



# LONDON BOROUGH OF TOWER HAMLETS

**DRAFT**

**ANNUAL FINANCIAL REPORT 2023/24**

**UNAUDITED**



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# Narrative Report - 2023/24

## Introduction

I am pleased to introduce Tower Hamlets council's Statement of Accounts for 2023/24, which reports our financial results for the year. This covers the period 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024.

The primary purpose of the Narrative Report is to provide information on the Local Authority, its objectives and strategies and the principal risks that it faces. The Report also provides a commentary on how the Local Authority has used its resources to achieve its intended outcomes, as identified through the development of its local objectives and strategies.

The council's Statement of Accounts for the year 2023/24 has been prepared in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) for 2023/24.

Julie Lorraine,

Corporate Director of Resources (Section 151 Officer)

## Introduction to Tower Hamlets

Tower Hamlets was for centuries a repository for London's poor. A place where the more noxious industries were located. Over the last 50 years Tower Hamlets has been transformed and is home to Canary Wharf, the City Fringe, an emerging life sciences cluster, and many creative industries. Situated at the edge of the City and on the River Thames, it has long been a centre of industry, migration, and culture. From its internationally significant docks that brought maritime trade to London, to the clothing industry through the industrial ages, to a global financial powerhouse today.

The borough is steeped in history with tourist destinations that are the envy of any city. Tower Hamlets based commerce and businesses generate the UK's third largest economic output, with a diverse economy that includes small enterprises, world famous markets, and the international business districts of Canary Wharf and the City Fringe whilst its world class learning institutions generate local opportunity.

Tower Hamlets boasts extensive waterways, 120 award winning parks including Victoria Park, an assortment of markets, and the Tower of London from which it derives its name. A rich cultural scene consisting of community and music festivals, a vibrant gallery sector and museums, including the Museum of London in the Docklands, and Young V&A formerly the Museum of Childhood in Bethnal Green which reflect the historical and contemporary cultural diversity of the East End.

It is a vibrant place, full of energy and ambition and is now one of the most popular places in the UK to live, work, study, and visit.

Some key facts about the borough include:

### **We are one of the fastest growing and most densely populated places in the UK**

- Tower Hamlets has the fastest growing population of any Local Authority area across England and Wales. Between 2011 and 2021 the population in Tower Hamlets increased by 22%, from 254 thousand to 310 thousand. By mid-2022 this had grown to 325 thousand.
- Tower Hamlets is also the most densely populated borough in England with 16,478 persons per square kilometre. This was almost three times the density of London as a whole (5,640 per km<sup>2</sup>) and more than 37 times the density of England (438 per km<sup>2</sup>).
- We have fantastic transport links – with nine London Underground and seven overground stations, 17 DLR stations serving seven lines, the Elizabeth Line, 26 daytime bus routes.
- More homes are built here than almost anywhere else. We are expected to accommodate a further 35,000 homes by 2028.

## **We are home to international business districts which generate the third highest economic output in the UK –**

- Canary Wharf is one of the world's leading finance districts and a cultural hotspot offering office, residential, retail, leisure, hospitality and sport. It has over 310 retailers including 74 cafes bars and restaurants. 67.2 million people visited Canary Wharf between January to December 2023.
- The City Fringe includes Whitechapel, Aldgate and Spitalfields. It is being developed to support London's financial sector and the growing digital-creative businesses in Tech City. Plans for a world-class life science centre were submitted in 2021 with further amendments submitted in September 2023.

## **We host some of London's best destinations**

- We have attractions including the Tower of London, the Young V&A in Bethnal Green (formerly Museum of Childhood) re-opened in July 2023, the Museum of London Docklands, English National Ballet and Tower Bridge.
- There are over 120 parks including Victoria Park – the 'People's Park' voted one of the top ten green spaces in the UK for the eleventh year running, and Queen Elizabeth Olympic Park won the Green Flag Award for 2023.
- World famous markets include Spitalfields, Columbia Road, Whitechapel, Watney and Petticoat Lane with Brick Lane a melting pot of food and culture - everything from renowned curry houses to the Old Truman Brewery; Petticoat Lane Food Court won the Best Small Speciality Market Award at the Great British Market Awards 2024.
- Major music festivals and events such as All Points East and the London Marathon happen here.
- World class culture is part of our fabric with 22 art galleries, including the Whitechapel Gallery, amazing street art and venues such as Wilton's Music Hall and Rich Mix and Genesis Cinema.

## **We are a centre for world-class learning and innovation**

- Queen Mary University of London, one of the top Russell Group universities in the country.
- In the 2023 Times Higher Education (THE) World University Rankings, we were ranked 16 in the UK, and 124 globally. As a major employer of local east London residents (with around 42% of staff drawn from this population) and a large procurer of services and goods, the council can play a role in supporting business in the local economy as well as consider our employment offer to residents.
- Barts NHS Trust hospitals Education Academy trained over 5,600 for a recognised professional healthcare qualification in 2023/24.
- The Government Digital Service is driving cutting-edge innovation from its headquarters in Whitechapel.
- The London Metropolitan University School of Art, Architecture and Design is based in Aldgate.

## **We are a world borough with a proud history of diversity and equality**

- 46.8% of residents in Tower Hamlets were born outside of the UK.
- The most common countries of birth other than the UK were: Bangladesh, Italy, India, China and France. 14% of residents were born in a current European Union country.
- Data from the recent 2021 Census reveals that 73% of residents in Tower Hamlets reported that English is their main spoken language.
- The Office of National Statistics published data found that after English, Bengali is the most commonly spoken language in Tower Hamlets (11%) followed by Italian (2.2%), Spanish (1.7%), French (1.2%) and Portuguese (1%). Over 137 languages are spoken in Tower Hamlets with 43% residents born in over two hundred different countries.
- The May 2023 Annual Resident Survey data indicate that 87% of our residents feel that people from diverse backgrounds get on well together.
- Our residents fought fascism in the Battle of Cable Street and the roots of the Suffragette movement are in Roman Road.
- The London Docks were the drop-off point for many immigrants to the UK as well as being the centre of world trade.

## Organisational Context and Challenges

The Strategic Plan is the main strategic business planning document of the council and a central part of our Performance Management and Accountability Framework. It sets out the corporate priorities and outcomes, high-level activities that will be undertaken to improve the quality of life, as well as the measures that will help us determine whether we are achieving our goals set out in the priority themes.

Following the election of a new Executive Mayor in May 2022, a new Strategic Plan set out its vision for the next four years within eight new thematic priorities, providing a framework for action to improve services and bring about strategic change for Tower Hamlets. Since May 2022, the council has focussed on supporting residents and businesses through the current cost of living crisis and the aftermath of the Covid-19 pandemic and welcomed a new political administration. Our Strategic Plan 2022-26 is designed to improve outcomes for residents as summarised below:

### Priority 1 – Tackling the Cost of Living crisis

*Our ambition: No child will go hungry, and no pensioner will go cold for the next four years.*

### Priority 2 – Homes for the future

*Our ambition: Everyone in Tower Hamlets lives in a good quality home that they can afford.*

### Priority 3 – Accelerate education

*Our ambition: Every child achieves their best in education.*

### Priority 4 - Boost culture, business, jobs and leisure

*Our ambition: Residents from all backgrounds benefit from thriving sports, the arts and local businesses, education.*

### Priority 5 – Invest in public services

*Our ambition: Residents have access to high quality council-run public services, including Idea Stores and libraries, public health, social care, and waste and recycling services.*

### Priority 6 – Empower communities and fight crime

*Our ambition: Residents, workers, and visitors of all backgrounds feel safe and welcome in Tower Hamlets.*

### Priority 7 – A clean and green future

*Our ambition: Cleanliness & air quality improve, emissions & noise nuisance reduce, and everybody benefits from parks & more trees.*

### Priority 8 – A council that listens and works for everyone

*Our ambition: Residents benefit from accessible, high-quality services and are involved in decisions that affect them.*

Alongside this refreshed Strategic Plan, we also updated our Medium Term Financial Strategy to ensure our budget can support the delivery of our priorities and address the financial challenges facing the council. Through ongoing engagement with our partners, we re-focused our priorities to ensure we could collectively support the recovery of the borough and empower our partners to take a greater lead on delivering our collective priorities following the challenging years in the aftermath of Covid-19 pandemic and in the midst of the cost of living crisis.

## **Monitoring Performance**

For Year 2 of the Strategic Plan 2022–26; there were fifty-one performance measures reported as part of the Strategic Delivery and Performance Report. These were selected based on the Mayor’s manifesto. At the time of drafting this report, data for 2023/24 is still being collated.

Early indications show that at the end of quarter 4 2023 to 2024, 22 performance measures had been met or were exceeding their target (Green), four were between the target and the minimum target (Amber), while 7 were falling short (Red). Seven measures were awaiting monitoring data (No data currently), 6 were reported as data only. Five measures are reported annually.



## Key Achievements

Two years on from the political administration coming into power in May 2022, the council continues the effective delivery of day-to-day services across key areas. The Strategic Plan sets out a four-year vision, with eight priorities, and in the last year, 1<sup>st</sup> April 2023 – 31<sup>st</sup> March 2024, progress has been made across all eight priorities:

### 1. Priority One: Tackling the cost-of-living crisis

- ✓ 89,222 unique attendances to the holiday food programme for Easter, Summer and Christmas holidays 2023, prioritising children entitled to benefits-related Free School Meals and the council also provided grants to partner organisations for delivery.
- ✓ The creation of a Council Tax Cost of Living Relief Fund agreed in February 2024 by Full Council.
- ✓ 1,887 tonnes of food supplied to food aid organisations through Tower Hamlets Food Hub following allocation to continue delivering services to distribute groceries provided to community food banks and other food aid organisations in the borough– equivalent to 4.3 million meals.

### 2. Priority Two: Homes for the future

- ✓ 40% of homelessness cases prevented or relieved.
- ✓ Delivered 1,113 net additions to the housing stock in 2023/24. In 2022/23 net additions to housing stock was 2,330 bringing the total of net additions to 3,443 over a two-year period.
- ✓ Delivered 459 affordable homes in 2023/24. In 2022/23 the council delivered 585 affordable homes bringing the total to 1,044 over a two-year period.

### 3. Priority Three: Accelerate education

- ✓ Daily free school meals for primary and school children: At the end of Q4 2023/24, 95% of primary school pupils in Key Stage 2 received council-funded free school meals and 74% of secondary school pupils received council-funded free school meals.
- ✓ 20,769 children were supported by the Early Help Children and Family Service an increase from last year's 17,783 with the launch of two-family hubs in the year.
- ✓ 6,076 young people registered with the council's and council commissioned youth centres. 400 young people took part in 4 workshops to help design future youth services in May 2023.

### 4. Priority Four: Boost culture, business, jobs and leisure

- ✓ A new Supporting Small Business (SSB) relief scheme to ensure no small business faces a bill increase greater than £600 per year for 2023-24 because of losing eligibility for Small Business Rate Relief.
- ✓ 2,782 jobs, training and apprenticeships opportunities delivered.
- ✓ 1,150 enterprises were supported by the council's business programme.

### 5. Priority Five: Invest in public services

- ✓ A school food improvement pilot programme in 10 primary schools underway, supported by Healthy Lives Team to support healthy child weight borough wide.

- ✓ Following investment in Resident Hubs, plans to open 4 additional Resident Hubs underway in the following localities: Bow and Chrisp Street Idea Stores, Cubitt Town Library, and Professional Development Centre in Bethnal Green; in addition to the flagship Resident Hub at Whitechapel Town Hall.
- ✓ c1.3m visits a year to the council's seven Idea Stores and Libraries.

## **6. Priority Six: Empower communities to fight crime**

- ✓ 350 CCTV cameras upgraded to help capture evidence of crime and ASB.
- ✓ 34,877 additional uniformed police patrol hours, funded by the council.

## **7. Priority Seven: A clean and green future**

- ✓ Residential Energy Efficiency Project scope finalised to implement the Resident Energy Scheme using funding from the Mayor's Energy Fund.
- ✓ Approval of installation of over 2,200 new electric vehicle chargers across Tower Hamlets over the next two years. A total of 2,245 chargers to be installed from 2024 to 2026.
- ✓ Steady progress made with investment to improve recycling on housing estates. 925 blocks of flats received interventions such as new recycling bins and improved signage.
- ✓ 930 trees planted.

## **8. A council that works and listens for everyone**

- ✓ Around 500 people seen a month at twice weekly Mayor's Surgeries.
- ✓ New Tower Hamlets Partnership Plan 2023-2028 launched in November 2023 setting out socio-economic and environmental outcomes for local people through local strategic partnership working.
- ✓ The Mayor's Community Grants Programme runs from 1<sup>st</sup> November 2023 – 31<sup>st</sup> March 2027 and will provide £11.96m of funding to the voluntary and community sector (VCS) over 41 months. 110 projects provided by VCS organisations were put forward for funding in August – September 2023.
- ✓ Tower Hamlets Council shortlisted three times in three distinct categories under a prestigious national awards programme for local government - the Local Government Chronicle Awards. Winners to be announced in June 2024.

## Key Strategic Risks

It is essential to the good governance of the Council that risks are managed thoroughly and appropriately. The Council has in place a formally approved Risk Management Strategy, which clarifies the Corporate Risk Appetite, seeks to support decision making that considers threats and identifies mitigating actions. This allows the Council to ensure opportunities are seized and delivered.

The Council uses a Corporate Risk Management system to identify all relevant Corporate Risks. Through this system, the Council identifies and proactively manages its key risks and governance challenges.

In reflection of the dynamic nature of the Council's operating environment, risks evolve and change over time and whilst the narrative report is chiefly a backward look at 2023/24, we consider it more useful to stakeholders to highlight the risks present on the Council's Corporate Risk Register at the time of publication of this report.

### Summary of Corporate Risks (as of May 2024)

1. Death or serious harm to a child that was or should have been in receipt of services, either from the Council or a Partner Agency.
2. Major Health and Safety Incident affecting Council employees, Buildings or related Infrastructure.
3. There is risk to Council's Financial Standing from overspending its revenue budget, failing to deliver savings and a reliance on reserves.
4. There is a risk that historical errors in Pension Scheme member data will lead to materially incorrect calculation of the Pension's liability figure and qualification of the Council's annual Statement of Accounts and Pension Fund Accounts. Work to ensure that membership data is complete and accurate has to be ongoing. A piece of work is currently underway to reconcile member data and to ensure that, by the time of the next triennial valuation, systems and processes maintain 100% accuracy. Any material errors or misstatements will be corrected as part of the audit process.
5. There is an ongoing risk of a cyber-attack and/or major loss of IT and a consequential Data Breach, Financial Loss and Business Interruption.
6. There is a risk that the statement of accounts will receive a modified / disclaimer opinion for 2020/21, 2021/22 and 2022/23, which is dependent upon the completion of the audits and expected future legislation from the Government relating to the backlog of accounts.
7. Death or serious harm to a Vulnerable Adult who was or should have been, in receipt of services, either from the Council or a Partner Agency.
8. Following the Grenfell Fire tragedy residents of tower blocks in the borough are not safe or do not feel safe from fire following reassurance, advice, interim measures and completed, in progress or scheduled remedial actions to improve Fire Safety.
9. Regulatory censure and Safeguarding Failure arising from deficient process for new and ongoing employee vetting.

10. There is a risk that the Council will fail to comply with its obligations in relation to the Protection of Freedoms Act 2012.
11. There is a risk the Council will be unable to deliver critical and essential services owing to a Business Continuity Incident.
12. Enforcement Action/ Regulatory Censure owing to non-compliance with the Building Safety Act.
13. Risk of exploitation of Supply Chain vulnerabilities or shocks impacting Council Services, Vendors and Partners.

## Financial Overview and Annual Governance Statement

The previous multi-year funding settlement agreed with the Government expired at the end of the 2019/20 financial year. Single year settlements have been announced since. The Government's 2021 Spending Review provided resource budgets for Government departments for the three years 2022/23 to 2024/25. However, the Government again published a single year settlement for 2024/25. The absence of a long-term settlement hinders the ability of local authorities to plan for the medium-term effectively and drives us to make assumptions and judgements about future years. All such assumptions and judgements are underpinned where possible by third party reference sources, for example, the Office of Budget Responsibility (OBR), and the Bank of England (BOE).

The one-year provisional Local Government Finance Settlement (LGFS) for 2024/25 rolled forward a number of funding streams for an additional year. The latest MTFS also includes another year of business rates growth that Tower Hamlets has been able to retain since the baselines were set in 2013/14. Reform is now not expected before 2026/27.

This one-year settlement marks the end of the current Spending Review period. In the Autumn Statement, announced on 22 November 2023, departmental resource spending for the years beyond the current Spending Review period (2025/26 to 2028/29) are indicated to continue to grow at 1% a year on average in real terms, which implies real terms cuts for 'unprotected departments' like Local Government.

Reforms of local government funding, including a 'fair funding' review of the needs assessment formula and a reset of business rates baselines, have been announced in past years but never implemented. This remains a risk to the Council and the reset of business rates baselines has the potential to wipe outgrowth since 2013/14. In early 2021 the Government also consulted on altering New Homes Bonus funding.

Any proposed changes could have significant implications for Tower Hamlets over the medium term. Retained business rates above the Council's baseline accounts for approximately £18.8m of the Council's funding. If these funding sources under the current mechanisms are changed and removed or reduced, it is not clear how the money would be redistributed across local government, and this remains a significant future funding risk for the Council.

In addition to funding uncertainties in the medium term, the Council continues to face increases in demand for services, inflationary cost increases, and demographic cost pressures, particularly in Childrens' Social Care, Special Educational Needs and Disabilities (SEND), Adult Social Care and temporary accommodation. The budget for 2024/25 was approved by Council on 28 February 2024.

During 2023/24 the Council made changes to the organisational structure creating five separate departments from the previous structure (four departments) including the newly formed Housing & Regeneration and Communities Directorate and also insourced Tower Hamlet Homes (THH) an Arms Length Management Organisation (ALMO).

The Annual Governance Statement sets out the Council's governance framework, how it has reviewed governance arrangements as well as any actions proposed or taken to deal with any significant governance issues arising during 2023/24. The statement is included within the Statement of Accounts.

## Revenue Outturn for the Year

### General Fund

The General Fund is the primary revenue fund through which the Council pays for its services.

Ongoing reductions in mainstream government grant funding over the last decade and a long-term continuing upward trend in the demand for key front line services, only exacerbated by the cost of living crisis and the aftermath of the Covid-19 pandemic, particularly in Homelessness, Adult Social Care and Special Educational Needs and Disabilities (SEND), have collectively created a challenging financial environment for the Council.

The overall outturn position for General Fund services, after planned contributions to/from earmarked reserves, is a net underspend of £0.3m, a relatively small variance and a reasonably good outcome for the Council in a very unpredictable year. There are significant savings to be delivered, so strategically these are still very challenging circumstances. The underspend at the year-end will be transferred to General Fund reserves, which will stand at £21.2m as at 31 March 2024. The revenue outturn position is summarised below:

	Annual Budget and Reserve Transfers	Outturn	Outturn Variance
	£m	£m	£m
	A	B	= B - A
Children's Services	93.4	94.0	0.6
Health and Adult Social Care	178.2	181.0	2.8
Housing and Regeneration	43.0	45.8	2.8
Chief Executive's	18.0	16.8	(1.2)
Resources	48.7	47.2	(1.5)
Corporate Costs and Central Items	(434.4)	(438.9)	(4.5)
Communities	53.1	53.8	0.7
<b>Total</b>	<b>0.0</b>	<b>(0.3)</b>	<b>(0.3)</b>
<b>Outturn Underspend Transfer to General Fund (GF) Reserves</b>			<b>0.3</b>
<b>Council Outturn</b>			<b>0.0</b>

## **Revenue Reserves**

The table below presents the movement on the Councils revenue reserves for the last year:

	<b>31 March 2023</b>	<b>31 March 2024</b>
	<b>£m</b>	<b>£m</b>
General Fund balances	(20.9)	(21.2)
HRA balances	(38.5)	(24.3)
Dedicated Schools Grant (Surplus)	(1.2)	-*
Schools' balances	(35.3)	(34.0)
GF earmarked reserves (Reserves without Restrictions)	(92.4)	(70.9)
GF earmarked reserves (Restricted Reserves)	(108.0)	(101.0)
HRA earmarked reserves (Reserves without Restrictions)	-	(2.4)
<b>Total</b>	<b>(296.3)</b>	<b>(253.8)</b>

\*In accordance with regulations, the cumulative deficit on the DSG account, totalling £15.8m at 31 March 2024, is held within the dedicated schools grant adjustment account, an unusable reserve.

The notable decreases in earmarked reserves at 31 March 2024 is mainly contained within GF earmarked reserves (Reserves without Restrictions) (£21.5m), which largely relates to budgeted contributions from the Mayor's Priority Investment reserve to fund the MTFs as approved by Council on 1 March 2023.

As we are facing challenges over the medium-term, largely due to potential changes to local government funding and external service demand pressures, it is important to maintain reserves at an adequate and prudent level to help mitigate and manage these significant risks and ensure the Council remains on a sustainable footing.

## **Housing Revenue Account**

The Housing Revenue Account (HRA) records expenditure and income on running the Council's own housing stock and closely related services or facilities. The HRA is ring-fenced within the General Fund and primarily supports management and maintenance costs. The HRA revenue outturn finalised at a £6.1m overspend and HRA balances of £8.2m were also used to fund the HRA new council home capital programme, resulting in a HRA reserve balance of £24.3m on 31 March 2024.

## **Dedicated Schools Budget**

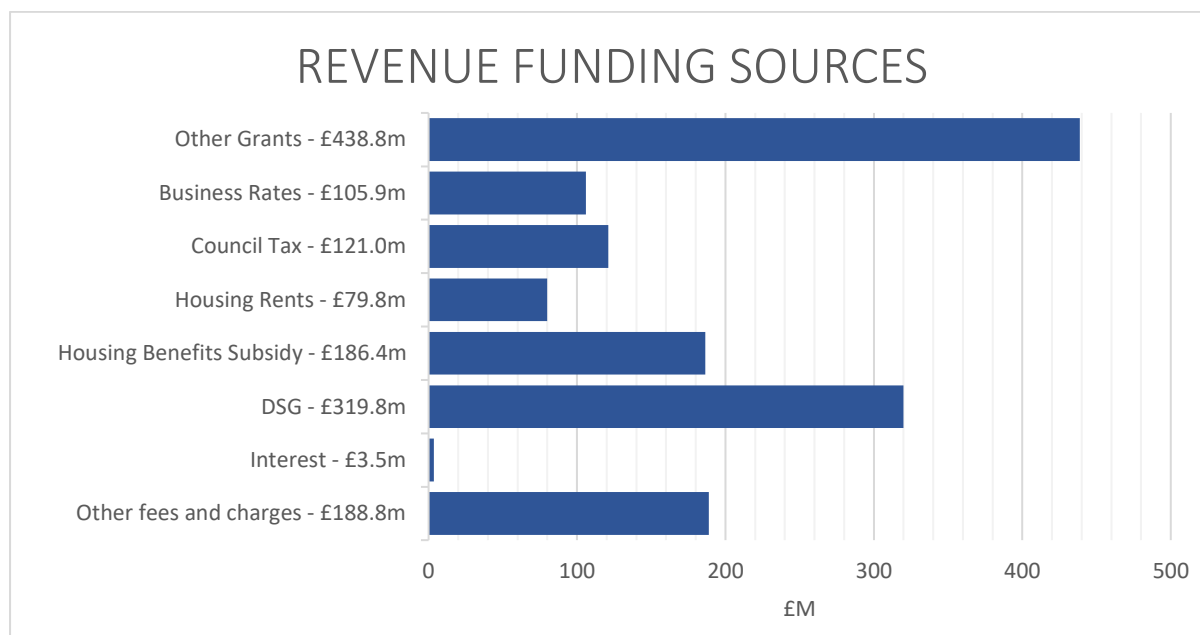
This budget records the expenditure and income on the ring-fenced schools' budgets and related services. The outturn finalised at an in-year overspend on the Dedicated Schools Grant (DSG) of £2.7m, resulting with the Dedicated Schools Grant now having a cumulative deficit of £15.8m at 31 March 2024.



## Revenue Income

Government grants and subsidies continue to be the main sources of revenue funding, although with not inconsiderable revenues from fees and charges, business rates, council tax and housing rents.

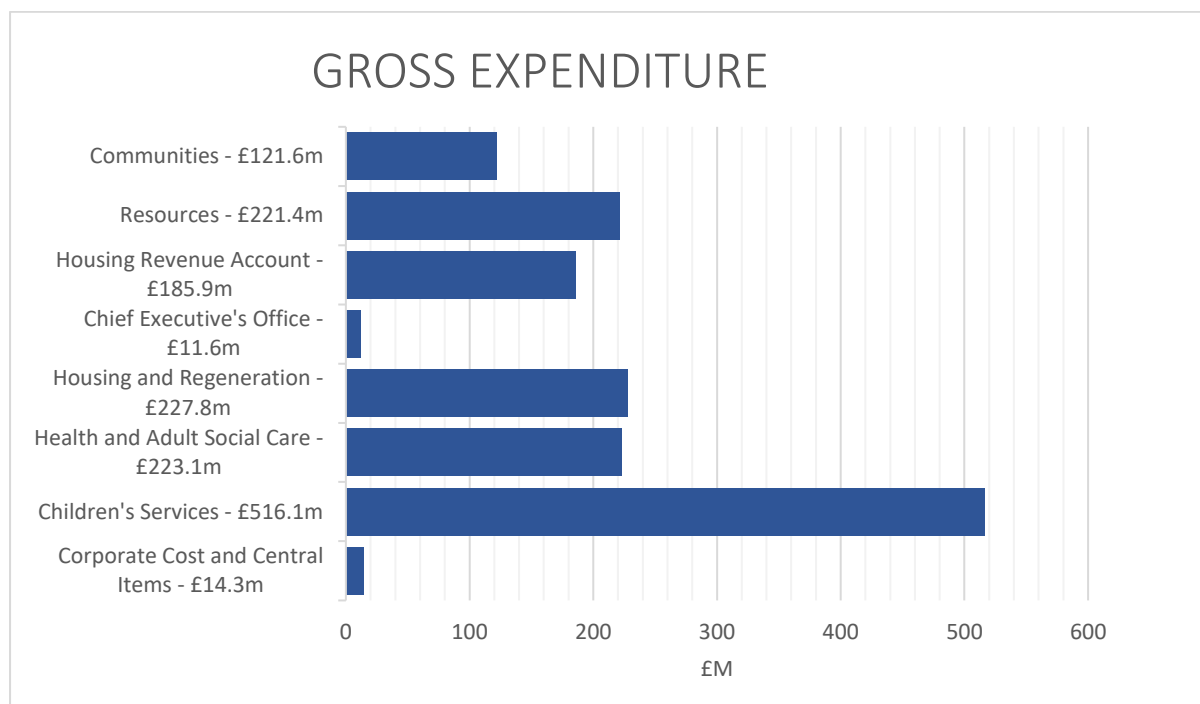
The main specific grant continues to be the Dedicated Schools Grant which can only be used to fund education services and is largely 'passported' directly to schools. An analysis of all the funding sources is shown in the diagram below.



The diagram shows where the Council's expenditure is funded from. Government grants and subsidies are the main source of the £1.444bn revenue funding at £0.945bn, along with revenues from fees and charges, business rates, council tax and housing rents. The largest service grant is the Dedicated Schools Grant of £0.320bn which can only be used to fund education services and is largely 'passported' directly to schools.

## **Expenditure on Services**

The service with the largest gross expenditure is Children's Services, which includes schools and social care for children.



The diagram shows where the Council's gross service expenditure of £1.521bn is spent by services area. The largest gross expenditure of £0.516bn is spent on the Children's Services, which includes schools and social care for children. These figures exclude items included in Other Operating Income and Expenditure below Net Cost of Service in the Comprehensive Income and Expenditure Statement

## Capital Investment and Funding

### *Capital Investment*

The Council has continued to invest in its infrastructure with £147.2m spent on its capital programme. Within the General Fund, the main area of investment was in Childrens and Culture with £36.4m spent on the new Mulberry Academy London Dock and £3.5m on the Wood Wharf Expansion. In Communities, £6.7m was invested in Public Realm Improvements. Within Housing and Regeneration, £4.3m was invested in the New Town Hall. Within the HRA, £41.0m was spent on building new homes. Furthermore, £4.7m was spent under the devolved schools' budgets.

### *Capital Funding*

A significant part of the capital programme was financed by borrowing £28.6m. This was "internal borrowing" against the Council's own internal resources.

Capital grants and contributions financed £77.1m of expenditure with capital receipts of £13.2m being another significant source of funding.

Capital spending and financing for 2023/24 is shown in the following table:

	31 March 2023	31 March 2024
	£m	£m
<b><i>Capital Investment</i></b>		
Children's Services	27.6	48.3
Health and Adult Social Care	7.1	8.1
Housing and Regeneration	33.8	12.0
Local Authority Housing (Housing Revenue Account)	44.4	60.7
Resources	3.4	1.3
Communities	21.0	16.8
<b>Total</b>	<b>137.3</b>	<b>147.2</b>
<b><i>Capital Funding</i></b>		
Borrowing	49.0	28.6
Capital Grants and Contributions	53.2	77.1
Capital Receipts	11.3	13.2
Major Repairs Reserve	13.2	17.3
Direct Revenue / Reserves Funding	10.6	11.0
<b>Total</b>	<b>137.3</b>	<b>147.2</b>

## **Borrowing and Investments**

No new borrowing was undertaken in the year with long-term borrowing for the Council remaining the same at £68.7m.

Long-term investments for the Council also remained steady, with the value of those investments increasing from £52.3m to £53.7m. Short-term investments decreased from £50.7m to £21.0m during the year.

## **Pensions**

The Council's Pension Fund's income originates from employee contributions and existing assets (investments). This income is compared with the estimated cost of pensions payable in the future to determine the Council's Pension Asset or Liability. The net amount is included in the accounts as the Council's pension net surplus or liability.

The net asset at the 31 March 2023 of £7.4 million moved to a net liability position of £180.5million at the 31 March 2024. The scheme has an underlying net asset position of £235.1million but restrictions on changes to contributions limit the Council's ability to recognise the full position and create an asset ceiling which leads to the net liability.

Although this sum has a significant impact on the net worth of the Council (as shown in its Balance Sheet) contributions to the Pension Fund are set by the actuary's triennial valuation, which concluded in March 2023, and provides for stable trends in contributions.

## **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 responsibilities of the Corporate Director of Resources**

The Corporate Director of Resources (Section 151 Officer) 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.

### **Certificate of the Corporate Director of Resources**

I certify that the Statement of Accounts 2023/24 presents a true and fair view of the financial position of the Council in accordance with the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code of Practice") as at 31 March 2024 and its income and expenditure for the year ended 31 March 2024, except for:

- The possible effect of issues relating to the quality of pension scheme membership data (as described under Note 4 to the main accounts – Assumptions Made About the Future and Other Sources of Estimation Uncertainty) on the pension liability at 31 March 2024 and related entries. Work to ensure that membership data is complete and accurate has to be ongoing. A piece of work is currently underway to reconcile member data

and to ensure that, by the time of the next triennial valuation, systems and processes maintain 100% accuracy. Any material errors or misstatements will be corrected as part of the audit process.



**Julie Lorraine**  
Corporate Director of Resources  
Date: 31 May 2024

**Approval of the accounts**

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

**Councillor Harun Miah**  
Chair of the Audit Committee  
Date:

## Auditor's Reports

This section is left intentionally blank subject to the completion of the audit.

## THE ACCOUNTING STATEMENTS

These comprise:

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

The **Core Financial Statements**:

The **Movement in Reserves Statement**, as well as showing reserve movements during the year, it also splits reserves between 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

The **Comprehensive 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 **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.

**Group Accounts** show the combined financial results for the year for the Council, its subsidiary organisations and other entities where it has significant influence.

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**.



## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	NOTES	USABLE RESERVES							UNUSABLE RESERVES									
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		GENERAL FUND BALANCE	earmarked GENERAL FUND AND HOUSING REVENUE ACCOUNT RESERVES	HOUSING REVENUE ACCOUNT BALANCE	MAJOR REPAIRS RESERVE	CAPITAL RECEIPTS RESERVE	CAPITAL GRANTS UNAPPLIED	TOTAL USABLE RESERVES	REVALUATION RESERVE	CAPITAL ADJUSTMENT ACCOUNT	PENSIONS RESERVE	COLLECTION FUND ADJUSTMENT ACCOUNT	FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT	POOLED INVESTMENT FUND ADJUSTMENT ACCOUNT	ACCUMULATED ABSENCES ACCOUNT	DEDICATED SCHOOLS GRANT ADJUSTMENT ACCOUNT	TOTAL UNUSABLE RESERVES	TOTAL AUTHORITY RESERVES
<b>Balance as at 1 April 2022</b>		(20,352)	(258,289)	(52,893)	(5,487)	(139,379)	(197,082)	<b>(673,482)</b>	(839,012)	(1,520,023)	477,951	36,188	16,547	(186)	5,493	14,268	<b>(1,808,774)</b>	<b>(2,482,256)</b>
<b>Movement in reserves during 2022/23</b>																		
(Surplus) or Deficit on the Provision of Services		19,696	-	(84,965)	-	-	-	<b>(65,269)</b>	-	-	-	-	-	-	-	-	-	<b>(65,269)</b>
Other comprehensive expenditure and income		-	-	-	-	-	-	-	(187,419)	(531,926)	-	-	-	-	-	-	<b>(719,345)</b>	<b>(719,345)</b>
<b>Total Comprehensive Expenditure and Income</b>		<b>19,696</b>	<b>-</b>	<b>(84,965)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(65,269)</b>	<b>(187,419)</b>	<b>(531,926)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(719,345)</b>	<b>(784,614)</b>
Adjustments between accounting basis and funding basis under regulations		1,217	-	99,311	(2,553)	(16,757)	6,661	<b>87,879</b>	6,221	(125,906)	46,595	(18,502)	(435)	3,845	303	-	<b>(87,879)</b>	-
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>		<b>20,913</b>	<b>-</b>	<b>14,346</b>	<b>(2,553)</b>	<b>(16,757)</b>	<b>6,661</b>	<b>22,610</b>	<b>(181,198)</b>	<b>(125,906)</b>	<b>(485,331)</b>	<b>(18,502)</b>	<b>(435)</b>	<b>3,845</b>	<b>303</b>	<b>-</b>	<b>(807,224)</b>	<b>(784,614)</b>
Transfers to or from earmarked reserves	9	(21,086)	21,086	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to or from school reserves	9	(362)	362	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Increase or (Decrease) in 2022/23</b>		<b>(535)</b>	<b>21,448</b>	<b>14,346</b>	<b>(2,553)</b>	<b>(16,757)</b>	<b>6,661</b>	<b>22,610</b>	<b>(181,198)</b>	<b>(125,906)</b>	<b>(485,331)</b>	<b>(18,502)</b>	<b>(435)</b>	<b>3,845</b>	<b>303</b>	<b>-</b>	<b>(807,224)</b>	<b>(784,614)</b>
<b>Balance as at 31 March 2023 carried forward</b>		<b>(20,887)</b>	<b>(236,841)</b>	<b>(38,547)</b>	<b>(8,040)</b>	<b>(156,136)</b>	<b>(190,421)</b>	<b>(650,872)</b>	<b>(1,020,210)</b>	<b>(1,645,929)</b>	<b>(7,380)</b>	<b>17,686</b>	<b>16,112</b>	<b>3,659</b>	<b>5,796</b>	<b>14,268</b>	<b>(2,615,998)</b>	<b>(3,266,870)</b>
<b>Movement in reserves during 2023/24</b>																		
(Surplus) or Deficit on the Provision of Services		20,997	-	54,002	-	-	-	<b>74,999</b>	-	-	-	-	-	-	-	-	-	<b>74,999</b>
Other comprehensive expenditure and income		-	-	-	-	-	-	-	24,467	201,410	-	-	-	-	-	-	<b>225,877</b>	<b>225,877</b>
<b>Total Comprehensive Expenditure and Income</b>		<b>20,997</b>	<b>-</b>	<b>54,002</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,999</b>	<b>24,467</b>	<b>201,410</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>225,877</b>	<b>300,876</b>
Adjustments between accounting basis and funding basis under regulations		21,582	-	(42,133)	329	(4,332)	(58,517)	<b>(83,071)</b>	12,709	77,157	(13,515)	7,269	(435)	(1,220)	(454)	1,560	<b>83,071</b>	-
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>		<b>42,579</b>	<b>-</b>	<b>11,869</b>	<b>329</b>	<b>(4,332)</b>	<b>(58,517)</b>	<b>(8,072)</b>	<b>37,176</b>	<b>77,157</b>	<b>187,895</b>	<b>7,269</b>	<b>(435)</b>	<b>(1,220)</b>	<b>(454)</b>	<b>1,560</b>	<b>308,948</b>	<b>300,876</b>
Transfers to or from earmarked reserves	9	(41,653)	27,289	2,400	-	-	11,964	-	-	-	-	-	-	-	-	-	-	-
Transfers to or from school reserves	9	(1,273)	1,273	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Increase or (Decrease) in Year</b>		<b>(347)</b>	<b>28,562</b>	<b>14,269</b>	<b>329</b>	<b>(4,332)</b>	<b>(46,553)</b>	<b>(8,072)</b>	<b>37,176</b>	<b>77,157</b>	<b>187,895</b>	<b>7,269</b>	<b>(435)</b>	<b>(1,220)</b>	<b>(454)</b>	<b>1,560</b>	<b>308,948</b>	<b>300,876</b>
<b>Balance as at 31 March 2024</b>		<b>(21,234)</b>	<b>(208,279)</b>	<b>(24,278)</b>	<b>(7,711)</b>	<b>(160,468)</b>	<b>(236,974)</b>	<b>(658,944)</b>	<b>(983,034)</b>	<b>(1,568,772)</b>	<b>180,515</b>	<b>24,955</b>	<b>15,677</b>	<b>2,439</b>	<b>5,342</b>	<b>15,828</b>	<b>(2,307,050)</b>	<b>(2,965,994)</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2022/23 *			Note	2023/24		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
<b>Continuing Operations *</b>						
486,134	(396,786)	89,348	Children's Services	516,065	(416,307)	99,758
211,118	(114,477)	96,641	Health and Adult Social Care	223,109	(128,705)	94,404
129,586	(97,947)	31,639	Housing and Regeneration	227,770	(114,852)	112,918
14,702	(2,745)	11,957	Chief Executive's	11,658	(1,991)	9,667
33,027	(103,365)	(70,338)	Local Authority Housing (Housing Revenue Account)	185,911	(116,858)	69,053
226,542	(171,943)	54,599	Resources	221,393	(171,032)	50,361
9,982	(2,704)	7,278	Corporate Cost and Central Items	14,295	(1,718)	12,577
116,269	(49,783)	66,486	Communities	121,560	(49,119)	72,441
<b>1,227,360</b>	<b>(939,750)</b>	<b>287,610</b>	<b>NET COST OF SERVICES</b>	<b>1,521,761</b>	<b>(1,000,582)</b>	<b>521,179</b>
		(15,172)	Other Operating Expenditure			1,420
		20,070	Financing and Investment Income and Expenditure			(7,712)
		(357,777)	Taxation and Non-Specific Grants Income			(439,888)
		<b>(65,269)</b>	<b>(SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES</b>			<b>74,999</b>
		(187,419)	(Surplus)/Deficit on revaluation of non-current assets			24,467
		(531,926)	Remeasurement of the net defined benefit pensions liability			201,410
		<b>(719,345)</b>	<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>225,877</b>
		<b>(784,614)</b>	<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>300,876</b>

\* Restated to reflect new departmental structures that took effect from August 2023.

# BALANCE SHEET

31 March 2023 £'000		Notes	31 March 2024 £'000
<b>Long-term Assets</b>			
3,214,214	Property, plant and equipment	14	3,113,650
19,153	Heritage Assets	15	19,153
3,271	Intangible Assets		3,275
52,340	Long-term investments	16	53,662
17,495	Pension Asset	38	-
2,095	Long Term Debtors		1,426
<b>3,308,568</b>	<b>Total Long-term assets</b>		<b>3,191,166</b>
<b>Current Assets</b>			
50,703	Short-term investments	16	20,993
168,662	Short-term debtors	18	178,000
228,790	Cash and cash equivalents	19	253,334
<b>448,155</b>	<b>Total Current Assets</b>		<b>452,327</b>
<b>Current liabilities</b>			
(37,970)	Cash and cash equivalents	19	(66,683)
(333)	Short-term borrowing	16	(332)
(204,779)	Short-term creditors	20	(195,025)
(7,126)	Provisions	21	(16,346)
<b>(250,208)</b>	<b>Total Current liabilities</b>		<b>(278,386)</b>
<b>Long-term Liabilities</b>			
(5,038)	Provisions	21	(3,880)
(68,709)	Long-term borrowing	16	(68,709)
(10,115)	Liability related to defined benefit pension schemes	38	(180,515)
(109,762)	Capital grants receipts in advance	34	(104,723)
(46,021)	Deferred liabilities	36, 37	(41,286)
<b>(239,645)</b>	<b>Total Long-term Liabilities</b>		<b>(399,113)</b>
<b>3,266,870</b>	<b>NET ASSETS</b>		<b>2,965,994</b>
<b>Reserves</b>			
(650,872)	Usable Reserves	22	(658,944)
(2,615,998)	Unusable Reserves	23	(2,307,050)
<b>(3,266,870)</b>	<b>TOTAL RESERVES</b>		<b>(2,965,994)</b>

I certify that the statement of accounts presents a true and fair view of the financial position of the Council as at 31 March 2024 and its income and expenditure for the year then ended.



Julie Lorraine - Corporate Director of Resources

Date 31 May 2024

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Cash is represented as cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2022/23 £'000		Notes	2023/24 £'000
65,269	Net surplus or (deficit) on the provision of services		(74,999)
(63,229)	Adjustments to net surplus or deficit on the provision of services for non cash movements	24	181,992
(74,982)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(153,852)
<b>(72,942)</b>	<b>Net cash flows from Operating Activities</b>		<b>(46,859)</b>
18,229	Investing Activities	25	25,924
40,950	Financing Activities	26	16,766
<b>(13,763)</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>(4,169)</b>
204,583	Cash and cash equivalents at the beginning of the reporting period		190,820
<b>190,820</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>186,651</b>

# NOTES TO THE ACCOUNTS

## 1 Accounting Policies

### 1. Basis of Preparation

The Accounts and Audit Regulations 2015 (SI 2015 No 234) require the Council to prepare a Statement of Accounts for each financial year in accordance with proper accounting practices. For 2023/24, these proper accounting practices principally comprise:

- the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code)
- the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (SI 2003 No 3146, as amended) (the 2003 Regs)

The Statement of Accounts has been prepared using the going concern and accruals bases. The historical cost convention has been applied, modified by the valuation of the following material categories of non-current assets and financial instruments:

Class of Assets	Measurement Basis
Property, Plant and Equipment: Dwellings	Current value, comprising existing use value for social housing. Dwellings are valued using market prices for comparable properties, adjusted to reflect occupancy under secure tenancies.
Property, Plant and Equipment: Other Land and Buildings	Current value, comprising existing use. Where comparable properties are available in an active market, properties are valued at market value taking into account existing use. Where no market exists or the property is specialised, current value is measured at depreciated replacement cost.
Property, Plant and Equipment: Surplus Assets	Fair Value
Financial Instruments – Fair Value through Profit and Loss	Fair Value
Pensions Assets	Fair Value

### 2. Adjustments between Accounting Basis and Funding Basis

The resources available to the Council in any financial year and the expenses that are charged against those resources are specified by statute (the Local Government Act 2003 and the 2003 Regulations). Where the statutory provisions differ from the accruals basis used in the Comprehensive Income and Expenditure Statement, adjustments to the accounting treatment are made in the Movement in Reserves Statement so that usable reserves reflect the funding available at the year-end. Unusable reserves are created to manage the timing differences between the accounting and funding bases. The material adjustments are:

<b>Expense</b>	<b>Accounting basis in CIES</b>	<b>Funding basis in MiRS</b>	<b>Adjustment Account</b>
Property, plant and equipment	Depreciation and revaluation/impairment losses.	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Intangible assets	Amortisation and impairment	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Revenue expenditure funded from capital under statute	Expenditure incurred in 2023/24.	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Capital grants and contributions	Grants that became unconditional in 2023/24 or were received in 2023/24 without conditions.	No credit	Capital Grants Unapplied Reserve (amounts unapplied at 31 March 2024) Capital Adjustment Account (other amounts)
Non-current asset disposals	Gain or loss based on sale proceeds less carrying amount of asset (net of costs of disposal)	No charge or credit	Capital Adjustment Account (carrying amount) Capital Receipts Reserve (sale proceeds and costs of disposal) Deferred Capital Receipts Reserve (where sale proceeds have yet to be received)
Financial Instruments	Premiums payable and discounts receivable on the early repayment of borrowing in 2023/24. Losses on soft loans granted in 2023/24 and interest receivable in 2023/24 on an amortised cost basis.	Deferred debits and credits of premiums and discounts from earlier years in accordance with the 2003 Regs Interest due to be received on soft loans in 2023/24	Financial Instruments Adjustment Account
Pooled investments	Movements in the fair value of pooled investment funds	Historical cost gains/losses for money market fund investments disposed of in 2023/24	Pooled Investment Funds Adjustment Account
Pension costs	Movements in pensions assets and liabilities (see Policy 10)	Employer's pensions contributions payable and direct payments made by the Council to pensioners for 2023/24	Pensions Reserve
Council tax	Accrued income from 2023/24 bills	Demand on the Collection Fund/precept for 2023/24 plus recovery of estimated deficit/share of estimated surplus for 2022/23	Collection Fund Adjustment Account
Business rates	Accrued income from 2023/24 bills	Budgeted income receivable from the Collection Fund for	Collection Fund Adjustment Account

		2023/24 plus recovery of estimated deficit/share of estimated surplus for 2022/23	
Dedicated schools grant	Expenditure incurred in 2023/24 to be met from Dedicated Schools Grant	Expenditure incurred up to the amount of the Grant receivable for 2023/24.	Dedicated Schools Grant Adjustment Account
Holiday pay	Projected cost of untaken leave entitlements at 31 March 2024	No charge	Accumulated Absences Adjustment Account

The Council ceased its policy of making voluntary minimum revenue provision (MRP) over the life of HRA assets in 2023/24.

### **3. Revenue from Contracts with Service Recipients**

The Council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.

### **4. Council Tax and Non-domestic Rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## 5. Post-employment Benefits

### ***Termination Benefits***

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

### ***Post-Employment Benefits***

Employees of the Council are members of four 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), and
- The NHS Pension Scheme, administered by NHS Business Services Authority on behalf of the Department of Health and Social Care.

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' and NHS schemes mean that liabilities for these benefits cannot be identified to the Council. The schemes are therefore accounted for as if they were defined contributions schemes – no liability for future payments of benefits is recognised in the Balance Sheet. The Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year, and Health, Adults and Communities charged for the contributions to the NHS Pension Scheme.

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

The Local Government scheme is a defined benefits scheme.

The net pension asset or liability of the pension scheme attributable to the Council is 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.

Council liabilities are discounted to their value at current prices, using a discount rate derived from corporate bond yields (based on the constituents of the iBoxx AA corporate bond).

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 pension asset or liability is analysed into the following components:

- current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked,
- past service cost – the increase in liabilities arising from a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services,
- net 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 Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments,
- return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the pensions reserve as Other Comprehensive Income and Expenditure,
- 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 Pensions Reserve,
- contributions paid to the pension funds – cash paid as employer’s contributions to the pension funds, and
- effect of the asset ceiling – the limitation on the Council’s ability to realise pensions assets through reductions in future employer’s contributions as a result of minimum funding requirements.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, 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. The balance that arises on the Pensions Reserve thereby measures the beneficial impact (when the balance is a deficit) to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees as calculated under IAS19.

## ***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.

## **6. Financial Instruments**

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to their contractual provisions. They are initially measured at fair value.

### ***Financial Liabilities***

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

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 interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premia and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance or the Housing Revenue Account Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

### ***Financial Assets***

Financial assets are subsequently measured in one of two ways:

- amortised cost – assets whose contractual terms are basic lending arrangements (i.e., they give rise on specified dates to cash flows that are solely payments of principal or interest on the principal amount outstanding, which the Council holds under a business model whose objective is to collect those cash flows)
- fair value – all other financial assets

Amortised cost assets are measured in the Balance Sheet at the outstanding principal repayable (plus accrued interest).

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument.

Any gains or losses in fair value that might arise are not accounted for until the instrument matures or is sold.

#### *Expected Credit Loss Model*

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Council has calculated the expected credit loss on non-housing trade debtors and housing related rent arrears. The expected lifetime credit loss is calculated in the first instance upon historic payment information.

#### *Financial Assets Measured at Fair Value through Profit or Loss*

Changes in the value of assets carried at fair value (described as Fair Value through Profit or Loss) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

## **7. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until the Council has satisfied any conditions attached to the grant or contribution that would require repayment if not met.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (revenue grants) or Capital Grants Receipts in Advance account (capital grants). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Unapplied revenue grants without repayment conditions are shown as earmarked reserves.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### ***Community Infrastructure Levy***

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area. CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure.

## **8. Interest in companies and other entities**

The Council has material interests in companies and other entities that have the nature of subsidiaries, joint ventures and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded at cost, less any provision for losses.

## **9. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

### ***The Council as a Lessee***

#### *Finance Leases*

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period).

### *Operating Leases*

Leases that do not meet the definition of finance leases as described above are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account within the Comprehensive Income and Expenditure Statement on an equalised 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.

### ***The Council as a Lessor***

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **10. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as property, plant and equipment.

### ***Recognition***

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### ***Measurement***

Assets are initially measured at cost, comprising:

- the purchase price, and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the

Revaluation Reserve to recognise unrealised gains. Gains are credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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

### ***Impairment***

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for in the same way as revaluation losses.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### ***Depreciation***

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. Assets Under Construction). Depreciation is calculated on the following bases:

- Dwellings - straight-line allocation over the useful life of the property as estimated by the valuer,
- Other Buildings – straight-line allocation over the useful life of the property as estimate by the valuer,
- Vehicles, Plant, Furniture and Equipment – straight-line allocation over varying useful asset lives depending on the detailed nature of the asset, or
- Infrastructure – straight-line allocation over varying useful asset lives depending on the detailed nature of the asset.

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 General Fund.

### ***Disposals***

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also 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).

Amounts received for a disposal are categorised as capital receipts. 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 General Fund Balance in the Movement in Reserves Statement.

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

## **11. Private Finance Initiative (PFI) and Similar Contracts**

As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

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 Comprehensive Income and Expenditure Statement,
- finance cost – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
- contingent rent – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator, and

- lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

## **12. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the authority. Collectively, these are presented as Unusable Reserves on the Balance Sheet (see also Accounting Policy 2).

## **13. Schools**

The Code specifies that all schools maintained by the Council are deemed to be under the Council's control. The transactions and balances attributable to the governing bodies of the maintained schools have been consolidated into the Council's financial statements, applying accounting policies for recognition and measurement consistent with those applied by the Council to its own income, expenditure, cash flows, assets and liabilities. Transactions and balances between the Council and schools have been eliminated.

## **14. Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.

## **15. Fair Value Measurement of non-financial assets**

The Council measures some of its non-financial assets such as surplus assets and assets held for sale and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability using the assumptions that market



participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

## 2 Accounting Standards that have been Issued but not yet Adopted

At the balance sheet date the following new standards and amendments to existing standards have been introduced in the 2024/25 Code of Practice of Local Authority Accounting in the United Kingdom; they are not expected to have any significant impact on the 2023/24 accounts.

- Clarification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020.
- No-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022.
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023.
- Supplier Finance Arrangements (Amendments to IAS 1 and IFRS 7) issued in May 2023.

For the 2024/25 financial year, the Council must implement IFRS 16 Leases, applying the provisions as they have been adopted in the 2024/25 Accounting Code.

The main impact of IFRS 16 will relate to property that the Council holds under operating leases, for which assets and liabilities are not recognised and rents are generally charged as revenue expenditure when they are payable. Under IFRS 16, the accounting treatment for all leases (except those with a term of less than 12 months and those involving low value items) will be to recognise a right-of-use asset in the Balance Sheet, meaning the value of the Council's right to use the property over the remaining term of the lease. The Balance Sheet will also include a liability for the rents payable before the lease expires.

When rents are paid, they will be applied partly to write down the liability and partly charged as interest on the outstanding liability. The cost of the right-of-use asset will be reflected in depreciation charges in the comprehensive Income and Expenditure Statement. However, statutory arrangements are in place that will allow the impact on the General Fund Balance to be unchanged - i.e., that the overall charge each year will be the rents payable in the year.

Based on the minimum lease payments outstanding at 31 March 2023 disclosed in Note 36, it is estimated that the transition will result in the recognition of new assets and liabilities in the Balance Sheet of £9m. The Council will complete its full review of right-of-use assets during 2024/25 to ensure it fully complies with IFRS 16 and the 2024/25 Accounting Code.

Application of IFRS 16 to service concession arrangement (PFI PPP) liabilities includes a requirement in IFRS 16 to recalculate liabilities when rents are changed by the application of a rate or index will be extended in 2024/25 to the payments made under service concession arrangements. This will lead to an increase in the liability when the unitary payment is uplifted in 2024/25.

There are no changes in accounting requirements for 2024/25 other than IFRS 16 that are anticipated to have a material impact on the Council's financial performance or financial position.

## 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the authority has not had to make any critical judgements other than to deem the arrangements for the Local Government Pension Scheme impose a minimum funding requirement on the Council, with consequences as set out below.

In calculating the net pensions asset and liability, the Council has made a judgement that the statutory framework for setting employer's contributions under the Local Government Pension Scheme (LGPS) constitutes a minimum funding requirement. As a result, the Council's ability to realise the full economic benefits of the net pensions assets of £33.9m and £201.3m respectively for the London Pension Fund Authority (LPFA) and the Council's share of its local LGPS fund, as calculated under the Accounting Code's provisions for post-employment benefits through reductions in future employer's contributions is limited. An asset ceiling therefore applies.

The fact that the Council has a commitment under the current funding strategy for both schemes means that the asset ceiling has reduced what would otherwise be the net pensions asset of £33.9 to a deficit of £2.0m in the case of the LPFA scheme, and the net pension asset of £201.3m to a deficit of £178.5m in the case of the local LGPS fund.

The practical effect of this is to move the basis of measurement for the net pensions asset/liability closer to the assumptions made in the triennial valuation of the schemes under which the employer's contributions were set by the schemes' actuaries. It does not indicate that the Council has paid excess amounts into the schemes that it will never be able to recover.

## 4 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the authority's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### ***Pensions Asset/Liability***

Estimation of the net pension liability to the local LGPS fund, of £178.5m, and the LPFA scheme, of £2.0m, depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund investments. Two firms of consulting actuaries (Hymans Robertson LLP) and Barnett Waddingham LLP are engaged to provide the Council with expert advice about the assumptions to be applied.

With regard to the locally administered scheme the actuaries provide the following sensitivity analysis:

- a 0.1% decrease in the real discount rate would lead to an increase of approximately £31.5m in the scheme liabilities;
- a 0.1% increase in the rate of pension increase (taken as CPI) would lead to an increase of £30.8m;
- a 0.1% increase in salaries would result in an increase of £1.2m; and
- an increase of 1 year in life expectancy would increase the liabilities in the range £53.9m to £89.8m.

With regard to the LPFA scheme, the liabilities would increase by:

- £0.5m for a reduction of 0.1% in the discount rate;
- less than £0.1m for increases to long term salaries of 0.1%;
- £0.5m for increase in pensions and deferred revaluations of 0.1%;
- £2.8m for a one-year increase in life expectancy.

The valuation of the pension liability and related entries relies on information about scheme members, such as their age and current salary or annual pension. Errors were identified in the information provided by the council to the actuary for the purpose of the valuation of the liability at 31 March 2023. Work to ensure that membership data is complete and accurate has to be ongoing. A piece of work is currently underway to reconcile member data and to ensure that, by the time of the next triennial valuation, systems and processes maintain 100% accuracy. Any material errors or misstatements will be corrected as part of the audit process.

### ***Property, Plant and Equipment Valuations***

Assets at carrying value of £2,789.0m are valued in accordance with the professional standards set by the Royal Institution of Chartered Surveyors and valuations are prepared by the Council's external specialists. Property, plant and equipment are subject to full valuation by a qualified valuer under a rolling programme at least once every five years. The valuation in 2023/24 was conducted by Wilks Head and Eve LLP.

The total net book value of assets valued as part of the valuation process for 2023/24 amounted to £2,649.3m. A 0.1% variation in valuation would lead to a movement of approximately £26.5m in the total net book value of assets.

The Housing Revenue Account (HRA) residential portfolio was valued utilising a beacon methodology. In order to value the whole portfolio, it was necessary to research a number of information sources. These include sales of directly comparable property, changes of income flow for non-residential HRA property, information available at a local level showing house price movement plus regional and National Indices.

## 4 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty (Continued)

The valuation of schools in particular is subject to the application of estimates. Schools are classified as specialised assets because there are no ready made market transactions to validate their value, and they are therefore valued on a Depreciated Replacement Cost basis, with the two components of buildings, and land, valued separately, as explained below.

School buildings have been valued on a "modern equivalent asset" basis, whereby the cost of rebuilding each building in its current size has been calculated, and this Gross Replacement Cost has been adjusted to reflect obsolescence factors. The approach to obsolescence is based on an initial assumption of an asset life of 60 years, combined with a hybrid use of straight-line and reducing balance obsolescence factors, as follows: straight-line obsolescence is applied over the first 25 years of the asset life from construction date (with no deferral period), and then after the first 25 years the obsolescence factor is applied at a reducing balance rate. (The application of the 'soft' threshold is a result of public sector building assets generally lasting much longer than the 60-year target life so it would not be appropriate to continue applying obsolescence at the same rate resulting in 100% obsolescence for a building when it is 60 years old. This is evident within many Local Authority portfolios which include properties that are significantly older than 60 years and are still fully operational and providing the service they were initially constructed to do.) School buildings are valued at £479.1m as at 31 March 2024 (£495.2m at 31 March 2023).

The land valuation applied to schools' sites has been adjusted to reflect the principal market for the land type being residential, and that an element of any residential site would be adopted for social or affordable housing, which therefore gives rise to a significant discount on the raw land values; the net land value applied is an estimated £15.6m per hectare (£15.6m in 2022/23). The land the schools sit on is valued at £431.5m as at 31 March 2024 (£435.2m at 31 March 2023).

There has been a recent revision of guidance by government regarding the use of reinforced autoclaved aerated concrete (RAAC) to suggest that in some instances it may be unsafe and require remedial action. The Council has reviewed its portfolio of properties, performing both desktop evaluation based on age and style of build, and on-site inspection where there was uncertainty as to whether RAAC was present or not, and is satisfied that across the board there is no material impact arising from possible usage of RAAC.

## 5 Material Items of Income and Expenditure

A material item is an item of expenditure or income that is unusual in scale and non-recurring. For 2023/24, the items of this nature are listed below:

- The Council's ability to realise the full economic benefits of the net pensions assets is restricted by the calculation of an asset ceiling (see Note 3 and Note 38). The additional liability arising from the asset ceiling calculation is £415.7m in 2023/24 (£35.9m in 2022/23).
- The revaluation movements applied to the CIES resulted in a net charge of £138.3m, of which £66.6m applied to the Housing Revenue Account (in 2022/23 there was a net reversal of previous charges of £88.3m applied, with the HRA receiving £68.1m). The significant impairments related to (i) temporary accommodation and the impact of future rental income on the valuation methodology, and (ii) council dwellings, due to changes in market prices for comparable properties.
- The sale proceeds generated from the disposal of assets amounted to £17.5m in 2023/24 (£28.1m in 2022/23).

## 6 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Corporate Director of Resources on the 31 May 2024. Since the Balance Sheet date of 31 March 2024, there have been no material events that would necessitate amendments to these accounts.

## 7 Expenditure and Funding Analysis

This statement shows the reconciliation between the net expenditure in the Comprehensive Income and Expenditure Account and the expenditure chargeable to the General Fund and Housing Revenue Account balances. The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the Council's arrangements for accountability and financial performance.

Net Expenditure Chargeable to GF and HRA balances	2022/23 *			2023/24		
	Adjustments between funding and accounting basis	Net Expenditure in the CIES		Net Expenditure Chargeable to GF and HRA balances	Adjustments between funding and accounting basis	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
			<b>Continuing Operations *</b>			
78,508	10,840	89,348	Children's Services	93,918	5,840	99,758
90,288	6,353	96,641	Health and Adult Social Care	93,808	596	94,404
39,119	(7,480)	31,639	Housing and Regeneration	39,140	73,778	112,918
16,022	(4,065)	11,957	Chief Executive's	16,791	(7,124)	9,667
12,437	(82,775)	(70,338)	Local Authority Housing (Housing Revenue Account)	15,853	53,200	69,053
43,602	10,997	54,599	Resources	47,195	3,166	50,361
(6,838)	14,116	7,278	Corporate Cost and Central Items	(19,736)	32,313	12,577
44,703	21,783	66,486	Communities	53,807	18,634	72,441
<b>317,841</b>	<b>(30,231)</b>	<b>287,610</b>	<b>NET COST OF SERVICES</b>	<b>340,776</b>	<b>180,403</b>	<b>521,179</b>
(304,030)	(48,849)	(352,879)	Other Income and Expenditure	(326,854)	(119,326)	(446,180)
<b>13,811</b>	<b>(79,080)</b>	<b>(65,269)</b>	<b>(SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES</b>	<b>13,922</b>	<b>61,077</b>	<b>74,999</b>
<b>(73,245)</b>			<b>Opening General Fund and HRA balances</b>	<b>(59,434)</b>		
13,811			Plus Deficit/(Surplus) on General Fund and HRA Balance in Year	13,922		
<b>(59,434)</b>			<b>Closing General Fund and HRA Balances**</b>	<b>(45,512)</b>		

\* Restated to reflect new departmental structures that took effect from August 2023.

\*\* For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

## 7a Note to the Expenditure and Funding Analysis

This statement shows the adjustments from the net chargeable amounts to the General Fund and Housing Revenue Account to arrive at the Comprehensive Income and Expenditure Statement amounts:

2022/23 *						2023/24						
Adjustments for Capital Purposes £'000	Transfers (to)/from Earmarked Reserves and CGU		Net Change for Pensions Adjustments £'000	Other Adjustments £'000	Total Adjustments £'000		Adjustments for Capital Purposes £'000	Transfers (to)/from Earmarked Reserves and CGU		Net Change for Pensions Adjustments £'000	Other Adjustments £'000	Total Adjustments £'000
	Reserves and CGU	CGU						Reserves and CGU	CGU			
3,134	362		9,617	(2,273)	10,840	Children's Services	8,535	1,273		(2,017)	(1,951)	5,840
1,033	-		5,217	103	6,353	Health and Adult Social Care	1,800	-		(1,083)	(121)	596
(12,090)	-		4,412	198	(7,480)	Housing and Regeneration	75,178	-		(1,302)	(98)	73,778
-	-		2,529	(6,594)	(4,065)	Chief Executive's	-	-		210	(7,334)	(7,124)
(79,155)	-		(1,886)	(1,734)	(82,775)	Local Authority Housing (Housing Revenue Account)	60,052	(2,400)		(2,466)	(1,986)	53,200
4,219	-		6,796	(18)	10,997	Resources	4,895	-		(1,712)	(17)	3,166
(6,771)	21,086		-	(199)	14,116	Corporate Cost and Central Items	(10,702)	41,653		-	1,362	32,313
14,695	-		6,801	287	21,783	Communities	20,626	-		(2,007)	15	18,634
<b>(74,935)</b>	<b>21,448</b>		<b>33,486</b>	<b>(10,230)</b>	<b>(30,231)</b>	<b>NET COST OF SERVICES</b>	<b>160,384</b>	<b>40,526</b>		<b>(10,377)</b>	<b>(10,130)</b>	<b>180,403</b>
(54,436)	-		13,109	(7,522)	(48,849)	Other income and expenditure from the Expenditure and Funding Analysis	(129,406)	-		(3,137)	13,217	(119,326)
<b>(129,371)</b>	<b>21,448</b>		<b>46,595</b>	<b>(17,752)</b>	<b>(79,080)</b>	<b>Difference between Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>30,978</b>	<b>40,526</b>		<b>(13,514)</b>	<b>3,087</b>	<b>61,077</b>

### Adjustments for Capital Purposes

This column includes the following adjustments:

- Services – depreciation and impairment and revaluation gains and losses are added back in as these are not in the net chargeable amounts but are chargeable under generally accepted accounting practices. Capital expenditure financed by revenue and statutory charges for capital financing (Minimum Revenue Provision) are removed as these is not chargeable to the Comprehensive Income and Expenditure Statement.
- Other income and expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets and also adjusts for the share of housing capital receipts paid to central government under a pooling arrangement. Capital grants are adjusted for income not chargeable under generally accepted accounting practices. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### Transfers (to)/from Earmarked Reserves and CGU

This column adjusts for the application of earmarked reserves and Capital Grants Unapplied (CGU) against expenditure and the transfer of any balances to earmarked reserves which are not included in the Comprehensive Income and Expenditure Statement as they are not chargeable under generally accepted accounting practices.

### Net Change for Pensions Adjustments

This column shows the net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- Services - this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- Other income and expenditure – the net interest on the defined benefit liability is charged to Financing and Investment Income and Expenditure.

### Other Adjustments

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

- Services – adjustments in this column include the timing differences for premia and discounts; interest payable, interest receivable, levies and trading account surplus/deficit moved out of service expenditure to be recognised as part of Other Income and Expenditure within the Surplus or Deficit on the Provision of Services; recognising the accrual of employee annual leave in the Comprehensive Income and Expenditure Statement; also adjusting revenue grants to include those receivable without conditions or for which conditions were satisfied throughout the year.
- Other income and expenditure – this column represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

\* Restated to reflect new departmental structures that took effect from August 2023.

## 8 Adjustments between Accounting Basis and Funding Basis under Regulations

2023/24	USABLE RESERVES						UNUSABLE RESERVES
	GENERAL FUND BALANCE £'000	HOUSING REVENUE ACCOUNT BALANCE £'000	MAJOR REPAIRS RESERVE £'000	CAPITAL RECEIPTS RESERVE £'000	CAPITAL GRANTS UNAPPLIED £'000	TOTAL USABLE RESERVES £'000	TOTAL UNUSABLE RESERVES £'000
<b>Adjustments involving the Capital Adjustment Account</b>							
<u>Reversal of items debited or credited to the CIES</u>							
Charges for depreciation and impairment of non current assets	(37,148)	-	(17,005)	-	-	(54,153)	54,153
Charges for amortisation of intangible non-current assets	(1,023)	-	-	-	-	(1,023)	1,023
Revaluation movements on PPE (charged to SDPS) reversed	(71,730)	(66,560)	-	-	-	(138,290)	138,290
Capital grants and contributions applied	11,230	5,100	-	-	60,788	77,118	(77,118)
Revenue expenditure funded from capital under statute	(10,772)	(2,148)	-	-	-	(12,920)	12,920
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(8,725)	(8,126)	-	-	-	(16,851)	16,851
<u>Inclusion of items not debited or credited to the CIES</u>							
Statutory provision for the financing of capital investment	14,658	110	-	-	-	14,768	(14,768)
Capital expenditure charged against the General Fund and HRA balances	2,740	8,221	-	-	-	10,961	(10,961)
<b>Adjustments involving the Capital Receipts Reserve</b>							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	257	17,265	-	(17,522)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	13,190	-	13,190	(13,190)
<b>Adjustment involving the Major Repairs Reserve</b>							
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	17,334	-	-	17,334	(17,334)
<b>Adjustments involving the Financial Instruments Adjustment Account</b>							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-	435	-	-	-	435	(435)
<b>Adjustment involving the Pensions Reserve</b>							
Reversal of items relating to retirement benefits debited or credited to the CIES	(33,852)	(2,014)	-	-	-	(35,866)	35,866
Employer's pensions contributions and direct payments to pensioners payable in the year	44,901	4,480	-	-	-	49,381	(49,381)
<b>Adjustments involving the Collection Fund Adjustment Account</b>							
Amount by which council tax and NDR income credited to the CIES is different from the income calculated in accordance with statutory requirements	(7,269)	-	-	-	-	(7,269)	7,269
<b>Adjustments involving the Pooled Investments Adjustment Account</b>							
Amount by which changes in the value of pooled investments charged to the CIES are different from those chargeable in the year in accordance with statutory requirements	1,220	-	-	-	-	1,220	(1,220)
<b>Adjustments involving the Capital Grants Unapplied Account</b>							
Capital grants and contributions unapplied credited to CIES when receivable	118,201	1,104	-	-	(119,305)	-	-
<b>Adjustments involving the Accumulated Absences Account</b>							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	454	-	-	-	-	454	(454)
<b>Adjustments primarily involving the Dedicated Schools Grant Adjustment Account:</b>							
Movement of negative Dedicated schools grant reserve to the DSG adjustment account	(1,560)	-	-	-	-	(1,560)	1,560
<b>Total Adjustments</b>	<b>21,582</b>	<b>(42,133)</b>	<b>329</b>	<b>(4,332)</b>	<b>(58,517)</b>	<b>(83,071)</b>	<b>83,071</b>

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

2022/23	USABLE RESERVES						UNUSABLE RESERVES
	GENERAL FUND BALANCE £'000	HOUSING REVENUE ACCOUNT BALANCE £'000	MAJOR REPAIRS RESERVE £'000	CAPITAL RECEIPTS RESERVE £'000	CAPITAL GRANTS UNAPPLIED £'000	TOTAL USABLE RESERVES £'000	TOTAL UNUSABLE RESERVES £'000
<b>Adjustments involving the Capital Adjustment Account</b>							
<u>Reversal of items debited or credited to the CIES</u>							
Charges for depreciation and impairment of non current assets	(30,114)	-	(15,739)	-	-	(45,853)	45,853
Charges for amortisation of intangible non-current assets	(616)	-	-	-	-	(616)	616
Revaluation movements on PPE (charged to SDPS) reversed	20,225	68,086	-	-	-	88,311	(88,311)
Capital grants and contributions applied	17,749	500	-	-	34,921	53,170	(53,170)
Revenue expenditure funded from capital under statute	(11,121)	(1,150)	-	-	-	(12,271)	12,271
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(661)	(10,219)	-	-	-	(10,880)	10,880
<u>Inclusion of items not debited or credited to the CIES</u>							
Statutory provision for the financing of capital investment	10,542	2,191	-	-	-	12,733	(12,733)
Capital expenditure charged against the General Fund and HRA balances	870	9,692	-	-	-	10,562	(10,562)
<b>Adjustments involving the Capital Receipts Reserve</b>							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	812	27,288	-	(28,100)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	11,343	-	11,343	(11,343)
<b>Adjustment involving the Major Repairs Reserve</b>							
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	13,186	-	-	13,186	(13,186)
<b>Adjustments involving the Financial Instruments Adjustment Account</b>							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-	435	-	-	-	435	(435)
<b>Adjustment involving the Pensions Reserve</b>							
Reversal of items relating to retirement benefits debited or credited to the CIES	(91,823)	-	-	-	-	(91,823)	91,823
Employer's pensions contributions and direct payments to pensioners payable in the year	43,342	1,886	-	-	-	45,228	(45,228)
<b>Adjustments involving the Collection Fund Adjustment Account</b>							
Amount by which council tax and NDR income credited to the CIES is different from the income calculated in accordance with statutory requirements	18,502	-	-	-	-	18,502	(18,502)
<b>Adjustments involving the Pooled Investments Adjustment Account</b>							
Amount by which changes in the value of pooled investments charged to the CIES are different from those chargeable in the year in accordance with statutory requirements	(3,845)	-	-	-	-	(3,845)	3,845
<b>Adjustments involving the Capital Grants Unapplied Account</b>							
Capital grants and contributions unapplied credited to CIES when receivable	27,658	602	-	-	(28,260)	-	-
<b>Adjustments involving the Accumulated Absences Account</b>							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(303)	-	-	-	-	(303)	303
<b>Adjustments primarily involving the Dedicated Schools Grant Adjustment Account:</b>							
Movement of negative Dedicated schools grant reserve to the DSG adjustment account	-	-	-	-	-	-	-
<b>Total Adjustments</b>	<b>1,217</b>	<b>99,311</b>	<b>(2,553)</b>	<b>(16,757)</b>	<b>6,661</b>	<b>87,879</b>	<b>(87,879)</b>



## 9 Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund/HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund/HRA expenditure in future years.

	BALANCE AT 31 MARCH 2022 £'000	TRANSFERS OUT 2022/23 £'000	TRANSFERS IN 2022/23 £'000	BALANCE AT 31 MARCH 2023 £'000	TRANSFERS OUT 2023/24 £'000	TRANSFERS IN 2023/24 £'000	BALANCE AT 31 MARCH 2024 £'000
1 Schools Balances	(35,612)	6,498	(6,136)	(35,250)	9,815	(8,542)	(33,977)
2 DSG	-	-	(1,200)	(1,200)	1,200	-	-
3 Insurance	(10,166)	2,247	-	(7,919)	308	(519)	(8,130)
4 Parking Control	(6,130)	624	(3,289)	(8,795)	2,126	(3,142)	(9,811)
5 Transformation	(3,613)	535	-	(3,078)	425	(764)	(3,417)
6 Collection Fund Smoothing Reserve	(64,338)	20,902	-	(43,436)	14,697	(900)	(29,639)
7 ICT / Finance Systems	(9,122)	-	(216)	(9,338)	-	(333)	(9,671)
8 Mayor's Tackling Poverty Reserve	(3,366)	1,750	-	(1,616)	-	(1,640)	(3,256)
9 Free School Meals	(4,000)	2,200	-	(1,800)	-	-	(1,800)
10 Mayor's Investment Priorities	(4,972)	2,086	(45,014)	(47,900)	28,012	(1,300)	(21,188)
11 Risk Reserve	(2,661)	800	(14,000)	(15,861)	-	-	(15,861)
12 MTFS Smoothing Reserve	(44,212)	44,212	-	-	-	-	-
13 Adults, Health & Wellbeing (including Public Health)	(6,979)	1,000	(1,182)	(7,161)	-	(125)	(7,286)
14 Services Reserve	(16,333)	8,175	(6,415)	(14,573)	2,613	(2,365)	(14,325)
15 Revenue Grants	(10,546)	733	(2,409)	(12,223)	5,782	(667)	(7,108)
16 Covid-19 Grant	(8,413)	4,360	-	(4,053)	1,609	-	(2,444)
17 Ringfenced Developers' Contributions	(3,124)	-	(2,967)	(6,091)	366	(6,743)	(12,468)
18 CIL	(5,771)	2,093	-	(3,678)	1,267	-	(2,411)
19 Council Tax Hardship	(2,448)	-	-	(2,448)	-	-	(2,448)
20 Local Elections Reserve	(950)	377	-	(573)	-	(150)	(723)
21 Mayors Covid Recovery Fund	(2,106)	316	-	(1,790)	27	-	(1,763)
22 Black, Asian and Minority Ethnic	(1,000)	247	-	(753)	205	-	(548)
23 HAC Joint Fund	(12,427)	5,121	-	(7,306)	3,527	-	(3,779)
24 Social Care Pressures	-	-	-	-	1,426	(4,600)	(3,174)
25 Mayors Grant Programme	-	-	-	-	1,311	(11,964)	(10,653)
26 HRA Property Portfolio Reserve	-	-	-	-	-	(2,400)	(2,400)
<b>Earmarked Reserve Total</b>	<b>(258,289)</b>	<b>104,276</b>	<b>(82,828)</b>	<b>(236,841)</b>	<b>74,716</b>	<b>(46,154)</b>	<b>(208,279)</b>

### Corporate Reserves

- Reserves held by schools under the scheme of delegation. This balance can only be used by the Schools and is not available to the Council for general use.
- In accordance with regulations, in-year deficits on DSG budgets are transferred to the DSG adjustment account, an unusable reserve; however, in-year surpluses are held within earmarked reserves.
- The Council is self insured for most liability and property risks below £1 million. The level of the reserve is reviewed annually and where appropriate an amount transferred to the Insurance Provision.
- Parking control reserve.
- Reserve created to support the delivery of the Council's transformation programme.
- Collection Fund Smoothing Reserve - used to manage fluctuations in Business Rates income.
- Reserve to support the planned investment in Council's finance systems.
- Contribution toward funding of welfare reform programme.
- Reserve to fund free school meals programme.
- Reserve to fund Mayor's Investment Priority schemes.
- Risk Reserve to manage funding of risks arising.
- Unspent element of the New Homes Bonus Grant which will to be used to fund housing schemes.
- Reserves held for Adults, Health and Wellbeing and Public Health services.
- Includes Building Control, Land Charges, and Planning reserves.
- Unspent revenue grants without repayment conditions.
- Grant received to fund Covid-19 related expenditure.
- This balance consists of developers' contributions which are ringfenced for specific purposes.
- Community Infrastructure Levy.
- Council Tax Hardship Relief.
- Contribution for future Local Election Costs.
- Mayors Covid Recovery Fund.
- Black, Asian and Minority Ethnic (BAME) reserve to support delivery of Inequalities Commission recommendations.
- Health, Adults and Communities
- Social Care Pressures reserve to mitigate against future inflationary pressures within Adult Social care
- Mayor's Community Grants reserve is restricted to fund the Mayor's Community Grants Programme which will provide funding to the voluntary and community sector.
- HRA Property Portfolio reserve to support the work of a specialist team who will be reviewing the councils HRA property portfolio.

## 10 Other Operating Expenditure

2022/23 £'000		2023/24 £'000
2,048	Levies	2,091
(17,220)	Net (gain) / loss on disposal of non-current assets	(671)
<b>(15,172)</b>	<b>Total</b>	<b>1,420</b>

## 11 Financing and Investment Income and Expenditure

2022/23 £'000			2023/24 £'000
13,052	Interest payable and similar charges		9,204
13,109	Net interest on the net defined benefit liability/(asset)		(3,137)
(8,129)	Interest receivable and similar income	16	(3,487)
2,038	Net (gains)/losses on financial assets at fair value through profit and loss		(10,292)
<b>20,070</b>	<b>Total</b>		<b>(7,712)</b>

## 12 Taxation and Non-Specific Grants Income

2022/23 £'000			2023/24 £'000
(120,252)	Council Tax income		(120,994)
(105,412)	Non domestic rates		(105,883)
(94,895)	Non-ringfenced Government grants	34	(84,276)
(37,218)	Capital grants and contributions	34	(128,735)
<b>(357,777)</b>	<b>Total</b>		<b>(439,888)</b>

## 13 Income and Expenditure Analysed by Nature

2022/23 £'000			2023/24 £'000
551,092	Employee benefits expenses		555,594
718,108	Other service expenses		772,700
(41,842)	Depreciation, amortisation and impairment		193,466
13,052	Interest payments		9,204
13,109	Net interest on the net defined benefit liability/(asset)		(3,137)
2,038	Net (gains)/losses on financial assets at fair value through profit and loss		(10,292)
2,048	Precepts and levies		2,091
(17,220)	Gains and losses on disposal of non-current assets		(671)
<b>1,240,385</b>	<b>TOTAL EXPENDITURE</b>		<b>1,518,955</b>
(242,855)	Fees, charges and other service income		(268,571)
(8,129)	Interest and investment income		(3,487)
(225,664)	Income from council tax and non-domestic rates		(226,877)
(829,006)	Government grants and contributions		(945,021)
<b>(1,305,654)</b>	<b>TOTAL INCOME</b>		<b>(1,443,956)</b>
<b>(65,269)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>		<b>74,999</b>

## 14 Property, Plant and Equipment

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

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

The authority has determined in accordance with Regulation 30M England of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

The totality of Property, Plant and Equipment is provided in the first table below, with details of in-year movements within each sub-section provided in the tables thereafter.

2022/23 £'000	Total PPE	2023/24 £'000
147,228	Infrastructure assets (net book value) - 31 March	144,948
3,066,986	Other PPE - 31 March	2,968,702
<b>3,214,214</b>	<b>Total PPE - 31 March</b>	<b>3,113,650</b>

2022/23 £'000	Infrastructure Assets	2023/24 £'000
144,031	Infrastructure assets (net book value) - 1 April	147,228
14,331	Additions in-year	9,433
(11,134)	Depreciation charge in-year	(11,713)
<b>147,228</b>	<b>Infrastructure Assets (Net Book Value) - 31 March</b>	<b>144,948</b>

## 14 Property, Plant and Equipment (Continued)

MOVEMENTS IN 2023/24	COUNCIL DWELLINGS £'000	OTHER LAND AND BUILDINGS £'000	VEHICLES, PLANT, FURNITURE & EQUIPMENT £'000	COMMUNITY ASSETS £'000	SURPLUS ASSETS £'000	ASSETS UNDER CONSTRUCTION £'000	TOTAL PROPERTY, PLANT AND EQUIPMENT £'000	PFI ASSETS INCLUDED IN PROPERTY, PLANT AND EQUIPMENT £'000
<b>Cost or Valuation</b>								
<b>At 1 April 2023</b>	<b>1,215,585</b>	<b>1,646,635</b>	<b>61,749</b>	<b>37,578</b>	<b>29,121</b>	<b>120,851</b>	<b>3,111,519</b>	<b>267,859</b>
Additions	21,204	20,672	4,650	1,303	317	75,618	123,764	1,536
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(46,426)	(16,211)	-	-	3,264	-	(59,373)	(3,083)
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the provision of services	(65,040)	(73,259)	-	-	9	-	(138,290)	31
Derecognition - Disposals	(7,606)	(9,238)	-	-	-	-	(16,844)	-
Derecognition - Other	-	(381)	-	-	-	-	(381)	-
Other Reclassification of Assets	71,550	3,286	-	97	1,340	(76,273)	-	85
<b>At 31 March 2024</b>	<b>1,189,267</b>	<b>1,571,504</b>	<b>66,399</b>	<b>38,978</b>	<b>34,051</b>	<b>120,196</b>	<b>3,020,395</b>	<b>266,428</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2023</b>	<b>-</b>	<b>6,451</b>	<b>38,044</b>	<b>-</b>	<b>9</b>	<b>29</b>	<b>44,533</b>	<b>3,700</b>
Depreciation charge	15,757	18,718	7,772	-	193	-	42,440	2,627
Depreciation written out to the Revaluation Reserve	(15,659)	(18,993)	-	-	(254)	-	(34,906)	(2,403)
Derecognition - Disposals	(98)	(244)	-	-	-	-	(342)	-
Derecognition - Other	-	(32)	-	-	-	-	(32)	-
Other Reclassification of Assets	-	(43)	-	-	62	(19)	-	-
<b>At 31 March 2024</b>	<b>-</b>	<b>5,857</b>	<b>45,816</b>	<b>-</b>	<b>10</b>	<b>10</b>	<b>51,693</b>	<b>3,924</b>
<b>Net Book Value</b>								
<b>At 31 March 2024</b>	<b>1,189,267</b>	<b>1,565,647</b>	<b>20,583</b>	<b>38,978</b>	<b>34,041</b>	<b>120,186</b>	<b>2,968,702</b>	<b>262,504</b>
<b>At 31 March 2023</b>	<b>1,215,585</b>	<b>1,640,184</b>	<b>23,705</b>	<b>37,578</b>	<b>29,112</b>	<b>120,822</b>	<b>3,066,986</b>	<b>264,159</b>

The Balance Sheet Property, Plant and Equipment total Net Book Value (£3,114m) comprises of Property, Plant and Equipment total Net Book Value (£2,969m - above) and total Infrastructure assets Net Book Value (£145m - previous page).

## 14 Property, Plant and Equipment (Continued)

MOVEMENTS IN 2022/23	COUNCIL DWELLINGS £'000	OTHER LAND AND BUILDINGS £'000	VEHICLES, PLANT, FURNITURE & EQUIPMENT £'000	COMMUNITY ASSETS £'000	SURPLUS ASSETS £'000	ASSETS UNDER CONSTRUCTION £'000	TOTAL PROPERTY, PLANT AND EQUIPMENT £'000	PFI ASSETS INCLUDED IN PROPERTY, PLANT AND EQUIPMENT £'000
<b>Cost or Valuation</b>								
<b>At 1 April 2022</b>	<b>1,118,581</b>	<b>1,342,009</b>	<b>53,068</b>	<b>36,576</b>	<b>21,369</b>	<b>196,171</b>	<b>2,767,774</b>	<b>251,730</b>
Additions	14,909	12,216	8,682	1,113	149	74,646	111,715	1,721
Revaluation increases/(decreases) recognised in the Revaluation Reserve	19,883	143,519	-	-	(6,173)	-	157,229	10,579
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the provision of services	67,533	21,691	-	-	(914)	-	88,310	3,829
Derecognition - Disposals	(10,137)	-	-	-	(700)	-	(10,837)	-
Derecognition - Other	(41)	(19)	(1)	(111)	(13)	(2,487)	(2,672)	-
Other Reclassification of Assets	4,857	127,219	-	-	15,403	(147,479)	-	-
<b>At 31 March 2023</b>	<b>1,215,585</b>	<b>1,646,635</b>	<b>61,749</b>	<b>37,578</b>	<b>29,121</b>	<b>120,851</b>	<b>3,111,519</b>	<b>267,859</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2022</b>	<b>-</b>	<b>8,128</b>	<b>31,982</b>	<b>-</b>	<b>27</b>	<b>37</b>	<b>40,174</b>	<b>3,610</b>
Depreciation charge	14,500	14,045	6,062	-	111	-	34,718	2,273
Depreciation written out to the Revaluation Reserve	(14,383)	(15,139)	-	-	(667)	-	(30,189)	(2,183)
Derecognition - Disposals	(131)	-	-	-	(39)	-	(170)	-
Derecognition - Other	-	-	-	-	-	-	-	-
Other Reclassification of Assets	14	(583)	-	-	577	(8)	-	-
<b>At 31 March 2023</b>	<b>-</b>	<b>6,451</b>	<b>38,044</b>	<b>-</b>	<b>9</b>	<b>29</b>	<b>44,533</b>	<b>3,700</b>
<b>Net Book Value</b>								
<b>At 31 March 2023</b>	<b>1,215,585</b>	<b>1,640,184</b>	<b>23,705</b>	<b>37,578</b>	<b>29,112</b>	<b>120,822</b>	<b>3,066,986</b>	<b>264,159</b>
<b>At 31 March 2022</b>	<b>1,118,581</b>	<b>1,333,881</b>	<b>21,086</b>	<b>36,576</b>	<b>21,342</b>	<b>196,134</b>	<b>2,727,600</b>	<b>248,120</b>

The Balance Sheet Property, Plant and Equipment total Net Book Value (£3,214m) comprises of Property, Plant and Equipment total Net Book Value (£3,067m - above) and total Infrastructure assets Net Book Value (£147m - earlier page).

## 14 Property, Plant and Equipment (Continued)

### Depreciation

The following useful lives have been used in the calculation of depreciation, applied on a straight line basis:

- Council Dwellings – 50 years
- Other Land and Buildings – 50 years for schools, libraries and offices; 54 years for temporary accommodation; 53 years for garages; 41 years for community buildings
- Vehicles, Plant & Equipment - 5 years on a straight line basis, or as advised by the service
- Infrastructure assets - 25 years for roads, footways, street furniture, traffic management systems and other highway-related assets, and street lighting installed before 2018/19; 12 years for new LED lanterns, and 50 years for columns, for streetlighting installed from 2018/19 onwards, 100 years for tunnels, and 120 years for bridges

### Capital Commitments

The Council had contractually binding capital commitments, in respect of schemes costing in excess of £1 million at 31 March 2024 as below:

	Committed sum at 31 March 2024 £'000	Costs to 31 March 2024 £'000	2024/25 onwards £'000
Mulberry London Dock	66,000	57,301	8,699
Beatrice Tate	5,503	-	5,503
Hermitage Primary	1,549	-	1,549
Arnold Road 3-5 William Brinson House	24,496	4,922	19,574
Vawdrey Close	2,231	-	2,231
O Brien Garages	4,594	148	4,446
Bancroft & Wickford	13,549	6,303	7,246
Heylyn House	10,725	8,756	1,969
Fire Safety Works Phase 3	1,430	308	1,122
Better Neighbourhoods	17,333	7,410	9,923
Decent Homes Year 4	3,550	1,755	1,795
<b>Total</b>	<b>150,960</b>	<b>86,903</b>	<b>64,057</b>

The Council had contractually binding capital commitments, in respect of schemes costing in excess of £1 million at 31 March

	Committed sum 31 March 2023 £'000	Costs to 31 March 2023 £'000	2023/24 onwards £'000
Whitechapel Civic Centre	124,750	121,370	3,380
Barnsley Street	20,925	18,473	2,452
St Pauls Way	9,049	7,897	1,152
Mellish Street	8,265	8,106	159
Keats House	3,693	3,367	326
Norman Grove	6,444	4,069	2,375
Shetland Road	5,689	4,379	1,310
London Dock School	23,264	17,817	5,447
Heylyn	10,725	2,581	8,144
Arnold	24,496	935	23,561
Wood Wharf (GF)	6,350	2,503	3,847
<b>Total</b>	<b>243,650</b>	<b>191,497</b>	<b>52,153</b>

## 14 Property, Plant and Equipment (Continued)

### Revaluations

In 2023/24, the housing stock and the non-dwellings assets were valued by Wilks Head and Eve. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuation of council dwellings is in accordance with guidelines produced by Communities and Local Government in the 'Stock Valuation for Resource Accounting: Guidance for Valuers 2016'.

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations are as at 31 March in the year of valuation. In 2023/24, school assets held at depreciated replacement cost (DRC) were also subject to a desktop valuation as at 31 March 2024. A summary of total valuation per asset category is shown below.

ANALYSIS OF ROLLING REVALUATION PROGRAMME	COUNCIL DWELLINGS	OTHER LAND AND BUILDINGS	VEHICLES, PLANT, FURNITURE & EQUIPMENT	INFRA-STRUCTURE ASSETS	COMMUNITY ASSETS	SURPLUS ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL PROPERTY, PLANT AND EQUIPMENT
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at historic cost	-	1,529	20,583	144,948	38,978	-	120,186	326,224
Valued at current value in:								
2023/24	1,189,267	1,426,657	-	-	-	33,394	-	2,649,318
2022/23	-	17,780	-	-	-	647	-	18,427
2021/22	-	43,516	-	-	-	-	-	43,516
2020/21	-	47,635	-	-	-	-	-	47,635
2019/20	-	28,530	-	-	-	-	-	28,530
<b>31 March 2024</b>	<b>1,189,267</b>	<b>1,565,647</b>	<b>20,583</b>	<b>144,948</b>	<b>38,978</b>	<b>34,041</b>	<b>120,186</b>	<b>3,113,650</b>

### Impairment Losses

Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated above reconciling the movement over the year in the Property, Plant and Equipment balances.

### Fair Value Measurement – Surplus Assets

Surplus assets have been valued using the Fair Value approach, and the Valuer has advised that Level 2 inputs have been employed (and the definition of this is explained below). The objective of this measurement approach is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under the current market conditions.

- Level 2 inputs are quoted prices other than quoted prices in Level 1 that are observable for the asset.
- Significant Observable Inputs as used for the valuation of Surplus Assets are such things as current market conditions (based on recent sales prices), and size, location and condition of property, along with other relevant factors.
- The level of inputs has not changed from the previous balance sheet date.

## 15 Heritage Assets

The Council holds a number of heritage assets. These include civic regalia, works of art across the borough (one of which is a sculpture valued at £18m which was relocated to the borough during 2017/18) and collections at Tower Hamlets Local History Library and Archive (Bancroft Library). These are held as part of increasing the knowledge and understanding of the area's history.

The Council has held these heritage assets for a number of years pre-dating 2010. These assets are held at an estimate of current value on the balance sheet, except for the local history collection which is not included on the balance sheet as valuations are not available due to the unique nature of the assets.

It is assumed that these material heritage assets have an indefinite lifespan, therefore depreciation is not charged on these assets. If evidence was received that required the value of the heritage assets to be impaired, this reduction would be charged to the revaluation reserve. The Council does not have any heritage assets buildings.

## 16 Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are classified into one of three categories based on the business model for holding the instruments and their expected cashflow characteristics as follows:

**Amortised Cost** - where cash flows are solely for payments of principal and interest and the Council's business model is to collect those cash flows. For borrowing, this means that the amount in the balance sheet is the remaining principal and the accrued interest. Financial assets include cash in hand, bank current and deposit accounts, fixed term deposits.

**Fair Value Through Other Comprehensive Income (FVOCI)** - Fair value is defined as the amount for which an asset or a liability could be exchanged between market participants in an arm's length transaction. Where held as fair value through other comprehensive income, the cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows and sell the instruments, including equity investments that the Council has elected into this category).

**Fair Value Through Profit and Loss (FVTPL)** - These assets are measured and carried at fair value and all gains and losses due to changes in fair value (both realised and unrealised) are recognised in the Comprehensive Income & Expenditure Statement as they occur.

The Council holds some assets at fair value through profit or loss - the Council's investments in pooled funds have been classified as such, as well as holdings in money market funds. The former are long-term strategic holdings whose changes in fair value are not considered to be part of the Council's annual financial performance. The fair values for these investments have been mostly derived from "Level 1 inputs" (where the fair values are only derived from quoted prices in active markets for identical assets or

### Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet.

Financial Instrument Categories	Non-Current		Current		Total	
	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial Assets</b>						
<b>Financial Assets - Fair Value through profit and loss*</b>						
Investments	52,340	53,582	20,000	19,978	72,340	73,560
Cash Equivalents	-	-	110,950	142,701	110,950	142,701
<b>Financial Assets at Amortised Cost</b>						
Investments	-	80	30,703	1,015	30,703	1,095
Trade Debtors	2,095	1,426	55,400	82,705	57,495	84,131
Cash and Cash Equivalents	-	-	117,840	110,633	117,840	110,633
<b>Total Financial Assets</b>	<b>54,435</b>	<b>55,088</b>	<b>334,893</b>	<b>357,032</b>	<b>389,328</b>	<b>412,120</b>
<b>Financial Liabilities</b>						
<b>Financial Liabilities at Amortised Cost</b>						
Cash and Cash Equivalents	-	-	(37,970)	(66,683)	(37,970)	(66,683)
Borrowing	(68,709)	(68,709)	(333)	(332)	(69,042)	(69,041)
Trade Creditors	-	-	(102,159)	(100,634)	(102,848)	(100,634)
Service Concessions and Finance Leases	(46,021)	(41,286)	(4,066)	(4,735)	(50,087)	(46,021)
<b>Total Financial Liabilities</b>	<b>(114,730)</b>	<b>(109,995)</b>	<b>(144,528)</b>	<b>(172,384)</b>	<b>(259,947)</b>	<b>(282,379)</b>

\*The valuation basis is Level 1 classification, where fair value is determined by unadjusted quoted prices in active markets, but subject to the further detail provided in the text above the table.



## 16 Financial Instruments (Continued)

### Gains and Losses on Financial Instruments

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

	2022/23			2023/24		
	Financial Liabilities measured at amortised cost £'000	Financial Assets measured at amortised cost £'000	Financial Assets measured at FVPL* £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets measured at amortised cost £'000	Financial Assets measured at FVPL* £'000
Interest expense	13,052	-	-	9,204	-	-
Interest income	-	(8,129)	-	-	(3,487)	-
Money Market Funds (Cash Equivalents)	-	-	(1,435)	-	-	(6,345)
Pooled Funds	-	-	3,473	-	-	(3,947)
<b>Net Gain/(Loss) for the year</b>	<b>13,052</b>	<b>(8,129)</b>	<b>2,038</b>	<b>9,204</b>	<b>(3,487)</b>	<b>(10,292)</b>

\*Fair Value through Profit and Loss

### Fair Values of Financial Instruments carried at Amortised Cost

The fair value of each class of financial instruments which are carried in the balance sheet at amortised cost is disclosed in the table below. Some classes of instrument (namely cash and cash equivalents, trade debtors and creditors, and investments which are predominantly fixed-term deposits of maturity under 12 months) have been assessed as having carrying values which are not materially different from fair values, and so are not disclosed in the table below.

	Fair Value Valuation Basis	31 March 2023	31 March 2023	31 March 2024	31 March 2024
		Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Borrowing held at amortised cost					
<i>Public Works Loans Board</i>	Level 2	(51,523)	(30,230)	(51,526)	(30,677)
<i>Market Loans - Fixed Interest</i>	Level 2	(17,519)	(16,256)	(17,515)	(16,389)
Service Concessions	Level 2	(23,457)	(29,558)	(19,607)	(24,038)
Finance Leases	Level 2	(26,630)	(39,622)	(26,414)	(39,789)
<b>Financial Liabilities</b>		<b>(119,129)</b>	<b>(115,666)</b>	<b>(115,062)</b>	<b>(110,893)</b>

The fair value valuation bases are as follows:

Level 1 - unadjusted quoted prices in active markets for identical instruments that the Council can access at the balance sheet date.

Level 2 - using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - using unobservable inputs for the asset or liability.

The fair value of borrowings is lower 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 than the rates available for similar loans at the Balance Sheet date.

The fair values of borrowings are estimated as the price the lender would receive to sell the loans to another market participant on 31 March, based on observable market rates for similar transactions, including local authority bonds in issue. Where there is no directly comparable bond in issue, the market rate is derived from observed interest rate swap rates plus an interpolated credit spread. Ultimately, if prevailing interest rates were lower, then the fair values of the Council's borrowings would increase. The fair values quoted for borrowings include accrued interest as at 31 March in order to enable direct comparison with the carrying amounts (which, being valued at amortised cost, also include accrued interest).

The fair values of service concessions and finance leases are estimated as the price the Council would pay to transfer the liability to another market participant on 31 March, and the underlying methodology is a discounted cash flow analysis. The key input involved is the discount factor, and that has been assessed as the yields on AA corporate bonds. Ultimately, if prevailing bond yields were lower, then the fair values would increase, all other factors being equal.

## 16 Financial Instruments (Continued)

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

The council is exposed to a variety of risks in providing its services and as such, seeks to minimise the potential adverse effects on the resources available to fund services. These risks include:

- Credit risk - the possibility that counterparties might fail to pay amounts due to the council
- Liquidity risk - the possibility that the Council might not have access to cash to meet its liabilities as they fall due
- Market risk - the possibility that financial loss may arise as a result of changes in such measures as interest rates

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. Risk management is carried out by a central treasury team under policies approved by the Council in the annual treasury management strategy report. The Council has fully adopted and implemented 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. The treasury management team have also fully implemented the Government's national investment guidance.

### **Credit Risk**

Credit risk is the possibility that other parties may not pay amounts due to the Council. This 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. The Council invests primarily on the basis of prudence and then the level of returns. 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 or those underwritten by the Government. The Council has a policy of limiting deposits with financial institutions as shown below which is further detailed in the Treasury Management Strategy.

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities (subject to checks on their balance sheet position depending on duration)	25 years	£25m	Unlimited
Secured investments	25 years	£25m	Unlimited
Banks (unsecured)	13 months	£15m	Unlimited
Building societies (unsecured)	13 months	£15m	£30m
Registered providers (unsecured)	5 years	£15m	£75m
Money market funds	n/a	£30m	Unlimited
Strategic pooled funds	n/a	£30m	£150m
Real estate investment trusts	n/a	£30m	£75m
Other investments	5 years	£15m	£30m

### *Credit Risk Exposure on Treasury Management Activities*

As at the balance sheet date investments of principal are analysed as follows, and the credit-worthiness of the investment portfolio is rated at AA- (rated AA- in 2022/23).

Financial Asset Class	31 March 2023 £'000	31 March 2024 £'000
<b>Long-term Investments</b>		
Pooled investment funds with financial institutions	52,340	53,582
<b>Short-term investments</b>		
Fixed-term/call account deposits with financial institutions	30,000	-
Pooled investment funds with financial institutions	20,000	19,978
<b>Cash Equivalents</b>		
Fixed-term deposits with central government agency	20,000	-
Fixed-term/call account deposits with financial institutions	1,000	1,000
MMFs with financial institutions	110,950	142,701
<b>TOTAL</b>	<b>234,290</b>	<b>217,261</b>

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits, and has no historical experience of defaults on any of its investments.

## 16 Financial Instruments (Continued)

### Credit Risk Exposure on Trade Debtors

Where the Council provides services to customers or has contractual arrangements in place with other organisations, there is the possibility that outstanding monies will not be repaid. The table below shows the gross amounts outstanding and the expected lifetime credit loss (using the simplified approach).

	31 March 2023		31 March 2024	
	Gross debtors £'000	Loss allowance £'000	Gross debtors £'000	Loss allowance £'000
Long-term trade debtors	2,095	-	1,426	-
NHS	5,553	-	3,288	-
Tower Hamlets Homes	1,767	-	6,031	-
Leaseholders	37,893	(3,379)	35,793	(3,206)
Tenants (HRA and temporary accommodation)	22,281	(20,004)	25,828	(22,601)
Other	18,418	(7,129)	45,624	(8,052)
<b>TOTAL</b>	<b>88,007</b>	<b>(30,512)</b>	<b>117,990</b>	<b>(33,859)</b>

For Leaseholders, the loss allowance is a reflection of the time-value of money, being calculated by means of a discounted cash flow of the expected collection time profile.

For Tenants, the loss allowance is calculated at nearly full coverage of the gross receivable, reflecting the difficulties of collection, especially from those housed in temporary accommodation. In 2023/24, £0.015m was written off (£0.277m in 2022/23).

For others, the loss allowance is calculated by means of mostly reviewing outstanding debts and assessing on an individual basis, but using collective assessment in the segment of adult social care customers; no component element of the loss allowance is significant. In the year, £4.373m was written off (£1.480m in 2022/23).

With the exception of leaseholders, who are permitted to pay for the costs of major works incurred on their accommodation blocks by means of payment plans over a number of years, the Council does not provide credit to customers.

### Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The Council has ready 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; and the Council uses money market funds to provide liquidity.

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

Loans outstanding	31 March 2023 £'000	31 March 2024 £'000
Public Works Loans Board	110,182	108,876
Market debt	58,885	58,125
PFI / Finance Leases	107,502	97,644
<b>Total</b>	<b>276,569</b>	<b>264,645</b>
Less than 1 year	11,924	12,020
Between 1 and 2 years	12,020	12,110
Between 2 and 5 years	32,596	25,997
Between 5 and 10 years	24,231	23,400
More than 10 years	195,798	191,118
<b>Total</b>	<b>276,569</b>	<b>264,645</b>

## 16 Financial Instruments (Continued)

### Market Risk - Interest rate:

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

- borrowings at variable rates - the interest expense charged to the surplus or deficit on the provision of services will rise
- borrowings at fixed rates - the fair value of the liabilities will fall
- investments at variable rates - the interest income credited to the surplus or deficit on the provision of services will rise
- investments at fixed rates - the fair value of the assets will fall

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

The Council has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 75% of its net debt in variable rate loans and to prioritise use of cash balances and temporary borrowing over new variable rate loans. The Council's Strategy is that new variable rate loans from the Public Works Loans Board are to be for periods up to ten years.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget, which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

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

According to this assessment, at 31 March 2024, if interest rates had been 1% higher with all other variables held constant, the financial effect would be as follows:

Interest Rate Risk	2022/23 £'000	2023/24 £'000
Increase in interest payable on variable rate borrowings	-	-
Increase in interest receivable on variable rate investments	(480)	(10)
<b>Impact on Income and Expenditure Account</b>	<b>(480)</b>	<b>(10)</b>

Fair Value Movements	2022/23 £'000	2023/24 £'000
Decrease in fair value of fixed rate investments	30	-
Decrease in fair value of fixed rate borrowing liabilities	(8,038)	(8,160)
<b>Impact on Income and Expenditure Account</b>	<b>(8,008)</b>	<b>(8,160)</b>

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

### Market Risk - Price

The market prices of the Council's pooled funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices and its investments in pooled equity funds is also subject to the risk of falling share prices. This price risk is minimised by limiting the Council's maximum exposure to property and equity investments.

### Foreign Exchange Risk

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

## 17 Non-Financial Assets

Where monies are collectible due to statutory powers rather than contractual arrangements, these are classified as non-financial assets. Receivables past due and not impaired as at the balance sheet date are as per the table below.

Balances at 31 March 2024	0-1 year old £'000	1-2 years old £'000	2+ years old £'000
Council Tax and Court Costs	8,771	2,958	2,930
National Non Domestic Rates	3,731	1,767	1,654
Housing Benefits Overpayments	2,948	1,372	5,661
Community Infrastructure Levy	19,059	-	-
Parking	1,698	-	-
<b>Total</b>	<b>36,207</b>	<b>6,097</b>	<b>10,245</b>

Balances at 31 March 2023	0-1 year old £'000	1-2 years old £'000	2+ years old £'000
Council Tax and Court Costs	7,190	2,957	3,085
National Non Domestic Rates	6,269	1,552	1,453
Housing Benefits Overpayments	2,774	1,303	6,424
Community Infrastructure Levy	1,459	-	-
Parking	1,607	-	-
<b>Total</b>	<b>19,299</b>	<b>5,812</b>	<b>10,962</b>

## 18 Short Term Debtors

	31 March 2023 £'000	31 March 2024 £'000
National Health Service	5,553	3,288
HM Revenue & Customs	28,861	29,752
Other Central Government Bodies	25,423	9,127
Other Local Authorities	16,324	9,757
Tower Hamlets Homes	1,767	6,031
Council Tax	11,087	12,253
National Non Domestic Rates	9,274	7,152
Housing and Tenants Rents	47,085	48,974
Other Entities & Individuals	20,895	46,955
Payments in Advance	2,393	4,711
<b>Total</b>	<b>168,662</b>	<b>178,000</b>

## 19 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2023 £'000	31 March 2024 £'000
Cash held by the Council	96,840	109,633
Short-term deposits with banks, building societies and local authorities	21,000	1,000
Money Market Funds	110,950	142,701
<b>Sub total</b>	<b>228,790</b>	<b>253,334</b>
Cash overdraft	(37,970)	(66,683)
<b>Total Cash and Cash Equivalents</b>	<b>190,820</b>	<b>186,651</b>

## 20 Short-term Creditors

	31 March 2023 £'000	31 March 2024 £'000
National Health Service	(4,164)	(548)
HM Revenue & Customs	(8,667)	(9,541)
Other Central Government Bodies	(15,284)	(10,549)
Other Local Authorities	(10,030)	(14,595)
Council Tax	(11,059)	(11,851)
National Non Domestic Rates	(9,915)	(13,771)
Housing and Tenants Rents	(1,503)	(1,425)
Other Entities & Individuals	(96,492)	(100,875)
Receipts in advance	(47,665)	(31,870)
<b>Total</b>	<b>(204,779)</b>	<b>(195,025)</b>

## 21 Provisions

Short-term Provisions*	Balance at 31 March 2022 £'000	Amounts used or written back £'000	Contributions or transfers £'000	Balance at 31 March 2023 £'000	Amounts used or written back £'000	Contributions or transfers £'000	Balance at 31 March 2024 £'000
(a) Business rates appeals	(4,051)	2,931	(4,850)	(5,970)	5,970	(11,836)	(11,836)
(b) Insurance Fund	(1,679)	597	(74)	(1,156)	353	(267)	(1,070)
(c) Water Charges	-	-	-	-	-	(1,457)	(1,457)
(d) Restructuring costs	-	-	-	-	-	(1,483)	(1,483)
(e) Litigation Damages	-	-	-	-	-	(500)	(500)
<b>Total</b>	<b>(5,730)</b>	<b>3,528</b>	<b>(4,924)</b>	<b>(7,126)</b>	<b>6,323</b>	<b>(15,543)</b>	<b>(16,346)</b>

\*Note - all short term provisions are due to be realised in the next financial year.

Long-term Provisions	Balance at 31 March 2022 £'000	Amounts used or written back £'000	Contributions or transfers £'000	Balance at 31 March 2023 £'000	Amounts used or written back £'000	Contributions or transfers £'000	Balance at 31 March 2024 £'000
(b) Insurance Fund	(2,418)	-	(163)	(2,581)	271	-	(2,310)
(c) Water Charges	(2,548)	1,091	-	(1,457)	-	1,457	-
(f) Disrepairs	(200)	-	-	(200)	-	(970)	(1,170)
(g) Employment Disputes	(800)	-	-	(800)	400	-	(400)
<b>Total</b>	<b>(5,966)</b>	<b>1,091</b>	<b>(163)</b>	<b>(5,038)</b>	<b>671</b>	<b>487</b>	<b>(3,880)</b>

- (a) Council share of provision for business rates appeals has increased due to rateable value changes, current market trends and third party confirmations.
- (b) 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. The nature of insurance claims means it is not possible to accurately forecast when settlement of claims will take place. The Council is active in risk management, identifying areas of particular risk and taking management steps with a view to reducing possible future claims and losses. There are no material risks which are not covered by either direct insurance or self insurance via the provision.
- (c) A High Court ruling in 2016 established that another London Borough had not passed on discounts from a water supplier to its tenants. The discounts were given as part of the agreement with the water company as an administration fee for collection of charges from tenants. As a result of this ruling the Council may receive claims from tenants for overpaid water charges as a similar agreement was in place with the water company.
- (d) The Council has approved a number of requests for voluntary redundancy and early retirement in 2023/24 that will become effective in 2024/25. A provision has been made for the redundancy costs arising from the decisions made in 2023/24.
- (e) A claim has been made for costs and damages relating to a licencing issue. The Council has yet to receive full details of the claim from the Plaintiff but has made a prudent provision based on information available to it.
- (f) Provision for legal costs relating to the disrepair of Council properties
- (g) Provision for settlements or costs incurred in employment disputes

## 22 Usable Reserves

31 March 2023 £'000		31 March 2024 £'000
(20,887)	General Fund	(21,234)
(38,547)	Housing Revenue Account	(24,278)
(236,841)	Earmarked Reserves	(208,279)
(156,136)	Capital Receipts Reserve	(160,468)
(190,421)	Capital Grants Reserve	(236,974)
(8,040)	Major Repairs Reserve	(7,711)
<b>(650,872)</b>	<b>Total Usable Reserves</b>	<b>(658,944)</b>

More details regarding the movements in the Council's General Fund and Housing Revenue Account are detailed in the Movement in Reserves Statement and in Note 8. Details regarding the movement in Earmarked Reserves can be found in Note 9.

### Capital Receipts Reserve

2022/23 £'000		2023/24 £'000
(139,379)	Balance at 1 April	(156,136)
(28,100)	Capital Receipts in year	(17,522)
11,343	Capital Receipts used for financing	13,190
<b>(156,136)</b>	<b>Balance at 31 March</b>	<b>(160,468)</b>

### Capital Grants Reserve

2022/23 £'000		2023/24 £'000
(197,082)	Balance at 1 April	(190,421)
(3,714)	Community Infrastructure Levy (CIL) recognised in year	(36,043)
(24,546)	Other Capital grants recognised in year	(83,262)
20,913	CIL applied	11,666
14,008	Other Capital grants and contributions applied	49,122
	- Transfer to Earmarked Reserves	11,964
<b>(190,421)</b>	<b>Balance at 31 March</b>	<b>(236,974)</b>

Of the Capital Grants Reserve balance above, CIL balances as at 31 March 2023 and 2024 are £80.729m and £93.142m respectively.

### Major Repairs Reserve

2022/23 £'000		2023/24 £'000
(5,487)	Balance at 1 April	(8,040)
(15,739)	Transfer from Capital Adjustment Account - depreciation	(17,005)
13,186	Financing of capital expenditure	17,334
<b>(8,040)</b>	<b>Balance at 31 March</b>	<b>(7,711)</b>

## 23 Unusable Reserves

31 March 2023 £'000		31 March 2024 £'000
(1,020,210)	Revaluation Reserve	(983,034)
(1,645,929)	Capital Adjustment Account	(1,568,772)
16,112	Financial Instruments Adjustment Account	15,677
(7,380)	Pensions Reserve	180,515
17,686	Collection Fund Adjustment Account	24,955
5,796	Accumulating Compensated Absences Adjustment Account	5,342
3,659	Pooled Investment Fund Adjustment Account	2,439
14,268	Dedicated Schools Grant Adjustment Account	15,828
<b>(2,615,998)</b>	<b>Total Unusable Reserves</b>	<b>(2,307,050)</b>

### Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

2022/23 £'000		2023/24 £'000
<b>(839,012)</b>	<b>Balance at 1 April</b>	<b>(1,020,210)</b>
(197,447)	Upward revaluation of assets	(29,902)
10,028	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	54,369
<b>(187,419)</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>24,467</b>
5,239	Difference between current value depreciation and historical cost depreciation	7,747
982	Accumulated gains on assets sold or scrapped	4,962
<b>6,221</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>12,709</b>
<b>(1,020,210)</b>	<b>Balance at 31 March</b>	<b>(983,034)</b>



## 23 Unusable Reserves (Continued)

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation

2022/23 £'000		2023/24 £'000
<b>(1,520,023)</b>	<b>Balance at 1 April</b>	<b>(1,645,929)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
45,853	Charges for depreciation and impairment of non current assets	54,153
616	Charges for amortisation of intangible non-current assets	1,023
(88,311)	Revaluation losses and reversals on Property, Plant and Equipment	138,290
12,271	Revenue expenditure funded from capital under statute	12,920
10,880	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	16,851
<b>(18,691)</b>		<b>223,237</b>
(6,221)	Adjusting amounts written out of the Revaluation Reserve	(12,709)
<b>(24,912)</b>	<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>210,528</b>
	Capital financing applied in the year:	
(11,343)	Use of the Capital Receipts Reserve to finance new capital expenditure	(13,190)
(13,186)	Use of the Major Repairs Reserve to finance new capital expenditure	(17,334)
(53,170)	Application of grants and contributions to capital financing from the Capital Grants Unapplied Account	(77,118)
(12,733)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(14,768)
(10,562)	Capital expenditure charged against the General Fund and HRA balances	(10,961)
<b>(100,994)</b>		<b>(133,371)</b>
<b>(1,645,929)</b>	<b>Balance at 31 March</b>	<b>(1,568,772)</b>

## 23 Unusable Reserves (Continued)

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the HRA Balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the HRA Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

A £60m LOBO loan was repaid prematurely in November 2018. The premium is being charged to revenue over the remaining life of the loan.

2022/23 £'000		2023/24 £'000
<b>16,547</b>	<b>Balance at 1 April</b>	<b>16,112</b>
(435)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(435)
<b>16,112</b>	<b>Balance at 31 March</b>	<b>15,677</b>

### Pensions Reserve

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

2022/23 £'000		2023/24 £'000
<b>477,951</b>	<b>Balance at 1 April</b>	<b>(7,380)</b>
(531,926)	Actuarial (gains) or losses on pensions assets and liabilities, including the effect of the asset ceiling	201,410
91,823	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	35,866
(45,228)	Employer's pensions contributions and direct payments to pensioners payable in the year	(49,381)
<b>(7,380)</b>	<b>Balance at 31 March</b>	<b>180,515</b>

## 23 Unusable Reserves (Continued)

### Collection Fund Adjustment Account

The collection fund adjustment account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the collection fund.

2022/23 £'000		2023/24 £'000
<b>36,188</b>	<b>Balance at 1 April</b>	<b>17,686</b>
(18,502)	Amount by which council tax and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from the income calculated for the year in accordance with statutory requirements	7,269
<b>17,686</b>	<b>Balance at 31 March</b>	<b>24,955</b>

### Accumulated Absences Account

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

2022/23 £'000		2023/24 £'000
<b>5,493</b>	<b>Balance at 1 April</b>	<b>5,796</b>
(5,493)	Settlement or cancellation of accrual made at the end of the preceding year	(5,796)
5,796	Amounts accrued at the end of the current year	5,342
<b>303</b>	<b>Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</b>	<b>(454)</b>
<b>5,796</b>	<b>Balance at 31 March</b>	<b>5,342</b>

### Pooled Investment Fund Adjustment Account

The Pooled Investment Fund Adjustment Account contains the gains/losses made by the authority arising from increases/decreases in the value of its investments that are measured at fair value through profit and loss. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.

2022/23 £'000		2023/24 £'000
<b>(186)</b>	<b>Balance at 1 April</b>	<b>3,659</b>
-	Upward revaluation of investments	(1,295)
3,845	Downward revaluation of investments	75
		<b>(1,220)</b>
<b>3,659</b>	<b>Balance at 31 March</b>	<b>2,439</b>

### Dedicated Schools Grant Adjustment Account

The Local Authorities (Capital Finance and Accounting) regulations were amended on 29 November 2020. New accounting treatment is required for local authorities' schools budget deficits relating to its accounts for a financial year beginning 1 April 2021, 1 April 2022 and 1 April 2023. Local authorities are not permitted to charge the value of the deficit to the general fund. Any historical deficit and in year deficit is to be recorded in a dedicated schools grant adjustment account, a newly created unusable reserve.

2022/23 £'000		2023/24 £'000
<b>14,268</b>	<b>Balance at 1 April</b>	<b>14,268</b>
-	In year dedicated schools grant deficit	1,560
<b>14,268</b>	<b>Balance at 31 March</b>	<b>15,828</b>

## 24 Notes to the Cashflow Statement - Operating Activities

The cash flows for operating activities include the following items:

2022/23 £'000		2023/24 £'000
7,797	Interest received	3,176
(13,114)	Interest paid	(9,205)
<b>(5,317)</b>		<b>(6,029)</b>

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2022/23 £'000		2023/24 £'000
45,853	Depreciation	54,153
616	Amortisation	1,023
(88,311)	Impairment and Downward valuations	138,290
(80,447)	Increase/(Decrease) in Creditors	(10,743)
(2,726)	(Increase)/Decrease in Debtors	(10,909)
46,595	Movement in Pension Liability	(13,515)
10,880	Carrying amount of non-current assets sold (property, plant and equipment and intangible assets)	16,851
4,311	Other non-cash items charged to the net surplus or deficit on the provision of services	6,842
<b>(63,229)</b>		<b>181,992</b>

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2022/23 £'000		2023/24 £'000
(373)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(695)
(28,100)	Proceeds from the sale of property plant and equipment and intangible assets	(17,522)
(46,509)	Any other items for which the cash effects are investing or financing cash flows	(135,635)
<b>(74,982)</b>		<b>(153,852)</b>

## 25 Notes to the Cashflow Statement - Investment Activities

2022/23 £'000		2023/24 £'000
(132,511)	Purchase of property, plant and equipment and intangible assets	(135,260)
(130,000)	Purchase of short-term and long-term investments	(109,240)
28,100	Proceeds from the sale of property, plant and equipment and intangible assets	17,522
195,373	Proceeds from short-term and long-term investments	139,855
57,267	Other receipts from investing activities	113,047
<b>18,229</b>	<b>Net cash flows from investing activities</b>	<b>25,924</b>

## 26 Notes to the Cashflow Statement - Financing Activities

2022/23 £'000		2023/24 £'000
45,511	Other receipts from financing activities	20,832
(3,398)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(4,066)
(1,163)	Repayments of short- and long-term borrowing	-
<b>40,950</b>	<b>Net cash flows from financing activities</b>	<b>16,766</b>

## 27 Reconciliation of Financial Liabilities from Financial Activities

2023/24	Balance at 1 April 2023 £'000	Cash Flows £'000	Non Cash Changes £'000	Balance at 31 March 2024 £'000
Long-term Borrowings	(68,709)	-	-	(68,709)
Short-term Borrowings	(333)	1	-	(332)
Lease Liabilities	(26,630)	217	-	(26,413)
PFI Liabilities	(23,457)	3,850	-	(19,607)
<b>Total</b>	<b>(119,129)</b>	<b>4,068</b>	<b>-</b>	<b>(115,061)</b>

2022/23	Balance at 1 April 2022 £'000	Cash Flows £'000	Non Cash Changes £'000	Balance at 31 March 2023 £'000
Long-term Borrowings	(68,709)	-	-	(68,709)
Short-term Borrowings	(1,557)	1,224	-	(333)
Lease Liabilities	(26,828)	198	-	(26,630)
PFI Liabilities	(26,655)	3,198	-	(23,457)
<b>Total</b>	<b>(123,749)</b>	<b>4,620</b>	<b>-</b>	<b>(119,129)</b>

## 28 Pooled Budgets

Under the terms of a Section 75 Agreement (National Health Service Act 2006), the Council has one Pooled Budget and Lead Commissioning agreement with the NHS North East London Integrated Commissioning Board (formerly the NHS North East London Clinical Commissioning Group) for the Better Care Fund (BCF). This provides a single framework partnership agreement relating to the commissioning of health and social care services to deliver the Tower Hamlets BCF plan, incorporating the Integrated Community Equipment Service and the Improved Better Care Fund.

The Council manages and delivers statutory functions, alongside the NEL ICB, to collaboratively deliver efficient, joined up health and social care services to residents.

A summary memorandum Income and Expenditure Account for the pooled budget is shown below. The Council's contribution to the pool is included in the Adult Social Care gross expenditure figure disclosed in the Comprehensive Income and Expenditure Statement. The Council received income of £10.540m in 2023/24 (£9.935m in 2022/23) from the Minimum CCG Contribution to Adult Social Care.

	2022/23 £'000	2023/24 £'000
<b>Income</b>		
The Council	(29,841)	(32,803)
NHS North East London Integrated Commissioning Board	(27,053)	(29,859)
	<b>(56,894)</b>	<b>(62,662)</b>
<b>Expenditure</b>	<b>56,894</b>	<b>62,662</b>
<b>Surplus/(Deficit) for the year</b>	<b>-</b>	<b>-</b>

## 29 Members' Allowances

The Council paid the following amounts to Members of the council during the year.

	2022/23 £'000	2023/24 £'000
Allowances	961	971
<b>Total</b>	<b>961</b>	<b>971</b>

## 30 Officers' Remuneration

### Senior Employees

The remuneration paid to the Council's senior employees is as follows:

2023/24	Salary, Fees and Allowances £	Taxable Expenses £	Compensation for Loss of Office £	Pension Contribution £	Other £	Total £
Mr S Halsey - Chief Executive	238,496	-	-	23,548	-	262,044
<b>Corporate Directors</b>						
Mr J Thomas - Children's and Culture <sup>1</sup>	103,014	-	-	19,664	4,979	127,657
Mr S Reddy - Children's Services <sup>2</sup>	60,794	-	-	-	-	60,794
Health & Adult Social Care <sup>3</sup>	30,938	-	-	5,714	-	36,652
Ms DC Radley - Health & Adult Social Care <sup>4</sup>	117,636	-	-	21,392	-	139,028
Communities <sup>5</sup>	34,526	-	-	6,268	-	40,794
Mr R Mistry - Communities <sup>6</sup>	120,902	-	-	-	-	120,902
Ms AE Sutcliffe - Place <sup>7</sup>	19,719	-	73,216	3,583	68,345	164,863
Miss J Lorraine - Resources <sup>8</sup>	101,224	-	-	16,990	-	118,214
Ms C Holland - Resources <sup>9</sup>	85,241	-	-	-	-	85,241
Mr P Patterson - Housing & Regeneration <sup>10</sup>	99,154	-	-	-	-	99,154
<b>Other Directors</b>						
Legal & Monitoring Officer <sup>11</sup>	107,428	-	58,600	19,982	34,116	220,126
Ms L Walker - Legal & Monitoring Officer <sup>12</sup>	27,542	-	-	-	-	27,542
Public Health	117,194	-	-	16,853	-	134,047
Strategy, Improvement & Transformation <sup>13</sup>	52,086	-	-	9,688	-	61,774
Mr R Beattie - Strategy, Improvement & Transformation <sup>14</sup>	184,047	-	-	-	-	184,047
Communications & Marketing	117,194	-	-	21,798	-	138,992
Head of Mayors Office	92,315	-	-	17,170	-	109,485
<b>Other Members of Staff</b>						
Ms JM Reilly - Headteacher	159,627	-	-	37,800	-	197,427

<sup>1</sup> Left 19/11/2023, Other is market supplement

<sup>2</sup> Commenced 29/01/2024

<sup>3</sup> Acting to 06/07/2023

<sup>4</sup> From 07/07/2023

<sup>5</sup> Commenced 08/01/2024

<sup>6</sup> From 01/08/2023 to 07/01/2024

<sup>7</sup> Left 18/05/2023, 'Other' includes PILON, Annual Leave & Ex gratia payments

<sup>8</sup> Commenced 01/09/2023

<sup>9</sup> To 31/08/2023

<sup>10</sup> Commenced 13/11/2023

<sup>11</sup> Left 29/02/2024, Other includes PILON & Annual Leave

<sup>12</sup> Commenced 19/02/2024

<sup>13</sup> Left 10/09/2023

<sup>14</sup> Commenced 11/09/2023

2022/23	Salary, Fees and Allowances £	Taxable Expenses £	Compensation for Loss of Office £	Pension Contribution £	Other £	Total £
Mr W Tuckley - Chief Executive <sup>1</sup>	200,862	-	217,844	36,768	28,668	484,142
Mr S Halsey - Chief Executive <sup>2</sup>	44,079	-	-	-	-	44,079
<b>Corporate Directors</b>						
Mr J Thomas - Children's and Culture <sup>3</sup>	155,326	-	-	29,261	5,447	190,034
Health, Adults and Communities <sup>4</sup>	115,169	-	-	20,929	-	136,098
Health, Adults and Communities <sup>5</sup>	9,248	-	-	1,677	-	10,925
Place	149,705	-	-	27,202	-	176,907
Resources <sup>6</sup>	119,119	-	-	-	-	119,119
Resources <sup>7</sup>	39,820	-	-	-	-	39,820
<b>Other Directors</b>						
Monitoring Officer	113,231	-	-	21,061	-	134,292
Public Health	122,330	-	-	16,784	-	139,114
Strategy Transformation & Improvement	113,231	-	-	21,061	-	134,292
Communications & Marketing	113,231	-	-	21,061	-	134,292

<sup>1</sup> Left 02/03/23 - Other is annual leave

<sup>2</sup> Started 13/02/23

<sup>3</sup> Other is market supplement payment

<sup>4</sup> Unpaid leave with effect from 07/01/23

<sup>5</sup> Acting up with effect from 07/03/23

<sup>6</sup> Left 29/01/23

<sup>7</sup> Started 09/01/23

## 30 Officers' Remuneration (Continued)

### Other Employees

Numbers of the Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contribution) are provided below; only officers whose full remuneration is reflected in the preceding Senior Employees note have been excluded from this note. Please note that remuneration for the purposes of this note has been defined by statute (the Accounts and Audit Regulations 2015) and as such also includes payments arising from compensation for loss of office and wrongful dismissal.

Remuneration band (£)	2022/23 Number of employees	2023/24 Number of employees
50,000 - 54,999	526	645
55,000 - 59,999	411	555
60,000 - 64,999	249	363
65,000 - 69,999	115	155
70,000 - 74,999	73	111
75,000 - 79,999	35	50
80,000 - 84,999	57	34
85,000 - 89,999	23	57
90,000 - 94,999	14	19
95,000 - 99,999	8	15
100,000 - 104,999	4	11
105,000 - 109,999	6	5
110,000 - 114,999	7	4
115,000 - 119,999	4	4
120,000 - 124,999	5	7
125,000 - 129,999	1	1
130,000 - 134,999	1	2
135,000 - 139,999	1	-
140,000 - 144,999	-	1
170,000 - 174,999	1	-
	<b>1,541</b>	<b>2,039</b>

### Exit Payments

The number of exit packages with total cost per band, including the total cost of the compulsory and other redundancies, are set out in the table below. The numbers and costs include packages agreed at the end of the year but not paid. Costs include the costs of pension fund strain where applicable.

Exit Package cost band (£)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£'000)	
	2022/23*	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23*	2023/24
0 - 20,000	1	3	37	20	38	23	191	211
20,001 - 40,000	-	2	20	29	20	31	549	911
40,001 - 60,000	-	-	8	9	8	9	405	447
60,001 - 80,000	-	-	3	10	3	10	215	728
80,001 - 100,000	-	-	2	8	2	8	189	725
100,001 - 150,000	2	-	-	5	2	5	253	617
150,001 - 200,000	-	-	-	4	-	4	-	664
200,001 - 250,000	-	-	1	-	1	-	218	-
250,001 - 300,000	-	-	-	-	-	-	-	-
300,001 - 350,000	-	-	-	1	-	1	-	303
<b>Total</b>	<b>3</b>	<b>5</b>	<b>71</b>	<b>86</b>	<b>74</b>	<b>91</b>	<b>2,020</b>	<b>4,606</b>

\* restated

## 31 Capital Expenditure and Financing

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

The following table shows how capital expenditure was financed in the year.

	2022/23 £'000	2023/24 £'000
<b>Expenditure</b>		
Property, Plant and Equipment	123,374	133,197
Heritage Assets	86	-
Intangible Assets	1,548	1,028
Revenue Expenditure Funded from Capital Under Statute	12,271	12,920
<b>TOTAL</b>	<b>137,279</b>	<b>147,145</b>
<b>Sources of Finance</b>		
Borrowing	49,018	28,542
Capital Grants and Contributions	53,170	77,118
Capital Receipts	11,343	13,190
Major Repairs Reserve	13,186	17,334
Direct Revenue Funding	10,562	10,961
<b>TOTAL</b>	<b>137,279</b>	<b>147,145</b>
	2022/23 £'000	2023/24 £'000
<b>Opening Capital Financing Requirement</b>	<b>534,213</b>	<b>570,498</b>
<b>Capital investment</b>		
Property, Plant and Equipment	123,374	133,197
Heritage Assets	86	-
Intangible Assets	1,548	1,028
Revenue Expenditure Funded from Capital under Statute	12,271	12,920
<b>Sources of finance</b>		
Capital Grants and Contributions	(53,170)	(77,118)
Capital Receipts	(11,343)	(13,190)
Major Repairs Reserve	(13,186)	(17,334)
Sums set aside from revenue:		
· Direct Revenue Funding	(10,562)	(10,961)
· Minimum Revenue Provision	(10,542)	(14,658)
· HRA Revenue Provision for Debt Repayment on Finance Lease Principal	(2,191)	(110)
<b>Closing Capital Financing Requirement</b>	<b>570,498</b>	<b>584,272</b>

## 32 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors - Deloitte LLP (2022/23) and Ernst & Young LLP (2023/24).

	2022/23 £'000	2023/24 £'000
Fees payable to appointed external auditor with regard to external audit services	162	506
<b>Total</b>	<b>162</b>	<b>506</b>



### 33 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 (ISB), which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately.

Notes	DSG Receivable for 2023/24	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
A	Final DSG for 2023/24 before academy and high needs recoupment			(411,057)
B	Academy and high needs figure recouped for 2023/24			87,449
C	Total DSG after academy and high needs recoupment for 2023/24			(323,608)
D	Plus: Brought forward from 2022/23			(1,200)
E	Less: Carry-forward to 2024/25 agreed in advance			-
F	Agreed initial budgeted distribution in 2023/24	(87,693)	(237,115)	(324,808)
G	In-year adjustments	(53)	-	(53)
H	Final budget distribution for 2023/24	(87,746)	(237,115)	(324,861)
I	Less: Actual central expenditure	91,230	-	91,230
J	Less: Actual ISB deployed to schools	-	235,191	235,191
K	Plus: Local authority contribution for 2023/24	-	-	-
L	In-year carry-forward to 2024/25	3,484	(1,924)	1,560
	Plus: Carry-forward to 2024/25 agreed in advance			-
	Carry-forward to 2024/25			-
	DSG unusable reserve at the end of 2022/23			14,268
	Addition to DSG unusable reserve at the end of 2023/24			1,560
	Total of DSG unusable reserve at the end of 2023/24			15,828
	<b>Net DSG position at the end of 2023/24</b>			<b>15,828</b>

- A Final DSG figure before any amount has been recouped from the authority excluding the January 2024 early years block adjustment.
- B Figure recouped from the authority in 2023/24 by the DfE for the conversion of maintained schools into academies and for high needs payments made by ESFA.
- C Total DSG figure after academy and high needs recoupment for 2023/24.
- D Figure brought forward from 2022/23, positive or negative.
- E Any amount which the authority decided after consultation with the schools forum to carry forward to 2024/25 rather than distribute in 2023/24 – this may be the difference between estimated and final DSG for 2023/24, or a figure (positive or negative) brought forward from 2022/23 which the authority is carrying forward again.
- F Budgeted distribution of DSG, adjusted for carry-forward, as agreed with the schools forum.
- G Changes to the initial distribution, for example, adjustments for exclusions, or final early years block adjustment.
- H Budgeted distribution of DSG as at the end of the financial year.
- I Actual amount of central expenditure items in 2023/24 – amounts not actually spent, e.g. money that is moved into earmarked reserves, will be included in L as carried forward.
- J Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the authority once it is deployed to schools' budget shares). Note that budget shares include early years funding, sixth form funding and high needs place funding: they do not include high needs top-up funding which is treated as central expenditure.
- K Any contribution from the local authority in 2023/24 which will have the effect of substituting for DSG in funding the schools budget.
- L Carry-forward to 2024/25, i.e. for central expenditure, difference between final budgeted distribution of DSG (item H) and actual expenditure (item I), plus any local authority contribution (item K). For ISB, difference between final budgeted distribution (item H) and amount actually deployed to schools (item J), plus any local authority contribution (item K).

### 33 Dedicated Schools Grant (Continued)

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 (ISB), which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately.

Notes	DSG Receivable for 2022/23	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
A	Final DSG for 2022/23 before academy and high needs recoupment			(396,675)
B	Academy and high needs figure recouped for 2022/23			82,637
C	Total DSG after academy and high needs recoupment for 2022/23			(314,038)
D	Plus: Brought forward from 2021/22			-
E	Less: Carry-forward to 2023/24 agreed in advance			-
F	Agreed initial budgeted distribution in 2022/23	(70,646)	(243,392)	(314,038)
G	In-year adjustments	-	-	-
H	Final budget distribution for 2022/23	(70,646)	(243,392)	(314,038)
I	Less: Actual central expenditure	69,106	-	69,106
J	Less: Actual ISB deployed to schools	-	243,732	243,732
K	Plus: Local authority contribution for 2022/23	-	-	-
L	In-year carry-forward to 2023/24	(1,540)	340	(1,200)
	Plus: Carry-forward to 2023/24 agreed in advance			-
	Carry-forward to 2023/24			(1,200)
	DSG unusable reserve at the end of 2021/22			14,268
	Addition to DSG unusable reserve at the end of 2022/23			-
	Total of DSG unusable reserve at the end of 2022/23			14,268
	<b>Net DSG position at the end of 2022/23</b>			<b>13,068</b>

- A Final DSG figure before any amount has been recouped from the authority excluding the January 2023 early years block adjustment.
- B Figure recouped from the authority in 2022/23 by the DfE for the conversion of maintained schools into academies and for high needs payments made by ESFA.
- C Total DSG figure after academy and high needs recoupment for 2022/23.
- D Figure brought forward from 2021/22, positive or negative.
- E Any amount which the authority decided after consultation with the schools forum to carry forward to 2023/24 rather than distribute in 2022/23 – this may be the difference between estimated and final DSG for 2022/23, or a figure (positive or negative) brought forward from 2021/22 which the authority is carrying forward again.
- F Budgeted distribution of DSG, adjusted for carry-forward, as agreed with the schools forum.
- G Changes to the initial distribution, for example, adjustments for exclusions, or final early years block adjustment.
- H Budgeted distribution of DSG as at the end of the financial year.
- I Actual amount of central expenditure items in 2022/23 – amounts not actually spent, e.g. money that is moved into earmarked reserves, will be included in L as carried forward.
- J Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the authority once it is deployed to schools' budget shares). Note that budget shares include early years funding, sixth form funding and high needs place funding: they do not include high needs top-up funding which is treated as central expenditure.
- K Any contribution from the local authority in 2022/23 which will have the effect of substituting for DSG in funding the schools budget.
- L Carry-forward to 2023/24, i.e. for central expenditure, difference between final budgeted distribution of DSG (item H) and actual expenditure (item I), plus any local authority contribution (item K). For ISB, difference between final budgeted distribution (item H) and amount actually deployed to schools (item J), plus any local authority contribution (item K).

## 34 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

	31 March 2023 £'000	31 March 2024 £'000
<b>Grants Credited to Services</b>		
Capital Grants funding REFCUS	(3,230)	(3,057)
Developers' Contributions (capital) funding REFCUS	(6,061)	(3,843)
Developers' Contributions (revenue)	(1,832)	(2,566)
Dedicated Schools Grant	(310,426)	(319,752)
Schools Supplementary Grant	(5,810)	-
Family Hubs & Start for Life Programme	(1,020)	(1,730)
PFI Credits	(9,380)	(9,380)
National Tutoring Programme	(1,744)	(942)
Recovery Premium Grant	(2,510)	(3,646)
School Sixth Form Grant	(14,311)	(15,252)
Pupil Premium Grant	(16,984)	(17,109)
Mainstream Schools Additional Grant	-	(6,880)
Public Health Grant	(37,372)	(38,591)
Housing Benefit Subsidy	(186,144)	(186,447)
Improved Better Care Fund	(16,810)	(16,810)
NHS Contributions	(21,507)	(17,458)
Community Infrastructure Levy (revenue)	(522)	(2,996)
Universal Infant Free School Meals	(2,321)	(2,290)
Community Learning	(2,582)	(2,683)
Social Care Grant	(16,602)	(25,958)
Teachers' Pay Grant	(234)	(2,572)
Unaccompanied Asylum Seeker Grant	(2,246)	(1,833)
Physical Education and Sport	(1,088)	(1,072)
Tackling Troubled Families	(1,592)	(1,437)
Test and Trace Support Payment	(2,833)	-
Rough Sleeping Initiative Grant	(1,845)	(1,933)
Homelessness Prevention Grant	(6,887)	(7,542)
Place ADDER Accelerator Fund	(1,237)	(328)
Adult Social Care (ASC) Discharge Fund	(1,210)	(6,317)
Leaving Care Unacc Asy Seeker Grant	(1,288)	(1,467)
Household Support Fund	(2,455)	(3,213)
Market Sustainability & Fair Cost of Care	(989)	(3,430)
Community Covid Testing Fund	(694)	(1,373)
Holiday Activities and Food Programme	-	(1,771)
Supp Substance Misuse Treatment & Rec Fund	-	(1,651)
MSIF Workforce Grant	-	(2,088)
London Mayor UFSM Programme	-	(2,192)
Other Revenue Grants	(15,127)	(14,401)
<b>Total Grants Credited to Services</b>	<b>(696,893)</b>	<b>(732,010)</b>

## 34 Grant Income (Continued)

	31 March 2023 £'000	31 March 2024 £'000
<b>Total Grants Credited to Services (b/f)</b>	<b>(696,893)</b>	<b>(732,010)</b>
<b>Credited to Taxation and Non-Specific Grants Income</b>		
<i>Non-Ringfenced Government Grants</i>		
Business Rate Related Grants	(33,368)	(35,128)
Revenue Support Grant (Formula Grant)	(35,056)	(39,347)
Local Service Support Grant	(1,508)	-
Service Grant	(7,688)	(4,510)
New Homes Bonus	(16,263)	(3,890)
Other Non-ringfenced grants	(1,012)	(1,401)
<b>Total Non-Ringfenced Government Grants</b>	<b>(94,895)</b>	<b>(84,276)</b>
<i>Capital Grants and Contributions</i>		
Schools-funded Capital Programme	(1,003)	(864)
Major Works Contributions (cash received)	(602)	(1,104)
Capital Maintenance Grant	(4,632)	(4,494)
Community Infrastructure Levy (CIL)	(3,714)	(36,043)
GLA Building Council Homes for Londoners	(500)	(5,100)
High Needs Provision Capital	(10,508)	(4,885)
Developers' Contributions (capital)	(11,829)	(19,538)
Mulberry London Dock School	-	(47,344)
Food Waste Collection	-	(2,073)
GLA RTB Shetland Road Garages	-	(2,733)
Other Capital Grants	(4,430)	(4,557)
<b>Total Capital Grants and Contributions</b>	<b>(37,218)</b>	<b>(128,735)</b>
<b>Total Grant Income in Comprehensive Income &amp; Expenditure Account</b>	<b>(829,006)</b>	<b>(945,021)</b>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

Receipt in Advance Grant Balances	31 March 2023 * £'000	31 March 2024 £'000
<b>Capital Grants Receipts in Advance</b>		
Developers' Contributions (capital)	(93,168)	(93,424)
South Dock Bridge	(1,164)	(1,164)
Building Council Homes for Londoners	(4,590)	-
GLA Right to Buy Ringfence	(9,691)	(8,941)
Other conditional capital grants and contributions	(1,149)	(1,194)
<b>Total Capital Grants Receipts in Advance</b>	<b>(109,762)</b>	<b>(104,723)</b>
<b>Revenue Grants Receipts in Advance</b>		
Developers' Contributions (revenue)	(10,518)	(11,190)
Homes for Ukraine	(2,869)	(3,018)
Energy Bill Support Scheme	(2,331)	-
Other conditional revenue grants	-	(681)
<b>Total Revenue Grants Receipts in Advance</b>	<b>(15,718)</b>	<b>(14,889)</b>
<b>Total Grants Receipt in Advance Balances</b>	<b>(125,480)</b>	<b>(119,612)</b>

\* Restated

## 35 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

### **Central Government**

The UK Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Details of grants received from UK central government departments and other grant making bodies are set out in Note 34. Grant receipts outstanding at 31 March 2024 are within the creditors note.

### **Other public bodies (subject to common control by central government)**

The Council works closely with a number of NHS bodies. This includes a pooled budget that it operates with the NHS North East London Integrated Commissioning Board, details of which are set out in Note 28. It also has significant transactions with the East London NHS Trust. The total amounts due from NHS bodies in total at the year end are shown in the creditors note.

The Council works closely with many other Local Authorities and related bodies. Note 34 contains details of grants received by the Council, including those from other Local Authorities and the debtors and creditors notes detail amounts due to or from other Local Authorities at the year end.

### **Pension Fund**

The Council oversees the administration of the Pension Fund. The Pension Fund can borrow from the Council. The Pension Fund accounts are presented on later pages to this Statement.

### **Entities controlled or significantly influenced by the Council**

#### **Tower Hamlets Homes**

Tower Hamlets Homes is a wholly owned subsidiary of London Borough of Tower Hamlets which ceased trading on the 31st October 2023 when Tower Hamlets Homes staff transferred to the Council. It is anticipated that the company will dissolve 2024/25.

For the seven months from 1st April to 31st October 2023, the Council paid a management fee of £23.046m (22/23 £39.028m) for the management of the Council's housing stocks and received income of £2.954m (22/23 £5.444m) for the provision of services. At the 31 March 2024 £6.031m was due from Tower Hamlets Homes (22/23 £1.767m).

#### **King George's Field, Mile End**

The Council is the sole trustee of the King George's Field, Mile End charity and members of the Cabinet of the Council are also Members of the charity's Board.

The Charity is responsible for maintaining the area of Mile End Park, and the other open spaces within King George's Field, Mile End. The land is managed by the Council on behalf of the charity.

During the year the Charity received funding of 0.264m (22/23 £0.261m) from the Council, and paid £0.612m (22/23 £0.600m) for services provided. At the 31 March 2024 £0.022m cash was held by the Council on behalf of the Charity (22/23 £0.125m was owed to the Council as an overdraft held on behalf of the charity).

#### **Seahorse Homes**

Seahorse Homes Ltd was a wholly owned subsidiary of the London Borough of Tower Hamlets that was dissolved on 6th June 2023.

#### **Mulberry Housing Society**

Mulberry Housing is a Community Benefit Society which will shortly be dissolved.

The Council has the right to appoint two out of five Board Members.

#### **Ocean Regeneration Trust**

The Ocean Regeneration Trust is a charity which has the aim of supporting residents on the Ocean Estate.

The Council has representation on the Board of the Charity, with the right to appoint two out of twelve Directors.

During the year the Trust received £0.142m funding and rental income from the Council (22/23 £0.213) and paid £0.001m (22/23 £nil) for services provided.

### **Capital Letters (London)**

Capital Letters is a pan-London accommodation and procurement company with membership drawn from a number of London Boroughs including Tower Hamlets. Members of the company have representation on the Board of the Company.

During the year the Company received £0.366m (22/23 £2.404m) from the Council for the services provided.

### **Norton Folgate Almshouse**

Norton Folgate Almshouse is a charity which has the aim of providing affordable housing in Spitalfields.

The Council has representation on the Board of the Charity with the right to appoint three out of the seven Trustees.

### **PLACE Ltd**

Pan-London Accommodation Collaborative Enterprise Ltd (PLACE Ltd) is intended to provide modular temporary accommodation. Tower Hamlets is one of four London Boroughs who are key stakeholders and members of the Company, and is deemed the lead borough for the programme. Members have representation on the Board of the Company.

At the year end, £0.646m was due from the organisation.

### **Blackwall Reach Trust**

Blackwall Reach Trust is a charity incorporated in August 2019 with the aim of providing open space for the Blackwall Reach Community and members of the public for recreation and social welfare purposes. The Council can appoint two Trustees to the Board.

### **Tower Hamlets Community Housing**

Tower Hamlets Community Housing aims to provide good quality affordable housing to those on low incomes in housing need. The Council has the power to appoint two Trustees to the Board.

During the year the Council received services to the value of £0.186m (22/23 £0.092m) from the organisation and charged £0.061m (22/23 £0.004m). At the year end, £0.088m was due from the organisation (22/23 £0.049m).

### **Tower Hamlets and Canary Wharf Further Education Trust**

The Trust is a charity with the objective of the advancement of education and training for the residents of the London Borough of Tower Hamlets. The Council has the rights to appoint two out of four trustees.

At the year end, £0.237m was due from the Trust (2022/23 £0.237m).

### **Speaker of Tower Hamlets Committee for Local Charities**

The charity has the Speaker and Deputy Speaker of the Council as trustee. It's objective is to provide benefit to the inhabitants of the Tower Hamlets.

### **Tower Hamlets LEP Limited**

Tower Hamlets LEP Limited is involved in schools projects within Tower Hamlets under the Building Schools for the Future programme. The Council is a shareholder and has representation on the Board of the Company.

### **Tower Hamlets Education Partnership**

Tower Hamlets Education Partnership is a registered charity and a company limited by guarantee, with three out of four members being LBTH maintained schools. The purpose of the charity is the advancement of education through member schools and other educational settings, with an initial focus on the London Borough of Tower Hamlets.

The administrative centre of the Council (i.e. excluding schools) provided funding of £0.458m in 23/24 (22/23 £0.405m) in pursuit of these aims and charged the Charity £0.045m (22/23 £0.048m) for the provision of services and premises. The Council also recovered the cost of staff seconded to the Charity during the year, amounting to £0.616m (22/23 £0.207m). At the end of 23/24, the Charity owed £0.282m (22/23 £0.179m) to the Council.

The Charity also receives a significant proportion of its remaining income from maintained schools within the Borough.

## 35 Related Parties (Continued)

### **The Davenant Centre**

The Davenant Centre is a registered charity which provides two community centres for educational and social benefit within Tower Hamlets.

The Council had provided a loan facility (secured on the properties) to the Charity which repaid April 2023 (at 31st March 2023 £0.625m was outstanding).

The Council has voting rights of 26% to amend certain specific clauses of the memorandum and articles of association at meetings of the Charity.

### **Membership of and relationship with other organisations**

Members and Senior Officers of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2023/24 is shown in the Members Allowances Note and Senior Officers remuneration in the Officers Remuneration Note.

During the year there were fourteen external organisations (22/23 ten) where Members or Senior Officers or their close personal family had an interest outside of those listed above, which undertook financial transactions with the Council. Total expenditure of £2.498m (22/23 £2.460m) was incurred with these organisations for goods and services, and £0.213m (22/23 £0.056m) income was recorded from them for goods and services provided.

In addition a payroll service was provided for one organisation with payroll costs of £5.459m (22/23 £4.797m) being recovered from them. At the end of the year, £0.931m (22/23 £0.475m) was due from these organisations and £0.049m was owed to them.

## 36 Leases

### Authority as Lessee

#### Finance Leases

As a Lessee the Council has acquired a residential development under finance leases. The assets acquired under the leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

Depreciation policy on leased assets is consistent with the policy on owned assets and subject to revaluation in the same way as any other asset.

#### Leased In Assets

	Buildings 31 March 2023 £'000	Buildings 31 March 2024 £'000
Poplar Baths Leisure Centre	19,692	22,084
Poplar Baths Housing	4,619	4,441
Dame Colet Residential Development	3,529	3,393
<b>Total</b>	<b>27,840</b>	<b>29,918</b>

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	Buildings 31 March 2023 £'000	Buildings 31 March 2024 £'000
Finance lease liabilities (net present value of minimum lease payments)	26,630	26,413
Finance costs payable in future years	47,446	45,019
<b>Minimum lease payments</b>	<b>74,076</b>	<b>71,432</b>

#### The minimum lease payments will be payable over the following periods:

	Minimum Lease payments		Finance Lease Liabilities	
	31 March 2023 £'000	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'000
Not later than one year	2,644	2,644	217	237
Later than one year and not later than five years	10,577	10,577	1,090	1,193
Later than five years	60,856	58,212	25,323	24,983
<b>Total</b>	<b>74,077</b>	<b>71,433</b>	<b>26,630</b>	<b>26,413</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.



## 36 Leases (Continued)

### Authority as Lessee (Continued)

#### Operating Leases

The Council leases in some properties (including office accommodation and business units), as well as a number of vehicles (including minibuses and vans), and plant and equipment (including office equipment, specialised health and safety and security equipment).

The future minimum lease payments due under these leases in future years are:

#### *Leased In Assets*

	Land & Buildings	Vehicles Plant & Equipment	Land & Buildings	Vehicles Plant & Equipment
	31 March 2023	31 March 2023	31 March 2024	31 March 2024
	£'000	£'000	£'000	£'000
<b>Children's Services</b>				
Not later than one year	-	184	-	210
Later than one year and not later than five years	-	160	-	342
Later than five years	-	-	-	-
<b>Health and Adult Social Care</b>				
Not later than one year	103	-	103	-
Later than one year and not later than five years	410	-	410	-
Later than five years	923	-	821	-
<b>Housing and Regeneration</b>				
Not later than one year	153	-	3,201	-
Later than one year and not later than five years	612	-	2,041	-
Later than five years	2,527	-	2,472	-
<b>Communities</b>				
Not later than one year	-	1,104	-	96
Later than one year and not later than five years	-	134	-	38
Later than five years	-	-	-	-
<b>Total</b>				
<b>Not later than one year</b>	<b>256</b>	<b>1,288</b>	<b>3,304</b>	<b>306</b>
<b>Later than one year and not later than five years</b>	<b>1,022</b>	<b>294</b>	<b>2,451</b>	<b>380</b>
<b>Later than five years</b>	<b>3,450</b>	<b>-</b>	<b>3,293</b>	<b>-</b>
	<b>4,728</b>	<b>1,582</b>	<b>9,048</b>	<b>686</b>

## 36 Leases (Continued)

The expenditure charged to the Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	Land & Buildings	Vehicles Plant & Equipment	Land & Buildings	Vehicles Plant & Equipment
	31 March 2023	31 March 2023	31 March 2024	31 March 2024
	£'000	£'000	£'000	£'000
<b>Children's Services</b>				
Minimum Lease Payments	-	246	-	227
<b>Health and Adult Social Care</b>				
Minimum Lease Payments	103	-	103	-
<b>Housing and Regeneration</b>				
Minimum Lease Payments	4,069	-	165	-
<b>Communities</b>				
Minimum Lease Payments	-	1,171	-	1,124
<b>Total</b>				
<b>Minimum Lease Payments</b>	<b>4,172</b>	<b>1,417</b>	<b>268</b>	<b>1,351</b>

### Authority as Lessor

#### Finance Leases

As a Lessor the Council has no finance leases to report.

#### Operating Leases

The Council leases out property and equipment under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses.

As the primary purpose of holding these assets is to provide support to the community, rather than generating financial gain for the Council, these assets are not considered as investment properties.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2023	31 March 2024
	£'000	£'000
Not later than one year	(176)	(275)
Later than one year and not later than five years	(16,765)	(18,238)
Later than five years	(21,242)	(21,827)
<b>Total</b>	<b>(38,183)</b>	<b>(40,340)</b>

## 37 Private Finance Initiatives and Similar Contracts

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 Grouped Schools schemes - until the years 2029 and 2028 respectively. The contracts specify minimum standards for the services to be provided by the contractors, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractors took on the obligation to construct or refurbish schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the schools. The buildings and any plant and equipment installed in them at the end of the contracts will be transferred to the authority for nil consideration, other than those that relate to academies, being Mulberry, Clara Grant, Stepney Green and Old Ford schools. The authority only has rights to terminate the contracts if it compensates the contractors in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

The Council entered into a third PFI contract, with an energy services company, to provide heating and hot water to around 500 homes in the Barkantine district in March 2000 and this contract will continue until October 2025. No re-negotiation of the contract terms are expected, and the Council is working with the Department of Levelling Up, Housing and Communities in preparation for arrangements after contract expiry. It is classed as a user pay arrangement (with the consequence that payments to contractors do not meet the definition of "unitary payments").

The authority makes an agreed payment each year to each of the contractors which is increased annually by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Unitary payments remaining to be made under the PFI contracts at 31 March 2024 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Payments due under PFI schemes	Mulberry School £'000	Grouped Schools £'000	Barkantine Energy £'000	Total £'000
<b>Liability</b>				
Within 1 year	(600)	(3,700)	(198)	(4,498)
Within 2 - 5 years	(2,710)	(12,004)	(394)	(15,108)
Within 6 - 10 years	-	-	-	-
	<b>(3,310)</b>	<b>(15,704)</b>	<b>(592)</b>	<b>(19,606)</b>
<b>Interest</b>				
Within 1 year	372	2,471	-	2,843
Within 2 - 5 years	777	3,501	-	4,278
Within 6 - 10 years	-	-	-	-
	<b>1,149</b>	<b>5,972</b>	<b>-</b>	<b>7,121</b>
<b>Service Charges</b>				
Within 1 year	673	3,245	-	3,918
Within 2 - 5 years	2,694	7,200	-	9,894
Within 6 - 10 years	-	-	-	-
	<b>3,367</b>	<b>10,445</b>	<b>-</b>	<b>13,812</b>

The payments made to the contractors have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable while the capital expenditure remains to be reimbursed. The liability outstanding to be paid to the contractor for capital expenditure incurred (or simply the amortisation of the liability recognised in the case of the Energy PFI) is as follows:

Movement on PFI Liabilities	Mulberry School £'000	Grouped Schools £'000	Barkantine Energy £'000	Total £'000
<b>Liabilities at 31 March 2023</b>	<b>(3,815)</b>	<b>(18,851)</b>	<b>(790)</b>	<b>(23,456)</b>
Repayments/Amortisation of deferred liability	505	3,147	198	3,850
<b>Liabilities at 31 March 2024</b>	<b>(3,310)</b>	<b>(15,704)</b>	<b>(592)</b>	<b>(19,606)</b>
<b>Consisting of:</b>				
Long-term liability	(2,710)	(12,004)	(394)	(15,108)
Short-term liability	(600)	(3,700)	(198)	(4,498)
<b>Liability value at 31 March 2024</b>	<b>(3,310)</b>	<b>(15,704)</b>	<b>(592)</b>	<b>(19,606)</b>

## 37 Private Finance Initiatives and Similar Contracts (Continued)

The assets associated with the PFI contracts have been recognised on the Council's balance sheet, with movements in valuation as per below.

Movement on PFI Assets	Grouped Schools £'000	Barkantine Energy £'000	Total £'000
<b>Asset value at 31 March 2022</b>	<b>246,615</b>	<b>1,505</b>	248,120
Depreciation	(2,092)	(181)	(2,273)
Revaluations	15,505	1,086	16,591
Enhancements	1,721	-	1,721
<b>Asset value at 31 March 2023</b>	<b>261,749</b>	<b>2,410</b>	<b>264,159</b>
Depreciation	(2,425)	(202)	(2,627)
Revaluations	(649)	-	(649)
Enhancements	1,536	-	1,536
Transfers	85	-	85
<b>Asset value at 31 March 2024</b>	<b>260,296</b>	<b>2,208</b>	<b>262,504</b>

Comparatives for the 2022/23 year are presented below.

Payments due under PFI schemes, as at 31 March 2023	Mulberry School £'000	Grouped Schools £'000	Barkantine Energy £'000	Total £'000
<b>Liability</b>				
Within 1 year	(505)	(3,147)	(198)	(3,850)
Within 2 - 5 years	(2,563)	(15,704)	(592)	(18,859)
Within 6 - 10 years	(747)	-	-	(747)
	<b>(3,815)</b>	<b>(18,851)</b>	<b>(790)</b>	<b>(23,456)</b>
<b>Interest</b>				
Within 1 year	428	2,966	-	3,394
Within 2 - 5 years	1,065	5,972	-	7,037
Within 6 - 10 years	84	-	-	84
	<b>1,577</b>	<b>8,938</b>	<b>-</b>	<b>10,515</b>
<b>Service Charges</b>				
Within 1 year	673	3,125	-	3,798
Within 2 - 5 years	2,694	10,446	-	13,140
Within 6 - 10 years	673	-	-	673
	<b>4,040</b>	<b>13,571</b>	<b>-</b>	<b>17,611</b>

Movement on PFI Liabilities, as at 31 March 2023	Mulberry School £'000	Grouped Schools £'000	Barkantine Energy £'000	Total £'000
<b>Liabilities at 31 March 2022</b>	<b>(4,233)</b>	<b>(21,434)</b>	<b>(988)</b>	<b>(26,655)</b>
Repayments/Amortisation of deferred liability	418	2,583	198	3,199
<b>Liabilities at 31 March 2023</b>	<b>(3,815)</b>	<b>(18,851)</b>	<b>(790)</b>	<b>(23,456)</b>
<b>Consisting of:</b>				
Long-term liability	(3,310)	(15,704)	(592)	(19,606)
Short-term liability	(505)	(3,147)	(198)	(3,850)
<b>Liability value at 31 March 2023</b>	<b>(3,815)</b>	<b>(18,851)</b>	<b>(790)</b>	<b>(23,456)</b>

## 38 Pension Schemes - Defined Benefit

### 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 four pensions schemes:

- The Local Government Pension Scheme (LGPS) administered by the Council
- The Local Government Pension Scheme, administered by the London Pensions Fund Authority (LPFA)
- The Teachers' Pension Scheme (TPS), administered by Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by NHS Business Services Authority on behalf of the Department of Health and Social Care

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 London Borough of Tower Hamlets pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of the Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee and consist of the Corporate Director of Resources of the Council and Investment Fund managers.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the general fund and HRA the amounts required by statute as described in the accounting policies note.

The TPS and NHS schemes are explained further in the next note (Pension Schemes Accounted for as Defined Contribution Schemes), since they are accounted for on a different basis.

### Transactions Relating to Retirement Benefits

The cost of LGPS retirement benefits is recognised in the Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement for the General Fund Balance. The following transactions have been made in the Comprehensive Income and Expenditure Account and Movement in Reserves Statement during the year:

	The Council		LPFA		Total	
	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000
<b>Comprehensive Income and Expenditure Statement</b>						
<i>Cost of Services</i>						
Current service costs	77,737	38,213	238	133	77,975	38,346
Past service costs	739	1,092	-	-	739	1,092
Impact of settlements	-	(435)	-	-	-	(435)
<i>Finance and Investment Income and Expenditure</i>						
Interest cost on defined benefit obligation	60,832	80,278	1,703	2,266	62,535	82,544
Interest income on plan assets	(47,462)	(82,086)	(1,964)	(3,595)	(49,426)	(85,681)
<b>Net charge to the Surplus or Deficit on Provision of Services</b>	<b>91,846</b>	<b>37,062</b>	<b>(23)</b>	<b>(1,196)</b>	<b>91,823</b>	<b>35,866</b>
<i>Other Comprehensive Income and Expenditure</i>						
Changes in demographic assumptions	(17,185)	(8,257)	(2,616)	(646)	(19,801)	(8,903)
Changes in financial assumptions	(792,934)	(81,965)	(17,300)	(75)	(810,234)	(82,040)
Other experience	133,256	57,668	2,941	24	136,197	57,692
Return on plan assets excluding amounts included in net	125,892	(118,233)	13	(3,610)	125,905	(121,843)
Effect of the asset ceiling	5,841	374,028	30,085	5,707	35,926	379,735
Impact of transfer of staff from Tower Hamlet Homes *	-	(23,231)	-	-	-	(23,231)
Actuarial (gains)/losses	-	-	81	-	81	-
<b>Total charge in Comprehensive Income and Expenditure Statement</b>	<b>(453,284)</b>	<b>237,072</b>	<b>13,181</b>	<b>204</b>	<b>(440,103)</b>	<b>237,276</b>
<b>Movement In Reserves Statement</b>						
Reversal of net charges made for retirement benefits	(91,846)	(37,062)	23	1,196	(91,823)	(35,866)
Actual amount charged against the General Fund/HRA	44,843	49,071	385	310	45,228	49,381

\*On 1 November 2023 staff previously employed by Tower Hamlet Homes transferred to the Council. At that point the Council's pension scheme assumed responsibility for the net assets of the former Tower Hamlet Homes pension scheme. The transactions above include those relating to former Tower Hamlet Homes staff from this date.

## 38 Pension Schemes - Defined Benefit (Continued)

### Transactions Relating to Retirement Benefits (Continued)

In addition to the figures presented above, the Council is also responsible for all payments in respect of discretionary awards made to teachers upon retirement. In 2023/24 there were such payments of £0.829m (£0.829m in 2022/23).

### Assets, Liabilities and Asset Ceiling in Relation to Retirement Benefits

Reconciliation of Present Value of Scheme Liabilities	The Council		LPFA		Total	
	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000
Opening balance at 1 April	(2,249,951)	(1,663,084)	(67,197)	(48,745)	(2,317,148)	(1,711,829)
Current service cost	(77,737)	(38,213)	(238)	(133)	(77,975)	(38,346)
Past service costs	(739)	(1,092)	-	-	(739)	(1,092)
Effect of settlements	-	1,180	-	-	-	1,180
Interest cost	(60,832)	(80,278)	(1,703)	(2,266)	(62,535)	(82,544)
Contributions	(11,353)	(12,679)	(41)	(42)	(11,394)	(12,721)
Benefits paid	60,665	78,471	3,459	3,152	64,124	81,623
Impact of transfer of staff from THH*	-	(120,868)	-	-	-	(120,868)
Remeasurement gains / (losses):						
Changes in demographic assumptions	17,185	8,257	2,616	646	19,801	8,903
Changes in financial assumptions	792,934	81,965	17,300	75	810,234	82,040
Other experience	(133,256)	(57,668)	(2,941)	(24)	(136,197)	(57,692)
<b>31 March</b>	<b>(1,663,084)</b>	<b>(1,804,009)</b>	<b>(48,745)</b>	<b>(47,337)</b>	<b>(1,711,829)</b>	<b>(1,851,346)</b>

Reconciliation of Fair Value of Scheme Assets	The Council		LPFA		Total	
	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000
Opening fair value of scheme assets	1,761,276	1,678,377	77,921	76,758	1,839,197	1,755,135
Interest income	47,462	82,086	1,964	3,595	49,426	85,681
Effect of settlements	-	(745)	-	-	-	(745)
Contributions						
Employees into the scheme	11,353	12,679	41	42	11,394	12,721
Employer	44,843	49,071	385	310	45,228	49,381
Benefits paid	(60,665)	(78,471)	(3,459)	(3,152)	(64,124)	(81,623)
Impact of transfer of staff from THH*	-	144,099	-	-	-	144,099
Remeasurement gains / (losses):						
Return on plan assets	(125,892)	118,233	(13)	3,610	(125,905)	121,843
Actuarial gains/(losses)	-	-	(81)	-	(81)	-
<b>31 March</b>	<b>1,678,377</b>	<b>2,005,329</b>	<b>76,758</b>	<b>81,163</b>	<b>1,755,135</b>	<b>2,086,492</b>

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.

Movements in Asset Ceiling	The Council		LPFA		Total	
	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000
Opening asset ceiling	-	(5,841)	-	(30,085)	-	(35,926)
Actuarial Losses / Gains	(5,841)	(374,028)	(30,085)	(5,707)	(35,926)	(379,735)
<b>Closing Value of Asset Ceiling</b>	<b>(5,841)</b>	<b>(379,869)</b>	<b>(30,085)</b>	<b>(35,792)</b>	<b>(35,926)</b>	<b>(415,661)</b>

Assets, Liabilities and Asset Ceiling Recognised in Balance Sheet	The Council		LPFA		Total	
	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000
Present value of scheme liabilities	(1,663,084)	(1,804,009)	(48,745)	(47,337)	(1,711,829)	(1,851,346)
Fair value of plan assets	1,678,377	2,005,329	76,758	81,163	1,755,135	2,086,492
Additional liability from asset ceiling	(5,841)	(379,869)	(30,085)	(35,792)	(35,926)	(415,661)
<b>Total Asset/(Deficit) in the Schemes</b>	<b>9,452</b>	<b>(178,549)</b>	<b>(2,072)</b>	<b>(1,966)</b>	<b>7,380</b>	<b>(180,515)</b>

\*On 1 November 2023 staff previously employed by Tower Hamlet Homes transferred to the Council. At that point the Council's pension scheme assumed responsibility for the net assets of the former Tower Hamlet Homes pension scheme. The transactions above include those relating to former Tower Hamlet Homes staff from this date.

The effect of the asset ceiling has been determined by the schemes's actuaries on the basis of the limitation on the Council's ability to recover the full economic benefit of its assets through reductions in future employer's contributions because of the minimum funding requirement imposed on it by the funding strategy for the schemes in place at 31 March 2024.

The schemes' actuaries have assessed the Council's estimated future service costs less the estimated minimum funding requirement contributions to establish the economic benefit that is available to the Council. The net pensions asset has therefore been adjusted by this effect of the asset ceiling.

## 38 Pension Schemes - Defined Benefit (Continued)

The Council expects to make total contributions of £49.0m in the year to 31 March 2025.

### **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 independent actuaries, based on the following main assumptions. Hymans Robertson LLP provide the LBTH report, Barnett Waddingham the LPFA report.

	The Council		LPFA	
	2022/23	2023/24	2022/23	2023/24
Long-term expected rate of return on assets in the scheme <sup>1</sup>				
Mortality assumptions:				
Longevity at 65 for current pensioners (years):				
Men	21.5	21.2	20.3	20.0
Women	23.9	23.8	23.3	23.0
Longevity at 65 for future pensioners (years):				
Men	22.6	22.3	21.5	21.2
Women	25.5	25.3	25.3	25.0
Rate of inflation	3.0%	2.8%	2.9%	3.0%
Rate of increase in salaries	3.0%	2.8%	3.0%	2.8%
Rate of increase in pensions	3.0%	2.8%	2.9%	3.0%
Rate for discounting scheme liabilities <sup>1</sup>	4.8%	4.8%	4.8%	4.9%

<sup>1</sup> The expected rates of return are set equal to the discount rate.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses as presented in Note 4 have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

### **Impact on the Authority's Cash Flows**

With regard to the Council-administered pension fund, the objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The triennial valuation was completed on 31 March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

At the time of the relevant triennial valuation based on 31 March 2022, the weighted average duration of the defined benefit obligation for scheme members is 17 years.

## 38 Pension Schemes - Defined Benefit (Continued)

### Major categories of assets as a proportion of total assets

	The Council		LPFA	
	2022/23	2023/24	2022/23	2023/24
Equities	0%	0%	49%	52%
<i>Private Equity</i>	0%	0%	8%	7%
<i>Bonds</i>	6%	9%	1%	2%
<i>Property</i>	8%	10%	10%	9%
Investment/Hedge Funds and Unit Trusts*:			8%	4%
<i>Equity-based</i>	61%	61%		
<i>Bond-based</i>	11%	19%		
<i>Hedge Funds</i>	0%	0%		
<i>Other</i>	12%	0%		
Credit - unquoted	0%	0%	10%	12%
Infrastructure - unquoted	0%	0%	12%	12%
Cash	2%	1%	2%	2%

\*Note: the LPFA breakdowns are not available in the same format as those for the Council scheme.

## 39 Pension Schemes Accounted For As Defined Benefit Schemes

### Teachers' Pension Scheme

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education (DfE). The scheme provides teachers with specified benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 12,300 participating employers and consequently the council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes though it is approximately 0.4%. For the purposes of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2023/24, the council paid £22.298m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.7% of pensionable pay. The figures for 2022/23 were £22.006m and 23.7%. There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £27.812m (28.7% of pensionable pay).

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These payments are accounted for as incurred and detailed in Note 38.

The authority is not liable to the scheme for any other entities' obligations under the plan.

### NHS Pension Scheme

In 2013/14, former NHS employees transferred to the Council. These employees have maintained their membership in the NHS Pension Scheme. The Scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and, as with the TPS, the Council is unable to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes, though it is much less than 0.1%. It is therefore accounted for on the same basis as a defined contribution scheme.

£0.058m million was payable into the scheme in 2023/24 by the Council (2022/23: £0.059m). This represents 20.7% of pensionable pay. The contributions due to be paid in the next financial year are estimated to be £0.067m. These amounts represent 23.8% of pensionable pay.

The authority is not liable to the scheme for any other entities' obligations under the plan.



## 40 Trusts

The Council serves as sole trustee of the King George's Field, Mile End charity. The charity is governed by a Trust Deed, and is unincorporated, being established by a Scheme of the Charity Commission dated 28th February 2000.

The King George's Field, Mile End Charity Board (which sits as a committee of the Council) is responsible for managing the Trust's affairs and discharging the Council's duties as trustee.

The Charity's objectives are set out in Trust Deeds, which are as follows "To preserve in perpetuity the covenanted land and to apply the land to such charitable purposes as are set out in the Recreational Charities Act 1958, including the construction of indoor recreational facilities, subject to the approval of the National Playing Fields Association and the Charity Commission in respect of any additional purposes".

The funds of the Trust do not represent income, expenditure, assets or liabilities of the Council. The value of income and expenditure, the underlying assets, extent of any liabilities are disclosed as follows:

2022/23 £'000		2023/24 £'000
(1,212)	Income	(1,323)
1,293	Expenditure	1,540
4	Net unrealised (gains)/losses on Investments	3
<b>85</b>	<b>(Surplus)/Deficit for the Year</b>	<b>220</b>
16,049	Fixed assets	13,020
261	Current assets	116
(299)	Creditors - amounts falling due within one year	(277)
<b>16,011</b>	<b>Net Current Assets</b>	<b>12,859</b>
15,973	Endowment funds	12,972
38	Unrestricted reserves	(113)
<b>16,011</b>	<b>Total Charity Funds</b>	<b>12,859</b>

The Council acts as trustee for a number of smaller trusts, which were disclosed in this note in previous years. However, since they are not material to the accounts, those detailed disclosures will no longer be provided here.

## 41 Revenue from Contracts with Customers

Amounts included in the Comprehensive Income and Expenditure Statement with service recipients are provided below:

	2022/23 £'000	2023/24 £'000
Children's Services	(10,366)	(12,691)
Health and Adult Social Care	(7,231)	(8,791)
Housing and Regeneration	(44,430)	(54,109)
Chief Executive's	(1,773)	(1,937)
Local Authority Housing (Housing Revenue Account)	(98,766)	(111,755)
Resources	(3,353)	(4,219)
Corporate Cost and Central Items	(21)	(89)
Communities	(30,106)	(30,480)
<b>Total included in Comprehensive Income and Expenditure Statement</b>	<b>(196,046)</b>	<b>(224,071)</b>

The impairment of receivables or contract assets is deemed immaterial for both years.

Amounts included in the Balance Sheet for contracts with service recipients are provided below:

	31 March 2023 £'000	31 March 2024 £'000
Receivables, which are included in debtors (Note 18)	36,582	38,817
Housing and Tenant Rents	13,859	18,235
Other Entities and Individuals		
Contract Liabilities	(13,340)	(14,903)
<b>Total included in Net Assets</b>	<b>37,101</b>	<b>42,149</b>

## 42 Contingent Liabilities

The Council is in dispute with a supplier over the value of work carried out as part of the Decent Homes programme. Attempts to reach agreement through the adjudication process have not been successful and there is the possibility that the supplier will use litigation to obtain redress. The claim for unpaid work over a number of years of the programme (including interest and legal costs) could be in excess of £10 million, which the council does not believe is substantiated.

## 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).

	2022/23 £'000	2023/24 £'000
<b>EXPENDITURE</b>		
Repairs and maintenance	29,652	33,994
Supervision and management	38,906	44,092
Rents, rates, taxes and other charges	14,166	21,738
Depreciation of non-current assets		
On dwellings	14,500	15,757
On other assets	1,239	1,248
Revaluation losses (and reversals)	(68,086)	66,560
Debt management costs	103	92
Movement in the allowance for bad debts	1,254	139
Sums directed by the Secretary of State that are expenditure in accordance with the Code	1,150	2,148
<b>TOTAL EXPENDITURE</b>	<b>32,884</b>	<b>185,768</b>
<b>INCOME</b>		
Gross rental income		
Dwelling rents	(68,987)	(74,753)
Non dwelling rents	(4,421)	(5,063)
Charges for services and facilities	(29,957)	(37,042)
<b>TOTAL INCOME</b>	<b>(103,365)</b>	<b>(116,858)</b>
<b>NET COST OF HRA SERVICES AS INCLUDED IN THE WHOLE AUTHORITY INCOME AND EXPENDITURE ACCOUNT</b>	<b>(70,481)</b>	<b>68,910</b>
HRA services share of Corporate and Democratic Core	143	143
<b>NET COST OF HRA SERVICES</b>	<b>(70,338)</b>	<b>69,053</b>
<b>HRA share of operating income and expenditure included in the whole authority Income and Expenditure Account</b>		
(Gain)/loss on sale of HRA non-current assets	(17,069)	(9,139)
Interest payable and similar charges	7,454	10,197
Interest and investment income	(3,910)	(9,905)
Capital grants and contributions receivable	(1,102)	(6,204)
<b>DEFICIT/(SURPLUS) FOR THE YEAR ON HRA SERVICES</b>	<b>(84,965)</b>	<b>54,002</b>

## STATEMENT OF MOVEMENT ON THE HRA 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.

	2022/23		2023/24	
	£'000	£'000	£'000	£'000
<b>Balance on the Statutory HRA Brought Forward</b>		<b>(52,893)</b>		<b>(38,547)</b>
Deficit/(Surplus) for the year on the HRA Income and Expenditure Account	(84,965)		54,002	
Net additional amount required by statute to be debited to the HRA balance for the year	<u>99,311</u>		<u>(42,133)</u>	
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>		<b>14,346</b>		<b>11,869</b>
Transfer to/(from) Earmarked Reserves		-		2,400
<b>Balance on the Statutory HRA Carried Forward</b>		<b>(38,547)</b>		<b>(24,278)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1 Note to the Statement of Movement on the HRA Balance

	2022/23		2023/24	
	£'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	(1,150)		(2,148)	
Capital grants and contributions	1,102		6,204	
Gain or loss on sale of HRA non-current assets	17,069		9,139	
Depreciation of non-current assets	(15,739)		(17,005)	
Reversal of revaluation losses on non-current assets	68,086		(66,560)	
Net charges made for retirement benefits in accordance with IAS19	1,886		2,466	
<b>Total</b>		<b>71,254</b>		<b>(67,904)</b>
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year</b>				
Capital expenditure financed from revenue	9,692		8,221	
Difference between amounts charged to the Income & Expenditure Account for premia and discounts and the charge for the year determined in accordance with statute	435		435	
Transfer to / from Capital Adjustment Account	2,191		110	
Transfer to Major Repairs Reserve	15,739		17,005	
<b>Total</b>		<b>28,057</b>		<b>25,771</b>
<b>Net additional amount required by statute to be debited to the HRA Balance</b>		<b>99,311</b>		<b>(42,133)</b>

## 2 Housing Stock

The type and number of dwellings in the Council's housing stock at 31 March were as follows:

	2022/23	2023/24
Low-rise flats (1-2 storeys)	253	250
Medium-rise flats (3-5 storeys)	6,620	6,739
High-rise flats (6 or more storeys)	3,834	3,817
Houses and bungalows	778	785
<b>Total at 31 March</b>	<b>11,485</b>	<b>11,591</b>

## 3 Non-Current Assets

The balance sheet values of assets within the Council's HRA were as follows:

	2022/23 £'000	2023/24 £'000
Dwellings	1,215,585	1,189,267
Other Land and Buildings	85,045	97,315
Surplus Assets Not Held for Sale	12,287	16,901
Assets Under Construction	83,042	45,792
<b>Total</b>	<b>1,395,959</b>	<b>1,349,275</b>

The balance sheet values of the land, houses and other property within the Housing Revenue Account are as follows:

	Dwellings £'000	Other land and buildings £'000	Surplus Assets £'000	Assets Under Construction £'000	Assets Held for Sale £'000	TOTAL £'000
Total value at 31 March 2022	1,118,581	91,263	4,987	61,466	213	1,276,510
Additions, disposals, transfers and revaluations	97,004	(6,218)	7,300	21,576	(213)	119,449
Total value at 31 March 2023	1,215,585	85,045	12,287	83,042	-	1,395,959
Additions, disposals, transfers and revaluations	(26,318)	12,270	4,614	(37,250)	-	(46,684)
<b>Total Value at 31 March</b>	<b>1,189,267</b>	<b>97,315</b>	<b>16,901</b>	<b>45,792</b>	<b>-</b>	<b>1,349,275</b>

The vacant possession value of dwellings within the Council's HRA was £4,757m in 2023/24 (£4,482m in 2022/23). 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

	2022/23 £'000	2023/24 £'000
Balance at 1 April	(5,487)	(8,040)
Transfer from Capital Adjustment Account - depreciation	(15,739)	(17,005)
Financing of capital expenditure	13,186	17,334
<b>Balance at 31 March</b>	<b>(8,040)</b>	<b>(7,711)</b>

## 5 Capital Transactions

### (i) Capital expenditure and financing

	2022/23 £'000	2023/24 £'000
<b>Expenditure</b>	44,466	60,712
<b>Sources of finance</b>		
Borrowing	15,208	15,002
Capital Receipts	4,312	9,043
Capital Grants and Contributions	2,543	11,112
Major Repairs Reserve	13,186	17,334
Direct Revenue Funding	9,217	8,221
<b>Total Capital Financing</b>	<b>44,466</b>	<b>60,712</b>

### (ii) Capital Receipts

Capital receipts (gross) in 2023/24 from the disposal of non-current assets within the HRA amounted to £17.490m (£27.602m in 2022/23) as follows:

	2022/23 £'000	2023/24 £'000
Dwellings	26,470	17,490
Other land and buildings	1,132	-
<b>Total Capital Receipts</b>	<b>27,602</b>	<b>17,490</b>

## 6 Depreciation

	2022/23 £'000	2023/24 £'000
Dwellings	14,500	15,757
Other Land and Buildings	1,239	1,248
<b>Total Depreciation</b>	<b>15,739</b>	<b>17,005</b>

## 7 Pension Costs

These figures should represent the cost of pensions attributable to the HRA. Further details of the treatment of pensions costs are shown in note 38 of the Core Financial Statements, together with details of the assumptions made in calculating the figures included in this note.

	2022/23 £'000	2023/24 £'000
<b>HRA INCOME AND EXPENDITURE STATEMENT</b>		
<i>Cost of Services</i>		
Current service costs	-	2,014
<b>Net charge to the HRA Surplus or Deficit on Provision of Services</b>	-	<b>2,014</b>
<b>STATEMENT OF MOVEMENT IN HRA RESERVES</b>		
Reversal of net charges made for retirement benefits	-	(2,014)
Employer's pensions contributions and direct pension costs	1,886	4,480

## 8 Rent Arrears

	2022/23 £'000	2023/24 £'000
Gross rent arrears at 31 March	5,021	5,636
Arrears as % of rent receivable	7.1%	7.4%
Provision made for bad debts	3,483	3,779



# COLLECTION FUND

The Collection Fund Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Council as billing authority in relation to the collection from tax payers and distribution to precepting bodies and the Government of Council Tax and Non-Domestic Rates.

2022/23				2023/24		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
<b>INCOME</b>						
-	(164,868)	<b>(164,868)</b>	Council Tax receivable	-	(173,037)	<b>(173,037)</b>
-	-	-	Council Tax discounts funded from billing authority General Fund	-	(761)	<b>(761)</b>
(383,508)	-	<b>(383,508)</b>	Business Rates receivable	(347,687)	-	<b>(347,687)</b>
1,560	-	<b>1,560</b>	Transitional protection payments receivable	(10,453)	-	<b>(10,453)</b>
(14,285)	-	<b>(14,285)</b>	Business Rates Supplements (BRS) receivable	(11,872)	-	<b>(11,872)</b>
<b>(396,233)</b>	<b>(164,868)</b>	<b>(561,101)</b>	<b>Total Amounts to be credited</b>	<b>(370,012)</b>	<b>(173,798)</b>	<b>(543,810)</b>
<b>EXPENDITURE</b>						
<b>Apportionment of previous year surplus/(deficit)</b>						
(33,954)	-	<b>(33,954)</b>	Central Government	(18,666)	-	<b>(18,666)</b>
(30,867)	(2,489)	<b>(33,356)</b>	Tower Hamlets	(16,969)	(4,096)	<b>(21,065)</b>
(38,069)	(813)	<b>(38,882)</b>	Greater London Authority	(20,928)	(1,373)	<b>(22,301)</b>
<b>Precepts, demands and shares</b>						
137,328	-	<b>137,328</b>	Central Government	132,695	-	<b>132,695</b>
124,844	121,674	<b>246,518</b>	Tower Hamlets	120,631	129,541	<b>250,172</b>
153,974	42,808	<b>196,782</b>	Greater London Authority	148,779	49,036	<b>197,815</b>
<b>Business Rate Supplement</b>						
14,269	-	<b>14,269</b>	Payment to levying authority BRS revenue account	11,855	-	<b>11,855</b>
16	-	<b>16</b>	Administrative costs	17	-	<b>17</b>
<b>Charges to the Collection Fund</b>						
3,105	2,215	<b>5,320</b>	Increase/(decrease) in allowance for impairment	1,420	7,054	<b>8,474</b>
6,394	-	<b>6,394</b>	Increase/(decrease) in allowance for appeals	19,554	-	<b>19,554</b>
1,079	-	<b>1,079</b>	Charge to General Fund for allowable collection costs	1,024	-	<b>1,024</b>
<b>338,119</b>	<b>163,395</b>	<b>501,514</b>	<b>Total amounts to be debited</b>	<b>379,412</b>	<b>180,162</b>	<b>559,574</b>
<b>(58,114)</b>	<b>(1,473)</b>	<b>(59,587)</b>	<b>(Surplus)/deficit arising during the year</b>	<b>9,400</b>	<b>6,364</b>	<b>15,764</b>
<b>113,456</b>	<b>2,789</b>	<b>116,245</b>	<b>(Surplus)/deficit b/f at 1 April</b>	<b>55,342</b>	<b>1,316</b>	<b>56,658</b>
<b>55,342</b>	<b>1,316</b>	<b>56,658</b>	<b>(Surplus)/deficit c/f at 31 March</b>	<b>64,742</b>	<b>7,680</b>	<b>72,422</b>

## (Surplus)/deficit on the Collection Fund

2022/23				2023/24		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
17,816	-	<b>17,816</b>	Central Government	20,918	-	<b>20,918</b>
16,602	1,083	<b>17,685</b>	Tower Hamlets	19,423	5,532	<b>24,955</b>
20,924	233	<b>21,157</b>	Greater London Authority	24,401	2,148	<b>26,549</b>
<b>55,342</b>	<b>1,316</b>	<b>56,658</b>	<b>(Surplus)/deficit c/f at 31 March</b>	<b>64,742</b>	<b>7,680</b>	<b>72,422</b>

# NOTES TO THE COLLECTION FUND

## 1 Council Tax

Council Tax, introduced in 1993, is charged on residential properties depending on the nature and degree of occupation of the 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. The tax for each Band is set as a fraction of Band D. The number of properties in each band and calculation of the tax base (adjusted to reflect relevant discounts and exemptions) was approved by Cabinet in January 2023 and is summarised in the table below:

Band	Valuation Bands	Ratio to Band D	2022/23 Number of chargeable dwellings	2022/23 Equivalent number of band D dwellings	2023/24 Number of chargeable dwellings	2023/24 Equivalent number of band D dwellings
A	Up to £40,000	6/9	1,523	1,015	1,442	962
B	£40,001 and up to £52,000	7/9	22,726	17,676	21,812	16,965
C	£52,001 and up to £68,000	8/9	37,474	33,310	36,852	32,757
D	£68,001 and up to £88,000	9/9	28,717	28,717	28,916	28,916
E	£88,001 and up to £120,000	11/9	22,367	27,338	23,564	28,801
F	£120,001 and up to £160,000	13/9	10,877	15,711	12,331	17,811
G	£160,001 and up to £320,000	15/9	4,547	7,578	4,922	8,203
H	Over £320,001	18/9	729	1,459	715	1,430
			<b>128,960</b>	<b>132,804</b>	<b>130,554</b>	<b>135,845</b>
	Adjustment for Reduction Scheme			(21,816)		(20,854)
	<b>Council Tax Base</b>			<b>110,988</b>		<b>115,847</b>

## 2 National Non-Domestic Rates (NNDR)

The Council collects business rates for its local area. The amount due to be paid by a business for their property is calculated by multiplying a national uniform rate (set by the Government) by the rateable value of the property. The rateable value is determined by the Valuation Office Agency, a government executive agency. The national uniform rate in 2023/24 was 51.2p (51.2p for 2022/23) and the rate for small businesses was set at 49.9p (49.9p for 2022/23). The total rateable value in the borough as at 31 March 2024 was £1,026 million (£1,008 million at 31 March 2023).

## 3 Business Rate Supplement (BRS)

Under the Business Rate Supplement Act 2009, the Greater London Authority (GLA) has introduced a supplement to help towards the financing of the costs of the Crossrail project. The Council collects the supplement on behalf of the GLA.

The Crossrail BRS multiplier for 2023/24 is 2p per pound of rateable value (unchanged from previous years), it is only paid on properties with a rateable value in excess of £70,000.

### Group Financial Statements

The purpose of the Group Accounts is to provide a picture of Tower Hamlets Council and the group of companies and other entities, which are either controlled or are significantly influenced by the Council - unless their interest is not considered material. The Group Accounts show the full extent of the Council's wider assets and liabilities and provide transparency.

The Group Accounts include the following:

**Group Comprehensive Income and Expenditure Statement:-** summarises the resources that have been generated and consumed in providing services and managing the Group during the year. It includes all day-to-day expenses and related income on an accruals basis.

**Group Movement in Reserves:-** shows the movement in the year on the Council's single entity useable and unusable reserves together with the Council's share of the Groups reserves.

**Group Balance Sheet:-** reports the Council Group financial position at year-end.

**Group Cash Flow Statement:-** shows the changes in cash and cash equivalents of the Group during the year. The statement shows how the Group generates and uses cash and cash equivalents by classifying cashflows as operating, financing and investing activities.

**Notes to the Group:-** where balances are materially different to those in the single entity accounts.

### Group Subsidiaries and Associates

The following organisations form the group accounts:

King George's Field, Mile End Charity  
Tower Hamlets Education Partnership  
Tower Hamlets Homes Ltd  
Norton Flogate Almshouse  
The Davenant Centre  
Rich Mix Cultural Foundation  
Tower Hamlets and Canary Wharf Further Education Trust

The following organisations have not been included in the Group Accounts:

The Speaker's Charity - wholly owned by the London Borough of Tower Hamlets, is not consolidated on the basis of materiality.

Seahorse Homes Limited - a wholly owned subsidiary, previously not consolidated on the basis of immateriality, dissolved on 6 June 2023.

The following notes provide additional details about the Council's involvement in the entities consolidated to form the group accounts.

#### King George's Field, Mile End Charity

The Council is the sole Trustee of the King George's, Mile End Charity, and Members of Cabinet for the Council sit on the board. The charity is responsible for maintaining the area of Mile End Park, and the other open spaces for the purposes of recreation and well-being.

#### Tower Hamlets Education Partnership

Tower Hamlets Education Partnership is a registered charity and a company limited by guarantee, with two out of three members being LBTH maintained schools. The purpose of the charity is the advancement of education through member schools and other educational settings, with an initial focus on the London Borough of Tower Hamlets.

#### Tower Hamlets Homes

Tower Hamlets Homes is a wholly owned subsidiary of London Borough of Tower Hamlets which ceased trading on the 31st October 2023 when Tower Hamlets Homes staff transferred to the Council. It is anticipated that the company will disolve 2024/25.

#### Norton Flogate Almshouse

The Council has representation on the Board of the Charity with the right to appoint three out of the seven trustees. The Charity is included as an associate within the group accounts.

#### The Davenant Centre

The Davenant Centre is a registered charity which provides two community centres for educational and social benefit within Tower Hamlets. The council had provided a loan facility (secured on the properties) which was repaid by the charity on 11 April 2023, and has 26% of voting rights at meetings of the charity in respect of certain amendments to the memorandum and articles of association. This organisation is included as an associate within the Group.

#### Rich Mix Cultural Foundation

Rich Mix Cultural Foundation is a charity which has the aim of advancing education of the public in arts and culture and the elimination of racial discrimination. Tower Hamlets has the right to appoint two Trustees to the Board of the Charity but a third Trustee was a Councillor during the year. The Charity is included in the group accounts.

#### Tower Hamlets and Canary Wharf Further Education Trust

The objective of the Trust Fund is to enable funds to be applied for the advancement of the further or higher education or the vocational training of persons living within the London Borough of Tower Hamlets.

## GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	NOTES	USABLE RESERVES						UNUSABLE RESERVES									TOTAL COUNCIL USEABLE AND UNUSEABLE RESERVES	COUNCIL SHARE OF SUBSIDIARY AND ASSOCIATE RESERVES	TOTAL GROUP RESERVES	
		GENERAL FUND BALANCE £'000	EARMARKED GENERAL FUND RESERVES £'000	HOUSING REVENUE ACCOUNT BALANCE £'000	MAJOR REPAIRS RESERVE £'000	CAPITAL RECEIPTS RESERVE £'000	CAPITAL GRANTS UNAPPLIED £'000	TOTAL USABLE RESERVES £'000	REVALUATION RESERVE £'000	CAPITAL ADJUSTMENT ACCOUNT £'000	PENSIONS RESERVE £'000	COLLECTION FUND ADJUSTMENT ACCOUNT £'000	FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT £'000	POOLED INVESTMENT FUND ADJUSTMENT ACCOUNT £'000	ACCUMULATED ABSENCES ACCOUNT £'000	DEDICATED SCHOOLS GRANT ADJUSTMENT ACCOUNT £'000				TOTAL UNUSABLE RESERVES £'000
<b>Balance as at 1 April 2022</b>		(20,352)	(258,289)	(52,893)	(5,487)	(139,379)	(197,082)	<b>(673,482)</b>	(839,012)	(1,520,023)	477,951	36,188	16,547	(186)	5,493	14,268	<b>(1,808,774)</b>	<b>(2,482,256)</b>	<b>(39,546)</b>	(2,521,802)
<b>Movement in reserves during 2022/23</b>																				
Surplus or (Deficit) on the Provision of Services		24,786	-	(128,305)	-	-	-	<b>(103,519)</b>	-	-	-	-	-	-	-	-	-	<b>(103,519)</b>	42,291	(61,228)
Other comprehensive expenditure and income		-	-	-	-	-	-	-	(187,419)	-	(531,926)	-	-	-	-	-	-	<b>(719,345)</b>	<b>(719,345)</b>	<b>(35,418)</b>
<b>Total Comprehensive Expenditure and Income</b>		<b>24,786</b>	<b>-</b>	<b>(128,305)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(103,519)</b>	<b>(187,419)</b>	<b>-</b>	<b>(531,926)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(719,345)</b>	<b>(822,864)</b>	<b>6,873</b>
Consolidation adjustments between Group and Council Accounts		(5,090)	-	43,340	-	-	-	<b>38,250</b>	-	-	-	-	-	-	-	-	-	<b>38,250</b>	<b>(38,250)</b>	-
<b>Total Comprehensive Expenditure and Income</b>		<b>19,696</b>	<b>-</b>	<b>(84,965)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(65,269)</b>	<b>(187,419)</b>	<b>-</b>	<b>(531,926)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(719,345)</b>	<b>(784,614)</b>	<b>(31,377)</b>
Adjustments between accounting basis and funding basis under regulations		1,217	-	99,311	(2,553)	(16,757)	6,661	<b>87,879</b>	6,221	(125,906)	46,595	(18,502)	(435)	3,845	303	-	<b>(87,879)</b>	-	-	-
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>		<b>20,913</b>	<b>-</b>	<b>14,346</b>	<b>(2,553)</b>	<b>(16,757)</b>	<b>6,661</b>	<b>22,610</b>	<b>(181,198)</b>	<b>(125,906)</b>	<b>(485,331)</b>	<b>(18,502)</b>	<b>(435)</b>	<b>3,845</b>	<b>303</b>	<b>-</b>	<b>(807,224)</b>	<b>(784,614)</b>	<b>(31,377)</b>	<b>(815,991)</b>
Transfers to or from earmarked reserves	9	(21,086)	21,086	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to or from school reserves	9	(362)	362	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Increase or (Decrease) in Year</b>		<b>(535)</b>	<b>21,448</b>	<b>14,346</b>	<b>(2,553)</b>	<b>(16,757)</b>	<b>6,661</b>	<b>22,610</b>	<b>(181,198)</b>	<b>(125,906)</b>	<b>(485,331)</b>	<b>(18,502)</b>	<b>(435)</b>	<b>3,845</b>	<b>303</b>	<b>-</b>	<b>(807,224)</b>	<b>(784,614)</b>	<b>(31,377)</b>	<b>(815,991)</b>
<b>Balance as at 31 March 2023</b>		<b>(20,887)</b>	<b>(236,841)</b>	<b>(38,547)</b>	<b>(8,040)</b>	<b>(156,136)</b>	<b>(190,421)</b>	<b>(650,872)</b>	<b>(1,020,210)</b>	<b>(1,645,929)</b>	<b>(7,380)</b>	<b>17,686</b>	<b>16,112</b>	<b>3,659</b>	<b>5,796</b>	<b>14,268</b>	<b>(2,615,998)</b>	<b>(3,266,870)</b>	<b>(70,923)</b>	<b>(3,337,793)</b>
<b>Movement in reserves during 2023/24</b>																				
Surplus or (Deficit) on the Provision of Services		23,951	-	31,047	-	-	-	<b>54,998</b>	-	-	-	-	-	-	-	-	-	<b>54,998</b>	<b>20,899</b>	<b>75,897</b>
Other comprehensive expenditure and income		-	-	-	-	-	-	-	24,467	-	201,410	-	-	-	-	-	-	<b>225,877</b>	<b>225,877</b>	<b>265,492</b>
<b>Total Comprehensive Expenditure and Income</b>		<b>23,951</b>	<b>-</b>	<b>31,047</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54,998</b>	<b>24,467</b>	<b>-</b>	<b>201,410</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>225,877</b>	<b>280,875</b>	<b>341,389</b>
Consolidation adjustments between Group and Council Accounts		(2,954)	-	22,955	-	-	-	<b>20,001</b>	-	-	-	-	-	-	-	-	-	<b>20,001</b>	<b>(20,001)</b>	-
<b>Total Comprehensive Expenditure and Income</b>		<b>20,997</b>	<b>-</b>	<b>54,002</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,999</b>	<b>24,467</b>	<b>-</b>	<b>201,410</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>225,877</b>	<b>300,876</b>	<b>341,389</b>
Adjustments between accounting basis and funding basis under regulations		21,582	-	(42,133)	329	(4,332)	(58,517)	<b>(83,071)</b>	12,709	77,157	(13,515)	7,269	(435)	(1,220)	(454)	1,560	<b>83,071</b>	-	-	-
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>		<b>42,579</b>	<b>-</b>	<b>11,869</b>	<b>329</b>	<b>(4,332)</b>	<b>(58,517)</b>	<b>(8,072)</b>	<b>37,176</b>	<b>77,157</b>	<b>187,895</b>	<b>7,269</b>	<b>(435)</b>	<b>(1,220)</b>	<b>(454)</b>	<b>1,560</b>	<b>308,948</b>	<b>300,876</b>	<b>40,513</b>	<b>341,389</b>
Transfers to or from earmarked reserves	9	(41,653)	27,289	2,400	-	-	11,964	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to or from school reserves	9	(1,273)	1,273	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Increase or (Decrease) in Year</b>		<b>(347)</b>	<b>28,562</b>	<b>14,269</b>	<b>329</b>	<b>(4,332)</b>	<b>(46,553)</b>	<b>(8,072)</b>	<b>37,176</b>	<b>77,157</b>	<b>187,895</b>	<b>7,269</b>	<b>(435)</b>	<b>(1,220)</b>	<b>(454)</b>	<b>1,560</b>	<b>308,948</b>	<b>300,876</b>	<b>40,513</b>	<b>341,389</b>
<b>Balance as at 31 March 2024</b>		<b>(21,234)</b>	<b>(208,279)</b>	<b>(24,278)</b>	<b>(7,711)</b>	<b>(160,468)</b>	<b>(236,974)</b>	<b>(658,944)</b>	<b>(983,034)</b>	<b>(1,568,772)</b>	<b>180,515</b>	<b>24,955</b>	<b>15,677</b>	<b>2,439</b>	<b>5,342</b>	<b>15,828</b>	<b>(2,307,050)</b>	<b>(2,965,994)</b>	<b>(30,410)</b>	<b>(2,996,404)</b>

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2022/23		Net Expenditure £'000	Note	2023/24		
Gross Expenditure £'000	Gross Income £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
<b>Continuing Operations</b>						
486,803	(397,333)	89,470	Children's Services	516,065	(416,307)	99,758
211,118	(114,477)	96,641	Health and Adult Social Care	223,109	(128,705)	94,404
129,578	(97,947)	31,631	Housing and Regeneration	227,770	(114,852)	112,918
14,702	(2,745)	11,957	Chief Executive's	11,658	(1,991)	9,667
33,416	(103,365)	(69,949)	Local Authority Housing (Housing Revenue Account)	183,796	(116,858)	66,938
226,346	(168,065)	58,281	Resources	221,393	(168,941)	52,452
9,982	(2,704)	7,278	Corporate Cost and Central Items	14,295	(1,718)	12,577
114,765	(48,198)	66,567	Communities	121,626	(48,105)	73,521
<b>1,226,710</b>	<b>(934,834)</b>	<b>291,876</b>	<b>NET COST OF SERVICES</b>	<b>1,519,712</b>	<b>(997,477)</b>	<b>522,235</b>
		(15,172)	Other Operating Expenditure			1,420
		19,823	Financing and Investment Income and Expenditure			(7,907)
		(357,762)	Taxation and Non-Specific Grants Income			(439,851)
		<b>(61,235)</b>	<b>(SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES</b>			<b>75,897</b>
			Share of the (surplus)/deficit on the Provision of 7 Services of Associates			-
		<b>(61,228)</b>	<b>Group (Surplus)/Deficit</b>			<b>75,897</b>
			(187,557) (Surplus)/Deficit on revaluation of non-current assets			24,444
			(567,206) Remeasurement of the net defined benefit pensions liability			241,048
			<b>(754,763) OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>265,492</b>
		<b>(815,991)</b>	<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>341,389</b>

# GROUP BALANCE SHEET

31 March 2023 £'000		Notes	31 March 2024 £'000
	<b>Long-term Assets</b>		
3,235,640	Property, plant and equipment	2	3,134,942
19,153	Heritage Assets		19,153
3,271	Intangible Assets		3,275
57,593	Long-term investments		58,915
57,133	Pension Asset	8	-
2,095	Long Term Debtors		1,426
<b>3,374,885</b>	<b>Total Long-term assets</b>		<b>3,217,711</b>
	<b>Current Assets</b>		
50,703	Short-term investments		20,993
167,856	Short-term debtors	3	175,115
237,247	Cash and cash equivalents		260,610
<b>455,806</b>	<b>Total Current Assets</b>		<b>456,718</b>
	<b>Current liabilities</b>		
(37,970)	Cash and cash equivalents		(66,683)
(333)	Short-term borrowing		(332)
(207,310)	Short-term creditors	4	(195,551)
(7,640)	Provisions		(16,346)
<b>(253,253)</b>	<b>Total Current liabilities</b>		<b>(278,912)</b>
	<b>Long-term Liabilities</b>		
(5,038)	Provisions		(3,880)
(68,709)	Long-term borrowing		(68,709)
(10,115)	Liability related to defined benefit pension schemes	8	(180,515)
(109,762)	Capital grants receipts in advance		(104,723)
(46,021)	Deferred liabilities		(41,286)
<b>(239,645)</b>	<b>Total Long-term Liabilities</b>		<b>(399,113)</b>
<b>3,337,793</b>	<b>NET ASSETS</b>		<b>2,996,404</b>
	<b>Reserves</b>		
(656,192)	Usable Reserves		(663,431)
(2,681,601)	Unusable Reserves		(2,332,973)
<b>(3,337,793)</b>	<b>TOTAL RESERVES</b>		<b>(2,996,404)</b>

I certify that the statement of accounts presents a true and fair view of the financial position of the Council as at 31 March 2024 and its income and expenditure for the year then ended.



.....  
Julie Lorraine - Corporate Director of Resources

Date 31 May 2024

## GROUP CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Cash is represented as cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2022/23 £'000		Notes	2023/24 £'000
61,228	Net surplus or (deficit) on the provision of services		(75,897)
(60,006)	Adjustments to net surplus or deficit on the provision of services for non cash movements	5	181,026
(74,982)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	5	(153,852)
<b>(73,760)</b>	<b>Net cash flows from Operating Activities</b>		<b>(48,723)</b>
18,745	Investing Activities	6	26,607
40,950	Financing Activities	7	16,766
<b>(14,065)</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>(5,350)</b>
213,342	Cash and cash equivalents at the beginning of the reporting period		199,277
<b>199,277</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>193,927</b>

## 1 Group Accounting Policies

The group accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 1022/23, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

As required by Chapter 9 of the Code, the Council has consolidated the subsidiaries on a line by line basis. Intra-group transactions have been eliminated before consolidation on a line by line basis, and the accounts of the subsidiaries have been restated where they use different accounting policies to the Council as required by the Code. Associates have been consolidated using the equity method as per the Council's interest in the company or charity.

The details of where the council has had to materially align the accounting policies of an entity within the group to that of the council's for the purposes of group accounts consolidation are provided below:

In 2023/24, King George's Fields, Mile End Charity controlled investment fixed assets with a net book value of £6.268m (£6.270m in 2022/23) which were categorised to other land and buildings under property, plant and equipment (PPE) with a net book value of £6.268m (£6.270m in 2022/23) as part of the group accounts consolidation using the same accounting policies as the council's.

In 2023/24 King George's Fields, Mile End Charity also controlled tangible fixed assets with a net book value of £3.379m (£6.336m in 2022/23) which were categorised to community assets under property, plant and equipment (PPE) which are accounted for at cost, totalling £11.581m (£11.581m in 2022/23) as part of the group accounts consolidation using the same accounting policies as the council's.

## 2 Group Property, Plant and Equipment

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

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

The authority has determined in accordance with Regulation 30M England of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

2022/23 £'000	Total PPE	2023/24 £'000
147,228	Infrastructure assets (net book value) - 31 March	144,948
3,088,412	Other PPE - 31 March	2,989,994
<b>3,235,640</b>	<b>Total PPE - 31 March</b>	<b>3,134,942</b>

2022/23 £'000	Infrastructure Assets	2023/24 £'000
144,031	Infrastructure assets (net book value) - 1 April	147,228
14,331	Additions in-year	9,433
(11,134)	Depreciation charge in-year	(11,713)
<b>147,228</b>	<b>Infrastructure Assets (Net Book Value) - 31 March</b>	<b>144,948</b>



## 2 Group Property, Plant and Equipment (Continued)

MOVEMENTS IN 2023/24	COUNCIL DWELLINGS	OTHER LAND AND BUILDINGS	VEHICLES, PLANT, FURNITURE & EQUIPMENT	COMMUNITY ASSETS	SURPLUS ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL PROPERTY, PLANT AND EQUIPMENT
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
<b>At 1 April 2023</b>	<b>1,215,585</b>	<b>1,656,271</b>	<b>62,381</b>	<b>49,160</b>	<b>29,121</b>	<b>120,851</b>	<b>3,133,369</b>
Additions	21,204	20,672	4,651	1,303	317	75,618	123,765
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(46,426)	(16,254)	-	-	3,264	-	(59,416)
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the provision of services	(65,040)	(73,259)	-	-	9	-	(138,290)
Derecognition - Disposals	(7,606)	(9,238)	-	-	-	-	(16,844)
Derecognition - Other	-	(381)	-	-	-	-	(381)
Other Reclassification of Assets	71,550	3,286	-	97	1,340	(76,273)	-
<b>At 31 March 2024</b>	<b>1,189,267</b>	<b>1,581,097</b>	<b>67,032</b>	<b>50,560</b>	<b>34,051</b>	<b>120,196</b>	<b>3,042,203</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2023</b>	-	<b>6,451</b>	<b>38,468</b>	-	<b>9</b>	<b>29</b>	<b>44,957</b>
Depreciation charge	15,757	18,784	7,864	-	192	-	42,597
Depreciation written out to the Revaluation Reserve	(15,659)	(19,059)	-	-	(253)	-	(34,971)
Derecognition - Disposals	(98)	(244)	-	-	-	-	(342)
Derecognition - Other	-	(32)	-	-	-	-	(32)
Other Reclassification of Assets	-	(43)	-	-	62	(19)	-
<b>At 31 March 2024</b>	-	<b>5,857</b>	<b>46,332</b>	-	<b>10</b>	<b>10</b>	<b>52,209</b>
<b>Net Book Value</b>							
<b>At 31 March 2024</b>	<b>1,189,267</b>	<b>1,575,240</b>	<b>20,700</b>	<b>50,560</b>	<b>34,041</b>	<b>120,186</b>	<b>2,989,994</b>
<b>At 31 March 2023</b>	<b>1,215,585</b>	<b>1,649,820</b>	<b>23,913</b>	<b>49,160</b>	<b>29,112</b>	<b>120,822</b>	<b>3,088,412</b>

## 2 Group Property, Plant and Equipment (Continued)

MOVEMENTS IN 2022/23	COUNCIL DWELLINGS	OTHER LAND AND BUILDINGS	VEHICLES, PLANT, FURNITURE & EQUIPMENT	COMMUNITY ASSETS	SURPLUS ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL PROPERTY, PLANT AND EQUIPMENT
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
<b>At 1 April 2022</b>	<b>1,118,581</b>	<b>1,351,569</b>	<b>54,313</b>	<b>48,158</b>	<b>21,369</b>	<b>196,171</b>	<b>2,790,161</b>
Additions	14,909	12,216	8,732	1,113	149	74,646	111,765
Revaluation increases/(decreases) recognised in the Revaluation Reserve	19,883	143,595	-	-	(6,173)	-	157,305
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the provision of services	67,533	21,691	-	-	(914)	-	88,310
Derecognition - Disposals	(10,137)	-	(663)	-	(700)	-	(11,500)
Derecognition - Other	(41)	(19)	(1)	(111)	(13)	(2,487)	(2,672)
Other Reclassification of Assets	4,857	127,219	-	-	15,403	(147,479)	-
<b>At 31 March 2023</b>	<b>1,215,585</b>	<b>1,656,271</b>	<b>62,381</b>	<b>49,160</b>	<b>29,121</b>	<b>120,851</b>	<b>3,133,369</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2022</b>	<b>-</b>	<b>8,128</b>	<b>32,694</b>	<b>-</b>	<b>27</b>	<b>37</b>	<b>40,886</b>
Depreciation charge	14,500	14,107	6,437	-	111	-	35,155
Depreciation written out to the Revaluation Reserve	(14,383)	(15,201)	-	-	(667)	-	(30,251)
Derecognition - Disposals	(131)	-	(663)	-	(39)	-	(833)
Derecognition - Other	-	-	-	-	-	-	-
Other Reclassification of Assets	14	(583)	-	-	577	(8)	-
<b>At 31 March 2023</b>	<b>-</b>	<b>6,451</b>	<b>38,468</b>	<b>-</b>	<b>9</b>	<b>29</b>	<b>44,957</b>
<b>Net Book Value</b>							
<b>At 31 March 2023</b>	<b>1,215,585</b>	<b>1,649,820</b>	<b>23,913</b>	<b>49,160</b>	<b>29,112</b>	<b>120,822</b>	<b>3,088,412</b>
<b>At 31 March 2022</b>	<b>1,118,581</b>	<b>1,343,441</b>	<b>21,619</b>	<b>48,158</b>	<b>21,342</b>	<b>196,134</b>	<b>2,749,275</b>

### 3 Group Short-term Debtors

	31 March 2023 £'000	31 March 2024 £'000
National Health Service	5,553	3,288
HM Revenue & Customs	28,861	29,845
Other Central Government Bodies	25,423	9,127
Other Local Authorities	16,324	9,757
Council Tax	11,087	12,253
National Non Domestic Rates	9,274	7,152
Housing and Tenants Rents	47,085	48,974
Other Entities & Individuals	21,856	50,008
Payments in Advance	2,393	4,711
<b>Total</b>	<b>167,856</b>	<b>175,115</b>

### 4 Group Short-term Creditors

	31 March 2023 £'000	31 March 2024 £'000
National Health Service	(4,164)	(548)
HM Revenue & Customs	(9,479)	(9,596)
Other Central Government Bodies	(15,284)	(10,549)
Other Local Authorities	(10,030)	(14,595)
Council Tax	(11,059)	(11,851)
National Non Domestic Rates	(9,915)	(13,771)
Housing and Tenants Rents	(1,503)	(1,425)
Other Entities & Individuals	(98,211)	(101,347)
Receipts in advance	(47,665)	(31,870)
<b>Total</b>	<b>(207,310)</b>	<b>(195,551)</b>

## 5 Group Notes to the Cashflow Statement - Operating Activities

The cash flows for operating activities include the following items:

2022/23 £'000		2023/24 £'000
8,048	Interest received	3,371
(13,114)	Interest paid	(9,205)
<b>(5,066)</b>		<b>(5,834)</b>

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2022/23 £'000		2023/24 £'000
46,290	Depreciation	54,312
616	Amortisation	1,019
(88,250)	Impairment and Downward valuations	138,359
(81,782)	Increase/(Decrease) in Creditors	(11,022)
(2,081)	(Increase)/Decrease in Debtors	(10,542)
12	Increase/(Decrease) in Provisions	(526)
50,796	Movement in Pension Liability	(13,515)
10,880	Carrying amount of non-current assets sold (property, plant and equipment and intangible assets)	16,851
3,513	Other non-cash items charged to the net surplus or deficit on the provision of services	6,090
<b>(60,006)</b>		<b>181,026</b>

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing

2022/23 £'000		2023/24 £'000
(373)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(695)
(28,100)	Proceeds from the sale of property plant and equipment and intangible assets	(17,522)
(46,509)	Any other items for which the cash effects are investing or financing cashflows	(135,635)
<b>(74,982)</b>		<b>(153,852)</b>

## 6 Group Notes to the Cashflow Statement - Investment Activities

2022/23 £'000		2023/24 £'000
(132,562)	Purchase of property, plant and equipment and intangible assets	(135,261)
(130,000)	Purchase of short-term and long-term investments	(109,240)
28,100	Proceeds from the sale of property, plant and equipment and intangible assets	17,522
195,373	Proceeds from short-term and long-term investments	139,855
57,834	Other receipts from investing activities	113,731
<b>18,745</b>	<b>Net cash flows from investing activities</b>	<b>26,607</b>

## 7 Group Notes to the Cashflow Statement - Financing Activities

2022/23 £'000		2023/24 £'000
45,511	Other receipts from financing activities	20,832
(3,398)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(4,066)
(1,163)	Repayments of short- and long-term borrowing	-
<b>40,950</b>	<b>Net cash flows from financing activities</b>	<b>16,766</b>

## 8 Group Pension Schemes - Defined Benefit

### Participation in Pensions Schemes

The Group participates in the same four pensions schemes as the Council:

- The Local Government Pension Scheme (LGPS) administered by the Council
- The Local Government Pension Scheme, administered by the London Pensions Fund Authority (LPFA)
- The Teachers' Pension Scheme (TPS), administered by Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by NHS Business Services Authority on behalf of the Department of Health and Social Care

Within the group structure apart from the Council, only one organisation, Tower Hamlet Homes, has significant pension scheme costs. Staff employed by Tower Hamlet Homes were entitled to join the Local Government Pension Scheme but in a fund administered separately to the Council. On 1 November 2023 these staff were transferred to the Council and the net pension asset of the Tower Hamlet Pension Scheme was transferred into the Council scheme at the same time. The final statement of accounts for Tower Hamlet Homes and closing actuarial position (including changes in 2023/24) are still being prepared and until they are available the movements in the net liability for period to 1 November are included in other experience in the table below. The detailed changes are not expected to be materially different from this.

Transactions of the group in relation to defined contribution schemes within the Comprehensive Income and Expenditure & Movement in Reserves Statements are shown in the table below. The group position in relation to pension assets and liabilities are provided in the subsequent table. The transactions of the group in relation to defined contribution schemes are not materially different to the Defined Contribution note shown in the Council's individual accounts.

### Transactions Relating to Retirement Benefits

The cost of LGPS retirement benefits is recognised in the Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement for the General Fund Balance. The following transactions have been made in the Comprehensive Income and Expenditure Account and Movement in Reserves Statement during the year:

	The Council		LPFA		Subsidiaries		Total	
	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000
<b>Comprehensive Income and Expenditure Statement</b>								
<i>Cost of Services</i>								
Current service costs	77,737	38,213	238	133	7,233	-	85,208	38,346
Past service costs	739	1,092	-	-	-	-	739	1,092
Impact of settlements	-	(435)	-	-	-	-	-	(435)
<i>Finance and Investment Income and Expenditure</i>								
Interest cost on defined benefit obligation	60,832	80,278	1,703	2,266	4,099	-	66,634	82,544
Interest income on plan assets	(47,462)	(82,086)	(1,964)	(3,595)	(4,269)	-	(53,695)	(85,681)
<b>Net charge to the Surplus or Deficit on Provision of</b>	<b>91,846</b>	<b>37,062</b>	<b>(23)</b>	<b>(1,196)</b>	<b>7,063</b>	<b>-</b>	<b>98,886</b>	<b>35,866</b>
<i>Other Comprehensive Income and Expenditure</i>								
Changes in demographic assumptions	(17,185)	(8,257)	(2,616)	(646)	(1,756)	-	(21,557)	(8,903)
Changes in financial assumptions	(792,934)	(81,965)	(17,300)	(75)	(57,975)	-	(868,209)	(82,040)
Other experience	133,256	57,668	2,941	24	13,128	16,407	149,325	74,099
Return on plan assets excluding amounts included in net	125,892	(118,233)	13	(3,610)	11,323	-	137,228	(121,843)
Effect of the asset ceiling	5,841	374,028	30,085	5,707	-	-	35,926	379,735
Impact of transfer of staff from Tower Hamlet Homes	-	(23,231)	-	-	-	23,231	-	-
Actuarial (gains)/losses	-	-	81	-	-	-	81	-
<b>Total charge in Comprehensive Income and Expenditure</b>	<b>(453,284)</b>	<b>237,072</b>	<b>13,181</b>	<b>204</b>	<b>(28,217)</b>	<b>39,638</b>	<b>(468,320)</b>	<b>276,914</b>
<b>Movement In Reserves Statement</b>								
Reversal of net charges made for retirement benefits	(91,846)	(37,062)	23	1,196	(7,063)	-	(98,886)	(35,866)
Actual amount charged against the General Fund/HRA	44,843	49,071	385	310	3,032	-	48,260	49,381

## 8 Group Pension Schemes - Defined Benefit (Continued)

### Assets, Liabilities and Asset Ceiling in Relation to Retirement Benefits

Reconciliation of Present Value of Scheme Liabilities	The Council		LPFA		Subsidiaries		Total	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 April	(2,249,951)	(1,663,084)	(67,197)	(48,745)	(149,121)	(107,463)	(2,466,269)	(1,819,292)
Current service cost	(77,737)	(38,213)	(238)	(133)	(7,233)	-	(85,208)	(38,346)
Past service costs	(739)	(1,092)	-	-	-	-	(739)	(1,092)
Effect of settlements	-	1,180	-	-	-	-	-	1,180
Interest cost	(60,832)	(80,278)	(1,703)	(2,266)	(4,099)	-	(66,634)	(82,544)
Contributions	(11,353)	(12,679)	(41)	(42)	(1,194)	-	(12,588)	(12,721)
Benefits paid	60,665	78,471	3,459	3,152	2,822	-	66,946	81,623
Impact of transfer of staff from THH	-	(120,868)	-	-	-	120,868	-	-
Remeasurement gains / (losses):								
Changes in demographic assumptions	17,185	8,257	2,616	646	1,756	-	21,557	8,903
Changes in financial assumptions	792,934	81,965	17,300	75	57,975	-	868,209	82,040
Other experience	(133,256)	(57,668)	(2,941)	(24)	(8,369)	(13,405)	(144,566)	(71,097)
<b>31 March</b>	<b>(1,663,084)</b>	<b>(1,804,009)</b>	<b>(48,745)</b>	<b>(47,337)</b>	<b>(107,463)</b>	<b>-</b>	<b>(1,819,292)</b>	<b>(1,851,346)</b>

Reconciliation of Fair Value of Scheme Assets	The Council		LPFA		Subsidiaries		Total	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	1,761,276	1,678,377	77,921	76,758	157,510	147,101	1,996,707	1,902,236
Interest income	47,462	82,086	1,964	3,595	4,269	-	53,695	85,681
Effect of settlements	-	(745)	-	-	-	-	-	(745)
Contributions								
Employees into the scheme	11,353	12,679	41	42	1,194	-	12,588	12,721
Employer	44,843	49,071	385	310	3,032	-	48,260	49,381
Benefits paid	(60,665)	(78,471)	(3,459)	(3,152)	(2,822)	-	(66,946)	(81,623)
Impact of transfer of staff from THH	-	144,099	-	-	-	(144,099)	-	-
Remeasurement gains / (losses):								
Return on plan assets	(125,892)	118,233	(13)	3,610	(11,323)	-	(137,228)	121,843
Other experience	-	-	-	-	(4,759)	(3,002)	(4,759)	(3,002)
Actuarial gains/(losses)	-	-	(81)	-	-	-	(81)	-
<b>31 March</b>	<b>1,678,377</b>	<b>2,005,329</b>	<b>76,758</b>	<b>81,163</b>	<b>147,101</b>	<b>-</b>	<b>1,902,236</b>	<b>2,086,492</b>

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.

Movements in Asset Ceiling	The Council		LPFA		Subsidiaries		Total	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening asset ceiling	-	(5,841)	-	(30,085)	-	-	-	(35,926)
Actuarial Losses / Gains	(5,841)	(374,028)	(30,085)	(5,707)	-	-	(35,926)	(379,735)
<b>Closing Value of Asset Ceiling</b>	<b>(5,841)</b>	<b>(379,869)</b>	<b>(30,085)</b>	<b>(35,792)</b>	<b>-</b>	<b>-</b>	<b>(35,926)</b>	<b>(415,661)</b>

Assets, Liabilities and Asset Ceiling Recognised in Balance Sheet	The Council		LPFA		Subsidiaries		Total	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Present value of scheme liabilities	(1,663,084)	(1,804,009)	(48,745)	(47,337)	(107,463)	-	(1,819,292)	(1,851,346)
Fair value of plan assets	1,678,377	2,005,329	76,758	81,163	147,101	-	1,902,236	2,086,492
Additional liability from asset ceiling	(5,841)	(379,869)	(30,085)	(35,792)	-	-	(35,926)	(415,661)
<b>Total Asset/(Deficit) in the Schemes</b>	<b>9,452</b>	<b>(178,549)</b>	<b>(2,072)</b>	<b>(1,966)</b>	<b>39,638</b>	<b>-</b>	<b>47,018</b>	<b>(180,515)</b>

## PENSION FUND ACCOUNTS

PENSION FUND ACCOUNT	Note	2022/23 £'000	2023/24 £'000
<b>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED IN THE SCHEME</b>			
Contributions	7	(72,179)	(75,653)
Transfers in	8	(8,412)	(6,833)
Benefits	9	64,998	73,292
Payments to and on account of leavers	10	8,696	8,093
<b>NET (ADDITIONS)/DEDUCTIONS FROM DEALINGS WITH MEMBERS</b>		<b>(6,897)</b>	<b>(1,101)</b>
Management expenses	11	16,207	3,861
<b>NET (ADDITIONS)/DEDUCTIONS INCLUDING FUND MANAGEMENT EXPENSES</b>		<b>9,310</b>	<b>2,760</b>
<b>RETURN ON INVESTMENTS</b>			
Investment Income	12	(30,820)	(26,304)
Taxes on Income		0	0
Change in market value of investments	14a	107,272	(181,124)
<b>NET RETURN ON INVESTMENTS</b>		<b>76,452</b>	<b>(207,428)</b>
Net (increase)/decrease in the Fund during the year		85,762	(204,668)
Add: Opening net assets of the scheme		(2,023,397)	(1,937,635)
<b>CLOSING NET ASSETS OF THE SCHEME</b>		<b>(1,937,635)</b>	<b>(2,142,303)</b>
<b>NET ASSETS STATEMENT AS AT 31ST MARCH</b>			
		2022/23 £'000	2023/24 £'000
Long Term Investments	14	150	150
Investments Assets	14	1,938,074	2,143,286
Current Assets	21	1,908	653
Current Liabilities	22	(2,497)	(1,786)
<b>NET ASSETS</b>		<b>1,937,635</b>	<b>2,142,303</b>

# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 1 : DESCRIPTION OF THE FUND

The London Borough of Tower Hamlets Pension Fund ('the Fund') is part of the Local Government Pension Scheme (LGPS) and is administered by London Borough of Tower Hamlets.

### a) General

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

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

The Fund is a contributory defined benefit pension scheme administered by London Borough of Tower Hamlets to provide pensions and other benefits for pensionable employees of the Council and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the London Borough of Tower Hamlets Pensions Committee which is a Committee of London Borough of Tower Hamlets.

### b) Membership of the Fund

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the London Borough of Tower Hamlets Pension Fund include the following:

- Scheduled bodies include local authorities, academies, colleges and similar bodies, which are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

The following table sets out the membership of the London Borough of Tower Hamlets Pension Fund as at 31st March 2024

	31st March 2023	31st March 2024
<b>Number of active employees</b>		
LBTH	6,664	7,188
Other employers	1,093	867
	<b>7,757</b>	<b>8,055</b>
<b>Number of pensioners</b>		
LBTH	6,660	6,797
Other employers	526	562
	<b>7,186</b>	<b>7,359</b>
<b>Number of deferred pensioners</b>		
LBTH	7,779	7,723
Other employers	619	663
	<b>8,398</b>	<b>8,386</b>
<b>Total number of members in pension scheme</b>	<b>23,341</b>	<b>23,800</b>



# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 1 : DESCRIPTION OF THE FUND

### c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022 which covers the three financial years to 31 March 2026 and these rates have been applied from 1 April 2023.

Currently, employer contribution rates range from 18.9% to 42.9% of pensionable pay.

### d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the LGPS became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Price Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits are explained on the LGPS website.

## NOTE 2: BASIS OF PREPARATION

The statement of accounts summarises the Fund's transactions for the 2023/24 financial year and its financial position at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information in Note 20.

The Pension Fund accounts have been prepared on a going concern basis.

# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Fund account – revenue recognition**

#### **a) Contribution income**

Normal contributions from both the members and the employer are accounted for on an accruals basis as follows:

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

Employer deficit funding contributions are accounted for on the basis advised by the Fund's actuary in the rates and adjustment certificate issued to the relevant employing body.

Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

Augmentations such as additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset.

#### **b) Transfers to and from other schemes**

Transfers in and out relate to members who have either joined or left the Fund. Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 8).

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

#### **c) Investment income**

Investment income arising from the underlying investments in pooled funds is either reinvested or taken as a cash dividend to support the Fund's cash requirements. Interest income from the underlying investments of the Pooled Investment Vehicles are recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

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

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as an investment asset.

Changes in the value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Fund account – expense items**

#### **d) Benefits payable**

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

#### **e) Taxation**

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

#### **f) Management expenses**

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the Fund on an accruals basis.

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Investment management expenses include transaction costs and custody fees.

Where an investment manager's fee has not been received by the year end date an estimate is used based upon the market value of the Fund.

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

#### **i) Administrative expenses**

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

#### **ii) Oversight and governance**

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

#### **iii) Investment management expenses**

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 11A and grossed up to increase the change in value of investments or to increase income if netted off from income received. Transaction costs met from the net asset value of the Fund are also grossed up and reported in Note 11A.

# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Net assets statement

#### g) Financial assets

Investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. The Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosure (PRAG/Investment Association, 2016) (see Note 16).

#### h) Freehold and leasehold properties

The Fund has no direct investment in property.

#### i) Derivatives

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

#### j) Cash and cash equivalents

Cash comprises cash in hand and internally managed cash and includes deposits held by the Fund's external managers which are repayable on demand without penalty.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

#### k) Financial assets at amortised cost

Financial assets classed as amortised cost are carried in the net asset statement at amortised cost, i.e. the outstanding principal receivable as at the year-end date plus accrued interest.

#### l) Financial liabilities

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

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

# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **m) Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS26) and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).

### **n) Additional voluntary contributions**

The London Borough of Tower Hamlets Pension Fund provides an additional voluntary contribution AVC scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in Note 23.

### **o) Contingent assets and contingent liabilities**

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

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

### **p) Recharges from the General Fund**

The LGPS (Management and Investment of Funds) Regulations 2016 permit the council to charge administration costs to the Fund. A proportion of the relevant costs have been charged to the Fund on the basis of time spent on pension fund activity. Costs incurred are shown in Note 25.

### **q) Annual allowance (VSP,MSP) and lifetime allowance**

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

Where the Fund pays member tax liabilities direct to HMRC, it is treated as an expense in the year in which the payment occurs.

# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 4: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

### **Pension Fund liability**

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

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19. Actuarial re-valuations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

In response to the government's guidance and criteria on pooling investments issued in 2015, the London Borough of Tower Hamlets Pension Fund is a founding member of the London Collective Investment Vehicle (LCIV) established as a Collective Investment Vehicle for LGPS Funds. At the end of 31 March 2024, the Fund has £1,077m (52.4%) under LCIV management. A further £336m (17.3%) is invested in Legal and General Passive Pool.

## NOTE 5: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

Preparing financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made. The items in the net asset statements for which there is a significant risk of material adjustment the following year are as follows:

### **a) Actuarial present value of promised retirement benefits**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.

For example:

A 0.1% decrease in the discount rate used would result in an increase in the pension liability of £31m.

A 0.1% increase in salary increase rate would increase the earnings inflation value of the liabilities by approximately £2m.

### **b) Valuation of Investments at Level 3**

The Pension Fund contains investments in unitised pooled property funds and renewable energy infrastructure that are classified within the financial statements as level 3 investments. These funds are valued at £149m according to non-exchange based market valuations. As a result of this, the final realised value of the pooled units may differ from the valuations presented in the accounts.

## NOTE 6: EVENTS AFTER THE REPORTING DATE

Management have reviewed and can confirm that there are no significant events occurring after the reporting period.

# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 7: CONTRIBUTIONS RECEIVABLE

	2022/23 £'000	2023/24 £'000
<b>Employees</b>		
Council Employees' Normal Contributions	(12,830)	(13,987)
Admitted Bodies Employees' Normal Contributions	(200)	(132)
Scheduled Bodies Employees' Normal Contributions	(2,003)	(1,544)
<b>Total</b>	<b>(15,033)</b>	<b>(15,663)</b>
<b>Employers</b>		
Council Employers' Normal Contributions	(36,416)	(40,245)
Admitted Bodies Employers' Normal Contributions	(968)	(852)
Scheduled Bodies Employers' Normal Contributions	(5,644)	(4,644)
<b>Total</b>	<b>(43,028)</b>	<b>(45,741)</b>
Employers' Special Contributions	(454)	(599)
Deficit Funding	(13,664)	(13,650)
<b>Total</b>	<b>(14,118)</b>	<b>(14,249)</b>
<b>Grand Total</b>	<b>(72,179)</b>	<b>(75,653)</b>

## NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

	2022/23 £'000	2023/24 £'000
<b>Transfer Values</b>		
Transfer Values Received - Individual	(8,412)	(6,833)
<b>Total</b>	<b>(8,412)</b>	<b>(6,833)</b>

# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 9: BENEFITS PAYABLE

	2022/23 £'000	2023/24 £'000
Pensions	53,525	59,533
Lump Sum Retirement Benefits	9,026	12,434
Lump Sum Death Benefits	2,447	1,325
<b>Total</b>	<b>64,998</b>	<b>73,292</b>
By type of employer:		
Administering Authority	60,298	66,549
Scheduled Bodies	2,326	3,416
Admitted Bodies	2,374	3,328
<b>Total</b>	<b>64,998</b>	<b>73,293</b>

## NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2022/23 £'000	2023/24 £'000
Transfer Values Paid	8,375	7,787
Refunds to Members Leaving Service	321	306
<b>Total</b>	<b>8,696</b>	<b>8,093</b>



# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 11: MANAGEMENT EXPENSES

	2022/23 £'000	2023/24 £'000
Administration	1,990	2,395
Investment Management Expenses	13,710	1,103
Oversight & Governance	507	363
<b>Total</b>	<b>16,207</b>	<b>3,861</b>

## NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

	Management Fees £'000	Transaction Costs £'000	2023/24 £'000
Pooled Investments	258	0	258
Pooled Property Investments	772	0	772
	<b>1,030</b>	<b>0</b>	<b>1,030</b>
Custody Fees			73
			<b>1,103</b>

	Management Fees £'000	Transaction Costs £'000	2022/23 £'000
Pooled Investments	7,529	4,248	11,777
Pooled Property Investments	1,684	183	1,867
	<b>9,213</b>	<b>4,431</b>	<b>13,644</b>
Custody Fees			66
			<b>13,710</b>

## NOTE 12: INVESTMENT INCOME

	2022/23 £'000	2023/24 £'000
Pooled Property Investments	(6,150)	(6,579)
Pooled Investments -unit trusts and other managed funds	(24,402)	(19,204)
Interest on Cash Deposits	(268)	(521)
	<b>(30,820)</b>	<b>(26,304)</b>

# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 13: EXTERNAL AUDIT COSTS

	2022/23 £'000	2023/24 £'000
Audit Fees Payable in respect of external audit	35	35
<b>Total</b>	<b>35</b>	<b>35</b>

## NOTE 14: INVESTMENTS

	2022/23 £'000	2023/24 £'000
<b>Long Term Investments</b>		
UK unquoted Equities    London CIV Ltd	150	150
<b>Total Long Term Investments</b>	<b>150</b>	<b>150</b>
<b>Investment assets</b>		
Pooled Funds		
Fixed Income	207,801	216,338
Global Equity	1,078,437	1,350,107
Diversified Growth	405,453	272,286
Property	162,213	206,299
Infrastructure	53,689	67,974
Sub-Total	<b>1,907,593</b>	<b>2,113,004</b>
<b>Other Investment Balances</b>		
Cash Deposits	29,853	29,585
Amounts Receivable for Sales of Investments	0	0
Investment Income Due	628	697
Sub-Total	<b>30,481</b>	<b>30,282</b>
<b>Total Investment Assets</b>	<b>1,938,074</b>	<b>2,143,286</b>

# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market Value 31 Mar 2023 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Change in Market Value during the year £'000	Market Value 31 Mar 2024 £'000
<b>Investment Assets</b>					
Pooled Investments	1,745,380	228,911	(249,180)	181,594	1,906,705
Pooled Property Investments	162,213	46,002	(1,364)	(552)	206,299
	<b>1,907,593</b>	<b>274,913</b>	<b>(250,544)</b>	<b>181,042</b>	<b>2,113,004</b>
<b>Other Investment Balances</b>					
Cash Deposits	29,853			82	29,585
Amounts Receivable for Sales of Investments	0				0
Investment Income Due	628				697
Other	0				0
<b>Net Investment Assets</b>	<b>1,938,074</b>			<b>181,124</b>	<b>2,143,286</b>

	Market Value 31 Mar 2022 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Change in Market Value during the year £'000	Market Value 31 Mar 2023 £'000
<b>Investment Assets</b>					
Pooled Investments	1,804,337	31,623	(10,999)	-79,581	1,745,380
Pooled Property Investments	190,717	6,231	(6,969)	-27,766	162,213
	<b>1,995,054</b>	<b>37,854</b>	<b>(17,968)</b>	<b>(107,347)</b>	<b>1,907,593</b>
<b>Other Investment Balances</b>					
Cash Deposits	26,053			75	29,853
Amounts Receivable for Sales of Investments	0				0
Investment Income Due	684				628
Other	0				0
<b>Net Investment Assets</b>	<b>2,021,791</b>			<b>(107,272)</b>	<b>1,938,074</b>

## NOTES TO THE PENSION FUND ACCOUNTS

### NOTE 14B: INVESTMENTS ANALYSED BY FUND MANAGER

All managers have discretion to buy and sell investments within the limits set by the Pensions Committee and their respective Investment Management Agreement. Each manager has been appointed with clear strategic benchmarks which place maximum accountability for performance against the benchmark on the investment manager.

Northern Trust (NT) act as the Fund's global custodian. They are responsible for safe custody and settlement of all investment and collection of income and complete a monthly reconciliation of its own portfolio valuation to external fund manager reports. The bank account for the Fund is held with National Westminster Bank.

Security	Market value as at 31st March 2023 £'000	% total of Fund	Market value as at 31st March 2024 £'000	% total of Fund
<b>Investments managed by regional asset pool (London CIV)</b>				
London LGPS CIV Lt Global Alpha Growth A	0	0.00%	0	0.0%
London LGPS CIV Lt Global Alpha Growth PARIS aligned	348,306	18.00%	403,957	19.7%
London LGPS CIV Lt Rf Absolute Return A Gbp Di	223,538	11.50%	184,376	9.0%
London LGPS CIV Lt Diversified Growth A	181,915	9.40%	87,911	4.3%
LCIV CQS Credit Multi Asset-A	114,769	5.90%	127,988	6.2%
LCIV Sustainability Fund	168,921	8.70%	195,656	9.5%
LCIV Renewables Fund	54,879	2.80%	77,071	3.8%
	<b>1,092,328</b>	<b>56.40%</b>	<b>1,076,959</b>	<b>52.4%</b>
<b>Investments managed outside of regional asset pool</b>				
Schroder	287,834	14.9%	417,170	20.3%
Legal & General	446,553	23.0%	561,127	27.3%
Goldman Sachs	53,206	2.7%	0	0.0%
Insight Investment	39,826	2.1%	0	0.0%
Legacy	196	0.0%	196	0.0%
Internally managed cash	18,131	0.9%	(1,233)	-0.1%
	<b>845,746</b>	<b>43.6%</b>	<b>977,260</b>	<b>47.6%</b>
	<b>1,938,074</b>	<b>100.0%</b>	<b>2,054,219</b>	<b>100.0%</b>

The following investments represent over 5% of the net assets of the fund. All of these companies are registered in the UK Security

Security	Market value as at 31st March 2022 £'000	% total of Fund	Market value as at 31st March 2023 £'000	% total of Fund
London LGPS CIV Lt Global Alpha Growth A	0	0.0%	0	0.0%
London LGPS CIV Lt Global Alpha Growth Paris aligned	348,306	18.8%	403,957	19.7%
Mfo GPCU - Msciworldlowcarbtargetin Dgcurhofc	335,935	18.5%	424,951	20.7%
LCIV Sustainability Fund	168,921	9.4%	195,656	9.5%
Schroder Inv Mg E Bespoke Investment Fund 9 I	114,666	5.9%	191,666	9.3%
London LGPS CIV Lt Rf Absolute Return A Gbp Di	223,538	11.3%	184,376	9.0%
London LGPS CIV Lt Diversified Growth A	181,915	10.2%	87,911	4.3%
LCIV CQS Credit Mult Asset-A	114,769	6.1%	127,988	6.2%
Gpcl - Msciworldlw Carbontargetindofc	110,610	5.7%	136,168	6.6%
	<b>1,598,660</b>	<b>85.8%</b>	<b>1,752,673</b>	<b>85.3%</b>

### NOTE 14C: STOCK LENDING

The Fund does not directly participate in stock lending. Investments held in pooled mandates such as LCIV Diversified Growth fund, LCIV Ruffer Absolute Return Funds.

In pooled mandates such as the LCIV Diversified Growth and Absolute return Funds as we just hold units of the Baillie Gifford Diversified Growth Fund and LF Ruffer Absolute Return Fund we do not do stock lending either.

### NOTE 14D: PROPERTY HOLDINGS

The Fund's investment property portfolio does not comprise directly owned properties.

### NOTE 15: ANALYSIS OF DERIVATIVES

#### Objectives and policies for holding derivatives

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

## NOTES TO THE PENSION FUND ACCOUNTS

### NOTE 16: FAIR VALUE – BASIS OF VALUATION

The basis of the valuation of each class of investment is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market based information.

Description of asset	Valuation hierarchy 22/23	Valuation hierarchy 23/24	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Pooled Investments - Equity Funds UK and Overseas Managed Funds	Level 2	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets	Evaluated price feeds	Not required
Quoted UK and Overseas Bonds	Level 2	Level 2	Fixed income securities are priced based on evaluated price provided by independent pricing services	Evaluated price feeds	Not required
Pooled Investments - Property Funds	Level 3	Level 3	Closing bid price where bid and offer prices are published	Adjusted for net capital current assets	Estimated acquisition and disposal costs
Pooled Investments - Multi Asset Credit	Level 2	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services	Evaluated price feeds	Not required
Pooled Investments - Absolute Return	Level 2	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets	Evaluated price feeds	Not required
Pooled Investments - Infrastructure	Level 3	Level 3	Latest available fair value provided by the manager, adjusted for cash movements subsequent to the date as required	Manager valuation statements are prepared in accordance with ECVA guidelines	Upward valuations are only considered when there is a validation of the investment objectives and such progress can be demonstrated

Fair Value Hierarchy	Market Value as at 31 Mar 2024	Quoted market price	Using observable inputs			With significant observable inputs	Total
	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Level 3 £'000	£'000	
<b>Financial assets at fair value through profit and loss</b>							
Equities	150		150			150	
<u>Pooled investments</u>							
Fixed Income	216,338		216,338			216,338	
Global Equity	1,350,107		1,350,107			1,350,107	
Diversified Growth	272,286		272,286			272,286	
Property	206,299			206,299		206,299	
Infrastructure	67,974			67,974		67,974	
	<b>2,113,154</b>	<b>0</b>	<b>1,838,881</b>	<b>274,273</b>		<b>2,113,154</b>	

Fair Value Hierarchy	Market Value as at 31 Mar 2023	Quoted market price	Using observable inputs			With significant observable inputs	Total
	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Level 3 £'000	£'000	
<b>Financial assets at fair value through profit and loss</b>							
Equities	150		150			150	
<u>Pooled investments</u>							
Fixed Income	207,801		207,801			207,801	
Global Equity	1,078,437		1,078,437			1,078,437	
Diversified Growth	405,453		405,453			405,453	
Property	162,213			162,213		162,213	
Infrastructure	53,689			53,689		53,689	
	<b>1,907,743</b>	<b>0</b>	<b>1,691,841</b>	<b>215,902</b>		<b>1,907,743</b>	

## NOTES TO THE PENSION FUND ACCOUNTS

### NOTE 16 : TRANSFERS BETWEEN LEVELS 1 AND 2

There were no transfers in the year.

### NOTE 16: RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	Market Value 1 Apr 2023	Transfers in/out of level 3	Purchases	Sales	Unrealised gains (losses)	Realised gains (losses)	Market Value 31 Mar 2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pooled Property Funds	162,213	0	46,002	(1,364)	(829)	277	206,299
Infrastructure Funds	53,689	0	16,349	0	(2,065)	0	67,973
<b>Total</b>	<b>215,902</b>	<b>0</b>	<b>62,351</b>	<b>(1,364)</b>	<b>(2,894)</b>	<b>277</b>	<b>274,272</b>

	35	Assessed valuation range (+/-) %	Value 31 Mar 2022	Value on Increase	Value on Decrease
			£'000	£'000	£'000
Pooled Property Funds	10%		206,299	226,929	185,669
<b>Total</b>			<b>206,299</b>	<b>226,929</b>	<b>185,669</b>

	Market Value 1 Apr 2022	Transfers in/out of level 3	Purchases	Sales	Unrealised gains (losses)	Realised gains (losses)	Market Value 31 Mar 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pooled Property Funds	190,717	0	6,231	(6,969)	(27,930)	164	162,213
Infrastructure Funds	33,199	0	14,338	(6,553)	12,705	0	53,689
<b>Total</b>	<b>223,916</b>	<b>0</b>	<b>20,569</b>	<b>(13,522)</b>	<b>(15,225)</b>	<b>164</b>	<b>215,902</b>

## NOTES TO THE PENSION FUND ACCOUNTS

### NOTE 17A: CLASSIFICATION OF FINANCIAL INSTRUMENTS

Market Value as at 31 Mar 2023			Market Value as at 31 Mar 2024		
Designated as fair value through profit and loss	Financial Assets at amortised cost	Financial liabilities at amortised cost	Designated as fair value through profit and loss	Financial Assets at amortised cost	Financial liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial assets</b>					
150	0	0	150	0	0
1,745,380	0	0	1,906,705	0	0
162,213	0	0	206,299	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	30,481	0	0	30,282	0
0	1,908	0	0	653	0
<b>1,907,743</b>	<b>32,389</b>	<b>0</b>	<b>2,113,154</b>	<b>30,935</b>	<b>0</b>
<b>Financial liabilities</b>					
0	0	(2,497)	0	0	(1,786)
<b>0</b>	<b>0</b>	<b>(2,497)</b>	<b>0</b>	<b>0</b>	<b>(1,786)</b>
<b>1,907,743</b>	<b>32,389</b>	<b>(2,497)</b>	<b>2,113,154</b>	<b>30,935</b>	<b>(1,786)</b>
<b>Grand Total</b>					
<b>1,937,635</b>			<b>2,142,303</b>		

# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 17B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

<b>Financial Assets</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>
Fair value through profit or loss	107,347	(181,042)
Amortised cost – realised gains on derecognition of assets	0	0
Amortised cost – unrealised gains	(75)	(82)
<b>Total Financial Assets</b>	<b>107,272</b>	<b>(181,124)</b>

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

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



# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### **Risk and Risk Management**

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members).

The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies are established that aim to identify and analyse the investment risks faced by the Fund and these are regularly reviewed by the Pensions Committee and Pension Board in the light of changing market and other conditions.

### **Credit risk**

Credit risk is the risk that a counterparty to a financial instrument may fail to pay amounts due to the Pension Fund. The Fund carries out a review of its investment managers annual internal control reports to ensure that managers are diligent in their selection and use of counterparties and brokers.

Deposits are made with banks and financial institutions that are rated independently and meet the Council's credit criteria.

The Fund employs a custodian to provide secure safe-keeping of the Fund's assets and to ensure that all trades are settled in a timely manner.

### **Liquidity risk**

This is the risk that the Fund might not have the cash flow required in order to meet its financial obligations when they become due. Over the years contributions have tended to be greater than benefits and this has ensured that sufficient cash has been available to meet payments.

The Fund currently operates two bank accounts. One is held by the Fund's custodian (Northern Trust Bank) and holds cash relating to the investment activities and the other is the LBTH Pension Fund bank account and this is used to hold cash relating to member activities.

Should the Fund have insufficient money available to meet its commitments it may, under Regulation 5.2 borrow cash for up to 90 days. If there was a longer term shortfall then the Fund's assets could be sold to provide additional cash. A significant proportion of the Fund is made up of readily realisable assets. As at 31 March 2024, liquid assets were £2,143m representing 92.4% of total assets of the Fund assets (£1,938m as at 31 March 2023). The majority of these investments can be in fact liquidated within a matter of days.

### **Currency risk**

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

# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS cont.

### **Currency risk - contd.**

Overseas equities, fixed interest securities and equity protection swaps and some elements of the pooled investment vehicles are exposed to currency risk. The currency risk table demonstrates the change in value of these assets had there been a 10% change strengthening/weakening of the Pound against foreign currencies.

### **Market risk**

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

### **Price risk**

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

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities regardless of being in a pool represent a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments with the exception of derivatives.

The Fund manages price risk of its portfolio by diversifying its investments across different asset classes and fund managers as required by regulations. Further, the Fund has a long-term investment horizon and can accept the price risk in its portfolio. The Fund can mitigate the price risk by regular reviews of its investment strategy in consultation with its investment

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

### **Interest rate risk**

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The Pensions Committee and its advisors regularly monitor the Fund's interest rate risk exposure during the year.

Fixed interest securities, cash and cash equivalents are exposed to interest rate risk.

Cash deposits held in the Pension Fund bank account are invested in accordance with the Council's approved Treasury Management Strategy.

The Fund holds a percentage of its portfolio in fixed interest securities to mitigate this risk should interest rates fall.

# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### OTHER PRICE RISK - sensitivity analysis

Asset type	Market Value as at 31/03/2024	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
<b>Cash and cash equivalents</b>	29,585	0.9%	29,851	29,319
<b>Pooled Investments:</b>				
Fixed Income	216,338	6.8%	231,049	201,627
Global Equity	1,350,107	14.8%	1,549,923	1,150,291
Diversified Growth	272,286	6.4%	289,712	254,860
Property	206,299	4.0%	214,551	198,047
Infrastructure	67,974	6.8%	72,596	63,352
Other Investment income due	697	0.9%	703	691
Amounts receivable for sales	0	0.9%	0	0
<b>Total investment assets</b>	<b>2,143,286</b>		<b>2,388,385</b>	<b>1,898,187</b>

Asset type	Market Value as at 31/03/2023	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
<b>Cash and cash equivalents</b>	29,853	0.9%	30,122	29,584
<b>Pooled Investments:</b>				
Fixed Income	207,801	6.8%	221,931	193,671
Global Equity	1,078,437	14.8%	1,238,046	918,828
Diversified Growth	405,453	6.4%	431,402	379,504
Property	162,213	4.0%	168,702	155,724
Infrastructure	53,689	6.8%	57,340	50,038
Other Investment income due	628	0.9%	634	622
Amounts receivable for sales	0	0.9%	0	0
<b>Total investment assets</b>	<b>1,938,074</b>		<b>2,148,177</b>	<b>1,727,971</b>

### CURRENCY EXPOSURE - asset type

Asset type	Market Value as at 31/03/2024	Change in year in the net assets available to pay benefits
	£'000	6.3% (6.3%)

#### Overseas Assets

Overseas Fixed Income Funds	207,697	220,782	194,612
Overseas Equity Funds	335,935	357,099	314,771
Overseas Property Funds	33,532	35,645	31,419
<b>Total change in assets available</b>	<b>577,164</b>	<b>613,525</b>	<b>540,803</b>

Asset type	Market Value as at 31/03/2023	Change in year in the net assets available to pay benefits
	£'000	7.3% (7.3%)

#### Overseas Assets

Overseas Fixed Income Funds	207,697	220,782	194,612
Overseas Equity Funds	335,935	357,099	314,771
Overseas Property Funds	33,532	35,645	31,419
<b>Total change in assets available</b>	<b>577,164</b>	<b>613,526</b>	<b>559,874</b>

# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### INTEREST RATE RISK

Asset type	Market Value as at 31/03/2024	Market Value as at 31/03/2023
	£'000	£'000
<b>Cash and cash equivalents</b>		
Cash	29,585	29,853
<b>Total</b>	<b>29,585</b>	<b>29,853</b>

Interest rate risk sensitivity analysis

Asset type	Market Value as at 31/03/2024	Change in year in the net assets available to pay benefits	
		+100 bps	-100 bps
	£'000	£'000	£'000
<b>Cash and cash equivalents</b>			
Cash	29,585	296	(296)
<b>Total</b>	<b>29,585</b>	<b>296</b>	<b>(296)</b>

Asset type	Market Value as at 31/03/2023	Change in year in the net assets available to pay benefits	
		+100 bps	-100 bps
	£'000	£'000	£'000
<b>Cash and cash equivalents</b>			
Cash	29,853	299	(299)
<b>Total</b>	<b>29,853</b>	<b>299</b>	<b>(299)</b>

### CREDIT RISK

Summary	Rating	Market Value as at 31/03/2024	Market Value as at 31/03/2023
		£'000	£'000
<b>Money Market Funds</b>			
Schroder special situations sterling liquidity plus	A	16,319	10,447
<b>Bank current accounts</b>			
Northern Trust custody cash account	A	11,725	1,274
National Westminster Bank Plc	A	-1,232	18,132
<b>Total</b>		<b>26,812</b>	<b>29,853</b>

# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 19: FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The valuation that took place as at 31 March 2019 covered the period up to 31 March 2023. This report details Fund assumptions and employer contributions for the three years covered by the 2019 valuation.

The key elements of the funding policy are:

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

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time.

The most recent actuarial valuation undertaken as at 31 March 2022 covers the financial assumptions for 2023/24. The actuary estimated the surplus of the Fund at the 2022 valuation was £373m and the funding level to be 123%.

The contribution rates are made of two values, the Primary and Secondary rate. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer Secondary rates (before applying any pre-payment or capitalisation of future contributions).

The table below summarises the whole Fund Primary and Secondary Contribution rates at the 2022 triennial valuation:

<b>Primary Rate (% of pay)</b>	<b>2023-24 £'000</b>	<b>2024-25 £'000</b>	<b>2025-26 £'000</b>
20.90%	14,011	14,346	14,699
	<b>14,011</b>	<b>14,346</b>	<b>14,699</b>

50:50 option

It is assumed that 0.5% of members opt into the 50:50 option in the LGPS 2014 scheme.

# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 20: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

### Actuarial Value of Promised Retirement Benefits

CIPFA's code of practice on Local Authority Accounting 2023/24 requires Administering Authorities of LGPS Funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The promised retirement benefits at 31 March 2024 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022 using financial assumptions that comply with IAS19.

The actuarial present value of promised retirement benefits calculated in line with IAS19 assumptions is estimated to be £1,866 million (£1,837 million in 2022/23). The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, the actuary has not made an allowance for unfunded benefits.

Year ended	31 Mar 2023	31 Mar 2024
	£m	£m
Active members	597	648
Deferred members	385	382
Pensioners	855	836
	<b>1,837</b>	<b>1,866</b>

### Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2024 and 31 March 2023. The impact of the change in financial assumptions to 31 March 2024 is to decrease the actuarial present value by £79m. The impact of the change in demographic assumptions is to decrease the actuarial present value by £8m.

### Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Average future life expectancies at age 65 years	Male	Female
Current pensioners	21.2	23.8
Future pensioners	22.3	25.2

### Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

Change in assumption at 31 March 2023	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2.0%	32
1 year increase in member life expectancy	4.0%	75
0.1% p.a.increase in the Salary Increase Rate	0.0%	1
0.1% p.a. increase in the Pension Increase Rate (CPI)	2.0%	30

### Financial assumptions

The financial assumptions used for the purpose of the calculation is set out in the table below

Year ended	31-Mar-23	31-Mar-24
Pension increase rate (CPI)	3.0%	2.8%
Salary increase	3.0%	2.8%
Discount rate	4.8%	4.8%

# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 21: CURRENT ASSETS

	2022/23 £'000	2022/24 £'000
<b>Short term debtors</b>		
Contributions due	1,019	30
Sundry debtors	478	336
Prepayments	411	287
<b>Total</b>	<b>1,908</b>	<b>653</b>

## NOTE 22: CURRENT LIABILITIES

	2022/23 £'000	2022/24 £'000
Sundry creditors	(1,537)	(1,786)
Transfer values payable (leavers)	-	0
Benefits payable	(960)	0
<b>Total</b>	<b>(2,497)</b>	<b>(1,786)</b>

# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS

In accordance with Regulation 4 (1)(b) of the Pension Scheme (Management and Investment of Funds) Regulation 2016, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

	2022/23		2023/24	
	Market Value* £'000	Contributions Paid £'000	Market Value £'000	Contributions Paid £'000
Aviva	1,282	67	1,475	94
Equitable Life / Utmost Life	637	2	637	2
	<b>1,919</b>	<b>69</b>	<b>2,112</b>	<b>96</b>

Additional voluntary contributions (AVC's) were paid to Aviva and Utmost Life during the year.

\* The market value is as at 5 April for Utmost and 31 March for Aviva.

## NOTE 24: AGENCY SERVICES

The Fund is fully reimbursed of all agency services costs paid on behalf of the administering authority.



# NOTES TO THE PENSION FUND ACCOUNTS

## NOTE 25: RELATED PARTY TRANSACTIONS

The LBTH Pension Fund is administered by the LBTH.

The Council incurred costs of £1,277k (£1,261k 2022/23) relating to administration of the Fund and has been reimbursed by the Fund for these expenses. All monies owing to and from the Fund were paid in the year.

During the year no Committee Members 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.

The Council has a subsidiary company, Tower Hamlets Homes, who are within the Fund until October 2023 when it was brought back inhouse. For the period to October 2023, the Fund received contribution payments totalling £2.6m (£4.2m 2022/23) from this company.

## NOTE 25A: KEY MANAGEMENT PERSONNEL

Key management personnel for the Pension Fund include Pension Fund Committee Members, the Corporate Director for Resources, the Director of Finance Procurement & Audit and the Head of Pensions and Treasury. There were no costs apportioned to the Pension Fund in respect of the Corporate Director for Resources post for 2022/23 and 2023/24.

Total remuneration payable to key management personnel from the Pension Fund is set out below:

	2022/23 £'000	2023/24 £'000
Short-term benefits	23	27
Post-employment benefits	694	0
	<b>717</b>	<b>27</b>

## NOTE 26: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The Fund has committed £120m to the London CIV UK Housing Fund, of this commitment, £99m was still outstanding at 31 March 2024.

## GLOSSARY OF FINANCIAL TERMS AND ABBREVIATIONS

The following terms and abbreviations, while not being exhaustive, may provide 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.

**Accounting policies** – The specific principles, bases, conventions, rules, and practices, applied by the Council, in preparing and presenting the financial statements.

**Accounting standards** – A set of rules explaining how all accounts are to be prepared (See 'International Financial Reporting Standards')

**Accrual** – The recognition of income and expenditure in the year that they occur and not when the cash is received or paid.

**Accumulated Absences Account** – This account represents the value of leave rolled over from one financial year to another. This reserve account is used to avoid reducing general fund reserves.

**Actuary** – An independent adviser to the Council who provides advice 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.

**Arms Length Management Organisation (ALMO)** – Arm's length management organisation. An organisation set up to manage all or part of a local authority's housing stock. Ownership of the stock remains with the local authority.

**Amortisation** – The writing off of an intangible asset or loan balance to the Comprehensive Income and Expenditure Statement over an appropriate period of time.

**Amortised Cost** – The carrying value of an intangible asset or liability in the balance sheet, which has been written up or down via the Comprehensive Income and Expenditure Statement (ie after amortisation).

**Asset** – Something valuable that the Council owns, benefits from, or has use of.

**Balance Sheet** – A statement of all the assets, liabilities and other balances of the Council at the end of an accounting period.

**Better Care Fund (BCF)** – A pooled budget between the Council and the local integrated care board, supported by grants from Central Government.

**Billing Authority** – Refers to a local authority that is responsible for the collection of Council Tax and Non-Domestic Rates, both on behalf of itself, Central Government and the Greater London Authority.

**Budget** – A plan of expenditure for a financial year 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 throughout the year for changes as necessary.

**Business Rate Supplement (BRS)** – The Business Rate Supplements Act 2009 enables levying authorities - county councils, unitary councils and, in London, the Greater London Authority - to levy a supplement on the Business Rate to support additional projects aimed at economic development of the area.

**Capital Adjustment Account** – Represents amounts set aside from revenue resources or capital receipts to finance expenditure on property, plant, and equipment (PPE) or for the repayment of external loans, or certain other capital financing transactions.

**Capital Expenditure** – Expenditure on the acquisition of property, plant, and equipment (PPE) or expenditure which adds to the value of an existing item of PPE.

**Capital Financing Requirement** – Represents the Council's underlying need to borrow for a capital purpose.

**Capital Grants Receipts in Advance** – Balances of capital grants and contributions that have conditions which may require future repayment if not spent.

**Capital Grants Unapplied** – Grant receipts that are currently unspent and will be used for future capital expenditure.

**Capital Receipt** – Income received from the sale of PPE such as land or buildings.

**Capital Receipts Reserve** – Represents proceeds from the sale of PPE available to meet future capital investment.

**Carrying Value** – In relation to the value of assets, the value is based on the original cost of the asset less any depreciation, amortisation or impairment costs made against the asset. It is the amount to be recognised on the Balance Sheet.

**Cash Equivalents** – Highly liquid and safe investments that can easily be converted into cash.

**Chartered Institute of Public Finance and Accountancy (CIPFA)** – A professional accountancy body, that specialises in the public sector. It promotes best practice by issuing guidelines and Codes of Practice.

**Collection Fund** – A statutory account which receives Council Tax and Non-Domestic Rates to cover the costs of services provided by the Council and its precepting authorities.

**Collection Fund Adjustment Account** – The Collection Fund Adjustment Account represents the Council's share of the Collection Fund Surplus/Deficit.

**Community Assets** - Assets that a local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of Community Assets are parks and historic buildings.

**Comprehensive Income and Expenditure Statement** - A statement showing the expenditure and income of the Council's services during the year, and demonstrating how costs have been financed from general Government grants and income from local taxpayers.

**Contingent Liability** - This is a potential "one-off" future liability or loss, but the likelihood of the loss incurring is sufficiently low that the establishment of a provision is not appropriate.

**Contingent Asset** – This is a potential "one-off" future receipt or acquisition of an asset, but the likelihood of the gain incurring is sufficiently low that the recognition of it is not appropriate.

**Corporate and Democratic Core** - This is the cost of managing core functions of the Council and includes corporate policy making, activities that relate to the corporate management of the Council and all other member-based activities.

**Consumer Price Index (CPI)** – Measures the average change in retail prices of a basket of goods and services purchased by most UK households, to provide an indication of the rate of inflation. The CPI includes some financial services in the basket of goods not included in the RPI.

**Creditors** - Amount of money owed by the Council for goods and services received. Also referred to as Payables.

**Current Assets** - Any asset expected to last or be in use for less than one year is considered a current asset. Examples are stock, cash and debtors.

**Current Liabilities** - An amount which will become payable or could be called in within the next accounting period. Examples are creditors and short-term Borrowing.

**Debtors** - Amount of money owed to the Council by individuals, and organisations. Also referred to as Receivables.

**Dedicated Schools Grant** – Grant monies provided by the Department of Education ring-fenced to schools budgets.

**Deferred Capital Receipts** - Income that is received in instalments over agreed future periods of time. They may arise from mortgages on sales of Council houses and repayments from loans.

**Deferred Income – Receipt in Advance** – This represents a cash receipt received in advance of the period of time it relates to. For example, a cash receipt may be received as part of entering into a building lease, with the credit then being released over the term of the lease.

**Deferred Liabilities** – These are future payments that the Council is contractually obliged to pay in future years. These liabilities may relate to Private Finance Initiative (PFI) schemes.

**Defined Benefit Scheme** - A pension scheme which pays out pensions or benefits based on final salary or other contractual terms irrespective of the contributions paid. Benefits are not directly related to the investments of the Pension Fund.

**Depreciated Replacement Cost (DRC)** – a valuation method that is based on the cost of recreating the asset in its current condition and use. This can be the cost of creating a modern equivalent asset where appropriate.

**Depreciation** - The measure of the wearing out, consumption or other reduction in the useful economic life of PPE, whether arising from use, passage of time or obsolescence through technological or other changes.

**Direct Revenue Funding**– The use of revenue monies to pay for capital expenditure. Also referred to as Revenue Contributions to Capital Outlay.

**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.

**External Audit** – An independent examination by an appointed Auditor of the Council's activities and accounts to ensure that legal requirements have been met, proper practices followed and appropriate arrangements made to secure value for money. Ernst & Young LLP is the Council's appointed auditor for 2023-24.

**Fair Value** - It is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Finance Lease** - A lease that transfers substantially all of the risks and rewards of ownership of an asset to the lessee.

**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 (FIAA)** - This represents the balance of deferred discounts relating to the premature redemption of Public Works Loans Board (PWLB) debt.

**General Fund (GF)** - The Council's main revenue account from which the cost of providing most of the Council's services is met.

**Greater London Authority (GLA)** – A strategic Local Authority with a capital-wide role.

**Group Accounts** – Where a Council has a material interest in a separate entity, it may be required to combine the entities financial statements with its own to show the consolidated results of the Council and entity as a group.

**Heritage asset** – An asset with historical, artistic, scientific, technological, geo-physical and/or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

**Historic Cost** – The actual cost of an asset when purchased 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 PPE caused either by a change in the market price of the asset or damage/deterioration of the asset in excess of depreciation.

**Infrastructure Assets** – Inalienable assets, expenditure on which is only recoverable by continued use of the asset created. There is no prospect of sale or alternative use. Examples include roads, bridges, and tunnels.

**Intangible Assets** – Non-financial long-term assets that do not have physical substance but are identifiable and controlled by the Council i.e. purchased software licences.

**Interest Rate Risk** – The uncertainty the amounts of interest paid/received on variable rate instruments and the effect of fluctuations in interest rates on the fair value of an instrument.

**International Financial Reporting Standards (IFRS)** – The set of international accounting standards issued by the International Accounting Standards Board (IASB). Local Authorities are required to produce accounts based on IFRS.

**Inventories** – The values of, stocks held and work in progress that have not been completed.

**Investment Properties** – Those properties that are held solely to earn rentals and/or for capital appreciation, rather than for the delivery of services.

**Liability** – A liability is where the Council owes payment to an individual or another organisation.

**Levy** – Payments to bodies such as the Environment Agency. The cost of these bodies is funded by local authorities in the area concerned based on their Council Tax base and is met from the General Fund.

**Long-Term Assets** – Assets that yield benefit to the Council and the services it provides for a period of more than one year.

**Long-Term Liability** – An amount which by arrangement is payable in more than one year.

**Major Repairs Reserve** – Represents funds available to meet capital investment in council housing

**Materiality** - the level (usually expressed in financial terms but not usually expressly stated) below which accountants, auditors, or their clients or employers, consider risks or problems not to be significant.

**Medium Term Financial Strategy (MTFS)** – The Council's strategic plan surrounding its finances for the next three years.

**Minimum Revenue Provision (MRP)** – The amount that has to be charged to revenue to provide for the redemption of debt.

**Movement in Reserves Statement** – A summary of the Council's reserves at the balance sheet date split between usable and unusable reserves.

**National Non-Domestic Rates (NDR)** – Local Businesses contribute to Council expenditure based on a rate in the pound decided by Central Government, this is applied to the rateable value of their premises.

**Net Book Value** – The amount at which PPE is included in the balance sheet after depreciation has been provided for.

**Net Realisable Value** – The open market value of the asset less the expenses to be incurred in realising the asset.

**Non-Current Assets Held for Sale** – Items of PPE whose carrying amount is to be recovered principally through a sale rather than continued use by the Council.

**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.

**Precept** – The charge made by the Greater London Authority (the precepting authority) on the Council to finance its net expenditure.

**Private Finance Initiative (PFI)** – Instead of providing and owning the assets needed for their services, public authorities arrange for private sector bodies (usually formed from consortia) to provide and own them. These other bodies' then make the assets available under operating leases to enable public authorities to deliver the services required.

**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.

**Property, Plant, and Equipment (PPE)** – The land and building assets under the council's control or ownership.

Assets under the control or owned by the Council that have a physical existence and are expected to be used for a period exceeding one year form PPE. Important components of PPE include land and land improvements, buildings, plant and machinery, vehicles and equipment where material.

**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 social housing.

**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.

**Revenue Expenditure** – The day-to-day expenditure of the Council - salaries, goods and services and capital financing charges.

**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 long-term assets, that has been charged as expenditure to the relevant service revenue account in the year

**Revenue Support Grant** – General grant paid by the Government to local authorities.

**Right To Buy** - The council is legally required to sell council homes to tenants, at a discount, where the tenant wishes to buy their home. The money received from the sale is a capital receipt, some of which will be retained by the council to spend on capital expenditure, while the remainder must be paid over to the DCLG under pooling arrangements.

**Ring-Fenced Grant** – A grant that can only be spent on a specific purpose, such as the Dedicated Schools Grant.

**Section 151 Officer** - The Responsible Finance Officer for the Council as required by Section 151 of the Local Government Act 1972.

**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.

**Surplus Assets** – Those assets which are not being used to deliver services, but do not meet the criteria to be classified as either Investment Properties or Non Current Assets Held for Sale.

**Unusable Reserves** – These represent reserve balances that cannot be spent as part of an organisation's medium term financial plan. An example is the revaluation reserve.

**Usable Reserves** – These represent reserve balances that can be spent as part of an organisation's medium term financial plan. Any organisation has to review reserve levels to ensure long-term financial stability. General fund and Housing Revenue Account reserves are usable reserves.

**Value for money (VFM)** – This term is used to describe the relationship between the economy, efficiency, and effectiveness (known as the 'three Es') of a service, function or activity. Value for money is high when there is an optimum balance between all three.

## **Abbreviations used in Accounts**

**AGS** - Annual Governance Statement  
**ALMO** - Arm's Length Management Organisation (Tower Hamlets Homes)  
**AVC** – Additional Voluntary Contribution  
**BCF** – Better Care Fund  
**BRS** – Business Rates Supplement  
**BSF** - Building Schools for the Future  
**BVIB** – Best Value Improvement Board  
**CBS** – Community Benefit Society  
**CCG** - Clinical Commissioning Group  
**CFR** - Capital Financing Requirement  
**CIES** - Comprehensive Income and Expenditure Statement  
**CIL** - Community Infrastructure Levy  
**CIPFA** - Chartered Institute of Public Finance and Accountancy  
**CLG** – Company Limited by Guarantee  
**CPB** – Corporate Parenting Board  
**CPI** - Consumer Price Index  
**DfE** - Department for Education  
**DRC** – Depreciated Replacement Cost  
**DSG** - Dedicated Schools Grant  
**EIR** - Effective Interest Rate  
**EUV** – Existing Use Value  
**EUV-SH** – Existing Use Value-Social Housing  
**FIAA** – Financial Instruments Adjustment Account  
**GF** - General Fund  
**GLA** - Greater London Authority  
**HMT** – HM Treasury  
**HRA** - Housing Revenue Account  
**IAS** - International Accounting Standard  
**IFRS** - International Financial Reporting Standards  
**LASAAC** - Local Authority (Scotland) Accounts Advisory Committee  
**LBTH** - London Borough of Tower Hamlets  
**LGA** – Local Government Association  
**LGPS** - Local Government Pension Scheme  
**LOBO** - Lender's Option – Borrower's option  
**LPFA** - London Pensions Fund Authority  
**MHCLG** – Ministry of Housing, Communities & Local Government  
**MRP** - Minimum Revenue Provision  
**MTFS** - Medium Term Financial Strategy  
**NDC** - New Deal for the Community  
**(N)NDR** - (National) Non-Domestic Rates



**NPV** - Net Present Value  
**PFI** - Private Finance Initiative  
**PMAF** – Performance Management and Accountability Framework  
**PMO** – Project Management Office  
**PPE** - Property, Plant and Equipment  
**PSIAS** – Public Sector Internal Audit Standards  
**PWLB** - Public Works Loans Board  
**REFCUS** - Revenue Expenditure Funded by Capital Under Statute  
**RPI** - Retail Price Index  
**RSG** - Revenue Support Grant  
**SDPS** - Surplus or Deficit on the Provision of Services  
**SEN** – Special Educational Needs  
**SOLACE** – Society of Local Authority Chief Executives  
**TA** – Temporary Accommodation  
**TH** - Tower Hamlets  
**THH** - Tower Hamlets Homes  
**TIB** - Transformation & Improvement Board  
**VFM** - Value For Money



# Annual Governance Statement 2023/2024



## Our Annual Governance Statement

We are required to report publicly about how the Council has complied with its governance arrangements, including how they have operated over the course of the last year and if any areas require improvement. This Annual Governance Statement reports the outcome of our assessment.

Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest, and responsible manner. The Council has adopted a Code of Corporate Governance that is based on the recommended guidance: *Delivering Good Governance in Local Government*. In adopting this Code, we recognise the importance of having good governance, which includes effective leadership and management, policies and procedures, to ensure we have a well-run Council that delivers high quality, value for money services to the local community. We also acknowledge our responsibility for ensuring that the Council conducts its business in accordance with the law and proper standards and that public money is safeguarded.

The Council is committed to being efficient and effective in delivering improved outcomes for residents of Tower Hamlets. We are open and transparent about our continuous improvement journey and have been recognised for achievements so far.

The London Borough of Tower Hamlets (the “Council”) is committed to being efficient and effective in delivering improved outcomes for residents of Tower Hamlets. We pride ourselves in doing this in an open and transparent manner, especially when it relates to our continuous improvement journey.

We recognise that good governance requires a culture of continuous improvement and challenge, and we will continue to seek improvement and will be self-critical in doing so to ensure we uphold the highest possible standards of good governance.



**Signed on behalf of the London Borough of Tower Hamlets**

\_\_\_\_\_  
Steve Halsey, Chief Executive

Date:

\_\_\_\_\_  
Lutfur Rahman, Executive Mayor

Date:

## Introduction

All local authorities are required to report publicly about how they have complied with their governance arrangements and do so through an Annual Governance Statement (AGS). Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest, and responsible manner.

The Council has adopted a Code of Corporate Governance (the Code). The Code is based on the principles of good governance recommended by Chartered Institute of Public Finance and Accountancy (CIPFA) and SOLACE in a joint document entitled '*Delivering Good Governance in Local Government*'.

The Code sets out the commitment of the Council to work to uphold the highest possible standards of good governance. This is essential for ensuring we conduct our business in accordance with the law and proper standards and that public money is properly accounted for. It also includes effective leadership and management, policies, and procedures, to ensure we have a well-run Council that delivers high quality, value for money services to the local community.

To assess the effectiveness of key elements of the governance framework, including partnership arrangements and alternative delivery models, we have reviewed our performance against each of the seven principles of good governance:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimize the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

When evaluating our performance, we have taken into consideration reviews and inspections of the Council by others, as well as the work of internal and external audit. We have also reviewed our progress against improvement actions that were identified as part of the 2022/23 Annual Governance Statement.

In addition, each Corporate Director is required to confirm that their directorates are run efficiently, effectively, and with proper risk management and governance arrangements, including a sound system of internal control. They are required to review internal controls to ensure they are adequate and effective, whilst considering the following:

- Outcomes from risk assessments and evaluations
- Self-assessment of key service areas within the directorate
- Internal audit reports and results of follow ups regarding implementation of recommendations
- Outcomes from reviews of services by other bodies, including inspectorates, external auditors, etc
- Linkage between business planning and the management of risk.

Where areas for improvement are required an action plan must be developed. We have used these returns to further enhance our review of the Council's governance framework.

To conclude the assessment, we have provided an overall view on our governance arrangements and included an action plan to record how we will address any areas requiring improvement.



## Our Assessment

To assess the effectiveness of key elements of the governance framework, including partnership arrangements and Council owned companies, we have reviewed our performance against each of the seven principles of good governance. When evaluating our performance, we have taken into consideration reviews and inspections of the Council, as well as the work of internal and external audit.

Principal	Review of Governance Arrangements
<p>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.</p>	<p>The Council’s Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent, and accountable to local people, including the Financial Regulations. The Constitution is published on the Council’s website. The constitution was last updated and agreed at full Council in May 2024. In addition, there are a range of policies and procedures to direct and guide Members and staff, as well as codes of conduct that set out standards of behaviour expected from Members and staff.</p> <p>The Council has appointed the required statutory officers which includes the Head of Paid Service (Chief Executive), the Monitoring Officer (Director of Legal Services) and the Chief Finance Officer, also referred to as the Section 151 Officer (Corporate Director of Resources). These three officers meet regularly to discuss governance issues.</p> <p>The Council operates a Standards Advisory Committee to oversee and promote high standards of conduct by the Mayor, Councillors and Co-opted Members of the Council, including in relation to the Code of Conduct and the Register of Interests. Half the Committee membership allocation is for independent Co-opted Members and there are also two separately appointed statutory Independent Persons who advise in relation to alleged breaches of the Code of Conduct. The Committee takes an active role in this work receiving regular reports, monitoring complaints against Members, the Register of Interest/Gifts and Hospitality, Member Development, and reports from the work of the Committee on Standards in Public Life amongst other matters. The Committee provides full Council with an annual report on its activities which highlights areas of strength and concern; a report was</p>



	<p>last taken to full Council in September 2023, with the next expected at the meeting scheduled in June 2024.</p> <p>All members positively acknowledge the Code of Conduct when they join the Council. An updated Member Code of Conduct was presented, as part of the Council’s constitution, to full Council at its meeting held on 17 May 2023.</p> <p>The Councils Member/Officer protocol was reviewed and updated during 2023, with formal adoption of the revised protocol by Council at its November 2023 meeting.</p> <p>The Standards Advisory Committee has endorsed the proposal for the Council to work towards the Local Government Association Charter Mark for Member Learning and Development. The benefits of this are two-fold. Firstly, it provides the Council and Members with assurance that the Learning and Development Programme provided to Members is of good quality and comparable to the best in local government. Secondly, it demonstrates to local residents that the Council takes the support of their elected Members seriously and understands their value to the organisation. Achieving the LGA Charter Mark will go towards demonstrating the necessary commitment to Learning and Development at the Council, as referenced in the LGA Peer Challenge.</p> <p>The Council has adopted a Whistleblowing Policy to guide and support staff about how to raise any concerns. It is readily available on the Intranet. The Monitoring Officer maintains a central record of all whistleblowing concerns and how they have been resolved. In November 2023 the Head of Internal Audit, Anti-Fraud &amp; Risk performed an annual review of the Council’s whistleblowing arrangements, which was reported to the Audit Committee. A similar report will be presented as part of the 2024/25 Audit Committee workplan.</p> <p>Committee reports and key decisions are published online to ensure transparency and Executive decisions made by the Mayor and Cabinet are subject to the ‘call-In’ process by backbench Councillors who can raise any concerns they may have.</p>
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	<p>The Council maintains a Register of Interests (for officers and Members) which includes a requirement to declare interests at meetings ensuring that potential issues are recorded, and Members do not take part in meetings in an inappropriate way. This includes the need to leave the room when any items for which they have a Pecuniary Interest are discussed. A revised guide to declaring interests at meetings has been attached to all meeting agendas since May 2020.</p> <p>The Council also maintains a Gifts and Hospitality register to ensure that Members and Officers declare any gifts and hospitality in an open and transparent manner. The Gifts and Hospitality Policy was reviewed and updated as of December 2023. Individual teams have been instructed and reminded to adopt the revised policy, hold details of any gifts and hospitality offered, accepted, and declined, whilst reporting up into a Directorate-held registers for completeness.</p> <p>The Council has sought feedback from the public through its complaints and comments procedures and has responded to the outcomes as appropriate.</p> <p>The Council’s Audit Committee has met throughout the year and has considered reports from Internal and External Audit as well as other updates, reports, and advice from the Chief Financial Officer and the Monitoring Officer. At its November 2023 meeting the Audit Committee considered a report from the Monitoring Officer detailing options for future membership of the committee. Consequently, changes to committee membership and terms of reference were agreed, which will take effect at the start of the 2024/25 Municipal Year.</p> <p>The Council routinely provides training for its Members on numerous topics including financial management, risk, governance, and ethics.</p>
<p>B. Ensuring openness and comprehensive stakeholder engagement.</p>	<p>Council meetings and Committees are routinely held in public unless there are good reasons for not doing so on the grounds of confidentiality/disclosure of exempt information which are provided for in statutory provisions.</p>



	<p>The Council has invested in the technology to facilitate the webcasting of meetings, meaning that stakeholders and residents can attend meetings if they wish to or watch them online.</p> <p>An online library of meeting agendas, attendance, supporting papers, decisions and minutes is maintained on the Council’s website. As a result, the decision-making process can be considered and reviewed by stakeholders and the public from inception through to final decision and any ultimate scrutiny.</p> <p>The Council has sought community views on a wide range of issues and has undertaken regular consultation and engagement with citizens and service users. During 2019/20 the Council launched a Consultations Hub to better facilitate consultations. Details of current, planned, and past consultations have been made available on the Council’s website along with information on how the public/stakeholders can put forward their views. The Hub has had a positive impact on consultation resulting in increased transparency and accessibility providing the Council with a more balanced view of public opinion.</p> <p>The Council’s Overview and Scrutiny Committee has engaged with stakeholders, residents, and community groups to review services and drive improvement in service delivery. The Overview and Scrutiny Committee includes co-opted residents with relevant knowledge and has encouraged residents to attend its meetings, which are open to the public and webcast. Further, residents, community groups and expert witnesses have been invited to participate in Scrutiny review and challenge sessions so the Committee can hear directly from those whose interests are represented.</p> <p>Social media channels have been used extensively to support the Council’s engagement with stakeholders. The Council has adopted a Social Media Policy to provide advice and guidance on the use of social media.</p>
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<p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>	<p>The Strategic Plan for 2022-2026 is the main business planning document of the Council. It sets out the corporate priorities and outcomes, the high-level activities that will be undertaken to deliver the outcomes, as well as the measures that will help determine whether the Council is achieving the outcomes. The Council has a structured set of plans which turn the vision into actions, through directorate, key council strategies and service plans. The plan is refreshed annually. The latest version has been published on the Council's website.</p> <p>The performance of the Council against measurable outcome-led targets has been assessed through performance monitoring reports that have been considered within directorates, by the Corporate Management Team, Overview and Scrutiny Committee, Cabinet and subsequently at other meetings of relevance. Any such reports can also be called in for scrutiny and reviewed by the Audit Committee.</p>
<p>D. Determining the interventions necessary to optimise the achievement of the intended outcomes.</p>	<p>The Council, Cabinet and Committees have received regular reports on performance monitoring, the Strategic Plan for 2022-2026 and other policies and procedures which demonstrate the level to which intended outcomes are being achieved and any interventions planned to address issues. Each year the Council publishes an Annual Delivery Plan - this describes the key actions that will be taken in the next year to deliver the Strategic Plan, and how progress will be measured.</p> <p>With our partners and residents, the Council has also developed a shared vision for the Borough, 'A Tower Hamlets for All', the Partnership Plan for 2023-2028. The Plan identifies how the partnership will work together through the Partnership Executive Group to deliver cross-cutting activities.</p> <p>The Partnership Executive Group led is by the Mayor with chief officers from key local partner organisations and a range of Partnership groups including statutory boards.</p>



	<p>All decisions being considered have been objectively and rigorously analysed by the Monitoring Officer and the Chief Financial Officer and all reports have designated sections for legal and finance comments to be recorded. Reports have been cleared by finance and legal officers before publication.</p> <p>The Council’s transformation programme, called People First (this replaced Smarter Together during 2023), is focused on achieving the objectives set out in the Strategic Plan for 2022-2026. The key aims of People First are to:</p> <ul style="list-style-type: none"> <li>• enhance our strategic alignment</li> <li>• strengthen corporate oversight of the council’s budget and establishment</li> <li>• foster a culture of continuous improvement.</li> </ul> <p>To support the transformation five People First Boards were launched:</p> <ul style="list-style-type: none"> <li>• The Transformation Advisory Board</li> <li>• The Efficiency Board</li> <li>• The Budget Board</li> <li>• The Reorganisation Board</li> <li>• The People Resourcing Board.</li> </ul> <p>The boards have been very successful. Achievements include supporting us in the closure of our £40m savings gap and helping us to get closer to our £5m corporate restructure target. They have also helped us in building a clear approach in moving to a resident-focussed Target Operating Model. This success was recognised by the recent independent Local Government Association Peer Challenge. It also advised that we review and rationalise the Boards going forward and from February 2024 onwards we retained the Budget Board, Reorganisation Board and Transformation Advisory Board.</p> <p>In May 2024, a report to Cabinet, ‘Transforming Tower Hamlets Council: building a stronger future’ detailed the significant progress made by the Council in its transformation journey and set out the future focus areas, including:</p>
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	<ul style="list-style-type: none"> <li>• Deepening resident engagement, with enhanced consultation</li> <li>• Building on long-term financial strength, for sustainable service provision</li> <li>• Driving innovation and efficiency, through empowered directorates</li> <li>• Enabling a highly skilled and motivated workforce, by prioritising staff development and engagement.</li> </ul> <p>Additionally, the May 2024 Human Resources Committee and Audit Committee agendas addressed resourcing capacity for change initiatives, and strategic investments in HR, Recruitment and Procurement, to further mitigate identified risks.</p>
<p>E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it.</p>	<p>The roles of all officers (including statutory roles) have been defined in agreed job descriptions and person specifications. Staff performance is reviewed annually using an approach called ‘My Annual Review (MAR)’ which was introduced during 2020/21 to improve the process and make it simpler to facilitate a two-way conversation. The MAR process has had a positive impact on staff, as it has become embedded across the Council, with metrics suggesting engagement has increased. Management will continue to monitor compliance with the process and address areas of weakness.</p> <p>The Council has articulated its values and behaviours in ‘TOWER values’ which includes a behaviours framework to support officers in the MAR process and when recruiting staff.</p> <p>All members have been provided with a Member Induction Programme and wider Member Development Programme. Members also have an online portal (Members hub) to give them access to many useful documents and materials and a weekly Member Bulletin email to keep them updated with the work of the Council.</p> <p>Cabinet Members and the Mayor are held to account through regular attendance at Overview and Scrutiny Committee and Sub-Committee meetings as well as through monthly Portfolio meetings with the Mayor and quarterly performance and budget monitoring meetings.</p>



	<p>Staff new to the Council are provided with a corporate Induction and provided with additional documents and policies to support their induction, this includes mandatory training in areas such as Data Protection, Cyber Security and Whistleblowing. Management will continue to monitor completion of the training and address any related areas of non-compliance.</p> <p>Staff are provided with a wide range of development opportunities through the Learning Hub.</p> <p>The Council has adopted a range of supporting plans and strategies including the People and Wellbeing Plan, and the Workforce Development Strategies.</p>
<p>F. Managing risks and performance through robust internal control and strong public financial management.</p>	<p>The Council has adopted a Risk Management Strategy and approach with the main priorities of providing robust systems of identification, evaluation, and control of risks which threaten the Council’s ability to meet its objectives to deliver services to the community. A five-year Risk Management Strategy was reviewed and agreed by the Corporate Management Team at the end of 2019/20 and the Audit Committee in July 2020. An updated strategy will be produced during 2024/25 and presented to CMT and the Audit Committee.</p> <p>Risk Management is part of the Council’s day-to-day activities and decision-making and regular reports have been provided at corporate and directorate level. The Corporate Risk Register is independently reviewed by the Audit Committee.</p> <p>In July 2023 the Audit Committee received the annual report for Risk Management for the 2022/23 period. The report stated that “The current position at the Council is that Risk Management practices are established but not fully embedded and mature. Moreover, there are inconsistent levels of engagement in the underlying processes (reviewing risk articulation, updating controls, removing redundant risks), and consequently there is limited confidence that the underlying risk data held on JCAD is accurate and useful as a tool for managing risk.” A number of actions were included in the report and were endorsed by the Audit Committee.</p>



	<p>The Corporate Director of Resources, as the designated Section 151 Officer, is responsible for the proper administration of all aspects of the Council’s financial affairs including ensuring appropriate advice is given to the Council on all financial matters. The Council’s system of internal financial control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability.</p> <p>A Medium-Term Financial Strategy is in place and is updated annually. Revenue and Capital budget planning based on corporate priorities are led by the Corporate Management Team and are presented for approval by the Council. Revenue and Capital Budget Monitoring reports have been presented to the Cabinet on a regular basis, this includes the annual outturn. Members have been able to scrutinise budget monitoring through the relevant Committee to ensure that performance and risks are managed.</p> <p>The Council has continued to face a challenging financial environment throughout 2023/24. As of 31 December 2023, the projected outturn position, after the proposed net drawdown of general and earmarked reserves of £19.4m, is a £0.1m underspend. The provisional outturn for 2023/24 will be reported during July 2024.</p> <p>Since 2019/20 Finance has been focussed on rectifying significant issues with the 2018/19 and 2019/20 Statement of Accounts. After much delay, these were signed off by the external auditor during November 2023, though they received qualified audit opinions.</p> <p>The Council has also published its draft financial statements for 2020/21, 2021/22 and 2022/23 – these are available from the Council’s website. The external audit of these financial statements has been delayed as a consequence of issues affecting the finalisation of the 2019/19 and 2019/20 financial statements. The delay in finalising audits is acknowledged as a national issue and there is a significant number of delayed audit opinions across the sector. DLUHC is proposing to address this through a statutory ‘system reset’.</p>
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	<p>The Council has a proactive, holistic approach to tackling fraud, theft, corruption, and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably. The outcomes of anti-fraud work have been reported to, and reviewed by, the Audit Committee.</p> <p>All reports to Council, Cabinet and Committees are required to set out key implications and information in areas such as risk, equalities, safeguarding and environmental impact assessments.</p> <p>The Audit Committee is responsible for considering the Council’s arrangements for internal governance and financial management and to recommend any actions accordingly. It has received a number of relevant reports such as annual internal audit plans, reports from external audit, anti-fraud and corruption initiatives and risk management.</p> <p>The Council’s Internal Audit service undertakes an annual programme of audits which includes providing assurance over the Council’s risk management processes. If any areas for improvement are identified Internal Audit makes recommendations for management to consider and implement. Progress against the plan and the outcomes of audits are reported to the Audit Committee.</p>
<p>G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.</p>	<p>The Council has a published constitution setting out how decisions are taken and how the public can get involved in decision making, including access to information, petitions, and ways of getting involved in decision making. The constitution is published on the Council’s website and it was last updated and agreed at full Council in May 2024.</p> <p>The Council seeks to write and communicate reports and other information for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate. The Council webcasts it’s Council, Cabinet, Strategic Development Committee, Development Committee and Overview and Scrutiny Committee meetings to ensure maximum transparency.</p>





	<p>The Council maintains an up-to-date website which provides a mechanism for the Council to publish information important in ensuring transparency of its actions.</p> <p>The Council's constitution sets out the terms of reference of all Committees to ensure information is presented to the appropriate Committees. Access to Information rules set out how the Council maintains good public access to information and reports.</p> <p>The Council updated its Code of Corporate Governance, and it was presented to the Corporate Leadership Team and the Audit Committee for approval in July 2023.</p> <p>The Head of Internal Audit, Anti-Fraud &amp; Risk provides an independent and objective annual opinion on the effectiveness of internal control, risk management, and governance. This is carried out by an in-house team in conformance with the Public Sector Internal Audit Standards. The Head of Internal Audit, Anti-Fraud &amp; Risk delivers a quarterly progress report to the Audit Committee setting out the outcomes of Internal Audit and Counter-Fraud activity.</p> <p>The Council responds to the findings and recommendations of External Audit, Scrutiny, and Inspection bodies. The Audit Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control, risk management and governance.</p> <p>As senior Council decision making bodies, the Audit Committee, and any other relevant Non-Executive Committee including Scrutiny, can report any concerns they have regarding actions that have not been undertaken.</p>
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## Internal Audit

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole of the Council's activities. It is a requirement for the Head of Internal Audit to give an annual opinion on the adequacy and effectiveness of governance, risk management and internal controls within the Council. The Head of Internal Audit, Anti-Fraud & Risk will formally report the 2023/24 annual opinion to the Audit Committee in July 2024.

### 2023/24 Head of Internal Audit Annual Opinion

#### Basis of the Annual Opinion

The outcome of the audits undertaken during the year by Internal Audit forms the primary basis of the annual audit opinion over the adequacy and effectiveness of the governance, risk, and control framework. Additionally, there has also been recourse to the following sources of evidence and assurance:

- Anti-fraud and fraud investigations
- Follow up of management actions
- The Council's governance and risk management framework
- Inspections and external reviews, including work undertaken by the external auditor.

The Head of Internal Audit's Opinion for 2023/24 is that having considered the relevant evidence, it is my opinion that I can provide Reasonable/Limited Assurance that the Council has adequate systems of governance, risk management and internal control.

Head of Internal Audit, Anti-Fraud & Risk.

The full report will be made available on the Council's website.

## External Audit & Inspections

### External Audit

From 1 September 2018 Deloitte LLP was appointed as the Council's external auditor, this was following the decision of the Council to opt into the Public Sector Audit Appointments Limited (PSAA) arrangement. PSAA appointed Deloitte to audit the accounts of the Council for a period of five years (2018/19 to 2022/23).

During 2023/24, Deloitte completed its audit of the Council's 2018/19 or 2019/20 financial statements. The Council has published its draft financial statements for 2020/21, 2021/22 and 2022/23 – these are available from the Council's website. The external audit of these financial statements has been delayed as a consequence of issues affecting the finalisation of the 2019/19 and 2019/20 financial statements. This is a national issue and there is a significant number of delayed audit opinions across the sector.

During February 2024, DLUHC issued a joint statement (Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit) and a related consultation. The statement sets out a proposed three-phase approach to tackle the national backlog in the audited accounts of local authorities. Concurrently, the NAO has consulted on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements.

In October 2022, EY (also known as Ernst and Young LLP) was appointed by PSAA as the Council's external auditor for a period of five years, from 2023/24 onwards.

Progress on external audit activity has been reported regularly to the Audit Committee.

## Local Government Association – Corporate Peer Challenge

An expert team of independent reviewers was invited to inspect the Council as part of a Local Government Association Corporate Peer Challenge. A team of councillors and senior leaders visited the Council for a week during September 2023 to assess how the organisation operates and recommend areas for improvement.

Its report recognised that the Council ‘is still adjusting to changes and challenges’ after ‘going through a period of significant change in the last eighteen months, with a new Mayor and, a new Chief Executive, as well as a move to new Council offices.’ Despite these changes, the Peer Review found the Council was delivering at speed with the help of ‘highly skilled, dedicated people who are evidently committed to delivering the best outcomes for the borough’s residents.’

It went on to say that: ‘Both members and officers should be commended for the delivery against the election promises to date and in particular the speed of the implementation of universal free school meals for all children up to age 16, and the implementation of the Educational Maintenance Allowance for sixth form and college students.’

The 18 core recommendations contained within the report are the subject of a detailed action plan which the Council has published alongside the Corporate Peer Challenge Report on the Council’s website. It identifies all of the core recommendations and sets against them key actions that help to address the recommendations. It also sets out those actions that the Council has already undertaken relevant to the recommendations or that resolve them altogether.

## Other Inspections and Review

During the 2023/24 work by external review bodies/inspectors comprised the following:

- Investors in People - During 2023 the Council retained its Silver accreditation and continues its journey to Gold. The assessors gathered evidence through 100 staff interviews and a staff survey. They also attended events such as the Staff Conference and Awards ceremony, Chief Executive Roadshow and the Innovation POD session on creating award winning entries. The Council achieved Gold level in 11 of the 27 themes, three more than in 2020.
- Adult Social Care Peer Review - As part of the preparation for a Care Quality Commission inspection of Adult Social Care, the Council underwent a Peer Review by the London Association of Directors of Adult Social Services (ADASS) in

January 2024. The Peer Review Team included colleagues from adult social care departments from other local authorities in London, as well as a 'person with lived experience' of adult social care. Around 150 staff and partners spent time with the Peer Review Team as part of the on-site visit. The review highlighted many strengths, including the passion and commitment of our workforce; our reflective culture of learning and improving; our stable structure; and our strong partnerships with health services and the community.

- SEND LGA peer review – this review found progress and improvements across several areas. Most notably, it concluded that the commitment and drive to improve the outcomes for children and young people with SEND are visible across the partnership and also that the SEND Improvement Board has driven the improvements at a strategic level. Conversely, the report noted that there remains inconsistency of practice across the system which continues to impact on the lives of children, young people and their families, and that there is an opportunity to strengthen whole system connectivity, vision and joint ownership.
- Best Value Inspection - On Thursday 22 February 2024, the Department for Levelling Up, Housing and Communities notified the Council of an inspection to provide assurance of improvement progress in the Council. The Secretary of State decided to commission this inspection to provide him with direct, independent assurance that the Council is complying with its Best Value Duty. This duty requires the Council to make arrangements to secure continuous improvement in the way in which its functions are exercised, with regard to economy, efficiency and effectiveness. The Secretary of State has asked inspectors to report their findings to him by Friday 31 May 2024 or such later date as may be agreed with the Secretary of State. The inspection process is independent of government.

## Companies, Arms-Length Management Organisations and Charities

The Council is involved in a number of companies as well as an Arms-Length Management Organisations and Charities, the significant ones of which are detailed below.

### Tower Hamlets Homes

In February 2023, the Council agreed to transfer Tower Hamlets Homes (THH: the Council's Housing Arm's Length Management Organisation) back in-house – this took effect from 1<sup>st</sup> November 2023. Having reviewed the options for the future of housing management services, the Council has assessed that bringing services back in-house (and thereby ending the Management Agreement) will provide an opportunity to join up services, increase accountability to residents and the Regulator of Social Housing, and enable the Council to take a strategic approach to delivering good quality homes.

The decision to return THH to the Council was taken after a consultation last year, in which Council tenants and leaseholders overwhelmingly supported the proposal. Over 86% of Council tenants and leaseholders, who took part in the consultation, agreed that housing management services should be brought back in house under the direct control of the Council.

Whilst THH is now back in-house, integration work is ongoing and forming a key part of a wider review of the Housing & Regeneration directorate's governance structure.

### King George's Field Trust

The Council serves as sole trustee of the King George's Field, Mile End charity. The charity is governed by a Trust Deed, and is unincorporated, being established by a Scheme of the Charity Commission dated 28th February 2000. The Charity's objectives are set out in Trust Deeds, which are as follows "To preserve in perpetuity the covenanted land and to apply the land to such charitable purposes as are set out in the Recreational Charities Act 1958, including the construction of indoor recreational facilities, subject to the approval of the National Playing Fields Association and the Charity Commission in respect of any additional purposes".

The Trust has no employees of its own and is dependent on staff of the Council for its operations; its standing orders with respect to controls for procurement, expenditure and income are aligned to those of the Council.

## Significant Governance Issues

Corporate Directors are required to consider whether there have been any significant governance issues. For the purposes of this review, we have defined a significant governance issue as something that:

- Seriously prejudiced or prevented achievement of one or more principal objectives
- Resulted in the need to seek additional funding to resolve the issue
- Required a significant diversion of resources
- Had a material impact on the accounts
- Resulted in significant public interest or has seriously damaged the reputation of the Council
- Resulted in formal actions by the Section 151 (Corporate Director of Resources) or Monitoring Officer
- Received significant adverse commentary in an external inspection report and was not or cannot be addressed in a timely manner.

## Progress against Significant Governance Issues Identified in 2022/23

The 2022/23 AGS included 11 significant governance issues which needed to be addressed. A summary of progress and outcomes against these actions follows:

No.	Issue	Action	Progress / Outcome
1	<p>Issues have previously been identified with both the 2018/19 and 2019/20 Statement of Accounts (SoA) resulting in lengthy delays in external audit certification.</p> <p>Consequently, the external audit of the 2020/21, 2021/22 and 2022/23 accounts has been delayed and therefore the statutory deadline for publishing the accounts for these years has not been met.</p>	<p>Work is ongoing to finalise the 2018/19 and 2019/20 SoAs audits and revised accounts for these years will be presented to the Audit Committee in November 2023. Draft accounts for 2020/21 were issued in January 2022.</p> <p>The Council will now focus on producing and publishing its draft Statement of Accounts in relation to 2021/22 and 2022/23 at the earliest opportunity, and to therefore do so prior to progressing with the completion of the 2020/21 audit. Public inspection in line with the requirements of the Accounts and Audit Regulations (2015) will then commence as soon as draft accounts [for 2021/22 and 2022/23] are published on the Council's website.</p> <p>Whilst the external audits for prior years remain incomplete, there is a risk that the external auditor may identify adjustments which will have an impact on the 2021/22 and 2022/23 accounts. However, we consider this risk is outweighed by the</p>	<p>After much delay the 2018/19 and 2019/20 Statement of Accounts were signed off by the external auditor during November 2023, though they received qualified audit opinions.</p> <p>The Council has also published its draft financial statements for 2020/21, 2021/22 and 2022/23 – these are available from the Council's website. The external audit of these financial statements has been delayed as a consequence of issues affecting the finalisation of the 2019/19 and 2019/20 financial statements. The delay in finalising audits is acknowledged as a national issue and there is a significant number of delayed audit opinions across the sector. DLUHC is proposing to address this through a statutory 'system reset' and a backstop date of 30 September 2024.</p> <p>The Audit Committee has considered the planned accounts production and audit timetable to comply with the proposed backstop date, which is currently under consultation.</p>



No.	Issue	Action	Progress / Outcome
		<p>benefit of the actions described above, which prioritise financial accountability and appropriate governance in the circumstances, and which we consider to be substantially in the public interest.</p> <p>Annual Governance Statements for 2020/21, 2021/22 and 2022/23 will be presented to the Audit Committee in October 2023 for approval.</p>	<p>The Council's finance team is well placed to complete the 2023/24 close-down and accounts production process on time.</p> <p>Annual Governance Statements in relation to 2020/21, 2021/22 and 2022/23 have been drafted, reviewed, signed-off and published on the Council's website.</p>
2	Weaknesses in completing reconciliations of the payroll system in a timely fashion.	<p>To be completed on a more regular basis and improvements to be picked up in outcome of decision re new financial system.</p> <p>Initial improvements were implemented during March 2023 and further system improvements are linked to timetable of implementation of new financial system.</p>	<p>All payroll reconciliations are completed monthly and shared as part of the Financial Control meeting dashboard.</p> <p>The payroll team also meets on a monthly basis with the Strategic Head of Finance and his team to review progress.</p>
3	Historic weaknesses in accounting for VAT and underlying compliance with HMRC requirements, leading to an estimated underpayment.	<p>Ongoing contact with HMRC to understand and urgently resolve the issues that have been identified.</p> <p>To deliver actions included in the action plan provided by HMRC.</p>	<p>Claims for retrospective VAT are still outstanding with HMRC. However, progress is ongoing, and the Council continues to liaise with officers of HMRC on a regular basis.</p> <p>The Council has engaged external tax advisors to carry out an independent review of the Council's monthly VAT returns, starting with the January 2024 claim.</p> <p>The Council has also commissioned an external review of its VAT policies and procedures and is in the process of reviewing and implementing initial recommendations.</p>



No.	Issue	Action	Progress / Outcome
4	<p>Ongoing challenges to the sector’s medium term financial sustainability. For the Council, this relates particularly to challenges around the budget gap, delivery of savings targets, alongside persistent overspends in demand led services, such as Housing &amp; Homelessness and Adult Social Care.</p>	<p>Boards have been set up to drive the transformation programme, add rigour to financial management and ensure that the efficiencies detailed in the MTFS are achieved. These arrangements include the Budget Board, which is chaired by the Section 151 Officer and leads on approving budget efficiencies, including saving targets, budget growth requests and in-year variances.</p> <p>Directorates have been issued with £40m savings targets to achieve and proposals will progress through the Board governance framework to ensure they are deliverable, and all potential savings are identified.</p> <p>A savings target has been attached to Corporate Restructure Initiative.</p> <p>One-off use of reserves to smooth any budget gap over the medium-term.</p> <p>Service specific action plans are in place which include, for example, continued implementation of the Adult Social Care Transformation Programme, and work in the Housing Options service to enable upstream work designed to prevent homelessness occurring, bringing homeless people into employment and utilising cheaper accommodation.</p>	<p>The Council approved a revised balanced and sustainable MTFS in February 2024.</p> <p>A strengthened budget board with updated terms of reference chaired by the Section 151 officer remains in place for the monitoring of the delivery of the now identified savings in the MTFS comprising a budget.</p> <p>All Corporate Directors have signed assurance statements confirming their accountability for delivering the respective savings,</p> <p>The new MTFS has reduced reliance on reserves and making positive contributions throughout the period.</p> <p>Significant provision has been made to accommodate financial risk including those presented by demand led services.</p>



No.	Issue	Action	Progress / Outcome
5	Quality Assurance in Adult Social Care.	Implement further developments to Mosaic (IT system) and further improve the quality of data (also part of the Adult Social Care Transformation Programme).	<p>Improvements have been made to Mosaic including:</p> <ul style="list-style-type: none"> <li>• Simplification of the Core Adults workflows to streamline processes and reduce time spent working through system pathways.</li> <li>• Implementation of Adults Services changes to support plans to align with outcome-based commissioning.</li> <li>• Improving the hand-offs between practitioners and brokerage.</li> <li>• Improvements to the finance configuration making it easier for practitioners to navigate purchasing, easier for the brokerage team to manage and easier for the support team to maintain.</li> </ul>
6	Financial sustainability and budget management – there is an underlying overspend in waste and street cleansing services following insourcing and budget management needs further strengthening.	Implement a waste improvement plan targeting illegal waste through increased enforcement activity; improve commercial waste offer and increase market share (whilst also targeting over production of waste by existing commercial waste customers through targeted enforcement activity to drive compliance and increase sales); reduce contamination through identification of hotspots followed by targeted communication (education/advice/enforcement); target rogue landlords through policy change/intervention; workforce: recruitment of permanent staff to replace temps, overtime reduction; route	<p>An interim commercial waste manager has now been appointed and a revised business plan has been created with temporary recruitment to support staff to assist with managing aged debt, administering financial data and streamlining processes that will assist with increased revenue. Moreover, an additional sales officer was appointed in late 2022 to increase sales. A growth bid has been submitted that proposes an increase in income by £500,000 in 2025-27. This income may be exceeded with the right facets in place.</p> <p>An improvement plan is now in place to guide operations including</p> <ul style="list-style-type: none"> <li>• Commercial waste being segregated from household waste collections in 2024, as a</li> </ul>



No.	Issue	Action	Progress / Outcome
		<p>optimisation and increased staff training to reduce vehicle damage/insurance claims.</p>	<p>precedent to the creation of a self-serving commercial waste service.</p> <ul style="list-style-type: none"> <li>• Time bands will be introduced to assist with controlling illegal dumping on high footfall streets and also to aid with enforcement activity that will be increased.</li> <li>• Optimisation of household and commercial collection rounds will be concluded in 2024, with the desktop exercise on household waste already completed. This will see rebalanced rounds with a segregation of commercial and household waste collections. With the advent of new routes, overtime will be drastically reduced.</li> <li>• A recycling policy has been drafted and a review of how contamination is managed is also being undertaken. This will lead to targeted action on how contamination is tackled from education to collection, with responsibilities shared with landlords and managing agents.</li> </ul> <p>Finally, approximately one hundred and twenty agency staff have been transitioned to full time LBTH employees with a start date of 18<sup>th</sup> March. This change will reduce agency spend on waste budgets with a minimal reliance on agency in the future if necessary.</p>
7	<p>SEND Local Area Inspection 2021 – requirement of the Council and the CCG for a Written Statement of Action in relation to four areas of weakness.</p>	<p>Written Statement of Action approved by Department for Education (DfE) and NHS England – to be termly monitored</p> <p>SEND Improvement Plan overseen by SEND Improvement Board</p>	<p>Following a challenging Local Area SEND Inspection in 2021, we have continued our improvement focus; a LGA SEND peer review in October 2023 found evidence of progress. Our most recent meeting with the DfE Advisers, who monitor our progress against the Written Statement of Action, provided useful positive feedback about</p>



No.	Issue	Action	Progress / Outcome
			<p>our strengthened reporting arrangements; the DfE also noted improvements and an increase in pace from 2023. In March 2024 we were successful in our bid for £1million in additional funding from the DfE’s Delivering Better Value scheme. We will continue to utilise the SEND Improvement Board to carry forward this work across the partnership.</p>
8	<p>Youth Offending Inspection 2022 – Requires Improvement judgement.</p>	<p>Youth Justice Improvement Plan overseen by Youth Justice Management Board</p>	<p>Following a challenging Youth Justice Inspection in 2022, we continued our improvement focus by inviting the Youth Justice Sector Improvement Partner (YJSIP) to undertake a Peer Review. This was particularly focused on our improvement journey. The initial feedback indicated a positive trajectory, and we await the final report. The outcome of this will support the improvement of services for children known to Youth Justices Services in Tower Hamlets and City of London.</p>
9	<p>The Annual Risk Management report for 2022/23 stated that ‘Risk Management practices are established but not fully embedded and mature. Moreover, there are inconsistent levels of engagement in the underlying processes (reviewing risk articulation, updating controls, removing redundant risks), and consequently there is limited confidence that the underlying risk data held on JCAD is accurate and useful as a tool for managing risk.</p>	<p>Implementation of the Action Plan included in the report to Audit Committee at its July 2023 meeting.</p> <p>To further strengthen Risk Management and corporate governance across the Council, an Internal Control Framework will be developed and embedded.</p>	<p>A number of actions have been taken and improvements made during 2023/24. Most notably, these include:</p> <ul style="list-style-type: none"> <li>• The recruitment and appointment (from 1 February 2024) of a permanent Risk Officer.</li> <li>• Deployed upgrades to the JCAD risk management software to enhance functionality.</li> <li>• Undertaken a data cleanse and update of JCAD users.</li> <li>• Enhanced reporting of risks to DLTs and CMT and follow up.</li> </ul> <p>Additionally, a new Risk Management Strategy will be drafted and published during 2024/25.</p>



No.	Issue	Action	Progress / Outcome
10	<p>2022-23 saw a significant downturn in development activity in the borough, an issue seen across London due to the housing market and issues in the wider economy. LBTH relies on a buoyant development sector in a number of ways. Fees charged as part of the planning and development process fund the Planning and Building Control Service. Funding secured via the Community Infrastructure Levy plays a key role in delivering the capital program and S106 secured also support the delivery of a number of services within the Council. A slowdown in development impacts all these income streams and can impact the pipeline of income for a number of years. In respect of the Planning and Building Control service, requests for a reserve account to smooth the cyclical nature of the development pipeline have not previously been supported but would help ensure the service can manage its own pressures across the development cycle.</p>	<p>Continue to develop our understanding the development pipeline and barriers to development coming forward.</p> <p>The Council’s budget setting process for 2024/25 will include specific actions to mitigate the effects of annual fluctuations in planning and development income.</p>	<p>Planning and Building Control Division has been monitoring development activity in the borough and collecting data from multiple sources to better understand development pipeline and issues affecting the development industry and the impact this has had on development in the borough. With this understanding the division is proactively monitoring and tracking development, supporting development pipeline with a ‘fast track’ service to expedite the planning process for strategic schemes and engaging with developers through a developer’s forum to understand challenges and reaching out to those developers/landowners with stalled sites with planning consent to help unlock issues.</p> <p>Planning and Building Control has raised a concern around fluctuating income from the market and has requested that a reserve be created to utilise any additional planning fees.</p>
11	<p>Cyber Security and Resilience</p>	<p>Ongoing active monitoring of cyber risks and the IT control environment.</p> <p>Deployment of the Zero Trust Network Architecture.</p>	<ol style="list-style-type: none"> <li>1. We have implemented 24/7 managed cyber security operations centre (CSOC) covering proactive monitoring and response.</li> <li>2. Zero trust architecture for incoming network traffic is implemented. Active monitoring of</li> </ol>



No.	Issue	Action	Progress / Outcome
		<p>Continuing to raise awareness and train staff in Cyber Security.</p> <p>Aligning the Cyber Security Strategy with the NCSC Cyber Assessment Framework.</p>	<p>outgoing traffic is in place. Work to enforce data loss prevention (DLP) is ongoing.</p> <p>3. Actively using 'Redflags' for creating real time awareness of risky activities.</p> <p>4. The strategy is aligned to the Cyber Assessment framework (CAF). However, compliance is an ongoing activity as the NCSC CAF keeps updating based on changing security posture.</p>

## Significant Governance Issues Identified in 2023/24

All Corporate Directors have submitted their returns for 2023/24 to the Chief Executive. The following table summarises the most significant issues raised and the proposed actions to address them:

No.	Issue	Action	Responsible	Timescale
1.	Overspending in Housing & Homelessness. This main risk area relates to the Housing Options service where homelessness continues to be high, resulting in the use of expensive nightly booked accommodation.	<p>Whilst much of the pressures on spend relates to factors which are outside the direct control of the Council, mitigating actions have been identified and include:</p> <ul style="list-style-type: none"> <li>• Proactive and earlier interventions to prevent Homelessness occurring</li> <li>• Putting in place help people to quickly recover from and exit homelessness</li> <li>• Utilising the Housing Revenue Account to support an additional 300 homes rather than placing households in non-Council owned housing.</li> </ul>	Corporate Director of Housing & Regeneration and Director of Housing	Ongoing
2.	THH integration – whilst THH is now back in-house, integration work is ongoing and forming a key part of a wider review of the Housing & Regeneration directorate's governance structure.	THH integration work is ongoing.	Corporate Director of Housing & Regeneration	Ongoing
3.	The new Regulator for Social Housing is a key consideration for Housing & Regeneration, with significant impacts across the directorate, including ensuring that the right training and development is in place to ensure that staff are equipped with the skills	Housing & Regeneration are working at pace to ensure compliance with the new Social Housing (Regulation) Act.	Corporate Director of Housing & Regeneration	Ongoing



No.	Issue	Action	Responsible	Timescale
	and qualifications required under the Social Housing (Regulation) Act.			
4.	Financial sustainability of Waste Service further to additional investment and continuation to delivery service improvements within budget	<p>Further develop and implement the Mayor's Waste Improvement Plan with targeted action around</p> <ul style="list-style-type: none"> <li>• Introduction of Time banding</li> <li>• Communication and Consultation</li> <li>• Engagement</li> <li>• Parks Service Enhancement</li> <li>• Street Cleansing Enhancement</li> <li>• Waste Systems Review</li> <li>• Commercial Waste Review</li> <li>• Recycling Reduction Plan.</li> </ul>	Director of Public Realm / Head of Waste Operations	March 2025
5.	Cessation of funding for Crime Reduction Team which requires service realignment in order to deliver on local crime and safety priorities within budgets. This exposes the Council to significant reputational risk from external stakeholders due to deletion of services and withdrawal of safeguarding services.	<ul style="list-style-type: none"> <li>• Redesign of the Crime Reduction team in conjunction with staff, HR and TU's and in line with corporate change management processes</li> <li>• Consultation with all relevant stakeholders (NHS, Police, Probation, ELFT, VRU)</li> <li>• Develop relevant external comms lines in event of media interest</li> <li>• Review current caseload to ensure no escalation of risk with vulnerable individuals and signpost/handover to other services</li> </ul>	Director of Community Safety / Head of Leisure Operations	July 2024

No.	Issue	Action	Responsible	Timescale
		<ul style="list-style-type: none"> <li>Support staff in finding redeployment opportunities.</li> </ul>		
6.	Exposure to significant financial and operational risk through insourcing of Leisure Centre management which requires robust management to minimise service disruption and improved service outcomes.	<p>Deliver a number of actions through the Leisure Insourcing Board to</p> <ul style="list-style-type: none"> <li>Improve the leisure offer for residents.</li> <li>Deliver improved customer service and increase engagement and participation.</li> <li>Manage key risks, including budgetary control to ensure expenditure does not exceed income.</li> <li>Transition staff and ensure the workforce is sufficient in scale and expertise to manage the estate.</li> <li>Embed processes (inc. health and safety) to robustly manage and mitigate operational risks and implications of running the leisure centres.</li> </ul>	Head of Leisure Operations	March 2025
7.	Significant increase (+£1m) to transport expenditure due to extra insurance premiums or payment of increased excess charges (due to worsening claims history).	Develop and Implement a Fleet Safety policy and procedures to ensure that all aspects of the Council's fleet operations, including the use of vehicles, plant, and equipment, comply with relevant statutory provisions related to health and safety, road transport operations, as well as construction and use regulations.	Director of Public Realm / Business Manager Operational Services	March 2025
8.	Financial sustainability/overspend in Adult Social Care	Medium Term Financial Strategy contains significant invest to save programme of technology enabled care. The capital programme supports the first phase of the 10-year housing with care strategy that will	Corporate Director Health & Adult Social Care / Director of Adult Social Care / Joint Director of	2024/25 and beyond – 5 and 10 year programmes respectively.



No.	Issue	Action	Responsible	Timescale
		<p>be presented to Cabinet shortly. These are both crucial to future financial sustainability.</p> <p>In year controls on spending and robust oversight of costs of care packages put in place to meet our statutory duties under the Care Act. Reduce levels of debt.</p> <p>Work to simplify the budget construction and reporting to further improve forecasting. This has progressed in line with corporate approach however would still benefit from more integration of performance and activity data.</p>	<p>Integrated Commissioning</p> <p>Director of Adult Social Care</p> <p>Finance Business Partner &amp; Head of Strategy, Performance &amp; Improvement</p>	<p>2024/25</p> <p>2024/25</p>
9.	Financial sustainability/overspend in Childrens	<p>Children Services face significant pressures to the SEND General Fund due to the high number of children being assessed for an EHCP, which requires more caseworkers and educational psychology time. Additionally, SEN transport costs have risen. The Medium-Term Financial Strategy contains some investment towards addressing these issues.</p> <p>Other mitigations include tighter budgetary control and monitoring, working groups and the provision of independent travel training where practicable to reduce demand. Additionally, we are implementing a range of measures funded through investment secured as a result of our engagement in the Delivering Better Value program.</p>	<p>SEND Team</p> <p>Director of Education</p> <p>Finance Business Partner Education</p>	2024/25



No.	Issue	Action	Responsible	Timescale
10.	Emerging concerns regarding contract monitoring and management	Finalise updated contract management guidance	Joint Director of Integrated Commissioning	End June 2024
		Ensure implementation across all contracts	All Directors	2024/25
		Ensure that shared records are in place across the Directorate/Legal/Procurement containing all relevant procurement documentation and copies of sealed contracts.	Joint Director of Integrated Commissioning in collaboration with Procurement & Legal	End June 2024
		Internal audit of contract management across Integrated Commissioning and Public Health	Internal Audit, Directors of Integrated Commissioning & Public Health	2024/25: Q3/Q4



## Conclusion for 2023/24

2023/24 has been another challenging year, with the continued rising cost-of-living alongside the long-term effects of the pandemic having a profound affect. The Council has continued to continue to support our most vulnerable residents during challenging times and worked tirelessly to tackle inequality, though the cost-of-living crisis also means that people will need more from the Council at a time when we expect future funding from central government to decline.

In response, we have updated Medium-Term Financial Strategy in which we further committed to securing a sustainable balanced position across the medium term, and ensured our budget can support delivery of our priorities and address the significant financial challenges facing the Council – these include, completing the insourcing of Tower Hamlets Homes, further funding and expanding our Education Maintenance Allowance programme, and launching a Council Tax Cost of Living Relief Fund to protect households with an income of below £49,500.

Whilst we are pleased with our progress, there remains significant challenges, in addition to the long-term impact of the pandemic, geo-political uncertainty and greater economic pressures such as the continuing “cost-of-living crisis” for the entire nation, we still want to address issues around service performance and budget management in key areas.

We recognise that good governance requires a culture of continuous improvement and challenge, we will continue to seek improvement and will be self-critical in doing so to ensure we uphold the highest possible standards of good governance.

We have put action plans in place to address any issues and regularly report progress via the Corporate Management Team and relevant Committees.