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## FINANCIAL FOREWORD OF THE DIRECTOR OF FINANCE AND PERSONNEL

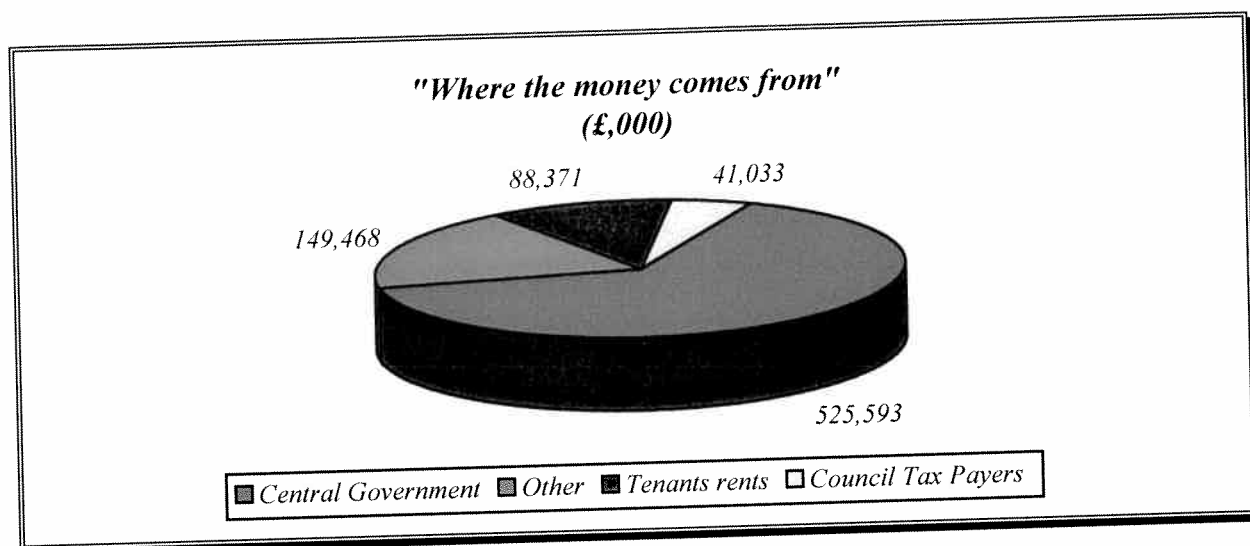
The Authority's accounts for the financial year ended 31<sup>st</sup> March 2002 are set out on pages 11 to 42. They consist of:

- ❑ The **Consolidated Revenue Account** – This reports the cost for the year of providing those services for which the Authority is responsible and shows how such costs were financed from the Collection Fund, Central Government and from charges levied by the Authority. This statement and supporting notes can be found on pages 11 to 15.
- ❑ The **Housing Revenue Account** - This reflects a statutory obligation to account separately for the provision of all types of Council housing. It shows the major elements of housing revenue expenditure - management, maintenance, rent rebates and capital financing costs - and how these are met by rents, Central Government subsidy and other income. This statement and supporting notes can be found on pages 16 to 18.
- ❑ The **Collection Fund** – This account shows the income received from Council Tax and Business Ratepayers and how it is distributed between the Authority and its preceptor, the Greater London Authority. This statement and supporting notes can be found on pages 19 to 20.
- ❑ The **Consolidated Balance Sheet** – This is fundamental to the understanding of the Authority's financial position as at 31<sup>st</sup> March 2002. It shows the balances and reserves available to the Authority, its long-term indebtedness, net current assets employed in operational activities and summarised information about fixed assets held. This statement and supporting notes can be found on pages 21 to 34.
- ❑ The **Cashflow Statement** - This summarises the inflows and outflows of cash arising from transactions with third parties during the year. This statement and supporting notes can be found on pages 35 to 36.
- ❑ The **Pension Fund** accounts – These show the financial position of the Authority's Pension Fund at the year-end. The statements and supporting notes can be found on pages 37 to 42.

These accounts are supported by the Statement of Accounting Policies on pages 6 to 9.

## WHERE THE MONEY COMES FROM

The Authority's gross revenue income for all funds in the year, net of recharges, was approximately £804.5 million. This money comes from a number of different sources as demonstrated in the chart below.



Grants from Central Government form the most significant single source of income to the Authority - £525.59 million (£470.95 million in 2000/2001). Of these, approximately 45% are grants claimed or received as a subsidy towards the costs of providing specific services. The balance forms income received in respect of the Authority's service provision as a whole.

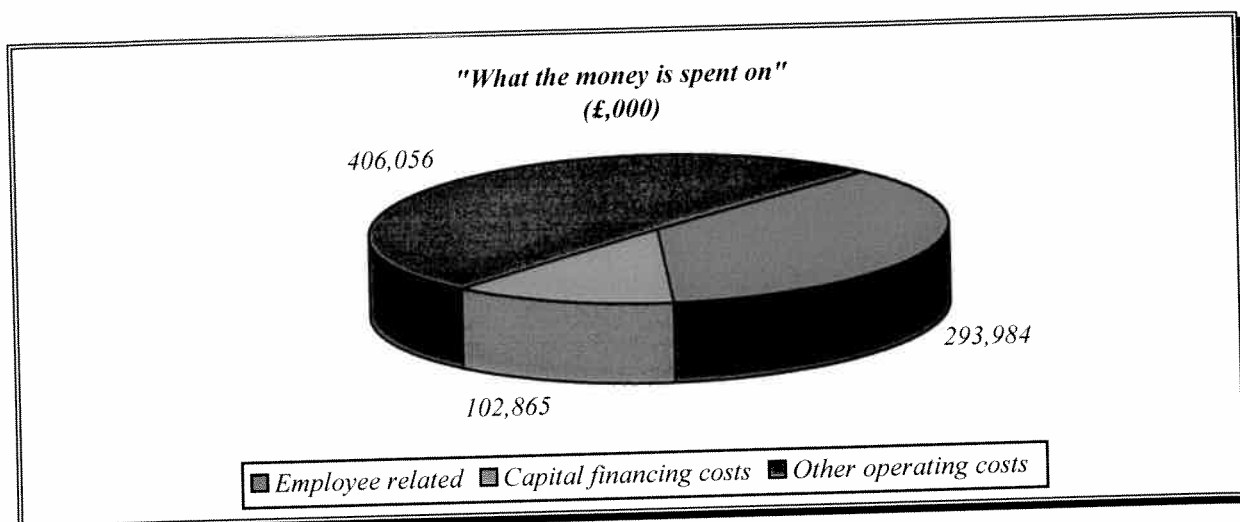
Income received in the form of rents and other charges from tenants of Council-owned dwellings amounted to £88.37 million (£87.94 million in 2000/2001). "Other" income includes, inter alia, fees and charges levied on users of services provided by the Authority (£99.3 million), and total external interest receipts (£5.43 million).

## WHAT THE MONEY IS SPENT ON

Approximately £802.90 million was spent during the year. The chart overleaf shows what this money was spent on.

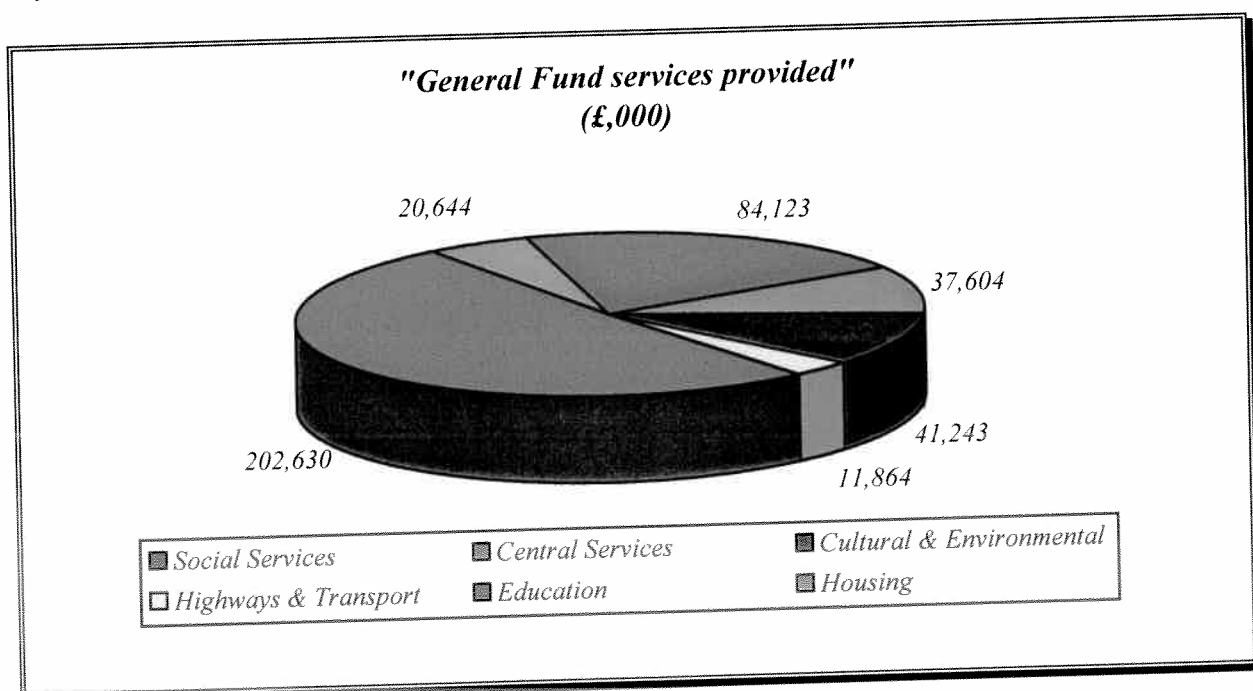
Running expenses (such as maintaining the Authority's administrative and operational buildings, operating vehicles and the purchase of supplies and services) accounted for approximately 50% of what the Authority spent. Employees' salaries and wages accounted for a further 37% of total expenditure.

Capital financing, which consists of principal and interest payments on loans, leasing charges and asset rentals comprises the balance.



## GENERAL FUND SERVICES PROVIDED

The Authority's General Fund net service expenditure of £398.1 million is dominated by Education which represents 51% of total expenditure. Social Services accounts for a further 21% of spending on services and Cultural and Environmental Services (including Leisure, Environmental Health, Planning, and Refuse Collection) 10.3%. A fuller analysis can be found by reference to the Consolidated Revenue Account on page 11.



The net expenditure of £20.6 million on Housing services includes the net cost of housing benefits but excludes those costs incurred in the provision of council housing which are disclosed within the Housing Revenue Account on page 16.

## THE 2001/2002 GENERAL FUND BUDGET

The General Fund revenue budget was agreed at £330.82 million after taking into account interest on, and contributions from, balances but excluding the estimated surplus on the Collection Fund. The main components of the budget for the year and how these compare with actual income and expenditure are set out below.

The difference between the original budgeted and actual net operating expenditure was an overspend of approximately £2.58 million. The most significant variances are outlined below:

- £2.13 million overspend on the Children Commissioning budget caused by growth of 60 Children Looked After (CLA), and the associated additional placement and support costs.
- £0.86 million underspend on the Elders Commissioning budget reflecting a reduced rate of placement in residential care, in line with strategic objectives, and a substantial contribution from NHS funding secured for the first time this year to support nursing home placements in order to minimise delayed hospital discharges.
- £0.78 million overspend on the Learning Disabilities Commissioning budget reflecting an increase in the number of residential placements and day care places required, with average costs increasing above the rate of inflation and in the increase in the client numbers receiving services, mainly as a result of increased life expectancy and an increase in the number of children with severe disabilities surviving into adulthood.

### GENERAL FUND BUDGET SUMMARY 2001/2002

	Original Budget £m	Actual expenditure £m	Variance £m
Net operating expenditure	338.19	340.77	2.58
Interest on balances	(5.71)	(4.66)	1.05
Contribution (from)/to reserves	(1.66)	(5.29)	(3.63)
	<hr/> 330.82	<hr/> 330.82	<hr/> (0.00)
Financed by:-			
Revenue Support Grant	(237.93)	(237.93)	0.00
NNDR	(50.14)	(50.14)	0.00
Surplus on Collection Fund	(1.72)	(1.72)	0.00
<b>Council Tax requirement</b>	<hr/> <b>41.03</b>	<hr/> <b>41.03</b>	<hr/> <b>(0.00)</b>

Details of gross expenditure and income arising from the provision of services are set out in the Consolidated Revenue Account on page 11 of the accounts.

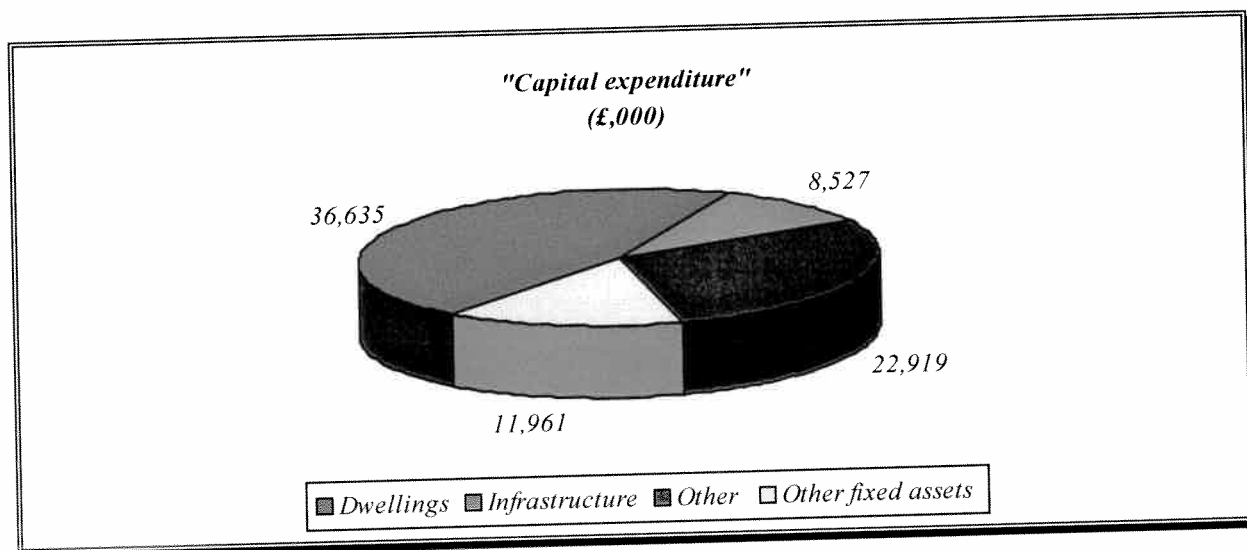
## CAPITAL

Actual capital expenditure during the year amounted to £80.0 million (£79.2m in 2000/2001) and was accommodated within the resources available. This expenditure is analysed in the chart below.

Approximately £36.6 million (£40.5m in 2000/2001) of capital expenditure for the year was on projects relating to the conversion, improvement and major repair work required to the Authority's existing housing stock.

Capital expenditure on completed other land and building's projects accounted for £8.5 million (£6.5m in 2000/2001). This was primarily spent on the refurbishment, improvements and extensions to Schools. Expenditure on infrastructure - principally that incurred in improving the existing road system within the Borough and the provision of street lighting - accounted for a further £4.7 million (£7.5m in 2000/2001).

"Other" expenditure is primarily comprised of amounts advanced to homeowners as home improvement grants, payments to tenants granted under the Home Purchase Incentive Scheme and the cost of Redundancies capitalised by direction of the Secretary of State under Section 40(6) of the Local Government and Housing Act 1989.



### FURTHER INFORMATION

Further information about the accounts is available from the Director of Finance and Personnel, Mulberry Place, 5 Clove Crescent, London, E14 2BG.

# STATEMENT OF ACCOUNTING POLICIES

The following Statement of Accounts has been prepared in accordance with the Statement of Recommended Practice (SORP) on local authority accounting and the Best Value Accounting Code of Practice (BVACOP) both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The relevant Statements of Standard Accounting Practice (SSAP's) and Financial Reporting Standards (FRS's) have been consulted. Where the adopted financial recording and/or disclosure policies differ from those prescribed, details are included, where appropriate, within the general statements set out below.

## Debtors and Creditors

Revenue transactions are recorded on an accruals basis. Estimated or actual sums due to creditors at 31<sup>st</sup> March 2002 but not paid by that time are recorded in the revenue accounts for the year and shown in the Balance Sheet. In the main, sums due to the Authority are set up in the accounts as they become due. The main exceptions being sums due from parents under the Children's Act 1975 and residents in old peoples accommodation under the National Assistance Act 1948 which are small in value and accounted for on a cash basis.

## Provisions for Bad Debts

A provision for bad debts based on total debtors has been included in the accounts. The Authority's policy is to write off debts only when it has exhausted every possible avenue of recovery. In 2001/2002, the increases/decreases in provisions for debts raised by General Fund services were charged directly to individual service accounts in accordance with the Best Value Accounting Code of Practice. This is a change from previous years where the total General Fund net increase/decrease was charged to the Corporate Budget (Chief Executive).

## Fixed Assets

All expenditure on the acquisition or enhancement of fixed assets is capitalised on an accruals basis. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the Authority and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to service revenue accounts.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the 2000 SORP. Balance Sheet values are calculated on the following bases:

- land, operational properties and other operational assets are included in the Balance Sheet at the lower of net current replacement cost and net realisable value;
- non operational assets, including investment properties and assets that are surplus to requirements, are included in the Consolidated Balance Sheet at open market value;
- infrastructure assets and community assets are included in the Balance Sheet at historic cost.

Adjustments to the value of assets are charged to the fixed asset restatement reserve. Subsequent revaluations of fixed assets are planned to be carried out no less frequently than

every five years on a rolling basis. Material changes to asset valuations will be adjusted in the interim period, as they occur.

Assets acquired under finance leases are also capitalised in the Authority's accounts together with the liability to pay future rentals. Other assets previously acquired under advance and deferred purchase schemes are also recognised as fixed assets.

### **Depreciation**

Depreciation on a straight line basis is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- Dwellings – 30 years (see note 8 to the Consolidated Balance Sheet on page 18)
- Other land and buildings – 40 years
- Infrastructure – 40 years

### **Charges to revenue**

General Fund Service Revenue accounts, central support services and statutory trading accounts are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified rate of interest to net asset values. The aggregate charge to individual services is determined on the basis of the latest valuation of capital employed in each service. The charge made to the Housing Revenue Account is an amount equivalent to the statutory capital financing charges.

External interest payable and the provision of depreciation are charged to the Asset Management Revenue Account (AMRA) which is credited with capital charges charged to services. The transfer of the balance of the AMRA to the Consolidated Revenue Account means that capital charges have a neutral impact on the amounts required to be raised from local taxation.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately as appropriations, on the face of the Consolidated Revenue Account, below net operating expenditure.

### **Deferred charges**

Deferred charges represent expenditure which may be properly capitalised, but which does not represent tangible fixed assets. They are amortised to revenue in the year in which the expenditure is incurred. Housing Revenue Account charges are written down directly to the Capital Financing Reserve and not charged to revenue.

### **Capital contributions deferred**

Revisions to capital accounting arrangements have necessitated changes to the accounting treatment of capital grants or contributions towards the costs of assets. Grants and contributions used to finance capital expenditure are credited to a Capital Contributions Deferred Account. The balance on the account for those assets which are the subject of depreciation is gradually written-out to revenue over the life of the asset at the same rate and in the same proportion as the asset depreciates.



### **Government grants and contributions**

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the cash grant or contribution will be received.

### **Leases**

Payments under finance leases are charged to the asset management revenue account. Rentals payable under operating leases are charged to revenue on an accruals basis.

### **Reserves**

Under the capital accounting arrangements, the following two reserves appear in the Consolidated Balance Sheet:

- the fixed asset restatement reserve, which represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets;
- the capital financing reserve, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

### **Capital Receipts**

When assets are sold or disposed of, the amount of the capital receipt is held in a reserve account (Capital Receipts Unapplied) until it is used to finance further capital expenditure or to repay debt. Capital Receipts are applied in accordance with Government Regulations.

### **Capitalised expenditure**

The Authority's policy on the capitalisation of expenditure is in accordance with the requirements of section 40 of the Local Government and Housing Act, 1989. Expenditure for capital purposes is therefore limited to reclamation, acquisition, replacement or enhancement of land, roads, buildings and other structures within the Authority's ownership; the making of advances or grants or the provision of financial assistance to other persons for approved purposes and redundancy costs. In relation to the Authority's own assets, capital expenditure will have lengthened the life of the asset, increased its open market value or increased the extent to which it can be used to discharge the Authority's functions.

### **Investments**

Investments are shown in the Consolidated Balance Sheet at their original cost.

### **Debt Redemption**

The Authority makes provision for all scheduled debt repayments. In addition to those repayments there is a facility to prematurely redeem debt during the term of the loan. The Authority has not used this facility in either 2001/2002 or 2000/2001.

### **Stocks and Work-in-Progress**

Stocks and stores are valued at weighted average cost though for vehicle maintenance, stock items are valued at the latest purchase price.

Work in progress is valued at the lower of cost and net realisable value and is shown net of deposits and payments on account where appropriate.

### **Cost of Support Services**

Support Service costs are recharged to “front-line” service accounts in accordance with the reporting requirements of the SORP and BVACOP.

### **Provisions and Contingent Liabilities**

Provisions are made when a present obligation arises as a result of a past event, it is probable that a transfer of economic benefits will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Details are disclosed in note 17 to the Consolidated Balance Sheet on page 28.

Contingent Liabilities are disclosed in the form of notes to the Consolidated Balance Sheet where potential material future losses or liabilities are identified but, due to uncertainty, there has been no provision made in the accounts. Details are disclosed in note 18 to the Consolidated Balance Sheet on page 28.

### **Earmarked Reserves**

Revenue resources may be earmarked from general balances to finance specific recurring future expenditure. The Authority follows standard practice in both the accounting treatment and reporting of such reserves. All appropriations to and from Earmarked Reserves are subject to approval by an appropriate committee of the Council. Note 25 to the Consolidated Balance Sheet analyses the Authority’s Earmarked Reserves and can be found on page 31.

### **Trading Accounts**

Trading accounts have been identified and prepared in accordance with the Best Value Accounting Code of Practice (BVACOP) published by CIPFA.

Material surpluses/deficits are applied to the accounts in the year they occur, otherwise they are carried forward to the following year and reflected in revised charges accordingly. The total net surplus carried forward is included in Earmarked Reserves and is disclosed in note 25 to the Consolidated Balance Sheet on page 31.

### **Insurance Fund**

The Authority has established an Insurance Reserve to finance the element of claims for which commercial insurers are not liable. The Authority has identified claims of £8,114,282 which have been classified as a provision on the basis that the claims are certain but the date and amount are not.

### **Pensions**

The Authority paid an employer's contribution at an agreed percentage rate (based on superannuable employees' reckonable pay) into various Pension Funds for the benefit of the employees. For 2001/2002, the rates were as follows:

- 7.40% for Teachers (7.40% in 2000/2001);
- 17.20% for Non-teaching education staff (17.20% in 2000/2001);
- 19.40% for all other staff (19.40% in 2000/2001).

# **Statement of responsibilities for the Statement of Accounts**

## **The Authority's responsibilities**

The Authority is required:

- ☐ to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance and Personnel;
- ☐ to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ☐ To approve the Statement of Accounts

## **The responsibilities of the Director of Finance and Personnel**

The Director of Finance and Personnel is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the SORP, is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year (ended 31<sup>st</sup> March 2002).

In preparing this Statement of Accounts, the Director of Finance and Personnel has:

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

## **The Director of Finance and Personnel has also:**

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

Accordingly, I certify that the accounting statements and supporting notes which follow present fairly the financial position of the Authority at 31<sup>st</sup> March 2002 and its income and expenditure for the year.

**Martin Smith, CPFA.**

**Director of Finance and Personnel**

**21<sup>st</sup> August 2002**

# CONSOLIDATED REVENUE ACCOUNT

for year ended 31st March 2002

	2001/2002 Gross Expend're £	2001/2002 Gross Income £	2001/2002 Net Expend're £	2000/2001 Net Expend're £
<b>GENERAL FUND SERVICES (1)</b>				
Cultural, Environmental and Planning Services (2)	68,791,104	27,548,044	41,243,060	39,682,534
Central Services (4)	34,534,983	18,861,405	15,673,578	14,748,755
Education Services	252,956,772	50,326,721	202,630,051	182,927,278
Highways, Roads and Transport Services (3)	21,863,017	9,999,441	11,863,576	10,833,189
Housing Services	95,821,189	75,176,958	20,644,231	37,743,089
Social Services	123,718,565	39,595,674	84,122,891	77,178,712
Corporate and Democratic Core	23,489,360	5,261,944	18,227,416	22,155,306
Unapportionable Central Overheads	5,673,036	1,970,123	3,702,913	2,668,097
	<b>626,848,026</b>	<b>228,740,310</b>	<b>398,107,716</b>	<b>387,936,960</b>
<b>HOUSING REVENUE ACCOUNT SERVICES</b>	251,125,991	254,700,979	(3,574,988)	1,022,994
<b>NET COST OF SERVICES</b>	<b>877,974,017</b>	<b>483,441,289</b>	<b>394,532,728</b>	<b>388,959,954</b>
Total net surplus on Trading Accounts (6)			(456,679)	(43,514)
Transfer from Asset Management Revenue A/c (7)			(14,127,983)	16,575,614
Amounts due to levying authorities (8)			2,397,984	2,148,450
Interest and investment income			(4,664,940)	(6,647,208)
<b>NET OPERATING EXPENDITURE</b>			<b>377,681,110</b>	<b>400,993,296</b>
Surplus/(Deficit) transferred to HRA balances			3,574,988	(1,022,994)
Contribution to/(from) school balances			(56,231)	2,347,612
Transfer to/(from) other earmarked reserves			(3,517,797)	11,528,354
Contribution to capital reserves:-				
Financing of capital expenditure			7,899,284	1,485,175
Capital contributions deferred			1,772,821	871,965
Provision for repayment of external loans (9)			(32,427,895)	(49,981,703)
Deferred Charges			(22,322,295)	(52,468,051)
<b>AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS</b>			<b>332,603,985</b>	<b>313,753,654</b>
Council Taxpayers			(41,032,727)	(35,778,825)
Collection Fund surplus			(1,720,061)	(1,624,809)
Revenue Support Grant			(237,933,861)	(226,830,479)
Contribution from non-domestic rate pool			(50,141,351)	(50,310,312)
<b>DEFICIT /(SURPLUS) FOR THE YEAR</b>			<b>1,775,985</b>	<b>(790,771)</b>
Balance at 1st April			17,533,438	16,742,667
Surplus/(deficit) for the year			(1,775,985)	790,771
<b>BALANCE AT 31st MARCH</b>			<b>15,757,453</b>	<b>17,533,438</b>

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 1. GENERAL FUND SERVICE ANALYSIS

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

## 2. BUILDING REGULATIONS CHARGING ACCOUNT 2001/2002

Net expenditure for Planning Services incorporates the costs of providing the Authority's building control function. It is required by Local Authority Building Control Regulations that the Authority disclose information regarding the setting of charges for the administration of the building control function. The statement below shows the total cost of the building control function divided between chargeable and non-chargeable activities.

	2001/2002			2000/2001		
	Chargeable	Non Chargeable	Total	Chargeable	Non Chargeable	Total
	£	£	£	£	£	£
<b>Expenditure</b>						
Employee costs	1,348,986	550,631	1,899,617	1,102,236	532,762	1,634,998
Transport	25,076	8,988	34,064	23,643	11,294	34,937
Supplies and services	283,978	23,036	307,014	158,187	29,096	187,283
Support services	238,990	161,015	400,005	175,350	151,028	326,378
<b>Total Expenditure</b>	<b>1,897,030</b>	<b>743,670</b>	<b>2,640,700</b>	<b>1,459,416</b>	<b>724,180</b>	<b>2,183,596</b>
<b>Income</b>						
Building Regulation Fees	2,323,242	203,508	2,526,750	1,789,175	668,193	2,457,368
Other Income	45,450	23,466	68,916	0	23,000	23,000
<b>Total Income</b>	<b>2,368,692</b>	<b>226,974</b>	<b>2,595,666</b>	<b>1,789,175</b>	<b>691,193</b>	<b>2,480,368</b>
<b>Deficit/(Surplus) for the year</b>	<b>(471,662)</b>	<b>516,696</b>	<b>45,034</b>	<b>(329,759)</b>	<b>32,987</b>	<b>(296,772)</b>

## 3. CONTROLLED PARKING ACCOUNT

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

This account records all income and expenditure attributable to on-street parking activities, including enforcement. The account may achieve a deficit in the year in which case the deficit must be made good from the General Fund at the end of the year. The use of any surplus materialising is defined by legislation and is restricted largely to reinvestment within the service and highways and transportation initiatives.

	2001/2002	2000/2001
	£	£
<b>Expenditure</b>		
Employee costs	2,941,638	3,029,384
Premises	43,841	23,899
Transport	82,120	102,124
Supplies and services	639,140	1,023,544
Third party payments	502,285	2,161,384
Support services	1,109,936	1,023,016
Capital financing	141,480	205,799
<b>Total Expenditure</b>	<b>5,460,440</b>	<b>7,569,150</b>
<b>Income</b>		
Fees and charges	6,640,381	9,212,593
Decrease in provision for bad debts	749,059	612,235
<b>Total Income</b>	<b>7,389,440</b>	<b>9,824,828</b>
<b>Surplus for the year</b>	<b>(1,929,000)</b>	<b>(2,255,678)</b>
Balance at 1st April	2,872,560	3,170,756
Surplus for year	1,929,000	2,255,678
Funding of General Fund service initiatives.	(1,849,503)	(2,553,874)
<b>Earmarked Reserve balance at the 31st March</b>	<b>2,952,057</b>	<b>2,872,560</b>

#### 4. MEMBERS ALLOWANCES

The net cost of the Corporate and Democratic Core within Central Services includes total allowances paid to council members of £463,969 in 2001/2002 (£475,383 in 2000/2001).

#### 5. AGENCY AND CONTRACTED SERVICES

The Authority carried out work for Transport for London (TfL), part of the **Greater London Council (GLA)**, which related primarily to the supervision and maintenance of trunk roads, tunnels and bridges. The costs of such works, for which the Authority is fully reimbursed, totalled £1.04 million in 2001/2002.

#### 6. TRADING ACCOUNTS

The following accounts have been designated as "Trading Accounts" in 2001/2002 in accordance with Best Value criteria. A more comprehensive review of trading operations and their accounting will be undertaken during 2002/2003.

	Expenditure 2001/2002	Surplus/ (Deficit) 2001/2002	Expenditure 2000/2001	Surplus/ (Deficit) 2000/2001
	£	£	£	£
Vehicle Maintenance	4,820,184	(299,814)	405,343	(43,823)
Cleansing and Welfare Catering	9,212,770	(199,898)	8,836,368	(30,576)
Building and Property Services	5,798,640	46,142	6,300,164	(109,500)
Housing Benefits Administration	3,961,231	55,729	3,382,149	33,704
Support Services	27,326,323	566,579	28,624,913	402,125
Administrative Buildings	16,761,114	279,815	16,284,004	(534,804)
Head of Street Services	7,657,226	8,126	11,256,862	326,388
<b>TOTAL TRADING ACCOUNTS</b>	<b>75,537,488</b>	<b>456,679</b>	<b>75,089,803</b>	<b>43,514</b>

#### 7. ASSET MANAGEMENT REVENUE ACCOUNT

	2001/2002 £	2001/2002 £	2000/2001 £
Provision for depreciation of fixed assets		47,711,448	65,149,196
External interest payable:-			1,988,322
Finance leases	2,614,627		57,716,979
Other loans	54,529,555		59,705,301
		57,144,182	59,705,301
		<b>104,855,630</b>	<b>124,854,497</b>
Capital charges to services		(62,758,098)	(50,135,346)
General Fund		(54,452,693)	(57,271,572)
Housing Revenue a/c		(1,772,822)	(871,965)
Capital contributions deferred a/c		(118,983,613)	(108,278,883)
		<b>(14,127,983)</b>	<b>16,575,614</b>
<b>Balance transferred to Consolidated Revenue A/c</b>			

#### 8. LEVIES

The amounts levied against the Authority in 2001/2002 for services received comprised the following:-

	2001/2002 £	2000/2001 £
Lee Valley Regional Park Authority	169,451	154,641
Environment Agency	964,400	850,700
London Pensions Fund Authority	1,264,133	1,143,109
<b>Total levies</b>	<b>2,397,984</b>	<b>2,148,450</b>

<b>9. MINIMUM REVENUE PROVISION</b>	<b>2001/2002</b>	<b>2000/2001</b>
	<b>£</b>	<b>£</b>
Non housing - 4% of credit ceiling	4,792,445	4,556,838
Housing - 2% of credit ceiling	10,491,108	10,610,655
<b>Minimum Revenue Provision</b>	<b>15,283,553</b>	<b>15,167,493</b>
Depreciation charged in year	(47,711,448)	(65,149,196)
<b>Balance transferred to Consolidated Revenue A/c</b>	<b>(32,427,895)</b>	<b>(49,981,703)</b>

#### 10. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The 1970 Act enables the Authority to provide goods and services on behalf of the other "public bodies" detailed within the Act.

Since the transfers of properties to the Poplar Housing and Regeneration Community Association (HARCA) on 23rd March and 6th December 1998, and to Tower Hamlets Community Housing on 27 March 2000 the Authority has provided management services under agency agreements, the costs of which are met by the Poplar HARCA and THCH. The Poplar HARCA agreement largely finished in March 2000. In 2000/2001 the HARCA accrued management service costs totalling £84,018, THCH £263,073. Neither accrued further management costs in 2001/2002.

#### 11. PUBLICITY

Section V of the Local Government Act 1986 requires a local authority to disclose separately its expenditure on publicity.

	<b>2001/2002</b>	<b>2000/2001</b>
	<b>£</b>	<b>£</b>
Personnel (mainly recruitment advertising)	1,234,718	857,060
Media and public relations	597,205	1,035,953
Other	275,934	118,106
<b>Total expenditure</b>	<b>2,107,857</b>	<b>2,011,119</b>

#### 12. RELATED PARTIES

The Code of Practice on Local Authority Accounting 2000 requires disclosure of additional information regarding transactions between the Authority and related parties on accordance with the Financial Reporting Standard 8. Material transactions with related parties not disclosed elsewhere in this Statement of Accounts are detailed below;

##### (i) Subsidiaries, Associated Companies and Joint Ventures

Details of the transactions with Cityside Regeneration Ltd, Leaside Regeneration Partnership Ltd, Cultural Industries Development Agency Partnership Ltd, Bromley-by-Bow Centre Partnership Ltd and the NBNS Partnership Ltd are disclosed in note 12 to the Balance Sheet on pages 26 and 27. The Authority also has partnership arrangements with the following organisations:

TS 2K  
NDC (New Deal for the Community)

##### (ii) Pension Fund

The Authority borrows from the Pension Fund. The year end balance is shown in note 13 to the Consolidated Balance Sheet on page 27. The Pension Fund accounts are presented on pages 37 to 42 of this Statement.

#### 13. ECONOMIC DEVELOPMENT

The Local Government (Promotion of Economic Development) Regulation 1990 require authorities to disclose any financial assistance given to relevant bodies in the form of a loan with a rate of interest at less than the market rate. At 31st March 2002 the Authority had no outstanding loan agreements of this nature.

#### 14. EURO COSTS

The Authority has not incurred any commitments in respect of the potential entry of the United Kingdom into European Monetary Union (EMU). No indication will be made of the likely costs for the Authority until the terms of entry have been established.

# 15. OFFICERS EMOLUMENTS

The numbers of employees whose remuneration, excluding pension fund contributions, was equal to or in excess of £40,000 were, in bands of £10,000;-

Remuneration Band £	2001/2002		2000/2001	
	Teaching Staff	Other Staff	Teaching Staff	Other Staff
40,000 - 49,999	175	133	86	108
50,000 - 59,999	41	26	11	15
60,000 - 69,999	6	12	5	16
70,000 - 79,999	4	6	0	2
80,000 - 89,999	0	2	0	0
90,000 - 99,999	0	2	0	2
100,000 +	0	1	0	3
<b>Total employees</b>	<b>226</b>	<b>182</b>	<b>102</b>	<b>146</b>

# 16. PENSION FUND : CONTRIBUTION RATES

The Authority participates in a number of defined benefit pension schemes which require employer contributions to be made.

## (i) Sundry employees

In 2001/2002 the Authority paid £23.7m (£23.3m:2000/2001) into the Pension Fund representing 23.00% (21.70%) of pensionable pay.

The contribution rate was determined by the Fund Actuary based on the triennial actuarial revaluation undertaken on the 31st March, 2001. The revaluation calculated the deficit to be £65m and the contribution rate envisages recovering this over a fourteen year period. The future service contribution rate and the rate necessary to recover the deficit are set out as below: -

	2001/2002 £'000	2000/2001 £'000	2001/2002 Pensionable Pay %	2000/2001 Pensionable Pay %
Future service rate	13,602	7,969	13.20	7.40
Deficit recovery rate	21,454	14,168	20.80	13.20

The Code of Practice on Local Government Accounting requires that the Authority discloses the capital costs of any discretionary increases in pensions payments agreed. The relevant costs are as follows:-

	2001/2002 £	2000/2001 £
In year	1,247,658	699,821
Earlier years for which payments are still being made	1,643,058	91,281
	<b>2,890,716</b>	<b>791,102</b>

## (ii) Education Employees

The Authority pays contributions into the Teacher's Pension Scheme and the London Pensions Fund Authority for pension provision relating to education employees. In 2001/2002 the relevant sums were: -

	2001/2002 £m	2000/2001 £m	2001/2002 Pensionable Pay %	2000/2001 Pensionable Pay %
London Pensions Fund Authority	0.66	0.57	17.20	17.20
Teacher's Pension Scheme	3.78	3.61	7.40	7.40
	<b>4.44</b>	<b>4.18</b>		

In addition the Authority is responsible for all pension payments relating to added years benefits which it has awarded with related increases. In 2001/2002 the relevant amounts are as follows: -

	2001/2002 £m	2000/2001 £m	2001/2002 Pensionable Pay %	2000/2001 Pensionable Pay %
Annual pension payments	0.206	0.821	0.37	1.57
Lump sum payments on retirement	0.011	0.299	0.02	0.57
	<b>0.217</b>	<b>1.120</b>		



## HOUSING REVENUE ACCOUNT

### for year ended 31st March 2002

The Housing Revenue Account deals with the provision, maintenance and sales of all types of council housing. There is a statutory requirement to keep this account separate from those for other housing activities.

	2001/2002 £	2000/2001 £
<b>INCOME</b>		
Rents of dwellings (2/3)	88,371,232	87,943,770
Non dwelling rents	5,015,309	4,817,990
Charges for services and facilities	9,887,680	8,035,575
Contributions towards expenditure	522,624	3,267,914
Government Subsidies (5)	107,825,191	84,371,153
<b>TOTAL INCOME</b>	<b>211,622,036</b>	<b>188,436,402</b>
<b>EXPENDITURE</b>		
Management	45,413,188	49,949,536
Maintenance	25,051,380	25,036,838
Rents, rates and taxes	2,648,692	501,256
Rent rebates (1)	56,032,814	55,728,172
Increase in Provision for bad debts	1,837,571	1,344,249
Capital charges (8)	97,437,462	57,459,474
Debt management costs	165,335	0
<b>TOTAL EXPENDITURE</b>	<b>228,586,442</b>	<b>190,019,525</b>
<b>NET COST OF SERVICES</b>	<b>16,964,406</b>	<b>1,583,123</b>
Transfer from Asset Management Revenue A/c	(28,398,725)	0
Interest receivable	(428,357)	(560,129)
<b>NET OPERATING EXPENDITURE</b>	<b>(11,862,676)</b>	<b>1,022,994</b>
<b>APPROPRIATIONS</b>		
Housing Minimum Revenue Provision	10,491,108	0
Transfer to/(from) Major Repairs Reserve (9)	(2,203,420)	0
<b>(SURPLUS)/DEFICIT FOR YEAR</b>	<b>(3,574,988)</b>	<b>1,022,994</b>
Balance at the beginning of the year	4,592,124	5,615,118
<b>BALANCE AT THE END OF THE YEAR</b>	<b>8,167,112</b>	<b>4,592,124</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. RENT REBATES

During the year 69% of tenants were in receipt of some form of Housing Benefit; equal to the comparative figure in 2000/2001.

### 2. RENT ARREARS

	2001/2002	2000/2001
Gross rent arrears at 31st March (£)	5,682,040	5,968,341
Arrears as % of rent receivable	6.4	6.8
Provision made for bad debts (£)	4,211,579	4,210,680

### 3. AVERAGE RENTS OF DWELLINGS

	2001/2002 Weekly (£)	2000/2001 Weekly (£)
<b>Flats:</b>		
- 1 bedroom	56.27	51.63
- 2 bedrooms	67.75	62.17
- 3 bedrooms	77.66	71.18
<b>Houses:</b>		
- 1 bedroom	68.37	58.86
- 2 bedrooms	79.97	73.66
- 3 bedrooms	92.31	84.37

### 4. HOUSING STOCK

Low rise flats (1-2 storeys)	912	1,003
Medium rise flats (3-5 storeys)	14,195	14,818
High rise flats (6 or more storeys)	9,168	9,438
Houses and bungalows	1,546	1,582
<b>TOTAL HOUSING STOCK AT 31st MARCH</b>	<b>25,821</b>	<b>26,841</b>

### 5. GOVERNMENT SUBSIDIES

	2001/2002 £	2000/2001 £
HRA Subsidy	39,319,925	39,081,757
Major Repairs Allowance	22,854,909	0
Housing Benefits	45,650,357	45,289,396
<b>TOTAL GOVERNMENT SUBSIDIES</b>	<b>107,825,191</b>	<b>84,371,153</b>

### 6. MAJOR REPAIRS ALLOWANCE

	2001/2002 £	2000/2001 £
<b>Balance at 1st April</b>	0	0
MRA due	22,854,909	0
MRA applied	(22,854,909)	0
<b>BALANCE AT 31st MARCH</b>	<b>0</b>	<b>0</b>

### 7. FIXED ASSETS

The balance sheet value of assets within the Authority's HRA were as follows:

	31/3/2002 £	1/4/2001 £
Dwellings	1,114,822,283	1,155,173,238
Other land and buildings	2,256,745	2,353,172
Other assets	13,541,410	14,065,324
<b>Operational Assets</b>	<b>1,130,620,438</b>	<b>1,171,591,734</b>
Non-operational assets	49,571,345	48,090,064
<b>TOTAL NET BOOK VALUE</b>	<b>1,180,191,783</b>	<b>1,219,681,798</b>

The vacant possession value of dwellings within the Authority's HRA was £2,457,815,400. This represents the value of the dwellings if they were available to be sold on the open market as vacant properties.

## 8. CAPITAL CHARGES

The figure for capital charges of £97.4 million comprises of 2 items:

- 1) A charge for the cost of capital based on 6% of the value of assets amounting to £72.3 million.
- 2) A depreciation charge of £25.1 million made up of £22.9 million in respect of council houses and £2.2 million in respect of other housing assets. In the case of Council Housing, assets have been depreciated in line with the Major Repairs Allowance as this is the amount (based on a 30 year life cycle costing) which the Government estimates the Council needed to spend this year to keep the housing stock in its current state. It is therefore considered an acceptable measure of depreciation. Other housing assets have been depreciated using a 40 year life cycle.

## 9. MAJOR REPAIRS RESERVE

	2001/2002 £	2001/2002 £
<b>Balance at 1st April</b>		0
Transfer from reserve		
Council dwellings	22,854,909	
Other land and buildings	587,927	
Other fixed assets	<u>1,615,493</u>	
		25,058,329
MRA applied		(22,854,909)
Transfer from/(to) reserve		<u>(2,203,420)</u>
<b>BALANCE AT 31st MARCH</b>		<b>0</b>

## 10. CAPITAL EXPENDITURE and FINANCING

	Dwellings £	Other land & buildings £	Other £	Total £
<b>Expenditure</b>	36,634,418	6,268	98,480	36,739,166
<b>Sources of finance</b>				
Credit approvals	6,181,233			6,181,233
Useable capital receipts	2,066,000	6,268	98,480	2,170,748
Capital grants	4,843,858			4,843,858
Major Repairs allowance	22,854,909			22,854,909
Creditors	688,418			688,418
<b>TOTAL CAPITAL FINANCING</b>	<b>36,634,418</b>	<b>6,268</b>	<b>98,480</b>	<b>36,739,166</b>

## 11. CAPITAL RECEIPTS

Capital receipts in 2001/2002 from the disposal of fixed assets within the HRA amounted to:

<b>TOTAL CAPITAL RECEIPTS</b>	<b>36,251,423</b>	<b>0</b>	<b>1,496,000</b>	<b>37,747,423</b>
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## COLLECTION FUND INCOME & EXPENDITURE ACCOUNT

### for year ended 31st March 2002

	2001/2002 £	2001/2002 £	2000/2001 £
<b>Income</b>			
Council Tax (2)		51,926,698	46,605,009
Non domestic rates (3)		134,098,929	104,285,433
Adjustment for previous years Community Charges (4)		(1,751,630)	(298,008)
Distribution of prior year surplus on Collection Fund		(1,842,000)	(1,717,000)
<b>TOTAL INCOME</b>		<b>182,431,997</b>	<b>148,875,434</b>
<b>Expenditure</b>			
Precepts and demands			
London Borough of Tower Hamlets	41,032,727		35,778,825
Greater London Authority	9,328,142		7,347,406
Residual Receiver	0		1,026,954
		50,360,869	
Non domestic rates:			
Payment to National Pool	133,254,688		103,442,222
Cost of collection allowances	844,241		843,211
		134,098,929	
Provision for bad debts		(1,364,348)	323,318
<b>TOTAL EXPENDITURE</b>		<b>183,095,450</b>	<b>148,761,936</b>
<b>INCREASE/(DECREASE) IN FUND BALANCE</b>		<b>(663,453)</b>	<b>113,498</b>
Balance at the beginning of the year		8,551,899	8,438,401
(Deficit)/Surplus for the year		(663,453)	113,498
<b>BALANCE AT THE END OF THE YEAR</b>		<b>7,888,446</b>	<b>8,551,899</b>

## NOTES TO THE INCOME & EXPENDITURE ACCOUNT

### 1. GENERAL

These accounts represent the transactions of the Collection Fund which is a statutory fund separate from the main accounts of the Authority. The Collection Fund accounts independently for income from Council Tax and non domestic rates on behalf of those bodies (including the Authority's own General Fund) for whom the income has been raised. The costs of administering the Collection Fund are accounted for in the General Fund (see page 11).

### 2. COUNCIL TAX

Council Tax income derives from the charges raised according to the value of residential properties which are classified into 8 valuation bands estimated at 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Authority and other Preceptors for the forthcoming year and dividing this by the Council Tax base ( the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discount, amounts to 65,164 for 2001/2002 (60,983: 2000/2001). This basic amount of Council Tax for a Band D property, £780.56 in 2001/2002 (£726.52 in 2000/2001), is multiplied by the proportion specified for that particular band to give an individual amount due.

## 2. COUNCIL TAX (cont.)

Council Tax bills were based on the following proportions for bands A to H:

Proportion of Band D charge	
Band A	0.67
Band B	0.78
Band C	0.89
Band D	1.00
Band E	1.22
Band F	1.44
Band G	1.67
Band H	2.00

The income of £51,926,698 for 2001/2002 (£46,605,009 in 2000/2001) is receivable from the following sources:

	2001/2002	2000/2001
	£	£
Billed to Council Tax Payers	35,953,963	31,616,953
Council Tax Benefits	15,972,735	14,988,056
<b>Total Council Tax</b>	<b>51,926,698</b>	<b>46,605,009</b>

## 3. NATIONAL NON DOMESTIC RATES (NNDR)

NNDR is organised on a national basis. The Government specifies an amount (43.0p in 2001/2002 and 41.6p in 2000/2001) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Authority is responsible for collecting rate due from the ratepayers in its areas but pays the proceeds into a NNDR "pool" administered by the Government. The Government redistributes the sums paid into the "pool" back to local authorities General Funds on the basis of a fixed amount per head of population. The NNDR income after reliefs and provisions of £134,098,929 in 2001/2002 (£104,285,433: 2000/2001) was based on an average rateable value for the Authority's area of £503,918,683 for the year (£463,614,057: 2000/2001).

## 4. ADJUSTMENTS FOR PRIOR YEARS COMMUNITY CHARGES

Although Council Tax has replaced Community Charge from 1st April 1993 the Authority continues to account for residual adjustments to the Community Charges raised in earlier years in the Collection Fund.

# **CONSOLIDATED BALANCE SHEET** as at 31st March 2002

	2001/2002 £	2001/2002 £	2000/2001 £
<b>Fixed Assets (1-6)</b>			
Operational assets			1,155,173,238
Dwellings	1,114,822,283		552,457,211
Other land and buildings	542,865,074		51,381,604
Infrastructure assets	54,699,550		11,606,314
Equipment	9,851,750		44,090,011
Community assets	46,636,638		
Non-operational assets			50,121,392
Investment properties	51,434,934		1,864,829,770
		1,820,310,229	
<b>Long Term Debtors (7)</b>		4,406,433	6,160,213
<b>Total Long Term Assets</b>		<b>1,824,716,662</b>	<b>1,870,989,983</b>
<b>Current Assets</b>			2,562,020
Stocks and Works in Progress (8)	3,203,832		73,029,289
Debtors (10/12)	85,834,018		125,032,331
Investments (9)	121,043,127		200,623,640
	210,080,977		
<b>Current liabilities</b>			46,168,963
Short Term Borrowing (13)	48,221,688		95,226,563
Creditors (11/12)	109,691,163		18,941,064
Cash and Bank Overdraft	8,740,133		160,336,590
	166,652,984		
<b>Total Assets less Current Liabilities</b>		<b>1,868,144,655</b>	<b>1,911,277,033</b>
<b>Long Term Borrowing (14/15)</b>	592,265,798		614,678,281
<b>Deferred Liabilities (16)</b>	3,641,610		4,929,933
<b>Capital Contributions Deferred</b>	28,954,334		30,727,156
<b>Provisions (17)</b>	9,828,871		9,818,553
		634,690,612	660,153,923
<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>1,233,454,043</b>	<b>1,251,123,110</b>
<b>Representing</b>			
Fixed Asset Restatement Reserve (19)		860,061,611	912,704,507
Capital Financing Reserve (20/21)		295,120,134	253,693,636
Capital Receipts and Grants Unapplied (22)		5,166,745	6,137,964
Deferred Capital Receipts (23)		2,525,925	3,254,225
Collection Fund (see page 19)		7,888,446	8,551,899
Street Trading Account (24)		(504,703)	(265,588)
<b>Balances:-</b>			
General Fund (see page 11)		15,757,453	17,533,438
Housing Revenue Account (see page 16)		8,167,112	4,592,124
Sundry Earmarked Balances (25)		39,271,320	44,920,905
<b>TOTAL EQUITY</b>		<b>1,233,454,043</b>	<b>1,251,123,110</b>

**Martin Smith CPFA**  
**Director of Finance and Personnel**  
**21st August 2002**

## NOTES TO THE BALANCE SHEET

### 1. FIXED ASSETS

	Council Dwellings £	Other Land & Buildings £	Infrastructure £	Equipment £	Community £	Non- Operational £	Totals £
Value as at 1st April 2001	1,195,106,571	574,417,398	59,052,152	20,898,284	44,717,815	51,837,032	1,946,029,252
Additions	36,634,569	8,527,085	4,718,339	3,924,344	3,316,959	1,829	57,123,125
Disposals	(54,130,615)	(1,852,112)	0	0	(407,604)	(1,496,000)	(57,886,331)
Revaluations	0	(810,963)	0	0	272,271	4,493,805	3,955,113
<b>Value at 31 March 2002</b>	<b>1,177,610,525</b>	<b>580,281,408</b>	<b>63,770,491</b>	<b>24,822,628</b>	<b>47,899,441</b>	<b>54,836,666</b>	<b>1,949,221,159</b>
<b>Depreciation as at 1st April 2001</b>	<b>39,933,333</b>	<b>21,960,187</b>	<b>7,670,548</b>	<b>9,291,970</b>	<b>627,804</b>	<b>1,715,640</b>	<b>81,199,482</b>
Depreciation for the year	22,854,909	15,456,147	1,400,393	5,678,908	634,999	1,686,092	47,711,448
<b>Depreciation as at 1st April 2002</b>	<b>62,788,242</b>	<b>37,416,334</b>	<b>9,070,941</b>	<b>14,970,878</b>	<b>1,262,803</b>	<b>3,401,732</b>	<b>128,910,930</b>
<b>TOTAL NET BOOK VALUE at 31st March 2002</b>	<b>1,114,822,283</b>	<b>542,865,074</b>	<b>54,699,550</b>	<b>9,851,750</b>	<b>46,636,638</b>	<b>51,434,934</b>	<b>1,820,310,229</b>

Capital expenditure on dwellings relates principally to the conversion, improvement and enhancements to existing stock.

**2. CAPITAL EXPENDITURE**

	2001/2002 £	2000/2001 £
<b>Fixed assets</b>		
Council dwellings	36,634,569	40,526,361
Other land and buildings	8,527,085	6,506,931
Infrastructure	4,718,339	7,501,993
Equipment	3,924,344	479,683
Community assets	3,316,959	7,155,418
Other fixed assets	1,829	7,070
<b>Total Fixed Assets</b>	<b>57,123,125</b>	<b>62,177,456</b>
<b>Deferred charges</b>		
Improvement grants	9,021,678	3,080,591
Other	13,897,393	13,540,686
<b>Total Deferred Charges</b>	<b>22,919,071</b>	<b>16,621,277</b>
<b>Long term debtors</b>		
Housing associations	0	404,000
<b>Total Long Term Debtors</b>	<b>0</b>	<b>404,000</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>80,042,196</b>	<b>79,202,733</b>

**SOURCES OF FINANCE**

Credit approvals	15,178,639	36,510,126
Capital receipts/grants	35,785,154	35,821,286
Major repairs allowance	22,854,909	0
Direct revenue financing	4,370,056	1,485,175
Planning Gains	3,528,246	3,899,214
Creditors	(1,674,808)	1,082,932
Other	0	404,000
<b>TOTAL CAPITAL FINANCING</b>	<b>80,042,196</b>	<b>79,202,733</b>

In line with advice contained in Capital Accounting Arrangements, given that they do not represent tangible assets, Deferred Charges are amortised to revenue in the year in which the expenditure is incurred.

The Authority obtained a direction, under the provisions of the Local Government and Housing Act 1989, Part IV, Section 40(6) :Treatment of costs as Capital Expenditure, which enabled the capitalisation of staff redundancy costs.

**3. CAPITAL COMMITMENTS**

The Authority had contractually binding capital commitments, in excess of £1.00m, totalling £7.57 million at 31st March 2002. This total includes the payments due to be made in 2002/2003 in respect of creditors provision made in the 2001/2002 accounts. The main committed capital schemes are outlined below:-

	£m
<b>Housing schemes:-</b>	
Wellington - Phase 9	1.55
Richard Neale House - refurbishments	2.13
Brockmer House - external refurbishments	2.27
Tredegar Road - Installation of heating systems	1.62
<b>Total Housing schemes</b>	<b>7.57</b>
<b>TOTAL CAPITAL COMMITMENTS AT 31st MARCH 2002</b>	<b>7.57</b>



#### **4. LEASING**

##### **Finance Leases**

The Authority has undischarged liabilities under finance leases relating to property. These are included in Fixed Assets and Deferred Liabilities at a value of £3,641,610 (£4,929,932: 2000/2001). The payments in 2001/2002 on these leases amounted to £2,614,627 (£1,988,322: 2000/2001).

##### **Operating Leases**

The Authority has a number of operating leases principally relating to computer equipment and vehicles. The outstanding obligations under these arrangements are £95,000 (£576,000: 2000/2001) and the payments on these in 2001/2002 amounted to £399,381 (£565,927: 2000/2001). The assets are not included in the Consolidated Balance Sheet and lease payments were charged to the revenue accounts.

#### **5. FIXED ASSET VALUATION**

The freehold and leasehold properties which comprise the Authority's property portfolio were revalued as at 1st April 2000 by independent external valuers and the Head of Corporate Property Services. A further valuation of the commercial properties as at the 31st March 2001 was undertaken by the Head of Corporate Property services. The valuations carried out complied with the requirements of Financial Reporting Standard (FRS) 15; Tangible Fixed Assets, issued by the Accounting Standards Board.

Properties considered by the Authority to be specialised within the definitions provided by FRS 15 were valued on the basis of depreciated replacement cost. Properties considered by the Authority to be non-specific were valued on the basis of Existing Use Value.

Community assets have been included at historic cost.

All assets with the exception of community assets are depreciated on a straight line basis. The projected asset lives which form the basis of the depreciation charges have been assessed by the independent external valuers and the Head of Corporate Property Services.

The Authority has not complied with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in as much as land has not been disaggregated from buildings. Consequently depreciation has been charged on these aggregate values and as such will be overstated.

The Head of Corporate Property Services and the Chief Financial Officer have undertaken a review of the value of assets as required under FRS 11; Impairment of Fixed Assets, and do not consider that impairment will impact on such values.

## 6. ANALYSIS OF FIXED ASSETS

In accordance with the CIPFA SORP the fixed assets of the Authority are analysed below:-

	2001/2002	2000/2001
<b>Land &amp; buildings</b>		
Dwellings	25,821	26,841
Administrative buildings	53	53
Commercial properties	850	850
Depots	12	12
Cemeteries	2	2
Public mortuary	1	1
Recreation and leisure facilities	59	59
Schools	81	81
Social services establishments - Residential Homes, Day Centres etc.	37	37
Other	69	69
<b>Parks and open spaces (hectares)</b>	236	232
<b>Infrastructure</b>		
Principal built up roads (km)	13.9	14.7
Other built up roads (km)	217.3	192.7

## 7. LONG TERM DEBTORS

	Balance at 1/4/2001 £	Capital advances in year £	Other income & adjusts £	Balance at 31/3/2002 £
Mortgages				
Housing associations	1,135,177	0	(468,980)	666,197
Right to buy	3,198,003	0	(682,132)	2,515,871
Housing act advances	10,205	0	(982)	9,223
<b>TOTAL MORTGAGES</b>	<b>4,343,385</b>	<b>0</b>	<b>(1,152,094)</b>	<b>3,191,291</b>
Sundry loans	1,816,828	692,164	(1,293,849)	1,215,143
<b>TOTAL LONG TERM DEBTORS</b>	<b>6,160,213</b>	<b>692,164</b>	<b>(2,445,944)</b>	<b>4,406,433</b>

## 8. STOCK AND WORK IN PROGRESS

	2001/2002 £	2000/2001 £
Works in progress: rechargeable works	3,120,742	2,188,112
Stocks	83,090	373,908
<b>TOTAL STOCKS AND WORKS IN PROGRESS</b>	<b>3,203,832</b>	<b>2,562,020</b>

## 9. TEMPORARY INVESTMENTS

Investments comprise short term deposits made for less than one year with banks, building societies and other local authorities.

	2001/2002 £	2000/2001 £
General Fund	121,043,127	125,032,331
<b>TOTAL TEMPORARY INVESTMENTS</b>	<b>121,043,127</b>	<b>125,032,331</b>

**10. DEBTORS AND PAYMENTS IN ADVANCE**

	2001/2002	2000/2001
	£	£
Government	23,247,567	13,204,279
Inland Revenue/Customs and Excise	8,115,438	7,319,475
Other authorities	27,072	188,714
Ratepayers, Community Charge and Council Tax payers	22,877,563	24,110,291
Rents: sundry tenants	5,682,040	5,968,341
Rents: homeless families	5,105,377	3,700,947
Employees	162,589	333,012
Payments in advance	950,184	1,604,355
Sundry other	62,009,315	58,598,022
<b>TOTAL DEBTORS</b>	<b>128,177,144</b>	<b>115,027,437</b>
<b>Provisions for bad debts</b>		
Rents: sundry tenants	(4,211,579)	(4,210,680)
Rents: homeless families	(4,932,371)	(3,494,318)
Controlled parking fees	(11,550,000)	(12,300,000)
Ratepayers, Community Charge and Council Tax payers	(9,062,626)	(10,426,974)
Sundry debtors	(12,586,550)	(11,566,175)
<b>TOTAL PROVISIONS FOR BAD DEBTS</b>	<b>(42,343,126)</b>	<b>(41,998,147)</b>
<b>TOTAL NET DEBTORS</b>	<b>85,834,018</b>	<b>73,029,289</b>

**11. CREDITORS AND RECEIPTS IN ADVANCE**

	2001/2002	2000/2001
	£	£
Government	25,328,966	7,989,277
Inland Revenue/Customs and Excise	4,767,459	4,792,762
Other authorities	140,607	2,684
Ratepayers, Community Charge and Council Tax payers	11,614,820	8,186,337
Rents: sundry tenants	1,181,308	1,213,685
Rents: homeless families	173,006	206,628
Employees	344,334	15,396
Receipts in advance	1,408,679	1,288,221
Sundry other	64,731,985	71,531,573
<b>TOTAL CREDITORS</b>	<b>109,691,163</b>	<b>95,226,563</b>

**12. SINGLE REGENERATION BUDGET**

The totals for both Government debtors and creditors include balances relating to the following companies and their activities within the Authority's Single Regeneration Budget.

**Cityside Regeneration**

The Cityside Regeneration Ltd was incorporated on 3rd June 1997 as a company limited by guarantee. Its mission is to deliver economic regeneration in the western part of the borough. The Company's Board has 17 members representing public, private, voluntary and community sector interests. Two members on the board represent Tower Hamlets.

In 2001/2002 Central Government provided £7,908,610 (£7,580,000: 2000/2001) in Single Regeneration Budget grant for projects managed by the Cityside company. This grant was administered by Tower Hamlets and is reflected in the Authority's accounts.

## 12. SINGLE REGENERATION BUDGET (cont.)

### New Beginning New Settlements (NBNS)

NBNS Partnership Ltd was incorporated on 23rd November 2000 as a company limited by guarantee. The scheme aims to support and enhance the activity of Black Minority and Ethnic (BME) voluntary organisations working in Tower Hamlets by creation "settlements" to act as bases for delivering programmes and activities to areas of greatest need. The Company Board has 17 members, none being a direct representative of the Authority. In 2001/2002 Central Government provided £980,308 (£93,660: 2000/2001) Single Regeneration Budget grant for projects managed by the NBNS company. This grant was administered by Tower Hamlets and is reflected in the Authority's accounts.

### Leaside Regeneration

The Leaside Regeneration Ltd was incorporated in 1998 as a company limited by guarantee. Its mission is to deliver economic regeneration in the eastern part of the borough. The Company's board has 44 members representing public, private, voluntary and community sector interests. 4 Members of the Council sit on the Board. In 2001/2002 Central Government provided £4,966,133 (£2,134,735: 2000/2001) in Single Regeneration Budget grant for projects managed by the Leaside company. This grant was administered by Tower Hamlets and is reflected in the Authority's accounts.

The totals for **Sundry Other** debtors and creditors include the following balances: -

### Cultural Industries Development Agency (CIDA)

CIDA was incorporated in 1999 as a private company limited by guarantee. It aims to promote the diverse cultural industries in the borough and work in partnership with others to develop business markets and employment opportunities. The Company Board has 11 members, 2 of which are Members of Tower Hamlets Council. CIDA expenditure as reflected in the Authority's accounts for 2001/2002 was financed by Single Regeneration Budget, European Regional Development Fund monies and a contribution from City Fringe.

### Bromley-by-Bow

Bromley-by-Bow was incorporated on 17th June 1994 as a private company limited by guarantee. The company's purpose is to promote and improve health, housing and education and reduce crime via community led regeneration, which will release potential of local people and promote self reliance and community involvement. The Company Board has 12 members representing public, private, voluntary and community sector interests. One Member of the Tower Hamlets Council represents the Authority. In 2001/2002 Central Government provided £358,660 (£552,192: 2000/2001) in Single Regeneration Budget grant for the project which is managed by Bromley-by-Bow centre.

## 13. SHORT TERM BORROWING

	2001/2002	2000/2001
	£	£
Borrowing payable within 1 year	25,412,483	33,166,573
Pension fund (see p.40)	22,809,205	13,002,390
<b>TOTAL SHORT TERM BORROWING</b>	<b>48,221,688</b>	<b>46,168,963</b>

## 14. LONG TERM BORROWING

Source of loan:-	Int. rate payable %	2001/2002	2000/2001
		£	£
Public Works Loans Board	2.5 - 12	592,265,798	604,678,280
Money market	8.7 - 9.8	0	10,000,000
<b>TOTAL LONG TERM BORROWING</b>		<b>592,265,798</b>	<b>614,678,280</b>

**15. LOANS MATURITY SCHEDULE**

	Money Market £	PWLB £	Total £	Total £
1-2 Years	10,000,000	15,611,112	25,611,112	32,412,482
2-3 Years	0	22,139,634	22,139,634	15,611,113
3-4 Years	0	17,886,729	17,886,729	22,139,634
4-5 Years	0	22,068,890	22,068,890	17,886,729
5-6 Years	0	24,002,054	24,002,054	22,068,890
6-10 Years	0	108,672,048	108,672,048	89,749,792
10-15 Years	0	169,864,467	169,864,467	156,311,057
15+ Years	0	202,020,864	202,020,864	258,498,584
<b>TOTAL LOANS OUTSTANDING</b>	<b>10,000,000</b>	<b>582,265,798</b>	<b>592,265,798</b>	<b>614,678,281</b>

**16. DEFERRED LIABILITIES**

Deferred Liabilities represent the principal element of finance leases.

**17. PROVISIONS**

	B/f 1/4/2001 £	Exp'ture £	Transfer (to)/ from Revenue £	C/f 1/4/2002 £
Insurance Fund (a)	7,104,117	0	1,010,165	8,114,282
ICL Contract (b)	252,000	0	(252,000)	0
Single Status/Minimum Wage (c)	377,000	0	151,000	528,000
Communal use of buildings (d)	0	0	234,850	234,850
Customer Services: sundry	90,603	68,170	(0)	22,432
Housing: sundry	50,000	0	0	50,000
Social Services: sundry	520,691	453,839	(0)	66,852
Education: sundry	889,575	125,817	(264,766)	498,992
Chief Executive: sundry	534,567	254,476	33,372	313,463
<b>TOTAL PROVISIONS</b>	<b>9,818,553</b>	<b>902,302</b>	<b>912,620</b>	<b>9,828,871</b>

The following balances provide/provided specifically: -

- (a) to cover a range of self-insured risks including personal accident cover for staff, motor car credit guarantee insurance and miscellaneous items of property,
- (b) to meet liabilities arising as a result of changes to the ICL mainframe services contract,
- (c) for additional costs resulting from the single status agreement which changed employees conditions of service,
- (d) for health and safety work to buildings used by community organisations.

**18. CONTINGENT LIABILITIES**

**Poplar Housing and Regeneration Community Association (HARCA) and Tower Hamlets Community Housing (THCH)**

Between March 1998 and February 2001 the Authority transferred tenanted and leasehold properties, 4,974 to the the Poplar HARCA and 1,551 to THCH. The Authority has to offer warranties to provide the Funders with a level of comfort in relation to their loans. The giving of such warranties means that there may be a potential liability to the Authority if these are later found to be untrue. The Authority has made every effort to minimise any potential liability relating to such warranties.

**Industrial Tribunal ("Red Circling")**

The Council is respondent to 380 Employment Tribunal Applications. The Employment Tribunal had found that the Council unfairly dismissed these individuals in seeking to remove cost of living pay awards for the Applicants until such time as any potential salary or other payments are overtaken by those cost of living awards. The Council successfully appealed against the decision of the Employment Tribunal and the case has been remitted back to a fresh Employment Tribunal for a re-hearing. The potential liability to the Council has been estimated at approximately £5 million.

19. FIXED ASSET RESTATEMENT RESERVE	2001/2002 £	2000/2001 £
Balance at 1st April	912,704,507	(76,793,178)
Surplus on revaluation and restatement	3,955,113	1,034,635,958
Disposal of fixed assets (net)	(56,598,009)	(45,138,273)
<b>BALANCE AT 31st MARCH</b>	<b>860,061,611</b>	<b>912,704,507</b>

The account was established under capital accounting regulations effective from 1st April 1994. Initially the balance on the account represented the difference between the valuation of assets under the previous capital accounting system, and the valuation at 1st April 1994. Subsequent movements represent the further revaluation and restatement of assets and the write down of the net book value of assets sold during the year. The credit balance at the 31st March 2002, has arisen largely as a result of the upward revaluation of the Authority's stock of dwellings, investment properties and other land and buildings relative to the capital expenditure incurred on the stock. The revaluation was undertaken by the Authority in accordance with guidelines set out in the "Appraisal and Valuation Manual" published by the Royal Institution of Chartered Surveyors and the O.o.D.P.

20. CAPITAL FINANCING RESERVE	2001/2002 £	2000/2001 £
Balance at 1st April	253,693,636	319,585,262
Capital Receipts set aside	28,443,452	23,352,261
Capital Financing:-		
Capital receipts	10,428,520	9,783,819
Capital grants	25,276,257	1,117,521
Direct revenue financing	4,370,056	1,485,175
Major Repairs Allowance	22,854,909	0
Planning gain monies	3,528,246	3,899,213
Other	1,872,024	0
Minimum revenue provision (net of depreciation)	(32,427,895)	(49,981,703)
Write down of Deferred Charges	(22,919,071)	(55,547,913)
<b>BALANCE AT 31st MARCH</b>	<b>295,120,134</b>	<b>253,693,636</b>

The capital financing reserve contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

21. PROVISION FOR CREDIT LIABILITIES	2001/2002 £	2000/2001 £
Balance at 1st April	0	633,173
Reserved capital receipts	28,443,452	23,352,261
Minimum revenue provision	15,283,553	15,167,493
	43,727,005	39,152,927
Repayment of debt	(43,727,005)	(39,152,927)
<b>BALANCE AT 31st MARCH</b>	<b>0</b>	<b>0</b>

This account, which forms an element within the Capital Financing Reserve, reflects the amount of capital receipts and revenue provision set aside to redeem debt.

## 22. CAPITAL RECEIPTS AND GRANTS UNAPPLIED

	Housing £	Other £	Capital Grants £	Total £
<b>Balance at 1st, April, 2001</b>	<b>1,556,194</b>	<b>612,315</b>	<b>3,969,455</b>	<b>6,137,964</b>
Receipts from sales of assets	36,251,423	3,956,313	0	40,207,736
Other receipts	0	0	22,969,274	22,969,274
<b>Total receipts for year</b>	<b>36,251,423</b>	<b>3,956,313</b>	<b>22,969,274</b>	<b>63,177,010</b>
Receipts set aside as provision for credit liabilities (see notes 20 and 21)	(26,950,004)	(1,493,448)	0	(28,443,452)
Receipts applied to finance capital expenditure (see page 23)	(8,887,998)	(1,540,522)	(25,276,257)	(35,704,777)
<b>BALANCE AT 31st MARCH 2002</b>	<b>1,969,615</b>	<b>1,534,658</b>	<b>1,662,472</b>	<b>5,166,745</b>

Unapplied capital receipts and grants are, respectively, amounts arising mainly from the sale of fixed assets and other external sources which have not yet been used to finance capital expenditure.

## 23. DEFERRED CAPITAL RECEIPTS

This balance represents amounts due, principally from the sale of council dwellings, which will be received in instalments over an agreed period of time.

## 24. STREET TRADING ACCOUNT

	2001/2002 £	2000/2001 £
<b>Expenditure</b>		
Employee costs	579,705	551,651
Refuse collection and disposal	1,029,124	966,419
Support services	301,694	150,000
Other expenditure	47,751	54,818
Increase in provision for bad debts	0	13,955
<b>Total Expenditure</b>	<b>1,958,274</b>	<b>1,736,843</b>
<b>Income</b>		
Street trading charges	1,715,843	1,701,189
Other income	849	690
Decrease in provision for bad debts	2,467	0
<b>Total Income</b>	<b>1,719,159</b>	<b>1,701,879</b>
<b>Deficit/(Surplus) for the year</b>	<b>239,115</b>	<b>34,964</b>
Balance at 1st April	(265,588)	(230,624)
(Deficit)/Surplus for the year	(239,115)	(34,964)
<b>BALANCE AT 31st MARCH</b>	<b>(504,703)</b>	<b>(265,588)</b>

The Authority operates a separate Street Trading Account under the London Local Authorities Act 1990. S.32 of the Act enables the Authority to recover from the traders the "reasonable costs" in connection with their functions under the Act - notably, refuse collection/disposal and administrative/technical support.

## 25. EARMARKED RESERVES

	2001/2002	2000/2001
	£	£
Insurance Fund (a)	10,165,253	13,266,023
Schools delegated balances (b)	8,112,802	8,273,632
Parking Control (c)	2,952,057	2,872,560
Planning Gains (d)	7,251,410	8,661,487
City Challenge exit (e)	172,945	172,945
Miscellaneous IT projects (f)	380,000	380,000
Trading Account net balances (g)	456,679	43,514
Directorates/Departments other - specific		
Education:-		
Equity Mortgage Scheme (h)	0	1,776,598
Unapplied Rate Rebate Monies (i)	1,121,816	913,698
Customer Services:-		
Administration Buildings Dilapidations (j)	2,768,800	2,768,800
Housing:-		
HPD Dilapidations (k)	322,416	322,416
Directorates/Departments other(l)		
Education	44,725	217,234
Customer Services	115,139	571,777
Housing	651,800	510,000
Social Services	277,007	666,297
Chief Executive	1,441,473	1,441,925
Corporate	3,037,000	2,062,000
<b>TOTAL EARMARKED RESERVES AT 31st MARCH</b>	<b>39,271,320</b>	<b>44,920,905</b>

- (a) The Authority is self insured for most liability and property risks.
- (b) This represents as yet unapplied revenue resources held by the Authority on behalf of schools with delegated spending authority.
- (c) See note 3 to the Consolidated Revenue Account on page 12.
- (d) These represent monies received under Section 106 of the Town and County Planning Act 1990. The agreement specifies the purpose to which the monies can be applied and the sums are held in an interest bearing accounts until such a time as they are required.
- (e) 1996/97 was the final year of Bethnal Green City Challenge. However there are likely to be schemes and projects requiring finalisation. Due to the strict regulations associated with past claiming of City Challenge grant, any projects where expenditure had not been defrayed by 31st March 1997 fall as a liability to the Authority.
- (f) Earmarked for various I.T. projects to be carried out with a view towards developing Best Value within the Authority and meeting nationally set targets for e-government.
- (g) This balance represents the accumulated net deficit/under recovery on Trading accounts in 2001/2002.
- (h) The Equity Mortgage Scheme Reserve was accumulated to provide for possible capital losses on the Teacher Equity Mortgage Scheme which was employed to enhance teacher recruitment within the Borough. Losses could have occurred from the Authority's guarantee on private sector borrowing which part funded the purchase of private sector dwellings by teachers.
- (i) This represents income from backdated NNDR rebates earmarked for Education use.
- (j) against potential dilapidation claims from leasors of administrative buildings utilised by the Authority,
- (k) against potential dilapidation claims from landlords of premises utilised by the Homeless Persons Unit,
- (l) This balance includes £3,037,000 of accumulated General Fund underspends allocated to Directorates/ Central Departments to fund specific service provision in 2002/03.



## 26. TRUST FUNDS

The Authority administers a number of Trust Funds, the principal ones being shown below. The balances on these funds are included in the Sundry Creditors totals in note 11 to the Consolidated Balance Sheet on page 26. It should be noted that the statement on page 21 does not include all Trust Fund assets and liabilities and so does not comply fully with relevant accounting standards.

	B/f 1/4/2001 £	Exp'ture £	Income £	C/f 31/3/2002 £
Welfare Savings (a)	263,978	114,334	142,751	292,395
King Bequest Fund (b)	10,475	0	435	10,909
Childrens Trust Funds (c)	14,800	501,974	620,151	132,977
Social Services Trust Funds: sundry other (d)	48,701	48,614	59,246	59,334
Tower Hamlets Further Education Trust (e)	806,609	191,948	71,754	686,415
Globe Town Picture Fund (f)	189,744	18,000	7,592	179,336
Millwall Park Compensation Fund (g)	487,229	0	20,223	507,452
Poplar Arts Trust (h)	27,239	8,125	1,076	20,191
Sundry Other	2,964	217	1,517	4,264
<b>Total Trust Funds</b>	<b>1,851,740</b>	<b>883,212</b>	<b>924,745</b>	<b>1,893,273</b>

- (a) This Fund represents monies held by Social Services residential establishments on behalf of residents in their care. It is used to finance the purchase of goods and services on request of residents.
- (b) This Fund was established with a legacy from the Will of a former resident of the borough. The terms of the Will restrict expenditure on specific activities which enhance the environment of the local community.
- (c) These Funds represent monies held and/or invested by the Authority on behalf of children in care.
- (d) These Funds represent monies held by the Authority on behalf of any resident of the borough (including those in private accommodation) who are unable to manage their own personal affairs.

The Authority also holds a number of deposits relating to Trust Funds administered by the Authority. The funds are held in an interest bearing account maintained by the Authority. The account is excluded from the financial statements relating to the Authority. The relevant Trusts and transactions during the financial year ended 31st March 2002 may be summarised as follows:-

- (e) This was established by the Authority in conjunction with Canary Wharf Ltd with the objective of "the advancement of education and training for the residents of the London Borough of Tower Hamlets". The Authority is the sole Trustee and the Trust is registered with the Charities Commission (No. 1002772). Accounts relating to the Trust have been deposited with the Charities Commissioners.
- (f) This Fund was established with the proceeds of the sale of a painting by the Authority.
- (g) Funds received from the Docklands Light Railway to reinstate and improve Millwall Park following construction works.
- (h) was established by the former Poplar Neighbourhood Committee from an insurance settlement after the theft of a statue.

**27. STATEMENT OF TOTAL MOVEMENTS ON RESERVES**  
for year ended 31st March 2002

	2001/2002 £'000	2001/2002 £'000
<b>Surplus/(deficit) for the year:</b>		
General Fund	(1,776)	
Housing Revenue Account	3,575	
add back movements on specific revenue reserves	<u>(3,518)</u>	
<b>Total increase/(decrease) in revenue resources</b>		(1,719)
 Increase/(decrease) in useable capital receipts	1,336	
Increase/(decrease) in unapplied capital grants	<u>(2,307)</u>	
<b>Total increase/(decrease) in realised capital resources (1)</b>		(971)
 Gains/(losses) on revaluation of Fixed assets	3,955	
Impairment losses on Fixed Assets due to general changes in prices	<u>0</u>	
<b>Total increase/(decrease) in unrealised value of fixed assets (2)</b>		3,955
 <b>Value of assets sold, disposed off or decommissioned (3)</b>		(56,598)
 Capital receipts set aside	38,872	
Revenue resources set aside	(45,577)	
Movement on Government Grants Deferred	<u>46,358</u>	
<b>Total increase/(decrease) in amounts set aside to finance capital investment (4)</b>		39,654
<b>TOTAL RECOGNISED GAINS AND LOSSES</b>		<b>(15,679)</b>

**NOTES TO THE STATEMENT OF TOTAL MOVEMENTS ON RESERVES**

	2001/2002 £'000	2001/2002 £'000
<b>1. Movements in realised capital resources</b>	<b>Useable Capital Receipts</b>	<b>Unapplied Capital Grants and Conts.</b>
Amounts receivable in 2001/2002	40,208	22,969
Amounts applied to finance new capital investment in 2001/2002	(38,872)	(25,276)
<b>Total increase/(decrease) in realised capital resources in 2001/2002</b>	<b>1,336</b>	<b>(2,307)</b>
Balance brought forward at 1st April 2001	2,169	3,969
<b>Balance carried forward at 31st March 2002</b>	<b>3,504</b>	<b>1,662</b>

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS ON RESERVES (cont.)

	2001/2002 £'000	2001/2002 £'000
<b>2. Movements in unrealised value of fixed assets</b>		<b>Fixed Asset Restatement Reserve</b>
Gains/(losses) on revaluation of Fixed assets		3,955
Impairment loss on Fixed Assets due to general changes in prices		0
<b>Total increase/(decrease) in unrealised capital resources in 2001/2002</b>		<b>3,955</b>
<b>3. Value of assets sold, disposed off or decommissioned</b>		
Amounts written off fixed asset balances for disposals in 2001/2002		(56,598)
<b>Total movement on reserve in 2001/2002</b>		<b>(52,643)</b>
Balance brought forward at 1st April 2001		912,705
<b>Balance carried forward at 31st March 2002</b>		<b>860,062</b>

<b>4. Movements in amounts set aside to finance capital expenditure</b>	<b>Capital Financing Reserve</b>	<b>Government Grants Deferred</b>	<b>Totals</b>
<b>Capital receipts set aside in 2001/2002:</b>			
Reserved receipts	28,443	0	
Useable receipts applied	10,429	0	
<b>Total capital receipts set aside in 2001/2002</b>	<b>38,872</b>	<b>0</b>	<b>38,872</b>
<b>Revenue resources set aside in 2001/2002:</b>			
Capital expenditure financed from revenue	7,898	0	
Reconciling amount for provisions for loan repayment	(53,475)	0	
<b>Total revenue resources set aside in 2001/2002</b>	<b>(45,577)</b>	<b>0</b>	<b>(45,577)</b>
Grants applied to capital investment in 2001/2002	48,131	0	
Amounts credited to AMRA in 2001/2002	0	(1,773)	
<b>Movement on Government Grants Deferred</b>	<b>48,131</b>	<b>(1,773)</b>	<b>46,358</b>
<b>Total increase/(decrease) in amounts set aside to finance capital investment</b>			<b>39,654</b>
<b>Total movement on reserve in 2001/2002</b>	<b>41,426</b>	<b>(1,773)</b>	
Balance brought forward at 1st April	253,694	30,727	
<b>Balance carried forward at 31st March</b>	<b>295,120</b>	<b>28,954</b>	

# CASH FLOW STATEMENT

for year ended 31st March 2002

	2001/2002 £'000	2001/2002 £'000	2000/2001 £'000	2000/2001 £'000
<b>REVENUE ACTIVITIES</b>				
<b>Expenditure</b>				
Cash paid in respect of employees	293,191		268,895	
Payments to NNDR Pool	116,851		111,846	
Payments of precepts	9,328		8,374	
Other operating costs	432,451		377,847	
Housing Benefit paid out	47,048		44,291	
		<b>898,869</b>		<b>811,253</b>
<b>Income</b>				
Receipts from NNDR Pool	(50,141)		(52,702)	
Non domestic rate income	(139,074)		(105,062)	
Receipts from Council Tax payers	(34,663)		(31,398)	
Receipts from Community Charge payers	(70)		(189)	
Revenue Support Grant	(237,934)		(226,830)	
DSS grants for rent allowances	(45,738)		(39,752)	
Other Government grants (2)	(194,177)		(169,903)	
Rents (after rebates)	(39,833)		(39,505)	
Other revenue income	(180,657)		(144,636)	
		<b>(922,287)</b>		<b>(809,977)</b>
<b>NET CASH INFLOW FROM REVENUE ACTIVITIES (1)</b>		<b>(23,418)</b>		<b>1,276</b>
<b>SERVICING OF FINANCE</b>				
Expenditure: interest paid	55,110		48,580	
Income: interest received	(3,713)		(7,612)	
<b>NET CASH OUTFLOW FROM THE SERVICING OF LOANS</b>		<b>51,397</b>		<b>40,968</b>
<b>CAPITAL ACTIVITIES</b>				
<b>Expenditure:</b>				
Purchase of fixed assets	57,673		61,593	
Advances to long term debtors	692		404	
Deferred charges	22,919		16,573	
		<b>81,284</b>		<b>78,570</b>
<b>Income:</b>				
Sale of fixed assets	(40,208)		(32,733)	
Other capital cash payments/(income)	(104,965)		(104,101)	
Housing Association Grant	0		(1,590)	
Receipts from long term debtors	(469)		(31)	
		<b>(145,642)</b>		<b>(138,455)</b>
<b>NET CASH OUTFLOW FROM CAPITAL ACTIVITIES</b>		<b>(64,357)</b>		<b>(59,885)</b>
<b>NET CASH OUTFLOW FROM ALL ACTIVITIES BEFORE FINANCING</b>		<b>(36,378)</b>		<b>(17,641)</b>
<b>FINANCING</b>				
Repayments of amounts borrowed	30,166		17,814	
New loans raised	0		(10,000)	
<b>NET CASH INFLOW FROM THE REPAYMENT OF LOANS</b>		<b>30,166</b>		<b>7,814</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS (3)</b>		<b>(6,212)</b>		<b>(9,827)</b>

## NOTES TO THE CASH FLOW STATEMENT

	2001/2002	2000/2001
	£'000	£'000
<b>(1) Reconciliation of Revenue Cash Flow</b>		
Net General Fund Revenue Expenditure	1,776	(791)
Net Housing Revenue Account Expenditure	(3,575)	1,023
Net Statutory Street Trading Account Expenditure	239	35
Net Collection Fund Revenue Expenditure	663	(114)
Deduct interest paid	(55,110)	(48,580)
Deduct Minimum revenue provision	32,428	49,982
Deduct Revenue Contributions to Capital	(7,899)	(1,485)
(Increase)/decrease in creditors	(15,015)	(6,666)
Increase/(decrease) in stocks	642	236
Add interest received	3,713	7,612
Deduct contributions to Reserves & Provisions (net)	5,639	(9,710)
Increase/(decrease) in debtors	13,081	9,734
<b>Revenue net cash flow</b>	<b>(23,418)</b>	<b>1,276</b>

	£'000	£'000
<b>(2) Other Government Revenue Grants</b>		
Alcohol and Drug Misuse	391	51
HIV/Aids	477	455
Asylum Seekers Accommodation	4,857	8,130
Dept of Health: Other	8,304	5,850
Other Social Services	526	0
DSS: Benefits: Administration	1,397	1,337
DSS: Benefits: Prior Years	703	1,402
DSS: Benefits: Council Tax	14,705	13,574
DSS: Benefits: Rent Rebates	7,874	5,893
DETR: Housing Subsidy	108,463	85,963
DETR : Single Regeneration Grant	5,672	18,138
DETR: Home Insulation & Improvement Grants	288	207
DETR: Rent Officer Service	10	11
DETR/Traffic Controller	240	476
Home Office: Civil Defence	80	47
Standards Fund	17,817	19,376
Education Support & Training Grant	14	24
Mandatory Awards	207	578
Rich Mix	60	0
FEFC Access	359	225
Education maintenance allowances	901	0
Learning Schools Council - sundry	1,923	0
Other Education and Training	5,087	3,157
Nursery and other childrens grants	573	773
European Regional Development Grants	2,569	727
European Social Grants	1,436	638
New Deal	3,611	2,697
Neighbourhood Renewal Fund	5,312	0
Other Revenue Grants	321	174
<b>Total other revenue grants</b>	<b>194,177</b>	<b>169,903</b>

	31/3/02	31/3/01	Net movts	31/3/01	31/3/00	Net movts
	£'000	£'000	£'000	£'000	£'000	£'000
<b>(3) Movement in cash equivalents</b>						
Cash overdrawn	(32,044)	(25,585)	(6,459)	(25,585)	(22,811)	(2,774)
Other cash and officer balances	23,303	6,644	16,659	6,644	(5,829)	12,473
Temporary Investments	121,043	125,032	(3,989)	125,032	124,904	128
<b>Net increase in cash and cash equivalents</b>	<b>112,303</b>	<b>106,091</b>	<b>6,212</b>	<b>106,091</b>	<b>96,264</b>	<b>9,827</b>

## PENSION FUND ACCOUNTS for year ended 31st March 2002

### DEALINGS WITH MEMBERS ACCOUNT

	2001/2002 £	2001/2002 £	2000/2001 £
<b>Income</b>			
Contributions:-			
Employees (6)		6,182,746	5,903,294
Council's related (6)		23,712,189	23,329,333
		29,894,935	29,232,627
Transfer values receivable		6,135,842	4,321,457
<b>Total income</b>		<b>36,030,777</b>	<b>33,554,084</b>
<b>Expenditure</b>			
Property expenses		(26,101)	64,574
Benefits payable (8)		22,800,435	20,593,451
Transfer values payable		2,854,718	1,799,449
Payments to leavers: repayment of contributions		95,670	100,065
Administration (9)		742,145	711,743
Other expenses		(22,193)	17,685
<b>Total expenditure</b>		<b>26,444,674</b>	<b>23,286,967</b>
<b>NET ADDITIONS FROM DEALINGS WITH MEMBERS</b>		<b>9,586,103</b>	<b>10,267,117</b>

<b>RETURN ON INVESTMENTS</b>	2001/2002 £	2001/2002 £	2000/2001 £
Investment income (7)		13,103,016	12,664,012
Change in market value: Realised	(5,839,676)		24,813,638
Change in market value: Unrealised	(12,546,183)		(75,915,817)
		(18,385,859)	
Investment management expenses (9)		(1,084,552)	(1,061,516)
Net assets brought forward		431,607,478	460,840,044
New money available for investment		9,586,103	10,267,117
		<b>434,826,186</b>	<b>431,607,478</b>

<b>NET ASSETS STATEMENT</b>	2001/2002 £	2001/2002 £	2000/2001 £
Investments at market value (11)		434,548,166	430,460,041
Current assets: debtors (14)	2,506,145		2,767,935
Current liabilities: creditors (15)	(2,228,125)		(1,620,498)
		278,020	
		<b>434,826,186</b>	<b>431,607,478</b>

### NOTES TO THE PENSIONS FUND

- The financial statements have been prepared in accordance with guidelines issued by the Chartered Institute of Public Finance and Accountancy and Statement of Recommended Practice No. 1 (the "SORP").

The accounts have been prepared on an accruals basis.

## 2. ACTUARIAL REVALUATION

The accounts summarise the transactions and net assets of the scheme. They do not take account of liabilities to pay pensions and other benefits in the future.

The statutory triennial revaluation undertaken by the actuary (Watson Wyatt Partners) in 2001 calculated the deficit on the Fund to be approximately £68 million and the funding level to be 88%. This compares to a deficit at the previous revaluation of £56m and a corresponding funding level of 85%. The revaluation incorporated the following assumptions: -

	2001	1998
Investment returns	6.8%	8.8%
Pay increases	4.8%	6.0%
Price inflation	2.5%	4.5%
Dividend growth	4.0%	5.0%

The actuary has discretion to phase in recovery of the deficit and recommended that the employers contribution be stabilised at 2002/2003 level of £8.4 million per annum. The revised Regulations also provide that a full valuation be undertaken every three years and consequently the next valuation date will be the 1st April, 2004.

## 3. ACCOUNTING POLICIES

### Inclusion of income and expenditure

- (i) Contribution income - Ordinary contributions relating to wages and salaries earned in the financial year are included on an accruals basis. The contribution rate for employees is determined by the Secretary of State and that of the employers by the Consultant Actuary.
- (ii) Transfers to and from other schemes - Transfer values represent the amounts receivable and payable during the year for members who have either joined or left the scheme. Provision is made for amounts receivable or payable based on actual receipts and payments in the subsequent financial year when the relevant individual has left or joined in previous years.
- (iii) Investment income - Dividends are credited to income on an accruals basis Dividends and interest are grossed up for the amount of any taxation recoverable.
- (iv) Benefits payable - Benefits payable represent all valid benefit claims in respect of the scheme year.
- (v) Foreign currency translation - Foreign income is translated into sterling at the rate ruling on the date the income is received. Investments and current assets and liabilities denominated in foreign currencies are translated using the sterling rate of exchange ruling at the year end. Exchange gains and losses arising on translation of investments are included as part of the change in market value of investments
- (vi) Rents receivable - rental income is incorporated into the accounts on an accruals basis.

#### 4. VALUATION OF INVESTMENTS

Investments are included in the net assets statement at their market values at 31st March, which are determined as follows:-

- (i) UK listed securities and foreign securities quoted on a recognised stock exchange are stated at mid-market values ruling at the year end;
- (ii) Managed fund investments are stated at the average of the latest bid and offer prices quoted by the trust managers prior to the 31st March;
- (iii) Unlisted securities are stated at the trustees' valuation based on the advice of the scheme's investment managers;
- (iv) Commercial properties are stated at their open market value at 31st March having been valued by the Fund's property advisor, Royal London Asset Management, in accordance with the guidance notes on the valuation of assets published by the Royal Institution of Chartered Surveyors. Independent external valuations will be undertaken of properties on a three year rolling programme basis.

#### 5. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Additional voluntary contributions from members contributions made to purchase added years of additional defined benefits under the provision of the principal scheme and are included in the Revenue account. Assets acquired with these contributions are included in the net assets statement.

6. CONTRIBUTIONS RECEIVABLE	2001/2002 £'000	2000/2001 £'000
From members		
Ordinary contributions	6,183	5,904
	6,183	5,904
From employers		
Ordinary contributions	12,231	11,696
Additional contributions	11,482	11,635
	23,713	23,331
<b>Total contributions receivable</b>	<b>29,896</b>	<b>29,235</b>

7. INVESTMENT INCOME	2001/2002 £'000	2000/2001 £'000
Dividends from equities	8,544	8,190
Interest on loans and mortgages	1,250	1,247
Underwriting commission	2	487
Transfer value interest	(538)	(489)
Rents	3,847	3,230
<b>Total investment income</b>	<b>13,105</b>	<b>12,665</b>

8. BENEFITS PAYABLE	2001/2002 £'000	2000/2001 £'000
Pension payments to retired members	20,009	19,237
Lump sums paid on retirement	2,473	1,118
Death grants	320	240
<b>Total benefits payable</b>	<b>22,802</b>	<b>20,595</b>



9. ADMINISTRATIVE EXPENSES	2001/2002 £'000	2000/2001 £'000
Pension administration costs	743	712
Investment management fees	1,085	1,062
<b>Total administrative expenses</b>	<b>1,828</b>	<b>1,774</b>

#### 10. GROSS PURCHASES AND SALES OF INVESTMENTS

Gross purchases of investments were £219,011,789 (£209,492,685 :2000/2001) and sales were £206,558,956 (£169,098,039:2000/2001)

The change in investment market values reflects both those on investments sold during the year as well as movements in the value of investments still held at the year end arising from both changes in their market values and foreign exchange rates.

#### 11. INVESTMENT ASSETS AT MARKET VALUES

	2001/2002			2000/2001		
	U.K '000	Foreign '000	Total 000	U.K '000	Foreign '000	Total 000
Fixed interest securities:-						
Public sector	23,606	0	23,606	13,410	1,225	14,635
Other	2,072	1,069	3,141	16,427	2,558	18,985
Equities:-						
Listed	169,955	72,782	242,737	168,937	69,366	238,303
Unlisted	0	0	0	461	0	461
Index linked securities	43,457	172	43,629	42,787	2,512	45,299
Managed funds:-						
Property	0	0	0	0	0	0
Other	12,572	34,531	47,103	11,842	30,602	42,444
	<b>251,662</b>	<b>108,554</b>	<b>360,216</b>	<b>253,864</b>	<b>106,263</b>	<b>360,127</b>
Direct property investments						
Freehold	45,905	0	45,905	45,720	0	45,720
Leasehold	1,855	0	1,855	2,175	0	2,175
Cash deposits	3,761	0	3,761	9,436	0	9,436
Temporary loan (from)/to Authority	22,809	0	22,809	13,002	0	13,002
<b>Total investments at market value</b>	<b>325,992</b>	<b>108,554</b>	<b>434,546</b>	<b>324,197</b>	<b>106,263</b>	<b>430,460</b>

#### 12. CONCENTRATION OF INVESTMENTS

The scheme complies with the investment requirements of Part P of the Local Government Superannuation Regulations 1986. No individual investment constitutes more than 12% of the total Fund.

### 13. INVESTMENT MANAGERS

The fund currently employs the following investment managers: -

	2001/2002 '000	2001/2002 %	2000/2001 '000	2000/2001 %
<b>Balance Fund Managers</b>				
Schroders	196,605	45.2	199,118	46.2
Morgan Grenfell/Gartmore	166,267	38.3	169,239	39.3
<b>Property Managers</b>				
Royal London Asset Managers	48,584	11.2	48,469	11.3
<b>Residual Funds with Former Manager</b>				
Guinness Flight	282	0.1	632	0.2
<b>Other</b>	22,809	5.2	13,002	3.0
<b>Total investments at market value</b>	<b>434,547</b>		<b>430,460</b>	

### 14. DEBTORS

	2001/2002 £'000	2000/2001 £'000
Dividends receivable	1,517	1,367
Income tax recoverable	106	105
Interest receivable	7	18
Investment receipts	548	920
Rents	327	358
<b>Total debtors</b>	<b>2,505</b>	<b>2,768</b>

### 15. CREDITORS

	2001/2002 £'000	2000/2001 £'000
Administration	310	227
Benefits payable	518	148
Investment payments	1,320	1,145
Property expenses	80	101
<b>Total creditors</b>	<b>2,228</b>	<b>1,621</b>

### 16. FUND MEMBERSHIP

The Funds membership as at the 31st March comprised the following:-

	2001/2002	2000/2001
Contributors	5,706	5,580
Pensioners	3,402	3,354
<b>Total membership</b>	<b>9,108</b>	<b>8,934</b>

**16. CONTINGENT LIABILITIES**

The accounts do not take account of liabilities to pay pensions and other benefits in the future. On this basis, in the opinion of the trustees the scheme had no contingent liabilities at the end of the year.

**17. TAX STATUS**

The scheme is an exempt approved scheme under the provisions of chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988. It is therefore exempt from U.K. income and capital gains taxes.

**18. RELATED PARTY TRANSACTIONS**

The Authority has not entered into any related party transactions.

**19. ACTUARIAL STRAIN**

The Authority has adopted a policy of charging services for the costs associated with early retirements over the term early retirement to Normal Age of Retirement. No provision has been made for either the liabilities associated with the early payments of benefits or the liability of the Authority to pay an increased contribution to fund these liabilities. The actuarial strain on the Fund calculated by reference to factors provided by the Actuary is as set out below: -

	2001/2002 £'000	2000/2001 £'000
Actuarial Strain	5,706	5,580
Unfunded Liabilities	3,402	3,354
	<b>9,108</b>	<b>8,934</b>

**Martin Smith CPFA**  
**Director of Finance and Personnel**  
**21st August 2002**