

# London Borough of Barking and Dagenham

## Notice of Meeting

### ASSEMBLY

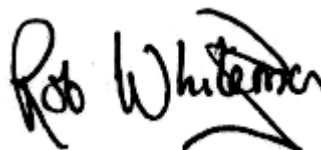
**Wednesday, 27 July 2005 - 7:00 pm**  
**Council Chamber, Town Hall, Barking**

To: Members of the Council of the London Borough of Barking and Dagenham

**Chair:** Councillor J Davis  
**Deputy-Chair:** Councillor W F L Barns

#### Declaration of Members Interest:

In accordance with the Constitution, Members are asked to declare any personal or prejudicial interest they may have in any matter which is to be considered at this meeting.



R. A. Whiteman  
Chief Executive

19.7.05

Contact Officer Valerie Dowdell  
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#### AGENDA

1. Apologies for Absence
2. To confirm as correct the minutes of the meeting held on 6 July 2005 (Pages 1 - 3)
3. Petition opposing the extension of the existing Controlled Parking Zone in Manor Road, Dagenham (for Information) (Pages 5 - 6)
4. Petition relating to Parking Issues in Saville Road, Chadwell Heath (for information) (Pages 7 - 8)

5. **Customer Services Report (for discussion) (Page 9)**  
Presentation by Steven Forbes, Head of Older People's Services, Social Services and Primary Care Trust.
6. **Report of the Director of Finance: Statement of Accounts 2004/2005 (for decision) (Pages 11 - 91)**
7. **Final Report of the Budget Process Scrutiny Panel (for decision) (Pages 93 - 105)**
8. **Report of the Standards Committee: Anti Fraud and Corruption Policy and Strategy (for decision) (Pages 107 - 123)**
9. **London Bombings - 7 July 2005 (for information) (Pages 125 - 126)**
10. **Appointments (for decision) (to be reported verbally)**
11. **Leader's Question time (for response)**
12. **General Question Time (for response)**
13. **Any other public items which the Chair decides are urgent**
14. **To consider whether it would be appropriate to pass a resolution to exclude the public and press from the remainder of the meeting due to the nature of the business to be transacted.**

#### **Private Business**

The public and press have a legal right to attend Council meetings such as the Assembly, except where business is confidential or certain other sensitive information is to be discussed. The list below shows why items are in the private part of the agenda, with reference to the relevant legislation (the relevant paragraph of Part 1 of Schedule 12A of the Local Government Act 1972). There are no such items at the time of preparing this agenda.

15. **Any other confidential or exempt items which the Chairman decides are urgent**

## **ASSEMBLY**

Wednesday, 6 July 2005  
(7:00 - 7:45 pm)

### **PRESENT**

Councillor J Davis (Chair)  
Councillor W F L Barns (Deputy Chair)

Councillor J L Alexander	Councillor Ms M G Baker
Councillor Mrs E E Bradley	Councillor G J Bramley
Councillor Mrs J Blake	Councillor Mrs J E Bruce
Councillor L A Collins	Councillor Mrs J Conyard
Councillor B Cook	Councillor Mrs J E Cooper
Councillor R J Curtis	Councillor W C Dale
Councillor J R Denyer	Councillor C J Fairbrass
Councillor M A R Fani	Councillor Mrs K J Flint
Councillor C Geddes	Councillor A Gibbs
Councillor D Hemmett	Councillor Mrs D Hunt
Councillor I S Jamu	Councillor F C Jones
Councillor S Kallar	Councillor R C Little
Councillor M A McCarthy	Councillor M E McKenzie
Councillor D S Miles	Councillor W Northover
Councillor D O'Brien	Councillor Mrs C T Osborn
Councillor R B Parkin	Councillor J W Porter
Councillor Mrs J E Rawlinson	Councillor L A Smith
Councillor Miss N E Smith	Councillor Mrs P A Twomey
Councillor L R Waker	Councillor P Waker

### **APOLOGIES FOR ABSENCE**

Councillor Mrs D Challis	Councillor A C Clark
Councillor H J Collins	Councillor A H G Cooper
Councillor T J Justice	Councillor B M Osborn
Councillor Mrs V M Rush	Councillor A G Thomas
Councillor T G W Wade	

#### **23. Minutes (8 June 2005)**

**Agreed.**

#### **24. Tribute to the late Councillor J P Wainwright**

Tributes were paid to the late Councillor Wainwright and a minute's silence was held in his memory.

#### **25. Customer Service Report - Education Arts and Libraries**

In the first of a series of regular reports, received a presentation from the Interim Head of Learning and Cultural Services on Customer Care in the Department of Education Arts and Libraries.

## **26. Motion for Support by the Assembly**

### **Agreed:**

That the Assembly supports the residents of Thames Ward in their efforts to get Thames Water to take action to resolve their complaints about the foul smells emanating from the Beckton Sewage Treatment Works and the adverse effects this has had on the residents' quality of life.

## **27. Appointments**

**Agreed** the following appointments:

- **London Housing Unit Committee** – Councillor T G W Wade
- **London Housing Unit Executive Sub Committee** – Councillor L A Smith

## **28. Report of the Executive**

Risk Management and Insurance

**Agreed** to formally adopt the Risk Management Policy, attached as Appendix A to the report, in order to assist the process of embedding risk management techniques into all aspects of the working of the Council in a manner that enhances service delivery and protects the assets and resources of the Authority.

## **29. Leader's Question time**

Councillor Liam Smith asked the Leader of the Council if he would support the commissioning of a fitting monument to honour the memory of Sir Alf Ramsey and Sir Bobby Moore in the Borough, especially as next year would be the 40<sup>th</sup> anniversary of the England football team winning the 1966 World Cup.

In response, the Leader stated he would support a monument in honour of all of the Borough's successful sports men and women, which could inspire further sporting success. Officers have been asked to look into the proposal.

## **30. Licensing and Regulatory Board Quorum**

### **Agreed:**

To decrease the quorum for the Licensing and Regulatory Board from 5 to 3, representing a quarter of the overall membership, in line with all other meetings in the Political Structure.

## **31. 2012 Olympics / London Youth Games**

Councillor Bramley, the Lead Member for Adult Social Services and Lifelong Learning (with responsibility for Sport), praised the successful London bid for the 2012 Olympics. He stated that Barking and Dagenham would make sure that it is involved and benefits from the London Olympics. Councillor Bramley felt that one of the overriding contributors to the successful bid was London's diversity of multiculturalism.

Councillor Bramley also praised the successful Barking and Dagenham team in the London Youth Games, who improved on last year's 23<sup>rd</sup> place to finish 11<sup>th</sup> out of 32 Boroughs. The Girls Netball team won their event, with a further 8 teams finishing in the top 5.

### **32. Hampton Court Palace Flower Show 2005**

Councillor Fairbrass congratulated Peter London, Assets and Client Liaison Officer, in the Regeneration and Environment Department for achieving a Bronze Medal at the Hampton Court Palace Flower Show for the garden entitled "Every Generation, Ever Regeneration" – a garden to celebrate the 60<sup>th</sup> anniversary of the end of World War II.

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## THE ASSEMBLY

27 JULY 2005

## REPORT FROM THE DIRECTOR OF REGENERATION AND ENVIRONMENT

<b>PETITION: OPPOSING THE EXTENSION OF THE EXISTING CONTROLLED PARKING ZONE IN MANOR ROAD, DAGENHAM</b>		<b>FOR INFORMATION</b>
<p><i>The Constitution states that petitions containing signatures representing 50 or more separate addresses will be reported to the Assembly.</i></p> <p><b>Summary</b></p> <p>A petition signed by 68 residents of Manor Road was submitted opposing the extension of the existing Controlled Parking Zone (CPZ) in Manor Road, Dagenham.</p> <p><b>Wards Affected - Village Ward</b></p> <p><b>Recommendation</b></p> <p>The Assembly is asked to note that, following the consultation with residents of Manor Road and the surrounding area, the Council will not be extending the existing Controlled Parking Zone.</p> <p><b>Reason</b></p> <p>To assist the Council in achieving its Community Priorities of <i>“Improving Health, Housing and Social Care”</i> and <i>“Making Barking and Dagenham Cleaner, Greener and Safer”</i></p>		
<b>Contact</b> Mike Livesey	Head of Civil Engineering	Tel: 020 8227 3110 Fax: 020 8227 3166 Minicom: 020 8227 3034 E-mail: <a href="mailto:mike.livesey@lbbd.gov.uk">mike.livesey@lbbd.gov.uk</a>

**1. Background**

1.1 Following concerns raised by residents to their Ward Councillors in relation to parking problems within the Manor Road area, officers undertook a consultation in April 2005 with residents on a proposal to extend the existing Dagenham East Controlled Parking Zone (CPZ). As a result of the consultation exercise a petition with supporting letter was received from the lead petitioner, Mr Fenn, opposing the extension of the CPZ into Manor Road.

1.2 The heading on the petition stated: -

*“Petition for residents of Manor Road OPPOSED to the extension of the car parking zone”.*

- 1.3 A total of eight roads were consulted on the proposal, the results of which clearly indicated that the majority of residents in the area who responded to the consultation did not support the proposal to extend the CPZ area. Of the 291 properties consulted 173 (60%) responded, of those 28 (16%) supported the extension, 145 (84%) were opposed.
- 1.4 In accordance with Council procedures in connection with petitions, a meeting would normally have been arranged between the Portfolio Holder, Ward Councillors, Officers and the lead petitioners. However, due to the result of the consultation exercise, in this instance Ward Councillors and officers felt that the extension of the CPZ should not be pursued and the lead petitioner felt that in the circumstances a meeting would be unnecessary.
- 1.5 Based on the results of the consultation exercise the proposal to extend the existing Dagenham East CPZ in Manor Road and the surrounding roads has been withdrawn.

## **2 Financial Implications**

- 2.1 There are no financial implications.

## **Background Papers**

Petition  
Consultation Papers.



## THE ASSEMBLY

27 JULY 2005

## REPORT FROM THE DIRECTOR OF REGENERATION AND ENVIRONMENT

<b>PETITION: PARKING ISSUES IN SAVILLE ROAD, CHADWELL HEATH</b>	<b>FOR INFORMATION</b>	
<i>The Constitution states that petitions containing signatures representing 50 or more separate addresses will be reported to the Assembly.</i>		
<b>Summary</b>		
A petition, signed by 89 residents of Saville Road, Chadwell Heath, has been submitted to the Council relating to their concerns regarding road safety in exiting Saville Road into High Road due to cars being parked on both sides of the road.		
<b>Wards Affected</b> - Whalebone Ward		
<b>Recommendation</b>		
The Assembly is asked to note that, following the consultation with the lead petitioner, it has been agreed to amend the existing waiting restrictions, which currently operate 8.00am to 6.00pm Monday to Saturday (single yellow line), to 'at any time' restrictions (double yellow line) at the junction of Saville Road and High Road, Chadwell Heath.		
<b>Reason</b>		
To assist the Council in achieving its Community Priorities of <i>"Improving Health, Housing and Social Care"</i> and <i>"Making Barking and Dagenham Cleaner, Greener and Safer"</i>		
<b>Contact</b> Mike Livesey	Head of Civil Engineering	Tel: 020 8227 3110 Fax: 020 8227 3166 Minicom: 020 8227 3034 E-mail: <a href="mailto:mike.livesey@lbbd.gov.uk">mike.livesey@lbbd.gov.uk</a>

**1. Background**

- 1.1 A petition and covering letter have been submitted by the residents of Saville Road, Chadwell Heath, to the Council. The petitioners are concerned about road safety in exiting Saville Road into High Road due to cars being parked on both sides of the road.
- 1.2 The covering letter stated: -

*"This letter and petition from the residents of Saville Road, who are finding all too often exceedingly dangerous to exit from Saville Road onto the High Road owing to the fact that vehicles are parked on both sides of Saville Road"*.

- 1.3 In accordance with Council procedures in connection with petitions, a meeting was arranged on 29 March 2005 between the Whalebone Ward Councillors, (Councillors Denyer, West and Gibbs) and the Portfolio Holder (Councillor McKenzie) the lead petitioner (Mr Luscombe) and officers. The meeting took place at the Civic Centre, Dagenham. Unfortunately, the lead petitioner and Councillor McKenzie were unable to attend.
- 1.4 It was agreed by Ward Councillors that officers should visit the lead petitioner to discuss the issue and attempt to resolve the problem, possibly by the amending the waiting restrictions.
- 1.5 Mike Livesey, former Head of Civil Engineering, visited the lead petitioner on 16 May 2005 and, having viewed the situation, suggested that the Council could amend the existing waiting restrictions which currently operate 8.00am to 6.00pm Monday to Saturday (single yellow line) to 'at any time' restrictions (double yellow line) at the junction of Saville Road and High Road. Following the installation of the yellow lines the area will be actively monitored for enforcement purposes. This proposal was accepted by the lead petitioner.

## **2 Financial Implications**

- 2.1 The cost of amending the existing waiting restrictions can be met from the existing Road Safety Capital Programme.

## **Background Papers**

Petition and covering letter

## THE ASSEMBLY

27 JULY 2005

## REPORT OF THE CHIEF EXECUTIVE

CUSTOMER SERVICES REPORT		FOR INFORMATION
<p><i>This report is submitted at the request of the Chief Executive</i></p> <p><b>Summary</b></p> <p>In an effort to promote the importance of customer care, the Chief Executive has proposed that there be regular reports to the Assembly by Heads of Service on key customer services in their areas.</p> <p>Steven Forbes, Head of Older People's Services, Social Services Department, will give a presentation on customer services in his Division at this meeting.</p>		
<p><b>Contact:</b> Valerie Dowdell</p>	<p>Democratic Services Officer</p>	<p>Tel: 020 8227 2756            Fax: 020 8227 2171            Minicom: 020 8227 2685            E-mail: valerie.dowdell@lbbd.gov.uk</p>

**Background papers used in the preparation of this report:**

None

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**THE ASSEMBLY**

**27 JULY 2005**

**REPORT OF THE DIRECTOR OF FINANCE**

<b>STATEMENT OF ACCOUNTS 2004/2005</b>	<b>FOR DECISION AND DISCUSSION</b>	
<p><i>To present the unaudited Statement of Accounts for 2004/05, as required by the Audit and Accounting Regulations 2003.</i></p>		
<p><b>Summary</b></p> <p>The authority's unaudited accounts have now been prepared and are legally required to be approved by the Council by the 31 July 2005. This requirement is set out within relevant legislation and accounting standards.</p> <p>This report provides an overview of the financial accounts for 2004/05 and highlights the key issues to the benefit of members.</p> <p>In addition the revised Comprehensive Performance Assessment (CPA) 'Use of Resources' judgement issued in June 2005, requires members to robustly discuss and scrutinise these financial accounts either at the formal approval meeting or at another appropriate forum prior to their approval.</p>		
<p><b>Purpose of Report</b></p> <p>To present the draft Statement of Accounts for 2004/2005 for discussion. To obtain members approval on the draft unaudited accounts, and note that any significant changes to the accounts following the completion of the audit of accounts will be reported to members.</p>		
<p><b>Recommendations</b></p> <p>To approve the interim Statement of Accounts and note that a final version incorporating an Audit Certificate will be reported to members.</p>		
<b>Contact Officer</b>	<b>Title</b>	
Joe Chesterton	Head of Financial Services	Tel: 0208 227 2932 E-mail: joe.chesterton@lbbd.gov.uk Fax: 0208 227 2995
Lee Russell	Head of Finance (Corporate Services)	Tel: 0208 227 2966 E-mail: lee.russell@lbbd.gov.uk Fax: 0208 227 2770

## **1. Background**

- 1.1 The Accounts and Audit Regulations issued by the Secretary of State for the Office of the Deputy Prime Minister sets out the requirements for the publication of the Annual Statement of Accounts. These regulations were revised in 2003, and for the financial year 2004/05 require local authorities this year to present a full draft set of final accounts to Members by the 31 July and to publish these by the 31 October.
- 1.2 Subsequent to these new regulations being introduced, the accounts were required to be approved by the authority by the 30 September. The new regulations require the accounts closure timetable to be brought forward by one month for each of the financial years 2003/04, 2004/05 and 2005/06. Therefore, for 2004/05 this requires approval by the 31 July and by 2005/06 approval will be required by the 30 June.
- 1.3 The tightening of the new timetable represents a significant challenge to all Council officers and particularly the Finance department. Currently work is already being undertaken within the Finance department to ensure that the following years' deadlines are achieved i.e. 2005/06.

## **2. Comprehensive Performance Assessment**

- 2.1 In June 2005 the Audit Commission updated the criteria on the Comprehensive Performance Assessment which now places greater emphasis on the Council's Use of Resources judgement.

The new assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the council's priorities and improve services. It covers:

- Financial reporting;
- Financial management;
- Financial standing;
- Internal control;
- Value for money.

In terms of financial reporting the new assessment places greater involvement on the Council and its approval body to scrutinise and debate the financial accounts.

Specifically the new assessment requires the Council to ensure:

- a) The accounts submitted to the Council meeting at which they were approved were accompanied by an explanatory report providing interpretation of the accounts and highlighting key issues to the benefit of members

- b) The accounts were subject to robust member scrutiny/discussion either at the formal approval meeting or at another appropriate forum prior to approval

### **3. Purpose of the Statement of Accounts**

3.1 The Statement of Accounts main purpose is to give electors (i.e. those subject to locally levied taxes and charges), members of the authority, employees and other interested parties clear information about the authority's finances.

It should answer questions such as:

- What did the authority's services cost in the year of account?
- Where did the money come from?
- What were the authority's assets and liabilities at the year-end?

3.2 The statement of accounts is produced following specified accounting principles and practices which are laid out in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Statement of Recommended Practice (SORP) which is based on UK accounting standards.

It is important for the accounts to comply with the SORP for the following reasons:

- It ensures that all local authority accounts reflect a common pattern of presentation thereby enhancing the usefulness of the Statement of accounts
- It ensures that the costs of individual services are defined by local authorities in accordance with CIPFA Best Value Code of Practice (BVACOP) which ensures that there is consistency in the identification of expenditure and income across all local authorities
- It provides an interpretation (through disclosure notes) and an explanatory foreword which explains the more significant features of the accounts

### **4. The 2004/2005 Statement of Accounts**

4.1 A report was presented to the Council's Executive committee on the 12<sup>th</sup> July 2005 which detailed the 2004/05 Revenue and Capital outturn position. This report complements and supports the production of the 2004/05 Statement of Accounts and can be read in conjunction with the attached accounts.

4.2 Listed in the following paragraphs of this report is a brief introduction to each section of the Statement of accounts along with key issues that have arisen in 2004/05. Full details are contained within the Statement of Accounts which is attached to this report.

4.3 The aim of highlighting these key points is to aid discussion and draw attention to the salient features of this year's financial accounts.

#### 4.4 Explanatory Foreword

##### a) Introduction

The purpose of the explanatory foreword is to offer interested parties an easily understandable guide to the most significant matters reported in the accounts particularly an explanation of the overall Council's financial position for the year.

##### b) Key Issues for 2004/05

- The Council's overall revenue budget underspent by £8.1m. Commitments of £5.2m had already been made in 2005/06 against this underspend leaving an uncommitted balance of £2.9m;
- The Council's overall capital expenditure amounted to £75.1m compared to an original budget of £91.8m;
- At the end of 2004/05 the Council's General Reserves balance had increased from £15.2m to £20.2m of which £11.8m will be uncommitted at the 31 March 2006.

#### 4.5 Statement of Internal Control

##### a) Introduction

The Statement of Internal Control (SIC) relates not just to financial activities but to the whole system of internal controls throughout the Council. As well as the SIC requiring the Council to ensure that financial management is adequate and effective, it also needs to ensure that there is a sound system of internal control which facilitates the effective exercise of the authority's functions and which includes risk management arrangements.

##### b) Key Issues for 2004/05

- The Statement of internal Control has been considered by officers at the Corporate Management Team (CMT) and members of the Corporate Monitoring Group (CMG) at its meeting on the 21 July 2005. The overall conclusion is that the Council's assurance framework is basically sound.

It does however identify weaknesses in the following areas

- Risk Management;
- Supporting People;
- Children's Inspection;
- Business Continuity.

An action plan has been drafted to remedy the weaknesses identified and these will be monitored via CMG.



#### 4.6 Accounting Policies

##### a) Introduction

Accounting policies are the principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are reflected in the financial accounts.

The accounting policies of the Council comply with UK accounting standards and are based on the accounting concepts set out in CIPFA's Statement of Recommended Practice (SORP) and Financial Reporting Standard (FRS) 18 'Accounting Policies'.

The use of these Accounting policies ensure that the Council's accounts present fairly its annual financial position and transactions.

##### b) Key Issues for 2004/05

- There were no key issues arising in 2004/05.

#### 4.7 Consolidated Revenue Account (CRA)

##### a) Introduction

This statement is fundamental to the understanding of the Council's annual financial activities, in that it reports the net cost for the year of the services for which the Council is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

In addition the CRA also contains a number of key disclosure notes which are provided as further information to support the Council's annual activities.

##### b) Key Issues for 2004/05

- For 2004/05, the CRA included for the first time the costs of contributions of housing capital receipts to the national pool. This follows the introduction of new capital regulations on the 1 April 2004. These contributions are reversed out of the CRA within the appropriations section;
- The cost of continuing operations in the CRA for 2004/05 reflects increased capital charges (i.e. depreciation and a charge for using assets) to services arising from the re-valuation of all the Council's assets in 2004/05. These costs are reversed out underneath the cost of continuing operations so as not to impact on Council tax levels;
- The cost of continuing operations in the CRA for 2004/05 reflects the costs of retirement benefits as they are earned by employees rather than when the benefits are eventually paid as pensions. This change follows the introduction of Financial Reporting Standard (FRS) 17 which was introduced into Local Government accounts on the 1 April 2003. The difference between entitlements earned and cash paid in contributions is reversed underneath the cost of continuing operations so as not to impact on Council tax levels.

#### 4.8 Housing Revenue Account (HRA)

##### a) Introduction

The HRA reflects a statutory obligation to account separately for the Council's own housing provision (stock) which is defined in the Local Government and Housing Act 1989. The account shows the major elements of housing revenue expenditure (maintenance, administration etc.) and capital financing costs and how these are met by rents, subsidy and other income.

The HRA is a ring-fenced account which means that the Council has no general discretion to transfer sums into and out of the HRA.

##### b) Key Issues for 2004/05

- Government subsidy received for Rent Rebates has been transferred from the HRA to the Council's General Fund services;
- The working balance in the HRA has increased from £2m to £3.2m
- The HRA assets were re-valued in 2004/05 and this has resulted in an increase in the book value of its assets of £671k;
- The method of depreciating the HRA assets has changed in 2004/05 to a straight line basis over 50 years. The previous depreciation was a proxy method based on the value of the Major Repairs allowance. This change has been necessary following the revaluation of the HRA assets. Had the Council continued to use the MRA as a proxy for HRA depreciation it would have understated the value of HRA depreciation;
- £23m of the Major Repairs Allowance was used to fund HRA capital expenditure.

#### 4.9 The Collection Fund Account

##### a) Introduction

The Collection fund reflects the Council's statutory requirement to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and National Non-Domestic Rates (NNDR). There is no requirement other than to keep a separate revenue account and therefore any balances are consolidated into the Council's Consolidated Balance sheet.

##### b) Key Issues for 2004/05

- The Council incurred a deficit in its Collection fund in 2004/05 amounting to £1.7m;
- Of this deficit £1.1m has already been provided for within the 2005/06 Council tax and the remaining amount will be addressed when the 2006/07 Council tax is set.

#### 4.10 The Consolidated Balance Sheet & the Total Movement in Reserves

##### a) Introduction

The Consolidated Balance Sheet (CBS) is fundamental to the understanding of the Council's financial position at the year end as it represents local taxpayers 'net worth' in the Council. It shows the balances and reserves at the Council's disposal, its long term indebtedness, the fixed and net current assets employed in its operations together with summarised information on the fixed assets held. In addition the CBS also contains a number of key disclosure notes which are provided as further information to support the understanding of the Council's activities.

##### b) Key Issues for 2004/05

- The Council has a statutory requirement to revalue its property assets at least every 5 years. During 2004/05 the Council's property assets were revalued by the District valuer. At the end of 2004/05 the net book value of its assets had increased by £700m compared to the net book value in 2003/04;
- At the 31 March 2005 the Pension reserve net deficit had increased from £60.5m to £118m due in the main to an increase in the present value of the scheme liabilities;
- The General Fund General reserve has increased by £5m from £15.2m to £20.2m, of which £11.8m will be uncommitted at the 31 March 2006 which is around 5% of the Council's new expenditure;

#### 4.11 The Pension Fund account

##### a) Introduction

The objective of the pension fund's financial statements is to provide information about the financial position, performance and financial adaptability of the fund. It shows the stewardship of management of the fund and the placement of its assets at the year end. The pension fund is not required to include the value of liabilities to pay pensions and other benefits in the future, these are instead reported separately in the actuary's statement.

##### b) Key Issues for 2004/05

- The value of the pension fund at the 31 March 2005 was £397m;
- The latest actuary valuation took place on the 31 March 2004 and identified that the pension fund was only 87% funded (this compares well with other pension funds);
- Employer contributions to the pension fund will increase over the financial years 2005/06 to 2007/08 to reduce the estimated pension fund deficit. For the Council this will require contributions of 12%, 15% and 16.2% in 2005/06, 2006/07 and 2007/08 respectively.

**5. Conclusions**

- 5.1 The accounts for 2004/2005 are still in draft and the authority's appointed auditor has not yet completed the audit of accounts and so the statement is presented subject to audit and is likely to change although not significantly. Any significant changes will be reported to members.
- 5.2 Once the audit certificate is signed a copy of the accounts will be reported and published. Copies will be forwarded to all Members of the Council.

**LONDON BOROUGH OF  
BARKING AND  
DAGENHAM**

**THE STATEMENT OF  
ACCOUNTS  
(UNAUDITED)  
2004/05**

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# *EXPLANATORY FOREWORD*

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This forward provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main features of the Council's financial position at 31<sup>st</sup> March 2005.

## **1. THE ACCOUNTING STATEMENTS**

The Council's accounts for the year 2004/2005 are set out on the following pages. They consist of:-

	<b>Page (viii)</b>
• <b>Statement of Responsibilities for Statement of Accounts</b>	<b>(x)</b>
• <b>The Statement on Internal Control 2005</b>	<b>1</b>
• <b>The Statement of Accounting Policies</b>	<b>9</b>
• <b>The Consolidated Revenue Account:-</b> which sets out income and expenditure on all services.	<b>20</b>
• <b>The Housing Revenue Account:-</b> which shows in detail income and expenditure on Council Housing.	<b>25</b>
• <b>The Collection Fund Account:-</b> which shows the receipt of Council Tax, Community Charges, Non Domestic Rates and Government Grants, which are then used to finance services provided by the Council and the Greater London Authority.	<b>28</b>
• <b>The Consolidated Balance Sheet:-</b> which sets out the assets and liabilities of the Council on the 31 <sup>st</sup> March 2005, excluding the Pension Fund (which is shown separately).	<b>40</b>
• <b>The Total Movement in Reserves:-</b> which shows the movement to/from reserves in the Council's accounts for 2004/2005.	<b>42</b>
• <b>The Cash Flow Statement:-</b> which shows the movements in cash of the Council's funds for 2004/2005, excluding the Pension Fund and Trust Funds.	<b>45</b>
• <b>The Pension Fund Accounts :-</b> which provide for retirement benefits for past and present employees of the Council and the Admitted Bodies, with the exception of teachers who contribute to a scheme administered by the Department for Education and Skills.	<b>51</b>
• <b>External Audit Report</b>	<b>53</b>
• <b>Signature of Chairman of the Assembly to the approval of the Statement of Accounts</b>	

## 2. REVENUE BUDGET

The following table sets out the overall comparison of original estimates and actual expenditure (in millions) on the day to day running costs of services for the area and shows where the money comes from.

	Budget Original	Budget Revised	Actual	Variation Revised vs Actual
	£m	£m	£m	£m
<b><u>Money Spent</u></b>				
Barking & Dagenham Council				
Spending on Services:-				
• Education	127.3	127.1	127.3	0.2
• Social Services	66.4	67.5	65.6	(1.9)
• Other Services	19.1	25.0	18.6	(6.4)
	212.8	219.6	211.5	(8.1)
Levying Authorities				
• East London Waste Authority	4.9	4.9	4.9	0.0
• Lee Valley Regional Park Authority	0.1	0.1	0.1	0.0
• Environmental Agency	0.1	0.1	0.1	0.0
• London Pensions Fund Authority	0.1	0.1	0.1	0.0
• Gtr London Magistrates Court Authority	0.3	0.3	0.3	0.0
	218.3	225.1	217.0	(8.1)
Precepting Authorities				
• Greater London Authority	12.3	12.3	12.3	0.0
<b>Total Money Spent</b>	<b>230.6</b>	<b>237.4</b>	<b>229.3</b>	<b>(8.1)</b>
Net Contribution from Reserves	0	1.6	1.6	0.0
• Schools' Balances				
	<b>230.6</b>	<b>239.0</b>	<b>230.9</b>	<b>(8.1)</b>
Net Contribution from Reserves				
• Specific Reserves	1.3	(3.4)	(3.4)	0.0
• General Reserves	0.6	(3.1)	5.0	(8.1)
	<b>232.5</b>	<b>232.5</b>	<b>232.5</b>	<b>0.0</b>
<b><u>Where the Money Comes from</u></b>				
• Council Taxpayers	55.4	55.4	55.4	0.0
• Government Grants	130.4	130.4	130.4	0.0
• Business Rates	46.7	46.7	46.7	0.0
	<b>232.5</b>	<b>232.5</b>	<b>232.5</b>	<b>0.0</b>



## 2.1 Revenue Services - Financial Performance

For the financial year 2004/05 the Council reported an overall underspend of £8.1m. The main reasons for this underspend are summarised and detailed as follows:

	<u>£m</u>
1) Net underspends and additional income within the Council's service departments	3.4
2) Additional Investment Interest	2.7
3) Unrequired Contingency budget	0.7
4) Previously projected underspend in Social Services department used to support the 2005/06 budget	1.5
5) Overspend in Education services	<u>(0.2)</u>
Total	<u>8.1</u>

### 1) Net underspends within Service departments

The majority of these underspends relate to a variety of projects, service issues and developments that were unable to be completed during 2004/05. Whilst the Council works to ensuring its plans and objectives are achieved within the appropriate financial year, in some cases it may be necessary for expenditure to be delayed in order to ensure that the Council's developments are delivered to the highest standards and achieve Value for Money. At the Council's Executive meeting on the 12<sup>th</sup> July 2005 approval was given to roll-forward £3m of these underspends into 2004/05.

### 2) Additional Investment Interest

In 2004/05 the Council achieved additional investment interest to its General Fund of £2.7m. There were three main reasons for this increase being:

- Higher than estimated interest rates throughout 2004/05. The average interest rate for the year amounted to 4.75% as opposed to an original estimate of 4.25%;
- Changes to the profile of the Council's Capital programme which resulted in additional balances being available for investment purposes;
- Strong investment performance from both the Council's investment managers and its own in-house team.

### 3) Unrequired Contingency

The 2004/05 contingency budget was approved for any unforeseen items that may arise during the year. The budget also included the return of the £300,000 Education overspend that occurred in 2003/04. The contingency budget includes allowances for factors such as the cost of redundancies from savings options, premature retirement costs, London weighting pay claim etc.

In 2004/05 the Council did not need to draw on all of its contingency budget and as a result there was an overall net underspend of £746,000.

4) Underspend in Social Services department to support the 2005/06 budget

Overall the Social Services department underspent by £1.9m in 2004/05 owing to the following reasons:

- Unused contingency sums set aside for Asylum Leaving Care costs that proved un-necessary due to subsequent Government Grants;
- The delay in the opening of 2 premises in the Older Persons Services ( Fred Tibble Court and Gray's Court);
- the successful reduction in the need for Out-Borough Institutional / Residential Care in Children's Services and Older persons;
- severe recruitment issues in Social Work , that led to the delay in the implementation and full staffing of new services and initiatives , particularly in the area of Children's and Mental Health services.

This potential underspend was identified in early 2004/05 through the Council's robust budget monitoring process. Consequently the Council agreed when setting the 2005/06 budgets that £1.5m of this underspend be used to support the 2005/06 budget.

5) Overspend in Education services

The Education department reported a slight overspend in 2004/05 of approximately £224,000 which included the reduction in their budget in 2004/05 of £300,000 arising from the need to repay overspends from 2003/04. When the £300,000 is taken into account, this highlights a positive in-year performance of £76,000 which is a significant improvement on their 2003/04 financial performance.

At the Council's Executive meeting on the 12th July 2005 approval was given to the future use of this £8.1 underspend which was as follows:

	<u>£m</u>
<u>Existing Commitments</u>	
• Carry forward of budgets from 2003/04 into 2004/05	3.0
• Cleaning the Borough initiative	0.5
• To support the 2005/06 Budget	1.5
• Oracle E-Business Suite	0.2
	5.2
<u>New Commitments</u>	
• Provision for the increased 2004/05 Collection Fund deficit	0.5
• Service improvement projects	0.7
• Provision for pay-related matters	0.3
• Information sharing systems/training to safeguard children	0.3
• Set up/transition costs of the new Children's Services dep't	0.3
• Management & staff training programmes in 2006/7 onwards	0.3
• Pump priming for team/capacity building to monitor revenue/grant projects, chase recommendations from reviews and support better inspection outcomes	0.2
• Community development and cohesion projects	0.1
• Improved information and communications about council services	0.1
• New council structure in 2006/7	0.1
	8.1

The Council's full position on its 2004/05 revenue outturn was reported to its Executive meeting on the 12<sup>th</sup> July 2005.

The Council has in place a medium term financial strategy which is based on achieving a balanced budget by not using reserves for recurring expenditure.

The Council's General and School reserves position as at 31/3/2005 is as follows:

	<u>31/3/2004</u>	<u>31/3/2005</u>
	<u>£000's</u>	<u>£000's</u>
General Reserves	15,201	20,243
School Balances	787	2,378

In regard to the General reserves a range of commitments have been made for 2005/06 which will result in an uncommitted balance at the 31<sup>st</sup> March 2006 of £11.8m

The full reserves position is shown at page 40.

## **2.2 Government Formula Spending Grant**

Government Formula Spending Grant is calculated as the difference between the Council's Formula Spending Share (FSS) and the amount deemed to be raised locally by levying the National Standard Council Tax (CT) and the proceeds from the National Non Domestic Rating (NNDR) Pool i.e.

$\text{Government Formula Spending Grant} = \text{FSS} - (\text{CT} + \text{NNDR})$
---

The FSS is set annually by the Government and is their estimate of the amount needed to be spent locally to provide a standard level of service.

In 2004/2005 the Council together with the five levying authorities budgeted to spend £220.2m. This amount is £5.7m under the FSS of £225.9m.

The Council set a Band 'D' Council tax in 2004/05 of £868.68 (excluding the Greater London precept (GLA)) and is summarised as follows:

	<u>2003/04</u>	<u>2004/05</u>	<u>Increase</u>
	<u>£</u>	<u>£</u>	<u>%</u>
LBBB	823.74	868.68	5.4
GLA	224.40	241.33	7.5
Total	1,048.14	1,110.01	5.9

The Council's 2004/05 Council tax represented the 3<sup>rd</sup> lowest Council tax in Outer London and the overall increase of 5.9% was in line with the average increase across the country.

### 3. **CAPITAL BUDGET**

In addition to the Revenue Budget there is a Capital Budget covering spending on construction and substantial improvements to Council housing, schools, roads, sports facilities and other buildings.

Capital Programme spending in 2004/2005 was £75.1 million compared with the planned expenditure level of £91.8million.

The Capital Programme was funded from the following sources:

	<u>£m</u>
Capital Receipts	39.5
Direct Revenue Financing	1.6
Major Repairs Reserve	23.5
Government Grants/Other Contributions	10.5
	<u>75.1</u>

At 31st March 2005, the Council had £106m in Capital Receipts available to finance future years' capital programmes. However a substantial amount of this balance is already committed to funding the Council's future capital spending plans and its outstanding capital creditors from 2004/05.

In 2004/2005 the Council neither had nor entered into any long term borrowing to finance Capital expenditure having decided to repay all such borrowing in 1993. The capital programme for 2004/05 was therefore funded from a combination of existing capital reserves and external sources. The Council's current financial strategy is not to return to borrowing up until and including the financial year 2008/09 but to fund its capital programme from capital receipts, revenue resources and external funding.

The Council's full position on its 2004/05 capital outturn was reported to its Executive meeting on the 12<sup>th</sup> July 2005.

### 4. **PENSION LIABILITY**

The Council has prepared this Statement of Accounts to comply with the requirements of FRS 17 "Accounting for Retirement Benefits". A Pension Fund reserve is shown on the balance sheet, representing the net funding deficit as at the 31<sup>st</sup> March 2005. The balance at this date stands at £118m (£60.5m at 31<sup>st</sup> March 2004).

### 5. **ACCOUNTING POLICIES**

The accounting policies adopted by the Council comply with the relevant recommended accounting practices. The Council's policies are explained fully in the Statement of Accounting policies set out in pages 1 to 8.

**6. FURTHER INFORMATION**

Further information about the accounts is available from :-

Director of Finance,  
London Borough of Barking and Dagenham  
Civic Centre,  
Dagenham, Essex. RM10 7BY

In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection will be advertised in the local press.

# **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

## **The Council's Responsibilities**

The Council is required:-

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

## **Director of Finance's Responsibilities**

The Director of Finance is responsible for the preparation of the Council's statement of accounts in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'); and is required to present fairly the financial position of the Council and its Pension Fund at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2005.

In preparing this statement of accounts, the Director of Finance has:

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

The Director of Finance has also:

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

**DIRECTOR OF FINANCE'S CERTIFICATION  
TO THE STATEMENT OF ACCOUNTS**

For the purpose of identifying the relevant accounts on which the Auditors are to express their opinion, in accordance with regulation 10 (2) of the Accounts and Audit Regulations 2003, I certify that the accounts of the Council set out on pages 1 to 44 and its Pension Fund on pages 45 to 50 have been submitted to the Council's Auditors – PricewaterhouseCoopers LLP - and that they present fairly the financial position and transactions of the Council and its Pension Fund at 31<sup>st</sup> March 2005, and their income and expenditure for the year then ended.

**DIRECTOR OF FINANCE**

**DATE**

# **THE STATEMENT ON INTERNAL CONTROL 2005**

## **1. SCOPE OF RESPONSIBILITY**

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council

also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are executed, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

## **2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at the Council for the year ended 31<sup>st</sup> March 2005 and up to the date of approval of the annual report and accounts.

## **3. THE INTERNAL CONTROL ENVIRONMENT**

The guidance of the C.I.P.F.A. Finance and Advisory Network has been followed in the production of this document and in the process of identifying the sources of assurance that underpin this document.

There are four key elements to the internal control environment;

- Policy, planning and Performance Management Frameworks
- Financial Management and Budgetary Control
- Corporate Governance
- Risk Management Mechanisms



## Policy, planning and Performance Management Frameworks

Three years ago the Council agreed, after extensive consultation, seven Community Priorities which would form the context of all future Council actions and ensure delivery of the Council's longer term Vision (2020).

Underpinning the priorities twenty four key strategic objectives were identified.

These addressed gaps across the Council and were also informed by the results of external inspections. Performance indicators are attached to each objective.

Thematic scorecards have also been developed for each of the community priorities, derived from the annual balance scorecard process.

An improvement plan has been developed in response to the Corporate Performance Assessment recommendations which is presented on a monthly basis to the Corporate Monitoring Group (CMG). This group is chaired by the member with portfolio responsibility for performance management and is attended by the Chair of the Scrutiny Management Board and the Chair of the Standards Committee. The same group also meets on a regular basis in the capacity of an Audit Committee.

The CMG also receives reports and improvement plans arising from external inspections.

A Service and Financial Planning Board (a sub group of CMT, chaired by the Director of Finance has been set up to provide a cross service approach and focus on delivering good quality services

Strategic Priorities are reviewed annually by the Service and Financial Planning sub group; taking into account of the issues raised from the CPA process; external inspections, other strategic issues such as the Customer First agenda, and annual service planning and budget process.

Both the Executive and the Corporate Management team (CMT) regularly monitor performance information. Key performance information is reported at the weekly Performance Boards attended by Directors and chaired by the Chief Executive. Performance is considered at least monthly by Directors at departmental management team meetings and by Members on a quarterly basis at the Executive. Worst performing indicators are reported with action plans to the Scrutiny Management Board.

Corporate Monitoring Group receives reports and improvement plans arising from external inspections. It oversees delivery against Council Improvement Plans and a range of PIs (developed in response to the Corporate Performance Assessment recommendations). This group is chaired by the Deputy Leader who has portfolio responsibility for performance management and is attended by the Chair of the Scrutiny Management Board and the Chair of the Standards Committee. The same group also meets on a regular basis in the capacity of an Audit Committee.

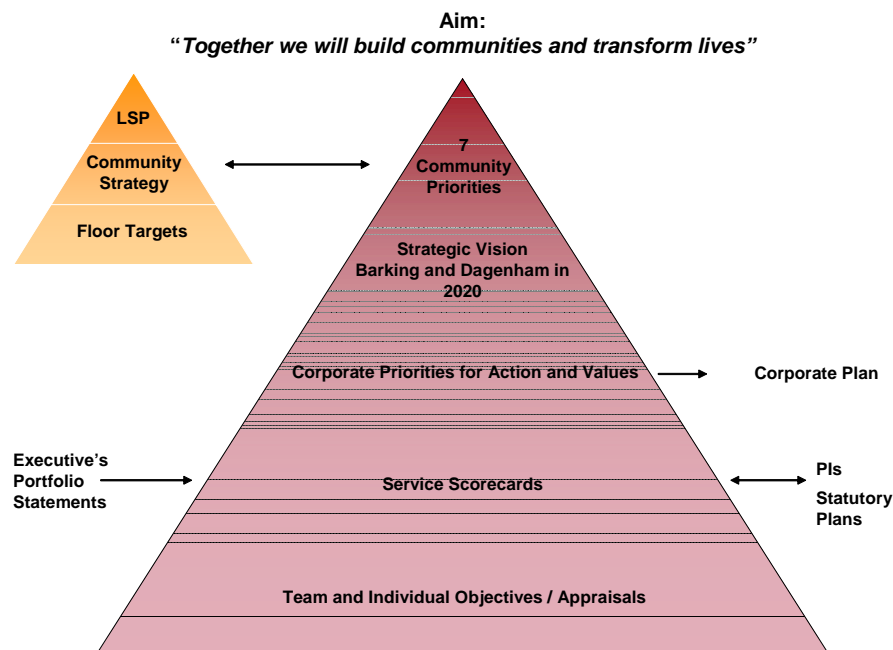
An annual service scorecard process has been developed that is incorporated into the Personal Performance Management interviews of all the senior managers of the Council. This gives Members a further opportunity to influence the development of service objectives.

All statutory and local performance indicators - are subject to an internal audit which in turn is reviewed by the Council's external statutory auditors.

For 2005/06 the council has strengthened its Planning and Performance management framework to ensure the Council moves its CPA judgment to Good in 2006 and Excellent in 2008. This will be continued to be strengthened year on year.

The seven Community Priorities remain the broad context for all of the Council's actions. These are set out, annually in our Corporate Plan and underpin the Council's work with its partners in the community through the Barking and Dagenham Partnership. This synergy ensures that the Council and its partners are on track towards delivering their shared aim for 2020: "Together we will Build Communities and Transform Lives".

The diagram below sets out the Council's revised planning processes for 2005/06. It shows the linkages between different parts of the process-from setting community priorities to individual appraisals. Every member of staff has received a leaflet and a briefing on the priorities and values from the Chief Executive briefings undertaken in June 05.



Executive Members have published summarised versions of their "portfolio statements" in the Corporate Plan. These set out their major ambitions and will be presented and monitored at the Executive on a quarterly basis.

For 2005-06 the Council has identified 21 Corporate Priorities for action which are expanded into individual statements, setting out the major areas of work that will be undertaken to deliver these. This helps staff to see their role in delivering the priorities and thus our overarching aim.

## Financial Management and Budgetary Control

The Authority has a recognised procedure in place for the monitoring of both its revenue and capital budgets.

Each month a separate Resource Monitoring meeting is held with the Member for Resources and each of the six Directors of the Council's Departments with support from the Finance Department. The meeting considers the current revenue and capital position for each Department and any other related resource matters.

The information from these meetings is presented to the Chief Executive, Director of Finance and Director of Corporate Strategy in a Corporate Round-up Meeting attended again by the lead Member for Resources.

The overall position is presented monthly to the Executive to inform them of the Council's budgetary position.

To compliment this process the Capital Project Management Office (CPMO) based in the Department of Regeneration and Environment monitors the individual progress of each scheme within the Council's Capital Programme with the relevant Project Sponsors in spending Departments. Additional to this is a capital appraisal process which vets each project for:

- Strategic Fit
- Financial Implications
- Deliverability and Procurement
- Benefits Plan

This progress is recognised as good practise by both the IDeA and Audit Commission.

At the Assembly on 2nd March 2005, the Council approved a Medium Term Financial Strategy (MTFS) covering the period 2005/06 to 2007/08.

This Strategy is driven by the Council's desire to maximise its impact in addressing the needs of local people, delivering against the Community Priorities and working with the local community wherever possible. The MTFS sets out a framework for using the Council's finances to deliver the Community Priorities over the next three years.

Each year the Strategy will be reviewed to update our projections of expenditure need and resources available to enable full and proper planning of our Council's services.

There is financial input to all reports to the Executive - they have to be cleared by the Director of Finance (or a nominated Deputy) before submission to Members.

The Director of Finance (or a nominated Deputy) attends both the Assembly and Executive meetings to advise members on financial matters.

Internal Audit operates in accordance with the C.I.P.F.A. Code of Practice. All the major financial systems of the Council are subject to an annual audit by the Council's internal auditors being internal audit staff and Deloitte and Touche. Key recommendations arising from this work are reported to the Corporate Monitoring Group. The internal auditors' opinion is that the overall control framework is generally sound.

### Corporate Governance

The Council has assessed itself against the CIPFA/ SOLACE best practice guidelines for Corporate Governance and has adopted the National Code of Conduct for Members.

The authority has a comprehensive set of policies and frameworks relating to Corporate Governance which have been approved by both the Standards Committee and the Assembly.

The Standards Committee also receives an annual report from the Head of Audit Services in respect of fraud and disciplinary work. This contributes to the planning process in so far as it provides an early indication of emerging trends and problems which proactive audits can help address.

The Monitoring Officer and the Head of Democratic Support (Whistleblowing Officer) also submit annual reports to the Standards Committee.

The Monitoring Officer monitors and reviews the operation of the Constitution to ensure that its aims and principles are given full effect.

A Members' Code of Conduct is contained within the Constitution. Members' Registers of Interests and Hospitality are kept by the Monitoring Officer.

The Solicitor to the Council (and Monitoring Officer) advises upon the legal implications of committee reports, advises Members and Officers on legality, probity and constitutional issues and updates the Council on significant legal developments.

### Risk Management Mechanisms

Risk management considerations have been formally incorporated into processes used to assess potential capital projects. The council accepts this needs to be developed further to identify risks across its business and identify controls available to manage those risks.

During 2004/5 an extensive piece of work has been commissioned via Deloitte and Touche to recommend and adopt a risk management strategy, identify strategic and operational risks and to advise on monitoring, reporting and review arrangements. This work has been completed and considerable progress has been made but the Council believes that further work is still necessary to truly embed risk management in to all the daily working practices of the authority. This issue is discussed in more detail below.

#### **4. REVIEW OF EFFECTIVENESS**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Directors and Heads of Service within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The manner in which internal controls are reviewed is itemised below.

##### Policy, Planning and Performance Management Frameworks

A Service and Financial Planning Board (a sub group of CMT, chaired by the Director of Finance has been set up to provide a cross service approach and focus on delivering good quality services

Strategic Priorities are reviewed annually by the Service and Financial Planning sub group; taking into account of the issues raised from the CPA process; external inspections, other strategic issues such as the Customer First agenda, and annual service planning and budget process.

Both the Executive and the Corporate Management team (CMT) regularly monitor performance information. Key performance information is reported at the weekly Performance Boards attended by Directors and chaired by the Chief Executive. Performance is considered at least monthly by Directors at departmental management team meetings and by Members on a quarterly basis at the Executive. Worst performing indicators are reported with action plans to the Scrutiny Management Board.

Corporate Monitoring Group receives reports and improvement plans arising from external inspections. It oversees delivery against Council Improvement Plans and a range of PIs (developed in response to the Corporate Performance Assessment recommendations). This group is chaired by the Deputy Leader who has portfolio responsibility for performance management and is attended by the Chair of the Scrutiny Management Board and the Chair of the Standards Committee. The same group also meets on a regular basis in the capacity of an Audit Committee.

An annual service scorecard process has been developed that is incorporated into the Personal Performance Management interviews of all the senior managers of the Council. This gives Members a further opportunity to influence the development of service objectives.

All statutory and local performance indicators - are subject to an internal audit which in turn is reviewed by the Council's external statutory auditors.

## Financial Management and Budgetary Control

The remit of the Corporate monitoring Group has been extended to assume the responsibilities of an Audit Committee.

Internal Audit review and test the key controls in the Council's major financial systems on an annual basis.

The totality of this work is vetted by the Council's external auditors as part of the process by which the Council is assigned "Managed Audit Status". The implication of this is that the external auditors can place reliance on the work of internal audit and that it complies with appropriate professional standards and statutory requirements.

## Corporate Governance

Compliance with the CIPFA / SOLACE best practice guidance has been tested in detail and on the basis of that work a Code of Corporate Governance has been approved by both the Executive and the Assembly. This will be the subject of an annual review by a senior officer who will report the outcome to the Executive and the Assembly.

Various individual policies comprising the Corporate Governance Framework are reviewed as part of a rolling annual programme by the Standards Committee. All changes are submitted to the Assembly for approval. Ethical audits have also been commissioned to identify areas where awareness of these policies needs to be raised.

The Monitoring Officer undertakes a rolling programme of checks, at the request of the Scrutiny Management Board, to test the operational effectiveness of the Scheme of Delegation and compliance with constitutional provisions such as contracts rules and to vouch for the legality and probity of decisions taken in this context. Members are reminded to notify of any changes of interests or new interests to be recorded in the Register of Members' Interests.

The Monitoring Officer vets the legal implications of all committee reports.

## Risk Management Mechanisms

Risk management is a mandatory feature of the Balanced Scorecard of each senior officer. However the council accepts that risk management is not yet embedded into the decision making processes of the Council. This is a significant internal control issue which is discussed in more detail below.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Assembly, the Executive, the Scrutiny Management Board, the Standards Committee and the Corporate Monitoring Group, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## **5. SIGNIFICANT INTERNAL CONTROL ISSUES**

### **Risk Management**

Considerable progress has been made in the last year in implementing Risk Management throughout the authority.

- A detailed risk management policy has been agreed by the Executive
- All senior managers and key Members have received training
- A full time corporate risk manager has been established and is in the process of being recruited
- Both strategic and operational risk registers have been completed.
- The strategic risk register has been reviewed on a regular basis by both the CMT and the CMG.
- Risk management has been integrated in to the key planning processes as a mandatory feature of the Balanced Scorecard of each senior officer
- The explicit consideration of risks is now a mandatory feature of all committee reports

Despite this progress the Council believes it will take more than one year before it can be absolutely confident that the processes are embedded throughout the workings of the authority. The Council aspires to continuous improvement in this key area of work and has an action plan to embed Risk management into the daily working of the Council.

### **External Inspections**

Recent external inspections of the supporting people and the children's inspection services have identified significant weaknesses in the operational delivery of these services. The full details of these weaknesses are identified in the relevant inspection reports. The Council has acknowledged the outcomes of both inspections and action plans have been produced to address the issues raised. Full monitoring of these action plans and their progress on delivery will be reported regularly to the Corporate monitoring Group and the Executive (where appropriate).

### **Business Continuity Planning**

The lack of Business Continuity Planning has been identified by both internal and external agencies as a source of concern. The Business Continuity Planning Steering group has been set up with cross Departmental representatives. The Group has agreed terms of reference and reports to the Corporate Management Team via the Service and Financial Planning Board. A Business Continuity Management Plan for 2005/6 has been agreed and is supported by approved individual and departmental responsibilities and a Corporate Business Continuity Policy.

**CERTIFICATION  
TO THE STATEMENT ON  
INTERNAL CONTROL IN  
THE LONDON BOROUGH OF BARKING AND DAGENHAM**

**CHIEF EXECUTIVE**

**DATE**

**LEADER OF THE COUNCIL**

**DATE**



## **London Borough of Barking and Dagenham**

### **Accounting Policies**

#### **1. Introduction**

- 1.1 These accounting policies are based on UK accounting standards (except where they conflict with specific statutory accounting requirements). The Council's accounts have been drawn up in accordance with these standards and fairly present the financial position and transactions of the Council.
- 1.2 The Statement of Accounts complies with the basic accounting concepts set out in CIPFA's Statement of Recommended Practice 2004 ("SORP") and the Best Value Accounting Code of Practice ("BVACOP").
- 1.3 The Statement of Accounts provides information about the Council's financial performance and position that can be used in assessing its stewardship of public funds. The financial information can be depended upon to represent the substance of the transactions and events that took place during this financial year.
- 1.4 The financial information included in the Statement of Accounts is material where its misstatement or omission might be expected to influence any assessment of the Council's stewardship of public funds.
- 1.5 The Statement of Accounts is prepared on an accruals basis that requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.
- 1.6 The accounts are prepared on a going concern basis and assume that the Council will continue in existence for the foreseeable future. There is no intention to curtail the scale of operations significantly.

## **2. Accruals of Income and Expenditure**

### **2.1 Customer and Client Receipts**

Customer and client receipts for sales, fees, charges and rents that relate to this financial year have been accrued and accounted for. Where there is doubt that outstanding income will be received in the future, appropriate provision has been made.

### **2.2 Employee Costs**

The full cost of employees in 2004/2005 has been charged to the year's accounts. Any significant retrospective adjustments or special payments (such as pay awards or redundancy payments) are charged or credited to the accounts with the additional amount as soon as it can reasonably be estimated.

### **2.3 Interest**

Interest income has been accrued and accounted for in this financial year. This income has been credited to the Consolidated Revenue Account and the Housing Revenue Account based on the level of their respective cash balances. Interest is also credited (or debited) periodically to the delegated budgets of schools and the Adult College according to their under/overspend. Amounts are calculated using money market rates.

## **3. Supplies & Services**

The cost of supplies and services received and works completed during this financial year have been accrued and accounted for in this financial year, together with an estimate of all amounts in excess of £500 where the exact amount was not known.

## **4. Deferred Charges**

Deferred charges represent expenditure which may be properly deferred, including expenditure that may properly be capitalised, but which does not result in or remain matched with tangible assets. An example is house renovation grants. The policy of the Council is to amortise the charge to service revenue account over an appropriate period based on the benefit obtained by the service from the expenditure in a consistent and prudent manner.

## 5. **Fixed Assets**

### 5.1 **Recognition**

Expenditure is capitalised and categorised as a fixed asset where it meets the definitions provided by statute and the SORP. Generally to be capitalised, expenditure must yield benefits to the Council for more than one year.

### 5.2 **Measurement & Revaluation**

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. The cost of a fixed asset is its purchase price plus any other costs directly attributable to bringing it into a working condition for its intended use.

A *de minimis* level of £20,000 has been used for the majority of asset valuations, with £6,000 used for vehicles.

Fixed asset valuations have been made in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors (RICS) with particular reference to guidance note 11 (Valuation of Local Authority Assets for Financial Statements).

The following types of assets have been valued in the balance sheet at the lower of net current replacement cost or net realisable value.

<b>Class of Asset</b>	<b>Valuation Method</b>
Council Dwellings	Depreciated Replacement Cost
Other Land & Buildings	Depreciated Replacement Cost
Vehicles, Plant & Equipment	Depreciated Replacement Cost
Investment Properties	Open Market Value

The net current replacement cost of assets is defined as follows: -

- Specialised operational properties are valued based on their depreciated replacement cost (DRC).
- Investment properties are valued based on their open market value (OMV).

Infrastructure assets purchased from the 1<sup>st</sup> April 1994 are included in the balance sheet at historic cost net of depreciation.

Community assets are included in the balance sheet at historic cost.

Non-HRA assets in these accounts are based on a valuation certificate issued by the District Valuer as at 1<sup>st</sup> April 2004. HRA assets in these accounts are based on a valuation issued by the District Valuer as at 1<sup>st</sup> April 2004.

### 5.3 Disposals

Receipts from the disposal of fixed assets are credited to the capital receipts reserve on an accruals basis. Upon disposal, the net book value of the asset is written off against the fixed asset restatement reserve.

If an asset was disposed of by an exchange for another asset, this other asset is included in the Consolidated Balance Sheet at its Fair Value.

### 5.4 Depreciation

Depreciation is provided for all fixed assets with a finite useful life (determined at the time of acquisition or revaluation). For fixed assets (other than non-depreciable land and non-depreciable operational investment properties) the only ground for not charging depreciation is that the depreciation charge is immaterial. Assets in the course of construction are stated at cost and not depreciated until brought into use.

Assets, other than land, are depreciated over their useful economic life as follows:

<b>Asset Type</b>	<b>Depreciation Method</b>
Buildings	HRA Dwellings – Following the revaluation of assets in 2004/05, it is considered that using MRA as a proxy for depreciation would materially understate HRA depreciation. Council Dwellings have been depreciated on a straight line basis over 50 years.  Non-HRA Buildings - Straight line basis over their useful economic life as determined by the district valuer.
Vehicles, Plant & Equipment	Straight line basis on an individual asset basis. This is generally between 5 and 10 years.
Computer Equipment	Straight line over 5 years
Infrastructure	Straight line over 20 years

## 6. Charges to Revenue

The capital charges made to service revenue accounts, central support services and trading accounts, equate to the sum of depreciation plus a notional interest charge based on the net amount at which the fixed asset is included in the balance sheet at 31<sup>st</sup> March 2005. The notional rates of interest to be used are prescribed by the CIPFA/LASAAC Joint Committee. For 2004/05, the rates used are 3.5% for those fixed assets included in the balance sheet at current value and 4.8% for infrastructure assets and community assets which are included in the balance sheet at historical cost.

Previously the notional rates had been 3.5% and 4.625% respectively for these classes of asset valuations.

## **7. Foreign Currency Transactions**

Income and expenditure arising from transactions denominated in foreign currencies are translated into Sterling at the exchange rate in operation on the date on which the transaction occurred. If rates do not fluctuate significantly during the financial year, then an average rate is used. If individual transactions were settled at a contracted rate, then that rate has been used. At the end of the financial year, monetary assets and liabilities denominated in a foreign currency (mostly for the Euro) are translated by using the closing rate or, where more appropriate, the rates of exchange under the terms of the relevant transaction.

## **8. Government Grants**

- 8.1 All Revenue grants have been matched with their related expenditure. Grants provided to finance the general activities of a local authority or to compensate for a loss of income have been credited or accrued to the revenue account in this financial year.
- 8.2 Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, this amount has been credited to the Government Grants Deferred account. In order to offset the depreciation of the asset, a debit is being written off to the Asset Management Revenue account over the useful life of the asset.
- 8.3 Government grants or other contributions have been accounted for on an accruals basis, and are included in the financial statements when the conditions for their receipt have been complied with, and there is reasonable expectation that the grant or contribution will be received.

## **9. Investments**

Short-term investments are included in current assets and are stated at the lower of cost or net realisable value.

## **10. Leases**

The Council has no Finance Leases. Rental payments on Operating Leases are charged to revenue on a straight-line basis over the term of the lease.

## **11. Costs of Support Services**

- 11.1. Charges or apportionments covering support service costs are made to all users, including services to the public, divisions of services, trading undertakings, capital accounts, services provided for other bodies and other support services. The costs of service management have been apportioned to the accounts in the same way, representing the activities managed.
- 11.2. The basis of the apportionments adopted has been used consistently for all users. The costs of managerial and professional services (such as architects, engineers, finance, legal and property professionals) are allocated on the basis of time spent or units of output. The cost of administrative buildings is allocated on the basis of floor areas occupied.
- 11.3. Best Value Accounting Code of Practice (BVACOP) requires the cost of service strategy and regulation of any service to the public to be allocated to a separate objective expenditure head in the accounts of that service. The costs of the corporate and democratic core and of unapportionable central overheads are allocated to a separate objective expenditure head and not apportioned to other expenditure heads.

## **12. Pension Costs**

- 12.1. The Council participates in the Local Government Pension Scheme, a defined benefit scheme, with employer and employee contributions paid into a separate Pension Fund. The amount of contributions is in line with actuarial advice and the pension costs included in the accounts have been determined in accordance with relevant government regulations. The cost of providing pensions for employees is charged to the accounts in accordance with the statutory requirements governing the pension scheme.
- 12.2. In accordance with Financial Reporting Standard No. 17 - Retirement Benefits (FRS 17), the Council is required to disclose information related to pension schemes for its employees.
- 12.3. The most recent actuarial valuation was carried out as at 31<sup>st</sup> March 2004, and has been taken into account in the requirements of FRS17 to assess the liabilities of the Fund as at 31<sup>st</sup> March 2005.
- 12.4. In 2004/05 the Council paid an employer's contribution of 9%, which includes an element for Pension increases for all employees in the Council's Pension Scheme. Further details can be found in Note 1 to the Pension Fund Accounts (Page 47).
- 12.5. As a result of the recent actuarial valuation carried out as at 31<sup>st</sup> March 2004 the employer's contribution will rise in 2005/06 to 12% with further planned increases to 15% and 16.2% in 2006/07 and 2007/08 respectively.

- 12.6. Under the new pension accounting arrangements as set out in the 2004 Code of Practice on Local Authority Accounting in the United Kingdom 'A Statement of Recommended Practice', pension costs are reflected within the financial accounts in the following way:
- Assets are measured at fair value;
  - Liabilities are measured on an actuarial basis using the projected unit method;
  - Liabilities are discounted at a rate that reflects the time value of money and the characteristics of the liability. The rate used for 2004/05 is 5.4% which is based on the yield available on long dated, high quality corporate bonds and is in accordance with CIPFA's accounting guidance. This rate differs from the rate used in 2003/04 which was 6.5% and which was based on the assumed long-term rate of return on a portfolio of long-dated gilts as determined by the Government's actuary department;
  - The surplus/deficit in the scheme reflects the value of the assets over/under the present value of liabilities;
  - Current service costs are based on the actuarial valuation at 31<sup>st</sup> March 2005 which reflects current conditions;
  - The interest cost on pension scheme liabilities is based on the discount rate and the present value of liabilities at 31<sup>st</sup> March 2005;
  - The expected return on assets is based on the long-term future expected investment return for each asset class;
  - Actuarial losses and gains arising during the year are the result of updating the latest actuarial valuation. Changes arise because events have not coincided with the actuarial assumption made from the last valuation and because the actuarial assumptions have changed;
  - Past service costs are disclosed on a straight line basis over the period in which the increase in benefits vest; and
  - Settlements and curtailments are shown in full.

### **13. Provision for Bad and Doubtful Debts**

The amount carried forward for debtors has been adjusted for the provision for bad and doubtful debts. Where debts are totally uncollectible then they have been written off.

### **14. Other Provisions**

Where the Council has an obligation that is a result of statutory provisions, contractual terms or a past event arising from the Council's actions, reasonable provision is made for any future financial liabilities and is charged to the appropriate revenue account.

Provisions are not made for either any future operating loss, nor for any situation where the Council anticipates it will be unable to cover future expenditure with income. Any such deficits would be accounted for in the current financial year.

**15. Reserves**

Amounts set aside for purposes falling outside the definition of provisions are treated as reserves. They fund future projects, unplanned expenditure and irregular but recurring expenditure. Transfers to and from reserves are distinct from service expenditure shown in this Statement of Accounts and the purpose, usage and the basis of such transfers are clearly identified in this Statement of Total Movements in Reserves on (Page 40).

**16. Stocks and Long Term Contracts**

Revenue goods and materials (stocks) that were not consumed by the end of the year have been carried forward. Stocks are included in the Consolidated Balance Sheet at the lower of cost or net realisable value. Interim valuations have been made for long-term contracts and work in progress. They have been valued at cost. Payments received or receivable on account have been deducted in arriving at the Consolidated Balance Sheet valuation.

**17. Value Added Tax**

All transactions are shown net of any Value Added Tax, whether capital or revenue, unless for some specific reason it is irrecoverable. As in the case of all Local Authorities, the Council is able to recover a major part of Value Added Tax incurred from H.M Custom & Excise. Any balance due to the Council is included in the debtors figure shown in the Consolidated Balance Sheet.

**18. Capital Receipts**

The Council had been a debt free authority since 1993. Prior to 1<sup>st</sup> April 2004, the Council was able to keep 100% of its capital receipts, and use them for any purpose. From 1<sup>st</sup> April 2004, the Local Government Act 2003 came into force, and changed the regulations in respect of capital financing. The act stipulates that the Council is required to pool its future Housing Revenue Account (HRA) capital receipts at the rate of 75% for Right to Buy sales and 50% for other HRA disposals. There are, however, arrangements in place that entitle debt free authorities at 31<sup>st</sup> March 2004 to a period of transitional relief which allows the Council to retain 75%, 50% and 25% of its pooled receipts respectively over the three years 2004/05 to 2006/07. The amount retained by the Council under transitional arrangements from HRA receipts must be spent on HRA assets, or on regeneration projects.

The remaining 25% from HRA receipts, and proceeds from any other asset disposals can be used for any capital project.

**19. Private Finance Initiative**

PFI schemes have been accounted for in accordance with FRS 5 Application Note F: Accounting for Private Finance Initiatives, and Treasury Taskforce Technical Note 1 (Revised): How to account for PFI transactions. The Council has classified the PFI scheme at the Jo Richardson Community School and Eastbury Comprehensive as "off-balance sheet".



# CONSOLIDATED REVENUE ACCOUNT

2003/2004 (RE-STATE)* NET EXPENDITURE	SERVICE	2004/2005			
		NOTES	GROSS EXPENDITURE	INCOME	NET EXPENDITURE
£'000			£'000	£'000	£'000
	<b>CONTINUING OPERATIONS</b>	1 & 8			
3,957	Central Services to the Public		5,301	(1,285)	4,016
96	Court Services		111	(11)	100
26,146	Cultural, Environmental, and Planning Services		49,919	(20,610)	29,309
121,818	Education Services		185,797	(57,840)	127,957
12,855	Highways, Roads and Transport Services		19,042	(4,152)	14,890
20,757	Housing Services		236,565	(184,219)	52,346
54,845	Social Services		95,977	(33,484)	62,493
5,423	Corporate and Democratic Core		6,106	(11)	6,095
3,694	Non Distributed Costs		2,043		2,043
<b>249,591</b>	<b>NET COST OF SERVICES</b>		<b>600,861</b>	<b>301,612</b>	<b>299,249</b>
(832)	Net (surplus)/deficit on Trading undertakings	11			(883)
(30,175)	Asset Management Revenue Account	4			(54,765)
-	Contribution of housing capital receipts to Government pool	3			5,665
11,651	Amounts due to - precepting authority				12,321
6,194	- levying authorities	2			5,535
(6,029)	Interest on Balances				(8,598)
20,557	Pensions Interest Cost	8			19,784
(17,657)	Expected Return on Pensions Asset	8			(20,815)
<b>233,300</b>	<b>NET OPERATING EXPENDITURE</b>				<b>257,493</b>
	<b>APPROPRIATIONS</b>				
(1,593)	Transfer to/(from) HRA balances				1,190
1,457	Contributions to/(from) Specific Revenue Reserves				(11,610)
4,326	Revenue contribution to Capital Financing				1,608
-	Transfer from Usable Capital Receipts equal to the contribution to Housing Pooled Capital Receipts	3			(5,665)
(9,438)	Contributions to/(from) Capital Financing Account				(11,396)
(1,019)	Contributions to/(from) LMS Reserves				1,591
(8,962)	Movement on Pensions Reserve	8			(5,764)
<b>218,071</b>	<b>NET EXPENDITURE (the amount to be met from Government Grants and Local Taxpayers)</b>				<b>227,447</b>
	<b>SOURCES OF FINANCE</b>				
(113,692)	General Government Grants				(130,386)
(48,116)	Non Domestic Rate Income				(46,736)
(55,043)	Council Taxpayers				(55,367)
<b>(216,851)</b>	<b>TOTAL REVENUE FINANCING</b>				<b>(232,489)</b>
<b>1,220</b>	<b>NET GENERAL FUND DEFICIT FOR YEAR</b>				<b>(5,042)</b>
<b>(16,421)</b>	<b>BALANCE AT 1<sup>ST</sup> APRIL</b>				<b>(15,201)</b>
<b>1,220</b>	<b>NET GENERAL FUND DEFICIT (SURPLUS) FOR YEAR</b>				<b>(5,042)</b>
<b>(15,201)</b>	<b>BALANCE AT 31<sup>ST</sup> MARCH</b>				<b>(20,243)</b>

**\* Note to the Consolidated Revenue Account**

The 2003/04 Consolidated Revenue Account has been restated following an updating of the analysis of trading undertakings during 2004/05. For details, see note 11.

<p style="text-align: center;"><b>NOTES TO THE CONSOLIDATED REVENUE ACCOUNT</b></p>
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## **1. SERVICE ANALYSIS**

The Council has analysed expenditure in accordance with the new requirements of the CIPFA Best Value Accounting Code of Practice, published in 2000. Details of main services are shown below:-

### **Central Services to the Public**

- Local tax collection
- Registration Of Births Deaths and Marriages
- Emergency planning
- Local Land Charges

### **Court Services**

- Coroners Court

### **Cultural, Environmental and Planning Services**

- Culture and Heritage
- Recreation And Sport
- Tourism
- Library Services
- Cemeteries
- Environmental Health
- Flood Defences
- Waste Collection
- Street Cleansing
- Planning and development

### **Education Services**

### **Highways, Roads and Transport Services**

- Transport Planning Policy and Strategy

### **Housing Services**

### **Social Services**

### **Corporate and Democratic Core**

- Democratic Representation and Management
- Corporate Management

## 2. LEVIES

	<b>2003/2004</b>	<b>2004/2005</b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
East London Waste Authority	4,819	4,881
Environmental Agency	794	88
Lee Valley Regional Park Authority	139	142
London Pensions Fund Authority	167	134
Greater London Magistrates Court Authority	275	290
	<b>6,194</b>	<b>5,535</b>

The decrease in the payment to the Environmental Agency in 2004/05 is due to changes in the way this organisation is funded. As from the 1<sup>st</sup> April 2004 the majority of these costs are funded directly by the Government, as opposed to the previous arrangement where the Council acted as payment agent.

## 3. PRUDENTIAL CODE FOR CAPITAL INVESTMENT

A new framework known as the "Prudential Framework for Capital Investment" was introduced through the Local Government Act 2003, and came into effect on the 1<sup>st</sup> April 2004. It replaced the previous system of central government control over borrowing, and offered Councils significant freedoms to make their own capital investment plans.

The Council had been a debt free authority since 1993, and under the previous regime, was able to keep 100% of its capital receipts. Under the new regime, the Council is required to pool its housing capital receipts to the Office of the Deputy Prime Minister (ODPM) at a rate of 75% for Right to buy receipts and 50% for other housing receipts. There are, however, arrangements in place that entitle debt free authorities to a period of transitional relief which allows the Council to retain 75%, 50% and 25% of its pooled receipts respectively over the three years 2004/05 to 2006/07. The amount of capital receipts pooled in 2004/05 was £5.7m and appears as a new line in the Consolidated Revenue Account. As the Council is was in a debt free position and had a negative credit ceiling at 1st April 2004, it is not required to make a minimum revenue contribution for the financial year to 31<sup>st</sup> March 2005.

The Council has no outstanding commitment in respect of credit liabilities.

## 4. ASSET MANAGEMENT REVENUE ACCOUNT

	<b>2003/2004</b>	<b>2004/2005</b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Grants released from Government Grants Deferred Account	(1,509)	(1,467)
Provision for Depreciation	25,910	36,612
Capital Charges to Service Accounts (notional interest)	(28,666)	(53,298)
Capital Charges to Service Accounts (depreciation)	(25,910)	(36,612)
Transfer to Consolidated Revenue Account	(30,175)	(54,765)

**5. SECTION 5 - PUBLICITY EXPENDITURE**

Section 5 (1) of the Local Government Act 1986 requires Authorities to keep a separate publicity account. The definition of publicity is given as any communication, in whatever form, addressed to the public. A detailed account of this expenditure is available for inspection from:-

Director of Finance,  
(Financial Services Division),  
London Borough of Barking and Dagenham,  
Civic Centre,  
Dagenham,  
Essex.  
RM10 7BY

	<b><u>2003/2004</u></b> <b><u>£'000</u></b>	<b><u>2004/2005</u></b> <b><u>£'000</u></b>
Staff Advertising	2,061	1,649
Non Staff Advertising	389	438
Printing	56	111
Publicity & Publications	448	469
<b>TOTAL</b>	<b>2,954</b>	<b>2,667</b>

**6. AGENCY SERVICES**

The Council carries out certain work for the East London Waste Authority (ELWA) on an agency basis for which it is reimbursed. The areas of work relate to its role as clerk to ELWA, carrying out administrative and legal work on their behalf. The value of these works was £147k in 2004/2005 (£230k in 2003/2004).

**7. LOCAL AUTHORITIES GOODS & SERVICES ACT 1970 (WORK DONE FOR OTHER LOCAL AUTHORITIES OR PUBLIC BODIES)**

The Council carried out the following work for other local authorities or public bodies:-

	<b>2003/2004</b>	<b>2004/2005</b>
	<b>£'000</b>	<b>£'000</b>
London Riverside Ltd	111	124

This income relates to payments made in respect of Human Resources, Financial services and Information Technology services.

## 8. PENSION COSTS

### • PENSION FUND

In 2004/2005 the Council paid an employer's contribution of £6.84 million into the Pension Fund (2003/2004 £6.07 million) representing 9% of pensionable pay. The contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation, the last review being 31<sup>st</sup> March 2004. Under Local Government Pension Scheme Relegations, contribution rates are set to meet overall liabilities of the fund.

As part of the terms and conditions of employment of its officers and other employees (excluding teachers), the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. The Council therefore recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However the charge made against council tax is based on the cash payable in the year, so in order to not impact on the Council Tax the real cost of retirement benefits is reversed out of the Consolidated Revenue Account (CRA) after Net Operating Expenditure. The following transactions have been made in the CRA during the year:

	<u>2003/04</u> <u>£'000</u>	<u>2004/05</u> <u>£'000</u>
<u>Net Cost of Services</u>		
• Current service cost	9,879	13,019
• Past service costs	422	35
• Curtailments and Settlements	1,831	582
<u>Net Operating Expenditure:</u>		
• Interest cost	20,557	19,784
• Expected return on assets in the scheme	(17,657)	(20,815)
<u>Amounts to be met from Government Grants and Local Taxation:</u>		
• Movement on pensions reserve	(8,962)	(5,764)
<u>Actual amount charged against council tax for pensions in the year:</u>		
• Employers' contributions payable to scheme	6,070	6,841

### • TEACHERS

In 2004/2005 the Council paid £7.9 million (£7.5 million in 2003/2004) to the Department of Education and Skills in respect of teachers' pension costs representing 13.5% (13.5% in 2003/04) of pensionable pay.

## 9. POOLED FUNDS

Section 31 of the Health Act 1999 enables joint working arrangements between NHS bodies and local authorities. The Council operates a pooled funding arrangement with Barking and Dagenham Primary Care Trust (PCT) in respect of the Learning Disability Service. The Council is the host body and the Consolidated Revenue Account includes the following contributions from the PCT and grants relating to this combined service:

	<u>Placements</u> <u>(Council/PCT)</u>	<u>Other</u> <u>Services</u> <u>(Council)</u>	<u>Other</u> <u>Services</u> <u>(PCT)</u>	<u>Total</u> <u>2004/05</u> <u>£'000</u>	<u>Total</u> <u>2003/04</u> <u>£'000</u>
Gross Funding	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>		
- The Council	2,186	4,880	0	7,066	6,495
- PCT	2,264	0	742	3,006	2,699
	4,450	4,880	742	10,072	9,194
Expenditure	4,425	4,897	742	10,064	8,919
Net (Under) / Overspend	(25)	17	0	(8)	(275)
Apportionment of underspend					
- The Council	(17)	17	0	0	(194)
- PCT	(8)	0	0	(8)	(81)
Net Overspend / (Underspend)	(25)	17	0	(8)	(275)
<b>Notes</b>	<b>1</b>	<b>2</b>	<b>3</b>		

Note 1: The Council and the PCT pool resources in respect of Placements expenditure and share the benefits or liabilities of the underspend or overspend. The 2004/05 underspend is apportioned to the partners on the basis of original allocations to the pool. In accordance with the Partnership Agreement these funds are maintained within the pool for future use. The respective amounts in 2004/05 are £17k to the Council, and £8k to the PCT (total £25k).

Note 2: Other services (Council) include Care Management, Day Care and Care Packages.

Note 3: Other services (PCT) include Care Management.

## 10. DISCLOSURE OF AUDIT COSTS

In 2004/05 The London Borough of Barking and Dagenham incurred the following fees relating to external audit and inspection:

	<u>2003/04</u> <u>£'000</u>	<u>2004/05</u> <u>£'000</u>
• Fees payable to the appointed auditor with regard to external audit services.	438	403
• Fees payable to the Audit Commission in respect of statutory Inspection.	164	117
• Fees payable to the appointed auditor for the certification of grant claims and returns.	163	185
• Fees payable in respect of other services provided by the appointed auditor.	0	60

Note: The Council's appointed auditor is PricewaterhouseCoopers LLP.

## 11. TRADING UNDERTAKINGS

CIPFA's *Best Value Accounting Code of Practice* defines trading operations as services provided to users on a basis other than a straightforward recharge of cost, providing services in a competitive environment. In light of this definition, the Council has re-analysed its trading operations for 2004/05, and the following 9 trading units meet this definition:

	Expenditure £'000	Income £'000	2004/05 Net (Income) / Expenditure £'000	Memo Capital Charges Included £'000	2003/04 Net (Income) / Expenditure £'000 * As restated
Teachers Accommodation	190	(203)	(13)	34	(10)
Barking Market	786	(786)	0	0	0
Land	374	(1,251)	(877)	296	(944)
Eastbury House	284	(114)	170	9	202
Building Cleaning	3,345	(3,422)	(77)	0	(70)
Security	1,286	(1,287)	(1)	0	0
Grounds Maintenance	4,748	(4,695)	53	70	0
Other Catering	186	(188)	(2)	0	(10)
Housing Rents	1,822	(1,958)	(136)	0	0
<b>Total</b>	<b>13,021</b>	<b>(13,904)</b>	<b>(883)</b>	<b>409</b>	<b>(832)</b>

The final net expenditure of these trading accounts is included within the Consolidated Revenue Account.

\* - as restated. The Consolidated Revenue Account has been restated for 2003/04 to reflect this analysis.

## 12. REMUNERATION OF SENIOR STAFF (INCLUDING TEACHERS)

Details of sums paid to or receivable by senior staff, sums due by way of expenses allowances and the monetary value of any benefits received other than in cash are as follows:-

<b>2003/2004 Number of staff</b>	<b>Value Of Remuneration</b>	<b>2004/2005 Number of staff</b>
64	£50,000 to £59,999	81
35	£60,000 to £69,999	42
8	£70,000 to £79,999	7
4	£80,000 to £89,999	7
3	£90,000 to £99,999	6
0	£100,000 to £109,999	0
1	£110,000 to £119,999	0
0	£120,000 to £129,999	1
0	£130,000 to £139,999	0
1	£140,000 to £149,999	0

## 13. MEMBERS ALLOWANCES

The total amount paid to councillors in 2004/05 for members' allowances was £717,718 (£689,168 in 2003/04). A report outlining these expenses was reported to the Council's Assembly on the 19th May 2004 and a list showing the total amount paid to each member of the Council has also been published which can be inspected at any time within normal working hours in Room 208 at the Civic Centre, Dagenham.



#### 14. **RELATED PARTY TRANSACTIONS**

The Code of Practice requires a disclosure of any material transactions between the Council and its related parties. In early April 2005 all Councillors and Chief and Statutory Officers were canvassed to identify any such transactions that had taken place during 2004/2005. The following Members of the Council have material related party transactions with the Council:

<b>MEMBER/ OFFICER</b>	<b>VALUE OF PAYMENTS BY COUNCIL TO RELATED ORGANISATIONS</b>	<b>Value of Payments</b>
		<u>£'000</u>
Cllr J Blake	Cllr Blake's husband is a trustee of the charity Barking and Dagenham Befrienders	189
Cllr G Bramley	Cllr Bramley is a non executive director of The Barking and Dagenham Primary Care trust.	1,205
Cllr L A Collins	Cllr Collins is the Council's representative on the Board Of The Management Of Directors Of Thames Accord.	17,982
Cllr D Challis	Cllr Challis is an employee of Thames Side Community Support	3
Cllr A.H.G. Cooper	Cllr Cooper is a trustee of the charity BASIS	7
Cllr K J Flint	Cllr Flint has numerous interest: trustee of Basis Gascoigne Estate, Member of Victim support, member of volunteer bureau, Chair of B&D forum for the elderly and board member of Abbey Gascoigne	384
Cllr R. Parkin	Cllr Parkin is the chair of the Barking and Dagenham Primary Care Trust.	1,205
Cllr V M Rush	Cllr Rush has numerous interests: East St Youth Information shop, CVS tuition centre, Gascoigne Community Association and Groundwork East and Trewern Governing Body	414
Cllr A Thomas	Cllr Thomas's wife is employed by Age Concern Barking and Dagenham.	1,466
Cllr T Wade	Cllr Wade & Mrs Wade are Members of the Friends Of The Osborne Partnership	257
R. Whiteman (Chief Executive)	As from the 17 <sup>th</sup> January 2005 Mr Whiteman became the Managing Director of the East London Waste Authority (E.L.W.A.)	5,634
N. Bolger (Director of R&E)	Mr Bolger was acting Managing Director of E.L.W.A from the 8/11/04 to 17/1/05.	5,634
G. Farrant (Chief Executive)	Mr Farrant was the Managing Director of E.L.W.A up until the 8 <sup>th</sup> November 2004	5,634
J Ross (Director of Social Services)	Ms Ross is chair of the Mental After Care Association (M.A.C.A).	6

Details of significant transactions with Government Departments are set out in note 3 to the cash flow statement.

## 15. BUILDING CONTROL SERVICES

The Building Control (Local Authority Charges) Regulations 1999 gave Local Authorities Powers to set their own charges for building control activities where a charge is imposed. The new charging regime became operative from 1<sup>st</sup> April 1999 and the Council is required to break even against its chargeable services over a three year consecutive period.

Building control services which do not attract charges are defined in the regulations and include activities such as dealing with dangerous structures, administration and enforcement of safety at sports grounds, entertainment licensing and general advice to Council members and the public.

The following statement shows the total cost of operating the Council's Building Control Service apportioned between chargeable and non chargeable activities. Certain activities performed by the Building Control Unit (such as providing general advice and liaising with other statutory authorities) cannot be charged for. The service has achieved its financial objective of breaking-even over the past three years. The financial performance is summarised as follows:

<u>Financial Year</u>	<u>(Surplus)/Deficit</u> <u>£'000</u>
2002/2003	(2)
2003/2004	2
2004/2005	(122)

<b>Expenditure</b>	<b>Chargeable £'000</b>	<b>Non Chargeable £'000</b>	<b>2004/05 Total £'000</b>	<b>2003/04 Total £'000</b>
Employee Expenses	160	130	<b>290</b>	<b>237</b>
Transport	7	6	<b>13</b>	<b>14</b>
Supplies and Services	5	5	<b>10</b>	<b>15</b>
Agency	14	0	<b>14</b>	<b>20</b>
Support	48	40	<b>88</b>	<b>176</b>
Recharges				<b>(27)</b>
<b>Total Expenditure</b>	<b>234</b>	<b>181</b>	<b>415</b>	<b>435</b>
Income				
Building Regulations	(356)	0	<b>(356)</b>	<b>(270)</b>
<b>Total Income</b>	<b>(356)</b>	<b>0</b>	<b>(356)</b>	<b>(270)</b>
<b>(Surplus)/Deficit</b>	<b>(122)</b>	<b>181</b>	<b>59</b>	<b>165</b>

## **16. PRIVATE FINANCE INITIATIVE (PFI)**

On 30<sup>th</sup> March 2004, the Council contracted with Bouygues (UK Ltd) to provide secondary school and community facilities for the Jo Richardson Community School at Castle Green Park and refurbishment works and services at Eastbury Comprehensive School under a Private Finance Initiative (PFI). The schools have phased openings commencing in September 2005 and will provide, when fully complete, the necessary suitable places to cater for steadily increasing pupil numbers in the borough.

Under the terms of the PFI, the design and build of the school facilities and their subsequent maintenance are the responsibility, and risk, of the PFI provider. These assets will then transfer to the Council at nil cost at the end of the contract. Any differences between the residual value and the fair value of the asset will be accounted for in future years.

As a result of the treatment of the assets, there is no obligation on the Council to provide credit cover for the construction of the schools.

The Council has classified this PFI scheme as “off balance sheet”, and payments to contractors will be treated as revenue expenditure.

Under the PFI contract the Council pays an agreed charge for the services provided by the PFI contractor. This charge is made monthly and commences in April 2004 since services, specified in the contract, to Eastbury Comprehensive School began in that month. This charge will be included in the Council’s revenue budget and outturn figures. At the time the contract was signed the total estimated contract payments were £157.7 million over the 25 year contract period.

The Government has agreed to provide grant to support the PFI scheme. This Revenue Support Grant is based on a formula related to the Capital Expenditure in the scheme: this is called the notional credit approval, and amounts to £39.76 million of notional credits. This approval triggers the payment of a Revenue Support Grant over the life of the scheme of 25 years. This grant amounts to £72.835 million over that period.

## HOUSING REVENUE ACCOUNT

<u>2003/2004</u>			Notes	<u>2004/2005</u>	
<u>£'000</u>	<u>£'000</u>			<u>£'000</u>	<u>£'000</u>
		<b>INCOME</b>			
62,925		Rents of Dwellings		63,453	
2,227		Non Dwelling Rents		2,329	
2,387		Other Charges		3,174	
26,300		Government Subsidy	6	0	
	<b>93,839</b>	<b>TOTAL INCOME</b>			<b>68,956</b>
		<b>EXPENDITURE</b>			
		Supervision & Management -			
		• General		14,511	
12,924		• Special		6,534	
6,161					
19,085				21,045	
18,261		Repairs & Maintenance	11	18,551	
15,512		Depreciation –MRA	10	23,256	
504		Depreciation Other HRA Assets	10	485	
1,109		Rents, Rates and Other Charges		1,357	
16,090		Capital Charge	11	40,524	
3,691		Agency Payments	6	7,406	
36,447		Housing Benefits		5,130	
		Provision for Bad Debts		700	
	<b>110,699</b>	<b>TOTAL EXPENDITURE</b>			<b>118,454</b>
	<b>16,860</b>	<b>NET COST OF SERVICE</b>			<b>49,498</b>
	(16,090)	Capital Charges	11		(40,524)
	-	Reversal of depreciation above MRA	5		(8,853)
	(1,850)	Interest receivable			(1,826)
	(1,080)	<b>NET OPERATING EXPENDITURE</b>			<b>(1,705)</b>
		<b>Appropriations</b>			
	3,177	Revenue Contributions to Capital	8		1,000
	(504)	Contribution from Major Repairs Reserve	5		(485)
	<b>1,593</b>	<b>TOTAL: DEFICIT/(SURPLUS) FOR THE YEAR</b>			<b>(1,190)</b>
	<b>(3,577)</b>	<b>Working Balance B/F</b>			<b>(1,984)</b>
	<b>(1,984)</b>	<b>Working balance C/F</b>			<b>(3,174)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. COUNCIL HOUSING STOCK

	Houses	Flats	31 <sup>st</sup> March 2005 Total	31 <sup>st</sup> March 2004 Total
One Bedroom	262	5,053	5,315	5,487
Two Bedroom	5,294	3,284	8,578	8,784
Three Bedroom	4,347	2,064	6,411	6,552
More than Three Bedrooms	152	20	172	178
<b>Total</b>	<b>10,055</b>	<b>10,421</b>	<b>20,476</b>	<b>21,001</b>

During the year 431 properties were sold under the Right to Buy legislation, a further 94 properties were demolished. The above figures exclude the hostel at Thompson Road, which provides 7 units and the Council's proportion of shared ownership properties.

### 2. VACANT DWELLINGS

The vacant possession value of dwellings at 31<sup>st</sup> March 2005 was £2.448m (31<sup>st</sup> March 2004 £965m). The vacant possession value, when added to the balance sheet value of dwellings gives the economic cost of providing council housing at less than open market rents.

### 3. RENT ARREARS

	31 <sup>st</sup> March 2004 £'000	31 <sup>st</sup> March 2005 £'000
Current Tenants	2,375	2,535
Past Tenants	581	992
<b>Total Housing Tenants</b>	<b>2,956</b>	<b>3,527</b>
Commercial Rents	778	2,314
<b>Total Rent Arrears</b>	<b>3,734</b>	<b>5,841</b>
<b>Provision For Bad Debts</b>	<b>2,100</b>	<b>2,800</b>

These arrears exclude rates collected on behalf of Essex & Suffolk Water.

### 4. ASSET VALUATIONS

<u>Fixed Assets (HRA)</u>	<u>31st March 2004</u> £'000	<u>31st March 2005</u> £'000
Council Dwellings	483,763	1,139,523
Other Land And Buildings	5,749	8,944
Fixed Assets Non –Operational	13,156	24,537
<b>TOTAL ASSET VALUATIONS</b>	<b>502,668</b>	<b>1,173,004</b>

## 5. MAJOR REPAIRS RESERVE (MRR)

The major repairs allowance account is as follows:

	<u>2003-04</u> £'000	<u>2004-05</u> £'000
Opening Balance 1 <sup>st</sup> April	10,015	10,735
Contributions During Year	16,016	23,746
Expenditure Incurred During Year	(14,792)	(23,539)
Contribution towards depreciation charge	(504)	(9,338)
Closing Balance 31 <sup>st</sup> March	10,735	1,604

## 6. HOUSING SUBSIDY

The subsidy paid by Central Government into the HRA for 2004/05 can be broken down as follows:

<u>2003-2004</u>			<u>2004-2005</u>	
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
30,796		Rent Rebates	0	
37,581		Notional Management and Maintenance	37,272	
15,512		Major Repairs Allowance	14,403	
	83,889	Notional Rent	(58,040)	51,675
(56,348)		Interest On Credit Ceiling	(1,041)	
(1,241)				(59,081)
	(57,589)	Subsidy Entitlement / Payment to ODPM		(7,406)
	26,300			

As from the 1<sup>st</sup> April 2004 the Office of the Deputy Prime Minister (ODPM) transferred responsibility for rent rebates from the HRA to the Council's General Fund services.

In terms of the HRA this change has resulted in the need for a payment to be made to the ODPM.

## 7. CAPITAL RECEIPTS GENERATED

The capital receipts generated are as follows:

	<u>2003-04</u> £'000	<u>2004-05</u> £'000
Right to Buy receipts	39,926	31,233
Mortgage principal repayments	1,440	832
Sales of HRA land	3,556	1,548
ODPM pooling of Capital Receipts	-	(5,665)
	44,922	27,948

## 8. SUMMARY OF HRA CAPITAL EXPENDITURE

<u>2003-04</u> <u>£'000</u>	<u>Expenditure</u>	<u>2004-05</u> <u>£'000</u>
22,900	Shape UP For Homes	7,383
22,334	Major Repairs Programme	27,668
91	Lift Replacement Programme	0
390	Capitalised Repairs	0
1,070	Disabled Adaptations	726
46,785	<b>Total Capital Expenditure</b>	<b>35,777</b>
	<u>Financed By</u>	
22,421	Usable Capital Receipts	7,631
3,110	Revenue Contributions	1,000
14,792	Major Repairs Reserve	23,539
290	Other contributions	317
6,172	Amounts not yet financed	3,290
46,785	<b>Total</b>	<b>35,777</b>

## 9. HOUSING RENTS

Rents are now calculated in accordance with Central Government's Rent Restructuring policy. The intention is that all Local Authorities and Registered Social Landlords' rents converge by 2012 so that similar properties in similar areas have similar rents. In order to achieve this, formula and transitional rents have been set by ODPM.

For 2004/05, the following were the relevant average rents:

	<u>2003/04</u>	<u>2004/05</u>
	<u>£</u>	<u>£</u>
Formula (target) rent	58.58	60.93
Transitional rent	58.42	60.68
Actual rent	58.42	60.67

This means an average increase of £2.25 was required from 5<sup>th</sup> April 2004.

## 10. DEPRECIATION

<u>2003/2004</u> <u>£'000</u>		<u>2004/2005</u> <u>£'000</u>
15,512	HRA Dwellings	23,256
472	Operational Assets	456
32	Non-operational assets	29
<b>16,016</b>	<b>TOTAL</b>	<b>23,741</b>

The revaluation of Council Dwellings as at the 1<sup>st</sup> April 2004 led to a significant increase in the value of HRA assets, as shown in note 4 to the HRA, and in the consolidated balance sheet. As such, it is not considered that the MRA is a suitable proxy for depreciation for 2004/05. HRA dwellings have been depreciated on a straight line basis over 50 years. In accordance with CIPFA's Statement of Recommended Practice 2004 ("SORP"), this charge has been reversed out after net cost of service, so there is no impact on housing rents.

## 11. OTHER INFORMATION

The notional charge on capital remained at 3.5% for 2004/05.

A partnership arrangement was set up in May 2003 with Thames Accord to run the repairs and maintenance service. The total amount paid to Thames Accord under this arrangement for 2004/05 was £17,982m (£17.2m 2003/04) and this is included with the costs of repairs and maintenance within the HRA (See page 20).

Resource Accounting was introduced from the 1<sup>st</sup> of April 2001 with one of the main objectives being to increase the transparency of the HRA. This is achieved by showing the value of the housing assets and the level of subsidy needed to maintain them. The main accounting changes are the introduction of a capital charge to reflect the cost of capital employed in providing housing assets and an allowance for depreciation.

The charge for depreciation is offset in the accounts by an increase in the subsidy paid by Central Government (Major Repairs Allowance) and an appropriation with the HRA accounts (in accordance with CIPFA's Statement of Recommended Practice 2004) so there is no net impact on housing rents.

Charges for capital and depreciation of other non-HRA assets are included within "the net cost of service" in order to show the true cost of maintaining the housing stock, but are reversed out under net operating costs to ensure these notional costs do not fall on the tenants.

The Housing Revenue Account stock has been revalued as at the 1<sup>st</sup> April 2004, in accordance with the recommendations of ODPM.

These updated values have led to a significant increase in the HRA assets and these new valuations have been consolidated into the Council's balance sheet.



## THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT 2004/2005

2003/2004			NOTES	2004/2005	
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>	
		<b><u>INCOME</u></b>			
40,638		Net Income receivable from Council Tax	2	41,839	
13,257		Transfers from the General Fund:- Council Tax Benefits		15,078	
41,666		Income collectable from Business Ratepayers		41,439	
71		Transfers from General fund:- Discretionary relief		93	
	95,632	<b>TOTAL INCOME</b>			98,449
		<b><u>EXPENDITURE</u></b>			
54,420		Precepts	3	56,672	
41,564		Business Rate:- Payment to National Pool	5	40,855	
301		Costs of Collection		356	
(136)		Bad and Doubtful Debts/Appeals:- Write offs		524	
1,333		Provisions		1,325	
761		Surplus/(Deficit) transferred	4	(1,653)	
	98,243	<b>TOTAL EXPENDITURE</b>			98,079
	(2,611)	<b>(DEFICIT)/SURPLUS</b>			370
	523	<b>Balance at 1st April 2004</b>			(2,088)
	<b>(2,088)</b>	<b>Balance at 31st March 2005</b>			<b>(1,718)</b>

<b>NOTES TO THE COLLECTION FUND ACCOUNT</b>
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**1. GENERAL**

This account reflects the statutory requirement for the Council to maintain a separate Collection Fund. This shows the transactions of the Council in relation to non-domestic rates, council tax and residual community charges and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with other accounts of the Council. Council Tax is shown net of benefits, discounts for prompt payments and transitional relief.

**2. COUNCIL TAX**

The Council levied a Council Tax of £1,110.01 for a Band 'D' property in 2004/2005 comprising:-

	<b>£ p</b>
London Borough of Barking and Dagenham	868.68
Greater London Authority	241.33
	1,110.01

The taxbase used to determine this figure was Band 'D' equivalent properties calculated as follows:-

BAND	NUMBER OF PROPERTIES IN BANDS	BAND 'D' EQUIVALENT PROPERTIES
<b>A</b>	5,824.50	3,882.7
<b>B</b>	8,368.75	6,509.0
<b>C</b>	36,109.00	32,096.9
<b>D</b>	7,071.75	7,071.8
<b>E</b>	1,592.50	1,946.4
<b>F</b>	294.25	425.0
<b>G</b>	42.00	70.0
<b>H</b>	3.50	7.0
	<b>59,306.25</b>	<b>52,008.8</b>

Allowance was made for additions to the list during the year and a non-collection rate of 2.5% which reduced the above figure to 51,055 Band 'D' equivalent properties.

**3. PRECEPTING AUTHORITIES**

The precepts levied on the Collection Fund in 2004/2005 were as follows:-

	<b><u>2003/2004</u></b>	<b><u>2004/2005</u></b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
London Borough of Barking and Dagenham	42,769	44,351
Greater London Authority	11,651	12,321
	<b>54,420</b>	<b>56,672</b>

#### 4. **SURPLUS / DEFICIT TRANSFERRED**

This figure represents the transfer of the estimated deficit on the Council Tax Collection Fund account as at 31<sup>st</sup> March 2005 to the London Borough of Barking and Dagenham's General Fund, and to the Greater London Authority in 2004/2005.

Any surplus or deficit on the Collection Fund is required to taken into account in the Council's future budget setting process.

The table below summarises this position:

	<u>2003/04</u> <u>£'000</u>	<u>2004/05</u> <u>£'000</u>
Surplus/(Deficit)	(2,088)	(1,718)
Provision made in:		
- 2004/05 budget	(1,653)	0
- 2005/06 budget	0	(1,132)
Additional provision to be made in:		
- 2005/06 budget	(435)	
- 2006/07 budget	0	(586)
Total Surplus/(Deficit) to be provided for in future budget setting process	(2,088)	(1,718)

#### 5. **NATIONAL NON DOMESTIC RATES (NNDR)**

Under the arrangements for Uniform Business Rates, the Council collects rates in the Borough based on rateable values which are assessed by the District Valuer, multiplied by a uniform rate in the pound which is set each year by the Government.

The total proceeds, less certain reliefs and allowances are paid into a central pool managed by the Government and these in turn are redistributed to local authorities as a standard amount per head of relevant population.

The Council's contribution to the pool has been calculated as follows:-

	<u>2003/04</u> <u>£'000</u>	<u>2003/04</u> <u>£'000</u>	<u>2004/05</u> <u>£'000</u>	<u>2004/05</u> <u>£'000</u>
Amount due from ratepayers net of transitional, mandatory and empty property reliefs		41,784		41,586
<b>Less</b> Amount of additional discretionary reliefs granted chargeable to pool	(48)		(54)	
<b>Less</b> Cost of Collection Including Interest Provision for Bad Debts and Write-offs	(301) 129	(220)	(356) (321)	(731)
<b>Contribution to Pool</b>		<b>41,564</b>		<b>40,855</b>

The contribution received from the pool in 2004/2005 was £46.7 m and this was credited direct to the Council's General Fund.

<b>The Rateable value at 31<sup>st</sup> March 2005 was</b>	<b>108,587,039</b>
<b>The Uniform rate in the pound (or multiplier) for 2004/2005 was</b>	<b>45.6</b>

# CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2005

2003/2004 (RE-STATED) *				NOTES	2004/05		
£'000	£'000	£'000			£'000	£'000	£'000
483,763			<b>FIXED ASSETS</b>				
299,349			OPERATIONAL ASSETS	1,2,3,5	1,139,523		
7,090			• Council Dwellings		303,034		
39,767			• Other Land and Buildings		7,981		
3,602			• Vehicles, Plant, Furniture & Equipment		44,250		
	833,571		• Infrastructure assets		3,858		
	35,599		• Community assets			1,498,646	
			NON OPERATIONAL ASSETS			65,248	
		<b>869,170</b>	<b>TOTAL FIXED ASSETS</b>				
6,317			• Deferred Charges	2	8,280		
3,327	9,644		• Long Term Debtors	7	2,485	10,765	
		<b>878,814</b>	<b>TOTAL LONG TERM ASSETS</b>			<b>1,574,659</b>	
			<b>CURRENT ASSETS</b>				
372			• Stock	8	388		
40,087			• Debtors	9	49,034		
(7,135)			Less: Provision for Bad Debts		(9,161)		
182,846			• Investments - Short Term	10	187,088		
46	216,216		• Cash at Bank		51	227,400	
		<b>1,095,030</b>	<b>TOTAL ASSETS</b>			<b>1,802,059</b>	
(7,299)			<b>CURRENT LIABILITIES</b>				
(48,587)			• Receipts in Advance	11	(11,758)		
(4,642)			• Creditors	12	(40,111)		
	(60,528)		• Cash Overdrawn		(11,691)		
		<b>1,034,502</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			(63,560)	
		(8,087)	PROVISIONS	13		(8,840)	
		(711)	DEFERRED LIABILITIES	14		(695)	
		(32,015)	GOVERNMENT GRANTS DEFERRED			(44,737)	
		(3,245)	DEFERRED CAPITAL RECEIPTS			(2,413)	
		(60,490)	PENSIONS LIABILITY	20		(117,978)	
		<b>929,954</b>	<b>NET ASSETS</b>			<b>1,563,836</b>	
		537,086	<b>REPRESENTED BY:</b>				
		286,194	<b>FIXED ASSET RESTATEMENT ACCOUNT</b>			1,197,346	
		105,608	<b>CAPITAL FINANCING ACCOUNT</b>			321,275	
		61,556	<b>USABLE CAPITAL RECEIPTS RESERVE</b>			105,988	
		(60,490)	<b>FINANCIAL &amp; SPECIFIC RESERVES</b>			57,205	
		<b>929,954</b>	<b>PENSIONS RESERVE</b>	20		(117,978)	
						<b>1,563,836</b>	

**\* Note to the Consolidated Balance Sheet**

The 2003/04 Consolidated Balance Sheet has been re-stated to reflect the need to show the Capital Contribution to the Eastbury Comprehensive and Jo Richardson school PFI scheme as a Deferred charge as opposed to a long term debtor. (See Note 2)

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 1. INFORMATION ON ASSETS HELD

Fixed Assets owned by the Council include the following:-	Number as at 31 <sup>st</sup> March 2004	Number as at 31 <sup>st</sup> March 2005
<b>Council Dwellings</b>	21,001	20,476
<b>Operational Buildings</b>		
• Youth Service	8	8
• Conveniences	9	8
• Community Halls	19	18
• Registrars	1	1
• Office Buildings	11	16
• School Sites	45	45
• Libraries	11	10
• Sports and Other Leisure Centres	14	14
• Residential Homes and Day Centres	23	26
• Museums and Galleries	2	2
• Depots and Workshops	8	5
• Cemeteries	3	3
<b>Operational Equipment</b>		
• Vehicles	105	36
• Plant	547	510
<b>Infrastructure Assets</b>		
• Highways (kilometres)	318	322
<b>Community Assets</b>		
• Parks and Open Spaces (hectares)	445	487
• Allotments	16	9
<b>Investment Properties</b>		
• Strategic Land Holdings	35	19

### 2. DEFERRED CHARGES

Balance 1/4/2004	<b>£'000</b> 503
Private Finance Initiative (PFI) adjustment (Re-stated from Long term Debtors– See Page 28)	5,814
	6,317
Additional capital contribution to PFI	2,149
Other Expenditure	1,888
Amounts funded by Government Grants	(866)
Amounts funded by Capital Receipts	(1,208)
<b>Total Deferred Charges 31/3/2005</b>	<b>8,280</b>

Expenditure on deferred charges comprises revenue expenditure which qualifies as capital for control purposes, but does not result in the creation of a fixed asset. Such items include improvement grants and non-repayable loans to housing associations. Deferred charges also include an advance in respect of the PFI for Eastbury Comprehensive School and the Jo Richardson School. See note 22 for details.

### 3. **CAPITAL EXPENDITURE AND FINANCING**

Capital Programme expenditure for 2004/2005 (including deferred charges and PFI contributions) amounted to £75.1m (£89.27m in 2003/2004).

	2003/2004	2004/05
	<u>£'000</u>	<u>£'000</u>
Direct Revenue Financing/Major Repairs Reserve	19,118	25,274
Capital Receipts – Usable	18,535	44,762
Capital Receipts – Set Aside	26,149	0
Government Grants	11,788	15,963
Other Contributions	290	317
Amounts Financed For Previous Years	(6,092)	(19,483)
Amounts Not yet Financed	19,483	8,279
	89,271	75,112

Amounts not yet financed in the capital programme refer to capital creditors as at the balance sheet date.

### 4. **CAPITAL COMMITMENTS**

Significant contractual commitments for future capital expenditure in the Council's approved programme at the 31st March 2005 were:-

<b><u>SCHEME</u></b>	<b><u>£'000</u></b>
HRA Adaptations	635
Shape Up for Homes Programme	1,142
Housing Major Capital Works:	
– Low rise enveloping	967
– High rise enveloping	630
– Sheltered (Kilsby Walk)	1,192
– Internal Works	8,742
– Roofing	4,524
– Central Heating	3,285
– Rewiring	1,046
– Improving empty properties	2,869
– Lifts	1,719
– Asbestos removal	2,497
– Water mains work	1,344
– Security works	3,985
– Housing street lighting	797
– Entry phones	860
– Contingencies	878
– Management and maintenance	3,566
– Asset Management	322
Private sector housing	318
Non – HRA Private Sector Disabled Facilities Grants	559
Barking Lifelong Learning Centre	6,446
Sydney Russell School	494
Roding & St Teresa School	585
Grays Court Home and Day care Centre	680
Gascoigne Adult Training Centre	1,684
Castle Green Wheel Park	256
Land Disposal Programme	229

## 5. MOVEMENT OF FIXED ASSETS 2004/2005

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infra-structure Assets	Community Assets	Investment properties	Work in progress	Total
	£'000	£'000	£'000	£'000	£'000	£'000		£'000
<b>Gross Book Value at 1<sup>st</sup> April 2004</b>	540,595	324,279	14,928	45,205	3,731	27,469	8,130	964,337
<b>Additions (See Note 1)</b>	28,407	18,370	2,997	6,701	2,437	0	12,162	71,074
<b>Disposals</b>	(13,515)	(1,683)	(1,228)	0	0	(2,971)	0	(19,397)
<b>Reclassifications</b>	0	6,565	0	0	(575)	624	(6,614)	0
<b>Revaluations (See Note 2)</b>	607,292	(35,383)	0	0	(1,575)	26,760	(312)	596,782
<b>Gross Book Value as at 31<sup>st</sup> March 2005</b>	1,162,779	312,148	16,697	51,906	4,018	51,882	13,366	1,612,796
<b>DEPRECIATION</b>								
<b>Balance at 1<sup>st</sup> April 2004</b>	(56,832)	(24,930)	(7,838)	(5,438)	(129)	0	0	(95,167)
<b>Depreciation for Year</b>	(23,256)	(9,114)	(1,993)	(2,218)	(31)	0	0	(36,612)
<b>Reclassifications</b>	1,421	181	1,115	0	0	0	0	2,717
<b>Disposals</b>	55,411	24,749	0	0	0	0	0	80,160
<b>Revaluations (See Note 2)</b>	(23,256)	(9,114)	(8,716)	(7,656)	(160)	0	0	(48,902)
<b>Balance as at 31<sup>st</sup> March 2005</b>	483,763	299,349	7,090	39,767	3,602	27,469	8,130	869,170
<b>Net Book Value as at 1<sup>st</sup> April 2004</b>	1,139,523	303,034	7,981	44,250	3,858	51,882	13,366	1,563,894
<b>Net Book Value as at 31<sup>st</sup> March 2005</b>								

Note 1: Additions to Fixed Assets exclude deferred charges of £1.888m which have been written-off during 2004/05 and PFI contributions of £2.149m. Additions to Fixed Assets, deferred charges, and PFI contributions represent total capital expenditure for 2004/05 as shown in note 3 (page 30)

Note 2: The Council's fixed assets have been revalued during the year.

## 6. REVALUATION OF FIXED ASSETS

A full revaluation of the Council's property assets was carried out as at the 1<sup>st</sup> April 2004 by the District Valuer.

These updated property values have been shown in the Statement of Accounts, and account for the significant increase in the value of fixed assets, which have increased in value from £869m as at the 31<sup>st</sup> March 2004, to £1,564m as at the 31<sup>st</sup> March 2005. The increase in value of Council Dwellings accounts for the majority of this movement.

## 7. LONG TERM DEBTORS

### • **Deferred Capital Receipts:-**

These are in respect of mortgages granted to former tenants who have purchased their dwellings from the Council.

	<u>2003/2004</u> <u>£'000</u>	<u>2004/2005</u> <u>£'000</u>
Mortgages Outstanding 1st April	4,323	3,245
Principal Repayments During Year	(1,078)	(832)
New Advances during Year	0	0
<b>Mortgages Outstanding 31st March</b>	<b>3,245</b>	<b>2,413</b>

### • **Other Mortgage Advances:-**

Mortgages advanced for the purchase of Private Dwellings

	<u>2003/2004</u> <u>£'000</u>	<u>2004/2005</u> <u>£'000</u>
Mortgages Outstanding 1st April	98	82
Principal Repayments During Year	(16)	(10)
New Advances during Year	0	0
<b>Mortgages Outstanding 31st March</b>	<b>82</b>	<b>72</b>

<b>TOTAL LONG TERM DEBTORS</b>	<b>3,327</b>	<b>2,485</b>
--------------------------------	--------------	--------------

## 8. STOCK

	<u>2003/2004</u> <u>£'000</u>	<u>2004/2005</u> <u>£'000</u>
General supplies	183	215
Fuel	35	41
Grounds maintenance	56	27
Leisure centre stores	21	26
School meals stores	58	57
Stationary	19	22
<b>TOTAL</b>	<b>372</b>	<b>388</b>



**9. DEBTORS**

	<u>2003/2004</u>	<u>2004/2005</u>
	<u>£'000</u>	<u>£'000</u>
Debtors	40,087	49,034
Less Bad Debt Provision	(7,135)	(9,161)
	<b>32,952</b>	<b>39,873</b>

	<u>2003/2004</u>	<u>2004/2005</u>
	<u>£'000</u>	<u>£'000</u>
<b>Analysis:</b>		
• Government Departments	8,134	15,130
• Other Local Authorities & organisations	1,704	3,408
• Council Tax Payers	2,732	2,722
• Housing Rents	3,345	3,882
• Employee Loans	726	538
• Prepayments	1,117	1,332
• Other	15,194	12,861
<b>TOTAL</b>	<b>32,952</b>	<b>39,873</b>

**10. SHORT-TERM INVESTMENTS**

The Council has total investments of £187.1 m at 31<sup>st</sup> March 2005 of which £108.9 m is managed by two external Fund Managers. The remaining funds are managed in-house.

The funds are in respect of capital receipts from Council House Sales together with reserves and cash balances and are managed with a view to maximising the return on investment within defined policy guidelines limiting risk. All investments are in Money Market Instruments.

The Council does not have investments in any related companies.

**11. RECEIPTS IN ADVANCE**

	<u>2003/2004</u>	<u>2004/2005</u>
	<u>£'000</u>	<u>£'000</u>
NNDR	173	970
Council Tax	612	756
Section 106 Planning Agreements	1,796	3,783
Other	4,718	6,249
	<b>7,299</b>	<b>11,758</b>

**12. CREDITORS**

	<b><u>2003/2004</u></b> <b><u>£'000</u></b>	<b><u>2004/2005</u></b> <b><u>£'000</u></b>
Government Departments	14,266	16,588
Other Local Authorities	2,522	1,024
Housing Rents	730	757
Capital	19,483	8,279
Other	11,586	13,463
<b>TOTAL</b>	<b>48,587</b>	<b>40,111</b>

**13. PROVISIONS**

	<b><u>2003/2004</u></b> <b><u>£'000</u></b>	<b><u>2004/2005</u></b> <b><u>£'000</u></b>
Balance brought forward	5,044	8,087
Claims made	(1,904)	(2,854)
Contributions to (from) Provisions	4,947	3,607
Balance carried forward	<b>8,087</b>	<b>8,840</b>

This provision relates to outstanding self insurance claims as determined by the Council's insurer. Owing to the nature of these insurance claims the expected timing of transfers of economic benefits cannot be determined.

**14. DEFERRED LIABILITIES**

Deferred liabilities of £0.695m (£0.711m 2003/04) relate to leaseholder contributions to capital works.

**15. LONG TERM BORROWING**

The Council no longer has any long term borrowing, having decided to repay all such borrowing during 1992/93 by using set aside capital receipts specifically intended for this purpose.

**16. NET ASSETS EMPLOYED**

Net assets employed are analysed as follows:-

	<b><u>2003/2004</u></b> <b><u>£000</u></b>	<b><u>2004/2005</u></b> <b><u>£000</u></b>
General Fund & HRA	932,042	1,565,554
Collection Fund	(2,088)	(1,718)
	<b>929,954</b>	<b>1,563,836</b>

## 17. TRUST FUNDS

The Council acts as trustee for eleven small trust funds. These funds provide education prizes and assistance to needy local residents. These balances do not form part of the Authority's consolidated balance sheet.

	<u>2003/2004</u>	<u>2004/2005</u>
	<u>£000</u>	<u>£000</u>
Trust Fund balances at 1st April	86	89
Payments from funds during year	0	0
Income received by funds in the year (including new funds)	3	4
<b>Balance at 31st March</b>	<b>89</b>	<b>93</b>

## 18. OTHER MATTERS

In 2003/04, the Council encountered reconciliation problems between some of its financial systems. As at 31<sup>st</sup> March 2004, a contingent asset was disclosed in the Statement of Accounts, as the Council may have been required to increase the value of its outstanding debtors.

As a result of action taken throughout 2004/05, the majority of these reconciliation problems have been solved. No further reconciliation errors have arisen since October 2004. The results of action taken have indicated that no further income should be recognised in the revenue accounts, and that the differences have occurred as a result of discrepancies within debtor accounts. The remaining balance will be reviewed during 2005/06, and any final adjustment required would need to be recognised in the Consolidated Revenue Account in 2005/06.

For certain capital schemes, the Council may be liable for further payments under the terms of the contract as a result of contractors' claims which are under negotiation. The precise amount is not quantifiable.

## 19. RESERVES AND BALANCES HELD BY SCHOOLS UNDER DELEGATED SCHEMES

	<u>2003/2004</u>		<u>2004/2005</u>	
	<u>No of Schools</u>	<u>£'000</u>	<u>No of Schools</u>	<u>£'000</u>
Schools in Surplus	39	3,213	42	3,466
Schools in Deficit	20	(2,426)	17	(1,088)
<b>TOTAL</b>	<b>59</b>	<b>787</b>	<b>59</b>	<b>2,378</b>

The Council's 'Scheme for Financing Schools' requires that schools carrying forward deficit balances must plan to recover the deficit from the following year's budget.

Where this is not practicably possible, schools may apply to the Council for permission to set a licensed deficit budget under the terms of the scheme, which if approved, allows schools to plan to eliminate the deficit over a longer period up to a maximum of 5 years. The Government have allocated Transitional Support Grant to support schools in deficit which commenced in 2004/05. The Transitional Support Grant paid to the Council in 2004/05 was £1.5m.

## 20. PENSIONS LIABILITY

The Council operates a defined benefits pension scheme. The underlying liability for retirement benefits attributable to the Council at 31 March 2005 is:

LGPS Pension Fund	<u>2002/2003</u>	<u>2003/2004</u>	<u>2004/2005</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Estimated assets in scheme	242,500	298,529	306,089
Estimated liabilities in scheme	336,100	359,019	424,067
Net asset / (liability)	(93,600)	(60,490)	(117,978)

The liability shows the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £118m has a 7.5% impact on the net worth of the Council as recorded in the balance sheet.

The deficit represents the full impact of future liability and asset assumptions discounted as at 31<sup>st</sup> March 2005. As the LGPS is a statutory scheme, the funding position is kept under review and any deficit will be met by local taxpayers over a period of time

Liabilities have been assessed on an actuarial basis using the projected unit method, which is an estimate of the pensions that will be payable in future years dependant upon assumptions about mortality rates, salary levels etc.

The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, and are based on the latest full valuation of the scheme at 31<sup>st</sup> March 2004, updated for 2004/05. The main assumptions used for the purposes of FRS 17 are as follows:

	<u>31 March '03</u>	<u>31 March '04</u>	<u>31 March '05</u>
<u>Liability increases:</u>			
Discount rate	6.1% pa	6.5% pa	5.4% pa
Rate of increase in salaries	4.5% pa	4.9% pa	4.4% pa
Rate of increase in pensions	2.5% pa	2.9% pa	2.9% pa
Rate of inflation	2.5% pa	2.9% pa	2.9% pa

	<u>31 March '03</u>	<u>31 March '04</u>	<u>31 March '05</u>
<u>Long-term expected rates of return on:</u>			
Equities	8.0% pa	7.7% pa	7.7% pa
Bonds	4.8% pa	5.1% pa	4.8% pa
Property	6.0% pa	6.5% pa	5.7% pa
Other assets	4.0% pa	4.0% pa	4.8% pa
Average long term expected rate of return	7.3% pa	7.0% pa	6.8% pa

## PENSIONS LIABILITY (Continued)

Assets are valued at fair value, principally market value for investments, and comprise:

	<u>31 March '03</u>	<u>31 March '04</u>	<u>31 March '05</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Equities	186,053	214,664	198,800
Bonds	34,561	53,067	64,800
Property	16,906	19,362	33,200
Other	4,980	11,436	9,289
Total	242,500	298,529	306,089

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole at 31 March 2005, 31 March 2004 and 31 March 2003.

### **Analysis of Total Recognised Gains and Losses:**

	<u>31 March '04</u>	<u>31 March '05</u>
	<u>£'000</u>	<u>£'000</u>
Actual return less expected return on pension scheme assets	41,143	9,528
Experience gains and losses arising on the scheme liabilities	(549 )	(4,855)
Changes in financial assumptions underlying the present value of the scheme liabilities	-	(57,813)
<b>Actuarial Gain / (Loss) in Pension Plan</b>	<b>40,594</b>	<b>(53,140)</b>
Increase / (Decrease) in irrecoverable surplus from membership fall and other factors	-	-
<b>Actuarial Gain / Loss in STRGL</b>	<b>40,594</b>	<b>(53,140)</b>

In 2004/05 there was a significant change in the financial assumptions underlying the present value of the scheme liabilities.

The schemes liabilities represent the future pension payments already promised to be paid to any member of the scheme – this includes current pensioners, deferred pensioners and those members currently paying contributions into the fund and accruing additional pension. In valuing the schemes liabilities the actuary makes various assumptions about future financial experience – principally investment return, salary growth and inflation.

In 2003/04 the actuary was required to use a financial assumption on valuing liabilities that was prescribed by the Government's Actuary's department and which was based on a fixed discount rate of 6.5%.

In 2004/05 this discount rate changed and consequently all employers were required to use a discount rate equal to the yield available on long dated, high quality corporate bonds. For 2004/05 this rate was 5.4%.

The result of this change in discount rates has resulted in a significant increase in the value of past service liabilities.

## PENSIONS LIABILITY (Continued)

### Movement in Surplus / Deficit in the Year:

	<u>31 March '04</u>	<u>31 March'05</u>
	<u>£'000</u>	<u>£'000</u>
<b>(Deficit) at beginning of year</b>	<b>(93,600)</b>	<b>(60,490)</b>
Current service cost	(9,879)	(13,019)
Employer contributions	6,070	6,841
Contributions in respect of unfunded benefits	1,478	1,416
Other income	-	-
Other outgo (e.g. expenses)	-	-
Past service costs	(422)	(35)
Impact of settlements and curtailments	(1,831)	(582)
Net return on assets	(2,900)	1,031
Actuarial gains / (losses)	40,594	(53,140)
<b>(Deficit)/ Surplus at End of the Year</b>	<b>(60,490)</b>	<b>(117,978)</b>

### History of Experience Gains and Losses:

	<u>31 March '04</u>	<u>31 March'05</u>
	<u>£'000</u>	<u>£'000</u>
Difference between the expected and actual return on assets	41,143	9,528
Value of assets	298,529	306,089
<b>Percentage of Assets</b>	<b>13.8%</b>	<b>3.1%</b>
Experience gains / (losses) on liabilities	(549)	(4,855)
Total present value of liabilities	359,019	424,067
<b>Percentage of the Total Present Value of Liabilities</b>	<b>(0.2%)</b>	<b>(1.1%)</b>
Net Actuarial gains / (losses) recognised in STRGL	40,594	(53,140)
Total present value of liabilities	359,019	424,067
<b>Percentage of the Total Present Value of Liabilities</b>	<b>11.3%</b>	<b>(12.5%)</b>

## 21. EURO COSTS

The Accounting Code of Practice requires the Council to disclose action taken with regard to the single European Currency. Work undertaken on preparation for the euro is at an early stage and therefore costs are at minimal levels. Until a decision is made as to whether the UK should adopt the euro, the expenditure on euro activities will be absorbed within existing budgetary provision. Work will not commence on areas of compliance until there is a firm decision that the UK will join the Euro.

## 22. PRIVATE FINANCE INITIATIVE

The Council has entered into a PFI scheme that is off balance sheet (see Consolidated Revenue Account note 16). A capital contribution of £8m has been made which will reduce the annual unitary charge payable, and will therefore be released over the life of the contract. This has been treated as a deferred charge, and will be written down over the life of the scheme.

## 23. FINANCE AND OPERATING LEASES

The Council has a number of operating leasing agreements in respect of vehicles, plant and equipment.

In 2004/05 payments of £2.245m (2003/04 £2.960m) were made in respect of operating leases for vehicles and plant.

At 31<sup>st</sup> March 2005, the future liability under existing operating leases amounted to £7.063m as detailed below:

	<u>2005/06</u> <u>£'000</u>	<u>2006/07</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>	<u>2008/09</u> <u>£'000</u>	<u>2009/10 and</u> <u>beyond</u> <u>(£'000)</u>
Future rental Liabilities under operating leases	2,305	1,907	1,065	1,040	746

## 24. SPECIFIC REVENUE RESERVES

<u>General Fund Reserves</u>	<u>Opening</u> <u>balance</u> <u>2004/05</u> <u>£'000</u>	<u>Transfers</u> <u>In</u> <u>£'000</u>	<u>Transfers</u> <u>Out</u> <u>£'000</u>	<u>Closing</u> <u>balance</u> <u>2004/05</u> <u>£'000</u>
Repairs & Renewal Reserves	2,510	60	260	2,310
Spend To Save Reserve	4,000	0	0	4,000
Service Reconfiguration Reserve	4,000	0	1,115	2,885
Collection Fund Equalisation Reserve	1,305	0	1,305	0
Interest Equalisation Reserve	300	0	0	300
Barking Adult College Reserve	763	0	404	359
Insurance Fund Reserve	8,538	0	403	8,135
Capital and Revenue Support Fund Reserve	10,000	0	0	10,000
<b>Total</b>	<b>31,416</b>	<b>60</b>	<b>3,487</b>	<b>27,989</b>

<u>HRA Reserves</u>	<u>Opening</u> <u>balance</u> <u>2004/05</u> <u>£'000</u>	<u>Transfers</u> <u>In</u> <u>£'000</u>	<u>Transfers</u> <u>Out</u> <u>£'000</u>	<u>Closing</u> <u>balance</u> <u>2004/05</u> <u>£'000</u>
Major Repairs Reserves	10,735	23,746	32,877	1,604
Leasehold Repairs Reserve	3,076	419	1	3,494
Insurance Fund Reserve	445	0	404	41
<b>Total</b>	<b>14,256</b>	<b>24,165</b>	<b>33,282</b>	<b>5,139</b>

# STATEMENT OF TOTAL MOVEMENTS IN RESERVES 2004/2005

	CAPITAL RESERVES				REVENUE RESERVES						TOTAL £'000
	Fixed Asset Re-statement Reserve £'000	Capital Financing Reserve £'000	Usable Capital Receipts £'000	General Fund £'000	Specific Reserves General Fund £'000	HRA Working Balance £'000	Specific Reserve HRA £'000	Pensions Reserve £'000	Collection Fund £'000	LMS £'000	
<b>Notes</b>											
Balance as at 1.4.2004	(537,086)	(286,194)	(105,608)	(15,201)	(31,416)	(1,984)	(14,256)	60,490	2,088	1	(929,954)
Net (Surplus)/Deficit for year				(5,042)	3,427	(1,190)	9,117	57,488	(370)	(787)	4,351
Movement in Reserve	(676,940)									(1,591)	57,488
Unrealised (Gains)/Losses on Revaluation of Fixed Assets	16,680										(676,940)
Effects of Disposals of Fixed Assets:											16,680
Cost or Value of Assets Disposed											
Proceeds of Disposals			(50,807)								
Capital Financing:											
From Consolidated Revenue A/c		(608)									(608)
From Housing Revenue Account		(24,856)									(24,856)
From Usable Capital Receipts		(44,762)	44,762								0
Depreciation		36,612	5,665								36,612
Amounts payable to the Housing Capital Receipts Pool											5,665
Adjustment assets not adding value											
Writing down Deferred Liability		(1,467)									(1,467)
Writing off Government Grants											
<b>Balance as at 31.3.2005</b>	<b>(1,197,346)</b>	<b>(321,275)</b>	<b>(105,988)</b>	<b>(20,243)</b>	<b>(27,989)</b>	<b>(3,174)</b>	<b>(5,139)</b>	<b>117,978</b>	<b>1,718</b>	<b>(2,378)</b>	<b>(1,563,836)</b>

**Notes**

1 - Schools balances represent sums delegated to Schools in accordance with the Education Reform Act 1988 which had not been spent at 31<sup>st</sup> March 2005

2 - The actuarial gains identified as movements on the Pension Reserve in 2004/05 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets and liabilities at 31st March 2005:

	2002/03		2003/04		2004/05	
	£,000	%	£,000	%	£,000	%
Differences between the expected and actual return on Assets	(91,000)	(37.5)	41,143	13.8	9,528	3.1
Experience Gains and Losses arising on the scheme	(1,000)	(0.4)	(549)	(0.2)	(4,855)	(1.1)
Changes in Financial assumptions used to estimate Liabilities	0	-	0	-	(57,813)	(19.9)
	(92,000)		40,594		(53,140)	



**PURPOSE OF RESERVES**

<b>RESERVE</b>	<b>PURPOSE</b>	<b>USAGE</b>	<b>BASIS OF TRANSACTIONS</b>
<b>CAPITAL</b> <b>Fixed Asset Restatement</b>	Represents changes in the valuation of fixed assets between the time they are purchased and the latest valuation.	Cannot be used in any way to finance revenue or capital expenditure.	Transactions are based on latest valuations and disposals.
<b>Capital Financing</b>	To account for the cost of capital financing.	Cannot be used in any way to finance revenue or capital expenditure.	Transactions are based on amounts set aside to finance capital expenditure and depreciation of existing fixed assets. Largely replaces Capital.
<b>Usable and Set-aside Capital Receipts</b>	To meet the cost of capital expenditure for the current and future financial years.	To finance Capital Programme.	Part of year end capital financing.
<b>REVENUE (SPECIFIC)</b> <b>General Reserve</b>	To meet the cost of unexpected variations on the Council's spending plans that cannot be accommodated within the overall approved budget.	To finance Revenue or Capital Programme.	Part of year end capital or revenue financing.
<b>Capital &amp; Revenue Reserve</b>	To provide cover for planned Capital Expenditure should anticipated Capital Receipts fail to arise.	To Finance Capital Expenditure.	Part of year end Capital Financing.
<b>Repairs and Renewals</b>	To meet the cost of replacement of specific assets at the end of their useful life.	To finance purchase of new assets	Part of year end capital financing.
<b>Spend to Save Activities &amp; Service Reconfigurations</b>	To meet the cost of changes in future service provision or spend to save initiatives.	To finance Revenue or Capital expenditure.	Part of revenue financing.
<b>Interest Equalisation Reserve</b>	To smooth changes in interest rates on the recurring revenue budget	To finance Revenue expenditure.	Part of year end capital or revenue financing.
<b>Collection Fund Equalisation Reserve</b>	To contribute to off setting the cost of any deficit in the Council's Collection Fund.	To finance Revenue expenditure.	Part of year end revenue financing.
<b>Insurance</b>	To provide a contingency sum to finance potential unquantified insurance losses.	As and when appropriate.	By transfer to Provisions when value of loss is established.
<b>PENSION RESERVE</b>	The present value, based on actuarial assumptions, of pension scheme assets less liabilities. The reserve identifies the current estimated surplus/deficit of the pension scheme	Cannot be used in any way to finance revenue or capital expenditure although employer contributions may be reduced as a result of an estimated surplus in the pension scheme	The reserve is increased or decreased annually following the actuarial valuation of the pension scheme.
<b>REVENUE (OTHER)</b> <b>Fund Balances (General, Housing, Collection Fund)</b>	Accumulated balances.	Consideration is given to the availability of balances in overall financing options for each year.	Part of overall revenue funding
<b>LMS</b>	Accumulated balances on Local Management of Schools in accordance with Education Reform Act 1988.	At discretion of Schools' Governing Bodies.	As part of normal revenue transactions of individual schools.

## CASH FLOW STATEMENT

	2003/2004	2004/2005
<b><u>REVENUE ACTIVITIES</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>
<b><u>Expenditure</u></b>		
• Cash paid to and on behalf of employees	181,268	198,654
• Other Operating Costs	143,307	136,410
• Housing Benefit Paid Out	19,084	25,659
• Non Domestic Rate Payments To National Pool	40,122	42,748
• Precepts Paid To Other Authorities	11,651	12,321
<b>Total Expenditure (A)</b>	<b>395,432</b>	<b>415,792</b>
<b><u>Income</u></b>		
• Council Tax Income (Net of Rebates)	(40,324)	(41,847)
• Non-Domestic Rates Received from National Pool	(49,685)	(46,735)
• Revenue Support Grant	(113,692)	(130,386)
• Other Government Grants	(106,867)	(65,380)
• Rents (Net of Rebates)	(27,355)	(25,500)
• DWP Grants for Rebates	(32,228)	(75,471)
• Cash Received for Goods and Services	(20,650)	(26,519)
<b>Total Income (B)</b>	<b>(390,801)</b>	<b>(411,838)</b>
<b>Revenue Activities Net Cash Flow (A less B)</b>	<b>4,631</b>	<b>3,954</b>
<b><u>RETURNS ON INVESTMENTS</u></b>		
<b><u>Income</u></b>		
• Interest Received	(5,652)	(8,591)
<b>Returns on investments Net Cash Flow (C)</b>	<b>(5,652)</b>	<b>(8,591)</b>
<b><u>CAPITAL ACTIVITIES</u></b>		
<b><u>Expenditure</u></b>		
• Purchase of Fixed Assets	72,768	79,279
• Deferred Charges	3,111	4,037
• ODPM Pooling Of Capital Receipts	0	4,489
	75,879	87,805
<b><u>Income</u></b>		
• Sale of Fixed Assets	(77,305)	(50,794)
• Capital Grants & Development Grants Received	(25,537)	(29,572)
	(102,842)	(80,366)
<b>Capital Activities Net Cash Flow (D)</b>	<b>(26,963)</b>	<b>7,439</b>
<b>(Increase)/Decrease in Cash Equivalents (A+B+C+D)</b>	<b>(27,984)</b>	<b>2,802</b>

**NOTES TO THE CASH FLOW STATEMENT**

**1. RECONCILIATION OF REVENUE CASH FLOW**

	<b>2003/2004</b>	<b>2004/2005</b>
	<b>£'000</b>	<b>£'000</b>
(Surplus)/Deficit per Consolidated Revenue Account	1,220	(5,042)
(Surplus)/Deficit per Housing Revenue Account	1,593	(1,190)
(Surplus)/Deficit per Collection Fund	2,611	(370)
<b>NET (SURPLUS)/DEFICIT</b>	<b>5,424</b>	<b>(6,602)</b>
Interest	5,652	8,591
<b>Non Cash Transactions:</b>		
Contribution to Provisions	3,043	753
Contribution (to) from Reserves	889	10,953
Contribution to Capital	(4,236)	(1,608)
Variations in Creditors	3,084	(7,187)
Variations in Debtors	(4,408)	6,921
Other Movements	(4,817)	(7,867)
<b>Revenue Activities Net Cash Flow</b>	<b>4,631</b>	<b>3,954</b>

**2. MOVEMENT IN CASH & CASH EQUIVALENTS**

	<b>As at 31/3/2004</b>	<b>As at 31/3/2005</b>	<b>Movement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Temporary Loan Investments	182,846	187,088	(4,242)
Cash at Bank	46	51	(5)
Cash Overdrawn	(4,642)	(11,691)	7,049
<b>Net Cash Outflow/Inflow</b>	<b>178,250</b>	<b>175,448</b>	<b>2,802</b>

### 3. ANALYSIS OF GOVERNMENT GRANTS ETC.

	<b>2003/2004</b>	<b>2004/2005</b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Revenue Support Grant	113,692	130,386
DWP Grants for Rebates:		
• Tenants' Rent Allowance	18,285	21,637
• Tenants Rent Rebates	0	36,735
• Council Tax Benefit Subsidy	12,391	15,171
• Housing Benefit Administration	900	1,118
• Council Tax Benefit Administration	652	810
	32,228	75,471
Other Revenue Grants:		
• Education & Libraries	44,743	33,106
• Housing Revenue Account	26,315	-
• General Purposes	66	855
• Social Services	24,902	20,683
• Housing and Health	482	361
• SRB	10,359	10,375
	106,867	65,380
Capital Grants:		
• Transport For London	2,860	3,860
• Sport England	0	1,191
• Dept of Work and Pensions	0	146
• Barking College	596	901
• Office of the Deputy Prime minister	360	4,688
• Dept. for Education and Science	296	428
• London Development Agency	437	1
• SRB/Lottery Grants	3,917	605
• London Refuse Fund	285	0
• Developer Contribution	217	205
• Sure Start	636	2,006
• MRA	15,512	14,403
• Government Office For London	24	300
• PCT	0	430
• Other	397	408
	25,537	29,572
<b>Total of Government Grants</b>	<b>278,324</b>	<b>300,809</b>

## PENSION FUND ACCOUNT

2003/2004			2004/2005	
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
		<b>FUND ACCOUNT</b>		
		<b>Contributions and Benefits</b>		
		Contributions receivable:		
6,087		• from employers (administering body)	6,910	
879		(scheduled bodies)	841	
1,167	8,133	(admitted bodies)	1,311	9,062
4,364		• from employees (administering body)	4,823	
814		(scheduled bodies)	853	
551	5,729	(admitted bodies)	590	6,266
	4,220	Transfers in		5,882
	18,082	Total Contributions (A)		21,210
		Benefits payable:		
12,526		• Pensions (administering body)	12,777	
1,633		(scheduled bodies)	1,696	
153	14,312	(admitted bodies)	197	14,670
2,375		• Lump sums (administering body)	2,097	
224		(scheduled bodies)	218	
100	2,699	(admitted bodies)	172	2,487
		Payments to and on account of leavers		
	154	• Refunds of contributions	178	
	2,461	• Transfers out (Note 5)	3,718	
	360	• Administrative and other expenses	322	4,218
	19,986	Total Payments (B)		21,375
	<b>(1,904)</b>	<b>Net withdrawals from dealing with members (A less B)</b>		<b>(165)</b>
		<b>Returns on investments</b>		
9,494		• Investment income	11,895	
61,576		• Change in market value of investments (realised and unrealised)	26,203	
(1,052)		• Investment management expenses	(1,125)	
	<b>70,018</b>	<b>Net returns on investments</b>		<b>36,973</b>
	<b>68,114</b>	<b>Net increase/decrease in the fund during the year</b>		<b>36,808</b>
	291,956	Opening net assets at 1 <sup>st</sup> April 2004		360,070
	<b>360,070</b>	<b>Closing Net Assets At 31st March 2005</b>		<b>396,878</b>

### Return On Investments

<b>2003/2004</b>			<b>2004/2005</b>	
<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
	291,956	Net Assets at 1st April		360,070
6,538		Net new money invested (Surplus for the year)	10,605	
		Change in market value of investments:		
6,432		Net realised profits/ losses	8,030	
55,144		Net unrealised profits/ losses	18,173	
	68,114			36,808
	<b>360,070</b>	<b>Closing Net Assets At 31st March</b>		<b>396,878</b>

<b>PENSION FUND NET ASSETS STATEMENT</b>
--

<b>31st March 2004</b>			<b>31<sup>st</sup> March 2005</b>	
<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
		<b>INVESTMENT ASSETS</b>		
29,970		Fixed Interest Securities – Public Sector	28,523	
117,973		U.K. Equities – quoted	143,786	
7		U.K. Equities – unquoted	0	
95,249		Foreign Equities	94,969	
37,834		Managed Funds – Property	42,308	
72,327		Managed Funds – Other	77,994	
	353,360			387,580
		<b>CURRENT ASSETS</b>		
1,885		Debtors	2,806	
3,175		Temporary Investment	5,547	
2,032		Cash	1,943	
	7,092			10,296
		<b>CURRENT LIABILITIES</b>		
	(382)	Creditors		(998)
	<b>360,070</b>	<b>TOTAL NET ASSETS</b>		<b>396,878</b>

## NOTES TO THE PENSION FUND ACCOUNTS

### 1. OPERATIONS AND MEMBERSHIP

The Fund is established under the provisions of the Superannuation Act of 1972 to provide pensions and other retirement benefits for the Council's employees, other than teachers, and the Scheduled and Admitted Bodies detailed below. The employees' basic contributions are 5% of remuneration for manual workers and 6% for officers. All new employees joining since 1<sup>st</sup> April 1998 make contributions at 6%. The Employers make a contribution as determined by the Actuary, who makes a valuation of the Fund every three years. The latest valuation took place as at 31<sup>st</sup> March 2004 and is effective from 1<sup>st</sup> April 2005 (see note 3). The employer's contributions are:-

EMPLOYER	Minimum Contribution for the year ending			
	31/3/05	31/3/06	31/3/07	31/3/08
<b>Scheduled Bodies:</b>				
• London Borough of Barking & Dagenham	9.0%*	12.0%	15.0%	16.2%
• University of East London	6.0%*	11.9%	11.9%	13.5%
<b>Admitted Bodies:</b>				
• Barking College	8.0%	10.0%	12.0%	13.8%
• Barking Council for Voluntary Services	8.0%	8.0%	8.0%	8.0%
• Age Concern	8.0%	11.0%	14.0%	17.5%
• Abbeyfield Barking Society	8.0%	11.0%	14.0%	17.1%
• Disablement Association for Barking & Dagenham	10.5%	10.5%	10.5%	10.5%
• Barking & Dagenham Citizens Advice Bureau	10.5%	10.5%	10.5%	10.5%
• London Riverside	10.5%	10.5%	10.5%	10.5%
• Thames Accord	16.4%	16.4%	16.4%	16.4%

\* includes any early retirements costs based on the methods and assumptions issued by the Council's actuary.

#### Membership Numbers

	<u>Actives</u>	<u>Pensioners</u>	<u>Deferred</u>	<u>Total</u>
• London Borough of Barking & Dagenham	4,010	3,323	2,097	9,430
• University of East London	619	501	487	1,607
• Magistrates Court	0	9	36	45
• Barking College	201	56	100	357
• Barking Council for Voluntary Services	0	0	4	4
• Age Concern	44	30	9	83
• Abbeyfield Barking Society	2	3	1	6
• Disablement Association for Barking & Dagenham	0	0	0	0
• Barking & Dagenham Citizens Advice Bureau	2	3	0	5
• London Riverside	10	0	0	10
• Thames Accord	198	7	12	217
<b>TOTAL</b>	<b>5,086</b>	<b>3,932</b>	<b>2,746</b>	<b>11,764</b>

## 2. ACCOUNTING POLICIES

- (i) **Investment Valuation** - All investments are shown at their market value, which is determined using closing mid market prices from an independent pricing source.
- (ii) **Accruals Basis** - The accounts are prepared on an accruals basis. Any material transactions that were found to be for this financial year which arose or were received after the end of the year are enclosed in these pension financial statements.
- (iii) **Foreign Currency Translation** - The valuation of foreign equities is calculated by using the overseas market price current at the relevant date and the exchange rate for the appropriate currency at the time to express the value as a sterling equivalent.
- (iv) **Costs of Acquiring Investments** – these costs are included in the value of the assets.
- (v) **Investment Management Expenses** – Fees charges for the investment and custodial arrangements of the fund.
- (vi) **Materiality** - the financial information which is included in this Pension Statement is material: that it includes all items where the misstatement or omission of the transactions or net assets of the fund may be expected to influence the assessment of the Council's stewardship.
- (vii) **Transfer Values** - are included in the accounts on a cash basis.
- (viii) The Pension Fund accounts comply with the basic accounting concepts set out in CIPFA's Statement of Recommended Practice 2004 ("SORP").

## 3. ACTUARIAL POSITION

The triennial review of the fund took place as at 31<sup>st</sup> March 2004 and the salient features of that review are as follows:-

- The funding policy of the scheme is to meet 100% of the liabilities
- The key financial assumptions adopted at this valuation are:-
  - Future levels of price inflation.
  - Future levels of real pay increases-i.e. over and above price inflation.
  - The discount rate applied to future liabilities to determine their present value.
  - The market values of the pension scheme's assets at the date of the valuation were: £360million. There has not been a review of the market values since this valuation.

The discount rate is derived from the expected future rate of investment return from the broad categories of assets held by the fund. This takes into account what additional returns might reasonably be expected from the fund's investments over and above the minimum risk rate of return on Government bonds.



The key financial assumptions are set out below:

Financial assumptions	Nominal % p.a.	Real % p.a.
Minimum Risk Rate of Return	4.7	1.80
Additional long-term returns from:		
• Equities	2.0	
• Corporate Bonds	0.4	
Overall additional long-term returns from:		
• Equities	6.7	3.8
• Bonds (50% Corporate, 50% Gilts)	4.9	2.0
Discount Rate	6.3	3.4
Pay Increases	4.4	1.5
Price Inflation/Pension Increases	2.9	

Note: The real % p.a. figures are net of assumed price inflation.

The Common rate of contribution payable by each employing authority under Regulation 77 for the period 1<sup>st</sup> April 2005 to 31<sup>st</sup> March 2008 is 15.8% of pensionable pay.

A comparison of the value of the assets with the value of the liabilities for the whole of the administered scheme as at 31/3/2004 which have already built up is shown in the following table:-

Past Service Liabilities	£m
Active Members	193
Deferred Pensioners	48
Pensioners	175
<b>Total</b>	<b>416</b>
Assets	360
Surplus (Deficit)	(56)
Funding Level	87%

Employer Contribution Rates	%of payroll
Future Service Funding Rate	12.2%
Past Service Adjustment	3.6%
Total Contribution Rate	15.8%

The financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

**4. PURCHASE AND SALE OF INVESTMENTS**

During the year the Fund purchased investments totalling £137 million and sold investments at a price of £128.9 million, including net realised profit of £8 million.

**5. FUND MANAGERS**

All the assets of the Council's pension fund are managed by Deutsche Asset Management.

**6. STOCK RELEASED TO THIRD PARTIES**

The fund is involved with a stock lending agreement via its custodians. As at 31<sup>st</sup> March 2005 £18.9m of stock was lent to counterparties with 104.52% collateral exposure.

**7. STATEMENT OF INVESTMENT PRINCIPLES**

A Statement of Investment Principles has been agreed by the Council's Investment panel and is updated periodically to reflect changes made in Investment Management arrangements.

**8. FURTHER ANALYSIS OF INVESTMENTS**

The Council is required to disclose a further analysis of the investments between UK and Foreign, and between Listed and Unlisted investments. This information is included in the Net Assets Statement on Page 46.

# **Auditors' Report to the London Borough of Barking and Dagenham**

## **Auditors' Report to the London Borough of Barking and Dagenham**

We have audited the statement of accounts on pages 1 to 50 which has been prepared in accordance with the accounting policies applicable to local authorities. The statement of accounts comprises the Council's accounts, on pages 9 to 44, which have been prepared in accordance with the accounting policies set out on pages 1 to 8, and the accounts of the Pension Fund, on pages 45 to 50, which have been prepared in accordance with the accounting policies set out on page 48.

This report is made solely to the London Borough of Barking and Dagenham in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

### **Respective Responsibilities of the Chief Financial Officer and Auditors**

As described on page vi the Chief Financial Officer is responsible for the preparation of the statement of accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2003. Our responsibilities, as auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the statement of accounts presents fairly the financial position and results of operations of the Council.

We review whether the statement on internal control on page viii reflects compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the statement of accounts. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts. The other information comprises only the explanatory foreword.

### **Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the statement of accounts, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the statement of accounts.

### **Opinion**

In our opinion the statement of accounts presents fairly the financial position of the London Borough of Barking and Dagenham as at 31 March 2005 and its income and expenditure for the year then ended.

### **Opinion on the pension fund accounts**

In our opinion the statement of accounts presents fairly the financial transactions of the London Borough of Barking and Dagenham Pension Fund during the year ended 31 March 2005, and the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

### **Certificate**

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature: .....

Date:

PricewaterhouseCoopers LLP  
Southwark Towers  
32 London Bridge Street  
London  
SE1 9SY

**SIGNATURE OF THE CHAIRMAN OF THE ASSEMBLY TO THE  
APPROVAL OF THE 2004/2005 STATEMENT OF ACCOUNTS**

This Statement of the Council's accounts for 2004/2005 was approved by the Council's Assembly on 27th July 2005.

Signed: .....

Councillor J.E. Davis,

Chair of the Assembly

Chair of the Assembly on the 27<sup>th</sup> July 2005

Dated: .....

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## THE ASSEMBLY

27 JULY 2005

### REPORT OF THE BUDGET PROCESS SCRUTINY PANEL

FINAL REPORT OF THE BUDGET PROCESS SCRUTINY PANEL	FOR DECISION
<p><i>Final Reports of Scrutiny Panels are submitted to the Assembly in accordance with Paragraph 11 of Article 5B of the Constitution.</i></p>	
<p><b>Summary</b></p> <p>This report details the Budget Process Scrutiny Panel's review of the Council's annual budget process.</p> <p>The Panel's work included an analysis of the annual budget timetable and the suite of reports presented to various Council meetings, the methods and degree of consultation on budget / financial issues and options for the development of the current systems and procedures.</p> <p>The Panel's recommendations are intended to build on the strong arrangements already employed by the Council and enhance the participation of key stakeholders in the annual budget process.</p>	
<p><b>Recommendations</b></p> <p>This Panel, in light of its investigations and representations received, make the following recommendations:</p> <ol style="list-style-type: none"> <li>1. That regular all-Member briefings be arranged to coincide with key stages in the Council's budget setting process, in order that information on aspects such as the key budget pressures faced by the Authority and the proposals for rent and Council Tax increases can be explained prior to any decisions being made by the Executive / Assembly. These briefing sessions should also cover aspects such as the basic principles which make up the annual budget process (along the lines of the presentation given to the Panel by the Head of Financial Services on 25 October 2004 in respect of the Council's Medium Term Financial Strategy and Budget Process), budget preparations for the next year including a wider debate on the Capital Programme and the proposed schemes for inclusion in the annual programme, the projected versus actual expenditure for the previous year and the main proposals / options for changes to the Council's budget for the next year;</li> <li>2. That the Director of Finance examine options to strengthen the current budget formulation methods with a view to introducing a greater 'challenge' aspect to the compiling of budget estimates, possibly by the introduction of an approach to 'zero-based' budgeting particularly for areas which have seen a great deal of change in recent years;</li> <li>3. That the Corporate Management Team (CMT), via its Service and Financial Planning Board, give greater emphasis to the need for cross departmental discussions and consideration of common budget issues in the light of the changing service demands and requirements;</li> </ol>	

4. The introduction of more formal procedures for detailed consultation between Finance officers and Heads of Service / budget holders to assist in the strengthening of arrangements for the identification of budget growth / savings across all Council services, and the on-going monitoring of budgets;
5. That additional arrangements be put in place so that all Members are made more aware of financial issues being considered by the Executive. This could be achieved through, for example, the better use of the Council's Modern.gov system (which the vast majority of Members have access to) and the inclusion in the "Member Matters" publication of a regular column on the Council's finances, including Housing Revenue Account issues, and details of forthcoming reports to the Executive on these issues;
6. That the new Lead Member with portfolio responsibility for the Council's financial planning and budgetary control considers support to the portfolio through the greater involvement of other Portfolio Holders. This could be achieved by inviting the other Portfolio Holders to relevant meetings of the Council's Resource Monitoring Panel and could be further assisted by non-Executive Members who are able to offer time, expertise and commitment to an in-depth review of a particular service or area, in conjunction with Portfolio Holders and relevant finance and service staff;
7. Establishing reporting arrangements for matters considered at informal meetings of the Executive and CMT to ensure that the information considered is presented in the 'public' domain as soon as possible (while having regard to the need to maintain confidentiality over specific issues under the provisions of Access to Information legislation);
8. That the arrangements for consultation with the Unions on budget issues be strengthened. In this respect, it is proposed that an approach be agreed by the Employees Joint Consultative Committee (EJCC) for briefing meetings at which the Unions can be advised of the Council's budget timetable for the year and the main aspects that are likely to underpin the Council's vision for the following year's budget, and to allow the Unions sufficient time to put forward proposals which they consider would help to achieve the Council's vision;
9. Implementing arrangements for presentations on the Council's finances and budget process to local residents through the established Community Forums, at least once a year to each Forum;
10. That greater use is made of the Council's Citizen magazine as a means of enhancing the communication with the local community on the Council's finances including Housing Revenue Account issues; and
11. That, whenever practical, publications relating to the Council's finances should be presented in a way that is easy to follow and understand and that authors should be conscious of the need for plain language. Where this may not be appropriate throughout, the summary introducing the document should clearly explain the purpose and content in a way that can be understood by everyone. For publications that are intended solely for the information of the general public (e.g. the Council Tax leaflet) the availability of translations, braille, larger text etc. should be advertised.



**Reason**

To improve the Council's budget processes and enable greater transparency and consultation.

**Lead Member:**

Councillor Ms Baker

Lead Member

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E-mail: [alan.dawson@lbbd.gov.uk](mailto:alan.dawson@lbbd.gov.uk)**1. Introduction**

- 1.1 At its meeting on 28 April 2004 the Scrutiny Management Board (SMB) agreed to set up a Scrutiny Panel to examine the Council's annual budget process. The SMB set a timeframe for the scrutiny of three months.
- 1.2 Due to delays in settling the membership of the Panel and to avoid a long period of disruption as a result of the summer recess period, the Panel's first meeting took place on 4 October 2004. The Panel met on six subsequent occasions (25 October, 8 December, 19 January, 5 April and 9 and 26 May 2005).

**2. Membership**

- 2.1 The membership of the Panel comprised Councillors M Baker (Lead Member), B Cook, J Denyer, J Wainwright and L Waker.
- 2.2 Ian Bristow, former Managing Director of Welbeck Limited and board member of the Barking and Dagenham Chamber of Commerce, was the Panel's external representative.
- 2.3 Joe Chesterton, Head of Financial Services, Finance Department, was the lead service officer, Jennie Duffy, Head of Customer First, Corporate Strategy Department, was the independent scrutiny support officer and Alan Dawson, Democratic Services Officer, Corporate Strategy Department, provided administrative support to the Panel.
- 2.4 The Panel also invited Councillor Geddes, the then Deputy Leader with Executive portfolio responsibility for the Council's overall budget, to its meeting on 8 December to discuss aspects of the Council's budget process and monitoring. Panel representatives also met with three Departmental Heads of Service as part of a follow up exercise to a questionnaire survey that was undertaken.

**3. Terms of Reference and Objective**

- 3.1 The terms of reference of the Panel were:

- (i) To examine the annual budget (revenue and capital for both the general fund and the Housing Revenue Account (HRA)) process and, in doing so, to have particular regard to:
  - External and internal pressures and influences, including statutory requirements, and
  - Communication and consultations processes with the community, Members, senior management and trade unions
- (ii) In looking at communications, to be conscious of the need for plain language and to make sure that all stakeholders are able to understand the full impact of any savings and growth items before final decisions are taken
- (iii) In relation to consultations, to make sure that these are timely and sufficiently comprehensive
- (iv) Generally, to have regard to any equalities and diversity and health issues, and
- (v) To report back with any findings and any recommendations.

3.2 The Panel agreed that, in addition to these terms of reference, it would be helpful to set its own overall objective, outlining what it sought to achieve from this scrutiny, in order to provide a focus for the Panel's work. The Panel set the following objective:

“The outcome of the Budget Process Scrutiny Panel should be that Members feel fully included in the budget setting process and understand the outcomes. This should be reviewed annually through consultation and survey”.

#### **4. Background**

4.1 In February / March each year, the Council is required to set its capital and revenue budgets for the next financial year. This process includes the setting of the Council Tax and rent levels and the approval of the Capital Programme and Medium Term Financial Strategy.

4.2 Barking and Dagenham Council is widely recognised as being a very prudent authority in terms of its financial management and is one of only a few debt-free authorities in the country, and the only one in London. However, with the ever increasing pressures on local government finance and the Authority's desire to maintain its debt-free position for as long as possible a more proactive and holistic approach to the budget setting process has been adopted in recent years.

4.3 Following the appointments of the Director of Finance, Julie Parker, and Head of Financial Services, Joe Chesterton, in May and October 2003 respectively, a comprehensive review of the Council's budget setting process was undertaken. From this review and building on the sound financial base that was already in place, new arrangements were introduced to establish a clearer strategic and operational timetable for the budget setting process and a more in-depth study of all aspects of the Council's finances, including annual savings and growth options as well as new pressures stemming from legislation.

## **5. Annual Revenue and Capital Budget Position**

5.1 In 2004/05, the Council's total revenue budget was £220.2m. Of this £115m was allocated to Education, £61.3m to Social Services and the remaining £43.9m to the Environmental Protection and Cultural Services (EPCS) block, which effectively covers all other Council services (such as highways, environmental services and administrative services).

5.2 The revenue funding for 2004/05 was met from the following sources:

Central Government Grant	= £177.1m
Council Tax	= £43.1m

5.3 Expenditure levels for Education and Social Services are heavily prescribed by Central Government and the Council has therefore felt constrained in its scope to move funding from these areas into EPCS services. However, the Panel concurs with the view that this policy should be reviewed in view of the increasing pressures being faced by services that are funded via the EPCS block and, therefore, welcomes the new approach that is being introduced for the 2006/07 budget.

5.4 The Council's planned Capital Programme for 2004/05 was approximately £92m.

## **6. Annual Budget Process Arrangements and Timetable**

6.1 At the Panel's inaugural meeting, the Head of Financial Services explained the new arrangements that had been introduced for the 2004/05 budget following the review of the budget processes for 2003/04.

6.2 The new arrangements included:

- (i) The creation of a strategic and operational timetable (see Appendix A for details);
- (ii) Introduction of standard pro-formas for savings and growth options, which require the identification by Chief Officers of proposals, linked to the Council's Community Priorities, Balanced Scorecard etc. These are ultimately presented to the Executive for consideration as part of the next year's budget process;
- (iii) More detailed information on the available resources from Central Government and other externally funded bodies;
- (iv) A number of detailed briefings to the Corporate Management Team (consisting of the Council's Chief Officers);
- (v) A suite of reports for both the Executive and Assembly (see Appendix B for details);
- (vi) Consultation with the Political Groups, Unions and the local Chamber of Commerce;
- (vii) A thorough review and reprioritisation of the Council's 4-year Capital Programme; and
- (viii) Regular and detailed memorandums to Chief Officers on the process.

6.3 The Panel also noted additional steps that had been introduced as part of the preparations for the 2005/06 financial year. These included bringing forward the commencement of the annual budget setting process to July 2004 (previously it

began in October), presentations to Departmental Management Teams on the Council's Medium Term Financial Strategy and overall budget process, and the creation of a Budget Challenge Team to look at savings and growth options presented by Chief Officers.

- 6.4 The Head of Financial Services explained that a basic set of principles are applied to the previous year's estimates in order that a general picture of the Council's budget for the next financial year can be gained in late Autumn / early Winter. This position has been helped by the Government's move towards 3-year financial plans although it was noted that the Formula Spending Share (FSS) allocation, which is announced in mid-November, is the key factor which underpins the Council's consideration of its detailed budgets.
- 6.5 The Panel acknowledged that significant progress had been made in the budget setting process, both in terms of the internal arrangements for preparing a prudent and timely budget and the proposals to improve the transparency of the process. However, the Panel was mindful of a number of views expressed regarding the need for the Council to commence the process even earlier in the year and was therefore particularly pleased to learn from the Head of Financial Services that steps were being taken to achieve this. The Panel also welcomed the commitment to the ongoing review of arrangements as part of a year-on-year improvement process.

## **7. Financial Reporting and Reviewing**

- 7.1 The Finance Department produces a series of reports throughout the financial year as part of the ongoing review and monitoring of the current year's spending as well as in preparation for future years' estimates. In addition to monthly Departmental Monitoring reports for Chief Officers / senior managers, highlighting areas of over / under spending in the current year, monthly Budget Monitoring reports are presented to the Executive. Also, Financial Outlook reports, giving projections for future years budgets, have typically been considered at informal meetings between the Executive and the Corporate Management Team (CMT).
- 7.2 With regard to the Budget Monitoring reports to the Executive (which are generally presented within 6 weeks of the period to which they relate) the Panel agreed that whilst the level of information in these reports and their frequency may be considered sufficient for the purposes of the Executive, the current arrangements did not necessarily give non-Executive Members a proper opportunity to be involved in the Council's budget process. A particular issue was the decision taken a couple of years ago to no longer circulate hard copies of agendas for meetings of the Council's Executive, which contain the majority of reports on the Council's finances, to non-Executive Members. The Panel is therefore particularly welcoming of the re-introduction by the new Chief Executive of the circulation to all Members of a hard copy of Executive agendas.
- 7.3 In respect of the Financial Outlook reports on future years' budgets, the Panel were additionally concerned that these discussions had, generally, been held at informal meetings, thereby further reducing the capacity for non-Executive Members to be involved in the process or, indeed, for the Council's Scrutiny process to have a role until such time as the issues were fed through the 'formal' reporting process.

- 7.4 The Panel also considered matters relating to the Council's Capital Programme. Issues had been raised at a meeting of the Council's Executive on 19 April 2005 by a non-Executive Member regarding the availability to all Members of the Council of information on all schemes included, or put forward for inclusion, in the Capital Programme. The Panel concur with the view that under current arrangements there is limited scope for all Members to be involved in the debate and decision-making process around the Capital Programme.
- 7.5 The issues referred to above were the subject of considerable debate and, consequently, the Panel has made a number of recommendations aimed at improving the current arrangements.
- 7.6 The Panel met with Councillor Geddes who, at the time, was the Council's Deputy Leader with Executive portfolio responsibility for the Council's overall budget.
- 7.7 The Panel noted that the Deputy Leader's portfolio included overall responsibility for all aspects of the Council's budget and financial planning and, in this position, Councillor Geddes met regularly with the Director of Finance and her staff in addition to chairing the monthly meetings of the Council's Corporate Monitoring Group and the Resource Monitoring Panels, which are held monthly for each of the Council's six service departments.
- 7.8 In respect of the flow of information and its consideration at various 'closed' meetings, Councillor Geddes stressed the importance of maintaining confidentiality, particularly when budget decisions are likely to have implications on service levels and in view of the fact that information can often change on a weekly basis as new factors come to light. The Panel accepted that there are sensitivities that need to be taken into account when dealing with such information and that it is, on occasions, appropriate to seek a strategic / political steer over an issue in order to progress wider proposals, but felt that this should not be to the detriment of a transparent approach to decision-making.
- 7.9 With regard to the Resource Monitoring Panels, the Panel noted that these meetings are chaired by the Portfolio Holder for the Council's financial planning and budgetary control (Councillor Bramley since May 2005) and do not include any other Member representation. As these meetings consider the latest information on the revenue budgets and monitor the implementation and achievement of savings and growth issues for individual service departments, the Panel considers that the process would benefit from the involvement of other Members and, in particular, the Portfolio Holders for the service under scrutiny at each meeting. The Portfolio Holder for financial planning and budgetary control would continue to retain overall responsibility for this aspect.

## **8. Housing Revenue Account**

- 8.1 The Panel received information on the funding and expenditure arrangements in respect of the Housing Revenue Account (HRA), including the recent introduction by Central Government of a prescribed formula for the determination of Council house rent levels which largely dictates the level of Council rents in the Borough. The Panel also noted details of the internal arrangements for the on-going review of the Council's HRA to ensure a long-term balanced budget.

8.2 The Panel is satisfied with the general arrangements, including the range of public consultation on the HRA, and welcomes the new report writing and Executive agenda circulation arrangements which will enhance the accessibility and availability of information for all Members. As an additional step to extend the dissemination of information on the HRA to both Members and the local community respectively, the Panel supports the publication of key information via clear and concise articles in the internal 'Member Matters' and external 'Citizen' publications.

## **9. Financial Publications**

9.1 The Council currently produces the following annual publications:

- Budget Book (which includes the Capital & Revenue estimates)
- Medium Term Financial Strategy
- Council Tax Leaflet
- Statement of Accounts (Draft and Final Versions)
- Annual Investment Strategy
- Funding Strategy Statement
- Statement of Investment Principles

9.2 The Panel supports the principle that reports / publications relating to the Council's finances should be easy to follow and understand and that authors should be conscious of the need for plain language. In this respect, the Panel welcomes the revised report writing guidance for Council officers which is in the process of being finalised.

9.3 The Panel recognises that many of these publications are produced in accordance with guidance issued by the Chartered Institute of Professional Financial Accountants (CIPFA) and other statutory requirements which may, in effect, mean that the terminology used and way that the information is presented is prescribed. With this in mind, the summary introducing a document should clearly explain the purpose and content in a way that can be understood by everyone. For publications that are intended solely for the information of the general public (e.g. the Council Tax leaflet) the availability of translations, braille, larger text etc. should be advertised.

## **10. Consultation**

10.1 A key aspect of the Council's budget preparations relates to the consultation arrangements that are in place. The Panel received details of the current arrangements but felt that it was important to gain an understanding of the views of key stakeholders as a means of challenging current perceptions.

10.2 Each of the four main Council Unions, namely Unison, APEX, GMB and T&GW, were invited to give their views on how they are consulted and suggestions for improving the system. The response from the General Secretary of the local Unison branch highlighted a number of issues associated with the timing of the discussions between the Council and Unions, the limited scope for the Unions to be involved in resourcing / spending decisions and the suggestion that the Unions should be properly briefed on the overall Council budget and spending plans. The point was also made that the Unions are not only concerned with budget cuts that affect their members but also by resourcing decisions, which can have similar

implications. The Panel supports the wider involvement of the Unions in the Council's budget setting processes and recommends that a way forward is agreed by the Employees Joint Consultative Committee (EJCC), which is made up of representatives from the Council and the four Unions.

- 10.3 The Panel also conducted a questionnaire survey of all Councillors and Departmental Heads of Service to gain an understanding of their perceptions and suggestions for improvements. The level of responses from Councillors was disappointing (less than 20% compared to the response rate from Heads of Service of over 50%). However, the feedback received from both sources provided the Panel with a basis on which to consider changes / improvements to the current arrangements and a number of recommendations have been made as a direct result of the questionnaire exercise. This exercise was further helped by an 'interview' process with three Heads of Service to discuss in more detail their responses to the questions posed in the survey.
- 10.4 The feedback from the Member and Heads of Service surveys and the interviews gave rise to a number of proposals to enhance the current arrangements. These included:
- (i) The early commencement of the debate around budget saving and growth issues based on the Council's key priorities - this would assist in the timely implementation of any new arrangements from the beginning of the new financial year rather than, as often happens under the current arrangements, any necessary changes being implemented part way through the year;
  - (ii) Greater emphasis being given by Chief Officers to the need for cross departmental discussions and consideration of common budget issues in the light of the changing service demands and requirements;
  - (iii) The introduction of more formal arrangements for detailed consultation between Finance officers and Heads of Service / budget holders to assist in the strengthening of arrangements for the identification of budget growth / savings across all Council services, and the on-going monitoring of budgets;
  - (iv) The reappraisal of the Council's current overall policies in relation to the funding of services in view of the increasing pressures being faced by services that are funded via the EPCS funding block;
  - (v) An examination of current budget formulation methods with a view to introducing a greater 'challenge' aspect to the compiling of budget estimates. In this respect, it was suggested that an approach to 'zero-based' budgeting could be one way to approach this, particularly for areas which have seen a great deal of change in recent years; and
  - (vi) The strengthening of Members' involvement and understanding of service budget issues.

## **11. Equalities and Diversity**

- 11.1 The Panel is mindful of the need for all members of the local community to be able to understand the Council's work and its finances, which have an impact on everyone. A number of the Panel's recommendations will bring about improvements to the accessibility and availability of information to the community as a whole.
- 11.2 Key aspects of this can be achieved through the use of plain language and a clearer structure in Council reports and the availability of translations, braille, larger text etc. for publications that are intended solely for the general public (e.g. the Council Tax leaflet).

## **12. Conclusions**

- 12.1 The Panel recognises that the Director of Finance, Julie Parker, and Head of Financial Services, Joe Chesterton, have been instrumental in introducing a range of strategic and operational improvements to the Council's budget processes since their appointments in 2003, building on the strong platform that their predecessors and the Council as a whole had put in place over many years. The Panel has made a number of recommendations in this report which it believes will further enhance these arrangements and place the Council in an even stronger position to approach the future challenges.
- 12.2 The Panel is mindful of the fact that the majority of concerns referred to in this report concentrate on the greater involvement and participation of non-Executive Members in the Council's budget setting process. However, this should not be perceived to be at the exclusion of other stakeholders in the Council's financial affairs, such as the local community, Trade Unions and businesses. The Panel is equally concerned that they too have a greater understanding of the Council's financial affairs. To this end, the Panel sees the expansion of non-Executive Members' role in this area as the means to a greater general understanding by the community of the Council's financial affairs.
- 12.3 The Panel wishes to place on record its thanks to everyone who has assisted in its work over the past eight months.

### **Background Papers used in the preparation of this report:**

Public copies of agendas and minutes of the Budget Process Scrutiny Panel meetings held on 4 October, 25 October and 8 December 2004 and 19 January, 5 April, 9 May and 26 May 2005.



**BUDGET PROCESS TIMETABLE 2004/05**

July/August 2004	Early work on financial outlook by Officers.
August	Development of budget pressures by Officers
September/October	CMT and Executive consider initial Council financial position.
October/November	Executive confirms Budget Strategy, and priorities, for consultation in the light of discussions with Officers.
October/November	Budget savings options are produced by Officers for consideration by Executive Members.
October/November	Capital Programme review/new bids.
October/November	Consultation with relevant stakeholders to consider the Budget Strategy and options, and provide feedback to Executive.
November/December	Government announcements on resources.
December/January	Executive works up its initial detailed budget proposals.
January 2005	Housing Revenue Account budget and rent levels set.
25 January 2005	Report on resources and Base Budget position to Executive.
Late January/February	Possible consultation with other stakeholders on the detailed budget proposals
Late February 2005	Executive considers comments made on earlier proposals and agrees a budget to be referred to Council.
2 March 2005	Council agrees a budget, Council Tax, Capital Programme and a revised Medium Term Financial Strategy for 2005/06-2007/08.

## REPORTS TO THE ASSEMBLY

<b>Title of Report</b>	<b>Cycle</b>	<b>Date of Meeting</b>
<b>Council Tax Base Report</b>	<b>Annual</b>	<b>05/01/05</b>
<b>The Council's Budget 2005/06 to 2007/08</b>	<b>Annual</b>	<b>2/3/05</b>
<b>Treasury Management Annual Strategy &amp; the Council's Prudential Indicators</b>	<b>Annual</b>	<b>2/3/05</b>
<b>Statement of Accounts 2004/05</b>	<b>Annual</b>	<b>27/7/05</b>

## REPORTS TO THE EXECUTIVE

<b>Title of Report</b>	<b>Cycle</b>	<b>Date of Meeting</b>
<b>Provisional Out-turn 2003/04 Revenue and Capital</b>	<b>Annual</b>	<b>20/07/04</b>
<b>Procurement – Spend to Save – Progress Report</b>	<b>Six Months</b>	<b>7/9/04 and 15/3/05</b>
<b>Annual Treasury Statement of Accounts 2003/04</b>	<b>Annual</b>	<b>28/09/04</b>
<b>WM Annual Report</b>	<b>Annual</b>	<b>19/10/04</b>
<b>Budget Process 2005/06 – Outlook and Strategy</b>	<b>Annual</b>	<b>9/11/04</b>
<b>Passporting of School EFSS and take up of the Standards Fund Allocation 2005/06</b>	<b>Annual</b>	<b>21/12/04</b>
<b>Local Government Provisional Financial Settlement 2005/06</b>	<b>Annual</b>	<b>12/04 and later</b>
<b>Calculation &amp; Setting the Council Tax Base 2005/06</b>	<b>Annual</b>	<b>21/12/04</b>
<b>Revised Budget 2004/05 &amp; Base Budget 2005/06</b>	<b>Annual</b>	<b>25/01/05</b>
<b>The Capital Programme 2005/06 – 2008/09</b>	<b>Annual</b>	<b>22/02/05</b>

<b>Council Tax &amp; Medium Term Financial Strategy</b>	<b>Annual</b>	<b>22/02/05</b>
<b>Treasury Management Annual Strategy Statement and the Council's Prudential Indicators</b>	<b>Annual</b>	<b>22/02/05</b>
<b>Annual Report on Review of Members' Remuneration</b>	<b>Annual</b>	<b>May 2005</b>
<b>Budget Monitoring Revenue &amp; Capital *</b>	<b>Monthly</b>	<b>Monthly</b>

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## THE ASSEMBLY

27 JULY 2005

## REPORT OF THE STANDARDS COMMITTEE

ANTI FRAUD AND CORRUPTION POLICY AND STRATEGY	FOR DECISION
<p><i>This report is submitted to the Assembly under Article 2, paragraph 10.1 of the Constitution</i></p> <p><b>Summary</b></p> <p>At its meeting of 9 June 2005, the Standards Committee received a report which reviewed and updated the Council's Anti Fraud and Corruption Policy, and suggested wider consultation with senior managers and agents of the Council pending receipt of draft consultation papers on the new Comprehensive Performance Assessment regime for 2005.</p> <p><b>Wards Affected:</b> None</p>	
<p><b>Implications:</b></p> <p><b>Financial:</b> None</p> <p><b>Legal:</b> None</p> <p><b>Risk Management:</b> None</p> <p><b>Social Inclusion and Diversity:</b></p> <p>The Race Relations (Amendment) Act 2000 places a requirement on local authorities to make an assessment of the impact of new and revised policies in terms of race equality. Existing policies have already been subjected to impact assessments. This Authority has adopted an approach of extending the impact to cover gender, disability, sexuality, faith, age and community cohesion.</p> <p>As this report does not concern a new or revised policy there are no specific adverse impacts insofar as this report is concerned.</p>	
<p><b>Crime and Disorder:</b></p> <p>Section 17 of the Crime and Disorder Act 1998 places a responsibility on local authorities to consider the crime and disorder implications of any proposals. There are no specific implications insofar as this report is concerned.</p>	
<p><b>Recommendation(s)</b></p> <p>The Assembly is asked to agree the changes to the Anti Fraud and Corruption Policy, as outlined in the attached appendices (changes indicated in bold).</p>	

<b>Reasons</b>		
The suggested changes clarify the application of the Policy and Strategy.		
<b>Contact Officer:</b>	<b>Title:</b>	<b>Contact Details:</b>
Councillor R Curtis	Chair of the Standards Committee	Tel: 020 8590 9005 E-mail: <a href="mailto:rcurtis@barking.dagenham.gov.uk">rcurtis@barking.dagenham.gov.uk</a>
John Barry	Democratic and Electoral Services	Tel: 020 8227 2352 Fax: 020 8227 2171 Minicom: 020 8227 2685 E-mail: <a href="mailto:john.barry@lbbd.gov.uk">john.barry@lbbd.gov.uk</a>

**Background Papers Used in the Preparation of the Report:**

Minutes of the Standards Committee, 9 June 2005

## Anti Fraud and Corruption Policy

### 1. The Policy

- 1.1 The London Borough of Barking and Dagenham (the Council) will take a firm stance against fraud and corruption whether it is attempted against, from or within the Council.
- 1.2 The Council is committed to an open and effective Anti-Fraud and Corruption Strategy designed to:-
- encourage prevention;
  - promote detection;
  - identify a clear pathway for investigation; and
  - deal swiftly and firmly with those who defraud the Council, or are corrupt

### 2. The Strategy - Introduction

- 2.1 The Council's expectation on propriety and accountability is that Members (elected Councillors) employees, **agents and partners** at all levels will lead by example in ensuring compliance with rules, procedures and recommended practices.
- 2.2 The Council also expects that individuals and organisations (e.g. agency staff, consultants, suppliers/contractors) with whom it comes into contact, will act with integrity and without thought or actions involving fraud or corruption.
- 2.3 This strategy is based on a series of comprehensive and inter-related procedures designed to frustrate any attempted fraudulent or corrupt act. These cover:-
- Culture & Responsibilities for Reporting [Section 3]
  - Risk Management and Prevention [Section 4]
  - Detection and Investigation [Section 5]
- 2.4 **The Director of Finance has been delegated, through the Council's Standing Orders and Financial Regulations powers to control and regulate the Council's finances. These include the promotion of systems and practices to minimise the risk of fraud and corruption. An important part of the control framework is the maintenance of an effective internal and external audit of the Council's finances that operate to the "best practice" standards defined in the Accounts and Audit Regulations (2003). Those regulations require the Council to provide sufficient resources to allow the Director of Finance to fulfil this responsibility.**
- 2.5 The Council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies including:-
- Local Government Ombudsman
  - External Auditor
  - Audit Commission
  - The Standards Board for England

- Central Government Departments
- HM Customs and Excise
- Inland Revenue
- Department for Work and Pensions
- The Benefits Fraud Inspectorate
- Health and Safety Executive
- The Public

The Council is committed to working with these bodies in a proactive and constructive manner in order to raise standards and minimise fraud and malpractice.

### **3. Culture – Responsibilities for Reporting**

- 3.1 The culture of the organisation is one of honesty, openness and opposition to fraud and corruption. The Council's Standards Committee plays a key role in maintaining and promoting this culture. Specifically it is responsible for **promoting** high standards of conduct by Members, co-opted members, employees and **its agents and partners**.
- 3.2 Members have a duty to ensure that Council assets are adequately safeguarded from fraud and abuse and to ensure that the Council's powers, duties and responsibilities are exercised in an open fair and proper manner to the highest standards of probity.
- 3.3 The Members and employees are an important element in the Council's stance on fraud and corruption and they are positively encouraged to raise any concerns that they may have on these issues where they are associated with a Council activity.
- 3.4 **The Public Interest Disclosure Act 1998 provides protection for those who voice genuine and legitimate concerns through the proper channels.** In this connection the Council has adopted a "whistleblowing" policy to ensure a defined route to bring alleged instances of fraudulent, unlawful or otherwise improper conduct to the Council's attention. As well as the Whistleblowing Officer, this can involve the Monitoring Officer, the Head of Audit, or the employee's line manager or Head of Service or, if more appropriate, an officer external to the individual's department .
- 3.5 Members of the public are also able to report concerns to appropriate Council officers or relevant external agencies such as the Police, External Audit, the Standards Board for England or the Ombudsman.
- 3.6 All allegations of misconduct concerning Members that are reported to the Council will be referred to the Standards Board for England by the Council's Monitoring Officer. The Standards Board for England will determine who will undertake any subsequent investigation. The Council will co-operate fully with any investigation undertaken by the Standards Board. If the matter is referred back to the Council, it will be investigated in a rigorous and independent manner through the Monitoring Officer and the Council's Standards Committee.



## **4. Risk Management**

### **4.1 Managing the Risk of Fraud**

The effective eradication of fraud starts with managers. It is the responsibility of all Council managers to ensure that they manage the risk of fraud within their respective work areas. When considering the risk of fraud managers must take the following steps:

#### **4.2 Identify the risk areas.**

Managers must establish which parts of the service are most vulnerable to fraud e.g. letting or managing contracts, handling cash, allocating or distributing grants, ordering equipment, paying invoices, validating documentary evidence in support of claims for benefits etc. Other risks include assessing declared staff interests and considering whether such interests conflict with the Council's interests or would undermine public confidence in the Council.

#### **4.3 Allocate responsibility for the risk.**

Managers must identify who has responsibility for managing each risk and ensure that the officer concerned has adequate training, support and expertise to manage the risk effectively.

#### **4.4 Identify the need for revised controls.**

Managers must evaluate the adequacy of existing controls and establish what further controls or changes to existing controls are required to reduce or eliminate the risk of fraud. For this, managers should refer to audit reports, internal investigation findings, best value review findings, External Audit reports or findings from other external inspections. This will help ensure that there is full compliance with the Regulatory Framework, Standing Orders, local procedures and any relevant legislation.

#### **4.5 Implement the revised controls effectively.**

Managers must ensure that the revised controls are cost effective and that written procedures are updated informing staff and customers of any changes that affect them. Staff will need to be trained in the use of revised controls and procedures. Managers must identify any continued weaknesses and adjust as necessary.

#### **4.6 Evaluate the effectiveness of the controls.**

After a reasonable period of time managers should assess the effectiveness of the controls and evaluate whether the risk of fraud has been eliminated or reduced.

For advice on managing risk, evaluating possible conflicts of interest, or the development or evaluation of controls contact the Internal Audit Division.

## **4.7 Other Means of Prevention**

### **4.7.1 Employees**

- 4.7.2 The Council recognises that a key preventative measure is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential employees, in terms of their propriety and integrity. Temporary and agency employees will be treated in the same way.
- 4.7.3 Staff recruitment is required, therefore, to be in accordance with the Council's personnel policies and, in particular, written references regarding known honesty and integrity of potential employees must wherever practicable be obtained before employment offers are made. Criminal records will be checked and disclosed prior to appointment in accordance with the Council's "Safer People for Safer Services Policy"
- 4.7.4 **All references will need to meet a minimum standard approved by the Standards Committee. Further guidance on this issue will be drafted in the near future.**
- 4.7.5 Employees of the Council are expected to follow the Employees' Code of Conduct and any other Code related to their personal Professional Body.
- 4.7.6 The Council has in place a full and rigorous disciplinary procedure. Fraud and corruption are specific instances of gross misconduct and will therefore be treated very seriously.
- 4.7.7 The role that appropriate employees are expected to play in the Council's framework of internal control will feature in staff Induction procedures
- 4.7.8 Employees must comply with their statutory obligations regarding pecuniary interest in Contracts relating to the Council or fees and rewards other than proper remuneration. They are also required to complete positive declarations of any interests which they have which may conflict with the impartial performance of their duties.

### **4.8 Members**

- 4.8.1 The Standards Committee will advise and train Members on matters relating to the Members' Code of Conduct. The Committee will monitor the operation of that Code.

Members are required to operate within:

- The Council Constitution
- National Code of Local Government Conduct
- Local Code of Conduct in respect of Planning Matters
- Sections 94-96 of the Local Government Act 1972

- 4.8.2 These matters are specifically brought to the attention of Members and include the declaration and registration of potential areas of conflict between Members' Council duties and responsibilities and any other areas of their personal or professional lives.

## 4.9 Systems

- 4.9.1 The Council has Contracts Rules and Financial Rules in place which set out requirements for the Council's employees when dealing with the Council's financial affairs.
- 4.9.2 The Director of Finance has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure the proper arrangements of the Council's financial affairs.

## 4.10 Combining with Others

- 4.10.1 Arrangements are in place and continue to develop to encourage the exchange of information and systematic data matching between the Council and other agencies on national and local fraud and corruption activity in relation to Local Authorities.
- 4.10.2 These agencies include:-

- Police
- Department for Works and Pensions
- HM Customs and Excise
- Inland Revenue
- Audit Commission
- Benefits Fraud Inspectorate

## 5. Detection and Investigation

- 5.1 The array of preventative systems, particularly internal control systems within the Council, has been designed to provide indicators of any fraudulent activity, although generally they should be sufficient in themselves to deter fraud.
- 5.2 It is often the alertness of employees, Members and the public to indicators of fraud and corruption that enables detection to occur and the appropriate action to take place when there is evidence that fraud or corruption may be in progress.
- 5.3 Despite the best efforts of managers and auditors many frauds are discovered by chance or "tip-off" and the Council has in place arrangements to enable such information to be properly dealt with.
- 5.4 Heads of Service are required by the Council's Financial Rules to report all suspected irregularities to the Director of Finance. **This must be done as soon as any suspicion arises. Suspicions should not be investigated without the agreement of the Head of Audit. Any delays in reporting or any inappropriate attempts to investigate suspicions can seriously jeopardise future enquiries and put key evidence at risk.**

5.5 Reporting is essential to the Anti-Fraud and Corruption Strategy in so far as it:-

- Ensures the consistent treatment of information regarding fraud and corruption
- Ensures the proper implementation of a fraud response investigation
- Facilitates proper investigation (involving where necessary an experienced audit team)
- Ensures compliance with appropriate statutory frameworks (e.g. the Regulation of Investigatory Powers Act)

5.6 Senior management are ultimately responsible for ensuring any allegation of fraud or corruption received concerning employees is followed up in an appropriate manner. **Suspected fraud must be investigated in an independent, open minded and professional manner with the aim of protecting the interests of both the authority and the suspected individual(s). Suspicion should not be viewed as guilt to be proven.**

The investigating officer, who may (depending on the circumstances) be internal or external, will:-

- Deal promptly with the matter in liaison with the Head of Audit
- Assess whether there is a prima facie case which merits a full investigation
- Record all evidence received
- Ensure that evidence is sound and adequately supported
- Ensure security of all evidence collected
- Contact other relevant agencies e.g. Police in accordance with Council policies
- Notify the Council's insurers
- Subject to any prevailing legal constraints, keep all relevant parties (including the complainant) informed of progress
- Ensure the implementation of Council disciplinary procedures where appropriate.

5.7 **The investigation process will vary according to the circumstances of each case and will be determined by the Head of Audit in consultation with the Head of Service.** Depending on the nature and anticipated extent of the allegations, the relevant officers will, in most cases, work closely with Internal Audit and other agencies such as the Police to ensure that all allegations and evidence are properly investigated and reported upon. For the avoidance of doubt, the Head of Internal Audit will **determine the extent of involvement by the Internal Audit Section in any fraud enquiry and the extent to which Internal Audit will lead the enquiry.** To assist managers in dealing with fraud, Fraud Response guidelines have been developed and are attached as Appendix A

5.8 The Council's Disciplinary Procedures will be used where the outcome of the investigation indicates improper behaviour. Equally, any allegations found to have been made maliciously may be dealt with as a disciplinary matter. **It is essential that all disciplinary procedures are conducted in a timely manner. Staff should not be suspended for inappropriately lengthy periods of time. To monitor these procedures the Standards Board will require the Head of**

**Organisational Development and Employee Relations to produce quarterly statistics on the duration of disciplinary processes.**

- 5.9 The Council will normally wish the Police to be made aware of and to independently investigate and (where applicable) prosecute offenders where financial impropriety is discovered. Referral to the Police is a matter for the Chief Executive and Director of Finance in consultation with the relevant Head of Service and in accordance with the Council's Prosecution Policy, a copy of which is attached as Appendix B. In cases involving Members, the Standards Board for England would determine the issue of Police involvement.

## FRAUD RESPONSE PLAN

### 1 INTRODUCTION

- 1.1 This document provides direction to employees who suspect or become aware of theft, fraud, or corruption. It provides a framework for responding that enables evidence to be gathered and collated in a way which facilitates an informed initial decision and ensures that any evidence gathered will have been lawfully obtained and will be admissible if the matter proceeds to criminal or civil action.
- 1.2 This document is **not** an investigation procedure for staff. If you suspect fraud it is vital that you follow the guidance in this plan and report your suspicions to the Internal Audit Division, part of the Finance Department. Neither does this document provide guidance on fraud prevention. It is quite simply a brief guide on “what to do if you become aware of fraud” and tells you how the Council will respond to suspected or actual occurrences of fraud.

### 2 COUNCIL POLICY

- 2.1 The Council is committed to the eradication of fraud and financial irregularity and to this end has a whistleblowing charter which will protect staff who report their genuine suspicions. The Council recognises the high cost of fraud and Council Members and employees have a public duty to ensure the Council works towards and maintains an anti-fraud culture. The Council’s policy towards any type of fraud is one of zero tolerance and decisive action will be taken against anyone who is involved in fraudulent or inappropriate financial activity.
- 2.2 In order to ensure a consistent approach to the protection of public funds, all allegations of fraud will be referred to the Head of Audit who will work with management in determining the nature of the subsequent investigation. Managers who attempt to investigate such matters themselves may find themselves falling foul of Council policy and are likely to encounter difficulties taking the matter forward to a satisfactory conclusion.

### 3 DEFINITION OF FRAUD

- 3.1 The term “fraud” covers a number of criminal offences involving the use of deception to obtain benefit or causing detriment to individuals or organisations. Perhaps, fraud is best defined as “the use of deception with intent to obtain an advantage, avoid an obligation, or cause loss”. **This may involve the intentional distortion of financial statements or other records by persons, internal or external to the authority.**

**Fraudulent acts may arise from:**

**Systems Issues** i.e. where a process /system exists which is prone to abuse by either employees or members of the public.(e.g. Housing Allocations

**Financial Issues** i.e. where individuals or companies have fraudulently obtained money from the Council. Examples include falsification of expense claims, theft of cash and alteration of records to conceal deficiencies, falsification of invoices for payment, failure to account for monies collected

**Equipment Issues** i.e where Council equipment is used for personal reasons (for example personal use of council vehicles)

**Resource Issues** i.e. where there is a misuse of resources for example theft of building materials or working in a private capacity during contracted hours or whilst sick

In contrast, corruption has been defined as the offering , giving, soliciting or acceptance of an inducement or reward which may influence the action of any person **contrary to the proper conduct of their duties.**

**Examples of areas where corruption can occur include tendering and awarding of contracts, appointment and reward of external consultants, awarding permissions, planning consents and licenses.**

**Types of inducement include cash, “free” holidays, “free” professional services and advice, provision of goods or materials, “free” entertainment such as tickets to sporting events.**

#### **4 REPORTING FRAUD**

4.1 If you suspect fraud or any other illegal act perpetrated by an employee, individual or collection of individuals against the organisation, raise this with your line manager or telephone the Head of Audit who can advise or discuss the matter informally. Contact details are attached at the end of this procedure note. Alternatively you may prefer to raise the issue through the Council’s Whistle Blowing procedures. A twenty four hour direct line is available for this purpose on the contact number listed at the end of this report.

4.2 When you become aware that there may be a problem:

- **DO** make an immediate written note of your concerns, the details of any **telephone or** conversations you have heard, or documents you have seen and note the date, time, and names of the people involved. **These notes should be signed, timed and dated. Timeliness is important because the longer you delay writing up the notes, the greater the chances of recollections becoming distorted and the case being weakened.**

- **DO** pass any documents that **would normally** come into your possession immediately to Internal Audit **if this can be done without alerting suspicions; this should include any relevant e mails.**
- **DO** act promptly – delays may result in further financial loss or the loss of evidence.
- **DON'T** ignore the concerns, or be afraid of raising them. You will not suffer recrimination from your employer as a result of voicing a reasonably held suspicion.
- **DON'T** approach individuals yourself or convey your suspicions to other staff, except those authorised to deal with the matter. **There may be an innocent explanation that resolves your concerns. If you have any doubts about who to consult, speak to the Head of Audit first.**
- **DON'T** try to investigate the matter yourself. **There are special rules relating to the gathering of evidence for use in criminal cases. Attempts to gather evidence by persons who are unfamiliar with these rules may jeopardise or undermine the case.**
- **DON'T** discuss it with anyone else after you have reported your suspicions

## 5 ROLES AND RESPONSIBILITIES

- 5.1 The Head of Audit will maintain a log of all reports, and will detail actions taken and conclusions reached. and will report at least annually to Members of the Standards Committee.
- 5.2 The Head of Audit will ensure a consistent approach to the conduct of any investigations into matters reported and that proper records of each investigation are kept from the outset, including accurate notes of when, where and from whom evidence was obtained, and by whom.
- 5.3 Where a member of staff is to be investigated, **the relevant Chief Officer and Departmental** Human Resources will be informed. Normally, the member of staff's line manager will also be informed **unless this is deemed to be inappropriate given the circumstances of the case..**
- 5.4 If a suspicion is reported to a manager, s/he must pass that suspicion on to the Head of Audit **immediately. Any delay could compromise subsequent investigations..**

## 6 OBJECTIVES OF A FRAUD INVESTIGATION

- 6.1 The Head of Audit will establish at an early stage whether a criminal act may have taken place. This may shape the way the investigation is handled, and by whom. If it appears that a criminal act has occurred, the police will be notified and a decision taken on who is best placed to carry on the investigation. **The police generally welcome early notification of suspected fraud, particularly that of a serious or complex nature.**



- 6.2 Where there is sufficient evidence of fraud or corruption, or there is a strong suspicion but internal investigations are unable to obtain further evidence required, the Police will be involved in accordance with the Council's Prosecution Policy. In most cases, referral to the police will be the normal course of action.**
- 6.3 All staff must cooperate fully with police or any other form of external enquiry.**
- 6.4 If it appears not to be a criminal matter, an internal investigation will be undertaken to:
- determine the facts
  - consider what action should be taken against any staff found culpable
  - consider what may be done to recover any losses to the Council which could include civil action for recovery
  - identify whether the Council's controls or procedures need to be improved
- 6.5 The outcomes of internal investigations will be reported annually to the Standards Committee.
- 6.6 If the outcome of an investigation is that action should be taken against an employee, the Head of Audit will liaise with the appropriate service manager and the Human Resources section to determine whether disciplinary action is appropriate for:
- gross misconduct, i.e. dishonesty
  - misconduct i.e. negligence or error of judgement
- 6.7 The service manager will invoke the appropriate disciplinary procedures which will usually involve a hearing at which the findings of the investigation will be considered.
- 6.8 Where the Head of Audit considers that civil action for recovery is appropriate, the case will be referred to the Solicitor to the Council.
- 6.9 Where the police are unable to progress a criminal prosecution, e.g. because the burden of proof is insufficient to convince the Crown Prosecution Service to proceed, the Solicitor to the Council, in liaison with the Head of Audit, will take a view as to the expediency of civil action particularly in relation to recovering losses.
- 6.10 In some cases it may be necessary to immediately inform the Council's External Auditor of fraud and/or corruption. This will be the responsibility of the Head of Audit.

## **7 THE RESPONSE**

- 7.1 Audit Powers:** The authority to investigate in accordance with this plan is enshrined in the Council's Constitution, Financial Rules Paragraph 8.

Internal Audit will, within the context of the Director of Finance's statutory powers, have authority for internal audit purposes to:

- (i) enter at all reasonable times in to any Council premises or onto Council land;
- (ii) have access to all records, documents and correspondence relating to operations or transactions of the Council;
- (iii) require and receive such explanations as are necessary concerning any matters under examination;
- (iv) require any employee of the Council to produce cash, stores or any other property of the Council in her/his custody.

7.2 **Evidence Gathering:** The Head of Audit, or officers authorised by him or her, will normally manage investigations and will be responsible for gathering evidence. Where there are reasonable grounds for suspicion, the police will be involved at an early stage however the Head of Audit may still undertake part or all of the investigation on behalf of the police. All employees **MUST** co-operate with the investigation process. Failure to co-operate **will** itself constitute a disciplinary offence.

7.3 The Head of Audit will seek to establish whether there is any physical evidence that fraud has occurred and will collect the evidence, recording the time and place that the evidence was obtained. S/he will establish whether there are any witnesses to the events and will interview witnesses to obtain written statements. File notes of all actions and discussions will be maintained. The Head of Audit, in liaison with senior management, will then consider whether the employee should be interviewed.

7.4 **It is important, from the outset, to ensure that evidence is not contaminated, lost or destroyed.** Wherever possible original documents should be retained, secured and handled as little as possible. Under no circumstances should they be marked in any way. Computer data must also be secured ; it should not be viewed by anyone who is not appropriately trained.

7.5 All counts of cash or stock should be independently witnessed and signed off as a correct record.

7.6 Interviews will be conducted in **a fair and proper manner and in** accordance with the Council's disciplinary code. **Where there is a possibility of subsequent criminal action, the police will be consulted and interviews may be conducted under caution in compliance with the Police and Criminal Evidence Act which governs the admissibility of evidence in court proceedings.**

## 8 **CLOSING THE INVESTIGATION**

8.1 The Head of Audit will conclude the investigation by deciding whether there is a case to answer and by making recommendations, in a written report to the **relevant Chief Officer or Head of Service nominated by the Chief Officer**, as to appropriate action, as well as improvements to systems and procedures.

8.2. Management will seek advice from Human Resources to establish the correct procedure for progressing the matter through the Council's disciplinary framework. For acts of dishonesty, false accounting, gross negligence, deception, or theft, employees can expect to be dismissed. All matters investigated will be dealt with in



## PROSECUTIONS POLICY

### 1. Introduction

- 1.1 Where there is evidence that an offence has been committed, the Council will consider referring the matter for prosecution under the relevant legislation. Action may be taken through the criminal or civil courts as appropriate. The Council may seek to prosecute either members of the public, employees or Members where it is proven that they have been involved in fraudulent activity against the council. The decision to prosecute is a serious one. In considering whether to prosecute, the Council will consult the relevant internal departments and external agencies such as the legal department, the Police and the Crown Prosecution Service. Each case will be considered on its own merits. The decision made about each case will comply with the Council's Equal Opportunities Policy. Records will be kept of all decisions made.
- 1.2 The Audit Division will take certain factors into account when considering whether to recommend matters for prosecution. Deciding whether or not to prosecute will not simply be a matter of adding up the factors on each side. The assessment process must decide how important each factor is in the circumstances of each case. The Council will undertake joint prosecutions with the Benefits Agency and other local authorities where appropriate. All theft and criminal activity whether internal or external will be referred to the Police.
- 1.3 The final decision on whether to prosecute will rest with the Chief Executive and Director of Finance **having first consulted the relevant Chief officer and Head of Service.**
- 1.4 A separate policy has been agreed specifically for the prosecution of Housing Benefit and Council Tax Fraud. This policy is available on the Council's website.

### 2 Factors to be considered

#### 2.1 Factors that may increase the likelihood of prosecution include:

- The size of the fraud, including value in monetary terms.
- The period over which the fraud has been committed.
- The prevalence of the offence generally, if the offence although not serious in itself is widespread.
- The offender is in the public eye or public life.
- The fraud is likely to result in a significant sentence.
- The person is in a position of trust, for example, an offence committed by a person who abuses a position of trust e.g. an accountant, solicitor, staff handling cash or staff who authorise expenditure, a Member etc.
- The clarity and availability of evidence to support the prosecution.
- The previous history of an offender, where the offender has been previously cautioned, warned or committed a similar offence.

## **2.2 Factors which may reduce the likelihood of prosecution include:**

- The poor state of health of the offender.
- A small amount defrauded, although advice will be taken from the police and other agencies and departments.
- Reparation, that is the offence is of a relatively minor nature, and the offender has put right the loss or hardship caused.
- A mistake, misunderstanding or misjudgement has occurred and the offence was committed as a result of a genuine misunderstanding. These factors must be balanced against the seriousness of the offence.
- Any unnecessary delays in investigating the offence.
- The likelihood of penalty. In some cases an offence is likely to attract a very small or nominal penalty.

## **3 Alternative Actions to Criminal Prosecution**

Where after consultation the Council decides not to **initiate a criminal** case it may take other action. **Appropriate steps, including legal action if necessary, will be considered to recover any losses arising from fraud, theft, or misconduct. This may include action against third parties involved in the fraud or whose negligent actions contributed to the fraud. Other possible courses of** action include the following:

### **3.1 Official Prosecution Caution**

In some cases it may be appropriate for the police to use their "Official Caution" powers. This option is only available if there is an admission of guilt or the offender accepts the caution and by so doing acknowledges guilt. A "caution" is not a criminal record, but is a record held for three years. In this period should the cautioned person come to police notice for a separate offence then the court would also be given the information about the circumstances of the caution before they pass sentence accordingly.

### **3.2 Official Local Authority Caution**

This is similar to the above. It is a letter that states that the Council considers the matter to be very serious and by way of caution, if a similar incident occurs again, the Council will immediately seek to prosecute the offender. This option will only be used once all the details of the offence have been considered and if a prosecution is not being brought or an official police caution has not been administered. The caution can only be considered where there is sufficient evidence to justify instituting criminal proceedings and the person has admitted the offence during an interview under caution. The person must sign a document to show that they admit to the offence, agree to a caution and that they have received one. If the person is subsequently prosecuted for another offence the caution may be cited in court for sentencing purposes. In the case of Council employees, this option will be considered after any possible disciplinary action has been taken.

### **3.3 Civil Action**

The Council will also consider civil action for the repayment of debt.

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# Barking Muslim Social & Cultural Society

Barking Muslim Community Centre  
 3/7 The Triangle, Tanner Street, Barking, Essex, IG11 8QA  
 Telephone: 020 8591 4907 Email: bmscs@hotmail.co.uk  
 Charity Registration Number: 1057259 Est. 1979

## PRESIDENT

Raja Mohammad Bashir  
 74 Victoria Road  
 Barking IG11 8PY  
 020 8553 5946  
 07944121704

## GENERAL SECRETARY

CH. Manzoor Hussain  
 78 Tanner Street  
 Barking IG11 8QF  
 020 8270 3329  
 07961574772

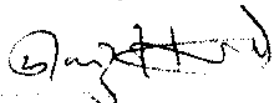
7<sup>th</sup> July 05

Charles Fairbrass  
 Leader of the Council  
 London Borough of Barking and Dagenham  
 Civic Centre  
 RM10 7BN

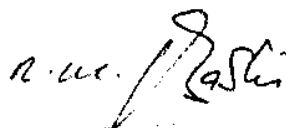
Dear Mr Fairbrass

We write this letter to condemn the loss of innocent lives of so many hard working people of our Capital by mindless terrorists. These people have no place in any faith or community and they will be defeated. We must stand united to root out this evil to make world a better and peaceful place.

Yours truly,



Mr Manzoor Hussain ( Gen-Secretary)



Mr Raja M. Bashir (President)



LONDON BOROUGH of BARKING and DAGENHAM

**Councillor C J Fairbrass**

*Leader of the Council*

CH. Manzoor Hussain  
General Secretary  
78 Tanner Street  
Barking  
IG11 8QF

Reference:

CJF/DH

Phone:

020 8227 2373

Fax:

020 8227 2162

Minicom:

020 8227 2685

E-mail:

dawn.heale@lbbd.gov.uk

14 July 2005

Dear Mr Hussain

I am in receipt of your letter of the 7<sup>th</sup> July 2005, a date that is now, regrettably, part of the history of our country.

On behalf of all my Councillor colleagues I welcome the contents of your letter.

Regrettably there are fanatics in every faith and indeed some political groups, and I fully endorse the final sentence of your letter.

Please be assured of the continuing support of this Council in the work of your society.

Yours sincerely

Charles Fairbrass

C.C. Raja Mohammad Bashir  
President  
74 Victoria Road  
Barking IG11 IPY