	£'000	As Restated <sup>1</sup>	£'000
Carrying amount	Fair value	Carrying amount	Fair value
233,723	298,874	247,113	330,715
77,608	85,606	17,573	18,337
5,777	5,777	0	0
38,978	38,978	39,336	39,336
<b>356,086</b>	<b>429,235</b>	<b>304,022</b>	<b>388,388</b>

Fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower/higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

### Fair Value of Assets Carried at Amortised Cost

Cash deposits with banks and other financial institutions
Fixed term deposits with banks and building societies
Advance to Pension Fund
Equity Shares (not quoted in an active market)
<b>TOTAL</b>

2009/2010	2009/2010	2008/2009	2008/2009
Carrying amount	Fair value	Carrying amount	Fair value
£'000	£'000	£'000	£'000
44,690	44,690	49,170	49,170
40,466	40,484	25,541	25,626
-	-	3,364	3,364
352	352	352	352
<b>85,508</b>	<b>85,526</b>	<b>78,427</b>	<b>78,512</b>

The fair value is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate is receivable is lower/higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above/below current market rates increases the amount that the authority would receive if it agreed to early repayment of loans.

### Nature and extent of risks arising from Financial Instruments

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

#### 1. Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits with institutions to a maximum of £10 million - £25 million.

The following maturity profile summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

Cash deposits with banks
Fixed term deposits with banks and other financial institutions:
1 - 3 months
3 - 6 months
6 - 12 months
> 12 months
<b>TOTAL</b>

Amounts at 31 March 2010	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2010	Estimated maximum exposure to default and uncollectability
£'000	%	%	£'000
44,690	-	-	-
20,466	-	-	-
15,000	-	-	-
5,000	-	-	-
352	-	-	-
<b>85,508</b>	<b>0</b>	<b>0</b>	<b>0</b>

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

## 31 FINANCIAL ASSETS AND LIABILITIES (contd)

The Council does not generally allow credit for customers, such that £2.588 million of the £28.191 million balance is past its due date for payment, but not impaired. The past due amount can be analysed by age as follows:

	31 March 2010 £'000	31 March 2009 £'000
Credit Risk		
Three to six months	474	598
Six months to one year	1,061	1,336
More than one year	1,053	1,327
<b>TOTAL</b>	<b>2,588</b>	<b>3,261</b>

### 2. Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 20% of loans are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity structure of financial liabilities is as follows (at nominal value):

	2009/2010 £'000	2008/2009 £'000
Loans outstanding		
Public Works Loans Board	233,723	247,113
Market debt	77,608	17,573
Temporary Borrowing	5,777	0
PFI	38,978	39,336
<b>TOTAL</b>	<b>356,086</b>	<b>304,022</b>
Less than 1 year	15,324	16,310
Between 1 and 2 years	26,244	6,970
Between 2 and 5 years	46,859	60,620
Between 5 and 10 years	125,350	119,284
More than 10 years	142,309	100,838
<b>TOTAL</b>	<b>356,086</b>	<b>304,022</b>

### 3. Market Risk

#### Interest rate risk

The Council is exposed to interest rate risk in two different ways - the uncertainty of interest paid/received on variable rate instruments and the effect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account.

• The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the Statement of Recognised Gains & Losses.

• The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 20% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of higher costs.

The treasury management strategy assesses interest rate exposure - this feeds into the setting of the annual budget.

According to this assessment strategy, at 31 March 2010, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2009/2010 £'000	2008/2009 £'000
<b>Interest Rate Risk</b>		
Increase in interest payable on variable rate borrowings	57	0
Increase in interest receivable on variable rate investments	748	(1,037)
Impact on Income and Expenditure Account	<b>805</b>	<b>(1,037)</b>

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

#### Price risk

The Council does not generally invest in equity shares but does have the following shareholdings acquired in association with its activities:

	2009/2010 £'000	2008/2009 £'000
London Mutual Insurance Limited	346	346
The Tower Hamlets Local Education Partnership	7	7
<b>Total</b>	<b>353</b>	<b>353</b>

### 32 CREDITORS AND RECEIPTS IN ADVANCE

	2009/2010 £'000	2008/2009 As Restated <sup>1</sup> £'000
Government	20,245	36,905
Her Majesty's Revenue and Customs	8,649	8,297
Council Taxpayers	8,867	5,503
Rents: sundry tenants	1,180	1,109
Rents: homeless families	307	240
Receipts in advance	38,151	40,600
Sundry	52,303	39,512
<b>TOTAL CREDITORS</b>	<b>129,702</b>	<b>132,166</b>

<sup>1</sup> SORP 2009 requires revised accounting treatment of the debtor / creditor relationship between the Council and the Government (in respect of National Non-Domestic Rates) and the Greater London Authority (in respect of Council Tax). 2008-09 figures have been restated accordingly. See Note 57 for more details.

### 33 EVENTS AFTER THE BALANCE SHEET DATE

No post balance sheet events have been identified that would materially affect the financial statements.

### 34 CAPITAL GRANTS UNAPPLIED

	2009/2010 £'000	2008/2009 £'000
Balance at 1 April	37,363	21,234
Capital grants received	68,917	36,716
Total receipts for year	106,280	57,950
Receipts applied to finance capital expenditure	(67,769)	(20,587)
<b>Balance as at 31st March</b>	<b>38,511</b>	<b>37,363</b>

### 35 DEFERRED GOVERNMENT GRANTS AND CONTRIBUTIONS

These represent grants and contributions which have been applied to fund capital expenditure. They are released to revenue to match depreciation on the assets they funded, or fully released to revenue if there is no depreciation.

	2009/2010 £'000	2008/2009 £'000
<b>Balance brought forward</b>	96,139	99,788
Grants and contributions applied to capital investments	76,781	22,202
Amounts released in year	(37,275)	(25,851)
Amounts released relating to assets disposed of in 2009/10	(4,781)	0
<b>Balance carried forward</b>	<b>130,864</b>	<b>96,139</b>

### 36 DEFERRED INCOME - RECEIPT IN ADVANCE

The Council was paid an incentive (reverse premium) to enter into the lease of an administrative building. The premium is being released to revenue over the term of the lease and is classified as "deferred income - receipt in advance" in the Council's Balance Sheet.

	Balance at 31 March 2009 £'000	Released in year £'000	Balance at 31 March 2010 £'000
Administrative buildings lease reverse premium	11,006	(1,189)	9,817

## 37 PROVISIONS

The nature of provisions and movements during the year are set out below.

	Balance at 1/4/2009 £'000	Used in Year £'000	Contribution in Year £'000	Balance at 31/3/2010 £'000
(a) Insurance Fund	4,876		1,622	6,498
(b) Single Status	426	(135)		291
(c) Liability to DEFRA for BMW landfill usage	6		645	651
(d) Repayment of deposits	391		127	518
(e) Education salaries liability	25	(25)		0
(f) Repayment of European funding	394			394
(g) Pension liability - part time staff	400			400
(h) Primary Care Trust nursing charges	0		88	88
(i) Barkantine PFI	1,596		393	1,989
(j) Dangerous structures	13	(13)		0
(k) Youth and community contracts	101	(101)		0
(l) Metropolitan Police	176			176
(m) Employment Tribunal	60		90	150
(n) Commissioning Responsibility	53	(53)		0
(o) Adoption Fees	43		18	61
<b>TOTAL</b>	<b>8,560</b>	<b>(327)</b>	<b>2,983</b>	<b>11,216</b>

- (a) To cover a range of self-insured risks including personal accident cover for staff, motor car credit guarantee insurance and miscellaneous items of property. Amounts are transferred to the provision from the insurance reserve on an annual basis if a reliable estimate can be made of the likely settlement amount.
- (b) For additional costs resulting from the single status agreement which changed employees' conditions of service. £135,000 of the provision was used during the year.
- (c) The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities (WDAs) to reduce the amount of Biodegradable Municipal Waste (BMW). The Landfill Allowance Trading Scheme allocates tradable landfill allowances to each WDA up to a defined upper limit. As landfill is used, a liability is recognised for actual BMW landfill usage.
- (d) The provision is used to hold deposits received from contractors with approval for erecting temporary structures. On completion of the work, the deposits will be refunded to the contractors, less deductions for any liabilities incurred.
- (e) This provision was to accommodate the anticipated pay rise due to ex-employees following the cessation of the national pay body in 1994. Following review, this provision is no longer required.
- (f) There are a number of European funded schemes where there is a probability that grant will need to be repaid.
- (g) To reflect the potential liability for 40 ex-employees, based on the additional pension contribution costs that the Council would have incurred if these staff had been allowed to join the pension fund.
- (h) A provision for the likely, but currently disputed, payment of bills received from THPCT in respect of nursing costs.
- (i) To provide for the potential liability of PFI credits not being issued by the DCLG for the Barkantine PFI Scheme.
- (j) The Council was in dispute over the cost of various works under its dangerous structure obligations. The provision was established to meet the cost of these works once the amount of the liability has been agreed. The dispute has been resolved, an amount agreed in settlement and the provision is no longer required.
- (k) The youth work contracts provided for a 10% bonus to be paid at the end of each contract year. This provision was to meet this obligation. The amounts to be paid were calculated in 2009-10 and treated as creditors. The provision is therefore no longer required.
- (l) To provide for the repayment of grant either to the Metropolitan Police or the Home Office. There are current discussions with the Home Office on repayment which is anticipated in 2010-11.
- (m) To provide for payment following an unfair dismissal by the Council. The provision required has been reviewed and increased.
- (n) Originally a provision for the disputed payment for a former borough resident's nursing care. It has been determined that the Council is not responsible for the assessed contribution and the provision is no longer required.
- (o) Provision for the final payment to other authorities should particular children placed with potential adopters resident in other boroughs ultimately be legally adopted. The required provision has been reviewed and increased.

### 38 MOVEMENT ON RESERVES

The Council 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.

	Balance at 1/4/2009 As Restated <sup>1</sup> £'000	Movement in year £'000	Balance at 31/03/2010 £'000	Purpose of Reserve	Further Detail of Movements
Revaluation Reserve <sup>1</sup>	486,712	23,426	510,138	To record unrealised revaluation gains (since 1 April 2007) from holding fixed assets. The balance does not represent cash resources available to the Council.	See note 39
Capital Adjustment Account <sup>1</sup>	994,431	(18,797)	975,634	A balancing mechanism between the different rates at which assets are depreciated under the SORP and financed through the capital controls system. The balance does not represent cash resources available to the Council.	See note 41
Capital Receipts Reserve	18,091	(1,782)	16,309	Proceeds of fixed asset sales available to meet future capital investment	See note 42
Financial Instruments Adjustment Account	280	484	764	Premia and discounts on the premature redemption of debt to be transferred to revenue over the residual term of the loan	See note 40
Pensions Reserve	(270,565)	(400,128)	(670,693)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See note 47
Housing Revenue Account	23,301	(10,323)	12,978	Resources available to meet future costs for council houses	See pages 56-61
Major Repairs Reserve	2,354	(1,280)	1,074	Resources available to meet capital investment in council housing	See page 59
General Fund	27,102	31	27,133	Resources available to meet future costs for non-housing services. Schools' Balances are included in Earmarked Reserves.	See page 18
Earmarked Reserves (including schools' balances)	101,865	(2,976)	98,889	Amounts carried forward to meet known liabilities in the future.	See note 46
<b>TOTAL</b>	<b>1,383,571</b>	<b>(411,345)</b>	<b>972,226</b>		

<sup>1</sup> As adjusted. See note 57

### 39 REVALUATION RESERVE

	2009/2010 £'000	2008/2009 As Restated <sup>1</sup> £'000
<b>Balance at 1st April</b>	486,712	335,449
Revaluation gains on assets revalued in year	39,641	301,288
Balances written off on assets disposed of in year	(8,759)	(587)
Balances written off on impairment losses in year	0	(141,342)
Difference between depreciation on current value and depreciation on historic cost	(7,456)	(8,096)
<b>BALANCE AT 31st MARCH</b>	<b>510,138</b>	<b>486,712</b>

The Revaluation Reserve records unrealised revaluation gains (since 1 April 2007) from holding fixed assets. The balance on the account is matched by fixed assets within the Balance Sheet and does not represent cash resources available to the Council.

<sup>1</sup> See note 57

### 40 FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

This account represents the balance of deferred premia and discounts relating to the premature redemption of Public Works Loans Board (PWLb) debt prior to 2009-10.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2007 permit councils to hold the total amount in this account and debit or credit the amounts to revenue over the residual term of the redeemed loan.

	2009/2010 £'000	2008/2009 £'000
<b>Balance at 1st April</b>	280	2,555
Premia - prior year adjustment <sup>1</sup>	0	(2,839)
Annual transfer to revenue	484	564
<b>BALANCE AT 31st MARCH</b>	<b>764</b>	<b>280</b>

<sup>1</sup> The accounting treatment of premia in 2007-08 was reviewed. The balance outstanding previously served to reduce Long Term Liabilities - Long term borrowing, on the Council's Balance Sheet. It was transferred to this account in 2008-09 to reflect best practice.

#### 41 CAPITAL ADJUSTMENT ACCOUNT

	2009/2010 £'000	2008/2009 As Restated <sup>1</sup> £'000
<b>BALANCE AT 1st APRIL</b>	<b>994,431</b>	<b>1,019,095</b>
<b>Fixed Asset Adjustments</b>		
Depreciation (General Fund)	(17,202)	(20,528)
Depreciation (HRA)	(12,892)	(12,558)
Impairment (GF)	(30,073)	(31,750)
Difference between depreciation on current value and depreciation on historic cost	5,152	8,096
Sales of Fixed Assets	(483)	(5,911)
Write-off of Fixed Assets	(27,038)	0
Impairment relating to Housing Stock Transfer	(6,842)	0
Impairment relating to Demolitions of Fixed Assets	(10,718)	0
Write out Revaluation Reserve Balance on Assets Disposed of in Year	8,741	587
Write out Deferred Capital Contributions Balance on Assets Disposed of in Year	4,782	0
<b>Amortisation of Revenue Expenditure Funded from Capital under Statute</b>	<b>(16,419)</b>	<b>(18,684)</b>
<b>Resources set aside to finance Capital Expenditure</b>		
Capital Receipts	11,387	7,306
Capital Grants and Contributions	37,275	25,851
Direct Revenue Financing (General Fund)	8,437	3,315
Direct Revenue Financing (HRA)	6,000	0
Major Repairs Allowance	13,836	12,311
Minimum Revenue Provision	7,260	7,301
<b>BALANCE AT 31st MARCH</b>	<b>975,634</b>	<b>994,431</b>

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and financed through the capital controls system. The balance is matched by fixed assets within the Balance Sheet and does not represent cash resources available to the Council.

<sup>1</sup> See note 57

#### 42 CAPITAL RECEIPTS RESERVE

	Housing £'000	Other £'000	Total £'000
<b>Balance at 1st April, 2009</b>	<b>0</b>	<b>18,091</b>	<b>18,091</b>
Receipts from sales of assets	1,329	0	1,329
Unattached receipts	432	8,303	8,735
Deferred capital receipts	113	0	113
Receipts paid to central government	(572)	0	(572)
Receipts applied to finance capital expenditure	(1,302)	(10,085)	(11,387)
<b>BALANCE AT 31st MARCH 2010</b>	<b>0</b>	<b>16,309</b>	<b>16,309</b>

#### 43 DEFERRED CAPITAL RECEIPTS

Deferred capital receipts relate to principal repayments due from mortgages granted for the purchase by individuals of council houses.

	2009/2010 £'000	2008/2009 £'000
Mortgages	298	412
	<b>298</b>	<b>412</b>



## 44 STREET TRADING ACCOUNT

	2009/2010 £'000	2008/2009 £'000
<b>Expenditure</b>		
Employee costs	893	985
Refuse collection and disposal	659	682
Support services	317	311
Other expenditure	133	110
Increase in provision for bad debts	-	30
<b>Total Expenditure</b>	<b>2,002</b>	<b>2,118</b>
<b>Income</b>		
Street trading charges	2,066	2,107
Other income	-	115
Decrease in provision for bad debts	24	-
<b>Total Income</b>	<b>2,090</b>	<b>2,222</b>
<b>Deficit/(surplus) for the year</b>	<b>(88)</b>	<b>(104)</b>
Balance at 1st April	298	402
Deficit/(surplus) for the year	(88)	(104)
<b>Balance at 31st March</b>	<b>210</b>	<b>298</b>

The Council operates a separate Street Trading Account under the London Local Authorities Act 1990. S.32 of the Act enables the Council to recover from the traders the reasonable costs in connection with their functions under the Act - notably, refuse collection/disposal and administrative/technical support. The overall deficit on the account serves to reduce the Council's General Fund balance.

## 45 CONTINGENT LIABILITIES

### Housing Transfers to Registered Social Landlords

Between March 1998 and March 2010 the Council transferred tenanted and leasehold properties to other landlords - 7,457 to Poplar Housing and Regeneration Community Association; 2,392 to Tower Hamlets Community Housing; 970 to Swan Housing Association; 3,537 to Eastend Homes; 1,985 to Toynbee Island Homes; 238 to Bethnal Green and Victoria Park Housing Association and 106 to Spitalfields HA. The Council has given warranties to provide the funders of those landlords with a level of comfort in relation to their loans, which represents a potential liability to the Council. The amount of the potential liability cannot be determined with any certainty at present.

	2009/2010 £'000	2008/2009 £'000
<b>Corporate</b>		
(a) Insurance Reserve	24,734	26,096
(b) Area Based Grant Reserve	3,724	5,744
(c) Decent Homes	19,659	23,662
(d) Final accounts review	2,724	2,724
(e) Performance related grant	1,452	2,348
(f) Olympic legacy	1,500	2,110
(g) Personal computers refresh	1,417	1,355
(h) Single status	1,205	1,205
(i) Town centres improvements	725	725
(j) Efficiency reserve	1,885	689
<b>Chief Executive's</b>		
(k) Corporate initiatives	1,441	1,791
(l) Partnerships	446	-
(m) Miscellaneous Information Technology (IT) projects	-	213
(n) Elections	280	150
(n2) Beacon Council Scheme	231	-
(o) Underspend carried forward	953	100
<b>Resources</b>		
(p) Underspend carried forward	193	-
<b>Development and Renewal</b>		
(q) Regeneration	1,738	1,738
(r) Homelessness	2,451	1,851
(s) Planning development	3,142	1,236
(t) Access to employment	1,363	-
(u) Third party loans	350	-
(v) Land charges	71	-
(w) Building Control	-	247
(x) Community use of buildings	200	200
(y) Neighbourhood Renewal	-	2,468
(z) Crossrail	30	90
(aa) Ocean New Deal for Communities	459	359
<b>Communities Localities and Culture</b>		
(bb) Parking Control Account	1,828	957
(cc) Tower Hamlets Mela	133	288
(dd) Food waste recycling programme	-	220
(ee) Civil Contingencies	33	150
(ff) Blackwall depot	50	50
(gg) Underspend carried forward	309	-
<b>Children Schools and Families</b>		
(hh) Schools delegated balances	19,111	20,536
(ii) Unapplied rate rebates	792	1,970
(jj) Special needs	-	93
<b>Adults Health and Wellbeing</b>		
(kk) Health, Mental Health and Stroke services	1,023	-
(ll) Underspend carried forward	301	-
(mm) Framework I	500	500
(nn) Transforming Social Care	1,477	-
(oo) Supporting People	959	-
	<b>98,889</b>	<b>101,865</b>

The nature of the above reserves is described below and on the following pages.

- (a) The Council is self insured for most liability and property risks. The level of the reserve is reviewed annually and where appropriate an amount transferred to the Insurance Provision. During the year the reserve reduced by £1.4 million (£1.6 million transferred into the insurance provision, offset by a budgetted contribution into the reserve).

## 46 EARMARKED RESERVES (contd)

- (b) A reserve created in 2008-09 to earmark and carry forward unused Area Based Grant into the following year. During the year £2,321,000 of the reserve was used to finance expenditure. The reserve was increased by £301,000 to carry forward additional grant into 2010-11.
- (c) £10.7 million of this reserve is to fund capital schemes. The balance of £9 million is earmarked for potential future costs associated with the outsourcing of the Council's housing repairs and improvements service (£0.4 million used during the year).
- (d) Held to meet any liabilities identified following a review of the Council's final accounts and balance sheet.
- (e) This reserve represents grant received which will be used to deliver improved outcomes in accordance with the Local Area Agreement.
- (f) For the purpose of making a grant available, should it be necessary, to the developers of the Olympic Aquatics Centre.
- (g) A reserve established to meet the future cost of replacing personal computers.
- (h) A reserve established to meet potential costs resulting from a reduction in the basic week for former manual employees, and other potential claims.
- (i) A reserve previously established from LAGBI resources, earmarked for the future improvement of town centres.
- (j) A reserve to meet the cost of technology driven efficiency initiatives.
- (k) This reserve was established to provide time-limited resources to accelerate performance improvement.
- (l) A new reserve established to carry forward unspent budget provision on partnership workstreams.
- (m) This reserve was established to fund specific projects. The balance was brought forward as an underspend of budget in 2008-09 and was applied in 2009-10.
- (n) This reserve was originally established to meet the cost of the May 2010 local borough elections. It was increased by carrying forward a 2009-10 underspend and is to be used for all elections in 2010.
- (n2) A reserve established from grant monies and earmarked to progress future Beacon Council initiatives.
- (o) A reserve established to carry forward unspent Chief Executive's budget provision.
- (p) A reserve established to carry forward unspent Resources Directorate budget provision.
- (q) A reserve established from grant monies and earmarked to progress future regeneration initiatives.
- (r) A reserve to meet the cost of future homelessness initiatives.
- (s) A reserve established from grant monies and earmarked to finance future planning function initiatives including the digitisation of records; and Local Development Framework and Customer Contact Centre related expenditure.
- (t) A new reserve which amalgamates existing Government Grants for use by the Access to Employment Service.
- (u) A new reserve to meet the cost of any default in respect of third party loans.
- (v) A new reserve to which is transferred the surplus generated by land charges. The reserve will be taken into account when setting future years' fee structures for the service.
- (w) Under Government regulations chargeable building control activities should break even over a 3 year period. The reserve represents previous years' surpluses on such activities and was used to part finance a deficit in 2009-10.

## 46 EARMARKED RESERVES (contd)

- (x) A reserve to fund future strategies in respect of the community use of buildings.
- (y) During the year £2.0 million of this reserve was used on the Housing overcrowding strategy and £0.35 million for legacy issues from the Davenant Centre. The balance was transferred to the Regeneration reserve.
- (z) A reserve to fund future Council costs arising from this major construction project.
- (aa) This reserve combined existing New Deal for Communities (NDC) reserves and is earmarked towards the Ocean NDC regeneration programme and support for the Ocean regeneration trust. £100,000 was added to the reserve during the year in respect of the resident wardens project.
- (bb) This reserve has been created and increased using part of the Parking Control account surplus for the year. It will be used for future operational activities.
- (cc) A reserve to fund the Council's management and organisation of the Mela in 2010 and support the creation of a new community trust to deliver the Mela in future years.
- (dd) This reserve, established to facilitate the continuing rollout of the Council's Food Waste Recycling Programme, was fully used during the year..
- (ee) A reserve to fund business continuity options.
- (ff) A reserve to provide for necessary security works at Blackwall depot. Expenditure now anticipated in 2010-11.
- (gg) A reserve established to carry forward unspent Communities Localities and Culture Directorate budget to the next financial year.
- (hh) This reserve represents unapplied revenue balances held by the Council on behalf of schools with delegated spending authority. The balance is committed to be spent on the education service.
- (ii) Resources generated by reviews of the rateable values of Children's Services properties, earmarked for future improvements to Children's Services building stock.
- (jj) A reserve for dealing with special educational needs cases. The reserve is no longer required.
- (kk) A new reserve which amalgamates existing Government Grants for use by the services specified.
- (ll) A reserve established to carry forward unspent Adults Health and Wellbeing Directorate budget to the next financial year.
- (mm) This reserve is to enable the implementation of a new client database using new software called "Framework I".
- (nn) A reserve established from grant monies and earmarked to progress future Transforming Social Care initiatives.
- (oo) A reserve established from grant monies and earmarked to progress future Supporting People initiatives.

### Participation in pensions schemes

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not be payable until employees retire, the Council has a commitment to make the payments which needs to be disclosed at the time the employees earn their future entitlement.

The Council participates in three pensions schemes:

- The Local Government Pension (LGP) Scheme administered by the Council
- The Local Government Pension Scheme, administered by the London Pensions Fund Authority
- The Teachers' Pension Scheme (TPS), administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF).

The LGP schemes are funded defined benefit final salary schemes, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The TPS is an unfunded defined benefit final salary scheme meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet pensions payments as they eventually fall due. It does, however, use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities (LEAs) of which the Council is one. It is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees and it is therefore accounted for on the same basis as a defined contribution scheme. This means that contributions are included on the basis of the actual amount paid into the scheme.

### Transactions Relating to Retirement Benefits

The cost of LGPS retirement benefits is recognised in the Net Cost of Services when the benefits are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year. The real cost of retirement benefits is therefore reversed out in the Statement of Movement in the General Fund Balance (SMGFB). The following transactions have been made in the Income and Expenditure Account and SMGFB during the year:

	The Council		LPFA		Total	
	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010	2008/2009
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income and Expenditure Account</b>						
<b>Net Cost of Services</b>						
Current service costs	13,755	16,732	342	407	14,097	17,139
Past service costs	0	6,681	0	237	0	6,918
Impact of settlements and curtailments	1,097	1,958	0	0	1,097	1,958
<b>Net Operating Expenditure</b>						
Interest cost	55,993	57,960	3,175	3,309	59,168	61,269
Expected return on assets in the scheme	(34,741)	(47,033)	(1,540)	(2,002)	(36,281)	(49,035)
<b>Net Charge to the Income and Expenditure Account</b>						
	36,104	36,298	1,977	1,951	38,081	38,249
<b>Statement of Movement in the General Fund Balance</b>						
Reversal of net charges made for retirement benefits in accordance with FRS 17	(36,104)	(36,298)	(1,977)	(1,951)	(38,081)	(38,249)
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>						
	33,232	35,272	1,013	1,082	34,245	36,354

In 2009-10 the Council paid £14.261 million into the Teachers Pension Scheme, representing 14.1% of pensionable pay. The figures for 2008-09 were £13.465 million and 14.1% respectively. In addition, the Council is responsible for all pension payments and annual increases in respect of added years it has awarded. In 2009-10 this amounted to £0.43 million (£0.43 million in 2008-09).

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £379.599 million (£83.135 million in 2008-09) were included in the Statement of Total Recognised Gains and Losses (STRGL). The cumulative amount of actuarial losses recognised in the STRGL is £435.431 million.

## Assets and Liabilities in Relation to Retirement Benefits

## Reconciliation of present value of scheme liabilities (LGPS):

	The Council		LPFA		Total	
	2009/2010 £'000	2008/2009 £'000	2009/2010 £'000	2008/2009 £'000	2009/2010 £'000	2008/2009 £'000
1st April	(815,900)	(837,851)	(47,051)	(48,839)	(862,951)	(886,690)
Current service cost	(13,755)	(16,732)	(342)	(407)	(14,097)	(17,139)
Interest cost	(55,993)	(57,960)	(3,175)	(3,309)	(59,168)	(61,269)
Contributions	(8,478)	(8,610)	(142)	(148)	(8,620)	(8,758)
Actuarial gains / (losses)	(525,563)	84,292	(19,369)	3,309	(544,932)	87,601
Benefits paid	32,294	29,600	2,577	2,580	34,871	32,180
Past service costs	0	(6,681)	0	(237)	0	(6,918)
Losses on curtailments	(1,097)	(1,958)		0	(1,097)	(1,958)
31st March	(1,388,492)	(815,900)	(67,502)	(47,051)	(1,455,994)	(862,951)

## Reconciliation of fair value of the scheme assets (LGPS):

	The Council		LPFA		Total	
	2009/2010 £'000	2008/2009 As restated £'000	2009/2010 £'000	2008/2009 As restated £'000	2009/2010 £'000	2008/2009 As restated £'000
1st April	555,794	661,906	36,592	41,758	592,386	703,664
Expected rate of return	34,741	47,033	1,540	2,002	36,281	49,035
Actuarial (losses) / gains	145,965	(167,427)	2,676	(5,818)	148,641	(173,245)
Contributions						
Members	8,478	8,610	142	148	8,620	8,758
Employer	33,232	35,272	1,013	1,082	34,245	36,354
Benefits paid	(32,294)	(29,600)	(2,577)	(2,580)	(34,871)	(32,180)
31st March	745,916	555,794	39,386	36,592	785,302	592,386

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

## Scheme history

	2009/2010 £'000	2008/2009 £'000	2007/2008 £'000	2006/2007 £'000	2005/2006* £'000
Present value of liabilities:					
The Council	(1,388,492)	(815,900)	(837,851)	(986,327)	(989,200)
LPFA	(67,502)	(47,051)	(48,839)	(54,198)	(55,110)
Fair value of assets					
The Council	745,916	555,794	661,906	692,748	639,300
LPFA	39,386	36,592	41,758	39,087	39,031
Deficit in the scheme					
The Council	(642,576)	(260,106)	(175,945)	(293,579)	(349,900)
LPFA	(28,116)	(10,459)	(7,081)	(15,111)	(16,079)
<b>Total deficit in the schemes</b>	<b>(670,692)</b>	<b>(270,565)</b>	<b>(183,026)</b>	<b>(308,690)</b>	<b>(365,979)</b>

\* The Council has elected not to restate fair value of assets for 2005/06 as permitted by FRS 17 (as revised)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. Whilst the total deficit in the schemes of £670.7 million has a significant impact on the net worth of the Council as recorded in the balance sheet, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy - the deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the schemes' actuary.

The contributions expected to be made by the Council in the year to 31st March 2011 are £33.72 million to the Council's scheme and £0.50 million to the LPFA scheme.

**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method - an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both schemes have been assessed by Hymans Robertson, an independent firm of actuaries, based on the following main assumptions.

	The Council		LPFA	
	2009/2010	2008/2009	2009/2010	2008/2009
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.8%	7.0%	7.3%	7.0%
Target return portfolio			5.0%	
Property	5.8%	4.9%		
Bonds	5.0%	5.4%		
Cashflow matching			4.5%	4.2%
Cash	4.8%	4.0%	3.0%	4.0%
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	20.8 years	19.6 years	21.0 years	21.0 years
Women	24.1 years	22.5 years	23.4 years	23.4 years
Longevity at 65 for future pensioners:				
Men	22.8 years	20.7 years	22.0 years	23.0 years
Women	26.2 years	23.6 years	24.2 years	24.2 years
Rate of inflation	3.8%	3.1%	3.9%	3.1%
Rate of increase in salaries	5.3%	4.6%	5.4%	4.6%
Rate of increase in pensions	3.8%	3.1%	3.9%	3.1%
Rate for discounting scheme liabilities	5.5%	6.9%	5.5%	6.9%
Take-up of option to convert annual pension into retirement lump sum	50%*	50%		

\* Pre-April 2008 service - 75% for post-April 2008 service

**Major categories of assets as a proportion of total assets**

The major categories of assets are as follows.

	The Council		LPFA	
	2009/2010	2008/2009	2009/2010	2008/2009
Equities	66%	58%	11%	8%
Bonds	22%	27%		
Property	9%	10%		
Cash	3%	5%	-3%	1%
Cashflow matching			38%	91%
Target return portfolio			54%	

**History of experience gains and losses**

The actuarial gains and losses identified as movements on the Pension Reserve in 2009-10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2010:

	2009-10	2008-09	2007-08	2006-07	2005-06
	%	%	%	%	%
<b>The Council</b>					
Experience gains and (losses) on assets	19.57	-30.12	-14.34	0.07	13.08
Experience gains and (losses) on liabilities	0.00	0.00	-4.38	0.00	-0.02
<b>London Pensions Fund Authority</b>					
Experience gains and (losses) on assets	6.79	-15.90	6.17	0.00	3.72
Experience gains and (losses) on liabilities	-0.78	0.27	-4.24	0.29	0.19

## 48 TRUST FUNDS

The Council acts as trustee for a number of Trust Funds, the principal ones being shown below. It should be noted that the Council's Balance Sheet does not include all Trust Fund assets and liabilities and so does not comply fully with relevant accounting standards, although the amounts involved are not material.

	Balance at 1/4/2009 £'000	Expenditure £'000	Income £'000	Balance at 31/3/2010 £'000
(a) Welfare Savings	560	231	419	748
(b) King Bequest Fund	14	0	0	14
(c) Children's Trust Funds	3	6	6	3
(d) Social Services Trust Funds - sundry other	129	154	184	159
(e) Tower Hamlets Further Education Trust	872	3,093	2,918	697
(f) Globe Town Picture Fund	160	0	0	160
(g) Sundry Other	57	177	132	12
<b>TOTAL TRUST FUNDS</b>	<b>1,795</b>	<b>3,661</b>	<b>3,659</b>	<b>1,793</b>

- (a) This Fund represents monies held by Social Services residential establishments on behalf of residents in their care. It is used to finance the purchase of goods and services on behalf of residents.
- (b) This Fund was established with a legacy from the will of a former resident of the borough. The terms of the will restrict expenditure to specific activities which enhance the environment of the local community.
- (c) These Funds represent monies held and/or invested by the Council on behalf of children in care.
- (d) These Funds represent monies held by the Council on behalf of any residents of the borough (including those in private accommodation) who are unable to manage their own personal affairs.

The Council also holds a number of deposits relating to Trust Funds administered by the Council. The funds are held in an interest bearing account maintained by the Council. The account is excluded from the financial statements relating to the Council. The relevant Trusts and transactions during the financial year ended 31st March 2010 may be summarised as follows.

- (e) This was established by the Council in conjunction with Canary Wharf Limited with the objective of "the advancement of education and training for the residents of the London Borough of Tower Hamlets". The Council is the sole Trustee and the Trust is registered with the Charities Commission (No. 1002772). Accounts relating to the Trust have been deposited with the Charities Commissioners.
- (f) This Fund was established with the proceeds of the sale of a painting by the Council.
- (g) Sundry Other includes funds representing a number of miscellaneous deposits.

## 49 STATEMENT OF NET ASSETS EMPLOYED

Total assets less liabilities as at 31 March can be analysed as follows:

	Balance at 31/03/10 £'000	Balance at 31/03/09 As Restated <sup>1</sup> £'000
General Fund	165,218	489,213
Housing Revenue Account	811,208	894,173
<b>TOTAL</b>	<b>976,426</b>	<b>1,383,386</b>

## 50 RECONCILIATION OF SURPLUS/(DEFICIT) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2009/2010 £'000	2009/2010 £'000	2008/2009 As Restated <sup>1</sup> £'000	2008/2009 As Restated <sup>1</sup> £'000
Surplus/(deficit) for the year		(50,796)		(31,108)
<b>Non Cash Transactions</b>				
Depreciation and impairment	77,727		64,628	
Deferred grants amortised in year	(37,275)		(25,851)	
PFI debtor adjustments	0		1,434	
Pension fund adjustments	3,836		1,896	
Other non cash financial instrument adjustments	(484)		(372)	
Contribution to provisions	2,656	46,460	(3,091)	38,644
<b>Adjustments for items reported separately in cashflow statement</b>				
Interest and investment income		(1,313)		(6,144)
Interest payable		21,551		22,656
Interest element of finance lease rental payments		5,846		5,348
Revenue Expenditure Funded from Capital Under Statute		16,419		16,281
Gains/losses on disposal of fixed assets		21,428		(13,394)
<b>Items on an accruals basis</b>				
(Increase)/decrease in stock		(228)		2,581
(Increase)/decrease in debtors		(5,569)		(825)
Increase/(decrease) in creditors		(12,604)		(16,763)
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>		<b>41,194</b>		<b>17,276</b>

<sup>1</sup> See note 57



## 51 OTHER GOVERNMENT GRANTS

	2009/2010 £'000	2008/2009 £'000
Alcohol and Drug Misuse		
HIV/Aids	295	280
Asylum Seekers / UASC	578	837
Promoting Independence	553	273
Children's Services	16,087	1,216
Dept of Health: Other		217
Other Social Services	1,135	570
DWP: Benefits: Administration	5,012	4,315
DWP: Benefits: Council Tax	25,965	26,808
DWP: Benefits: Rent Allowances	150,087	116,198
DWP: Benefits: Rent Rebates	71,339	68,613
DCLG: Area Based Grant	31,204	27,675
DCLG: Housing Subsidy	15,750	20,551
DCLG: Homelessness Grant	1,827	1,070
DCLG: Single Regeneration Grant	0	26
DCLG: Home Insulation & Improvement Grants	0	588
Standards Fund	76,257	50,054
FEFC Access	392	385
Learning Skills Council	15,451	2,084
Education and Training	20,791	34,465
Dedicated Schools Grant	232,755	222,676
Nursery and other children's grants	0	18,683
European Social Grants	0	31
New Deal	12,415	2,325
Planning Delivery Grant	2,327	-
Supporting People	15,530	15,385
London Development Agency	362	362
Lottery Funding	526	-
Other Revenue Grants	5,217	6,141
<b>TOTAL OTHER REVENUE GRANTS</b>	<b>701,855</b>	<b>621,828</b>

## 52 ANALYSIS OF NET DEBT

	Short term investments £000	Short term investments Short term investments £000	Total £000	Loans due within one year £000	Loans due more than one year £000	Deferred Liabilities £000	Net Debt £000
Balance as at 1st April 2009	27,452	78,427	105,879	(13,600)	(251,785)	(49,643)	(209,149)
Cashflows in year	9,558	7,081	16,639	(1,724)	(51,144)	1,539	(34,690)
Other non cash changes	0	0	0	0	454	0	454
<b>Balance as at 31st March 2010</b>	<b>37,010</b>	<b>85,508</b>	<b>122,518</b>	<b>(15,324)</b>	<b>(302,475)</b>	<b>(48,104)</b>	<b>(243,385)</b>

## 53 RECONCILIATION OF CHANGES IN CASH TO MOVEMENT IN NET DEBT

	2009/2010 £'000	2008/2009 £'000
Increase/(Decrease) in cash in year	9,558	1,087
Cash inflow/(outflow) from management of liquid resources	7,081	(21,962)
<b>Cash inflow from:</b>		
New loans raised	(65,769)	(7,000)
<b>Cash outflow from:</b>		
Loans repaid	12,901	20,321
Deferred Liabilities Repaid	1,539	385
<b>Change in net debt resulting from cashflows</b>	<b>(34,690)</b>	<b>(7,169)</b>
<b>Other non cash changes:</b>		
New deferred liabilities	0	(38,637)
Net adjustments for difference between effective interest rate and interest payable	454	(2,645)
<b>Net Debt Brought Forward</b>	<b>(209,149)</b>	<b>(160,698)</b>
<b>Net Debt Carried Forward</b>	<b>(243,385)</b>	<b>(209,149)</b>

## 54 ANALYSIS OF CHANGES IN CASH AND LIQUID RESOURCES DURING THE YEAR

	2009/2010 £000	2008/2009 £'000	Change in year £'000
<b>Management of Liquid Assets</b>			
Short Term Investments	85,508	78,427	7,081
Short term deposits	0	0	0
Cash	37,010	27,452	9,558
<b>Increase/(decrease) in year</b>	<b>122,518</b>	<b>105,879</b>	<b>16,639</b>

## 55 DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families - the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2009/10 are as follows:

Note	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
A Final DSG for 2009-10	18,701	214,054	232,755
B Brought forward from 2008-09	5,910	0	5,910
C Carry forward to 2010/11 agreed in advance	0	0	0
D Agreed budgeted distribution in 2009-10	<b>24,611</b>	<b>214,054</b>	<b>238,665</b>
E Actual central expenditure	(19,726)	0	(19,726)
F Actual ISB deployed to schools	0	(214,054)	(214,054)
G Council contribution for 2009-10	<b>0</b>	<b>0</b>	<b>0</b>
H <b>Carry Forward to 2010-11</b>	<b>4,885</b>	<b>0</b>	<b>4,885</b>

A DSG figure as issued by DCSF on 25 June 2009 plus Exceptional Circumstances Grant notified in December 2009.

B Figure brought forward from 2008-09 (restated by way of correction).

C The amount which the Council decided after consultation with the schools forum to carry forward to 2010-11 rather than distribute in 2009-10.

D Budgeted distribution of DSG, adjusted for carry forward, as agreed with the schools forum.

E Actual amount of central expenditure items in 2009-10.

F Amount of ISB distributed to schools.

G Contribution from the Council in 2009-10 which substituted for DSG in funding the Schools Budget.

H Difference between budgeted distributions and actuals plus carry forward agreed in advance.

## 56 AUTHORISED FOR ISSUE DATE

The accounts were authorised for issue by Mr. Chris Naylor ACA CPFA MACantab on 29th June 2010.

## 57 PRIOR YEAR ADJUSTMENTS

The SORP 2009 requires revised accounting treatment for Private Finance Initiative (PFI) schemes and for the Council's Collection Fund (covering both the debtor / creditor relationship between the Council and the Greater London in respect of Council Tax; and the Council and the Government in respect of National Non-Domestic Rates (NNDR). Further details are shown in the Council's accounting policies 18 (page 15) and 19 (page 16). As these are changes to accounting policies, relevant prior year figures have been adjusted to reflect the new requirements. The adjustments for 2008-09 are shown below. None of the adjustments affect the Council's overall financial position.

	2008-09 Statement of Accounts £'000s	Borrowing Restated £'000s	PFI Adjustments £'000s	Council Tax Adjustments £'000s	NNDR Adjustments £'000s	2008-09 Restated £'000s
<b>INCOME &amp; EXPENDITURE ACCOUNT (NET)</b>						
Children's and Education Services	97,168		(540)			96,628
<b>NET COST OF SERVICES</b>	<b>323,888</b>		<b>(540)</b>			<b>323,348</b>
Interest payable and similar charges	22,656		5,888			28,544
<b>NET OPERATING EXPENDITURE</b>	<b>346,544</b>		<b>5,348</b>			<b>351,892</b>
<b>INCOME FROM TAXATION AND GENERAL GOVERNMENT GRANT</b>						
Council Tax income	70,501			(428)		70,073
<b>(SURPLUS)/DEFICIT FOR THE YEAR TRANSFERRED TO THE GENERAL FUND</b>	<b>25,332</b>		<b>5,348</b>	<b>428</b>		<b>31,108</b>

### Statement of Movement on the General Fund Balance

(Surplus)/Deficit for the year on the Income and Expenditure Account	25,332	5,348	428	31,108
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(19,107)	(5,348)	(428)	(24,883)
<b>(Increase)/decrease in General Fund Balance for the year</b>	<b>6,225</b>			<b>6,225</b>
<b>Amount of General Fund Balance Generally Available for New Expenditure</b>	<b>(27,102)</b>	<b>0</b>	<b>0</b>	<b>(27,102)</b>

### Note of Reconciling Items for the Statement of Movement on the General Fund Balance

Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund balance for the year

Depreciation and impairment of fixed assets	(23,241)	(5,667)		(28,908)
Transfer from the Council Tax Adjustment Account			(427)	(427)
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>				
Minimum revenue provision for capital financing	6,984	318		7,302
<b>Net additional amount required to be credited to the General Fund balance for the year</b>	<b>(19,107)</b>	<b>(5,349)</b>	<b>(427)</b>	<b>(24,883)</b>

### Balance Sheet

#### Fixed Assets

#### Tangible Fixed Assets

#### Operational assets

Other land and buildings

695,058 273,099 968,157

**Total Fixed Assets 1,782,453 273,099 2,055,552**

Long Term Debtors 109,614 (108,759) 855

**Total Long Term Assets 1,892,067 164,340 2,056,407**

#### Current Assets

Debtors 92,675 (1,434) (1,926) (8,697) 80,618

**Total Assets 2,090,924 162,906 (1,926) (8,697) 2,243,207**

#### Current liabilities

Short-term borrowing 12,901 2,710 700 16,311

Creditors 142,789 (1,926) (8,697) 132,166

**Total Assets less Current Liabilities 1,935,234 (2,710) 162,206 0 2,094,731**

#### Long Term Liabilities

Long-term borrowing (2,710) (2,710)

Deferred liabilities 38,636 38,636

**TOTAL ASSETS LESS LIABILITIES 1,259,816 0 123,570 0 1,383,386**

#### Financed by

Revaluation Reserve 319,706 167,006 486,712

Capital Adjustment Account 1,037,867 (43,436) 994,431

Collection Fund (597) 597 0

Collection Fund Adjustment Account (597) (597) (597)

**TOTAL NET WORTH 1,259,816 123,570 0 1,383,386**

### Statement of Total Recognised Gains and Losses

(Surplus)/Deficit on the Income and Expenditure Account for the year 25,332 5,349 427 31,108

(Surplus)/Deficit arising on revaluation of fixed assets 54,771 (222,925) (168,154)

**Total recognised (gains) and losses for the year 166,228 (217,576) 427 (50,921)**

Cumulative effect on reserves of prior period adjustments 93,579 93,579

**Aggregate (increase)/decrease in net worth 166,228 (123,997) 427 42,658**

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

The Housing Revenue Account (HRA) deals with the provision and maintenance of council housing by the Council acting as landlord. It also shows income from rents and Government grant. There is a statutory requirement to keep this account separate from other Council activities (including other housing activities).

	Note	2009/2010	2008/2009
		£'000	£'000
<b>INCOME</b>			
Gross rental income			
Rents of dwellings		54,601	54,117
Non dwelling rents		2,614	3,525
Charges for services and facilities			
Heating and other charges		7,003	6,605
Leaseholder charges		11,283	8,466
HRA subsidy receivable			
General		2,374	6,947
Major Repairs Allowance		12,556	11,824
Contribution towards expenditure		115	115
Reduction in provision for bad debts		214	0
<b>TOTAL INCOME</b>		<b>90,760</b>	<b>91,599</b>
<b>EXPENDITURE</b>			
Repairs, maintenance and management			
Repairs and maintenance		24,315	28,220
Supervision and management		31,939	33,454
Rents, rates, taxes and other charges		2,749	2,982
Rent rebates		0	215
Increase in provision for bad debts		0	1,464
Depreciation of fixed assets	6		
On dwellings		12,556	11,824
On other assets		335	734
Impairment		18,191	23,363
Revenue expenditure funded from capital under statute	13	6,403	8,113
Debt management costs		213	196
<b>TOTAL EXPENDITURE</b>		<b>96,701</b>	<b>110,565</b>
<b>NET COST OF HRA SERVICES AS INCLUDED IN THE WHOLE AUTHORITY INCOME AND EXPENDITURE ACCOUNT</b>		<b>5,941</b>	<b>18,966</b>
HRA services share of Corporate and Democratic Core		502	328
<b>NET COST OF HRA SERVICES</b>		<b>6,443</b>	<b>19,294</b>
<b>HRA share of operating income and expenditure included in the whole authority Income and Expenditure Account</b>			
Gain or loss on sale of HRA fixed assets		2,379	(3,720)
Amortisation of premiums and discounts <sup>1</sup>	10	0	2,849
Interest payable		14,293	17,804
Interest and investment income		(192)	(1,002)
Pensions interest cost	7	3,163	3,776
Expected return on pension assets	7	(1,955)	(3,058)
<b>DEFICIT/(SURPLUS) FOR THE YEAR ON HRA SERVICES</b>		<b>24,131</b>	<b>35,943</b>

<sup>1</sup> An amounts of £666,000 was reflected in the Statement of Movement on the Housing Revenue Account Balance in 2008/09, in accordance with proper practice - see note 1. See also note 10.

## STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

The Housing Revenue Account (HRA) Income and Expenditure Account discloses the income received and expenditure incurred in providing council dwellings to tenants for the year. However, the Council is required to raise council rents based on the balance on the Statutory Housing Revenue Account.

This reconciliation statement summarises the differences between the outturn on the HRA Income and Expenditure Account and the balance on the Statutory HRA.

Note	2009/2010	2008/2009
	£'000	£'000
Deficit/(Surplus) for the year on the HRA Income and Expenditure Account	24,131	35,943
Net additional amount required by statute to be credited to the HRA balance for the year	1 (13,808)	(24,056)
(Increase)/decrease in the HRA Balance	<b>10,323</b>	<b>11,887</b>
Balance on the Statutory HRA Brought Forward	(23,301)	(35,188)
<b>Balance on the Statutory HRA Carried Forward</b>	<b>(12,978)</b>	<b>(23,301)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

### 1. NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

	2009/2010		2008/2009	
	£'000	£'000	£'000	£'000
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA balance for the year</b>				
Revenue expenditure funded from capital under statute	(6,403)		(8,113)	
Capital expenditure financed from revenue	6,000		0	
Government Grants Deferred amortisation	6,995		6,434	
Gain or loss on sale of HRA fixed assets	(2,379)		3,720	
Depreciation and impairment of fixed assets	(11,349)		(23,363)	
Impairment relating to housing stock transfer	(6,842)		0	
Difference between amounts charged to the Income & Expenditure Account for premiums and discounts and the charge for the year determined in accordance with statute	585		(2,183)	
Net charges made for retirement benefits in accordance with FRS 17	(1,211)		(1,175)	
Transfers from General Fund (as directed by Secretary of State)	(714)	(15,318)	(932)	(25,612)
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year</b>				
Transfer to/from the Major Repairs Reserve	(335)		(734)	
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	1,845	1,510	2,290	1,556
<b>Net additional amount required by statute to be debited to the HRA Balance for the year</b>		<b>(13,808)</b>		<b>(24,056)</b>

## 2. HOUSING STOCK

The type and number of dwellings in the Council's housing stock at 31st March were as follows:

	2010	2009
Low rise flats (1-2 storeys)	270	228
Medium rise flats (3-5 storeys)	7,564	7,496
High rise flats (6 or more storeys)	4,194	4,539
Houses and bungalows	799	795
<b>TOTAL AT 31st MARCH</b>	<b>12,827</b>	<b>13,058</b>

## 3. FIXED ASSETS

The balance sheet values of assets within the Council's HRA were as follows:

	2009/2010	2008/2009
	£'000	£'000
Dwellings	925,378	901,291
Other Land & Buildings	14,345	25,368
Non-Operational	50,713	46,520
<b>TOTAL</b>	<b>990,436</b>	<b>973,179</b>

The balance sheet values of operational and non-operational assets (excluding community assets and equipment, which are included in the totals above) have been as follows:

	Operational Dwellings	Operational Other land and buildings	Non- Operational	TOTAL
	£'000	£'000	£'000	£'000
Total value at 31st March 2008	986,081	30,181	50,634	1,066,896
Additions, disposals, transfers and revaluations	(84,790)	(4,813)	(4,114)	(93,717)
Total value at 31st March 2009	901,291	25,368	46,520	973,179
Additions, disposals, transfers and revaluations	24,087	(11,023)	4,193	17,257
<b>TOTAL VALUE AT 31st MARCH 2010</b>	<b>925,378</b>	<b>14,345</b>	<b>50,713</b>	<b>990,436</b>

The vacant possession value of dwellings within the Council's HRA was £2,391 million in 2009/2010 (£2,785 million in 2008/2009). The difference between the vacant possession value and the balance sheet value shows the economic cost to the Government of providing council housing at less than open market rents.

## 4. MAJOR REPAIRS RESERVE

	2009/2010	2008/2009
	£'000	£'000
<b>Balance at 1st April</b>	2,354	2,841
Transfer from Capital Adjustment Account - depreciation	12,891	12,558
Transfer to HRA - depreciation on non-dwellings	(335)	(734)
Financing of capital expenditure	(13,836)	(12,311)
<b>Balance at 31st March</b>	<b>1,074</b>	<b>2,354</b>

## 5. CAPITAL TRANSACTIONS

### (i) Capital expenditure and financing

	Dwellings £'000	Other land and buildings £'000	Other £'000	Total £'000
<b>Expenditure</b>	60,357		473	<b>60,830</b>
<b>Sources of finance</b>				
Borrowing	15,027		473	<b>15,500</b>
Useable capital receipts	11,773			<b>11,773</b>
Capital grants	13,721			<b>13,721</b>
Major Repairs Reserve	13,836			<b>13,836</b>
Direct Revenue Financing (RCCO)	6,000			<b>6,000</b>
<b>TOTAL CAPITAL FINANCING</b>	<b>60,357</b>	<b>0</b>	<b>473</b>	<b>60,830</b>

### (ii) Capital Receipts

Capital receipts in 2009/10 from the disposal of fixed assets within the HRA amounted to £1.34 million (£7.73m in 2008/09) as follows:

	2009/2010 £'000	2008/2009 £'000
Dwellings	1,178	7,731
Other land and buildings	162	0
<b>TOTAL CAPITAL RECEIPTS</b>	<b>1,340</b>	<b>7,731</b>

## 6. DEPRECIATION

The total depreciation charge for the year was £12.891 million (£12.558 million in 2008/2009) made up of £12.556 million (£11.824 million in 2008/09) in respect of council houses and £0.335 million (£0.734 million in 2008/09) in respect of other housing assets. In the case of council housing, assets have been depreciated by an amount equivalent to the Major Repairs Allowance as this is the amount (based on a 30 year life cycle costing) which the Government estimates the Council needed to spend this year to keep the housing stock in its current state. It is therefore considered an appropriate measure of depreciation. An analysis of the depreciation charges is set out below.

	2009/2010 £'000	2008/2009 £'000
<b>Operational Assets</b>		
Council dwellings	12,556	11,824
Other land and buildings	330	729
Equipment	-	-
Infrastructure	5	5
<b>TOTAL DEPRECIATION</b>	<b>12,891</b>	<b>12,558</b>

## 7. PENSION COSTS

These figures represent the cost of pensions attributable to the HRA. Further details of the treatment of pensions costs are shown in note 47 of the Core Financial Statements, together with details of the assumptions made in calculating the figures included in this note. The following transactions have been made in the account for the year.

	The Council		LPFA		Total	
	2009/2010 £'000	2008/2009 £'000	2009/2010 £'000	2008/2009 £'000	2009/2010 £'000	2008/2009 £'000
<b>Income and Expenditure Account</b>						
<b>Net Cost of Services</b>						
Current service costs	31	452	6	5	37	457
<b>Net Operating Expenditure</b>						
Interest cost	3,109	3,747	54	29	3,163	3,776
Expected return on assets in the scheme	(1,929)	(3,041)	(26)	(17)	(1,955)	(3,058)
<b>Net Charge to the Income and Expenditure Account</b>	<b>1,211</b>	<b>1,158</b>	<b>34</b>	<b>17</b>	<b>1,245</b>	<b>1,175</b>
<b>Statement of Movement in the HRA Balance</b>						
Reversal of net charges made for retirement benefits in accordance with FRS17	(1,211)	(1,158)	(34)	(17)	(1,245)	(1,175)
<b>Employer's contribution to scheme</b>	<b>1,845</b>	<b>2,281</b>	<b>7</b>	<b>9</b>	<b>1,852</b>	<b>2,290</b>



## 8. RENT ARREARS

	2009/2010 £'000	2008/2009 £'000
Gross rent arrears at 31st March	3,197	3,846
Arrears as % of rent receivable	5.9	7.1
Provision made for bad debts	2,631	3,207

## 9. TRANSFERS FROM GENERAL FUND (AS DIRECTED BY SECRETARY OF STATE)

Authorities are allowed to transfer sums to the HRA from another revenue account on the basis of directions issued by the Government. The £0.7 million transferred during 2009/10 relates to "Supporting People" services provided by the Council.

## 10. AMORTISED PREMIUMS AND DISCOUNTS

This relates to premiums payable on the premature redemption of housing debt prior to 2006-07. The accounting treatment of those amounts has been reviewed and amended retrospectively which results in a charge to the Income and Expenditure Account. The charge is reversed out in the Statement of Movement in the HRA balance, resulting in no change in the balance available.

## 11. HOUSING REVENUE ACCOUNT SUBSIDY ENTITLEMENT

	2009/2010 £'000	2008/2009 £'000
Management & Maintenance Allowances	34,930	33,418
Major Repairs Allowance	12,556	11,824
Charges for capital	21,364	26,950
Other Allowances	17	31
Guide Line Rent Income	(53,671)	(52,965)
Interest on Receipts	(40)	(48)
Prior Year Adjustment	(226)	(439)
<b>TOTAL HOUSING REVENUE ACCOUNT SUBSIDY</b>	<b>14,930</b>	<b>18,771</b>

## 12. IMPAIRMENT OF FIXED ASSETS

An impairment review was carried out in 2009/10 by qualified valuers and it was found that property values have not decreased between the 1st April 2009 and 31st March 2010 and so no impairment due to a fall in market prices has been recognised. A similar review was carried out in 2008/09, which resulted in impairment being recognised of £138.5m on council dwellings and £6.1m on other HRA assets between 1st April 2008 and 31st March 2009. Impairment on dwellings recognised in 2009/10 is the result of a stock transfer to a registered social landlord, and also demolition of a number of properties in preparation for re-development, and as such is not comparable to the impairment recognised in 2008/09.

## 13. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

£5.93 million of this amount is in respect of major works to leaseholders' properties, expenditure on which is in respect of third party capital assets and is reimbursable. This is a change in practice compared with previous years, when such expenditure was treated as affecting Council-owned assets. The change is in accordance with proper accounting principles. The comparable figure for 2008/09 was £7.82 million.

## COLLECTION FUND

	Note	2009/2010 £'000	2009/2010 £'000	2008/2009 £'000	2008/2009 £'000
<b>INCOME</b>					
Council Tax (net of benefits)	2	70,561		68,519	
Transfers from General Fund - Council Tax Benefits		<u>28,995</u>	99,556	<u>26,625</u>	95,144
Distribution of prior year deficit on Collection Fund			2,716		
National Non-Domestic Rates	3		287,443		280,994
Reduction in provision for bad debts	5		0		17
<b>TOTAL INCOME</b>			<b><u>389,715</u></b>		<b><u>376,155</u></b>
<b>EXPENDITURE</b>					
Precepts and demands					
London Borough of Tower Hamlets		71,110		68,996	
Greater London Authority		<u>24,879</u>	95,989	<u>24,694</u>	93,690
Distribution of prior year surplus on Collection Fund					2,050
National Non-Domestic Rates					
Payment to National Pool		286,489		280,047	
Cost of collection allowance		<u>954</u>	287,443	<u>947</u>	280,994
Increase in provision for bad debts	5		210		
<b>TOTAL EXPENDITURE</b>			<b><u>383,642</u></b>		<b><u>376,734</u></b>
<b>INCREASE/(DECREASE) IN FUND BALANCE</b>			<b><u>6,073</u></b>		<b><u>(579)</u></b>
<b>COLLECTION FUND BALANCE</b>					
Balance at the beginning of the year			(810)		(231)
(Deficit)/Surplus for the year			6,073		(579)
<b>BALANCE AT END OF YEAR</b>	<b>1</b>		<b><u>5,263</u></b>		<b><u>(810)</u></b>

## NOTES TO THE COLLECTION FUND

### 1. GENERAL

The Collection Fund accounts for all transactions in respect of Council Tax and National Non-Domestic Rates (also known as NNDR or Business Rates) and Community Charge (prior to 1st April 1993). Although the account is kept separate from the Income and Expenditure Account, the Collection Fund balance is included in the Council's Balance Sheet.

The surplus on the Fund (£5,263,000) is attributable to the Council (£3,902,000) and the Greater London Authority (£1,361,000). The latter amount is carried as a creditor in the Council's Balance Sheet.

### 2. COUNCIL TAX

Council Tax is a tax payable depending on the nature and degree of occupation of the residential property concerned. It is subject to a system of personal discounts. For the purpose of calculating the individual tax, all domestic properties were valued by the Inland Revenue as at 1st April 1991 and placed in one of eight bands. By law the tax for each Band is set as a fraction of Band D.

Band	Market Value in April 1991	Fraction of Band D
A	Up to £40,000	6/9
B	Over £40,000 and up to £52,000	7/9
C	Over £52,000 and up to £68,000	8/9
D	Over £68,000 and up to £88,000	9/9
E	Over £88,000 and up to £120,000	11/9
F	Over £120,000 and up to £160,000	13/9
G	Over £160,000 and up to £320,000	15/9
H	Over £320,000	18/9

By multiplying the number of properties in each band (after allowing for discounts, exemptions and non-collection) by the appropriate fraction the Council calculates the number of "Band D equivalent" properties in the borough (known as the Council Tax Base) and how much a Band D tax of £1 would produce. For 2009-10 this was £0.080 million (£0.080 million for 2008/09) allowing for a non-collection rate of 3.00% (3.00% in 2008/09).

When the 2009-10 Council Tax was set the position was as follows:

Band	2009/2010 No. of Properties	2009/2010 Council Tax Base	2008/2009 No. of Properties	2008/2009 Council Tax Base
A	1,385	730	1,103	713
B	24,427	15,900	20,505	15,470
C	31,246	24,523	27,158	23,416
D	16,736	15,594	15,968	15,489
E	12,868	14,053	11,103	13,164
F	6,113	7,802	5,270	7,384
G	2,447	3,528	2,126	3,437
H	390	657	327	633
<b>Total</b>	<b>95,612</b>	<b>82,787</b>	<b>83,560</b>	<b>79,706</b>

The Council Tax is made up of amounts for the Greater London Authority as well as the Council. The Band D tax and total amount to be raised in the last 2 years was as follows:

	2009/2010		2008/2009		Increase	
	Band D Tax £	Amount to be raised £'000	Band D Tax £	Amount to be raised £'000	£	%
Tower Hamlets	885.52	71,110	865.64	68,996	19.88	2.30
Greater London Authority	309.82	24,879	309.82	24,694	-	-
<b>TOTAL</b>	<b>1,195.34</b>	<b>95,989</b>	<b>1,175.46</b>	<b>93,690</b>	<b>19.88</b>	<b>1.69</b>

### **3. NATIONAL NON-DOMESTIC RATES (NNDR)**

Under the arrangements for National Non-Domestic Rates the Council collects business rates for its area which it pays to the Government. The Government then redistributes the total NNDR back to local authorities on the basis of a fixed amount per head of population. NNDR due is calculated by multiplying a national uniform rate (set by the Government) by the rateable value of the property. The national uniform rate in 2009/10 was 48.5p in the £ (46.2p in the £ in 2008/09). The total rateable value in the borough as at 29 March 2010 was £677.4 million (£673.0 million at 31 March 2009). A periodic revaluation of business properties took place in April 2010. The new 2010 valuation list shows a total rateable value in the borough as at 29 March 2010 of £817.9 million.

### **4. ADJUSTMENTS FOR PRIOR YEARS' COMMUNITY CHARGE**

Although Council Tax replaced Community Charge on 1st April 1993 the Council continues to account for residual adjustments to the Community Charges raised in earlier years in the Collection Fund.

### **5. PROVISION FOR IRRECOVERABLE COUNCIL TAX DEBTS**

Contributions are made to or from the Collection Fund Income and Expenditure Account to a provision for bad debts. For 2009/10 the Council Tax bad debt provision was increased by £0.21 million (reduced by £0.017 million in 2008/09) and £1.767 million of irrecoverable debts were written off (£1.621 million in 2008/09).

# GROUP ACCOUNTS

## 1 INTRODUCTION

The Council's Arms Length Management Organisation (ALMO), Tower Hamlets Homes Limited ("THH"), was incorporated on 16 May 2007 and commenced trading on 7 July 2008. It is a wholly owned subsidiary of the Council responsible for the management, maintenance and modernisation of the Council's housing stock. The stock remains in the ownership of the Council and rents are collected by THH.

THH is a private company limited by guarantee with no share capital. The composition of the board of the company and the associated voting rights are as follows.

	Number	Voting Rights
Council nominees	5	5
Housing tenants and leaseholders	5	5
Independent	5	5
Total	15	15

It should be noted that, although Board members have voting rights at Board meetings, the Council is the sole member of the company and therefore has 100% of the voting rights at the company's Annual General Meeting.

The Council undertakes, in the event of the company's being wound up, to contribute such amounts as may be required for the payment of the debts and liabilities of the company, provided this does not exceed £1. After the satisfaction of all the debts and liabilities, the remaining assets would revert to the Council. THH is an admitted body to the Council's local government pension fund. The full pension obligation and related deficit together with current and past services costs for THH employees passed to the company when it began trading. Should THH cease trading then the full pension obligation and related deficit or surplus would pass back to the Council as an integral part of the general business transfer.

The Council has determined that Group Accounts, showing the consolidated financial activities and financial position of the Council as a "single entity" and THH, need to be prepared since the 2008/09 financial year. The consolidation has been carried out in accordance with the acquisition basis of accounting - the service was externalised at fair value and did not result in an adjustment for goodwill. The income and expenditure of THH for the year are included in the Group Income and Expenditure Account and its assets and liabilities at 31 March 2010 in the Group Balance Sheet. Comparative figures for 2008/09 cover the period 7th July 2008 to 31st March 2009.

A copy of THH's accounts is available from the company's registered office at:

Tower Hamlets Homes Limited  
Jack Dash House, 2 Lawn Close, London E14 9YQ

or from Companies House, Cardiff

The accounts are subject to approval and adoption at the Annual General Meeting; and the formal issuing of the auditors' report

THH's appointed auditors are:

KPMG LLP  
2 Cornwall Street  
Birmingham  
B3 2DL

## GROUP INCOME AND EXPENDITURE ACCOUNT

	2009/10 Gross Expenditure	2009/10 Gross Income	2009/10 Net Expenditure	2008/09 Gross Expenditure As Restated <sup>1</sup>	2008/09 Gross Income	2008/09 Net Expenditure As Restated <sup>1</sup>
	£'000	£'000	£'000	£'000	£'000	£'000
Cultural, Environmental, Regulatory and Planning Services	142,626	48,701	93,925	130,252	53,909	76,343
Central Services	89,424	77,339	12,085	55,655	47,018	8,637
Children's and Education Services	510,826	425,197	85,629	470,703	374,075	96,628
Highways and Transport Services	29,754	24,141	5,613	30,989	27,693	3,296
Local Authority Housing (HRA)	97,776	90,760	7,016	110,408	91,599	18,809
Other Housing Services	285,533	279,240	6,293	259,630	255,347	4,283
Adult Social Care	113,069	20,948	92,121	102,959	17,201	85,758
Corporate and Democratic Core	10,719	6,334	4,385	21,072	6,339	14,733
Non-distributed Costs	17,792	26	17,766	15,185	481	14,704
<b>NET COST OF SERVICES</b>	<b>1,297,519</b>	<b>972,687</b>	<b>324,832</b>	<b>1,196,853</b>	<b>873,662</b>	<b>323,191</b>
Net (gain)/loss on disposal of fixed assets			21,428			(13,394)
Total net (surplus)/deficit on Trading Accounts			11			1,555
Amounts due to levying authorities			1,636			1,641
Contribution to Housing Pooled capital receipts			572			4,766
Interest payable and similar charges			27,379			28,547
Interest and investment income			(1,324)			(6,166)
Pensions interest cost and Expected return on pensions assets			23,143			12,267
Amortisation of premiums and discounts			0			2,849
Unattached Capital Receipts			(8,734)			(1,331)
Corporation tax			2			5
<b>NET OPERATING EXPENDITURE</b>			<b>388,945</b>			<b>353,930</b>
<b>INCOME FROM TAXATION AND GENERAL GOVERNMENT GRANT:</b>						
Council Tax income			(74,206)			(70,073)
Government grants (not attributable to specific services)			(76,714)			(55,384)
Distribution from non-domestic rate pool			(185,907)			(197,503)
<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>			<b>52,118</b>			<b>30,970</b>

<sup>1</sup> See note 57

## RECONCILIATION OF SINGLE ENTITY SURPLUS OR DEFICIT FOR THE YEAR TO THE GROUP SURPLUS OR DEFICIT

	2009/10	2008/09
		As Restated <sup>1</sup>
	£'000	£'000
(Surplus)/Deficit on the Council's Income and Expenditure Account for the year	50,796	31,108
Adjustments for transactions with THH	1,075	(157)
(Surplus)/Deficit on the Group Income and Expenditure Account attributable to the Council	51,871	30,951
(Surplus)/Deficit attributable to THH	247	19
<b>(Surplus)/Deficit for the year on the Group Income and Expenditure Account</b>	<b>52,118</b>	<b>30,970</b>

<sup>1</sup> See note 57

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2009/10	2008/09
		As Restated <sup>1</sup>
	£'000	£'000
(Surplus)/Deficit on the Income and Expenditure Account for the year	52,118	30,970
(Surplus)/Deficit arising on revaluation of fixed assets	(39,641)	(168,154)
Actuarial (gains)/losses on pension fund assets and liabilities	414,996	84,532
Other (gains) and losses <sup>2</sup>	(487)	481
<b>Total recognised (gains) and losses for the year</b>	<b>426,986</b>	<b>(52,171)</b>
Cumulative effect on reserves of prior period adjustments		93,579
<b>Aggregate (increase)/decrease in net worth</b>	<b>426,986</b>	<b>41,408</b>

<sup>1</sup> See note 57

<sup>2</sup>The 2008-09 amount represents the Council element of the Collection Fund deficit. The 2009-10 amount represents the amortisation of premiums and discounts in respect of the premature redemption of debt.

## GROUP BALANCE SHEET

as at 31st March

	Note	2010	2010	2009	2009
		£'000	£'000	As Restated <sup>1</sup>	As Restated <sup>1</sup>
				£'000	£'000
<b>Fixed Assets</b>					
<b>Tangible Fixed Assets</b>					
<b>Operational assets</b>					
Council dwellings		925,378		901,291	
Other land and buildings		983,324		968,157	
Infrastructure assets		91,170		86,397	
Equipment	3	4,711		3,780	
Community assets		48,410		45,220	
<b>Non-operational assets</b>					
Investment properties		52,769		50,042	
Surplus assets		5,072		802	
<b>Total Fixed Assets</b>			<b>2,110,834</b>		<b>2,055,689</b>
Long Term Debtors			1,067		855
<b>Total Long Term Assets</b>			<b>2,111,901</b>		<b>2,056,544</b>
<b>Current Assets</b>					
Stocks and Work in Progress	3	531		345	
Debtors	3	88,663		79,402	
Investments		85,508		78,427	
Cash and Bank	3	38,033	212,735	31,302	189,476
<b>Total Assets</b>			<b>2,324,636</b>		<b>2,246,020</b>
<b>Current liabilities</b>					
Short-term borrowing		15,324		16,310	
Creditors	3	130,567	145,891	133,603	149,913
<b>Total Assets less Current Liabilities</b>			<b>2,178,745</b>		<b>2,096,107</b>
<b>Long Term Liabilities</b>					
Long-term borrowing		302,475		249,075	
Capital Grants Unapplied		38,511		37,363	
Capital Grants and Contributions Deferred		130,864		96,139	
Deferred liabilities		38,287		38,637	
Deferred Income - Receipt in Advance		9,817		11,006	
Provisions		11,216		8,560	
Liability related to defined benefit pension schemes <sup>1</sup>	3	689,924	1,221,094	270,690	711,470
<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>957,651</b>	<b>1,384,637</b>	
<b>Financed by</b>					
Revaluation Reserve			510,138		486,712
Capital Adjustment Account			975,634		994,431
Capital Receipts Reserve			16,309		18,091
Deferred Capital Receipts			298		412
Pensions Reserve <sup>1</sup>	3		(689,924)		(270,690)
Major Repairs Reserve			1,074		2,354
Council Tax Adjustment Account			3,902		(597)
Financial Instruments Adjustment Account			764		280
<b>Balances</b>					
General Fund			27,133		27,102
Housing Revenue Account			12,978		23,301
Earmarked Reserves			98,889		101,865
Income and Expenditure Reserve	3		456		1,376
<b>TOTAL NET WORTH</b>			<b>957,651</b>	<b>1,384,637</b>	

<sup>2</sup> See note 57



## GROUP CASH FLOW STATEMENT

	Note	2009/2010	2009/2010	2008/2009	2008/2009
		£'000	£'000	As Restated <sup>1</sup>	As Restated <sup>1</sup>
				£'000	£'000
<b>NET REVENUE ACTIVITIES CASH FLOW</b>	1		<b>38,548</b>		<b>21,265</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>					
<i>Cash outflows</i>					
Interest paid		(22,455)		(21,055)	
Interest element of finance lease rental payments		(5,846)		(5,348)	
<i>Cash inflows</i>					
Interest received		1,394		6,483	
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS</b>			<b>(26,907)</b>		<b>(19,920)</b>
<b>CAPITAL ACTIVITIES</b>					
<i>Cash outflows</i>					
Purchase of fixed assets		(119,919)		(66,735)	
Other capital cash payments		(554)		-	
<i>Cash inflows</i>					
Sale of fixed assets		1,383		25,873	
Other capital cash payments/(income)		243		67	
Capital grants received		69,124		36,716	
<b>NET CASH OUTFLOW FROM CAPITAL ACTIVITIES</b>			<b>(49,723)</b>		<b>(4,079)</b>
<b>NET CASH INFLOW/OUTFLOW BEFORE FINANCING</b>			<b>(38,082)</b>		<b>(2,734)</b>
<b>MANAGEMENT OF LIQUID RESOURCES</b>					
Net increase/decrease in other liquid resources		(8,402)		22,390	
<b>FINANCING</b>			<b>(8,402)</b>		<b>22,390</b>
<i>Cash outflows</i>					
Repayments of amounts borrowed		(12,901)		(21,719)	
Capital Element of Finance Lease Rental Payments & PFI payments		(350)			
<i>Cash inflows</i>					
New loans raised		66,467		7,000	
<b>NET CASH INFLOW FROM FINANCING</b>			<b>53,216</b>		<b>(14,719)</b>
<b>INCREASE/(DECREASE) IN CASH</b>			<b>6,731</b>		<b>4,937</b>

<sup>1</sup> See note 57

## NOTES TO THE GROUP ACCOUNTS

### 1 RECONCILIATION OF SURPLUS/(DEFICIT) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2009/2010		2008/2009	
	£'000	£'000	£'000	£'000
Surplus/(deficit) for the year		(52,118)		(30,970)
<b>Non Cash Transactions</b>				
Depreciation and impairment	77,799		64,662	
Deferred grants amortised in year	(37,275)		(25,851)	
PFI debtor adjustments	-		1,434	
Pension fund adjustments	4,219		3,116	
Other non cash financial instrument adjustments	(484)		(372)	
Contribution to provisions	2,656	46,915	(3,091)	39,898
<b>Adjustments for items reported separately in cashflow statement</b>				
Interest and investment income	(1,304)		(6,161)	
Interest payable	21,551		22,659	
Interest element of finance lease rental payments	5,846		5,348	
Revenue Expenditure Funded from Capital Under Statute	16,419		16,281	
Gains/losses on disposal of fixed assets	21,428	63,940	(13,394)	24,733
<b>Items on an accruals basis</b>				
(Increase)/decrease in stock	(186)		2,539	
(Increase)/decrease in debtors	(6,193)		(896)	
(Increase)/decrease in creditors	(13,811)	(20,190)	(14,039)	(12,396)
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>		<b>38,548</b>		<b>21,265</b>

### 2 INCOME AND EXPENDITURE ACCOUNT

The following Tower Hamlets Homes transactions are included in the Group Income and Expenditure Account:

	2009/2010 £'000	2008/2009 £'000
Operating (profit) / loss	1,075	(157)
Interest payable	-	3
Interest receivable	(11)	(22)
Pensions interest cost	256	33
Corporation tax	2	5
<b>Total</b>	<b>1,322</b>	<b>(138)</b>

### 3 BALANCE SHEET

The Group Balance Sheet reflects the following consolidated balances after eliminating intra-group transactions (transactions between Tower Hamlets Homes and the Council).

	The Council		THH		TOTAL	
	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010	2008/2009
	£'000	As Restated <sup>1</sup> £'000	£'000	As Restated <sup>1</sup> £'000	£'000	As Restated <sup>1</sup> £'000
Fixed assets - equipment	4,456	3,643	255	137	4,711	3,780
Stock and work in progress	531	303	0	42	531	345
Debtors	87,967	79,331	696	71	88,663	79,402
Cash	37,010	27,452	1,023	3,850	38,033	31,302
Creditors	129,702	132,166	865	1,438	130,567	133,604
Pensions liability	670,693	270,565	19,231	125	689,924	270,690
Pension reserve	(670,693)	(270,565)	(19,231)	(125)	(689,924)	(270,690)
Income and Expenditure Reserve			456	1,376	456	1,376

## PENSION FUND ACCOUNTS

	Note	2009/2010 £'000	2008/2009 £'000
<b>FUND ACCOUNT</b>			
<b>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED IN THE SCHEME</b>			
<b>Contributions</b>			
From employers	3	38,455	37,755
From members	3	9,612	9,164
<b>Transfers in</b>			
Individual transfers in from other schemes		6,214	4,862
<b>Benefits</b>			
Pensions	4	(28,510)	(26,685)
Lump sum benefits	4	(8,692)	(6,495)
<b>Payments to and on account of leavers</b>			
Refunds of contributions		(6)	(6)
State scheme premiums		6	(30)
Individual transfers out to other schemes		(6,692)	(6,679)
<b>Administrative expenses</b>	14	(1,075)	(326)
<b>NET ADDITIONS FROM DEALINGS WITH MEMBERS</b>		<b>9,312</b>	<b>11,560</b>
<b>RETURN ON INVESTMENTS</b>		<b>2009/2010 £'000</b>	<b>2008/2009 £'000</b>
Investment income	11	14,527	23,535
Change in market value of investments			
Realised	10	3,999	(81,917)
Unrealised	10	164,201	(72,192)
Investment management expenses	15	(1,871)	(1,875)
<b>NET RETURN ON INVESTMENTS</b>		<b>180,856</b>	<b>(132,449)</b>
Net increase in the Fund during the year		190,168	(120,889)
Add: Opening net assets of the scheme		562,333	683,222
<b>CLOSING NET ASSETS OF THE SCHEME</b>		<b>752,501</b>	<b>562,333</b>
<b>NET ASSETS STATEMENT AS AT 31ST MARCH</b>		<b>2010 £'000</b>	<b>2009 £'000</b>
<b>Investments Assets</b>			
Fixed interest securities			
Public sector		40,659	54,006
Other		55,219	48,441
Equities			
Index linked securities		489,740	328,666
Public sector		49,898	48,922
Property		73,458	53,668
Managed and Unitised Funds			
Other		16,698	23,887
	10	<b>725,672</b>	<b>557,590</b>
Cash deposits	6	19,606	6,892
Other investment balances	5	4,213	10,833
<b>Investments Liabilities</b>			
Other investment balances	5	(2,116)	(8,920)
<b>Current Assets</b>			
	5	5,851	114
<b>Current Liabilities</b>			
	5	(725)	(4,176)
<b>TOTAL NET ASSETS</b>		<b>752,501</b>	<b>562,333</b>

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31st March 2010.

## NOTES TO THE PENSION FUND ACCOUNTS

### 1. INTRODUCTION

The Council is the administering authority for the Pension Fund and has executive responsibility for it. The Council delegates its responsibility for administering the Fund to the Pensions Committee which is responsible for considering all pension matters and discharging the obligations and duties of the Council under the Superannuation Act 1972 and other statutes relating to investment issues. The Committee meets quarterly to determine investment policy objectives, appoint investment managers, monitor investment performance and make representations to the Government on any proposed changes to the Local Government Pension Scheme. The Committee is required to obtain proper advice on the investment strategy of the Fund for which it has established an Investment Panel which includes professional investment advisors. The Panel meets quarterly to determine the general investment strategy, monitor the performance of the Fund and individual managers and consider technical reports on investment issues. The Fund employs eight specialist investment managers with mandates corresponding to the principle asset classes.

The day to day administration of the Fund and the operation of the management arrangements and administration of the investment portfolio is delegated to the Corporate Director of Resources.

The Fund is operated as a funded, defined benefits scheme which provides for the payment of benefits to former employees of the London Borough of Tower Hamlets and those of bodies admitted to the Fund. These individuals are referred to as "members". The benefits include not only retirement pensions, but also widows' pensions, death grants and lump sum payments in certain circumstances. The Fund is financed by contributions from members, from employers and from interest and dividends on the Fund's investments.

The objective of the Pension Fund's financial statements is to provide information about the financial position, performance and financial adaptability of the Fund. They show the results of the stewardship of management - that is the accountability of management for the resources entrusted to it - and the disposition of its assets at the period end.

### 2. ACCOUNTING POLICIES

#### (a) Accounts

The accounts summarise the transactions and net assets of the Pension Fund and comply in all material respects with Chapter 2 ("Recommended Accounting Practice") of the Statement of Recommended Practice (Financial Reports of Pensions Schemes) 2007.

#### (b) Basis of preparation

Except where otherwise stated, the accounts have been prepared on an accruals basis, that is income and expenditure are recognised as earned or incurred, not as received or paid.

#### (c) The financial statements of the Fund do not take account of liabilities to pay pensions and other benefits after 31st March 2010.

#### (d) Investments

Investments are shown in the Net Assets Statement at market value on the following bases.

- (i) Listed securities are shown by reference to bid price at the close of business on 31st March 2010
- (ii) Managed and Unithised funds are valued at bid price or latest single market price at close of business on 31st March 2010.
- (iii) Property Unit Trusts are shown by reference to bid price at close of business on 31st March 2010.
- (iv) The Fund does not hold any direct property holdings and therefore does not employ a separate property valuer.
- (v) Where appropriate, investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling on the 31st March 2010.

#### (e) Management Expenses

Fund managers' fees are based mainly on a percentage of the value of the funds under their management, although part of the total fee is sometimes fixed.

### 3. CONTRIBUTIONS

Contributions represent the total amounts receivable from the employing authority in respect of its own contributions and those of its pensionable employees. Employees pay contributions based on the level of pay they receive, with contribution rates set between 5.5% and 7.5% dependent on pensionable pay. The employer's contributions are made at a rate determined by the Fund's Actuary necessary to maintain the Fund in a state of solvency, having regard to existing and future liabilities. The Primary Contribution Rate used during the financial year ending 31st March 2010 was 15.8%. Contributions shown in the revenue statement may be categorised as follows:-

	2009/2010	2008/2009
	Total £'000	Total £'000
Members normal contributions		
Council	8,551	8,611
Admitted bodies	295	367
Scheduled bodies	766	186
<b>Total members</b>	<b>9,612</b>	<b>9,164</b>
Employers		
Normal contributions		
Council	20,003	20,247
Admitted bodies	885	1,257
Scheduled bodies	1,872	447
Deficit funding contributions		
Council	13,050	12,500
Other contributions		
Council	2,645	3,304
<b>Total employers</b>	<b>38,455</b>	<b>37,755</b>
<b>Total contributions</b>	<b>48,067</b>	<b>46,919</b>

The Council is required to operate an Additional Voluntary Contributions (AVC) scheme for employees. In 2009/10 employees made contributions of £61,833.25 into the AVC Scheme not administered by the Council but provided by Norwich Union and £10,737.10 to Equitable Life. The contributions are not included in the Pension Fund Accounts in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 N° 1831) but are deducted from salaries and remitted directly to the provider.

#### 4. BENEFITS, REFUNDS OF CONTRIBUTIONS AND TRANSFER VALUES

Benefits payable and refunds of contributions have been brought into the accounts on the basis of all valid claims approved during the year. Transfers out/in are those sums paid to, or received from, other pension schemes and related to the period of previous pensionable employment. Transfer values are brought into the accounts on a cash basis. Benefits payable are analysed below.

	2009/2010				2008/2009			
		Admitted	Scheduled	Total		Admitted	Scheduled	Total
	Council £000	Bodies £000	Bodies £000		Council £000	Bodies £000	Bodies £000	
Pensions	(27,710)	(606)	(194)	(28,510)	(26,568)	(95)	(22)	(26,685)
Lump sum retirement benefits	(6,481)	(387)	(921)	(7,789)	(5,525)	(188)	(524)	(6,237)
Lump sum death benefits	(903)	0	0	(903)	(258)	0	0	(258)
<b>Total</b>	<b>(35,094)</b>	<b>(993)</b>	<b>(1,115)</b>	<b>(37,202)</b>	<b>(32,351)</b>	<b>(283)</b>	<b>(546)</b>	<b>(33,180)</b>

#### 5. DEBTORS AND CREDITORS

Unless otherwise stated, all transactions are accounted for on an accruals basis. The following amounts were debtors or creditors of the Pension Fund as at 31st March.

	2009/2010 £'000	2008/2009 £'000
<b>Debtors</b>		
<b>Investments Assets</b>		
Investment sales	2,316	8,350
Dividends receivable	1,187	1,407
Tax recoverable	306	371
Interest receivable	404	705
	<b>4,213</b>	<b>10,833</b>
<b>Current Assets</b>		
Employers' contributions due from admitted bodies	74	114
London Borough of Tower Hamlets	5,777	0
	<b>5,851</b>	<b>114</b>
<b>Total Debtors</b>	<b>10,064</b>	<b>10,947</b>
<b>Creditors</b>		
<b>Investments Liabilities</b>		
Investment purchases	2,116	8,920
<b>Current Liabilities</b>		
Borrowings <sup>1</sup>	0	3,364
Unpaid benefits	187	282
Administrative expenses	538	530
	<b>725</b>	<b>4,176</b>
<b>Total Creditors</b>	<b>2,841</b>	<b>13,096</b>
<b>Net Debtors</b>	<b>7,223</b>	<b>(2,149)</b>

#### 6. CASH

The cash balance can be further analysed as follows:

	2009/2010 £000	2008/2009 £000
GMO UK	2,732	2,406
Aberdeen: Fixed Interest Portfolio	2,388	1,996
Aberdeen: Private Equity Portfolio	74	0
Aberdeen: UK Equities	2,349	1,462
Schroders: Multi Asset Portfolio	0	13
Schroders: Property Portfolio	11,227	319
Martin Currie	835	666
Merrill Lynch	1	30
<b>TOTAL CASH</b>	<b>19,606</b>	<b>6,892</b>

## 7. TAXATION

### UK Income Tax

Investment income is subject to UK tax which the Fund cannot recover under current tax legislation, except for tax deducted at source from Property Unit Trusts.

### Value Added Tax

By virtue of Tower Hamlets Council being the Administering Authority, VAT input tax is recoverable on all Fund activities.

### Overseas Tax

Taxation agreements exist between Britain and certain other European countries whereby a proportion of the tax deducted locally from investment earnings may be reclaimed. The proportion reclaimable and the timescale involved varies from country to country.

## 8. MEMBERSHIP OF THE FUND

The following table sets out the membership of the Pension Fund at 31st March

	2010	2009
<b>London Borough of Tower Hamlets</b>		
Active Members	5,190	4,865
Pensioners	3,724	3,561
Deferred Pensioners	5,074	4,664
	<b>13,988</b>	<b>13,090</b>
<b>Admitted &amp; Scheduled Bodies</b>		
Active Members	479	530
Pensioners	107	78
Deferred Pensioners	245	183
	<b>831</b>	<b>791</b>

The following bodies have been admitted into the Fund:

#### Admitted Bodies

Tower Hamlets Community Housing  
Redbridge Community Housing Limited  
East End Homes  
Greenwich Leisure Limited  
Swan Housing Association  
Gateway Housing Association (formerly Bethnal Green and Victoria Park Housing Association)  
One Housing Group (formerly Island Homes)  
Bees Services  
Circle Anglia Ltd.  
Look Ahead Housing and Care  
Ecovert FM Ltd.

#### Scheduled Body

Tower Hamlets Homes Limited is a scheduled body contributing to the Fund.

## 9. STATEMENT OF INVESTMENT PRINCIPLES

The Council, as the Administering Authority of the Pension Fund, is required to prepare, maintain and publish a Statement of Investment Principles (SIP) in accordance with the Local Authority Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1999. The SIP is published as part of the Local Government Pensions Scheme Annual Report which will be submitted to the Council's Pensions Committee on 18<sup>th</sup> November 2010.

## 10. INVESTMENTS

The Fund employs eight specialist investment managers with mandates corresponding to the principal asset classes.

### Manager

GMO UK Ltd.  
Martin Currie Investment Management  
Schroders Asset Management Property Fund  
Investec Asset Management  
Baillie Gifford Life Ltd.  
Aberdeen Asset Management  
Auriel Capital Management  
Record Currency Management

### Mandate

Global Equity  
UK Equity  
Property  
Residual Venture Capital Fund  
Overseas Equities  
Fixed Interest, UK Equities and Private Equity  
Currency  
Currency

## 10. INVESTMENTS (Continued)

The value of the Fund, by manager, as at 31st March was as follows.

	2010		2009	
	£ million	%	£ million	%
GMO UK Ltd.	198.6	26.6	138.2	24.4
Martin Currie Investment Management	95.3	12.8	65.9	11.6
Schroders Asset Management Property Fund	84.9	11.4	61.8	10.9
Aberdeen Asset Management - Bonds	148.6	19.9	153.2	27.1
Aberdeen Asset Management - Equities	70.6	9.4	45.6	8.1
Baillie Gifford Life Ltd.	132.6	17.7	85.3	15.1
Auriel Capital Management	9.9	1.3	9.8	1.7
Record Currency Management	6.7	0.9	6.4	1.1

The movement in the opening and closing value of investments during the year, together with related direct transaction costs, were as follows.

	Market Value as at 1 Apr 2009	Purchases	Sales	Change in Market Value	Market Value as at 31 Mar 2010	Transaction Costs
	£000	£000	£000	£000	£000	£000
GMO UK Ltd.	135,035	84,175	(78,269)	54,195	195,136	38
Baillie Gifford Life Ltd.	85,338	0	0	47,267	132,605	0
Martin Currie Investment Management	64,842	44,186	(43,663)	28,703	94,068	6
Aberdeen Asset Management - Equities	43,646	11,984	(14,328)	26,629	67,931	3
Schroders Asset Management Property	61,317	21,467	(10,968)	1,642	73,458	0
Aberdeen Asset Management - Bonds	151,171	75,850	(87,508)	6,263	145,776	3
Auriel Capital Management	9,820	103	(1)	21	9,943	0
Record Currency Management	6,387	3,000	(1,917)	(731)	6,739	0
Aberdeen No.2	34	0	(230)	212	16	0
	<b>557,590</b>	<b>240,765</b>	<b>(236,884)</b>	<b>164,201</b>	<b>725,672</b>	<b>50</b>

A further analysis of investments assets is as follows.

	Market Value as at 1 April 2009	Purchases	Sales	Change in Market Value	Market Value as at 31 Mar 2010
	£000	£000	£000	£000	£000
<b>UK Investment Assets</b>					
Quoted	359,937	156,590	(158,385)	62,527	420,669
Unquoted	34	0	(230)	212	16
<b>Overseas Investment Assets</b>					
Quoted	197,619	84,175	(78,269)	101,462	304,987
Unquoted	0	0	0	0	0
<b>TOTAL</b>	<b>557,590</b>	<b>240,765</b>	<b>(236,884)</b>	<b>164,201</b>	<b>725,672</b>

## 11. INVESTMENT INCOME

Investment income is broken down as follows.

	2009/2010 £'000	2008/2009 £'000
Income from fixed interest securities	2,368	2,696
Income from index linked securities	513	355
Dividends from UK equities	4,911	5,500
Dividends from overseas equities	4,267	12,966
Net rents from properties	2,236	2,415
Interest on cash deposits	101	(512)
Foreign tax	94	115
Underwriting costs, etc.	37	0
<b>TOTAL</b>	<b>14,527</b>	<b>23,535</b>

## 12. SECURITIES

The value of listed and unlisted securities is broken down as follows:

	2009/2010 £000	2008/2009 £000
Unlisted	88	32
Listed	745,190	564,450
Working Capital	7,223	(2,149)
	<b>752,501</b>	<b>562,333</b>

## 13. ACTUARIAL POSITION

The Local Government Pension Scheme Regulations require a triennial revaluation of the Fund to assess the adequacy of the Fund's investments and contributions in relation to its overall and future obligations. The contribution rate required for benefits accruing in the future is assessed by considering the benefits that accrue over the course of the three years to the next valuation. The employer's contribution rate is determined by the Actuary as part of the revaluation exercise.

The 2007 statutory triennial revaluation of the Pension Fund completed by the Actuary (Hymans Robertson) in the year estimated the deficit on the Fund to be £205 million and the funding level to be 78%. This compares to a deficit at the previous revaluation in 2004 of £192 million and a corresponding funding level of 73%.

The Actuary has determined that the deficit can be recovered over a period of 20 years and the agreed contribution rate to recover the deficit for the term of the revaluation is as set out below :-

	£m
2008/09	12.5
2009/10	12.5
2010/11	12.5

In addition the contributions were increased by RPI plus 1.5% with effect from the 1st April 2009.

The Council, as Administering Authority, prepares a Funding Strategy Statement (FSS) in respect of the Fund in collaboration with the Fund's Actuary and after consultation with the employers and investment advisors. The Actuary is required to have regard to this statement when carrying out the valuation. The FSS includes the Fund's funding policy, the objectives of which are:

- to ensure the long-term solvency of the Fund
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment
- not to restrain unnecessarily the investment strategy of the Fund so that the Council can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk.

The basis of valuing the Fund's assets (see note 2) is compatible with the basis of placing a value on members' benefits as both are related to market conditions at the valuation date.

In accordance with the funding policy, the Actuary determines the employer contribution requirement for future service for the Fund as a whole, and for employers who continue to admit new members. The cost of future service benefits is assessed, taking into account expected future salary increases. In order to place a current value on future benefit cashflows the Actuary "discounts" the future cashflows to the valuation date at a suitable rate. The Actuary adopts a "gilt-based" valuation which uses the yield on suitably dated Government bonds as the discount rate. This is then uplifted to the "funding basis discount rate" taking into account the Fund's current and expected future investment strategy to reflect the percentage by which the Fund is anticipated to "outperform" the yield on Government bonds. The contribution rate required to meet the expected cost of future service benefits is derived as this value less expected member contributions expressed as a percentage of the value of members' pensionable pay. This is known as the "Projected Unit method". The future contribution rate for 2009-10 was 15.8%.

In addition, the Actuary compares the value of the Fund's assets with the estimated cost of members' past service. The ratio of the asset value to the estimated cost of members' past service benefits is known as the "funding level". If the funding level is more than 100% there is a "surplus"; if it less than 100% there is a "shortfall". The next valuation will be as at 31st March 2010 and the recommendations implemented from 1st April 2011.

Although the funding shortfall is significant, it should be noted that current legislation provides that the level of members' basic pension entitlement and contributions are not affected by the financial position of the Fund. It is the Council's responsibility to ensure that pension entitlements are fully funded and that the impact on Council Tax is minimised. It should also be recognised that the Council is a long-term investor both because a high proportion of pension benefits do not become payable until far in the future and the Council has a relatively secure long-term income stream.

The FSS requires that the Fund operates the same target funding level of all ongoing employers of 100% of its accrued liabilities valued on the ongoing basis, to be achieved over a 20 year period (a period equivalent to the expected future working lifetime of the remaining scheme members). The valuation of the Fund as at 31st March 2007 determined that this would require a contribution (additional to the future contribution rate) of 9% of members' pensionable pay equivalent to £12.5 million per annum. This contribution was increased by the Retail Price Index plus 1.5% as from 1st April 2009.



The main actuarial assumptions used in revaluation as at 31st March 2007 and applied during the intervaluation period were as follows:

<b>Financial</b>	<b>Financial</b>	<b>Nominal</b>	<b>Real</b>
Price Inflation (RPI)		3.2%	
Pay Increases		4.7%	1.5% Real rates are nominal rates
"Gilt based" discount rate		4.5%	1.3% adjusted for inflation
Funding basis discount rate		5.9%	2.7%
<b>Longevity (iLongevity (in years)</b>			
<b>Longevity (in years)</b>		<b>Male</b>	<b>Female</b>
Average future life expectancy for a pensioner aged 65 at the valuation date		19.6	22.5
Average future life expectancy at age 65 for a non-pensioner aged 45 at the valuation date		20.7	23.6
Average future life expectancy at age 45 for a non-pensioner at the valuation date		40.1	43.0

#### 14. ADMINISTRATIVE EXPENSES

	<b>2009/2010</b>	<b>2008/2009</b>
	<b>£000</b>	<b>£000</b>
Investment Advice	155	151
Performance Measurement	15	13
Administration	882	243
Other Fees	23	(81)
	<b>1,075</b>	<b>326</b>

#### 15. INVESTMENT MANAGEMENT EXPENSES

	<b>2009/2010</b>	<b>2008/2009</b>
	<b>£000</b>	<b>£000</b>
Payments to Managers	1,871	1,875

#### 16. RELATED PARTY TRANSACTIONS

Information in respect of material transactions with related parties is disclosed elsewhere within the Council's accounts.

During the year no trustees or Council chief officers with direct responsibility for Pension Fund issues, have undertaken any declarable transactions with the Pension Fund, other than administrative services undertaken by the Council on behalf of the Pension Fund.

#### 17. CONTINGENT LIABILITES

There were no contingent liabilities as at 31st March 2010.

#### 18. POST BALANCE SHEET EVENTS

There are no significant post balance sheet events to report.

## AUDITOR'S REPORT

As at the authorised for issue date the Council's Statement of Accounts is subject to audit.



## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Council's responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director of Resources.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to consider and approve the Statement of Accounts.

The Statement of Accounts 2009-10 was considered and approved by Full Council on 14<sup>th</sup> July 2010.

Chair of Committee

### The responsibilities of the Corporate Director of Resources

The Corporate Director of Resources is responsible for the preparation of the Council'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 of Practice").

In preparing this Statement of Accounts, the Corporate Director of Resources has:

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

The Corporate Director of Resources has also:

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

I certify that the Statement of Accounts 2009-10 presents a true and fair view of the financial position of the Council at 31<sup>st</sup> March 2010 and its income and expenditure for the year.

Chris Naylor ACA CPFA MACantab  
Corporate Director of Resources  
29<sup>th</sup> June 2010

## Annual Governance Statement

Tower Hamlets LBC (Tower Hamlets) is required by law to prepare a statement that details the Council's framework for making decisions and controlling its resources. The statement includes the Council's governance arrangements as well as control issues. This statement should enable stakeholders to have an assurance that decisions are properly made and public money is being properly spent on behalf of citizens. The statement below complies with the Accounts and Audit Regulations 2003 as amended.

### Scope of Responsibility

Tower Hamlets is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, Tower Hamlets is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk. Risk management is a principal element of corporate governance, to this end a risk management strategy was adopted in March 2002 and is regularly reviewed and endorsed by the Leader of the Council and the Chief Executive.

Tower Hamlets has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. A copy of the code is on our website at [www.towerhamlets.gov.uk](http://www.towerhamlets.gov.uk) or can be obtained from the Council's monitoring officer. This statement explains how Tower Hamlets currently complies with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of the Annual Governance Statement. The Council's Standards Committee members received a report in October 2007 assessing the current local governance arrangements and recommended areas of improvement as part of the continuous improvement processes of the Council's governance arrangements.

### The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority directs and controls its activities and through which, it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to achievement of Tower Hamlets' policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Tower Hamlets governance framework is established through its systems, processes, cultures and values. These are regularly reviewed. The governance framework has been in place at Tower Hamlets for the year ended 31 March 2010 and up to the date of approval of the statement of accounts.

Independent Members of the Standards Committee review, the Council's performance in adhering to the core principles of good governance, which form Tower Hamlets Code of Corporate Governance.

## **The Governance Framework**

### **Vision and Priorities**

The Council's vision is to improve the quality of life for everyone living and working in Tower Hamlets. This involves helping to create a thriving, achieving community in which people feel at ease with one another, have good learning and employment opportunities, experience a higher standard of living and good health, and enjoy a safe and an attractive environment together with a wide range of cultural and leisure opportunities.

The Council (and Tower Hamlets Partnership) has refreshed the borough's Community Plan through to 2020. This has four new Community Plan themes to make Tower Hamlets:

- A great place to live;
- A prosperous community;
- A safe and supportive community; and
- A healthy community.

Running through this is the core theme of "One Tower Hamlets" with a focus and drive around reducing inequality, strengthening community cohesion and working in partnership. The Council's strategic plan flows from the Community Plan themes and for 2009/10, 15 priorities were identified around all five Community Plan themes.

Underpinning the Community Plan Themes and corporate priorities are the core values, which all officers are expected to adhere to, to build a more effective organisation. The Council's values are:

- Achieving results
- Engaging with others
- Valuing diversity
- Learning effectively

Over the last year, there has been significant consultation with local people through Local Area Partnership (LAP) events, as well as targeted consultation including with young people, older people, faith groups and disabled people. An analysis of key messages from consultation across the Partnership in the last four years was also undertaken. The Vision, themes and priorities of the Community Plan were discussed through the Tower Hamlets Partnership structures which comprises the Partnership Board and Executive, the Community Plan Delivery Groups (CPDGs) and the Local Area Steering Groups. The Council's Corporate Management Team (CMT) and the Cabinet and other members have also contributed to the Vision and Priorities for the new Community Plan.

As the diagram below shows, the Council aligns its Strategic Framework with the Community Plan. The Council's Strategic Plan for 2009/10 is organised around the themes, priorities and objectives of the Community Plan and shows how the Council both leads and contributes to the delivery of the Community Plan.

The Tower Hamlets Partnership Community Plan and the Council's Strategic Plan fall within the Council's Budget and Policy Framework. This requires that Overview and Scrutiny Committee are given 10 working days to comment on the draft plans and that Cabinet takes account of Overview and Scrutiny Committee comments in their consideration of the draft plans before recommending them to Full Council. Both plans are subject to approval by Full Council.

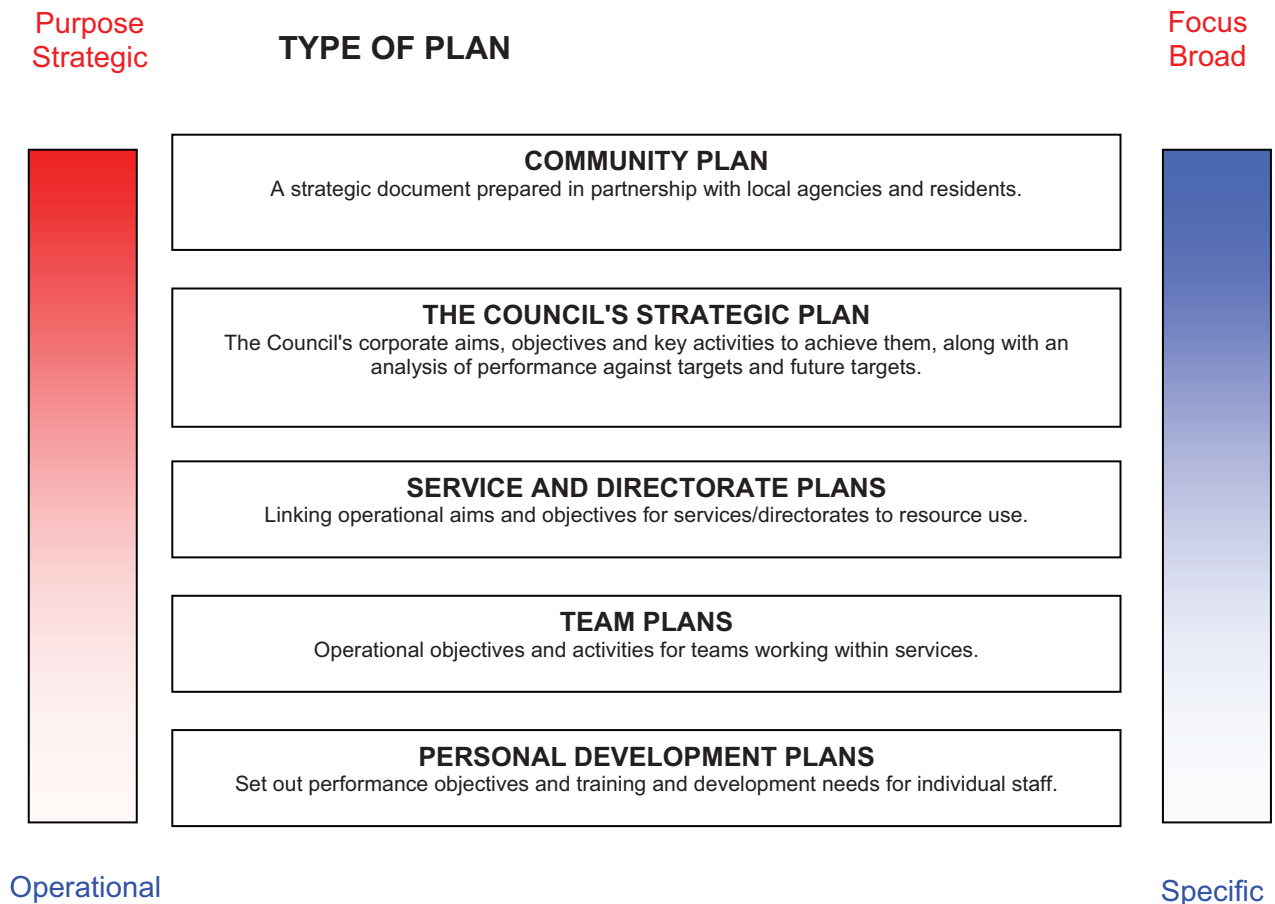
The Council's vision, priorities and objectives are used to structure all directorate service plans and Personal Development Plans (PDRs). This ensures that there is a "golden thread" that runs from each individual's work through to the Community Plan. This makes sure that the vision, priorities and objectives are communicated at all levels of the organisation. Further communication takes place through the Council's staff newsletter "Pulling Together".

The Strategic Plan is refreshed each year through Cabinet, Overview and Scrutiny and Full Council. The Community Plan is refreshed every three years.

## Quality of Service

The Council operates a comprehensive performance management framework to ensure that strategic priorities are embedded in service, team and individual performance development plans; that resources are linked to operational aims and objectives; and that progress against plans and targets is monitored and evaluated at all levels.

The overall planning framework is illustrated in the following diagram.



## Constitutional Matters

The Council has an agreed Constitution that details how the Council operates, how decisions are made and the procedures that are to be followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is reviewed annually.

The constitution also includes sections on standing orders, financial regulations and conduct of meetings.

During the year the Constitution was reviewed to ensure that it kept abreast of changes within the Council. The Council approves and keeps under regular review all of the strategic policies which it reserves for its own consideration, including:

- the constitution;
- the corporate performance plan;
- the corporate strategy;
- the capital programme and revenue budget;
- the housing strategy; and
- the local development framework.

The Executive is responsible for key decisions and comprises a Leader and a Cabinet, who are all appointed by the Council. All key decisions required are published in advance in the Executive's Forward Plan, and will generally be discussed in a meeting open to the public. All decisions must be in line with the Council's overall policy and budget framework and any decisions the Executive wishes to take outside of that framework must be referred to the Council as a whole to decide. The Council operates a system of delegated authority whereby the Executive delegates certain decisions to the Chief Executive and Senior Officers. This is set out in the scheme of delegation.

During 2009/10 the work of the Executive was scrutinised by an Overview and Scrutiny Committee and a number of Scrutiny Panels. A "call-in" procedure allows Scrutiny to review Executive decisions before they are implemented, and to recommend alternative courses of action.

### **Codes of Conduct**

The Council has a code of conduct for officers supported by a requirement to make declarations of interest and to declare gifts and hospitality. Interests must be declared by officers above a certain grade and those in certain decision making and procurement positions. Officers are required generally to decline gifts and hospitality to ensure that officers are not inappropriately influenced. These codes and processes are made available to staff at their induction, they are on the intranet and training is available to ensure every staff member understands their responsibilities.

Members are required to make declarations of interest when elected and to consider their interests and make appropriate declarations at each meeting they attend. Members must also declare any gifts and hospitality. Members' declarations and gifts and hospitality records are made public through the Council's website. As part of the adoption of the new Members' code a number of protocols were reviewed including the one concerning member and officer relationships in 2008/09. The Standards Committee was advised of the change and the revisions that were made to the code.

### **Compliance with Policies, Procedures, Laws and Regulations**

The Council has a duty to ensure that it acts in accordance with the law and relevant regulations in the performance of its functions. It has developed policies and procedures to ensure that, as far as is reasonably possible, all Members and officers understand their responsibilities both to the Council and to the public. These include the Constitution, Standing Orders, Financial Regulations and Financial Procedures, Codes of Conduct and Protocols. Key documents are available to Members and staff through the Council's intranet and to a wider audience through publication on the Council's website. All policies are subject to periodic review to ensure that they remain relevant and reflect changes to legislation and other developments in the environment within which the Council operates.

### **Effective Audit Committee**

Internal Audit provides assurance and advice on internal control to the Corporate Management Team and Members. Internal Audit reviews and evaluates the adequacy, reliability and effectiveness of internal control within systems and recommends improvements. It also supports the management of the Council in developing systems, providing advice on matters pertaining to risk and control.

Internal Audit is overseen by an Audit Committee comprising seven members - four from the majority group and one each from the three largest minority group in proportion to their representation on the Council. The Audit Committee's remit is around the Council's systems of internal control, risk management and governance, as outlined in the CIPFA Code of Practice for Audit Committees. The Audit Committee also reviews audit findings and the effectiveness of the internal audit function. Specifically, the core functions of the Audit Committee are to consider the annual audit plan and the performance of internal audit; to be satisfied that the authority's annual governance statement properly reflects the risk environment; to demonstrate its fiduciary responsibilities in preventing and detecting fraud; to monitor the authority's risk management framework; to meet the accounts and audit regulations in respect of approving the authority's statement of accounts and to consider reports from the Audit Commission. The Audit Committee met four times during the financial year 2009/10 as planned.



## **Whistle Blow and the Complaints Procedure**

The Council has a recognised complaints process. This comprises a number of stages to enable the public to escalate their complaints if they are dissatisfied with the answer they receive. Details of complaints are monitored by the Monitoring Officer and Members.

Members also receive enquiries and complaints via their surgeries, walkabouts and question time activities. The Council has arrangements to support Members in addressing these queries to ensure that the public receive an appropriate answer.

Within the Council the whistle blowing policy is actively promoted and annually, there are a number of whistle blowing events reported. The effectiveness of the policy and the type of issues raised are reviewed and monitored by the Council's Audit Committee on an annual basis.

Tower Hamlets also participates in the National Fraud Initiative (NFI) a computerised data matching exercise, led by the Audit Commission, designed to detect fraud perpetrated on public bodies. The Corporate Anti Fraud team has actively engaged with the Audit Commission to test and improve the output from the NFI exercise.

## **Risk Management**

The Authority has embedded a Risk Management Strategy to identify and manage the principal risks to achieving its objectives. The Strategy recognises that the Council may not always adopt the least risky option, where the potential benefits to the community warrant the acceptance of a higher level of risk. All reports seeking decisions or approval to a proposed course of action contain an assessment of the risk involved.

Key risks are recorded in corporate and directorate risk registers, which are subject to periodic review and reporting to the Corporate Management Team. Directorate Risk Champions oversee the continued development of the Council's approach to risk management.

## **Financial Management**

Statutory responsibility for ensuring that there is an effective system of internal financial control rests with the Corporate Director of Resources. The system of internal financial control provides reasonable assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected.

Internal financial control is based on a well established framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability. Ongoing development and maintenance of the various processes is the responsibility of managers within the Council. The control arrangements in 2009/10 included:

- comprehensive corporate and directorate budgeting systems;
- an annual budget approved by the Council that reflects strategic priorities;
- a risk financing strategy;
- medium-term financial plans and projections;
- regular reporting of actual expenditure and income against budgets and spending forecasts;
- targets to measure financial and other performance;
- clearly defined prudential borrowing framework and indicators; and
- standing meetings of finance managers from across the Council.

## **The Efficient and Effective Use of Resources**

Value for money and continuous improvement are secured through a range of processes, including the application of best value principles and the carrying out of best value reviews. During 2009/10, the Council continued work on its efficiency programme and has been making plans to manage with significantly reduced financial resource in future. As part of its service and financial planning process, the Council set a stretch efficiency target and brought performance and perception data into the consideration of resource allocation. The

Audit Commission's most recent assessment for value reported an improvement in the way the Council seeks to delivery value for money.

The strategic planning process ensures that resources are focused on the priorities set out in the Strategic Plan. Processes for service and financial planning are aligned and the annual budget process evaluates new requirements for resources in terms of their contribution to the objectives of the Strategic Plan. Corporate guidance on team planning requires consideration of value for money issues in developing annual objectives. Reports concerned with proposed expenditure, reviewing or changing service delivery or the use of resources contain an efficiency statement setting out how the proposals will assist towards achieving greater efficiency.

### **Learning and Organisational Development**

The Council has a commitment that every member of staff receives an annual appraisal to discuss performance, targets and personal development. The Council provides a range of training opportunities for managers and staff to ensure that they can deliver excellent public service. These include a Leadership programme, specific training relating Recruitment and Selection, Risk Management, and other computer based training.

Members have a support officer and a development program to keep them up to date with changes and to support training needs. Training is supplemented by information through briefings, conferences and weekly bulletins. The Audit Committee and Standards Committee have training as part of their agendas and it is intended that in future they will agree specific training plans for themselves annually. For some aspects of Council work members are required to undertake a period of study and pass a test to ensure they can demonstrate appropriate competence, for example the Licensing Committee.

### **Communication and Engagement**

The Council publishes numerous documents on its website as well as providing a weekly newspaper, East End Life to keep members of the public up to date with what is going on.

The Council also engages with citizens through surveys such as the annual residents' survey and a tenants' survey. These help to inform the Council of the population's opinion on the services provided, their experience of services and to influence the Council's priorities for the future.

On a more local basis the Council has a number of community forums which are used to engage with the community. Tower Hamlets has a greater proportion, compared to the rest of London, of young population and has thus engaged with the young people of Tower Hamlets by enabling them to vote for a young Leader of the Council. A number of local residents put themselves forward and a vote was held to elect a Leader to represent the young people of Tower Hamlets. The young Leader has a clear manifesto and is working to make a difference to young people's lives within the borough.

The Council's website is continually being developed to provide more information, enable more services to take place electronically and to receive comments from all stakeholders.

### **Partnerships**

The most significant partnership for the Council is the Tower Hamlets Partnership. The partnership has three strands; the eight local area partnerships which allows residents to influence their locality; the Community Plan Delivery Groups for each of five key themes in the community plan and the Partnership Executive and Board, which has responsibility for developing the overall strategy and for ensuring plans are delivered. The Partnership has its own constitution and its Members are also subject to a code of conduct and make declaration of interest at meetings. The Tower Hamlets Partnership is responsible for delivering the vision and aspirations for the Community in the medium and long term, and the Local Area Agreement (LAA) agreed for the period 2008 - 2011 includes key targets and indicators following negotiation between The Tower Hamlets Partnership and Central Government.

The Council also has important partnership arrangements with the local primary care trusts. There are also partnership arrangements with the Police, Probation and Youth Justice services to help to meet the targets for reducing crime and making Tower Hamlets a safer and stronger community.

## **Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review was conducted in accordance with the assurance framework and therefore focussed on the risks to the fulfilment of the Council's principal objectives, as set out in the Strategic Plan, and the controls in place to manage those risks. The review of the effectiveness of the internal control framework involved the evaluation of the key sources of assurance:

- the Council evaluated its corporate governance arrangements against good practice criteria set out in the CIPFA/SOLACE guidance. The arrangements were found to be sound albeit recommendations were made to enhance current arrangements.
- the annual Head of Audit Opinion expressed the opinion that overall the Council's system of internal control is adequate and effective.
- the risk management framework, including the corporate and directorate risk registers, provides assurance that the key risks to strategic objectives are managed effectively and are monitored by senior officers and Members.
- the Council is subject to a range of external audit and inspection activity both corporately and for individual services. The judgements of the external auditors contained in their annual audit letter and other reports provide assurance that the Council has a reasonable system of internal control. The independent assessment by six inspectorates as part of the Comprehensive Area Assessment identified one notable practice around Engaging and Empowering Local People. This measures the extent to which people believe they are able to influence decisions affecting their area. The assessment did not identify any significant concerns. The results of inspections of individual services continue to show improvements whilst Children's Services was rated as "Performs Excellently" by Ofsted in its report dated February 2010. Adult Social Care Services was rated as "Performing Excellently" for Increased Choice and Control for Older People, and as Performing Adequately in Safeguarding Adults, also published in February 2010.
- monitoring of performance shows improvement in performance against external measures, the Council's own targets and in comparison to other authorities.
- the provisional outturn on the 2009/10 budget shows that the financial management systems and processes of the Council succeeded in keeping expenditure within planned limits.

## **Overview and Scrutiny**

The Overview and Scrutiny function reviews decisions made by the Cabinet and raises proposals for the Cabinet from its annual plan of work. The focus of their role is thus to provide a challenge and to support the development of policies. At their meetings they consider performance information. They also have a key role in reviewing and challenging the Cabinet's budget framework prior to consideration at full Council.

## **Internal Audit**

Internal audit is an independent appraisal function that acts as a control that measures, evaluates and reports upon the effectiveness of the controls in place to manage risks. In carrying out this function Internal Audit contributes to the discharge of the Executive Director of Resources' S151 responsibilities.

The work of the Internal Audit Section is monitored and reviewed by the Audit Committee. Annually the Service Head, Risk Management and Audit is required to give an opinion on the Council's internal control framework based upon the work carried out during the year in the form of an annual report. For 2009/10, the overall the control environment is adjudged to be satisfactory.

## **External Audit**

The Council's external auditors, the Audit Commission, review its arrangements for:

- preparing accounts in compliance with statutory and other relevant requirements;
- ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice; and
- managing performance to secure economy, efficiency and effectiveness in the use of resources.

The auditors have in their annual audit letter and their assessment commented upon the Council's accounts, corporate governance and performance management arrangements.

### Significant Governance Issues

The review of the effectiveness of the governance arrangements in 2009/10 has identified some areas where action is appropriate to enhance the control environment and ensure continuous improvement. The areas are set out below. In all cases work is already underway to address the action points as shown by the reference to the strategic or directorate plan of the Council.

Governance Issue	Action taken and next steps	CMT Lead
Optimise asset management across public services to enable Council assets to be utilised in the most effective way.	<p>In February 2009 Cabinet approved an approach to the development of a cross-public sector asset strategy and phase 1 will commence on Summer 2009. This will involve a gap analysis of all public sector property requirements and the generation of options to address these requirements. This work will be undertaken in parallel with the development of the Infrastructure Delivery Plan for the Core Strategy and it is expected the Asset Strategy will be a significant part of the Delivery Plan.</p> <p>The Council has broadened membership of its Capital and Asset Management Board to include the Metropolitan Police and NHS Trusts and representatives attend meetings quarterly to focus on long term asset strategy and other issues of mutual interest {Priority 1.2 (6) – Strategic Plan}.</p>	Corporate Directors, Resources and Development and Renewal
To further enhance the authority's Business Continuity Plans, particularly in relation to disaster recovery.	The authority has a framework for business continuity planning and management. However, further enhancements will be made to ensure the authority can respond to a catastrophic disaster and its ability to access all essential IT applications { }.	Corporate Director, Resources
Maintain an ongoing drive to deliver decent homes standard by ensuring the Council's	A mock inspection of the Council's Arms Length Management Organisation (Tower Hamlets Homes) is planned for mid June	Corporate Director, Development

Governance Issue	Action taken and next steps	CMT Lead
ALMO achieves two stars.	<p>2009. This will allow the ALMO to focus key areas.</p> <p>From discussions that have taken place with the Homes and Community Agency and the Department of Communities and Local Government, funding for this scheme is programmed within their financial projections although the funding is not fully committed at this stage. The authority is also progressing other opportunities around regeneration {Priority 2.1 (15) – Strategic Plan}.</p>	and Renewal
To review and ensure the arrangements for safeguarding children.	<p>Following national scrutiny of safeguarding issues, and the publication of Laming report, the Council has reviewed referral and safeguarding arrangements with social care and where necessary strengthened current arrangements and adopt the DCFS / Laming recommendations.</p> <p>Some key recommendations have already been implemented, for example the appointment of an independent chair for the Safeguarding Board, carrying out audit and assurance on cases within Children’s Services and enhancing the use of Framework I, the Council’s case management system. The next steps involve implementing all appropriate remaining recommendations, in particular, assessing potential increase in social worker requirements and taking heed of further guidance. {Priority 1, Stay Safe, CYPP}.</p>	Corporate Director, Children Services
Improve information governance across the authority.	<p>Following loss of personal data by an employee last year, a number of steps were taken to militate against future losses and to protect the information held by the Council. Some of the initiatives already taken include the use of BIOS passwords. A Project is now in place to implement full encryption for all mobile devices. This will be implemented for the most vulnerable devices first and all remaining devices by September 2010. {Priority 1.7, point 7 – Chief Executive’s Directorate Plan}.</p>	Assistant Chief Executive (Legal)

Governance Issue	Action taken and next steps	CMT Lead
<p>To model an efficiency programme to take account of the likely reduction in revenue funding across the public sector.</p>	<p>The authority has identified a savings target of £18m a year for the foreseeable future arising from the Government action likely to be necessary to tackle the UK's public spending deficit. This is much greater than the target in previous years and the incremental approach adopted in the past does not lend itself to this scale of problem.</p> <p>The authority has established a Service Options Review which will examine the strategic opportunities for delivering the savings. A clear savings target has been set of £55m over the next three years.</p> <p>Directorates have been challenged to identify savings to the scale required and this information has been fed into the review. The Review will go on to supplement the proposals brought forward by Directorates and identify strategic savings opportunities, likely to include some of a transformational nature, which will be governed through the Council's Transformation Board.</p> <p>{Priority 1.2 (5) Strategic Plan and priority 8 – Resource’s Directorate Plan}.</p>	<p>Corporate Management Team</p>
<p>Directorate operational guidance on contract management; retention and filing of contract documentation &amp; Unauthorised extension of contracts.</p>	<p>Guidance is already available through the contracting toolkit. Work is underway to broaden and strengthen our approach and this will be submitted to Competition Board for approval in September. A proposal for a standard self-assessment approach to contract management is currently being developed, for approval by Competition Board and subsequent roll-out across the Council.</p> <p>Systems have been improved for recording and filing contract documentation. Work is underway with Legal for setting up a repository of contract documents. This will be finalised by end June 2010.</p> <p>Unauthorised contracts have largely been addressed through revision of the Procurement Procedures in 2009. The updating of the contracts register, which will be completed by end May 2010, will</p>	<p>Corporate Management Team.</p>

Governance Issue	Action taken and next steps	CMT Lead
	provide the assurance to prevent unauthorised extensions.  {Priority 9 – Resource’s Directorate Plan}.	
Termination of Chief Officer’s employment.	Responding to the Audit Commission’s recommendation the process will be clarified by introducing a protocol into the Constitution by July 2010. This makes the responsibilities of officers and members clear when the termination of a Chief Officer's employment is being considered.	Assistant Chief Executive – Legal Services
To review and ensure the delivery of additional housing to reduce overcrowding.	The council is committed to providing high quality housing in line with the needs of the community. To achieve this, a programme is being developed to acquire and new build properties to reduce overcrowding {Priority 2.1 (1) – Strategic Plan}.	Corporate Director, Development and Renewal.

We have been advised on the implications of the review of the effectiveness of the governance systems of the Council having regard to the sources of assurance set out in this statement, and we are satisfied that the system of control is effective.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

.....  
Chief Executive

Date:

.....  
Leader

Date:

## GLOSSARY OF FINANCIAL TERMS AND ABBREVIATIONS

The following terms and abbreviations, while not being exhaustive, may prove of assistance in understanding the Statement of Accounts

### FINANCIAL TERMS

**Accounting period** - The period of time covered by the Council's accounts. The Council's financial year is from the period 1<sup>st</sup> April to the following 31<sup>st</sup> March.

**Accrual** - The recognition of income and expenditure in the year that they occur and not when any cash is received or paid

**Actuary** - An independent adviser to the Council on the financial position of the Pension Fund.

**Actuarial Valuation** - Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers' contribution rates.

**Accruals** - The amounts by which receipts or payments are increased in order to record the full income and expenditure incurred in an accounting period.

**Amortisation** - The writing off of an intangible asset or loan balance to the Income and Expenditure Account over an appropriate period of time.

**Amortised Cost** - The carrying value of an asset or liability in the balance sheet, which has been written up or down via the Income and Expenditure Account.

**Approved Investments** - These are investments, which Local Authorities are permitted to make using their unapplied capital and revenue funds. These investments must be in sterling and normally consist of gilts or short-term deposits with banks, building societies and other financial institutions. Such investments are treated as neither revenue nor capital expenditure.

**Balance Sheet** - A statement of all the assets, liabilities and other balances of the Council at the end of an accounting period.

**Budget** - A forecast of future expenditure plans for the Council. Detailed revenue budgets are prepared for each year and it is on the basis of these figures that the Council Tax is set. Budgets are revised towards the year-end to take account of inflation, changes in patterns of services and other factors.

**Capital Financing Charges** - The annual cost of capital, including principal repayments, interest charges and leasing costs.

**Capital Expenditure** - Expenditure on the acquisition of fixed assets or expenditure which adds to the value of an existing fixed asset.

**Capital Adjustment Account** - Represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans or certain other capital financing transactions.

**Capital Financing Requirement** - Represents the Council's underlying need to borrow for a capital purpose.

**Capital Receipt** - Income received from the sale of a capital asset such as land or buildings.

**Capital Receipts Reserve** - Represents proceeds of fixed asset sales available to meet future capital investment.



**Carrying Value** - In relation to the value of financial instruments, it is the amount to be recognised on the Balance Sheet.

**Collateral** - Assets pledged by a borrower to secure a loan.

**Collection Fund** - A statutory account which receives Council Tax, Non-Domestic Rates and Government Grants to cover the costs of services provided by the Council and its precepting authorities.

**Community Assets** - Assets that a local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of Community Assets are parks and historic buildings.

**Contingent Liability** - Where possible “one-off” future liabilities or losses are identified but the level of uncertainty is such that the establishment of a provision is not appropriate.

**Creditors** - Amount of money owed by the Council for goods and services received.

**Credit Risk** - The probability that an organisation owing monies to the Council may be unable to honour its commitments.

**Debtors** - Amount of money owed to the Authority by individuals, and organisations.

**Deferred Capital Receipts** - The balance of outstanding mortgages granted to purchasers of council houses.

**Defined Benefit Scheme** - A pension scheme which defines benefits independently of the contributions payable. Benefits are not directly related to the investments of the Pension Fund.

**Depreciation** - The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

**Earmarked Reserves** - Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

**Events after the Balance Sheet Date** - Those events that relate to the accounting year, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the Director of Resources.

**Fair Value** - In relation to the value of financial instruments, it is the amount for which an asset can be exchanged or a liability settled between knowledgeable and willing parties in an arms length transaction.

**Finance Lease** - A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

**Financial Instrument** - Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

**Financial instrument Adjustment Account** - This represents the balance of deferred discounts relating to the premature redemption of Public Works Loans Board (PWL) debt.

**Fixed Assets** - Tangible assets that yield benefit to the Council and the services it provides for a period of more than one year.

**General Fund (GF)** - The Council’s main revenue account from which is met the cost of providing most of the Council’s services.

**Government and Other Capital Contributions Deferred** - Capital Grants received which will be credited to revenue in future years to offset depreciation for related fixed assets.

**Historic Cost** - The actual cost of an asset in terms of past consideration as opposed to current value.

**Housing Revenue Account (HRA)** - A statutory account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

**Impairment** - A reduction in the valuation of a fixed asset caused by consumption of economic benefits or by a general fall in prices.

**Income and Expenditure Account** - A statement showing the expenditure and income of the Council's services during the year demonstrating how costs have been financed from general Government grants and income from local taxpayers.

**Infrastructure Assets** - Assets which have an indeterminate life and although valuable do not have a realisable value e.g. roads.

**Intangible Assets** - Non-financial fixed assets that do not have physical substance but are identifiable and controlled by the authority i.e. purchased software licences.

**Interest Rate Risk** - The uncertainty of interest paid/received on variable rate instruments and the effect of fluctuations in interest rates on the fair value of an instrument.

**Liquidity Risk** - The risk that the Council will be unable to raise finance to meet its commitments.

**Major Repairs Reserve** - Represents the funds available to meet capital investment in council housing

**Minimum Revenue Provision (MRP)** - The amount that has to be charged to revenue to provide for the redemption of debt. Not applicable to the HRA.

**National Non-Domestic Rates Pool (NNDR Pool)** - Non-Domestic Rates are paid into a central pool controlled by Government. This money is then redistributed to councils on the basis of resident population.

**Net Book Value** - The amount at which fixed assets are included in the balance sheet after depreciation has been provided for.

**Net Current Replacement Cost** - The current cost of replacing or recreating an asset in its existing use adjusted for the notional depreciation required to reflect the asset's existing condition and remaining useful life.

**Net Realisable Value** - The open market value of the asset less the expenses to be incurred in realising the asset.

**Non-Operational Assets** - Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of its services. Examples are investments and surplus properties.

**Operating Lease** - A lease other than a finance lease - a lease which permits the use of the asset without substantially transferring the risks and rewards of ownership.

**Operational Assets** - Fixed assets held, occupied, used or consumed by the Council in the direct delivery of its service.

**Outturn** - The actual level of expenditure and income for the year.

**Precept** - The charge made by one Authority (e.g. Greater London Authority) on another Authority (e.g. Tower Hamlets) to finance its net expenditure.

**Private Finance Initiative** - Contracts whereby private sector suppliers provide services and/or capital investment in return for a unitary payment; subject to agreed performance targets.

**Projected Unit Method** - Actuarial valuation method whose key feature is to assess future service cost; the Actuary calculates the employer's contribution rate, which will meet the cost of benefits accruing in the year after the valuation date.

**Provisions** - Amounts set aside for liabilities and losses, which are certain or very likely to occur but where the exact amount or timing of the payment are uncertain.

**Public Works Loans Board (PWLB)** - Central Government agency which funds much of local government borrowing.

**Registered Social Landlord** - A not-for-profit organisation which owns and manages homes.

**Reserves** - Amounts set aside which do not fall within the definition of a provision, to fund items of anticipated expenditure. These include general reserves or balances which every Council must maintain as a matter of prudence.

**Revaluation Reserve** - Represents the increase in value of the Council's land and building assets from 1st April 2007.

**Revenue Expenditure** - The day-to-day expenditure of the Council - pay, goods and services and capital financing charges.

**Revenue Support Grant** - General grant paid by the Government to local authorities.

**Soft Loan** - Loans given at less than market/commercial rates to community or not-for-profit organisations.

**Statement of Movement on the General Fund Balance** - A Statement that reconciles between the statutory provisions that specify the net expenditure that needs to be taken into account when setting local taxes and surplus or deficit on the Income and Expenditure Account.

**Statement of Total Recognised Gains and Losses** - A statement bringing together all the gains and losses of the Council during the year.

**Support Services** - Activities of a professional, technical and administrative nature which are not Council services in their own right, but support main front line services such as finance, information technology and human resources.

## **Abbreviations used in Accounts**

<b>ABG</b>	Area Based Grant
<b>AGS</b>	Annual Governance Statement
<b>BVACOP</b>	Best Value Accounting Code of Practice
<b>CAA</b>	Capital Adjustment Account
<b>CFR</b>	Capital Financing Requirement
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy
<b>CRR</b>	Capital Receipts Reserve
<b>DCLG</b>	Department of Communities and Local Government
<b>DfE</b>	Department for Education
<b>DSG</b>	Dedicated Schools Grant
<b>DWP</b>	Department for Work and Pensions
<b>EIR</b>	Effective Interest Rate
<b>FRS</b>	Financial Reporting Standard
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GLA</b>	Greater London Authority
<b>HRA</b>	Housing Revenue Account
<b>I &amp; E</b>	Income and Expenditure Account
<b>LABGI</b>	Local Authority Business Growth Incentive
<b>LAML</b>	London Authorities Mutual Limited
<b>LASAAC</b>	Local Authority (Scotland) Accounts Advisory Committee
<b>LATS</b>	Landfill Allowance Trading Scheme
<b>LBTH</b>	London Borough of Tower Hamlets
<b>LGPS</b>	Local Government Pension Scheme
<b>LOBO</b>	Lender's Option – Borrower's option
<b>LPFA</b>	London Pensions Fund Authority
<b>MRA</b>	Major Repairs Allowance
<b>MRP</b>	Minimum Revenue Provision
<b>NPV</b>	Net Present Value
<b>(N)NDR</b>	(National) Non-Domestic Rates
<b>PCT</b>	Primary Care Trust
<b>PFI</b>	Private Finance Initiative
<b>PWLB</b>	Public Works Loans Board
<b>RICS</b>	Royal Institute of Chartered Surveyors
<b>RSG</b>	Revenue Support Grant
<b>SORP</b>	Statement of Recommended Practice
<b>SSAP</b>	Statement of Standard Accounting Practice
<b>STRGL</b>	Statement of Recognised Gains and Losses
<b>WDA</b>	Waste Disposal Authority

## LONDON BOROUGH OF TOWER HAMLETS

### COUNCIL MEETING

WEDNESDAY 14<sup>th</sup> JULY 2010

#### APPOINTMENT OF INDEPENDENT MEMBERS TO THE STANDARDS COMMITTEE

#### REPORT OF THE SERVICE HEAD, DEMOCRATIC SERVICES

#### 1.

##### **Summary**

- 1.1 This report recommends the appointment of two persons as Independent Members of the Council's Standards Committee.

#### 2. **Recommendation**

- 2.1 That the following persons be appointed as Independent Members of the Standards Committee, each to serve a three year term of office expiring on the date of the Annual Council meeting in May 2013, subject to annual confirmation by the Council:-

- Ms Sue Rossiter (new appointment); and
- Mr Patrick (Barry) O'Connor (re-appointment)

#### 3. **Background**

- 3.1 It is a statutory requirement that local authority standards committees must include Independent Members who are neither Members nor officers of the Council or of another relevant authority. Standards for England recognises that Independent Members are important in helping to increase public confidence in local government and provide a clear signal that the Standards Committee acts fairly and impartially. They also bring a wider perspective from their outside experience.
- 3.2 Independent Members must form at least 25% of the Committee's membership but beyond this the Council may decide how many to appoint and how long they should serve for. An Independent Member must chair the Committee.
- 3.3 Tower Hamlets Council has decided there shall be a majority of Independent Members on the Standards Committee. The membership of the Committee was increased from May 2008 following the introduction of the local assessment of complaints and now includes five Councillors and

nine Independent Members. The Independent Members each serve a three year term and retire by rotation to ensure continuity of knowledge and experience. A retiring Independent Member may apply to serve an additional term or terms. Persons appointed undergo training on the Code of Conduct and other matters before taking up their place.

#### **4. Existing Independent Members**

4.1 Recruitment of Independent Members has taken place at regular intervals as vacancies have occurred either as a result of retirements or the expansion of the Committee's membership in response to its developing role. An advertisement in spring 2009 resulted in the appointment, at the Council Meeting on 20 May 2009, of four new Independent Members and during the municipal year 2009/10 nine Independent Members have served on the Committee as follows:-

- Mr Barry O'Connor (Chair) (term of office to May 2010);
- Mr Ibrahim Ali (to May 2011);
- Ms Salina Bagum (to May 2012);
- Ms Suzette Barry (to May 2010);
- Mr Richard Hopkins (to May 2012);
- Mr Barry Lowe (to May 2012);
- Mr Eric Pemberton (to May 2011);
- Mr Muhammad Habibur Rahman (to May 2010); and
- Mr Matthew Rowe (to May 2012)

4.2 As set out above, three of the Independent Members – Mr Barry O'Connor, Ms Suzette Barry and Mr Muhammad Habibur Rahman - reached the end of their respective terms of office in May 2010.

4.3 Ms Barry has indicated that she does not wish to seek a further term as a member of the committee. Suzette Barry has served on the Standards Committee since 2004 and the Committee Members have placed on record their thanks and appreciation for the significant contribution that she has made to the work of the Committee during that period.

#### **5. Proposed appointments**

5.1 An advertisement has been published and a recruitment process held to identify suitable persons for appointment to the vacant positions created by the retirement of the above members.

5.2 Statutory rules apply to the appointment of Independent Members and the Standards Board for England has also issued guidance to ensure that appointees are chosen in a fair and open way. The position(s) must be advertised publicly and no one may be appointed unless they have applied for the appointment. The following may not be appointed as an Independent Member of the Council's Standards Committee:-

- Someone who has been a Member or employee of the Council within 5 years before the date of the appointment;

- A Member or officer of the Council or another relevant authority; or
- A close friend or relative of a Member or employee of the Council.

5.3 The Standards Board for England has set out the following skills and competences that Independent Members should demonstrate:

- A keen interest in standards in public life;
- A wish to serve the local community and uphold local democracy;
- High standards of personal integrity;
- The ability to be objective, independent and impartial;
- Sound decision making skills;
- Questioning skills;
- Leadership qualities, particularly in respect of exercising sound judgement; and
- The ability to act as a chair of an assessment or review sub-committee or a determination hearing.

5.4 As far as possible the Council would wish to achieve a diversity of representation amongst the Independent Members in relation to gender and ethnicity; and has previously sought to recruit persons with experience in a range of different sectors i.e. academic/public, business and community.

5.5 The closing date for applications in the current recruitment round was 25<sup>th</sup> June 2010. Following assessment of the applications against the selection criteria, interview of the new applicant by an officer panel chaired by the Monitoring Officer and consultation with the respective group leaders, the following persons are recommended for appointment:-

<u>Name</u>	<u>Experience/Background</u>
Ms Sue Rossiter	(New applicant): Deputy Chief Executive of a trade association. Background in public policy relating to regulation. Active in the voluntary sector in the borough and trustee of a local charity.
Mr Barry O'Connor	(Application for a further term): Chair of the Independent Monitoring Board at a high security prison in London; and Chair of Trustees for a pension fund. Business consultant and broad previous commercial experience culminating in directorship of a public company. Has chaired the Standards Committee since 2005.

5.6 It is necessary for the appointment of Independent Members to be agreed by a majority of the total number of Members of the Council.

5.7 The final position on the Committee remains vacant and this will be the subject of a further report to the Council in due course.

## **6. Observations of the Chief Financial Officer**

- 6.1 The Council's Scheme of Members Allowances provides for an Independent Member of the Standards Committee to claim a co-optee's allowance of £117 for attendance at any meeting of the Committee or a conference or training event where attendance is on behalf of and authorised by the Council. An Independent Member may also claim travel and subsistence allowance under the scheme.
- 6.2 Any payments made under 6.1 above will be met from within the existing budget provision for Members' Allowances held by Democratic Services.

## **7. Concurrent Report of the Assistant Chief Executive (Legal)**

- 7.1 The legal implications are included in the main body of this report.

## **8. Implications for One Tower Hamlets**

- 8.1 The Independent members of the Standards Committee are drawn from a range of communities represented within the borough.

## **9. Anti-Poverty Implications**

- 9.1 There are no anti-poverty implications arising from this report.

## **10. Risk Management Implications**

- 10.1 The Standards Committee plays a key role in ensuring the adequacy of the Council's Governance arrangements and ethical and assurance framework.

## **11. Sustainable Action for a Greener Environment**

- 11.1 There are no SAGE implications arising from this report.

---

### **LOCAL GOVERNMENT ACT, 2000 (SECTION 97)**

### **LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT**

Brief description of "background paper"	Name and telephone number of holder and address where open to inspection
None.	



**LONDON BOROUGH OF TOWER HAMLETS**

**COUNCIL MEETING**

**WEDNESDAY 14<sup>TH</sup> JULY 2010**

**MOTIONS SUBMITTED BY  
MEMBERS OF THE COUNCIL**

**REPORT OF THE SERVICE HEAD,  
DEMOCRATIC SERVICES**

## **SUMMARY**

1. One motion has been submitted by a Member of the Council under Council Procedure Rule 13 for debate at the Council meeting on Wednesday 14<sup>th</sup> July 2010.
2. In accordance with the protocol agreed by the Council on 21<sup>st</sup> May 2008, the order in which the motions are listed is by turns, one from each group, continuing in rotation until all motions submitted are included. The rotation starts with any group(s) not reached at the previous meeting.
3. Motions must be about matters for which the Council has a responsibility or which affect the Borough. A motion may not be moved which is substantially the same as a motion which has been put at a meeting of the Council in the previous six months unless notice of motion is given signed by at least twenty Members.
4. There is no specific duration set for this agenda item and consideration of the attached motions may continue until the time limit for the meeting is reached. The guillotine procedure at Council Procedure Rule 9.2 does not apply to motions on notice and any of the attached motions which have not been put to the vote when the time limit for the meeting is reached will be deemed to have fallen. A motion which is not put to the vote at the current meeting may be resubmitted for the next meeting but is not automatically carried forward.

## **MOTIONS**

Set out overleaf is the motion that has been submitted.

## 11.1 Youth offenders

**Proposed: Councillor Stephanie Eaton**

**Seconded: Councillor Harun Miah**

This Council notes:

1. 60-80 young people come off criminal justice orders every quarter in Tower Hamlets, of which 30-40 young people are of school age.
2. That a reduction in re-offending is closely linked to successful settlement into work.
3. There are often difficulties placing young ex-offenders into work placements and other forms of employment or training as employers are cautious about employing ex-offenders, and the young people often require support in the workplace.
4. There is a tendency for employers to view the recruitment of young offenders as a corporate social responsibility when a solid business case could be developed to give employers confidence and justify employing young ex-offenders.
5. Many employers outsource roles which might be appropriate to young people leaving the criminal justice system, however, the outsourced companies have stringent screening processes which inhibit young offenders from recruitment.
6. KPMG and Freshfields have delivered successful employment programmes targeted at the homeless and these programmes may provide models for employment of young ex-offenders. Such programmes have been successful because both employers and employees are offered support such as an employer's helpline.
7. That opportunities provided for the small number of young ex-offenders in the Borough would benefit other young people through a reduction in victimisation; the development of positive role models; and the demonstration of the longer term benefits of work and training.

### **This Council resolves:**

1. To develop an effective training into work model which reduces the risk associated with employing young ex-offenders, and which can be used to support firms to employ young ex-offenders.
2. To ensure the Youth Justice Board is working with organisations such as Community Links and East Potential to ensure there is a smooth transition into employment and training after criminal justice orders are concluded.
3. To work with partners such as Community Links and East Potential to develop a training programme for motivated ex-offenders who wish to become self-employed.

4. To investigate the potential for employment opportunities for young ex-offenders among the Council's larger contractors e.g. Veolia, and larger employers in the borough e.g. Tesco to discuss with them their attitude to employment of ex-offenders.

5. That the East London Business Alliance undertakes a project to investigate the business case, costs and opportunities for employing young ex-offenders based on their potential contribution to a company.

This page is intentionally left blank