



LONDON BOROUGH OF TOWER HAMLETS

ANNUAL FINANCIAL REPORT 2022/23



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Narrative Report - 2022/23

Introduction

I am pleased to introduce Tower Hamlets Council's Statement of Accounts for 2022/23, which reports our financial results for the year.

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 2022/23 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 2022/23.

Julie Lorraine,

Corporate Director of Resources (Section 151 Officer)

Introduction to Tower Hamlets

Tower Hamlets offers the best of London in one borough and is unparalleled in its history of diversity and growth. 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.

In recent times Tower Hamlets has experienced the largest growth in the country and has been the focal point of regeneration in London. The richness of Tower Hamlets is also evident in its physical and cultural assets. The borough's diverse history is reflected in the collection of hamlets that grew along and around the trade and movement routes between the City of London and the hinterlands of Essex.

Tower Hamlets boasts extensive waterways, Victoria and Mile End 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 Docklands and the Museum of Childhood, reflect the historical and contemporary cultural diversity of the East End.

All of these contribute to the borough's unmatched sense of place and identity and makes Tower Hamlets one of the most popular places 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 254,0961 to 310,300.
- Tower Hamlets is also the most densely populated borough in England with 15,695 residents per square kilometre compared to an average of 424 per square kilometre in England.
- Tower Hamlets added an additional 19,200 households between 2011 and 2021 with the total number of households increasing from 101,257 to 120,500. This represented a 19% increase, the largest increase in households in the country.
- There were slightly more persons per household than in 2011 with the average household size moving from 2.51 in 2011 to 2.58 in 2021.
- We have fantastic transport links – 26 London Underground and DLR stations serving seven lines, including the Elizabeth Line, the second highest number of any London borough.
- More homes are built here than almost anywhere else. We are expected to accommodate a further 35,000 homes by 2028.
- The median age in the borough in 2021 was 30 years of age, making Tower Hamlets the youngest borough by median age in England and Wales.

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

- Canary Wharf remains one of the most important business districts in the country with 40 office buildings, 332 shops, cafés and restaurants. 191 art events held in 2022/23.
- 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

- Historic attractions include the Tower of London, the V&A Museum of Childhood, the Museum of London, Docklands and Tower Bridge.
- There are over 120 parks including Victoria Park, voted London's most-loved park, and parts of Queen Elizabeth Olympic Park.
- World famous markets include Spitalfields, Columbia Road and Petticoat Lane. Brick Lane is a melting pot of food and culture - everything from renowned curry houses and Jewish beigel shop to the Old Truman Brewery, with its own market.
- 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.

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.
- Barts NHS Trust hospitals train more than 4,000 people at any one time for medical careers.
- 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%).
- The May 2023 Annual Resident Survey data indicate that 87% of our residents feel that people from different 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 new Strategic Plan 2022-26 is designed to improve outcomes for residents as summarised below:

Priority 1 – Tackling the current Cost of Living crisis

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

Some of our actions include:

- Establish an Education Maintenance Allowance (EMA) and the University Bursary Award (UBA) to support young people into post-16 education.
- Support low-income residents through the current cost of living crisis.
- Freeze Council Tax to protect the poorest from rising living costs.
- Offer free school meals to every secondary school pupil up to the age of 16.

Priority 2 – Homes for the future

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

Some of our actions include:

- Build more homes and tackle overcrowding.
- Increase one-hour free parking spaces near our nine local markets.
- Tackle homelessness and rough sleeping.
- Bring housing management services in-house.

Priority 3 – Accelerate education

Our ambition: Every child achieves their best in education.

Some of our actions include:

- Increase the number of youth workers and safe spaces within the borough through a new Youth Service Model.
- Deliver school holiday services for young people.
- Protect the space in our Idea Stores where young people can study.
- Work with the voluntary sector to increase the provision of devices and internet access to reduce digital exclusion.

Priority 4 - Boost culture, business, jobs and leisure

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

Some of our actions include:

- Promote female sports sessions.
- Convene a sports summit to promote participation in sport and physical activity.
- Protect and support our markets.
- Deliver a programme of job enablement schemes.

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.

Some of our actions include:

- Add further residents' hubs to provide face to face one stop council services.
- Implement the waste improvement plan.
- Deliver high quality care and support services in line with statutory duties.
- Introduce a Public Health Service that is Covid-ready.

Priority 6 – Empower communities and fight crime

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

Some of our actions include:

- Work with the police and other bodies to tackle drug-related crime.
- Support events which celebrate the culture of our different communities and promote better understanding.
- Support those in poverty and those suffering from social isolation.
- Work to put more uniformed police officers on the streets, as part of our Community Constabulary.

Priority 7 – A clean and green future

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

Some of our actions include:

- Make council carbon net zero.
- Support schemes to teach cycling and bike proficiency and safety.
- Work with Transport for London to improve public transport.
- Look after our parks and other open spaces.

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.

Some of our actions include:

- Agree a Tower Hamlets Partnership Plan with partners and stakeholders to develop plans and ideas together.
- Complete Corporate Peer Challenge and implement its recommendations.

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

This year we had 51 performance measures in our new Strategic Plan, which was developed based on the new political administration's manifesto, in place at Tower Hamlets from May 2022. Our performance in 2022/23 has been positive overall.

At the end of quarter 4 2022 to 2023, 25 performance measures had been met or were exceeding their target, 5 were between the target and the minimum target, while 9 were falling short. 4 measures were awaiting monitoring data, 6 were reported as data only, and 2 were unavailable because they related to the universal free school meals service which was yet to be in place at secondary schools.

Key Achievements

A year on from the new political administration coming into power in May 2022, the council continues to oversee 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 made progress in:

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

- ✓ Created 2.2 million free meals from 940 tonnes of food supplied to organisations.
- ✓ Allocated and distributed £6m in payments to our most vulnerable residents from council and government funds.
- ✓ 35,172 resident accounts benefitted from £31.5m Council Tax reduction payments.
- ✓ 22,343 visited six warm hubs across the borough during the winter months, where tea, coffee and healthy snacks were provided. These hubs also helped to tackle loneliness and offered advice services. 750 energy packs were distributed to residents in partnership with Tower Hamlets Volunteer Centre.
- ✓ 19,772 payments of £100 to help vulnerable families.

2. Priority Two: Homes for the future

- ✓ Almost 22,000 properties brought back in-house.
- ✓ 277 homeless people supported into sustainable accommodation.
- ✓ Rehoused 31 families into wheelchair accessible homes via our flagship Project 120 scheme.
- ✓ Worked on delivery of 4,000 affordable homes by 2026.

3. Priority Three: Accelerate education

- ✓ Daily free school meal for primary and school children, with roll-out underway for secondary schools.
- ✓ 400 young people received a Mayor's University Bursary (£600k).
- ✓ 803 young people received a Mayor's Education Maintenance Allowance (£321k).
- ✓ 17,783 children were supported by the Early Help Children and Family Service.
- ✓ Provision for special educational needs and disability (SEND) children increased by £730k.

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

- ✓ £800k investment in community language provision.
- ✓ Rates relief for 834 businesses (£2m).
- ✓ £40m invested in leisure facilities, including bringing leisure centres under council management.
- ✓ 3866 jobs, training and apprenticeships opportunities delivered.
- ✓ 919 enterprises were supported by the council's business programme.

5. Priority Five: Invest in public services

- ✓ £13.7m invested in youth services, including one in every ward.
- ✓ £4.5m for local voluntary and community sector through Mayor's Community Grants.
- ✓ £2.5m to support free homecare for vulnerable adults.
- ✓ £1.1m investment in Resident Hubs.

6. Priority Six: Empower communities to fight crime

- ✓ 289 CCTV cameras upgraded to help capture evidence of crime and ASB.
- ✓ 7,779 additional uniformed police patrol hours, funded by the council.
- ✓ Recruited 41 enforcement officers to protect the public (£2.9m).
- ✓ £1.6m approved to fund additional police and bring back a community constabulary.

7. Priority Seven: A clean and green future

- ✓ £185k to support local businesses to be more energy efficient.
- ✓ £5m for electric waste vehicles and EV charging points and £180k for low carbon fuel supply.
- ✓ £2.1m to improve recycling on housing estates.
- ✓ 972 trees planted.

8. A council that works and listens for everyone

- ✓ £487k invested to reopen Watney Market Idea Store.
- ✓ Around 500 people seen a month at twice weekly Mayor's Surgeries.
- ✓ You said, we did: Life-saving equipment installed around the borough.
- ✓ Over 11k participants took part in 80 consultations.

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 2022/23, 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 (January 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
3. The Council may overspend its budget, fail to deliver savings, and rely 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 in the Council's annual Statement of Accounts
5. There is an ongoing risk of a cyber-attack and/or major loss of IT
6. There is a risk that the statement of accounts will receive a qualified 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. Following the Grenfell Fire tragedy residents of tower blocks in the borough are not safe or do not feel safe from fire
8. Regulatory censure and Safeguarding failure arising from deficient process for new and ongoing employee vetting
9. There is a risk that the Council will fail to comply with its obligations in relation to the Protection of Freedoms Act 2012
10. The risk of being unable to reclaim VAT from HMRC owing to weaknesses in accounting for VAT and underlying non-compliance with HMRC requirements
11. There is a risk the Council will be unable to deliver critical and essential services
12. Failure to prepare and take action in relation to the proposed Building Safety Act
13. Exploitation of supply chain security vulnerability impacting vendors/partners/service

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 out growth 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 will be presented to Council for approval in February 2024.

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 2022/23. 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, in adult social care, children's services and for housing services, particularly homelessness, have collectively created a challenging financial environment for the Council.

The overall outturn position for General Fund services, after the application of Covid grants, and contributions to/from reserves, is a net underspend of £0.5m, 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 £20.9m as at 31 March 2023. This position has been managed by the use of reserves. There have also been one-off corporate movements, which have arisen as part of the process of improving the financial management and accounting of the organisation. The council's income and expenditure related to General Fund balances for the year is further detailed within note 7 - expenditure and funding analysis based on a statutory basis within notes to the accounts section of the financial statements.

Revenue Reserves

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

| | 31 March 2022 | 31 March 2023 |
|---|------------------|------------------|
| | £m | £m |
| General Fund balances | (20.4) | (20.9) |
| HRA balances | (59.7) | (47.5) |
| Dedicated Schools Grant (surplus)/deficit | - | (1.2)* |
| Schools balances | (35.6) | (35.3) |
| GF earmarked reserves (Reserves without Restrictions) | (87.4) | (92.4) |
| GF earmarked reserves (Restricted Reserves) | (135.2) | (108.0) |
| Total | (338.3) | (305.3) |

*In accordance with regulations, the 2022/23 in-year (£1.2m) underspend on DSG has been transferred to earmarked reserves. However, the deficits carried forward from prior years, totalling £14.3m, is still held within the dedicated schools grant adjustment account, an unusable reserve, resulting in a net deficit carry forward of £13.1m at 31 March 2023.

The notable decreases in earmarked reserves at 31 March 2023 is mainly contained within GF earmarked reserves (Restricted Reserves) (£27.2m), which largely composed of the transfer and utilisation of reserves brought forward to fund liabilities and Collection Fund deficits that had arisen in prior years as a consequence of the pandemic, and within HRA balances (£12.2m), which largely related to the use of these balances to fund in-year overspends within revenue and to fund the new council HRA new council home capital programme.

We are in a hugely unpredictable environment, and we are facing significant challenges over the medium-term, potential changes to local government funding and service demand. Thus, it is important to maintain reserves at an adequate 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 outturn finalised at a £2.5m overspend on revenue and also utilised £9.7m to fund the HRA new council home capital programme, resulting in a net reduction in HRA balances of £12.2m at year-end.

Dedicated Schools Budget

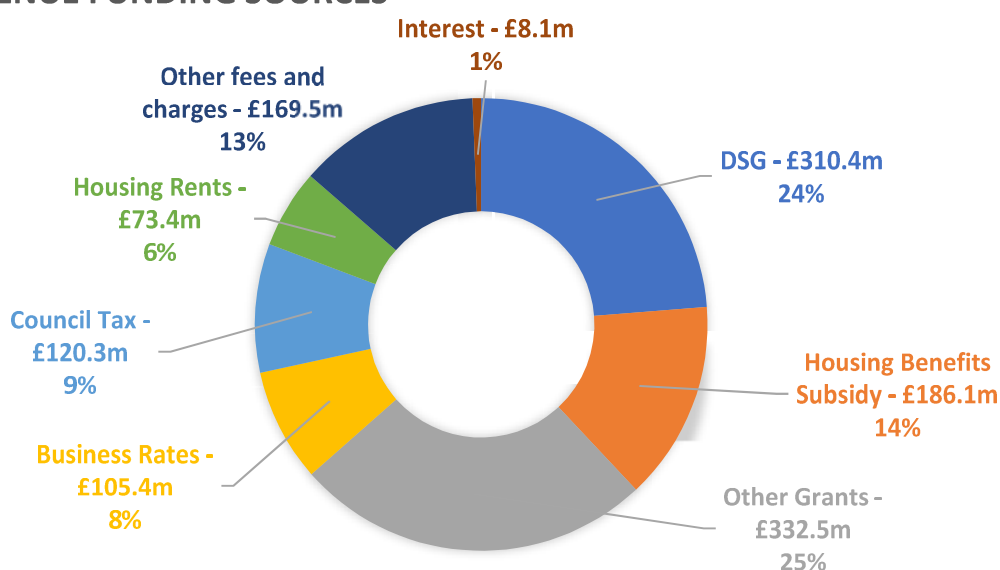
This budget records the expenditure and income on the ring-fenced schools' budgets and related services. The outturn finalised at an in-year underspend on Dedicated Schools Grant of £1.2m, with the Dedicated Schools Grant now having a cumulative deficit of £13.1m at 31 March 2023.

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.

REVENUE FUNDING SOURCES

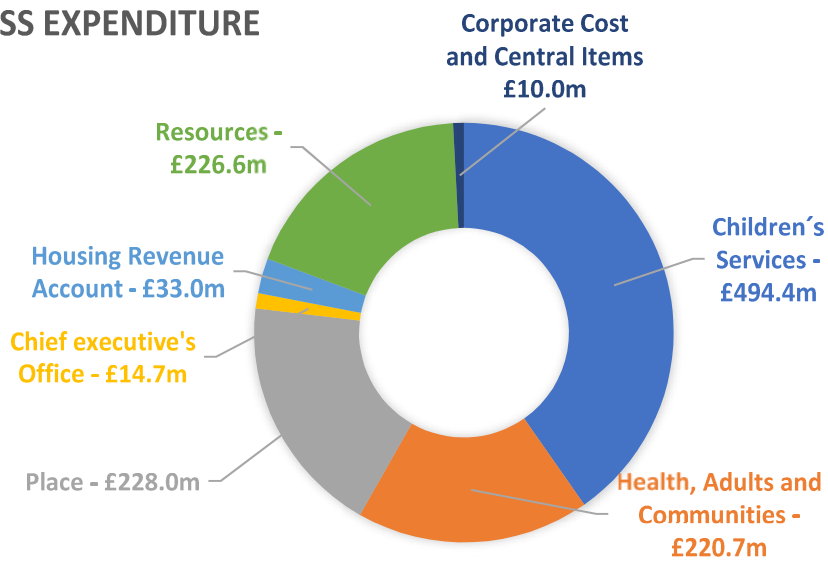


The diagram shows where the Council's expenditure is funded from. Government grants and subsidies are the main source of the £1.306bn revenue funding at £0.829bn, along with revenues from fees and charges, business rates, council tax and housing rents. The largest service grant is the Dedicated Schools Grant of £0.310bn 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 and Culture, which includes schools and social care for children.

GROSS EXPENDITURE



The diagram shows where the Council's gross expenditure of £1.227bn is spent by services area. The largest gross expenditure of £0.494bn is spent on the Children's and Culture service, which includes schools and social care for children.

Capital Investment and Funding

Capital Investment

The Council has continued to invest in its infrastructure with £137.3m spent on its capital programme. Within the General Fund, the main area of investment was in Place with £21.7m spent on the Town Hall and £10.7m on Public Realm Improvements. In Childrens and Culture, £24.7m was invested in improving schools of which £14.2m was spent on the new Mulberry Academy London Dock. Within the HRA, over £31.2m was spent on building new homes. Furthermore, £2.9m was spent under the devolved schools budgets.

Capital Funding

A significant part of the capital programme was financed by borrowing £49.0m. This was “internal borrowing” against the Council’s own internal resources.

Capital grants and contributions financed £53.2m of expenditure with capital receipts of £11.3m being another significant source of funding.

Capital spending and financing for 2022/23 is shown in the following table:

| | 31 March 2022 | 31 March 2023 |
|---|------------------|------------------|
| | £m | £m |
| <i>Capital Investment</i> | | |
| Children and Culture | 24.6 | 30.4 |
| Health, Adults and Communities | 9.0 | 10.0 |
| Place | 71.7 | 49.0 |
| Resources | 1.1 | 3.4 |
| Local Authority Housing (Housing Revenue Account) | 52.0 | 44.5 |
| Total | 158.4 | 137.3 |
| <i>Capital Funding</i> | | |
| Borrowing | 64.7 | 49.0 |
| Capital Grants and Contributions | 57.8 | 53.2 |
| Capital Receipts | 21.6 | 11.3 |
| Major Repairs Reserve | 11.9 | 13.2 |
| Direct Revenue / Reserves Funding | 2.4 | 10.6 |
| Total | 158.4 | 137.3 |

Borrowing and Investments

Long-term borrowing for the Council remained the same at £68.7m. Short-term borrowing arising from repayment liabilities associated with loans decreased from £1.6m to £0.3m during the year.

Long-term Investments for the Council also largely remained steady, falling from £56.2m to £52.3m. Short-term Investments decreased from £115.4m to £50.7m 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 liability at the end of 2021/22 of £478.0 million moved to a net asset position of £7.4million in 2022/23 after applying the effects of the 'asset ceilings', shown as a pension asset of £17.5m (with regard to the Local Government Pension Scheme) and a pension liability of £10.1m (with regard to the London Pension Fund Authority and the liability attributable to historical discretionary awards made to members of the Teachers' Pension Scheme). This change is attributable in large part to changing assumptions used by the actuary; of particular note, that the rate of discount for scheme liabilities increased to 4.8%, which is significantly higher than the previous year (2.7%).

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 2022/23 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 2023 and its income and expenditure for the year ended 31 March 2023, except for:

- The possible effect of issues relating to the quality of pension scheme membership data including prior year comparator data (as described under Note 4 to the main accounts – Assumptions Made About the Future and Other Sources of Estimation Uncertainty) on the pension asset at 31 March 2023, pension liability at 31 March 2022 and related entries;

- The possible effect of issues relating to the lack of group accounts including prior year comparator data (as described under Note 41 to the main accounts – Group Accounts);
- Not having fully complied with the disclosure requirements in relation to officers' remuneration (as presented in Note 30 to the main accounts – Officers' Remuneration, relating to the other employees and exit payments tables);
- An uncertainty as to whether the disclosure requirements in relation to related parties have been complied with in full (as presented under Note 35 to the main accounts – Related Parties);
- Not having complied with the disclosure requirements of revenue from contracts with customers in relation to the amount of revenue from contracts with service recipients included in the Comprehensive Income and Expenditure Statement and its disaggregation on a segmental basis and related amounts included in the Balance Sheet.



Julie Lorraine

Corporate Director of Resources

Date: 9 December 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 Mufeedah Bustin

Chair of the Audit Committee

Date: 9 December 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF TOWER HAMLETS

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Disclaimer of opinion

We do not express an opinion on the accompanying financial statements of the London Borough of Tower Hamlets ('the Authority') for the year ended 31 March 2023. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements which comprise:

- the Movement in Reserves Statement;
- the Comprehensive Income and Expenditure Statement;
- the Balance Sheet;
- the Cash Flow Statement;
- the related notes 1 to 41.
- the Housing Revenue Account Income and Expenditure Account;
- the related notes to the Housing Revenue Account Income and Expenditure Account 1 to 8;
- the Collection Fund; and
- the related notes to the Collection Fund 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting ("the Code").

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ("the Regulations") require the Authority to publish its statement of accounts, together with an accompanying auditor's report for the years ended 31 March 2023, 31 March 2022 and 31 March 2021 by 13 December 2024.

The Authority published its draft statement of accounts for the years ended 31 March 2023 and 31 March 2022 on 4 February 2024. Following the introduction of the Regulations, there was insufficient time to complete the necessary audit work to form an audit opinion on the financial statements for the years ended 31 March 2023 and 2022.

As a result, we were unable to determine whether any adjustments might have been identified in respect of recorded or unrecorded items within the financial statements for both the years ended 31 March 2023 and 31 March 2022.

Additionally, from the procedures that we have performed, we have identified the following:

Failure to prepare group accounts

- As explained in note 41, the Authority has not prepared group accounts which consolidate the results and financial position of its subsidiary undertakings, including Tower Hamlets Homes Limited and King George's Field, Mile End. Under the Code, the Authority is required to prepare group accounts, as its interests are material in aggregate. The Authority has published unaudited information showing that net assets and reserves would have been £70.9m higher had group accounts been prepared. We also reported on this matter in respect of the financial statements for the year ended 31 March 2022 (had group accounts been prepared in respect of that financial year which included the Authority's principal subsidiaries, net assets and reserves would have

been £25.2m higher at 31 March 2022). In addition, the narrative report does not consider the results and financial position of the subsidiary undertakings.

Pension asset/liabilities and related entries

- As explained in note 4, errors were identified in a sample of membership data used to calculate pension liabilities at 31 March 2022 of £478.0m and related comparator entries in note 38. The membership data used to calculate the pension liability and related entries was corrected for some but not all of these errors. As a result of the volume of member records involved and as a result of the pervasive limitations set out above, it was not possible to determine whether adjustments were required to these amounts or to other entries in note 38 relating to the total comprehensive income for the year ended 31 March 2023 which might then also be required as a consequence of adjustments to the pension liability at 31 March 2022. We also reported on this matter in respect of the financial statements for the year ended 31 March 2022. A different membership data set, extracted from the same system used to calculate the pension liability at 31 March 2022, was used to calculate the pension asset at 31 March 2023 of £17.5m and related entries in note 38. As a result of the pervasive limitations set out above, we were unable to determine whether any adjustments to these amounts were necessary. In addition, where information on the Authority's pension liability is discussed in the narrative report, it may be materially misstated for the same reason.

Officers' remuneration

- As explained in note 30, the comparative information in the disclosure of the number of the Authority's employees with remuneration over £50,000, falling in bands of £5,000, is misstated as it does not include information in relation to staff employed at 3 schools as information is not held centrally and returns were not received from these schools. We also reported on this matter in respect of the financial statements for the year ended 31 March 2022.

Disclosure of revenue from contracts with service recipients

- The Authority has not included information within the financial statement notes as required by the Code relating to the amount of revenue recognised from contracts with service recipients, its disaggregation into categories or the amount of related balance sheet account balances. Owing to the pervasive limitations disclosed above, we are not able to quantify the effect of this omitted disclosure. We also reported this in respect of the financial statements for the year ended 31 March 2022.

Chief Financial Officer's responsibilities

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with proper practices as set out in the Code in the United Kingdom and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct our audit in accordance with International Standards on Auditing (UK), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

We are required to design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud has been limited by the pervasive extent of the matters described in the basis for disclaimer of opinion section of our report.

We plan to consider the nature of the Authority and its control environment and review the Authority's documentation of its policies and procedures relating to fraud and compliance with laws and regulations.

We enquired of management and internal audit and counter fraud service about their own identification and assessment of the risks of non-compliance with laws and regulations.

We plan to obtain an understanding of the legal and regulatory framework that the Authority operates in.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In addressing the risk of fraud through management override of controls, we are required to: test the appropriateness of journal entries and other adjustments; assess whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluate the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our planned procedures include the following:

- reviewing financial statement disclosures;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and counter fraud service and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- where available, reading minutes of meetings of those charged with governance, reviewing internal audit reports a record of correspondence with HMRC and reports issued by other relevant regulatory authorities, including the Office for Standards in Education and the Care Quality Commission.

Owing to the pervasive limitations set out above, we were unable to complete all these procedures.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Matters on which we are required to report by exception

Use of resources

Under the Code of Audit Practice and the Local Audit and Accountability Act 2014, we are required to report to you if we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

In our audit report dated 12 December 2024 on the 2020/21 financial statements, we reported significant weaknesses in the Authority's governance arrangements. The significant weaknesses reported were:

- **Significant weaknesses in processes and systems for reliable and timely financial reporting** due to significant control deficiencies identified during the audits of 2018/19 and 2019/20 financial statements in respect of which corrective action was not complete; and
- **Significant weaknesses in arrangements for identifying and managing risks, including maintaining an adequate system of internal control** due to findings identified in internal audit reports, including weaknesses reported in risk management arrangements, and weaknesses in arrangements to take timely and effective corrective action in relation to recommendations made by internal and external audit and other external agencies.

These weaknesses have not yet been addressed. Our recommendations for improvement included:

- The council implements the remaining recommendations from the internal audit's report on risk management and our past recommendations on financial reporting and ensures timely implementation of other recommendations from internal and external reviews in line with agreed action plans and timetables;
- The audit committee request more frequent reporting on progress on implementing internal and external audit recommendations and consider how it gains assurance that timely action has been taken on recommendations made by other external agencies relevant to its areas of responsibility; and
- The audit committee report annually to full council on what impact the committee has on the improvement of governance, risk and control arrangements within the council.

On 4 December 2024 we reported to the Authority a further significant weaknesses in the Authority's governance arrangements. The further significant weakness reported was in respect of:

- **Significant weaknesses in arrangements to ensure compliance with the Authority's best value duty under Part 1 of the Local Government Act 1999 and to ensure properly informed decisions are made**, due to significant concerns raised by best value inspectors in their report on 31 July 2023 and published on 12 November 2024.

Our recommendations for improvement included:

- The Authority prepares and monitors an action plan to address the various findings of the best value inspectors.

Respective responsibilities relating to the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

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

We are required under the Code of Audit Practice and Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in [October] 2024, as to whether the Authority had proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Authority a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023. Other findings from our work, including our commentary on the Authority's arrangements, will be reported in our separate Auditor's Annual Report.

Other matter on which we are required to report by exception

The Code of Audit Practice also requires us to report to you if:

- in our opinion the annual governance statement is misleading or is inconsistent with information of which we are aware from our audit.

Notwithstanding our disclaimer of an opinion on the financial statements, and subject to the pervasive limitation described above, we have nothing to report in respect of this matter.

Reports in the public interest or to the regulator

The Code of Audit Practice also requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the London Borough of Tower Hamlets in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.



Jonathan Gooding (Key Audit Partner)
For and on behalf of Deloitte LLP
London, United Kingdom
12 December 2024

The Authority is responsible for the maintenance and integrity of the corporate and financial information included on its website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Disclaimer of opinion

We do not express an opinion on the accompanying financial statements of London Borough of Tower Hamlets Pension Fund ('the pension fund') for the year ended 31 March 2023. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements which comprise:

- the fund account;
- the statement of net assets; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting ("the Code").

Basis for disclaimer of opinion

The pension fund is administered by London Borough of Tower Hamlets ("the Authority"), therefore the Authority includes the pension fund's financial statements within its statement of accounts. The Accounts and Audit (Amendment) Regulations 2024 ("the Regulations") require the Authority to publish its statements of accounts, including the pension fund's financial statements and accompanying auditor's reports, for the year ended 31 March 2023 and 31 March 2022 by 13 December 2024.

The Authority published its draft statements of accounts, including the pension fund's financial statements, for the years ended 31 March 2023 and 31 March 2022 on 4th February 2024 and its draft pension fund financial statements on 4th February 2024. Following the introduction of the Regulations, there was insufficient time to complete the necessary audit work to form an audit opinion on the pension fund's financial statements for the years ended 31 March 2023 and 31 March 2022.

As a result, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items within the pension fund's financial statements.

From the procedures that we have performed, we have identified the following:

Present value of promised retirement benefits

Note 2 refers to Note 20 which sets out the present value of promised retirement benefits of £1,837m as at 31 March 2023 and £2,499m as at 31 March 2022 ■. As explained in note 3m, errors were identified in a sample of membership data used to calculate the information provided by the Council to the actuary for the purpose of the valuation of the present value of promised retirement benefits at 31 March 2023 and 1 March 2022. The present value of promised retirement benefits was corrected for some but not all of these errors. As a result

of the volume of member records involved and as a result of the pervasive limitations set out above, it was not possible to determine whether any adjustments to these were necessary. A different membership data set, extracted from the same system used to calculate the pension liability at 31 March 2022, was used to calculate the pension liabilities noted in Note 20 as at 31 March 2023. As a result of the pervasive limitations set out above, we were unable to determine whether any adjustments to these amounts were necessary. We also reported on this matter in respect of the financial statements for the year ended 31 March 2022.

Chief Financial Officer's responsibilities

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with proper practices as set out in the Code and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the pension fund will continue in operational existence for the foreseeable future.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct our audit in accordance with International Standards on Auditing (UK), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law, and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

We are required to design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud has been limited by the pervasive extent of the matters described in the basis for disclaimer of opinion section of our report.

We plan to consider the nature of the pension fund and its control environment, and review the pension fund's documentation of their policies and procedures relating to fraud and compliance with laws and regulations.

We enquired of management about their own identification and assessment of the risks of non-compliance with laws and regulations.

We plan to obtain an understanding of the legal and regulatory framework that the pension fund operates in.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In addressing the risk of fraud through management override of controls, we are required to: test the appropriateness of journal entries and other adjustments; assess whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluate the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our planned procedures include the following:

- reviewing financial statement disclosures;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- where available, reading minutes of meetings of those charged with governance and reviewing correspondence with the Pensions Regulator.

Owing to the pervasive limitations set out above, we were unable to complete all these procedures.

Use of our report

This report is made solely to the members of [name of the authority] ('the Authority'), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.



Jonathan Gooding (Key Audit Partner)
For and on behalf of Deloitte LLP
London, United Kingdom
12 December 2024

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.

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 | | | | | | |
|--|-------|----------------------------|---------------------------------------|---------------------------------------|-----------------------------|--------------------------------|--------------------------------|-----------------------------|---------------------------|----------------------------------|------------------------|--|---|---------------------------------|-------------------------------|------------------------------------|--|-------------------------------|
| | | 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 ACCOUNT £'000 | FUND ADJUSTMENT ACCOUNT £'000 | ACCUMULATED ABSENCES ACCOUNT £'000 | DEDICATED SCHOOLS ADJUSTMENT ACCOUNT £'000 | TOTAL UNUSABLE RESERVES £'000 |
| Balance as at 1 April 2021 | | (24,375) | (214,910) | (55,357) | (74) | (138,959) | (199,774) | (633,449) | (703,310) | (1,531,041) | 614,324 | 49,616 | 16,547 | 102 | 7,884 | 11,174 | (1,534,704) | (2,168,153) |
| Movement in reserves during 2021/22 | | | | | | | | | | | | | | | | | | |
| Surplus or (Deficit) on the Provision of Services | | (6,713) | - | 25,676 | - | - | - | 18,963 | - | - | - | - | - | - | - | - | - | 18,963 |
| Other comprehensive expenditure and income | | - | - | - | - | - | - | - | (149,996) | - | - | - | - | - | - | - | - | (333,066) |
| Total Comprehensive Expenditure and Income | | (6,713) | - | 25,676 | - | - | - | 18,963 | (149,996) | - | (183,070) | - | - | - | - | - | (333,066) | (314,103) |
| Adjustments between accounting basis and funding basis under regulations | | (32,643) | - | (30,006) | (5,413) | (420) | 2,692 | (65,790) | 14,294 | 17,812 | 46,697 | (13,428) | - | (288) | (2,391) | 3,094 | 65,790 | - |
| Net Increase or Decrease before Transfers to Earmarked Reserves | | (39,356) | - | (4,330) | (5,413) | (420) | 2,692 | (46,827) | (135,702) | 17,812 | (136,373) | (13,428) | - | (288) | (2,391) | 3,094 | (267,276) | (314,103) |
| Transfers to or from earmarked reserves | 9 | 43,802 | (43,802) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers to or from school reserves | 9 | (423) | 423 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Increase or (Decrease) in 2021/22 | | 4,023 | (43,379) | (4,330) | (5,413) | (420) | 2,692 | (46,827) | (135,702) | 17,812 | (136,373) | (13,428) | - | (288) | (2,391) | 3,094 | (267,276) | (314,103) |
| Balance as at 31 March 2022 carried forward | | (20,352) | (258,289) | (59,687) | (5,487) | (139,379) | (197,082) | (680,276) | (839,012) | (1,513,229) | 477,951 | 36,188 | 16,547 | (186) | 5,493 | 14,268 | (1,801,980) | (2,482,256) |
| Movement in reserves during 2022/23 | | | | | | | | | | | | | | | | | | |
| Surplus or (Deficit) on the Provision of Services | | 19,696 | - | (84,965) | - | - | - | (65,269) | - | - | - | - | - | - | - | - | - | (65,269) |
| Other comprehensive expenditure and income | | - | - | - | - | - | - | - | (187,419) | - | (531,926) | - | - | - | - | - | (719,345) | (719,345) |
| Total Comprehensive Expenditure and Income | | 19,696 | - | (84,965) | - | - | - | (65,269) | (187,419) | - | (531,926) | - | - | - | - | - | (719,345) | (784,614) |
| Adjustments between accounting basis and funding basis under regulations | | 1,217 | - | 97,120 | (2,553) | (16,757) | 6,661 | 85,688 | 6,221 | (123,715) | 46,595 | (18,502) | (435) | 3,845 | 303 | - | (85,688) | - |
| Net Increase or Decrease before Transfers to Earmarked Reserves | | 20,913 | - | 12,155 | (2,553) | (16,757) | 6,661 | 20,419 | (181,198) | (123,715) | (485,331) | (18,502) | (435) | 3,845 | 303 | - | (805,033) | (784,614) |
| Transfers to or from earmarked reserves | 9 | (21,086) | 21,086 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers to or from school reserves | 9 | (362) | 362 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Increase or (Decrease) in Year | | (535) | 21,448 | 12,155 | (2,553) | (16,757) | 6,661 | 20,419 | (181,198) | (123,715) | (485,331) | (18,502) | (435) | 3,845 | 303 | - | (805,033) | (784,614) |
| Balance as at 31 March 2023 | | (20,887) | (236,841) | (47,532) | (8,040) | (156,136) | (190,421) | (659,857) | (1,020,210) | (1,636,944) | (7,380) | 17,686 | 16,112 | 3,659 | 5,796 | 14,268 | (2,607,013) | (3,266,870) |

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.

| 2021/22 | | | Note | 2022/23 | | |
|---|--------------------------|-----------------------------|---|-------------------------------|--------------------------|-----------------------------|
| Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 |
| Continuing Operations | | | | | | |
| 472,671 | (373,547) | 99,124 | Children's and Culture | 494,433 | (400,686) | 93,747 |
| 201,613 | (128,896) | 72,717 | Health, Adults and Communities | 220,663 | (117,287) | 103,376 |
| 221,018 | (146,941) | 74,077 | Place | 228,002 | (140,607) | 87,395 |
| 17,010 | (2,704) | 14,306 | Chief Executive's Office | 14,711 | (3,158) | 11,553 |
| 141,228 | (98,185) | 43,043 | Local Authority Housing (Housing Revenue Account) | 33,027 | (103,365) | (70,338) |
| 238,564 | (188,122) | 50,442 | Resources | 226,542 | (171,943) | 54,599 |
| 11,563 | (4,859) | 6,704 | Corporate Cost and Central Items | 9,982 | (2,704) | 7,278 |
| 1,303,667 | (943,254) | 360,413 | NET COST OF SERVICES | 1,227,360 | (939,750) | 287,610 |
| | | 1,890 | Other Operating Expenditure | | | (15,172) |
| | | 19,659 | Financing and Investment Income and Expenditure | | | 20,070 |
| | | (362,999) | Taxation and Non-Specific Grant Income | | | (357,777) |
| | | 18,963 | (SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES | | | (65,269) |
| Other Comprehensive Income and Expenditure | | | | | | |
| | | | (149,996) (Surplus)/Deficit on revaluation of non-current assets | | | (187,419) |
| | | | (183,070) Remeasurement of the net defined benefit pensions liability | | | (531,926) |
| | | | (333,066) OTHER COMPREHENSIVE INCOME AND EXPENDITURE | | | (719,345) |
| | | | TOTAL COMPREHENSIVE INCOME AND EXPENDITURE | | | |
| | (314,103) | | | | | (784,614) |

BALANCE SHEET

| 31 March 2022 £'000 | | Notes | 31 March 2023 £'000 |
|------------------------------|--|--------|---------------------------|
| Long-term Assets | | | |
| 2,871,631 | Property, plant and equipment | 14 | 3,214,214 |
| 19,067 | Heritage Assets | 15 | 19,153 |
| 2,338 | Intangible Assets | | 3,271 |
| 56,186 | Long-term investments | 16 | 52,340 |
| - | Pension Asset | 38 | 17,495 |
| 2,173 | Long Term Debtors | | 2,095 |
| 2,951,395 | Total Long-term assets | | 3,308,568 |
| Current Assets | | | |
| 115,371 | Short-term investments | 16 | 50,703 |
| 213 | Assets held for sale | | - |
| 213,536 | Short-term debtors | 18 | 168,662 |
| 250,546 | Cash and cash equivalents | 19 | 228,790 |
| 579,666 | Total Current Assets | | 448,155 |
| Current liabilities | | | |
| (45,963) | Cash and cash equivalents | 19 | (37,970) |
| (1,557) | Short-term borrowing | 16 | (333) |
| (287,925) | Short-term creditors | 20 | (204,779) |
| (5,730) | Provisions | 21 | (7,126) |
| (341,175) | Total Current liabilities | | (250,208) |
| Long Term Liabilities | | | |
| (5,966) | Provisions | 21 | (5,038) |
| (68,709) | Long-term borrowing | 16 | (68,709) |
| (477,951) | Liability related to defined benefit pension schemes | 38 | (10,115) |
| (104,917) | Capital grants receipts in advance | 34 | (109,762) |
| (50,087) | Deferred liabilities | 36, 37 | (46,021) |
| (707,630) | Total Long-Term Liabilities | | (239,645) |
| 2,482,256 | NET ASSETS | | 3,266,870 |
| Reserves | | | |
| (680,276) | Usable Reserves | 22 | (659,857) |
| (1,801,980) | Unusable Reserves | 23 | (2,607,013) |
| (2,482,256) | TOTAL RESERVES | | (3,266,870) |

This statement of accounts replaces the previous unaudited statement of accounts certified by the Corporate Director of Resources. This statement of accounts was authorised for issue by Julie Lorraine, Corporate Director of Resources on 9 December 2024.



Julie Lorraine - Corporate Director of Resources

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. 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.

| 2021/22 £'000 | | Notes | 2022/23 £'000 |
|------------------|---|-------|------------------|
| (18,963) | Net surplus or (deficit) on the provision of services | | 65,269 |
| 188,319 | Adjustments to net surplus or deficit on the provision of services for non cash movements | 24 | (36,197) |
| (78,883) | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 24 | (74,982) |
| 90,473 | Net cash flows from Operating Activities | | (45,910) |
| (49,655) | Investing Activities | 25 | 18,229 |
| 29,502 | Financing Activities | 26 | 13,918 |
| 70,320 | Net increase or decrease in cash and cash equivalents | | (13,763) |
| 134,263 | Cash and cash equivalents at the beginning of the reporting period | | 204,583 |
| 204,583 | Cash and cash equivalents at the end of the reporting period | | 190,820 |

NOTES TO THE ACCOUNTS

1 Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31st March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the document to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 21(2) of the Local Government Act 2003.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of long-term assets and financial instruments.

Gross total cost includes all expenditure attributable to the service/activity, including employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and depreciation. No categories of income are considered to be abatements of expenditure, and movements to and from reserves are excluded from total cost.

The accounting concepts of 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements' have been considered in the application of accounting policies. In this regard the going concern concept assumes that the Council will continue in operational existence for the foreseeable future.

2. Accruals of Income and Expenditure

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

- revenue from contracts with service recipients, whether for services or the provision of goods, is recognised as the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract,
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet if material,
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made,
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract,

- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected, and
- the Council operates a de minimis of £10,000 for revenue and £25,000 for capital below which items of income and expenditure are not required to be accrued.

3. Cash and Cash Equivalents

Cash is represented by 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.

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

4. Exceptional items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise or not material) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service,

- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off, and
- amortisation of intangible assets attributable to the service.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the general fund balance, Minimum Revenue Provision (MRP), by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

The Council has also decided to make a voluntary MRP contribution for HRA properties equal to 100% over the life of the asset as recommended in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

7. Council Tax and Non-domestic Rates (England)

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.

8. Accounting for Council Tax and NDR

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. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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.

9. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the 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 Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

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) as at 31st March 2023.

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.

The Council’s wholly owned subsidiary, Tower Hamlets Homes Limited (THH), is a Local Government Pension Scheme Employer in accordance with the Local Government Pension Scheme (Amendment) Regulations 2002. The Council has not incorporated THH’s pension liabilities and assets that have arisen into its pension obligations into the net pension asset or liability as presented within the single entity balance sheet; this is due to the Council not indemnifying THH for all pension costs.

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.

10. Financial Instruments

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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the 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. The reconciliation of amounts

charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a consideration of the business model for holding the asset, along with analysis of their cashflow characteristics. There are three main classes, measured at:

- Amortised Cost,
- Fair Value through Profit or Loss, and
- Fair Value through other Comprehensive Income and Expenditure (none currently held by the Council).

Financial Assets Measured at Amortised Costs

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

Any gains and losses that arise on the derecognition of the asset are credited / debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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.

The Council's treasury advisors provide details of potential 12-month credit losses on treasury deposits, with deposits to other Councils having no default risk, the remaining deposits to banks had no known credit losses. This is borne out by the Council not having a treasury

counterparty default on a deposit in recent years. The Council has not purchased any credit impaired investments.

Financial Assets Measured at Fair Value through Profit or Loss

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

Where unrealised fair value gains and losses are recognised in the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be reversed. The Council implements this reversal by a transfer to or from the Pooled Investment Fund Adjustment Account in the Movement in Reserves Statement.

11. 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 conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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.

12. Heritage Assets

The Council does not actively acquire or dispose of heritage assets as part of its normal day to day business and where the Council holds heritage assets, these have usually been donated. The value of heritage assets currently held in the Balance Sheet as part of long-term assets is £19.2 million at 31 March 2023. This valuation is based on valuations for Works of

Art and Civic Regalia. The local history collection is not included on the balance sheet as valuations are not available due to the unique nature of the assets. Valuations are made by what is considered to be the most appropriate/relevant method in terms of the specific heritage asset without being overly onerous.

Most heritage assets owned by the council have an historical interest to the Borough but would not have material market value.

Depreciation is not required on heritage assets with indefinite lives. However, where there is evidence of physical deterioration to a material heritage asset or doubts arise to its authenticity the value of the asset would be reviewed.

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

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. Initial direct costs of the Council are added to the carrying amount of the asset. 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.

- a charge for the acquisition of the interest in the property, plant or equipment (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible property, plant or equipment asset – the liability is written down as the rent becomes payable), 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

The Council has some operating leases as a lessor; the accounting policy is as follows:

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.

14. Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the Council's arrangements for accountability and financial performance. The total absorption costing principle is used – the full cost of overheads and support services is shared between users in proportion to the benefits received.

15. 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. The de minimis level above which expenditure on tangible property, plant and equipment assets is classified as capital is £10,000 except where the expenditure is financed by grants or contributions; or where lesser amounts on the same asset accumulate above that level.

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.

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

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

- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH),
- Other Land and Buildings – current value, determined as the amount that would be paid for the asset in its existing use. Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value – this is the case in particular for the valuation of schools,
- Vehicles, Plant, Furniture and Equipment, and Infrastructure – depreciated historical cost,
- Community Assets, and Assets Under Construction – historical cost, and
- Surplus Assets – fair value, estimated at highest and best use from a market perspective.

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 in to 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 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.

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 Capital Adjustment Account.

Disposals (other than Infrastructure Assets) and Non-Current Assets Held for Sale

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

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

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). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the 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 long-term 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.

16. Private Finance Initiative (PFI) and Similar Contracts

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

The original recognition of these long-term assets at current value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement,
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
- contingent rent – increases in the amount to be paid for the property arising during the contract, 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 (the profile of write-downs is calculated using the same principles as for a finance lease), and

- lifecycle replacement costs – recognised as long-term assets on the Balance Sheet if capital in nature.

There is also a third PFI contract for the Barkantine Heat and Power scheme. This concession agreement is a user pay arrangement where the end user pays the operator for the combined heat and power (CHP) services rendered. The Council receives a profit share but pays no unitary charge for the service. The assets of the CHP scheme are included on the council's balance sheet with a deferred income balance, both of which are written down over the term of the contract.

17. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, if the Council were to be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year the authority has an obligation, based on the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service account.

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

18. Reserves

The Council sets aside specific amounts as revenue reserves for future policy purposes or to cover contingencies; these are earmarked reserves. In addition, there are some capital reserves which are used to hold the capital resources of the Council separately from revenue reserves. Collectively, these are all presented on the Balance Sheet, together with General Fund Balances and HRA Balances, as Usable Reserves.

Certain reserves are kept to manage the accounting processes for long-term assets, financial instruments, retirement and employment benefits and do not represent usable resources for the Council. Collectively, these are presented as Unusable Reserves on the Balance Sheet.

19. 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 has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement of Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of Council Tax.

20. Fair Value Measurement

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.

21. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs. VAT receivable is excluded from income.

22. 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.

23. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

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 2023/24 Code of Practice of Local Authority Accounting in the United Kingdom; they are not expected to have any significant impact on the 2022/23 accounts.

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

In addition, CIPFA/LASAAC have deferred implementation of IFRS16 Leases for local government to 1 April 2024. IFRS 16 will require local authorities to review all their lessor and lessee accounting arrangements to comply with the new financial reporting standard, with potential balance sheet implications, and the initial assessment should be completed by the council during 2024-25. The key aspect is for lessees to recognise appropriate leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition of de minimus thresholds for low-value and short-term leases).

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 £28.0m and £23.3m 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 £28m to a deficit of £2.1m in the case of the LPFA scheme, and the net pension asset of £23.3m to £17.5m 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 2023 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 asset attributable to the local LGPS fund, of £17.5m, and of the net pension liability attributable to the LPFA scheme, of £2.1m, 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 £27.4m in the scheme liabilities;
- a 0.1% increase in the rate of pension increase (taken as CPI) would lead to an increase of £25.7m;
- a 0.1% increase in salaries would result in an increase of £2.1m; and
- an increase of 1 year in life expectancy would increase the liabilities in the range £49.7m - £82.8m.

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 0.1% increase in pensions and deferred revaluations;
- £2.7m 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 member data used in the calculation of the London Borough of Tower Hamlets local government pension scheme liability at 31 March 2022. As reported in the statement of accounts for the year ended 31 March 2022, it was not practicable to check and correct all errors in view of the volume of records involved. The council provided updated membership information to its actuary for the purpose of the valuation of the pension asset at 31 March 2023. The council is undertaking an exercise to review and correct membership data but as this did not commence until after the provision of the latest member data set to the actuary, has concluded that similar errors to those identified at 31 March 2022 will also be present at 31 March 2023.

Property, Plant and Equipment Valuations

Assets at carrying value of £2,884.0m 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 2022/23 was conducted by Wilks Head and Eve LLP.

The total net book value of assets valued as part of the valuation process for 2022/23 amounted to £2,707.1m. A 0.1% variation in valuation would lead to a movement of approximately £27.1m 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 £495.2m as at 31 March 2023 (£442.2m at 31 March 2022).

The land valuation applied to schools' sites has been adjusted to reflect the principle 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 2021/22). The land the schools sit on is valued at £435.2m as at 31 March 2023 (£444.8m at 31 March 2022).

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 2022/23, the items of this nature are listed below:

- The revaluation movements applied to the CIES resulted in the reversal of previous charge of £88.3m, of which £68.1m applied to the Housing Revenue Account (in 2021/22 a net charge of £50.1m was applied, with the HRA receiving £50.3m).
- The sale proceeds generated from the disposal of assets amounted to £28.1m in 2022/23 (£23.7m in 2021/22).

6 Events after the Balance Sheet Date

Since the Balance Sheet date of 31 March 2023, there have been no material events that would necessitate amendments to these accounts.

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:

| | | | | 2021/22 | | | | 2022/23 | | | |
|---|---|----------------------------------|----------------------------|-----------------|---|----------------------------|---|---|----------------------------------|-----------------|----------------------------|
| Adjustments for Capital Purposes £'000 | Transfers (to)/from Earmarked Reserves £'000 | Net Change for Pensions £'000 | Total Adjustments £'000 | Other £'000 | Adjustments £'000 | Total Adjustments £'000 | Adjustments for Capital Purposes £'000 | Transfers (to)/from Earmarked Reserves £'000 | Net Change for Pensions £'000 | Other £'000 | Total Adjustments £'000 |
| | | | | | | | | | | | |
| 13,248 | 423 | 9,696 | 25,112 | 1,745 | Children and Culture | 25,112 | 4,948 | 362 | 9,617 | (2,273) | 12,654 |
| 4,494 | - | 5,038 | 9,166 | (366) | Health, Adults and Communities | 9,166 | 1,154 | - | 5,217 | 103 | 6,474 |
| 8,206 | - | 10,574 | 17,372 | (1,408) | Place | 17,372 | 670 | - | 11,213 | 485 | 12,368 |
| - | - | 4,064 | (3,400) | (7,464) | Governance | (3,400) | - | - | 2,529 | (6,594) | (4,065) |
| 55,224 | - | (1,886) | 51,852 | (1,486) | Local Authority Housing (Housing Revenue Account) | 51,852 | (77,064) | - | (1,886) | (1,634) | (80,584) |
| 5,720 | - | 6,722 | 12,328 | (114) | Resources | 12,328 | 4,219 | - | 6,796 | (18) | 10,997 |
| (7,427) | (43,802) | - | (51,426) | (197) | Corporate Cost and Central Items | (51,426) | (6,771) | 21,086 | - | (199) | 14,116 |
| 79,465 | (43,379) | 34,208 | 61,004 | (9,290) | NET COST OF SERVICES | 61,004 | (72,844) | 21,448 | 33,486 | (10,130) | (28,040) |
| (47,720) | - | 12,489 | (41,734) | (6,503) | Other income and expenditure from the Expenditure and Funding Analysis | (41,734) | (54,436) | - | 13,109 | (7,522) | (48,849) |
| 31,745 | (43,379) | 46,697 | 19,270 | (15,793) | Difference between Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services | 19,270 | (127,280) | 21,448 | 46,595 | (17,652) | (76,889) |

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

This column adjusts for the application of earmarked reserves 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.

8 Adjustments between Accounting Basis and Funding Basis under Regulations

| 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 |
| Adjustments involving the Capital Adjustment Account | | | | | | | |
| <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 | - | - | - | - | 10,542 | (10,542) |
| Capital expenditure charged against the General Fund and HRA balances | 870 | 9,692 | - | - | - | 10,562 | (10,562) |
| Adjustments involving the Capital Receipts Reserve | | | | | | | |
| 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) |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | - | - | - | - | - | - | - |
| Adjustment involving the Major Repairs Reserve | | | | | | | |
| Use of the Major Repairs Reserve to finance new capital expenditure | - | - | 13,186 | - | - | 13,186 | (13,186) |
| Adjustments involving the Financial Instruments Adjustment Account | | | | | | | |
| 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) |
| Adjustment involving the Pensions Reserve | | | | | | | |
| 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) |
| Adjustments involving the Collection Fund Adjustment Account | | | | | | | |
| Amount by which council tax credited to the CIES is different from council tax income calculated in accordance with statutory requirements | 18,502 | - | - | - | - | 18,502 | (18,502) |
| Adjustments involving the Pooled Investments Adjustment Account | | | | | | | |
| 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 |
| Adjustments involving the Capital Grants Unapplied Account | | | | | | | |
| Capital grants and contributions unapplied credited to CIES when receivable | 27,658 | 602 | - | - | (28,260) | - | - |
| Adjustments involving the Accumulated Absences Account | | | | | | | |
| 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 |
| Adjustments primarily involving the Dedicated Schools Adjustment Account: | | | | | | | |
| Movement of negative Dedicated schools grant reserve to the DSG adjustment account | - | - | - | - | - | - | - |
| Total Adjustments | 1,217 | 97,120 | (2,553) | (16,757) | 6,661 | 85,688 | (85,688) |

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

| 2021/22 | 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 |
| Adjustments involving the Capital Adjustment Account | | | | | | | |
| <u>Reversal of items debited or credited to the CIES</u> | | | | | | | |
| Charges for depreciation and impairment of non current assets | (28,757) | - | (17,349) | - | - | (46,106) | 46,106 |
| Charges for amortisation of intangible non-current assets | (457) | - | - | - | - | (457) | 457 |
| Revaluation movements on PPE (charged to SDPS) reversed | 219 | (50,299) | - | - | - | (50,080) | 50,080 |
| Capital grants and contributions applied | 22,189 | 1,115 | - | - | 34,549 | 57,853 | (57,853) |
| Revenue expenditure funded from capital under statute | (12,355) | (4,926) | - | - | - | (17,281) | 17,281 |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | (16,393) | (5,512) | - | - | - | (21,905) | 21,905 |
| <u>Inclusion of items not debited or credited to the CIES</u> | | | | | | | |
| Statutory provision for the financing of capital investment | 9,961 | - | - | - | - | 9,961 | (9,961) |
| Capital expenditure charged against the General Fund and HRA balances | 2,408 | - | - | - | - | 2,408 | (2,408) |
| Adjustments involving the Capital Receipts Reserve | | | | | | | |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES | 386 | 23,336 | - | (23,722) | - | - | - |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | - | 21,565 | - | 21,565 | (21,565) |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | (1,737) | - | - | 1,737 | - | - | - |
| Unattached capital receipts | - | - | - | - | - | - | - |
| Adjustment involving the Major Repairs Reserve | | | | | | | |
| Use of the Major Repairs Reserve to finance new capital expenditure | - | - | 11,936 | - | - | 11,936 | (11,936) |
| Adjustments involving the Financial Instruments Adjustment Account | | | | | | | |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | - | - | - | - | - | - | - |
| Adjustment involving the Pensions Reserve | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | (91,156) | - | - | - | - | (91,156) | 91,156 |
| Employer's pensions contributions and direct payments to pensioners payable for the year | 42,573 | 1,886 | - | - | - | 44,459 | (44,459) |
| Adjustments involving the Collection Fund Adjustment Account | | | | | | | |
| from council tax income calculated in accordance with statutory requirements | 13,428 | - | - | - | - | 13,428 | (13,428) |
| Adjustments involving the Pooled Investments Adjustment Account | | | | | | | |
| 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 | 288 | - | - | - | - | 288 | (288) |
| Adjustments involving the Capital Grants Unapplied Account | | | | | | | |
| Capital grants and contributions unapplied credited to CIES when receivable | 27,463 | 4,394 | - | - | (31,857) | - | - |
| Adjustments involving the Accumulated Absences Account | | | | | | | |
| 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 | 2,391 | - | - | - | - | 2,391 | (2,391) |
| Adjustments primarily involving the Dedicated Schools Adjustment Account: | | | | | | | |
| Movement of negative Dedicated schools grant reserve to the DSG adjustment account | (3,094) | - | - | - | - | (3,094) | 3,094 |
| Total Adjustments | (32,643) | (30,006) | (5,413) | (420) | 2,692 | (65,790) | 65,790 |

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 2021 £'000 | TRANSFERS OUT 2021/22 £'000 | TRANSFERS IN 2021/22 £'000 | BALANCE AT 31 MARCH 2022 £'000 | TRANSFERS OUT 2022/23 £'000 | TRANSFERS IN 2022/23 £'000 | BALANCE AT 31 MARCH 2023 £'000 |
|---|--|-----------------------------------|----------------------------------|--|-----------------------------------|----------------------------------|--|
| 1 Schools Balances | (36,035) | 7,650 | (7,227) | (35,612) | 6,498 | (6,136) | (35,250) |
| 2 DSG | - | - | - | - | - | (1,200) | (1,200) |
| 3 Insurance | (9,966) | - | (200) | (10,166) | 2,247 | - | (7,919) |
| 4 Parking Control | (3,295) | - | (2,835) | (6,130) | 624 | (3,289) | (8,795) |
| 5 Transformation | (3,613) | - | - | (3,613) | 535 | - | (3,078) |
| 6 Collection Fund Smoothing Reserve | (59,345) | - | (4,993) | (64,338) | 20,902 | - | (43,436) |
| 7 ICT / Finance Systems | (9,623) | 501 | - | (9,122) | - | (216) | (9,338) |
| 8 Mayor's Tackling Poverty Reserve | (3,366) | - | - | (3,366) | 1,750 | - | (1,616) |
| 9 Free School Meals | (6,000) | 2,000 | - | (4,000) | 2,200 | - | (1,800) |
| 10 Mayor's Investment Priorities | (4,972) | - | - | (4,972) | 2,086 | (45,014) | (47,900) |
| 11 Risk Reserve | (2,919) | 1,051 | (793) | (2,661) | 800 | (14,000) | (15,861) |
| 12 MTFS Smoothing Reserve | (40,558) | - | (3,654) | (44,212) | 44,212 | - | - |
| 13 Adults, Health & Wellbeing (including Public Health) | (3,321) | - | (3,658) | (6,979) | 1,000 | (1,182) | (7,161) |
| 14 Services Reserve | (5,363) | 1,029 | (11,999) | (16,333) | 8,175 | (6,415) | (14,573) |
| 15 Revenue Grants | (8,843) | 523 | (2,226) | (10,546) | 733 | (2,409) | (12,222) |
| 16 Covid-19 Grant | (3,479) | - | (4,934) | (8,413) | 4,360 | - | (4,053) |
| 17 Ringfenced Developers' Contributions | (3,124) | - | - | (3,124) | - | (2,967) | (6,091) |
| 18 CIL | (7,840) | 2,069 | - | (5,771) | 2,093 | - | (3,678) |
| 19 Council Tax Hardship | (2,448) | - | - | (2,448) | - | - | (2,448) |
| 20 Local Elections Reserve | (800) | - | (150) | (950) | 377 | - | (573) |
| 21 Mayors Covid Recovery Fund | - | 894 | (3,000) | (2,106) | 316 | - | (1,790) |
| 22 Black, Asian and Minority Ethnic | - | - | (1,000) | (1,000) | 247 | - | (753) |
| 23 HAC Joint Fund | - | - | (12,427) | (12,427) | 5,121 | - | (7,306) |
| Earmarked Reserve Total | (214,910) | 15,717 | (59,096) | (258,289) | 104,276 | (82,828) | (236,841) |

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
- In accordance with regulations, in-year deficits on DSG budgets are transferred to the DSG adjustment account, an unusable reserve; however, in-year surpluses on 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 (HAC) Joint Funding.

10 Other Operating Expenditure

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|---|------------------|
| 1,970 | Levies | 2,048 |
| 1,737 | Payments to Housing Capital Receipts Pool | - |
| (1,817) | Net (gain) / loss on disposal of non-current assets | (17,220) |
| 1,890 | Total | (15,172) |

11 Financing and Investment Income and Expenditure

| 2021/22 £'000 | | | 2022/23 £'000 |
|------------------|--|----|------------------|
| 9,559 | Interest payable and similar charges | | 13,052 |
| 12,489 | Net interest on the net defined benefit liability/(asset) | | 13,109 |
| (1,785) | Interest receivable and similar income | 16 | (8,129) |
| (604) | Net (gains)/losses on financial assets at fair value through profit and loss | | 2,038 |
| 19,659 | Total | | 20,070 |

12 Taxation and Non Specific Grant Income

| 2021/22 £'000 | | | 2022/23 £'000 |
|------------------|----------------------------------|----|------------------|
| (113,667) | Council Tax income | | (120,252) |
| (108,592) | Non domestic rates | | (105,412) |
| (93,100) | Non-ringfenced Government grants | 34 | (94,895) |
| (47,640) | Capital grants and contributions | 34 | (37,218) |
| (362,999) | Total | | (357,777) |

13 Income and Expenditure Analysed by Nature

| 2021/22 £'000 | | | 2022/23 £'000 |
|--------------------|--|--|--------------------|
| 521,994 | Employee benefits expenses | | 551,092 |
| 685,029 | Other service expenses | | 718,108 |
| 96,643 | Depreciation, amortisation and impairment | | (41,842) |
| 9,559 | Interest payments | | 13,052 |
| 12,489 | Net interest on the net defined benefit liability/(asset) | | 13,109 |
| (604) | Net (gains)/losses on financial assets at fair value through profit and loss | | 2,038 |
| 1,970 | Precepts and levies | | 2,048 |
| 1,737 | Payments to housing capital receipts pool | | - |
| (1,817) | Gains and losses on disposal of non-current assets | | (17,220) |
| 1,327,000 | TOTAL EXPENDITURE | | 1,240,385 |
| (236,463) | Fees, charges and other service income | | (242,855) |
| (1,785) | Interest and investment income | | (8,129) |
| (222,259) | Income from council tax and non-domestic rates | | (225,664) |
| (847,530) | Government grants and contributions | | (829,006) |
| (1,308,037) | TOTAL INCOME | | (1,305,654) |
| 18,963 | (Surplus) or Deficit on the Provision of Services | | (65,269) |

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.

| 2021/22 £'000 | Total PPE | 2022/23 £'000 |
|------------------|---|------------------|
| 144,031 | Infrastructure assets (net book value) - 31 March | 147,228 |
| 2,727,600 | Other PPE - 31 March | 3,066,986 |
| 2,871,631 | Total PPE - 31 March | 3,214,214 |

| 2021/22 £'000 | Infrastructure Assets | 2022/23 £'000 |
|------------------|--|------------------|
| 133,010 | Infrastructure assets (net book value) - 1 April | 144,031 |
| 21,368 | Additions in-year | 14,331 |
| (10,347) | Depreciation charge in-year | (11,134) |
| 144,031 | Infrastructure Assets (Net Book Value) - 31 March | 147,228 |

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 |
|--|----------------------------|-----------------------------------|---|---------------------------|-------------------------|------------------------------------|--|---|
| Cost or Valuation | | | | | | | | |
| At 1 April 2022 | 1,118,581 | 1,342,009 | 53,068 | 36,576 | 21,369 | 196,171 | 2,767,774 | 251,730 |
| 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 Assets Reclassified (to)/from Held for Sale | (41) | (19) | (1) | (111) | (13) | (2,487) | (2,672) | - |
| Other Reclassification of Assets | 4,857 | 127,219 | - | - | 15,403 | (147,479) | - | - |
| At 31 March 2023 | 1,215,585 | 1,646,635 | 61,749 | 37,578 | 29,121 | 120,851 | 3,111,519 | 267,859 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| At 1 April 2022 | - | 8,128 | 31,982 | - | 27 | 37 | 40,174 | 3,610 |
| 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 Assets reclassified (to)/from Held for Sale | - | - | - | - | - | - | - | - |
| Other Reclassification of Assets | 14 | (583) | - | - | 577 | (8) | - | - |
| At 31 March 2023 | - | 6,451 | 38,044 | - | 9 | 29 | 44,533 | 3,700 |
| Net Book Value | | | | | | | | |
| At 31 March 2023 | 1,215,585 | 1,640,184 | 23,705 | 37,578 | 29,112 | 120,822 | 3,066,986 | 264,159 |
| At 31 March 2022 | 1,118,581 | 1,333,881 | 21,086 | 36,576 | 21,342 | 196,134 | 2,727,600 | 248,120 |

14 Property, Plant and Equipment (Continued)

| MOVEMENTS IN 2021/22 | 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 |
|--|----------------------------|-----------------------------------|---|---------------------------|-------------------------|------------------------------------|--|---|
| Cost or Valuation | | | | | | | | |
| At 1 April 2021 | 1,097,416 | 1,280,833 | 49,081 | 36,274 | 26,407 | 113,989 | 2,604,000 | 231,938 |
| Additions | 12,502 | 15,909 | 3,987 | 1,341 | 508 | 84,795 | 119,042 | 4,413 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 58,959 | 59,068 | - | - | (1,830) | - | 116,197 | 16,917 |
| Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the provision of services | (47,070) | (461) | - | - | (2,549) | - | (50,080) | (1,538) |
| Derecognition - Disposals | (4,673) | (15,795) | - | - | - | - | (20,468) | - |
| Derecognition - Other | - | (704) | - | - | - | - | (704) | - |
| Assets Reclassified (to)/from Held for Sale | - | - | - | - | (213) | - | (213) | - |
| Other Reclassification of Assets | 1,447 | 3,159 | - | (1,039) | (954) | (2,613) | - | - |
| At 31 March 2022 | 1,118,581 | 1,342,009 | 53,068 | 36,576 | 21,369 | 196,171 | 2,767,774 | 251,730 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| At 1 April 2021 | - | 11,634 | 26,746 | - | - | 82 | 38,462 | 3,410 |
| Depreciation charge | 16,034 | 14,335 | 5,236 | - | 153 | - | 35,758 | 2,241 |
| Depreciation written out to the Revaluation Reserve | (15,985) | (17,695) | - | - | (119) | - | (33,799) | (2,041) |
| Derecognition - Disposals | (68) | (152) | - | - | - | - | (220) | - |
| Derecognition - Other | - | (27) | - | - | - | - | (27) | - |
| Assets reclassified (to)/from Held for Sale | - | - | - | - | - | - | - | - |
| Other Reclassification of Assets | 19 | 33 | - | - | (7) | (45) | - | - |
| At 31 March 2022 | - | 8,128 | 31,982 | - | 27 | 37 | 40,174 | 3,610 |
| Net Book Value | | | | | | | | |
| At 31 March 2022 | 1,118,581 | 1,333,881 | 21,086 | 36,576 | 21,342 | 196,134 | 2,727,600 | 248,120 |
| At 31 March 2021 | 1,097,416 | 1,269,199 | 22,335 | 36,274 | 26,407 | 113,907 | 2,565,538 | 228,528 |

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 2023 as below:

| | Committed sum at 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 |
| Total | 243,650 | 191,497 | 52,153 |

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

| | Committed sum 31 March 2022 £'000 | Costs to 31 March 2022 £'000 | 2022/23 onwards £'000 |
|----------------------------|--|------------------------------------|-----------------------------|
| Whitechapel Civic Centre | 117,268 | 96,835 | 20,433 |
| New Housing - Infill sites | 36,931 | 32,845 | 4,086 |
| Barnsley Street | 18,097 | 12,110 | 5,987 |
| St Pauls Way | 7,793 | 7,733 | 60 |
| Mellish Street | 7,168 | 4,560 | 2,608 |
| Lowder House Garage site | 5,262 | 5,506 | - |
| Keats House | 3,034 | 1,360 | 1,674 |
| Strahan Road | 2,535 | 1,558 | 977 |
| Hanbury St Garage site | 2,305 | 2,291 | 14 |
| Norman Grove | 6,444 | 1,202 | 5,242 |
| Shetland Road | 5,689 | 1,372 | 4,317 |
| London Dock School | 11,085 | 1,793 | 9,292 |
| Total | 223,611 | 169,165 | 54,690 |

14 Property, Plant and Equipment (Continued)

Revaluations

In 2022/23, 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 2022/23, school assets held at depreciated replacement cost (DRC) were also subject to a desktop valuation as at 31 March 2023. A summary of total valuation per asset category is shown below.

| ANALYSIS OF ROLLING REVALUATION PROGRAMME | COUNCIL DWELLINGS £'000 | OTHER LAND AND BUILDINGS £'000 | VEHICLES, PLANT, FURNITURE & EQUIPMENT £'000 | INFRA-STRUCTURE ASSETS £'000 | COMMUNITY ASSETS £'000 | SURPLUS ASSETS £'000 | ASSETS UNDER CONSTRUCTION £'000 | TOTAL PROPERTY, PLANT AND EQUIPMENT £'000 |
|---|----------------------------|-----------------------------------|---|---------------------------------|---------------------------|-------------------------|------------------------------------|--|
| Valued at historic cost | - | 869 | 23,705 | 147,228 | 37,578 | - | 120,822 | 330,202 |
| Valued at current value in: | | | | | | | | |
| 2022/23 | 1,215,585 | 1,462,939 | - | - | - | 28,610 | - | 2,707,134 |
| 2021/22 | - | 42,789 | - | - | - | - | - | 42,789 |
| 2020/21 | - | 67,959 | - | - | - | 502 | - | 68,461 |
| 2019/20 | - | 53,860 | - | - | - | - | - | 53,860 |
| 2018/19 | - | 11,768 | - | - | - | - | - | 11,768 |
| 31 March 2023 | 1,215,585 | 1,640,184 | 23,705 | 147,228 | 37,578 | 29,112 | 120,822 | 3,214,214 |

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. An impairment review was carried out by qualified valuers at 31st March 2023 and Bentworth Court under Council Dwellings damaged by fire was impaired resulting in impairment loss of £8.655 million.

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 liabilities).

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 | 31 March | 31 March | 31 March | 31 March | 31 March |
| | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Financial Assets | | | | | | |
| Financial Assets - Fair Value through profit and loss* | | | | | | |
| Investments | 56,186 | 52,340 | 20,000 | 20,000 | 76,186 | 72,340 |
| Cash Equivalents | - | - | 115,200 | 110,950 | 115,200 | 110,950 |
| Financial Assets at Amortised Cost | | | | | | |
| Investments | - | - | 95,371 | 30,703 | 95,371 | 30,703 |
| Trade Debtors | 2,173 | 2,095 | 77,207 | 55,400 | 79,380 | 57,495 |
| Cash and Cash Equivalents | - | - | 135,346 | 117,840 | 135,346 | 117,840 |
| Total Financial Assets | 58,359 | 54,435 | 443,124 | 334,893 | 501,483 | 389,328 |
| Financial Liabilities | | | | | | |
| Financial Liabilities at Amortised Cost | | | | | | |
| Cash and Cash Equivalents | - | - | (45,963) | (37,970) | (45,963) | (37,970) |
| Borrowing | (68,709) | (68,709) | (1,557) | (333) | (70,266) | (69,042) |
| Trade Creditors | - | - | (94,155) | (102,159) | (94,155) | (102,159) |
| Service Concessions and Finance Leases | (50,087) | (46,021) | (3,396) | (4,066) | (53,483) | (50,087) |
| Total Financial Liabilities | (118,796) | (114,730) | (145,071) | (144,528) | (263,867) | (259,258) |

*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:

| | 2021/22 | | | 2022/23 | | |
|---------------------------------------|--|---|------------------------------------|--|---|------------------------------------|
| | Financial Liabilities measured at amortised cost | Financial Assets measured at amortised cost | Financial Assets measured at FVPL* | Financial Liabilities measured at amortised cost | Financial Assets measured at amortised cost | Financial Assets measured at FVPL* |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Interest expense | 9,559 | - | - | 13,052 | - | - |
| Loan repayment penalty | - | - | - | - | - | - |
| Interest income | - | (1,785) | - | - | (8,129) | - |
| Money Market Funds (Cash Equivalents) | - | - | (68) | - | - | (1,435) |
| Pooled Funds | - | - | (536) | - | - | 3,473 |
| Net Gain/(Loss) for the year | 9,559 | (1,785) | (604) | 13,052 | (8,129) | 2,038 |

*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 2022 Carrying Amount £'000 | 31 March 2022 Fair Value £'000 | 31 March 2023 Carrying Amount £'000 | 31 March 2023 Fair Value £'000 |
|--------------------------------------|----------------------------|-------------------------------------|--------------------------------|-------------------------------------|--------------------------------|
| Borrowing held at amortised cost | | | | | |
| <i>Public Works Loans Board</i> | Level 2 | (52,692) | (50,448) | (51,523) | (30,230) |
| <i>Market Loans - Fixed Interest</i> | Level 2 | (17,574) | (26,162) | (17,519) | (16,256) |
| Service Concessions | Level 2 | (26,655) | (37,932) | (23,457) | (29,558) |
| Finance Leases | Level 2 | (26,828) | (51,924) | (26,630) | (39,622) |
| Financial Liabilities | | (123,749) | (166,466) | (119,129) | (115,666) |

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 higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher 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 | £30m | Unlimited |
| Secured investments | 25 years | £30m | 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 2021/22).

| Financial Asset Class | 31 March 2022 £'000 | 31 March 2023 £'000 |
|--|------------------------|------------------------|
| Long-term Investments | | |
| Pooled investment funds with financial institutions | 56,186 | 52,340 |
| Short-term investments | | |
| Fixed-term deposits with other local authorities | 55,000 | - |
| Fixed-term/call account deposits with financial institutions | 40,000 | 30,000 |
| Pooled investment funds with financial institutions | 20,000 | 20,000 |
| Cash Equivalents | | |
| Fixed-term deposits with central government agency | - | 20,000 |
| Fixed-term/call account deposits with financial institutions | 35,000 | 1,000 |
| MMFs with financial institutions | 115,200 | 110,950 |
| TOTAL | 321,386 | 234,290 |

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 2022 | | 31 March 2023 | |
|---|------------------------|-------------------------|------------------------|-------------------------|
| | Gross debtors £'000 | Loss allowance £'000 | Gross debtors £'000 | Loss allowance £'000 |
| Long-term trade debtors | 2,173 | - | 2,095 | - |
| NHS | 22,573 | - | 5,553 | - |
| Tower Hamlets Homes | 4,266 | - | 1,767 | - |
| Leaseholders | 39,539 | (2,402) | 37,893 | (3,379) |
| Tenants (HRA and temporary accommodation) | 20,404 | (18,474) | 22,281 | (20,004) |
| Other | 17,908 | (6,607) | 18,418 | (7,129) |
| TOTAL | 106,863 | (27,483) | 88,007 | (30,512) |

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 2022/23, £0.277m was written off (£0.316m in 2021/22).

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, £1.480m was written off (£0.306m in 2021/22).

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 2022 £'000 | 31 March 2023 £'000 |
|--------------------------|------------------------|------------------------|
| Public Works Loans Board | 112,677 | 110,182 |
| Market debt | 59,644 | 58,885 |
| PFI / Finance Leases | 117,162 | 107,502 |
| Total | 289,483 | 276,569 |
| Less than 1 year | 12,914 | 11,924 |
| Between 1 and 2 years | 11,924 | 12,020 |
| Between 2 and 5 years | 36,072 | 32,596 |
| Between 5 and 10 years | 28,095 | 24,231 |
| More than 10 years | 200,478 | 195,798 |
| Total | 289,483 | 276,569 |

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

- 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 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would be as follows:

| Interest Rate Risk | 2021/22 £'000 | 2022/23 £'000 |
|--|------------------|------------------|
| Increase in interest payable on variable rate borrowings | - | - |
| Increase in interest receivable on variable rate investments | (1,052) | (480) |
| Impact on Income and Expenditure Account | (1,052) | (480) |

| Fair Value Movements | 2021/22 £'000 | 2022/23 £'000 |
|--|------------------|------------------|
| Decrease in fair value of fixed rate investments | 246 | 30 |
| Decrease in fair value of fixed rate borrowing liabilities | (16,603) | (8,038) |
| Impact on Income and Expenditure Account | (16,357) | (8,008) |

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 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 | - | - |
| Total | 19,299 | 5,812 | 10,962 |

| Balances at 31 March 2022 | 0-1 year old £'000 | 1-2 years old £'000 | 2+ years old £'000 |
|-------------------------------|-----------------------|------------------------|-----------------------|
| Council Tax and Court Costs | 8,405 | 1,779 | 1,350 |
| National Non Domestic Rates | 6,737 | 1,612 | 479 |
| Housing Benefits Overpayments | 1,843 | 1,543 | 7,577 |
| Community Infrastructure Levy | 2,943 | - | - |
| Parking | 1,441 | - | - |
| Total | 21,369 | 4,934 | 9,406 |

18 Short Term Debtors

| | 31 March 2022 £'000 | 31 March 2023 £'000 |
|---------------------------------|---------------------------|---------------------------|
| National Health Service | 22,573 | 5,553 |
| HM Revenue & Customs | 28,520 | 28,861 |
| Other Central Government Bodies | 33,980 | 25,423 |
| Other Local Authorities | 40,555 | 16,324 |
| Tower Hamlets Homes | 4,266 | 1,767 |
| Council Tax | 9,822 | 11,087 |
| National Non Domestic Rates | 8,828 | 9,274 |
| Housing and Tenants Rents | 50,200 | 47,085 |
| Other Entities & Individuals | 12,063 | 20,895 |
| Payments in Advance | 2,729 | 2,393 |
| Total | 213,536 | 168,662 |

19 Cash and Cash Equivalents

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

| | 31 March 2022 £'000 | 31 March 2023 £'000 |
|--|---------------------------|---------------------------|
| Cash held by the Council | 100,346 | 96,840 |
| Short-term deposits with banks, building societies and local authorities | 35,000 | 21,000 |
| Money Market Funds | 115,200 | 110,950 |
| Cash overdraft | (45,963) | (37,970) |
| Total Cash and Cash Equivalents | 204,583 | 190,820 |

20 Short-term Creditors

| | 31 March 2022 £'000 | 31 March 2023 £'000 |
|---------------------------------|---------------------------|---------------------------|
| National Health Service | (6,644) | (4,164) |
| HM Revenue & Customs | (9,396) | (8,667) |
| Other Central Government Bodies | (102,504) | (15,284) |
| Other Local Authorities | (7,477) | (10,030) |
| Council Tax | (9,684) | (11,059) |
| National Non Domestic Rates | (10,219) | (9,915) |
| Housing and Tenants Rents | (2,008) | (1,503) |
| Other Entities & Individuals | (85,503) | (96,492) |
| Receipts in advance | (54,490) | (47,665) |
| Total | (287,925) | (204,779) |

21 Provisions

| Short-term Provisions* | Balance at 31 March 2021 £'000 | Amounts used or written back £'000 | Contributions or transfers £'000 | Balance at 31 March 2022 £'000 | Amounts used or written back £'000 | Contributions or transfers £'000 | Balance at 31 March 2023 £'000 |
|----------------------------|---|--|--|---|--|--|---|
| (a) Business rates appeals | (4,064) | 1,595 | (1,582) | (4,051) | 2,931 | (4,850) | (5,970) |
| (b) Insurance Fund | (1,014) | 709 | (1,374) | (1,679) | 597 | (74) | (1,156) |
| Total | (5,078) | 2,304 | (2,956) | (5,730) | 3,528 | (4,924) | (7,126) |

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

| Long-term Provisions | Balance at 31 March 2021 £'000 | Amounts used or written back £'000 | Contributions or transfers £'000 | Balance at 31 March 2022 £'000 | Amounts used or written back £'000 | Contributions or transfers £'000 | Balance at 31 March 2023 £'000 |
|-------------------------|---|--|--|---|--|--|---|
| (b) Insurance Fund | (3,083) | - | 665 | (2,418) | - | (163) | (2,581) |
| (c) Water Charges | (9,000) | 6,452 | - | (2,548) | 1,091 | - | (1,457) |
| (d) Disrepairs | (200) | - | - | (200) | - | - | (200) |
| (e) Employment Disputes | (800) | - | - | (800) | - | - | (800) |
| Total | (13,083) | 6,452 | 665 | (5,966) | 1,091 | (163) | (5,038) |

- (a) Council share of provision for business rates appeals has significantly increased due to the material change in circumstance
- (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) Provision for legal costs relating to the disrepair of Council properties
- (e) Provision for settlements or costs incurred in employment disputes

22 Usable Reserves

| 31 March 2022 £'000 | | 31 March 2023 £'000 |
|---------------------------|------------------------------|---------------------------|
| (20,352) | General Fund | (20,887) |
| (59,687) | Housing Revenue Account | (47,532) |
| (258,289) | Earmarked Reserves | (236,841) |
| (139,379) | Capital Receipts Reserve | (156,136) |
| (197,082) | Capital Grants Reserve | (190,421) |
| (5,487) | Major Repairs Reserve | (8,040) |
| (680,276) | Total Usable Reserves | (659,857) |

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. Details of the Major Repairs Reserve can be found under the Notes to the Housing Revenue Account.

Capital Receipts Reserve

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|-------------------------------------|------------------|
| (138,959) | Balance at 1 April | (139,379) |
| (23,722) | Capital Receipts in year | (28,100) |
| 1,737 | Capital Receipts Pooled | - |
| 21,565 | Capital Receipts used for financing | 11,343 |
| (139,379) | Balance at 31 March | (156,136) |

Capital Grants Reserve

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|--|------------------|
| (199,774) | Balance at 1 April | (197,082) |
| (6,923) | Community Infrastructure Levy (CIL) recognised in year | (3,714) |
| (24,934) | Other Capital grants recognised in year | (24,546) |
| 9,226 | CIL applied | 20,913 |
| 25,323 | Other Capital grants and contributions applied | 14,008 |
| (197,082) | Balance at 31 March | (190,421) |

Of the Capital Grants Reserve balance above, CIL balances as at 31 March 2022 and 2023 are £97.928m and £80.729m respectively.

Major Repairs Reserve

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|---|------------------|
| (74) | Balance at 1 April | (5,487) |
| (17,349) | Transfer from Capital Adjustment Account - depreciation | (15,739) |
| 11,936 | Financing of capital expenditure | 13,186 |
| (5,487) | Balance at 31 March | (8,040) |

23 Unusable Reserves

| 31 March 2023 £'000 | | 31 March 2023 £'000 |
|---------------------------|--|---------------------------|
| (839,012) | Revaluation Reserve | (1,020,210) |
| (1,513,229) | Capital Adjustment Account | (1,636,944) |
| 16,547 | Financial Instruments Adjustment Account | 16,112 |
| 477,951 | Pensions Reserve | (7,380) |
| 36,188 | Collection Fund Adjustment Account | 17,686 |
| 5,493 | Accumulating Compensated Absences Adjustment Account | 5,796 |
| (186) | Pooled Investment Fund Adjustment Account | 3,659 |
| 14,268 | Dedicated Schools Adjustment Account | 14,268 |
| (1,801,980) | Total Unusable Reserves | (2,607,013) |

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.

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|--|--------------------|
| (703,310) | Balance at 1 April | (839,012) |
| (173,591) | Upward revaluation of assets | (197,447) |
| 23,595 | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 10,028 |
| (149,996) | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | (187,419) |
| 5,509 | Difference between current value depreciation and historical cost depreciation | 5,239 |
| 8,785 | Accumulated gains on assets sold or scrapped | 982 |
| 14,294 | Amount written off to the Capital Adjustment Account | 6,221 |
| (839,012) | Balance at 31 March | (1,020,210) |

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 Reserve.

| 2021/22 £'000 | | 2022/23 £'000 |
|--------------------|---|--------------------|
| (1,531,041) | Balance at 1 April | (1,513,229) |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | |
| 46,106 | <i>Charges for depreciation and impairment of non current assets</i> | 45,853 |
| 457 | <i>Charges for amortisation of intangible non-current assets</i> | 616 |
| 50,080 | <i>Revaluation losses and reversals on Property, Plant and Equipment</i> | (88,311) |
| 17,281 | <i>Revenue expenditure funded from capital under statute</i> | 12,271 |
| 21,905 | <i>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</i> | 10,880 |
| 135,829 | | (18,691) |
| (14,294) | Adjusting amounts written out of the Revaluation Reserve | (6,221) |
| 121,535 | Net written out amount of the cost of non current assets consumed in the year | (24,912) |
| | Capital financing applied in the year: | |
| (21,565) | <i>Use of the Capital Receipts Reserve to finance new capital expenditure</i> | (11,343) |
| (11,936) | <i>Use of the Major Repairs Reserve to finance new capital expenditure</i> | (13,186) |
| (57,853) | <i>Application of grants and contributions to capital financing from the Capital Grants Unapplied Account</i> | (53,170) |
| (9,961) | <i>Statutory provision for the financing of capital investment charged against the General Fund and HRA balances</i> | (10,542) |
| (2,408) | <i>Capital expenditure charged against the General Fund and HRA balances</i> | (10,562) |
| (103,723) | | (98,803) |
| (1,513,229) | Balance at 31 March | (1,636,944) |

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.

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|---|------------------|
| 16,547 | Balance at 1 April | 16,547 |
| | 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) |
| 16,547 | Balance at 31 March | 16,112 |

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.

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|--|------------------|
| 614,324 | Balance at 1 April | 477,951 |
| (183,070) | Actuarial (gains) or losses on pensions assets and liabilities, including the effect of the asset ceiling | (531,926) |
| 91,156 | 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 | 91,823 |
| (44,459) | Employer's pensions contributions and direct payments to pensioners payable in the year | (45,228) |
| 477,951 | Balance at 31 March | (7,380) |

23 Unusable Reserves (Continued)

Collection Fund Adjustment Account

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

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|--|------------------|
| 49,616 | Balance at 1 April | 36,188 |
| (13,428) | Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | (18,502) |
| 36,188 | Balance at 31 March | 17,686 |

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.

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|--|------------------|
| 7,884 | Balance at 1 April | 5,493 |
| (7,884) | Settlement or cancellation of accrual made at the end of the preceding year | (5,493) |
| 5,493 | Amounts accrued at the end of the current year | 5,796 |
| (2,391) | 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 | 303 |
| 5,493 | Balance at 31 March | 5,796 |

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.

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|-------------------------------------|------------------|
| 102 | Balance at 1 April | (186) |
| (288) | Upward revaluation of investments | - |
| - | Downward revaluation of investments | 3,845 |
| (288) | | 3,845 |
| (186) | Balance at 31 March | 3,659 |

Dedicated Schools 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.

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|---|------------------|
| 11,174 | Balance at 1 April | 14,268 |
| 3,094 | In year dedicated schools grant deficit | - |
| 14,268 | Balance at 31 March | 14,268 |

24 Notes to the Cashflow Statement - Operating Activities

The cash flows for operating activities include the following items:

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|-------------------|------------------|
| 1,822 | Interest received | 7,797 |
| (9,568) | Interest paid | (13,114) |
| (7,746) | | (5,317) |

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

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|--|------------------|
| 46,106 | Depreciation | 45,853 |
| 457 | Amortisation | 616 |
| 50,080 | Impairment and Downward valuations | (88,311) |
| 10,658 | Increase/(Decrease) in Creditors | (53,415) |
| 19,166 | (Increase)/Decrease in Debtors | (2,726) |
| 46,697 | Movement in Pension Liability | 46,595 |
| 21,905 | Carrying amount of non-current assets sold (property, plant and equipment and intangible assets) | 10,880 |
| (6,750) | Other non-cash items charged to the net surplus or deficit on the provision of services | 4,311 |
| 188,319 | | (36,197) |

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

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|--|------------------|
| - | Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries) | (373) |
| (23,722) | Proceeds from the sale of property plant and equipment and intangible assets | (28,100) |
| (55,161) | Any other items for which the cash effects are investing or financing cash flows | (46,509) |
| (78,883) | | (74,982) |

25 Notes to the Cashflow Statement - Investment Activities

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|---|------------------|
| (133,865) | Purchase of property, plant and equipment and intangible assets | (132,511) |
| (105,000) | Purchase of short-term and long-term investments | (130,000) |
| 23,722 | Proceeds from the sale of property, plant and equipment and intangible assets | 28,100 |
| 112,000 | Proceeds from short-term and long-term investments | 195,373 |
| 53,488 | Other receipts from investing activities | 57,267 |
| (49,655) | Net cash flows from investing activities | 18,229 |

26 Notes to the Cashflow Statement - Financing Activities

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|--|------------------|
| 34,036 | Other receipts from financing activities | 45,511 |
| (2,873) | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | (3,398) |
| (1,661) | Repayments of short- and long-term borrowing | (1,163) |
| - | Other payments for financing activities | (27,032) |
| 29,502 | Net cash flows from financing activities | 13,918 |

27 Reconciliation of Financial Liabilities from Financial Activities

| 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) |
| Total | (123,749) | 4,620 | - | (119,129) |

| 2021/22 | Balance at 1 April 2021 £'000 | Cash Flows £'000 | Non Cash Changes £'000 | Balance at 31 March 2022 £'000 |
|-----------------------|--|---------------------|------------------------------|---|
| Long-Term Borrowings | (69,874) | - | 1,165 | (68,709) |
| Short-Term Borrowings | (2,066) | 1,674 | (1,165) | (1,557) |
| Lease Liabilities | (27,009) | 181 | - | (26,828) |
| PFI Liabilities | (29,348) | 2,693 | - | (26,655) |
| Total | (128,297) | 4,548 | - | (123,749) |

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 Tower Hamlets 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 Clinical Commissioning Group, 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 £9.935m in 2022/23 from the Minimum CCG Contribution to Adult Social Care.

| | 2021/22 £'000 | 2022/23 £'000 |
|--|------------------|------------------|
| Income | | |
| The Council | (28,818) | (29,841) |
| Tower Hamlets Clinical Commissioning Group (CCG) | (27,109) | (27,053) |
| | (55,927) | (56,894) |
| Expenditure | 55,927 | 56,894 |
| Surplus/(Deficit) for the year | - | - |

29 Members' Allowances

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

| | 2021/22 £'000 | 2022/23 £'000 |
|--------------|------------------|------------------|
| Allowances | 1,024 | 961 |
| Total | 1,024 | 961 |

30 Officers' Remuneration

Senior Employees

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

| 2022/23 | Salary, Fees and Allowances £ | Taxable Expenses £ | Compensation for Loss of Office £ | Pension Contribution £ | Other £ | Total £ |
|---|----------------------------------|-----------------------|--------------------------------------|---------------------------|------------|------------|
| Mr W Tuckley - Chief Executive ¹ | 200,862 | - | 217,844 | 36,768 | 28,668 | 484,142 |
| Mr S Halsey - Chief Executive ² | 44,079 | - | - | - | - | 44,079 |
| Corporate Directors | | | | | | |
| Mr J Thomas - Children's and Culture ³ | 155,326 | - | - | 29,261 | 5,447 | 190,034 |
| Health, Adults and Communities ⁴ | 115,169 | - | - | 20,929 | - | 136,098 |
| Health, Adults and Communities ⁵ | 9,248 | - | - | 1,677 | - | 10,925 |
| Place | 149,705 | - | - | 27,202 | - | 176,907 |
| Resources ⁶ | 119,119 | - | - | - | - | 119,119 |
| Resources ⁷ | 39,820 | - | - | - | - | 39,820 |
| Other Directors | | | | | | |
| 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 |

¹ Left 02/03/23 - Other is annual leave

² Started 13/02/23

³ Other is market supplement payment

⁴ Unpaid leave with effect from 07/01/23

⁵ Acting up with effect from 07/03/23

⁶ Left 29/01/23

⁷ Started 09/01/23

| 2021/22 | Salary, Fees and Allowances £ | Taxable Expenses £ | Compensation for Loss of Office £ | Pension Contribution £ | Other £ | Total £ |
|---|----------------------------------|-----------------------|--------------------------------------|---------------------------|------------|------------|
| Mr W Tuckley - Chief Executive | 215,860 | - | - | 41,004 | - | 256,864 |
| Corporate Directors | | | | | | |
| Mr J Thomas - Children's and Culture ¹ | 152,844 | - | - | 29,893 | 5,447 | 188,184 |
| Health, Adults and Communities ² | 144,969 | - | - | 27,804 | 2,500 | 175,273 |
| Place | 147,675 | - | - | 27,844 | - | 175,519 |
| Mr K Bartle - Resources | 172,371 | - | - | - | - | 172,371 |
| Other Directors | | | | | | |
| Monitoring Officer | 111,306 | - | - | 21,482 | - | 132,788 |
| Public Health | 111,306 | - | - | 16,006 | - | 127,312 |
| Strategy Transformation & Improvement | 111,306 | - | - | 21,482 | - | 132,788 |
| Communications & Marketing | 111,306 | - | - | 21,482 | - | 132,788 |

¹ Other payment relates to market supplement

² Other payment relates to honoraria

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 (£) | 2021/22** Number of employees | 2022/23 Number of employees |
|-----------------------|----------------------------------|--------------------------------|
| 50,000 - 54,999 | 527 | 526 |
| 55,000 - 59,999 | 353 | 411 |
| 60,000 - 64,999 | 150 | 249 |
| 65,000 - 69,999 | 103 | 115 |
| 70,000 - 74,999 | 38 | 73 |
| 75,000 - 79,999 | 37 | 35 |
| 80,000 - 84,999 | 68 | 57 |
| 85,000 - 89,999 | 14 | 23 |
| 90,000 - 94,999 | 22 | 14 |
| 95,000 - 99,999 | 8 | 8 |
| 100,000 - 104,999 | 8 | 4 |
| 105,000 - 109,999 | 5 | 6 |
| 110,000 - 114,999 | 5 | 7 |
| 115,000 - 119,999 | 1 | 4 |
| 120,000 - 124,999 | 4 | 5 |
| 125,000 - 129,999 | 3 | 1 |
| 130,000 - 134,999 | 1 | 1 |
| 135,000 - 139,999 | 1 | 1 |
| 140,000 - 144,999 | 1 | - |
| 170,000 - 174,999 | - | 1 |
| 185,000 - 189,999 | 2 | - |
| 290,000 - 294,999 | 1 | - |
| | 1,352 | 1,541 |

**The figures as presented here are not complete due to there being 1 school in 2022/23 which used an outsourced payroll provider for which the Council did not receive a return. In 2021/22, there were 3 schools which used the outsourced payroll provider for which the Council did not receive a return.

Exit Payments

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

| Exit Package cost band (£) | 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) | |
|----------------------------|-----------------------------------|----------|-----------------------------------|-----------|--|-----------|--|--------------|
| | 2021/22* | 2022/23 | 2021/22* | 2022/23 | 2021/22* | 2022/23 | 2021/22* | 2022/23 |
| 0 - 20,000 | 33 | 1 | 152 | 37 | 185 | 38 | 1,385 | 191 |
| 20,001 - 40,000 | 7 | 2 | 69 | 20 | 76 | 22 | 2,103 | 601 |
| 40,001 - 60,000 | 1 | - | 19 | 8 | 20 | 8 | 962 | 405 |
| 60,001 - 80,000 | 1 | - | 13 | 3 | 14 | 3 | 972 | 215 |
| 80,001 - 100,000 | 1 | - | 9 | 2 | 10 | 2 | 867 | 189 |
| 100,001 - 150,000 | - | - | 7 | - | 7 | - | 839 | - |
| 150,001 - 200,000 | - | - | 1 | - | 1 | - | 161 | - |
| 200,001 - 250,000 | - | - | - | 1 | - | 1 | - | 218 |
| Total | 43 | 3 | 270 | 71 | 313 | 74 | 7,289 | 1,819 |

The above table includes any compensation for loss of office payments included within the senior officer remuneration note on a previous page.

*The figures as presented here are not complete due to there being 1 school in 2022/23 which used an outsourced payroll provider for which the Council did not receive a return. In 2021/22, there was also 1 school which used an outsourced payroll provider for which the Council did not receive a return.

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.

| | 2021/22 £'000 | 2022/23 £'000 |
|---|------------------|------------------|
| Expenditure | | |
| Property, Plant and Equipment | 140,410 | 123,374 |
| Heritage Assets | 207 | 86 |
| Intangible Assets | 536 | 1,548 |
| Revenue Expenditure Funded from Capital Under Statute | 17,281 | 12,271 |
| TOTAL | 158,434 | 137,279 |
| Sources of Finance | | |
| Borrowing | 64,672 | 49,018 |
| Capital Grants and Contributions | 57,853 | 53,170 |
| Capital Receipts | 21,565 | 11,343 |
| Major Repairs Reserve | 11,936 | 13,186 |
| Direct Revenue Funding | 2,408 | 10,562 |
| TOTAL | 158,434 | 137,279 |

| | 2021/22 £'000 | 2022/23 £'000 |
|---|------------------|------------------|
| Opening Capital Financing Requirement | 486,296 | 541,007 |
| Capital investment | | |
| Property, Plant and Equipment | 140,410 | 123,374 |
| Heritage Assets | 207 | 86 |
| Intangible Assets | 536 | 1,548 |
| Revenue Expenditure Funded from Capital under Statute | 17,281 | 12,271 |
| Sources of finance | | |
| Capital Grants and Contributions | (57,853) | (53,170) |
| Capital Receipts | (21,565) | (11,343) |
| Major Repairs Reserve | (11,936) | (13,186) |
| Sums set aside from revenue: | | |
| · Direct Revenue Funding | (2,408) | (10,562) |
| · Minimum Revenue Provision | (9,961) | (10,542) |
| Closing Capital Financing Requirement | 541,007 | 579,483 |

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.

| | 2021/22 £'000 | 2022/23 £'000 |
|---|------------------|------------------|
| Fees payable to appointed external auditor with regard to external audit services | 162 | 162 |
| Total | 162 | 162 |

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 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 |
| | Net DSG position at the end of 2022/23 | | | 13,068 |

- 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).

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 2021/22 | Central Expenditure £'000 | Individual Schools Budget £'000 | Total £'000 |
|-------|--|------------------------------|------------------------------------|----------------|
| A | Final DSG for 2021/22 before academy and high needs recoupment | | | (376,516) |
| B | Academy and high needs figure recouped for 2021/22 | | | 76,920 |
| C | Total DSG after academy and high needs recoupment for 2021/22 | | | (299,596) |
| D | Plus: Brought forward from 2020/21 | | | - |
| E | Less: Carry-forward to 2022/23 agreed in advance | | | - |
| F | Agreed initial budgeted distribution in 2021/22 | (59,164) | (240,432) | (299,596) |
| G | In-year adjustments | - | - | - |
| H | Final budget distribution for 2021/22 | (59,164) | (240,432) | (299,596) |
| I | Less: Actual central expenditure | 62,550 | | 62,550 |
| J | Less: Actual ISB deployed to schools | | 240,140 | 240,140 |
| K | Plus: Local authority contribution for 2021/22 | | | - |
| L | In-year carry-forward to 2022/23 | 3,386 | (292) | 3,094 |
| | Plus: Carry-forward to 2022/23 agreed in advance | | | - |
| | Carry-forward to 2022/23 | | | - |
| | DSG unusable reserve at the end of 2020/21 | | | 11,174 |
| | Addition to DSG unusable reserve at the end of 2021/22 | | | 3,094 |
| | Total of DSG unusable reserve at the end of 2021/22 | | | 14,268 |
| | Net DSG position at the end of 2021/22 | | | 14,268 |

- A Final DSG figure before any amount has been recouped from the authority excluding the January 2022 early years block adjustment.
- B Figure recouped from the authority in 2021/22 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 2021/22.
- D Figure brought forward from 2020/21, positive or negative.
- E Any amount which the authority decided after consultation with the schools forum to carry forward to 2022/23 rather than distribute in 2021/22 – this may be the difference between estimated and final DSG for 2021/22, or a figure (positive or negative) brought forward from 2020/21 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 2021/22 – 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 2021/22 which will have the effect of substituting for DSG in funding the schools budget.
- L Carry-forward to 2022/23, 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:

| | 2021/22 £'000 | 2022/23 £'000 |
|--|------------------|------------------|
| Grants Credited to Services | | |
| Capital Grants funding REFCUS | (1,264) | (3,230) |
| Developers' Contributions (capital) funding REFCUS | (6,257) | (6,061) |
| Developers' Contributions (revenue) | (1,978) | (1,832) |
| Dedicated Schools Grant | (299,596) | (310,426) |
| Schools Supplementary Grant | - | (5,810) |
| Family Hubs & Start for Life Programme | - | (1,020) |
| PFI Credits | (9,380) | (9,380) |
| National Tutoring Programme | (1,014) | (1,744) |
| Recovery Premium Grant | (1,002) | (2,510) |
| Workforce Capacity & Retention Fund | (2,127) | - |
| School Sixth Form Grant | (13,070) | (14,311) |
| Pupil Premium Grant | (16,243) | (16,984) |
| Public Health Grant | (36,350) | (37,372) |
| Housing Benefit Subsidy | (194,347) | (186,144) |
| Improved Better Care Fund | (16,316) | (16,810) |
| NHS Contributions | (33,369) | (21,507) |
| Business Support Grants | (5,606) | (308) |
| Local Council Tax Support Admin Grant | (4,027) | (724) |
| Community Infrastructure Levy (revenue) | (828) | (522) |
| Teachers' Pensions Grant | (1,004) | (976) |
| Universal Infant Free School Meals | (2,299) | (2,321) |
| Community Learning | (2,691) | (2,582) |
| Social Care Grant | (12,341) | (16,602) |
| Teachers' Pay Grant | (345) | (234) |
| Unaccompanied Asylum Seeker Grant | (1,215) | (2,246) |
| Physical Education and Sport | (1,124) | (1,088) |
| Tackling Troubled Families | (1,563) | (1,592) |
| Sales, Fees and Charges Re-imbursement Grant (Covid Grant) | (1,268) | - |
| Infection Control | (1,382) | - |
| Contain Outbreak Management | (8,217) | (780) |
| Covid-Catchup Premium | (1,149) | - |
| Test and Trace Support Payment | (1,890) | (2,833) |
| Rough Sleeping Initiative Grant | (1,902) | (1,845) |
| Homelessness Prevention Grant | (7,079) | (6,887) |
| Winter Grant Scheme (Family Support) | (758) | - |
| Place ADDER Accelerator Fund | (435) | (1,237) |
| Adult Social Care (ASC) Discharge Fund | - | (1,210) |
| Leaving Care Unaccompanied Asylum Seeker Grant | (830) | (1,288) |
| Household Support Fund | - | (2,455) |
| Market Sustainability & Fair Cost of Care | - | (989) |
| Other Revenue Grants | (16,524) | (13,033) |
| Total Credited to Services | (706,790) | (696,893) |

34 Grant Income (Continued)

| | 2021/22 £'000 | 2022/23 £'000 |
|---|------------------|------------------|
| Total Credited to Services (b/f) | (706,790) | (696,893) |
| Credited to Taxation and Non Specific Grant Income | | |
| <i>Non-Ringfenced Government Grants</i> | | |
| Business Rate Related Grants | (27,055) | (33,368) |
| Revenue Support Grant (Formula Grant) | (34,010) | (35,056) |
| Local Service Support Grant | (1,404) | (1,508) |
| Service Grant | - | (7,688) |
| New Homes Bonus | (17,646) | (16,263) |
| Covid-19 Grant | (12,985) | - |
| Other Non-ringfenced grants | - | (1,012) |
| Total Non-Ringfenced Government Grants | (93,100) | (94,895) |
| <i>Capital Grants and Contributions</i> | | |
| Schools-funded Capital Programme | (524) | (1,003) |
| Transport for London Funding | (1,815) | (73) |
| Major Works Contributions (cash received) | (4,394) | (602) |
| Capital Maintenance Grant | (4,747) | (4,632) |
| Community Infrastructure Levy (CIL) | (6,923) | (3,714) |
| GLA Building Council Homes for Londoners | (1,115) | (500) |
| High Needs Provision Capital | (2,639) | (10,508) |
| Developers' Contributions (capital) | (19,627) | (11,829) |
| Other Capital Grants | (5,856) | (4,357) |
| Total Capital Grants and Contributions | (47,640) | (37,218) |
| Total Grant Income in Comprehensive Income & Expenditure Account | (847,530) | (829,006) |

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 2022 £'000 | 31 March 2023 £'000 |
|--|------------------------|------------------------|
| Capital Grants Receipts in Advance | | |
| Developers' Contributions (capital) | (98,491) | (93,168) |
| South Dock Bridge | (1,750) | (1,164) |
| Building Council Homes for Londoners | (4,200) | (4,590) |
| GLA Right to Buy Ringfence | - | (9,691) |
| Other conditional capital grants and contributions | (476) | (1,149) |
| Total Capital Grants Receipts in Advance | (104,917) | (109,762) |
| Revenue Grants Receipts in Advance | | |
| Developers' Contributions (revenue) | (11,033) | (10,518) |
| Business Rate Related Grants | (2,881) | (1,469) |
| Covid Grants | (35) | - |
| Other conditional revenue grants | (47) | (79) |
| Total Revenue Grants Receipts in Advance | (13,996) | (12,066) |
| Total Grant Receipt in Advance Balances | (118,913) | (121,828) |

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.

However, it is uncertain whether this note is complete with respect to relationships Members might have with other organisations in relation to the year ended 31 March 2023 and 31 March 2022. Due to Members changing as a result of local elections, there are a number of Members for whom the requested return on interests (used to identify related party relationships) had not been returned for year ended 31 March 2023 and 31 March 2022. Hence, it is uncertain whether information in this note in relation to the year ended 31 March 2023 and 31 March 2022 is complete with respect to relationships these Members might have had with other organisations.

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 2023 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 Tower Hamlets Clinical Commissioning Group, 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 Hamlet Homes

Tower Hamlets Homes is a wholly owned subsidiary of London Borough of Tower Hamlets and the Council has representation on the Board of the Company.

It is an arms length management organisation responsible for management of the Council's housing stock.

During the year the Council paid a management fee of £39.028m(21/22 £36.583m) and received income of £5.444m (21/22 £5.705m) for the provision of services. At the 31 March 2023 £1.767m was due from Tower Hamlets Homes (21/22 £4.266m).

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 £0.261m (21/22 0.425m) from the Council, and paid £0.600m (21/22 £0.526m) for services provided. At the 31 March 2023 £0.125m cash was held by the Council on behalf of the Charity (21/22 £0.103m was owed to the Council as an overdraft held on behalf of the charity).

Seahorse Homes

Seahorse Homes Ltd is a wholly owned subsidiary of the London Borough of Tower Hamlets. £nil was due from the subsidiary at 31 March 2023 (21/22 £0.030m) .

35 Related Parties (Continued)

Mulberry Housing Society

Mulberry Housing is a Community Benefit Society which hadn't commenced trading by 31 March 2023.

The Council has the right to appoint two out of five Board Members and £nil amount was due from the Society at 31 March 2023 (21/22 £0.010m).

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 £0.213m funding and rental income from the Council (21/22 £0.202m) and paid £Nil (21/22 £0.043m) 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 £2.404m from the Council (21/22 £2.274m) and paid £0.005m (21/22 £0.005m) for 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.

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. During the year the Charity received funding of £0.26m (21/22 £nil) from the Council, and paid £0.006m (21/22 £nil) for services provided.

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 was a company limited by guarantee that converted to a registered society in 2018. It 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. The Council received services to the value of £0.092m (21/22 £0.103m) from the Organisation in 22/23 and charged £0.004m (21/22 £0.020m). £0.049m was due from the Organisation the year end (21/22 £0.022m).

35 Related Parties (Continued)

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 (ie excluding schools) provided funding of £0.405m in 21/22 (21/22 £0.537m) in pursuit of these aims and charged the Charity £0.048m (21/22 £0.006m) for the provision of services and premises. The Council also recovered the cost of staff seconded to the Charity during the year, amounting to £0.207m (21/22 £0.790m). At the end of 21/22, the Charity owed £0.179m (21/22 £0.399m) to the Council and the Council owed £nil (21/22 £0.605m) to the Charity. The Charity also receives a significant proportion of its remaining income from maintained schools within the Borough.

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 has provided a loan facility (secured on the properties) to the Charity with £0.625m (21/22 £0.607m) outstanding at the 31 March 2023 which was redeemed in April 2023. £0.18m (21/22 £0.006m) interest accrued on the loan during the year. 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 2022/23 is shown in the Members Allowances Note and Senior Officers remuneration in the Officers Remuneration Note. During the year there were ten external organisations (21/22 nine) 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 £2.460m (21/22 £2.208m) was incurred with these organisations for goods and services, and £0.056m (21/22 £0.852m) income was recorded from them for goods and services provided. In addition a payroll service was provided for one organisation with payroll costs of £4.797m (21/22 £4.500m) being recovered from them. At the end of the year £0.475m was due from these organisations (21/22 £0.658m).

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 2022 £'000 | Buildings 31 March 2023 £'000 |
|------------------------------------|--|--|
| Poplar Baths Leisure Centre | 20,110 | 19,692 |
| Poplar Baths Housing | 4,210 | 4,619 |
| Dame Colet Residential Development | 3,170 | 3,529 |
| Total | 27,490 | 27,840 |

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 2022 £'000 | Buildings 31 March 2023 £'000 |
|---|--|--|
| Finance lease liabilities (net present value of minimum lease payments) | 26,828 | 26,630 |
| Finance costs payable in future years | 49,893 | 47,446 |
| Minimum lease payments | 76,721 | 74,076 |

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

| | Minimum Lease payments | | Finance Lease Liabilities | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2022 £'000 | 31 March 2023 £'000 | 31 March 2022 £'000 | 31 March 2023 £'000 |
| Not later than one year | 2,644 | 2,644 | 197 | 217 |
| Later than one year and not later than five years | 10,577 | 10,577 | 996 | 1,090 |
| Later than five years | 63,500 | 60,856 | 25,635 | 25,323 |
| | 76,721 | 74,077 | 26,828 | 26,630 |

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, car parks 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). These leases are for variable lengths and range between 1 and 25 years in duration.

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 2022 | 31 March 2022 | 31 March 2023 | 31 March 2023 |
| | £'000 | £'000 | £'000 | £'000 |
| Health, Adults and Communities | | | | |
| Not later than one year | 103 | - | 103 | - |
| Later than one year and not later than five years | 410 | - | 410 | - |
| Later than five years | 1,026 | - | 923 | - |
| Children's and Culture | | | | |
| Not later than one year | - | 1,075 | - | 184 |
| Later than one year and not later than five years | - | 1,329 | - | 160 |
| Later than five years | - | - | - | - |
| Place | | | | |
| Not later than one year | 4,066 | 1,336 | 153 | 1,104 |
| Later than one year and not later than five years | 570 | 868 | 612 | 134 |
| Later than five years | 2,465 | - | 2,527 | - |
| Total | | | | |
| Not later than one year | 4,169 | 2,411 | 256 | 1,288 |
| Later than one year and not later than five years | 980 | 2,197 | 1,022 | 294 |
| Later than five years | 3,491 | - | 3,450 | - |
| | 8,640 | 4,608 | 4,728 | 1,582 |

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 2022 | 31 March 2022 | 31 March 2023 | 31 March 2023 |
| | £'000 | £'000 | £'000 | £'000 |
| Health, Adults and Communities | | | | |
| Minimum Lease Payments | 50 | - | 103 | - |
| Children's and Culture | | | | |
| Minimum Lease Payments | - | 986 | - | 246 |
| Place | | | | |
| Minimum Lease Payments | 5,626 | 1,404 | 4,069 | 1,171 |
| Total | | | | |
| Minimum Lease Payments | 5,676 | 2,390 | 4,172 | 1,417 |

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 2022 | 31 March 2023 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Not later than one year | (3,562) | (176) |
| Later than one year and not later than five years | (10,819) | (16,765) |
| Later than five years | (18,878) | (21,242) |
| | (33,259) | (38,183) |

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 2023 (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 |
|--------------------------------|--------------------------|--------------------------|----------------------------|-----------------|
| Liability | | | | |
| 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) |
| | (3,815) | (18,851) | (790) | (23,456) |
| Interest | | | | |
| Within 1 year | 428 | 2,966 | - | 3,394 |
| Within 2 - 5 years | 1,065 | 5,972 | - | 7,037 |
| Within 6 - 10 years | 84 | - | - | 84 |
| | 1,577 | 8,938 | - | 10,515 |
| Service Charges | | | | |
| Within 1 year | 673 | 3,125 | - | 3,798 |
| Within 2 - 5 years | 2,694 | 10,446 | - | 13,140 |
| Within 6 - 10 years | 673 | - | - | 673 |
| | 4,040 | 13,571 | - | 17,611 |

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 |
|---|--------------------------|--------------------------|----------------------------|-----------------|
| Liabilities at 31 March 2022 | (4,233) | (21,434) | (988) | (26,655) |
| Repayments/Amortisation of deferred liability | 418 | 2,583 | 198 | 3,199 |
| Liabilities at 31 March 2023 | (3,815) | (18,851) | (790) | (23,456) |
| Consisting of: | | | | |
| Long-term liability | (3,310) | (15,704) | (592) | (19,606) |
| Short-term liability | (505) | (3,147) | (198) | (3,850) |
| Liability value at 31 March 2023 | (3,815) | (18,851) | (790) | (23,456) |

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 |
|-------------------------------------|--------------------------|----------------------------|----------------|
| Asset value at 31 March 2021 | 226,842 | 1,686 | 228,528 |
| Depreciation | (2,060) | (181) | (2,241) |
| Revaluations | 17,420 | - | 17,420 |
| Enhancements | 4,413 | - | 4,413 |
| Asset value at 31 March 2022 | 246,615 | 1,505 | 248,120 |
| Depreciation | (2,092) | (181) | (2,273) |
| Revaluations | 15,505 | 1,086 | 16,591 |
| Enhancements | 1,721 | - | 1,721 |
| Asset value at 31 March 2023 | 261,749 | 2,410 | 264,159 |

Comparatives for the 2021/22 year are presented below.

| Payments due under PFI schemes, as at 31 March 2022 | Mulberry School £'000 | Grouped Schools £'000 | Barkantine Energy £'000 | Total £'000 |
|---|--------------------------|--------------------------|----------------------------|-----------------|
| Liability | | | | |
| Within 1 year | (418) | (2,583) | (198) | (3,199) |
| Within 2 - 5 years | (2,395) | (16,232) | (790) | (19,417) |
| Within 6 - 10 years | (1,420) | (2,619) | - | (4,039) |
| | (4,233) | (21,434) | (988) | (26,655) |
| Interest | | | | |
| Within 1 year | 475 | 3,372 | - | 3,847 |
| Within 2 - 5 years | 1,333 | 8,526 | - | 9,859 |
| Within 6 - 10 years | 243 | 412 | - | 655 |
| | 2,051 | 12,310 | - | 14,361 |
| Service Charges | | | | |
| Within 1 year | 673 | 1,235 | - | 1,908 |
| Within 2 - 5 years | 2,694 | 12,466 | - | 15,160 |
| Within 6 - 10 years | 1,347 | 1,104 | - | 2,451 |
| | 4,714 | 14,805 | - | 19,519 |

| Movement on PFI Liabilities, as at 31 March 2022 | Mulberry School £'000 | Grouped Schools £'000 | Barkantine Energy £'000 | Total £'000 |
|--|--------------------------|--------------------------|----------------------------|-----------------|
| Liabilities at 31 March 2021 | (4,582) | (23,580) | (1,186) | (29,348) |
| Repayments/Amortisation of deferred liability | 349 | 2,146 | 198 | 2,693 |
| Liabilities at 31 March 2022 | (4,233) | (21,434) | (988) | (26,655) |
| Consisting of: | | | | |
| Long-term liability | (3,815) | (18,851) | (790) | (23,456) |
| Short-term liability | (418) | (2,583) | (198) | (3,199) |
| Liability value at 31 March 2022 | (4,233) | (21,434) | (988) | (26,655) |

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 (ie 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 | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2021/22 £'000 | 2022/23 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2021/22 £'000 | 2022/23 £'000 |
| COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT | | | | | | |
| <i>Cost of Services</i> | | | | | | |
| Current service costs | 76,521 | 77,737 | 258 | 238 | 76,779 | 77,975 |
| Past service costs | 1,888 | 739 | - | - | 1,888 | 739 |
| <i>Finance and Investment Income and Expenditure</i> | | | | | | |
| Interest cost on defined benefit obligation | 46,231 | 60,832 | 1,305 | 1,703 | 47,536 | 62,535 |
| Interest income on plan assets | (33,832) | (47,462) | (1,215) | (1,964) | (35,047) | (49,426) |
| Net charge to the Surplus or Deficit on Provision of Services | 90,808 | 91,846 | 348 | (23) | 91,156 | 91,823 |
| <i>Other Comprehensive Income and Expenditure</i> | | | | | | |
| Changes in demographic assumptions | (2,282) | (17,185) | - | (2,616) | (2,282) | (19,801) |
| Changes in financial assumptions | (136,660) | (792,934) | (1,600) | (17,300) | (138,260) | (810,234) |
| Other experience | 3,807 | 133,256 | 153 | 2,941 | 3,960 | 136,197 |
| Return on plan assets excluding amounts included in net | (18,644) | 125,892 | (9,378) | 13 | (28,022) | 125,905 |
| Effect of the asset ceiling | - | 5,841 | - | 30,085 | - | 35,926 |
| Actuarial (gains)/losses | (18,466) | - | - | 81 | (18,466) | 81 |
| Total charge in Comprehensive Income and Expenditure Statement | (81,437) | (453,284) | (10,477) | 13,181 | (91,914) | (440,103) |
| MOVEMENT IN RESERVES STATEMENT | | | | | | |
| Reversal of net charges made for retirement benefits | (90,808) | (91,846) | (348) | 23 | (91,156) | (91,823) |
| Actual amount charged against the General Fund/HRA | 44,073 | 44,843 | 386 | 385 | 44,459 | 45,228 |

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 2022/23 there were such payments of £0.829m (£0.797m in 2021/22).

Assets and Liabilities in Relation to Retirement Benefits

| Reconciliation of Present Value of Scheme Liabilities | The Council | | LPFA | | Total | |
|---|--------------------|--------------------|-----------------|-----------------|--------------------|--------------------|
| | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Opening balance at 1 April | (2,309,403) | (2,249,951) | (70,249) | (67,197) | (2,379,652) | (2,317,148) |
| Current service cost | (76,521) | (77,737) | (258) | (238) | (76,779) | (77,975) |
| Past service costs | (1,888) | (739) | - | - | (1,888) | (739) |
| Interest cost | (46,231) | (60,832) | (1,305) | (1,703) | (47,536) | (62,535) |
| Contributions | (10,396) | (11,353) | (40) | (41) | (10,436) | (11,394) |
| Benefits paid | 59,353 | 60,665 | 3,208 | 3,459 | 62,561 | 64,124 |
| Remeasurement gains / (losses): | | | | | | |
| Changes in demographic assumptions | 2,282 | 17,185 | - | 2,616 | 2,282 | 19,801 |
| Changes in financial assumptions | 136,660 | 792,934 | 1,600 | 17,300 | 138,260 | 810,234 |
| Other experience | (3,807) | (133,256) | (153) | (2,941) | (3,960) | (136,197) |
| 31 March | (2,249,951) | (1,663,084) | (67,197) | (48,745) | (2,317,148) | (1,711,829) |

| Reconciliation of Fair Value of Scheme Assets | The Council | | LPFA | | Total | |
|---|------------------|------------------|---------------|---------------|------------------|------------------|
| | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Opening fair value of scheme assets | 1,695,218 | 1,761,276 | 70,110 | 77,921 | 1,765,328 | 1,839,197 |
| Interest income | 33,832 | 47,462 | 1,215 | 1,964 | 35,047 | 49,426 |
| Effect of settlements | - | - | - | - | - | - |
| Contributions | | | | | | |
| Employees into the scheme | 10,396 | 11,353 | 40 | 41 | 10,436 | 11,394 |
| Employer | 44,073 | 44,843 | 386 | 385 | 44,459 | 45,228 |
| Benefits paid | (59,353) | (60,665) | (3,208) | (3,459) | (62,561) | (64,124) |
| Remeasurement gains / (losses): | | | | | | |
| Return on plan assets | 18,644 | (125,892) | 9,378 | (13) | 28,022 | (125,905) |
| Actuarial gains/(losses) | 18,466 | - | - | (81) | 18,466 | (81) |
| 31 March | 1,761,276 | 1,678,377 | 77,921 | 76,758 | 1,839,197 | 1,755,135 |

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.

Pension Assets, Liabilities and Asset Ceiling Recognised in the Balance Sheet

| | The Council | | LPFA | | Total | |
|---|------------------|--------------|---------------|----------------|------------------|--------------|
| | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Present value of scheme liabilities | (2,249,951) | (1,663,084) | (67,197) | (48,745) | (2,317,148) | (1,711,829) |
| Fair value of plan assets | 1,761,276 | 1,678,377 | 77,921 | 76,758 | 1,839,197 | 1,755,135 |
| Additional liability from asset ceiling | - | (5,841) | - | (30,085) | - | (35,926) |
| Total Asset/(Deficit) in the Schemes | (488,675) | 9,452 | 10,724 | (2,072) | (477,951) | 7,380 |

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 2023.

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. No asset ceiling was taken into consideration in 2021/22.

The net asset position of £9.452m with respect to the Council above includes a liability of £8.043m in respect of the net present value of future payments of discretionary awards previously agreed to teachers upon retirement. This liability is combined with the net liability of the LPFA scheme of £2.072m, making a total liability of £10.115m, and is shown separately to the gross pension asset of the Council scheme, of £17.495m, on the Balance Sheet.

The Council expects to make total contributions of £47.8m in the year to 31 March 2024.

38 Pension Schemes - Defined Benefit (Continued)

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 | |
|--|-------------|---------|---------|---------|
| | 2021/22 | 2022/23 | 2021/22 | 2022/23 |
| Long-term expected rate of return on assets in the scheme ¹ | | | | |
| Mortality assumptions: | | | | |
| Longevity at 65 for current pensioners (years): | | | | |
| Men | 21.7 | 21.5 | 21.0 | 20.3 |
| Women | 24.2 | 23.9 | 23.8 | 23.3 |
| Longevity at 65 for future pensioners (years): | | | | |
| Men | 22.8 | 22.6 | 22.4 | 21.5 |
| Women | 25.7 | 25.5 | 25.6 | 25.3 |
| Rate of inflation | 3.2% | 3.0% | 3.4% | 2.9% |
| Rate of increase in salaries | 3.4% | 3.0% | 3.4% | 3.0% |
| Rate of increase in pensions | 3.2% | 3.0% | 3.4% | 2.9% |
| Rate for discounting scheme liabilities ¹ | 2.7% | 4.8% | 2.6% | 4.8% |

¹ 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, ie 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 | |
|--|-------------|---------|---------|---------|
| | 2021/22 | 2022/23 | 2021/22 | 2022/23 |
| Equities | 0% | 0% | 48% | 49% |
| <i>Private Equity</i> | 0% | 0% | 9% | 8% |
| <i>Bonds</i> | 6% | 6% | 3% | 1% |
| <i>Property</i> | 10% | 8% | 9% | 10% |
| Investment/Hedge Funds and Unit Trusts*: | | | 11% | 8% |
| <i>Equity-based</i> | 51% | 61% | | |
| <i>Bond-based</i> | 15% | 11% | | |
| <i>Hedge Funds</i> | 0% | 0% | | |
| <i>Other</i> | 17% | 12% | | |
| Credit - unquoted | 0% | 0% | 8% | 10% |
| Infrastructure - unquoted | 0% | 0% | 10% | 12% |
| Cash | 1% | 2% | 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 3,700 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 2022/23, the council paid £22.006m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.7% of pensionable pay. The figures for 2021/22 were £21.637m 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 £23.107m (23.7% 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.

£0.059m million was payable into the scheme in 2022/23 by the Council (2021/22: £0.100m). This represents 20.7% of pensionable pay. The contributions due to be paid in the next financial year are estimated to be £0.066m. These amounts represent 20.7% 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:

| 2021/22 £'000 | | 2022/23 £'000 |
|------------------|---|------------------|
| (1,182) | Income | (1,212) |
| 1,277 | Expenditure | 1,293 |
| 46 | Net unrealised (gains)/losses on Investments | 4 |
| 141 | (Surplus)/Deficit for the Year | 85 |
| 15,989 | Fixed assets | 16,049 |
| 327 | Current assets | 261 |
| (362) | Creditors - amounts falling due within one year | (299) |
| 15,954 | Net Current Assets | 16,011 |
| 15,896 | Endowment funds | 15,973 |
| 58 | Unrestricted reserves | 38 |
| 15,954 | Total Charity Funds | 16,011 |

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 Group Accounts

The Council has control or significant influence over a number of entities which therefore fall within its group boundary for accounting purposes.

The Council has concluded that group accounts would be materially different to the Council's single entity accounts. In particular, the effect of consolidating the Council's two most financially significant subsidiaries, Tower Hamlets Homes Limited and King George's Field, Mile End charity, would result in group net assets at 31 March 2023 being materially higher than the net assets and subsidiary reserves in the single entity accounts.

As the preparation of group accounts would not result in expenditure, income or indebtedness being reported which was materially different to amounts in the single entity accounts and since the preparation of group accounts would necessitate further commitment of time and resources, the Council has decided not to prepare them. The overriding consideration for this decision is that completion of the audit for the current year in order to make more rapid progress on the backlog of audits and accounts for subsequent years would be of more material benefit to the users of accounts and also to management of the Council's finances.

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).

| | 2021/22 £'000 | 2022/23 £'000 |
|---|------------------|------------------|
| EXPENDITURE | | |
| Repairs and maintenance | 19,320 | 29,652 |
| Supervision and management | 40,131 | 38,906 |
| Rents, rates, taxes and other charges | 9,548 | 14,166 |
| Depreciation of non-current assets | | |
| On dwellings | 16,034 | 14,500 |
| On other assets | 1,315 | 1,239 |
| Revaluation losses (and reversals) | 50,299 | (68,086) |
| Debt management costs | 90 | 103 |
| Movement in the allowance for bad debts | (578) | 1,254 |
| Sums directed by the Secretary of State that are expenditure in accordance with the Code | 4,926 | 1,150 |
| TOTAL EXPENDITURE | 141,085 | 32,884 |
| INCOME | | |
| Gross rental income | | |
| Dwelling rents | (67,611) | (68,987) |
| Non dwelling rents | (4,412) | (4,421) |
| Charges for services and facilities | (26,161) | (29,957) |
| TOTAL INCOME | (98,185) | (103,365) |
| NET COST OF HRA SERVICES AS INCLUDED IN THE WHOLE AUTHORITY INCOME AND EXPENDITURE ACCOUNT | 42,900 | (70,481) |
| HRA services share of Corporate and Democratic Core | 143 | 143 |
| NET COST OF HRA SERVICES | 43,043 | (70,338) |
| HRA share of operating income and expenditure included in the whole authority Income and Expenditure Account | | |
| (Gain)/loss on sale of HRA non-current assets | (17,824) | (17,069) |
| Interest payable and similar charges | 6,135 | 7,454 |
| Interest and investment income | (169) | (3,910) |
| Capital grants and contributions receivable | (5,509) | (1,102) |
| DEFICIT/(SURPLUS) FOR THE YEAR ON HRA SERVICES | 25,676 | (84,965) |

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.

| | 2021/22 | 2022/23 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Balance on the Statutory HRA Brought Forward | (55,357) | (59,687) |
| Deficit/(Surplus) for the year on the HRA Income and Expenditure Account | 25,676 | (84,965) |
| Net additional amount required by statute to be debited to the HRA balance for the year | (30,006) | 97,120 |
| Decrease/(Increase) in the HRA Balance | (4,330) | 12,155 |
| Balance on the Statutory HRA Carried Forward | (59,687) | (47,532) |

NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

1 Note to the Statement of Movement on the HRA Balance

| | 2021/22 | | 2022/23 | |
|---|----------|-----------------|----------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA balance for the year | | | | |
| Revenue expenditure funded from capital under statute | (4,926) | | (1,150) | |
| Capital grants and contributions | 5,509 | | 1,102 | |
| Gain or loss on sale of HRA non-current assets | 17,824 | | 17,069 | |
| Depreciation of non-current assets | (17,349) | | (15,739) | |
| Reversal of revaluation losses on non-current assets | (50,299) | | 68,086 | |
| Net charges made for retirement benefits in accordance with IAS19 | 1,886 | | 1,886 | |
| Transfers from General Fund (as directed by Secretary of State) | | (47,355) | | 71,254 |
| Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year | | | | |
| Capital expenditure financed from revenue | | | 9,692 | |
| 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 | |
| Transfer to Major Repairs Reserve | 17,349 | | 15,739 | |
| Other adjustments (transfer to capital receipts reserve) | | 17,349 | | 25,866 |
| Net additional amount required by statute to be debited to the HRA Balance | | (30,006) | | 97,120 |

2 Housing Stock

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

| | 2021/22 | 2022/23 |
|-------------------------------------|---------------|---------------|
| Low-rise flats (1-2 storeys) | 256 | 253 |
| Medium-rise flats (3-5 storeys) | 6,689 | 6,620 |
| High-rise flats (6 or more storeys) | 3,866 | 3,834 |
| Houses and bungalows | 769 | 778 |
| Total at 31 March | 11,580 | 11,485 |

3 Non-Current Assets

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

| | 2021/22 £'000 | 2022/23 £'000 |
|----------------------------------|------------------|------------------|
| Dwellings | 1,118,581 | 1,215,585 |
| Other Land and Buildings | 91,263 | 85,045 |
| Surplus Assets Not Held for Sale | 4,987 | 12,287 |
| Assets Under Construction | 61,466 | 83,042 |
| Assets Held for Sale | 213 | - |
| Total | 1,276,510 | 1,395,959 |

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 2021 | 1,097,416 | 58,901 | 5,949 | 30,604 | 760 | 1,193,630 |
| Additions, disposals, transfers and revaluations | 21,165 | 32,362 | (962) | 30,862 | (547) | 82,880 |
| 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 | 1,215,585 | 85,045 | 12,287 | 83,042 | - | 1,395,959 |

The vacant possession value of dwellings within the Council's HRA was £4,862m in 2022/23 (£4,482m in 2021/22). 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

| | 2021/22 £'000 | 2022/23 £'000 |
|---|------------------|------------------|
| Balance at 1 April | (74) | (5,487) |
| Transfer from Capital Adjustment Account - depreciation | (17,349) | (15,739) |
| Financing of capital expenditure | 11,936 | 13,186 |
| Balance at 31 March | (5,487) | (8,040) |

5 Capital Transactions

(i) Capital expenditure and financing

| | 2021/22 £'000 | 2022/23 £'000 |
|----------------------------------|------------------|------------------|
| Expenditure | 52,102 | 44,466 |
| Sources of finance | | |
| Borrowing | 21,166 | 15,208 |
| Capital Receipts | 9,499 | 4,312 |
| Capital Grants and Contributions | 9,501 | 2,543 |
| Major Repairs Reserve | 11,936 | 13,186 |
| Direct Revenue Funding | - | 9,217 |
| Total Capital Financing | 52,102 | 44,466 |

(ii) Capital Receipts

Capital receipts (gross) in 2022/23 from the disposal of non-current assets within the HRA amounted to £27.602m (£23.515m in 2021/22) as follows:

| | 2021/22 £'000 | 2022/23 £'000 |
|-------------------------------|------------------|------------------|
| Dwellings | 12,873 | 26,470 |
| Other land and buildings | 10,642 | 1,132 |
| Total Capital Receipts | 23,515 | 27,602 |

6 Depreciation

| | 2021/22 £'000 | 2022/23 £'000 |
|---------------------------|------------------|------------------|
| Dwellings | 16,034 | 14,500 |
| Other Land and Buildings | 1,315 | 1,239 |
| Total Depreciation | 17,349 | 15,739 |

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. Within 2020/21 the Council entered into a new management agreement with Tower Hamlet Homes and as a consequence no longer includes their pension liability within the accounts.

| | 2021/22 | 2022/23 |
|--|---------|---------|
| | £'000 | £'000 |
| STATEMENT OF MOVEMENT IN HRA RESERVES | | |
| Employer's pensions contributions | 1,886 | 1,886 |

8 Rent Arrears

| | 2021/22 | 2022/23 |
|---------------------------------|---------|---------|
| | £'000 | £'000 |
| Gross rent arrears at 31 March | 4,698 | 5,021 |
| Arrears as % of rent receivable | 7.1% | 7.1% |
| Provision made for bad debts | 3,619 | 3,483 |

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.

| 2021/22 | | | | 2022/23 | | |
|---|----------------------|------------------|---|-------------------------|----------------------|------------------|
| Business Rates £'000 | Council Tax £'000 | Total £'000 | | Business Rates £'000 | Council Tax £'000 | Total £'000 |
| INCOME | | | | | | |
| - | (155,236) | (155,236) | Council Tax Receivable | - | (164,868) | (164,868) |
| (372,001) | - | (372,001) | Business Rates Receivable | (383,508) | - | (383,508) |
| (2,043) | - | (2,043) | Transitional Protection Payments Receivable | 1,560 | - | 1,560 |
| (12,048) | - | (12,048) | Business Rates Supplements Receivable | (14,285) | - | (14,285) |
| (386,092) | (155,236) | (541,327) | Total amounts to be credited | (396,233) | (164,868) | (561,101) |
| EXPENDITURE | | | | | | |
| Apportionment of Previous Year Surplus/(Deficit) | | | | | | |
| (37,515) | - | (37,515) | Central Government | (33,954) | - | (33,954) |
| (36,523) | (2,747) | (39,271) | Tower Hamlets | (30,867) | (2,489) | (33,356) |
| (41,964) | (860) | (42,824) | Greater London Authority | (38,069) | (813) | (38,882) |
| Precepts, demands and shares | | | | | | |
| 149,191 | - | 149,191 | Central Government | 137,328 | - | 137,328 |
| 135,628 | 114,189 | 249,818 | Tower Hamlets | 124,844 | 121,674 | 246,518 |
| 167,275 | 37,301 | 204,576 | Greater London Authority | 153,974 | 42,808 | 196,782 |
| Business Rate Supplement | | | | | | |
| 12,029 | - | 12,029 | Payment to levying authority's BRS Revenue Account | 14,269 | - | 14,269 |
| 19 | - | 19 | Administrative Costs | 16 | - | 16 |
| Charges to the Collection Fund | | | | | | |
| 5,340 | 4,421 | 9,761 | Increase/(decrease) in allowance for impairment | 3,105 | 2,215 | 5,320 |
| (38) | - | (38) | Increase/(decrease) in allowance for appeals | 6,394 | - | 6,394 |
| 1,049 | - | 1,049 | Charge to General Fund for allowable collection costs | 1,079 | - | 1,079 |
| 354,491 | 152,304 | 506,795 | Total Amounts to be debited | 338,119 | 163,395 | 501,514 |
| (31,600) | (2,932) | (34,532) | (Surplus)/Deficit arising during the year | (58,114) | (1,473) | (59,587) |
| 145,056 | 5,721 | 150,777 | (Surplus)/Deficit b/f at 1 April | 113,456 | 2,789 | 116,245 |
| 113,456 | 2,789 | 116,245 | (Surplus)/Deficit c/f at 31 March | 55,342 | 1,316 | 56,658 |

(Surplus)/Deficit on the Collection Fund

| 2021/22 | | | | 2022/23 | | |
|-------------------------|----------------------|----------------|--|-------------------------|----------------------|----------------|
| Business Rates £'000 | Council Tax £'000 | Total £'000 | | Business Rates £'000 | Council Tax £'000 | Total £'000 |
| 36,993 | - | 36,993 | Central Government | 17,816 | - | 17,816 |
| 34,037 | 2,151 | 36,188 | Tower Hamlets | 16,602 | 1,083 | 17,685 |
| 42,426 | 639 | 43,065 | Greater London Authority | 20,924 | 233 | 21,157 |
| 113,456 | 2,789 | 116,245 | (Surplus)/Deficit c/f at 31 March | 55,342 | 1,316 | 56,658 |

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 2022 and is summarised in the table below:

| Band | Valuation Bands | Ratio to Band D | 2021/22 Number of chargeable dwellings | 2021/22 Equivalent number of band D dwellings | 2022/23 Number of chargeable dwellings | 2022/23 Equivalent number of band D dwellings |
|---|-----------------------------|-----------------|---|--|---|--|
| A | Up to £40,000 | 6/9 | 1,377 | 918 | 1,523 | 1,015 |
| B | £40,001 and up to £52,000 | 7/9 | 21,986 | 17,100 | 22,726 | 17,676 |
| C | £52,001 and up to £68,000 | 8/9 | 36,477 | 32,424 | 37,474 | 33,310 |
| D | £68,001 and up to £88,000 | 9/9 | 27,995 | 27,995 | 28,717 | 28,717 |
| E | £88,001 and up to £120,000 | 11/9 | 21,904 | 26,772 | 22,367 | 27,338 |
| F | £120,001 and up to £160,000 | 13/9 | 10,600 | 15,311 | 10,877 | 15,711 |
| G | £160,001 and up to £320,000 | 15/9 | 4,420 | 7,366 | 4,547 | 7,578 |
| H | Over £320,001 | 18/9 | 709 | 1,417 | 729 | 1,459 |
| | | | 125,468 | 129,303 | 128,960 | 132,804 |
| Adjustment for Reduction Scheme & Collection Rate | | | | (22,457) | | (21,816) |
| Council Tax Base | | | | 106,846 | | 110,988 |

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 2022/23 was 51.2p (51.2p for 2021/22) and the rate for small businesses was set at 49.9p (49.9p for 2021/22). The total rateable value in the borough as at 31 March 2023 was £1,008 million (£1,004 million at 31 March 2022).

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 2022/23 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.

PENSION FUND ACCOUNTS

| PENSION FUND ACCOUNT | Note | 2021/22 £'000 | 2022/23 £'000 |
|--|------|--------------------|--------------------|
| DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED IN THE SCHEME | | | |
| Contributions | 7 | (69,725) | (72,134) |
| Transfers in | 8 | (7,041) | (8,412) |
| Benefits | 9 | 62,980 | 64,998 |
| Payments to and on account of leavers | 10 | 5,971 | 8,696 |
| NET (ADDITIONS) FROM DEALINGS WITH MEMBERS | | (7,815) | (6,852) |
| Management expenses | 11 | 17,193 | 16,207 |
| NET DEDUCTIONS INCLUDING FUND MANAGEMENT EXPENSES | | 9,378 | 9,355 |
| RETURN ON INVESTMENTS | | | |
| Investment Income | 12 | (27,183) | (30,820) |
| Change in market value of investments | 14a | (49,485) | 107,272 |
| NET RETURN ON INVESTMENTS | | (76,668) | 76,452 |
| Net (increase)/decrease in the Fund during the year | | (67,290) | 85,807 |
| Add: Opening net assets of the scheme | | (1,956,107) | (2,023,397) |
| CLOSING NET ASSETS OF THE SCHEME | | (2,023,397) | (1,937,590) |

| NET ASSETS STATEMENT AS AT 31ST MARCH | | 2021/22 £'000 | 2022/23 £'000 |
|--|----|------------------|------------------|
| Long Term Investments | 14 | 150 | 150 |
| Investments Assets | 14 | 2,021,791 | 1,938,074 |
| Current Assets | 21 | 3,896 | 1,863 |
| Current Liabilities | 22 | (2,440) | (2,497) |
| NET ASSETS | | 2,023,397 | 1,937,590 |

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 Pension Committee which is a Committee of the 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, 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 2023

| | 31st March 2022 | 31st March 2023 |
|--|-----------------|-----------------|
| Number of employees in the scheme | | |
| LBTH | 6,608 | 6,664 |
| Other employers | 1,044 | 1,093 |
| | 7,652 | 7,757 |
| Number of pensioners | | |
| LBTH | 6,490 | 6,660 |
| Other employers | 489 | 526 |
| | 6,979 | 7,186 |
| Number of deferred pensioners | | |
| LBTH | 7,734 | 7,779 |
| Other employers | 587 | 619 |
| | 8,321 | 8,398 |
| Total number of members in pension scheme | 22,952 | 23,341 |

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 2023. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022 however, the 31 March 2019 valuation covers the three financial years to 31 March 23 and these rates have been applied from 1 April 2022.

Currently, employer contribution rates range from 15.8% to 41.4% 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 2022/23 financial year and its financial position at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (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. They 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 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

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 (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).

The amount disclosed for the present value of promised retirement benefits 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 present value of promised retirement benefits at 31 March 2020, which may have a consequential effect on the present value of those benefits at 31 March 2022 and 31 March 2023. At the time of the signing of these accounts, the council was in the process of identifying and rectifying these errors.

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 life time 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 a expense in the year in which the payment occurs.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 4: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the Fund's accounting policies, which are described in note 3, the Fund is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There were no critical judgements made, apart from those involving estimations (which are presented separately below).

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

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.

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 unlisted pooled property funds and renewable energy infrastructure that are classified within the financial statements as level 3 investments. These funds are valued according to non-exchange based market valuations. 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

| | 2021/22 £'000 | 2022/23 £'000 |
|--|------------------|------------------|
| Employees | | |
| Council Employees' Normal Contributions | (11,813) | (12,830) |
| Admitted Bodies Employees' Normal Contributions | (174) | (196) |
| Scheduled Bodies Employees' Normal Contributions | (1,873) | (2,003) |
| Total | (13,860) | (15,029) |
| Employers | | |
| Council Employers' Normal Contributions | (33,795) | (36,416) |
| Admitted Bodies Employers' Normal Contributions | (882) | (943) |
| Scheduled Bodies Employers' Normal Contributions | (5,214) | (5,644) |
| Total | (39,891) | (43,003) |
| Employers' Special Contributions | (2,296) | (438) |
| Deficit Funding | (13,678) | (13,664) |
| Total | (15,974) | (14,102) |
| Grand Total | (69,725) | (72,134) |

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

| | 2021/22 £'000 | 2022/23 £'000 |
|---------------------------------------|------------------|------------------|
| Transfer Values | | |
| Transfer Values Received - Individual | (7,041) | (8,412) |
| Total | (7,041) | (8,412) |

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 9: BENEFITS PAYABLE

| | 2021/22 £'000 | 2022/23 £'000 |
|------------------------------|------------------|------------------|
| Pensions | 51,057 | 53,525 |
| Lump Sum Retirement Benefits | 10,853 | 9,026 |
| Lump Sum Death Benefits | 1,070 | 2,447 |
| Total | 62,980 | 64,998 |
| By type of employer: | | |
| Administering Authority | 57,333 | 60,298 |
| Scheduled Bodies | 3,382 | 2,327 |
| Admitted Bodies | 2,265 | 2,373 |
| Total | 62,980 | 64,998 |

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

| | 2021/22 £'000 | 2022/23 £'000 |
|------------------------------------|------------------|------------------|
| Transfer Values Paid | 5,709 | 8,375 |
| Refunds to Members leaving service | 262 | 321 |
| Total | 5,971 | 8,696 |

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 11: MANAGEMENT EXPENSES

| | 2021/22 £'000 | 2022/23 £'000 |
|--------------------------------|------------------|------------------|
| Administration | 1,654 | 1,990 |
| Investment Management Expenses | 15,086 | 13,710 |
| Oversight & Governance | 453 | 507 |
| Total | 17,193 | 16,207 |

NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

| | 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 |
| | 9,213 | 4,431 | 13,644 |
| Custody Fees | | | 66 |
| | | | 13,710 |

| | Management Fees £'000 | Transaction Costs £'000 | 2021/22 £'000 |
|-----------------------------|--------------------------|----------------------------|------------------|
| Pooled Investments | 10,746 | 2,264 | 13,010 |
| Pooled Property Investments | 1,881 | 123 | 2,004 |
| | 12,627 | 2,387 | 15,014 |
| Custody Fees | | | 72 |
| | | | 15,086 |

NOTE 12: INVESTMENT INCOME

| | 2021/22 £'000 | 2022/23 £'000 |
|--|------------------|------------------|
| Pooled Property Investments | (5,775) | (6,150) |
| Pooled Investments -unit trusts and other managed fi | (21,374) | (24,402) |
| Interest on Cash Deposits | (34) | (268) |
| | (27,183) | (30,820) |

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 13: EXTERNAL AUDIT COSTS

| | 2021/22 £'000 | 2022/23 £'000 |
|---|------------------|------------------|
| Audit Fees Payable in respect of external audit | 18 | 35 |
| Total | 18 | 35 |

NOTE 14: INVESTMENTS

| | 2021/22 £'000 | 2022/23 £'000 |
|---|------------------|------------------|
| Long Term Investments | | |
| UK unquoted Equities London CIV Ltd | 150 | 150 |
| Total Long Term Investments | 150 | 150 |
| Investment assets | | |
| Pooled Funds | | |
| Fixed Income | 212,321 | 207,801 |
| Global Equity | 1,139,354 | 1,078,437 |
| Diversified Growth | 419,463 | 405,453 |
| Property | 190,717 | 162,213 |
| Infrastructure | 33,199 | 53,689 |
| Sub-Total | 1,995,054 | 1,907,593 |
| Other Investment Balances | | |
| Cash Deposits | 26,053 | 29,853 |
| Amounts Receivable for Sales of Investments | 0 | 0 |
| Investment Income Due | 684 | 628 |
| Sub-Total | 26,737 | 30,481 |
| Total Investment Assets | 2,021,791 | 1,938,074 |

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

| | 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 |
|---|--------------------------------------|--|---|---|--------------------------------------|
| Investment Assets | | | | | |
| 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 |
| | 1,995,054 | 37,854 | (17,968) | (107,347) | 1,907,593 |
| Other Investment Balances | | | | | |
| Cash Deposits | 26,053 | | | 75 | 29,853 |
| Amounts Receivable for Sales of Investments | 0 | | | | 0 |
| Investment Income Due | 684 | | | | 628 |
| Other | 0 | | | | 0 |
| Net Investment Assets | 2,021,791 | | | (107,272) | 1,938,074 |

| | Market Value 31 Mar 2021 £'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 2022 £'000 |
|---|--------------------------------------|--|---|---|--------------------------------------|
| Investment Assets | | | | | |
| Pooled Investments | 1,767,144 | 263,787 | (244,818) | 18,224 | 1,804,337 |
| Pooled Property Investments | 149,166 | 22,967 | (12,674) | 31,258 | 190,717 |
| | 1,916,310 | 286,754 | (257,492) | 49,482 | 1,995,054 |
| Other Investment Balances | | | | | |
| Cash Deposits | 37,283 | | | 3 | 26,053 |
| Amounts Receivable for Sales of Investments | 2,814 | | | | 0 |
| Investment Income Due | 665 | | | | 684 |
| Other | 0 | | | | 0 |
| Net Investment Assets | 1,957,072 | | | 49,485 | 2,021,791 |

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 account for the Fund is held with National Westminster Bank.

| Security | Market value | % total of | Market value | % total of |
|--|-----------------------------------|----------------------|-----------------------------------|----------------------|
| | as at 31st March 2022 £'000 | investment assets | as at 31st March 2023 £'000 | investment assets |
| Investments managed by regional asset pool (London CIV) | | | | |
| London LGPS CIV Lt Global Alpha Growth PARIS aligned | 368,061 | 18.2% | 348,306 | 18.0% |
| London LGPS CIV Lt Rf Absolute Return A Gbp Di | 220,748 | 10.9% | 223,538 | 11.5% |
| London LGPS CIV Lt Diversified Growth A | 198,715 | 9.8% | 181,915 | 9.4% |
| LCIV CQS Credit Multi Asset-A | 120,075 | 5.9% | 114,769 | 5.9% |
| LCIV Sustainability Fund | 182,918 | 9.0% | 168,921 | 8.7% |
| LCIV Renewables Fund | 34,825 | 1.7% | 54,879 | 2.8% |
| | 1,125,342 | 55.7% | 1,092,328 | 56.4% |
| Investments managed outside of regional asset pool | | | | |
| Schroder | 310,724 | 15.4% | 287,834 | 14.9% |
| Legal & General | 473,869 | 23.4% | 446,553 | 23.0% |
| Goldman Sachs | 53,015 | 2.6% | 53,206 | 2.7% |
| Insight Investment | 39,231 | 1.9% | 39,826 | 2.1% |
| Legacy | 424 | 0.0% | 196 | 0.0% |
| Internally managed cash | 19,186 | 0.9% | 18,131 | 0.9% |
| | 896,449 | 44.3% | 845,746 | 43.6% |
| | 2,021,791 | 100.0% | 1,938,074 | 100.0% |

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

| Security | Market value | % total of | Market value | % total of |
|--|-----------------------------------|--------------|-----------------------------------|--------------|
| | as at 31st March 2022 £'000 | net assets | as at 31st March 2023 £'000 | net assets |
| London LGPS CIV Lt Global Alpha Growth Paris aligned | 368,061 | 18.2% | 348,306 | 18.0% |
| Mfo GPCU - Msciworldlowcarbtargetin Dgcurhofc | 361,707 | 17.9% | 335,935 | 17.3% |
| LCIV Sustainability Fund | 182,918 | 9.0% | 168,921 | 8.7% |
| Schroder Inv Mg E Bespoke Investment Fund 9 I | 114,514 | 5.7% | 114,666 | 5.9% |
| London LGPS CIV Lt Rf Absolute Return A Gbp Di | 220,748 | 10.9% | 223,538 | 11.5% |
| London LGPS CIV Lt Diversified Growth A | 198,715 | 9.8% | 181,915 | 9.4% |
| LCIV CQS Credit Mult Asset-A | 120,075 | 5.9% | 114,769 | 5.9% |
| Gpcl - Msciworldlw Carbondtargetindofc | 112,155 | 5.5% | 110,610 | 5.7% |
| | 1,678,893 | 83.0% | 1,598,660 | 82.5% |

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 21/22 | Valuation hierarchy 22/23 | 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 that 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 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 | |
| Financial assets at fair value through profit and loss | | | | | | | |
| 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 | |
| | 1,907,743 | 0 | 1,691,841 | 215,902 | | 1,907,743 | |

| Fair Value Hierarchy | Market Value as at 31 Mar 2022 | 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 | |
| Financial assets at fair value through profit and loss | | | | | | | |
| Equities | 150 | | 150 | | | 150 | |
| <u>Pooled investments</u> | | | | | | | |
| Fixed Income | 212,321 | | 212,321 | | | 212,321 | |
| Global Equity | 1,139,354 | | 1,139,354 | | | 1,139,354 | |
| Diversified Growth | 419,463 | | 419,463 | | | 419,463 | |
| Property | 190,717 | | | 190,717 | | 190,717 | |
| Infrastructure | 33,199 | | | 33,199 | | 33,199 | |
| | 1,995,204 | 0 | 1,771,288 | 223,916 | | 1,995,204 | |

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 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 | - | 6,231 | (6,969) | (27,930) | 164 | 162,213 |
| Infrastructure Funds | 33,199 | - | 14,338 | (6,553) | 12,705 | - | 53,689 |
| Total | 223,916 | - | 20,569 | (13,522) | (15,225) | 164 | 215,902 |

| | Assessed valuation range (+/- %) | Value 31 Mar 2023 | Value on Increase | Value on Decrease |
|-----------------------|---|----------------------|----------------------|----------------------|
| | | £'000 | £'000 | £'000 |
| Pooled Property Funds | 10% | 162,213 | 178,434 | 145,992 |
| Total | | 162,213 | 178,434 | 145,992 |

| | Market Value 1 Apr 2021 | Transfers in/out of level 3 | Purchases | Sales | Unrealised gains (losses) | Realised gains (losses) | Market Value 31 Mar 2022 |
|-----------------------|----------------------------|-----------------------------------|---------------|-----------------|------------------------------|-------------------------------|-----------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Pooled Property Funds | 149,166 | - | 22,967 | (12,674) | 34,508 | (3,250) | 190,717 |
| Infrastructure Funds | - | - | 38,362 | (5,198) | 35 | - | 33,199 |
| Total | 149,166 | - | 61,329 | (17,872) | 34,543 | (3,250) | 223,916 |

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 17A: CLASSIFICATION OF FINANCIAL INSTRUMENTS

| Market Value as at 31 Mar 2022 | | | Market Value as at 31 Mar 2023 | | |
|--|------------------------------------|---|--|------------------------------------|---|
| 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 |
| Financial assets | | | | | |
| 150 | 0 | 0 | 150 | 0 | 0 |
| 1,804,337 | 0 | 0 | 1,745,380 | 0 | 0 |
| 190,717 | 0 | 0 | 162,213 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 26,737 | 0 | 0 | 30,481 | 0 |
| 0 | 3,896 | 0 | 0 | 1,863 | 0 |
| 1,995,204 | 30,633 | 0 | 1,907,743 | 32,344 | 0 |
| Financial liabilities | | | | | |
| 0 | 0 | (2,440) | 0 | 0 | (2,497) |
| 0 | 0 | (2,440) | 0 | 0 | (2,497) |
| 1,995,204 | 30,633 | (2,440) | 1,907,743 | 32,344 | (2,497) |
| 2,023,397 | | | 1,937,590 | | |

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 17B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

| | 2021/22 £'000 | 2022/23 £'000 |
|--|------------------|------------------|
| Financial Assets | | |
| Fair value through profit or loss | (49,482) | 107,347 |
| Amortised cost – realised gains on derecognition of assets | - | - |
| Amortised cost – unrealised gains | (3) | (75) |
| Total Financial Assets | (49,485) | 107,272 |

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 cont.

OTHER PRICE RISK - sensitivity analysis

| Asset type | Market Value as at 31/03/2023 £'000 | Percentage change % | Value on increase £'000 | Value on decrease £'000 |
|--------------------------------|---|---------------------------|-------------------------------|-------------------------------|
| Cash and cash equivalents | 29,853 | 0.9% | 30,122 | 29,584 |
| Pooled Investments: | | | | |
| 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 |
| Total investment assets | 1,938,074 | | 2,148,177 | 1,727,971 |

| Asset type | Market Value as at 31/03/2022 £'000 | Percentage change % | Value on increase £'000 | Value on decrease £'000 |
|--------------------------------|---|---------------------------|-------------------------------|-------------------------------|
| Cash and cash equivalents | 26,053 | 0.9% | 26,287 | 25,819 |
| Pooled Investments: | | | | |
| Fixed Income | 212,321 | 6.8% | 226,759 | 197,883 |
| Global Equity | 1,139,354 | 14.8% | 1,307,978 | 970,730 |
| Diversified Growth | 419,463 | 6.4% | 446,309 | 392,617 |
| Property | 190,717 | 4.0% | 198,346 | 183,088 |
| Infrastructure | 33,199 | 6.8% | 35,457 | 30,941 |
| Other Investment income due | 684 | 0.9% | 690 | 678 |
| Amounts receivable for sales | 0 | 0.9% | 0 | 0 |
| Total investment assets | 2,021,791 | | 2,241,826 | 1,801,756 |

CURRENCY EXPOSURE - asset type

| Asset type | Market Value as at 31/03/2023 £'000 | Change in year in the net assets available to pay benefits |
|------------|---|---|
| | | 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 |
| Total change in assets available | 577,164 | 613,526 | 540,802 |

| Asset type | Market Value as at 31/03/2022 £'000 | Change in year in the net assets available to pay benefits |
|------------|---|---|
| | | 7.3%  (7.3%)  |

Overseas Assets

| | | | |
|---|----------------|----------------|----------------|
| Overseas Fixed Income Funds | 206,759 | 221,852 | 191,666 |
| Overseas Equity Funds | 361,707 | 388,112 | 335,302 |
| Overseas Property Funds | 35,497 | 38,088 | 32,906 |
| Total change in assets available | 603,963 | 648,052 | 559,874 |

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 cont.

OTHER PRICE RISK - sensitivity analysis

| Asset type | Market Value as at 31/03/2023 £'000 | Percentage change % | Value on increase £'000 | Value on decrease £'000 |
|----------------------------------|---|---------------------------|-------------------------------|-------------------------------|
| Cash and cash equivalents | 29,853 | 0.9% | 30,122 | 29,584 |
| Pooled Investments: | | | | |
| 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 |
| Total investment assets | 1,938,074 | | 2,148,177 | 1,727,971 |

| Asset type | Market Value as at 31/03/2022 £'000 | Percentage change % | Value on increase £'000 | Value on decrease £'000 |
|----------------------------------|---|---------------------------|-------------------------------|-------------------------------|
| Cash and cash equivalents | 26,053 | 0.9% | 26,287 | 25,819 |
| Pooled Investments: | | | | |
| Fixed Income | 212,321 | 6.8% | 226,759 | 197,883 |
| Global Equity | 1,139,354 | 14.8% | 1,307,978 | 970,730 |
| Diversified Growth | 419,463 | 6.4% | 446,309 | 392,617 |
| Property | 190,717 | 4.0% | 198,346 | 183,088 |
| Infrastructure | 33,199 | 6.8% | 35,457 | 30,941 |
| Other Investment income due | 684 | 0.9% | 690 | 678 |
| Amounts receivable for sales | 0 | 0.9% | 0 | 0 |
| Total investment assets | 2,021,791 | | 2,241,826 | 1,801,756 |

CURRENCY EXPOSURE - asset type

| Asset type | Market Value as at 31/03/2023 £'000 | Change in year in the net assets available to pay benefits 6.3% | (6.3%) |
|---|---|---|----------------|
| Overseas Assets | | | |
| Overseas Fixed Income Funds | 207,697 | 220,782 | 220,782 |
| Overseas Equity Funds | 335,935 | 357,099 | 357,099 |
| Overseas Property Funds | 33,532 | 35,645 | 35,645 |
| Total change in assets available | 577,164 | 613,525 | 613,525 |

| Asset type | Market Value as at 31/03/2022 £'000 | Change in year in the net assets available to pay benefits 7.3% | 7.3% |
|---|---|---|----------------|
| Overseas Assets | | | |
| Overseas Fixed Income Funds | 206,759 | 221,852 | 219,785 |
| Overseas Equity Funds | 361,707 | 388,112 | 384,495 |
| Overseas Property Funds | 35,497 | 38,088 | 37,733 |
| Total change in assets available | 603,963 | 648,052 | 642,013 |

NOTES TO THE PENSION FUND ACCOUNTS

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

INTEREST RATE RISK

| Asset type | Market Value as at 31/03/2023 | Market Value as at 31/03/2022 |
|----------------------------------|-------------------------------------|----------------------------------|
| | £'000 | £'000 |
| Cash and cash equivalents | | |
| Cash | 29,853 | 26,053 |
| Total | 29,853 | 26,053 |

Interest rate risk sensitivity analysis

| 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 |
| Cash and cash equivalents | | | |
| Cash | 29,853 | 299 | (299) |
| Total | 29,853 | 299 | (299) |

| Asset type | Market Value as at 31/03/2022 | Change in year in the net assets available to pay benefits | |
|----------------------------------|-------------------------------------|--|--------------|
| | | +100 bps | -100 bps |
| | £'000 | £'000 | £'000 |
| Cash and cash equivalents | | | |
| Cash | 26,053 | 261 | (261) |
| Total | 26,053 | 261 | (261) |

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 triennial valuation undertaken as at 31 March 2019 covers the financial assumptions for 2022/23. The actuary estimated the surplus of the Fund to be £27m and the funding level to be 102%. This compared to a deficit at the previous valuation in 2016 of £235m and a corresponding funding level of 82.8%. The triennial valuation also sets the individual contribution rate to be paid by each employer from 1 April 2020 to 31 March 2023.

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 2019 triennial valuation:

| Primary Rate (% of pay) | 2020-21 £'000 | 2021-22 £'000 | 2022-23 £'000 |
|----------------------------|------------------|------------------|------------------|
| 19.90% | 15,019 | 15,137 | 15,103 |
| | 15,019 | 15,137 | 15,103 |

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 2022/23 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 2023 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 £1,837 million (£2,498 million in 2021/22). 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 2022 | 31 Mar 2023 |
|------------------|--------------|--------------|
| | £m | £m |
| Active members | 872 | 597 |
| Deferred members | 601 | 385 |
| Pensioners | 1,026 | 855 |
| | 2,499 | 1,837 |

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2023 and 31 March 2022. The impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £878m. The impact of the change in demographic assumptions is to decrease the actuarial present value by £17m.

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 2021 model, with a 10% weighting of 2021 (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 | 21.5 | 23.9 |
| Future pensioners | 22.6 | 25.5 |

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% | 31 |
| 1 year increase in member life expectancy | 4.0% | 73 |
| 0.1% p.a. increase in the Salary Increase Rate | 0.0% | 2 |
| 0.1% p.a. increase in the Pension Increase Rate (CPI) | 2.0% | 29 |

Financial assumptions

The financial assumptions used for the purpose of the calculation is set out in the table below

| Year ended | 31 March 2022 | 31 March 2023 |
|--|---------------|---------------|
| Inflation/pension increase rate assumption | 3.2% | 3.0% |
| Salary increase | 3.4% | 3.0% |
| Discount rate | 2.7% | 4.8% |

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 21: CURRENT ASSETS

| | 2021/22 £'000 | 2022/23 £'000 |
|-------------------|------------------|------------------|
| Contributions due | 2,974 | 975 |
| Sundry debtors | 351 | 477 |
| Prepayments | 571 | 411 |
| Total | 3,896 | 1,863 |

NOTE 22: CURRENT LIABILITIES

| | 2021/22 £'000 | 2022/23 £'000 |
|-----------------------------------|------------------|------------------|
| Sundry creditors | (1,396) | (1,537) |
| Transfer values payable (leavers) | (371) | 0 |
| Benefits payable | (673) | (960) |
| Total | (2,440) | (2,497) |

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.

| | 2021/22 | | 2022/23 | |
|------------------------------|------------------------|-----------------------------|-----------------------|-----------------------------|
| | Market Value* £'000 | Contributions Paid £'000 | Market Value £'000 | Contributions Paid £'000 |
| Aviva | 1,286 | 52 | 1,282 | 67 |
| Equitable Life / Utmost Life | 736 | 3 | 637 | 2 |
| | 2,022 | 55 | 1,919 | 69 |

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 £1,261k (£1,241k 2021/22) 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. During the year the Fund received contribution payments totalling £4.2m (£4.4m 2021/22) 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 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 2021/22 and 2022/23.

Total remuneration payable to key management personnel from the Pension Fund is set out below:

| | 2021/22 £'000 | 2022/23 £'000 |
|--------------------------|------------------|------------------|
| Short-term benefits | 23 | 23 |
| Post-employment benefits | 616 | 694 |
| | 639 | 717 |

NOTE 26: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The Fund has committed £120m to the London CIV Renewable Energy Infrastructure Fund. Of this commitment, £66.7m was still outstanding at 31 March 2023.



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 1st April to the following 31st 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 Clinical Commissioning Group, supported by grants from Central Government.



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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.



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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 (currently Deloitte LLP) 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.

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 (PWL) 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 the 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 3 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 (NNDR) – 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.



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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.



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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



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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



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Annual Governance Statement

2022/2023

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: 11 December 2024



Lutfur Rahman, Executive Mayor

Date: 12 December 2024

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 2021/22 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 by others such as CIPFA, as well as the work of internal and external audit.

| Principle | Review of Governance Arrangements |
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| <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 2023. 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. We have noted that some of the Council's policies and procedures are overdue for a review, but given the global pandemic, all overdue policies and procedures will be reviewed as soon as practicable.</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, 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</p> |

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| | <p>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 last taken to full Council in September 2023, with the next expected at the meeting scheduled in July 2024.</p> <p>All members positively acknowledge the Code when they join the Council. A consultation was launched in June 2020 to review the model code of conduct for Members and the new code was approved by Council in November 2021 and came into force following the 5 May 2022 local elections. A reminder of the new 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 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 April 2021 the Monitoring Officer reported a summary of concerns raised and their outcomes to the Audit Committee. A similar report will be presented as part of the 2023/24 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> <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. During the period when the Council operated using an on-line meeting format (via MS</p> |
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| | <p>Teams), attendants of the meeting that declare an interest were required to leave the virtual meeting room.</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 during 2021/22 and relaunched in May 2022. Individual teams have been instructed 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.</p> <p>The Council routinely provides training for its Members on numerous topics including financial management, risk, governance, and ethics. The 5 May 2022 local elections resulted in numerous Member changes and therefore member training on ethics and probity, as well as other topics, was provided during 2022/23.</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. This</p> |

technology was proven particularly effective during the Covid-19 pandemic and enabled critical Committees to continue and be available to the public. As the Council has exited the restrictions enforced by the pandemic, Council meetings and Committees have returned to face-to-face meetings, with the option to attend virtually to observe.

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.

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.

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.

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| | <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> |
| <p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</p> | <p>The Strategic Plan 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 Leadership 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 and other policies and procedures which demonstrate the level to which intended outcomes are being achieved and any interventions planned to address issues.</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 set sections for legal and finance comments to be recorded. Reports have been cleared by finance and legal officers before publication, although on some occasions finance and/or legal are given very little time to review and comment and we will seek to improve lead times.</p> |

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| | <p>The Council's Performance Management and Accountability Framework (PMAF) sets out how we establish whether performance improvement is necessary. The Performance Improvement Board is the main board responsible for identifying and determining interventions to bring about improvements and this board has met regularly.</p> <p>The Council's Performance Improvement Board challenges services where there are identified concerns, takes a trouble-shooting approach, acts as a "critical friend" to drive improvement in performance, and makes recommendations about where to focus resources to drive improvement.</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>The Council's transformation programme, called People First (this has replaced Smarter Together), is focussed on achieving the objectives set out in the Strategic Plan for 2022-26. Key elements of People First include:</p> <ul style="list-style-type: none"> • putting our borough first, by ensuring the Council can support as many residents and businesses as possible and maximise the benefits of bringing Tower Hamlets Homes and leisure services in-house and investing £19m into our young people |

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| | <ul style="list-style-type: none"> • put staff first they have the support to deliver the best outcomes you can, without being held back by red tape or systems that are not fit for purpose. <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, anti-fraud 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. 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 CLT at the end of 2019/20 and the Audit Committee in July 2020.</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.

In July 2023 the Audit Committee received the annual report for risk management for the 2020/21 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.

The Corporate Director, Resources 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.

A Medium-Term Financial Strategy is in place and is refreshed annually. Revenue and capital budget planning based on corporate priorities are led by the Corporate Leadership 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 performance and risks are managed.

The Council has continued to face a challenging financial environment throughout 2022/23. The provisional outturn position for 2022/23 is expenditure of £403.5m against a budget of £389.5m, resulting in a gross overspend of £14.0m. Following the proposed net drawdown of earmarked reserves totalling £14.6m, there is an overall £0.6m net underspend.

Within the provisional outturn, the Council plan to utilise £4.4m of this non-ringfenced COVID-19 funding to mitigate against in-year COVID-19 pressures which continue to persist. Continued COVID recovery alongside a spike in inflation, fuel prices and the impacts of these on the cost of living will be key aspects for the Council to consider in its medium-term financial planning going forward.

Since 2019/20 Finance has been focussed on rectifying significant issues with the 2018/19 and 2019/20 Statement of Accounts. The Mayor, Cabinet Members, CLT and the Audit Committee have been provided with regular updates on progress to finalise the accounts. It is anticipated that the 2018/19 and 2019/20 audits will be finalised imminently, though they will receive qualified audit opinions. A draft SoA for 2020/21 was published in January 2022.

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.

During the year 22 / 23 the Investigations team received 309 referrals which can be broken down into:

- 229 Social Housing Fraud Referrals
- 37 Corporate Fraud Referrals
- 43 Other Fraud

This represents a significant increase on previous years and has returned to pre-pandemic levels. As a result, 33 properties were recovered and 7 fraudulent Right to Buy transactions were prevented. In addition, 12 other cases included convictions and £267,207.51 was awarded in two unlawful profit orders.

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| | <p>The delay in the courts has continued to be an issue with some cases being listed for trial in November of 2024. The team are actively investigating out on the borough and regularly interview under the Police and Criminal Evidence Act which results in further evidence being obtained. It has taken some time, but full operational efficiency and capacity has been restored following the pandemic.</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.</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 2023.</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.</p> |

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| | <p>The Council webcasts its Council, Cabinet, Strategic Development Committee, Development Committee and Overview and Scrutiny Committee meetings to ensure maximum transparency. During the Covid-19 pandemic the Council introduced virtual meetings and has also webcast all committee meetings including the Licencing Sub Committee and the Audit Committee. As restrictions eased, meetings returned to “in-person” with a virtual option available.</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>There are governance arrangements for the partnership structure. The Tower Hamlets Plan identifies how the partnership will work together through the Partnership Executive Group to deliver cross-cutting activities. The Partnership Executive Group led by the Mayor with chief officers from key local partner organisations and a range of Partnership groups/ board including statutory boards.</p> <p>The Head of Internal Audit 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 delivers a quarterly progress report to the Audit Committee setting out the outcome of Internal Audit and Counter Fraud activity.</p> |
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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. However, management's responsiveness to internal audit is inadequate for some audits with the implementation of agreed recommendations taking many months. The Head of Internal Audit has raised these concerns with the senior officers and the Audit Committee and has introduced new procedures to improve engagement with management.

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.

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 reported the 2022/23 annual opinion to the Audit Committee in July 2023.

2022/23 Head of Internal Audit Annual Opinion Issued in July 2023

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 2022/23 is that having considered the relevant evidence, it is my opinion that I can provide **Reasonable Assurance** that the Council has adequate systems of governance, risk management and internal control.*

Head of Internal Audit, Anti-Fraud and Risk.

The full report from July 2023 is 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. The PSAA Board appointed Deloitte to audit the accounts of the Council for a period of five years (2018/19 to 2022/23).

Deloitte has been unable to complete its audit of the 2018/19 or 2019/20 financial statements. There have been significant issues with the Council's 2018/19 and 2019/20 statement of accounts, and it has taken many months for these issues to be investigated and fully resolved. At the time of drafting this statement (October 2023), the 2018/19 and 2019/20 audits remain incomplete, although it is expected that they will be completed imminently. Additionally, the Council's draft Statement of Accounts for 2020/21 was published in January 2022. Progress on external audit activity has been reported regularly to the Audit Committee.

Other Inspections and Review

Following the pandemic, there was a phased return to most inspection activity with a bias towards understanding the impact and challenges that the pandemic brought about. During the 2022-23 work by external review bodies/inspectors comprised the following:

- An inspection of the Youth Offending Service which issued an overall rating of Requires Improvement in July 2022. An external peer review of Youth Justice was commissioned and took place in February 2023 and their judgement was that good progress had been made in driving the improvement plan that was put in place with new leadership following the inspection
- An Ofsted Focused visit to London Borough of Tower Hamlets children's services was carried out in July 2022. The report from this inspection was very positive about the service that the Council is providing to its children in care
- An Ofsted short inspection of Idea Store Learning was carried out in January 2023 – this concluded with an overall 'good provider' rating

- A Home Office Prevent Benchmark Performance Review was carried out in March 2023 – this concluded that the ‘service is exceeding requirements against all duties’.

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

The Council has in place a well-established Arm’s Length Management Organisation - Tower Hamlets Homes, a wholly owned subsidiary limited by guarantee to manage the Council’s housing stock. Tower Hamlets Homes has a formal governance structure and manages its internal affairs and delegated budgets through the Company Board. Performance is monitored through a formal review process with senior Council officers and elected members. The company operates its own risk management strategy and is subject to internal and external audit and inspection activities in compliance with the Companies Act.

The Council’s Internal Audit team provides internal audit services to THH. In keeping with the Public Sector Internal Audit Standards, the Head of Internal Audit issued an annual opinion for 2022/23 about the governance, risk management and internal control arrangements. The opinion was as follows:

*Primarily on the basis of the audit and anti-fraud activity undertaken during the year, but also taking into account external assurances and other relevant matters, it is my opinion that I can provide **Reasonable Assurance** that Tower Hamlets Homes has adequate systems of governance, risk management and internal control.*

Head of Internal Audit, Anti-Fraud and Risk.

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, Resources) or Monitoring Officer (Corporate Director, Governance).
- 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 2021/22

The 2021/22 AGS included 9 significant governance issues which needed to be addressed. A summary of progress/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) and reflected in the 2018/19, 2019/20 and 2020/21 AGS' respectively. These significant issues continue to be addressed. The SoA's continue to be subject to external audit review (by Deloitte). Further adjustments may be required through the audit process but these in themselves may not be sufficient to achieve an unqualified audit opinion.</p> | <p>Through the completion of the Council's Finance Improvement Plan (FIP), the Finance Team's ongoing work to address audit queries, and finalise the 2018/19 and 2019/20 SoAs audits.</p> <p>Build on learnings from the process, and implement the effective improvements from the FIP, prepare draft versions and complete the audits of both 2020/21 and 2021/22 SoAs.</p> | <p>It is anticipated that the 2018/19 and 2019/20 audits will be finalised imminently, though they will receive qualified audit opinions.</p> <p>Work continues to implement and embed the process improvements set out in the FIP.</p> <p>The draft SoA for 2020/21 was published in January 2022.</p> |
| 2 | <p>Financial sustainability and budget management – there is a persistent underlying overspend in adult social care and budget management (including the closure of account process) needs further strengthening</p> | <p>Implement the Adult Social Care Improvement Programme (this programme covers finances, practice, and quality (and includes re-procurement of domiciliary care services (underway) and implementation of electronic home care monitoring)</p> <p>Reduce levels of debt, including charges for care services and NHS debt (including implement recommendations</p> | <p>The Council has continued to focus their efforts on addressing adult social care budget challenges and work has continued throughout 2022/23 in monitoring performance and budgets. Like other Councils, increased demand and complexity for adult social care continue to drive cost pressure.</p> <p>The Improvement Programme continues to progress well with two key areas of work for the medium to long-term being finalised – housing with care strategy and technology enabled care. The</p> |

| No. | Issue | Action | Progress / Outcome |
|-----|--|---|---|
| | | <p>in the internal audit of the Financial Assessments of Contributions to Social Care internal audit). Progress in 2021/22 and work ongoing.</p> <p>Further strengthen budget management across the directorate and particularly in Adult Social Care with a particular focus on the quality and accuracy of forecasting and the outturn and closure of accounts process. Significant progress in 2021/22 – focus on adult social care continues.</p> | <p>home care procurement is at the bid evaluation stage.</p> <p>Budget management has been significantly strengthened. Work to address debt continues with a number of service users moved to payment plans to pay back debt incurred.</p> <p>There is recognition that work still needs to continue to address underlying budget pressures and overspends through the Directorate Budget Board and the Improvement & Transformation Programme. This is particularly important as some short-term grants from central government and funding streams from the NHS are ending.</p> |
| 3 | Compliance with standards in relation to Video Surveillance Systems (VSS) across the Council | Continue with project (led within the directorate but covering systems across the whole Council) to ensure compliance with standards. | <p>Further actions taken in line with the Council's 'Roadmap to Compliance' compliance have included:</p> <ul style="list-style-type: none"> • Approved a corporate Video Surveillance Corporate Code of Practice • Further develop processed governing the sign-off of Data Protection Impact Assessments • Mandate the completion of the Surveillance Camera Code of Practice Self-Assessment Tool for all Directorates with responsibility for VSS to provide a picture of compliance. |

| No. | Issue | Action | Progress / Outcome |
|-----|---|--|--|
| 4 | Quality Assurance in Adult Social Care | <p>Implement further developments to Mosaic (IT system) and improve the quality of data on the system as part of the Adult Social Care Improvement Programme</p> <p>Strengthen the governance in relation to implementation of recommendations from Safeguarding Adults Reviews.</p> | <p>Significant improvements to the Mosaic system, consistency and data quality have been achieved. The current phase of the transformation programme includes further improvements and updates to the Mosaic system and a continued focus on data quality.</p> <p>All work on the governance of implementation of recommendations from Safeguarding Adult Reviews is complete, signed off by Internal Audit and well-embedded. The arrangements have been fully discussed and agreed with the Safeguarding Adults Board Executive.</p> |
| 5 | 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>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>DfE and NHSE have reported that they are happy with the progress against the Written Statement of Action from our termly monitoring meetings – at which we have submitted substantive evidence against each of the four areas of weakness identified.</p> <p>The SEND Improvement Plan continues to be driven and overseen by the SEND Improvement Board, which brings all relevant partners together, and which reports up to the Tower Hamlets Together Board & Health & Wellbeing Board.</p> |
| 6 | King George Fields Trust – Charities Commission investigation into delayed submission of accounts – continued action to submit accounts and annual report in a timely manner. | <p>Urgent resolution of 2020/21 accounts and annual report.</p> <p>Completion of review of governance arrangements.</p> | <p>The accounts for 2020/21 accounts were filed and the Charities Commission was satisfied that no further action was necessary.</p> |

| No. | Issue | Action | Progress / Outcome |
|-----|--|--|--|
| 7 | <p>2020/21 accounts and annual report on track to file by July 2022, however, notification this will be late, with Charities Commission aware of progress.</p> <p>An audit of Risk Management in 2019/20 identified that whilst the framework, strategy and procedures were well documented, directorate and service level compliance with the procedures was variable. The audit also found that, for the Corporate Risk Register, there was insufficient management review and challenge by the Corporate Leadership Team.</p> | <p>At the update provided to Audit Committee, in November 2022, it was stated that some progress had been made in identification and review of risks, but also that some of the underlying processes that underpin a robust risk register require further work.</p> | <p>Work to improve the risk register is ongoing. An annual report on Risk Management was presented to the Audit Committee at its July 2023 meeting and this included further actions designed to improve the Council's risk infrastructure.</p> |
| 8 | <p>In line with best practice set out in CIPFA Bulletin 16 (Local audit delays and the publication of the AGS), which states that the AGS should be kept up to date at the time of publication, the Council has, in the interests of transparency and good governance chosen to disclose a significant issue affecting this period of account that it only became aware of at a later date.</p> <p>During 2023/24, several issues came to light concerning a multi-party Homecare contract that had been in</p> | <p>This matter is currently the subject of a detailed investigation and the Council intends to report its outcome to a public meeting as soon as it is available.</p> <p>Concurrently, work is underway to transform the Council's procurement function and related supplier management practices, including for example:</p> <ul style="list-style-type: none"> Revised procurement standing orders and procedures will mandate a quarterly review of new contracts by | <p>The Council's investigation of this matter is ongoing and it is anticipated that it will conclude and be reported during 2024/25.</p> <p>The transformation work in the Procurement function being progressed through a number of workstreams. Formal proposals and updates will be presented to CMT and committee at the appropriate time,</p> |

| No. | Issue | Action | Progress / Outcome |
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| | <p>operation from 2017 onwards. These concerned systemic failures and irregularities in relation to supplier oversight, supply chain management, payments to suppliers and procurement processes.</p> | <p>key suppliers' financial positions to mitigate the risk of supplier failure</p> <ul style="list-style-type: none"> • Contracts will be monitored monthly to ensure there is no risk of exceeding the agreed contract value • A new management system, a brokerage data retrieval and reporting regime will allow the Commissioning & Brokerage service to regularly review and monitor weekly allocation of work to providers • Power BI reporting tool has been made available for all budget holders. This will link budgets to contract spending, allowing budget holders to view their current and past spending in real time, enabling them to take early mitigating actions. | |
| 9 | <p>In line with best practice set out in CIPFA Bulletin 16 (Local audit delays and the publication of the AGS), which states that the AGS should be kept up to date at the time of publication, the Council has, in the interests of transparency and good governance chosen to disclose a significant issue affecting this period</p> | <p>In deciding upon how to proceed the Minister has acknowledged the Council's sound financial planning, good service delivery, balanced budget and the fact that it has demonstrated that it has key components of an improvement programme in place. One of these is the Transformation Advisory Board which the Minister proposes to be strengthened in order to cover 'assurance'.</p> | <p>The Best Value report was published on 12th November 2024 and although this matter is being addressed urgently, it is therefore not currently possible to report an outcome.</p> |

| No. | Issue | Action | Progress / Outcome |
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| | <p>of account that it only became aware of at a later date.</p> <p>On 22nd February 2024, DLUHC notified the Council of an inspection to provide assurance of improvement progress in the Council. The [then] 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.</p> <p>The Best Value Inspection Report was published on 12th November by the Minister for Housing. In his response to it he concludes that the Council has failed in its Best Value duty and is proposing that the Council receive a support package comprising two ministerial envoys to work with the Council to deliver an agreed Best Value Improvement plan.</p> <p>At the time of writing the Minister has allowed 10 days for any representations to be made to him in respect of his proposal. The Council has met with the Minister during this period and made it clear that it is committed to working constructively with the government to achieve</p> | <p>The Council will retain its powers and the Ministerial envoys will be present two days a week to provide the Transformation Advisory and Assurance Board and the Council with advice and guidance. They will report to the Minister quarterly.</p> <p>The Council must demonstrate rapid and meaningful improvement. If not, the Minister reserves the right to review the situation. The government is minded to issue directions for a three-year period establishing the time frame that these arrangements are in place. This period may or may not be extended at any time. Should satisfactory progress be demonstrated within that time the directions may be modified or removed.</p> | |

| No. | Issue | Action | Progress / Outcome |
|------------|--|---------------|---------------------------|
| | improvement and provide any assurance going forward. | | |

Significant Governance Issues Identified in 2022/23

All Corporate Directors have submitted their returns for 2022/23 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 | <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</p> | Corporate Director of Resources | Ongoing and subject to revised guidance from DLUHC. |

| No. | Issue | Action | Responsible | Timescale |
|-----|---|---|--|---|
| | | <p>consider this risk is outweighed by the 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> | | |
| 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> | Director of Finance, Procurement & Audit | 2023/24 |
| 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> | Director of Finance, Procurement & Audit | Ongoing, but largely subject to a revised action plan from HMRC |
| 4 | 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, | 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 | Corporate Director of Resources | Ongoing |

| No. | Issue | Action | Responsible | Timescale |
|-----|--|---|--------------------------------------|----------------|
| | <p>alongside persistent overspends in demand led services, such as Housing & Homelessness and Adult Social Care.</p> | <p>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> | | |
| 5 | <p>Quality Assurance in Adult Social Care.</p> | <p>Implement further developments to Mosaic (IT system) and further improve the quality of data (also part of the Adult Social Care Transformation Programme).</p> | <p>Director of Adult Social Care</p> | <p>2023/24</p> |

| No. | Issue | Action | Responsible | Timescale |
|-----|--|--|--|---|
| 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 optimisation and increased staff training to reduce vehicle damage/insurance claims. | Interim Corporate Director of Communities | March 2024 |
| 7 | 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. | Written Statement of Action approved by Department for Education (DfE) and NHS England – to be termly monitored SEND Improvement Plan overseen by SEND Improvement Board | Corporate Director, Children’s Services Director of Education | Termly Monitoring Ongoing – bi-monthly |
| 8 | Youth Offending Inspection 2022 – Requires Improvement judgement. | Youth Justice Improvement Plan overseen by Youth Justice Management Board | Corporate Director, Children’s Services | Ongoing during 2023/24 |
| 9 | The Annual Risk Management report for 2022/23 stated that ‘Risk Management practices are established but not fully embedded and mature. Moreover, there are | Implementation of the Action Plan included in the report to Audit Committee at its July 2023 meeting. | Head of Audit, Anti-fraud, and Risk | Ongoing during 2023/24 |

| No. | Issue | Action | Responsible | Timescale |
|-----------|--|--|--|---|
| | <p>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>To further strengthen Risk Management and corporate governance across the Council, an Internal Control Framework will be developed and embedded.</p> | <p>Corporate Director of Resources</p> | <p>2023/24</p> |
| <p>10</p> | <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</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>Director of Planning and Building Control</p> <p>Director of Planning and Building Control</p> <p>Corporate Director of Resources</p> | <p>Ongoing</p> <p>By the end of 2023/24</p> |

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| 11 | <p>its own pressures across the development cycle.</p> <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> <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>Corporate Director of Resources</p> | <p>Ongoing</p> |
| 12 | <p>In line with best practice set out in CIPFA Bulletin 16 (Local audit delays and the publication of the AGS), which states that the AGS should be kept up to date at the time of publication, the Council has, in the interests of transparency and good governance chosen to disclose a significant issue affecting this period of account that it only became aware of at a later date.</p> <p>During 2023/24, several issues came to light concerning a multi-party Homecare contract that had been in operation from 2017 onwards. These concerned systemic failures and irregularities in relation to supplier oversight, supply chain management, payments to suppliers and procurement processes.</p> | <p>This matter is currently the subject of a detailed investigation and the Council intends to report its outcome to a public meeting as soon as it is available.</p> <p>Concurrently, work is underway to transform the Council's procurement function and related supplier management practices, including for example:</p> <ul style="list-style-type: none"> • Revised procurement standing orders and procedures will mandate a quarterly review of new contracts by key suppliers' financial positions to mitigate the risk of supplier failure • Contracts will be monitored monthly to ensure there is no risk of exceeding the agreed contract value | <p>Corporate Director, Resources</p> <p>Corporate Director, Health and Adult Social Care</p> | <p>2024/25</p> |

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| 13 | <p>In line with best practice set out in CIPFA Bulletin 16 (Local audit delays and the publication of the AGS), which states that the AGS should be kept up to date at the time of publication, the Council has, in the interests of transparency and good governance chosen to disclose a significant issue affecting this period of account that it only became aware of at a later date.</p> <p>On 22nd February 2024, DLUHC notified the Council of an inspection to provide assurance of improvement progress in the Council. The [then] 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.</p> | <ul style="list-style-type: none"> • A new management system, a brokerage data retrieval and reporting regime will allow the Commissioning & Brokerage service to regularly review and monitor weekly allocation of work to providers • Power BI reporting tool has been made available for all budget holders. This will link budgets to contract spending, allowing budget holders to view their current and past spending in real time, enabling them to take early mitigating actions. | Chief Executive and Corporate Management Team | Immediate and ongoing. |

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| | <p>The Best Value Inspection Report was published on 12th November by the Minister for Housing. In his response to it he concludes that the Council has failed in its Best Value duty and is proposing that the Council receive a support package comprising two ministerial envoys to work with the Council to deliver an agreed Best Value Improvement plan.</p> <p>At the time of writing the Minister has allowed 10 days for any representations to be made to him in respect of his proposal. The Council has met with the Minister during this period and made it clear that it is committed to working constructively with the government to achieve improvement and provide any assurance going forward.</p> | <p>reserves the right to review the situation. The government is minded to issue directions for a three-year period establishing the time frame that these arrangements are in place. This period may or may not be extended at any time. Should satisfactory progress be demonstrated within that time the directions may be modified or removed.</p> | | |

Conclusion for 2022/23

2023/23 has been another challenging year, with the continued rising cost-of-living alongside the long-term effects of the COVID-19 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 reduce.

In response, we have updated Medium-Term Financial Strategy to ensure our budget can support delivery of our priorities and address the significant financial challenges facing the Council. Additionally, changes to key services have also been announced with the planned insourcing of Tower Hamlets Homes, Youth Services and Leisure Services. We have also brought back grants for Educational Maintenance Allowance and University Bursaries for young people, and we have expanded free school meals to all secondary schools – the only local authority in the country to do this.

Whilst we are pleased with our progress, there remains significant challenges, in addition to the long-term impact of the pandemic, global issues and greater economic pressures such as the “cost-of-living crisis” for the entire nation, we still want to address issues around closing our financial reporting, budget management and service performance 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 Leadership Team and relevant Committees.