



Statement of Accounts 2017/18



Contents

The Council's accounts for the year 2017/18 consist of the following pages:

	Page
Narrative Report	2
Statement of Responsibilities for the Statement of Accounts	25
Independent Auditor's report	26
The Core Financial Statements	
Expenditure and Funding Analysis	30
The Comprehensive Income and Expenditure Statement	31
- this statement shows the cost of providing services in the year	
Movement in Reserves Statement	32
- this statement shows the movement in the year on the different reserves held by the Council analysed into usable and unusable reserves	
The Balance Sheet	33
- sets out the assets and liabilities of the Council on the 31 March 2018 excluding the Pension Fund (which is shown separately)	
The Cash Flow Statement	34
- shows the changes in cash and cash equivalents of the Council funds for 2017/18 excluding the Pension Fund and Trust Funds	
Notes to the Core Financial Statements	35
Supplementary Financial Statements	
The Housing Revenue Account	111
- shows in detail the income and expenditure on Council Housing	
The Collection Fund	117
- summarises the receipt of Council Tax, Business Rates and Government Grants, which are then used to finance services provided by the Council and the Greater London Authority	
The Pension Fund Accounts	120
- provides for retirement benefits for past and present employees of the Council and the Admitted Bodies, with the exception of teachers who contribute to a separate scheme.	
The Annual Governance Statement	143
Glossary of Terms	170

Narrative Report to the Financial Statements

Introduction

The Statement of Accounts (the Accounts) summarises the financial position of the London Borough of Barking & Dagenham for the year ended 31 March 2018.

The principles adopted in compiling the Accounts are those recommended by The Chartered Institute of Public Finance and Accountancy (CIPFA) namely:

- The Code of Practice on Local Authority Accounting in the United Kingdom (the Code); and
- International Financial Reporting Standards (IFRS)

This Narrative Report provides information about the London Borough of Barking & Dagenham, its main objectives and strategies and the principal risks it faces in delivering its ambitions for the communities it serves. It sets out in summary how the Council has used its resources during financial year 2017/18 to achieve planned outcomes in line with its objectives and strategies.

The Narrative Report is a key document for communicating to stakeholders the authority's purpose; how it has performed in accordance with its overall strategy and against Key Performance Indicators over the financial year 2017/18; and how it has allocated its resources in line with intended outcomes. It assists management to demonstrate their collective performance over the year and gives assurance about how well the authority is equipped to deal with the challenges ahead, to continue delivering services and support its local communities.

The Report provides a fair, balanced and understandable analysis of the Council's performance in 2017/18. It shows the connections between the information within the financial statements and the achievement of the Council's objectives and strategies.

The Narrative Report focuses on elements that are material to an understanding of the financial position and performance of the Council and is structured as follows:

- Barking and Dagenham – the Place
- The Council
- The Council's Financial Strategy
- Risks and Opportunities
- Performance – Progress on Transformation
- Financial Performance
- Preparation of the financial statements

Barking and Dagenham – The Place

Barking and Dagenham is London's Growth Opportunity. The Borough's Independent Growth Commission reported in 2016 that:

“A variety of factors come together to create a propitious moment for Barking & Dagenham. The London economy remains strong. Growth, and the pressures it creates, allied to strong London institutions in the Greater London Assembly and Transport for London, have put any area with significant growth potential into the spotlight as areas of major strategic importance for development. Barking & Dagenham is the next obvious growth point and the Borough has land on a scale few other places in the south-east do”.

Thus, as London's economic growth continues to move East, the Council has a unique opportunity to make the Borough a stronger, more prosperous place to live, where no one is left behind.

This is a young and rapidly changing part of London. Between 2001 and 2016 the population rose from 164,000 to 206,500 and is projected to rise to £275,000 by 2037. Within this overall increase is a picture of rapid movement of people. Between 2012 and 2014 (a mere two years) approximately one quarter of the population moved into the borough and the same proportion moved out. The population is also very young - the birth rate is the highest in London and we have the highest proportion of 0-16 years in the UK.

However the Borough also faces great challenges – partly from the rate of change the community is experiencing but also long standing challenges stemming from the loss of local industries and their associated employment opportunities.

People in our borough die earlier, have poorer health, and lower levels of education and skills, than across London. Too many are insufficiently skilled, too many are in low paid work, and too many struggle to find suitable homes that they can afford. Meanwhile community cohesion remains a challenge as people have seen rapid change in a short space of time. Change can be unsettling, and can break down the trust between members of the community.

One of the Growth Commission's recommendations was the development of a long term vision for Barking and Dagenham that could harness the energy, creativity and ambition of its residents. This led to the development of the Borough Manifesto – bringing together the Council with its key partners and the contributions to public consultation of over 3,000 residents. The manifesto “Barking and Dagenham Together” was published in November 2017 and sets out a long term vision for the next twenty years:

One Borough. One Community. No-one left behind.

The manifesto sets out how this vision will be achieved and delivered based around ten key themes:

Employment, Skills and Enterprise

Education
Regeneration
Housing
Health and Social Care
Community and Cohesion
Environment
Crime and Safety
Fairness
Arts Culture and Leisure.

There are also a set of realistic but challenging targets to assess progress – the aim being to move from the bottom of the London league table towards the London average – or as near to it as is feasible.

The Council

The Borough consists of 17 wards, each served by three elected Councillors. During 2017-18 the political balance was 50 Labour Councillors and 1 Independent. Labour retained control following the May 2018 elections.

The Council operates with a Leader and Cabinet. During 2017/18 there were 10 Cabinet members including the Leader and two Deputy Leaders.

The Council provides services itself, but also through joint ventures and owned companies. The Council has a 50/50 share in a joint venture with Agilysis Ltd, Elevate East London LLP, which provides ICT, Revenues & Benefits, Procurement, and Accounts Payable services for the Council. The Council has a set of subsidiaries. Further information can be found at Note 26 to the Financial Statements (Related Parties). During 2017/18 the Council made considerable progress in its transformation programme which has significantly altered the organisational model of service delivery. More detail is set out in the Section on Performance below.

The Council's management is led by the Strategic Leadership Team, which during 2017/18 comprised:

- The Chief Executive (Head of Paid Service)
- Strategic Director for Service Development and Integration
- Chief Operating Officer (Section 151 Officer)
- Strategic Director for Growth and Homes – left during the year and replaced by the Director of Inclusive Growth
- Director of Law and Governance (Monitoring Officer)
- Director of Policy & Participation

Each of these senior officers oversees the strategic management of service areas managed by commissioning directors, operational directors and heads of service.

Performance against planned activity and budgets is reported monthly at Corporate Performance Group (made up of the Strategic Leadership Team, Performance

Challenge Sessions and to Cabinet, and to the Public Accounts and Audit Committee every six months.

In order to play its role in delivering this vision set out in the Borough Manifesto the Council has undertaken an ambitious Transformation Programme to completely redesign the way it works to meet the needs of its residents. Over the course of 2017-18 it moved towards becoming a New Kind of Council as shown below.



The Council's Medium Term Financial Strategy

The proposed budget for 2017/18 was initially proposed by the Council's Assembly in February 2016 as part of its updated Medium Term Financial Strategy and was reviewed in July, and again in November 2016, taking account of savings required to address the forecast budget gap. In February 2017 the Council approved its budget for 2017/18.

In line with the vision, the Council has a growth based Financial strategy which seeks to invest in the Borough's future while making necessary savings to set a balanced budget. The 2017/18 budget therefore included provision for growth of £11.694m including investment in capital infrastructure and land acquisition, the rising costs of Homelessness and Adult Social Care and increasing spend on Community cohesion through schemes such as the Events programme and Everyone Everyday.

Council tax was increased by 1.99% for general expenditure and 3% ringfenced Adults Social Care precept – this complied with Central Government guidelines.

However there was an overall decrease in income from grants and local taxation of £5.711m.

Overall the Council is predicting a gap of in the region of £65m to £70m during the period 2017-2021. This level of savings will not be delivered by small economies or “salami-slicing” and such an approach would risk jeopardising the Council’s ambitions for its residents. For this reason a Council wide strategic approach was needed and this led to the adoption of an ambitious Transformation Programme based on full scale service redesign, commercialisation and driving economic growth. This programme as a whole is expected to deliver £48m of savings during the period 2017-21.

The 2017-18 budget gap was met from the first year’s savings of £9.276m of savings and £7.25m taken from one off sources including use of Collection Fund and drawdown from reserves. The Council committed to finding further savings in 2018/19 to close the remaining gap further and meet its further pressures. This was partly achieved through the 2018/19 MTFS process which identified a further £9.377m of savings in addition to the £11.344m that will result from the Transformation Programme.

The Council refreshes its Financial Strategy every year in July and again in November/December. This involves re-examining its performance and financial pressures and the expected funding available and setting the strategy to address any funding gaps in the next and subsequent years. This is confirmed by Cabinet and Assembly in February.

Risks and opportunities

Despite the ambitious nature of the Transformation programme and the success to date in finding additional savings, pressures still remain in the Medium Term. The MTFS gap is now estimated to be a further £16m to 2021. Moreover there remain further risks as the future of Local Government funding is still uncertain once the Revenue Support Grant system comes to an end in 2020.

From 2020 local authorities are expected to be ‘self-financing’, funding services through income from Council Tax, Business Rates, fees & charges and, for Housing Services, through the collection of rents. The Council is currently participating in a London-wide pilot scheme to assess the impact of new arrangements proposed by Government for Councils to be allowed to retain 100% of the Business Rates income they collect.

The MTFS planning process that is in place will continue to address these risks. It is likely however that a further savings programme could be required.

As a Public Body operating within a climate of austerity the Council also faces a broad range of inherent risks. These include:

Area	Issue
Safeguarding	Keeping vulnerable and young persons safe

Housing Strategy	Failure to deliver a coherent strategy could lead to an inability to meet local housing needs, resulting in a lack of affordable housing providing real alternatives to homelessness
Extra demands caused by demographic pressures	Increased demand for school places and social care services. Housing growth will also drive increased demand for infrastructure and universal services such as waste collection.
Resilience	Budget reductions have resulted in lower staff numbers and lower staffing ratios. A failure to recognise this lower level of resilience or taking actions to mitigate could lead to service failure
Information Assurance	Lack of Information Governance could lead to a range of impacts from developing poorly informed plans to invasion of privacy or release of data resulting in a distrust of information communicated to stakeholders and a correspondingly adverse impact on the Councils reputation. This risk will be heightened following the introduction of the GDPR in May 2018
Asset Management	Failure to maintain proper maintenance procedures and inspections could lead to injury to staff &/or third party's resulting in public inquiries, adverse publicity & possible prosecution under Health & Safety legislation
Community Tensions	Failure to adequately monitor tension risks and to be seen to address concerns and grievances leads to community tensions, personal safety risks for minority populations, and reputational damage for the Council
Budget Delivery	Failure to deliver the approved budget will lead to a lack of resources to fund services and priorities and reduced ability to plan effectively in the medium and long term. Failure to increase value for money results in inconsistent service delivery and non-achievement of objectives and outcomes

Performance – Progress towards Transformation

Financial year 2017/18 saw significant progress on the Council's ambitious transformation programme, which is designed to reduce annual net expenditure on the delivery of day-to-day services by £47.9 million by 2020/21.

Several major restructurings of service delivery took place in financial year 2017/18, and these are discussed below:

Community Solutions

The core of the Council's people-focused services, Community Solutions identifies and resolves the root causes of an individual's or family's problems, by tackling the multiple needs of households in a joined-up way, and at an early stage. It comprises

multi-disciplinary and multi-agency teams that collaborate closely with the voluntary and community sector and other partners to deliver early intervention and preventative support.

The investment in Community Solutions in financial year 2017/18 enabled several services such as libraries, children's centres, housing support and employment support to be reconfigured into a single, integrated service for residents who need help. This integration will deliver efficiencies for the Council and in time will help reduce demand for our more expensive services.

Community Solutions began operations in April 2017. The service will continue to develop during 2018/19 through testing and evaluation to ensure that the service is achieving a reduction in demand. The new fully functioning, fully coordinated service will be in place by April 2019.

Care and Support

The re-design of services for individuals and families who either need continuing support from the Council or require an intervention to enable them to remain safe went 'live' in May 2017. The new arrangements will enable and support more adults to live in their own homes for longer; and more children and young people to live at home with their families. Residents have more choice; redesigned services will be smaller, more responsive and more user-focused.

Be First

In July 2016 the Council agreed to implement Be First – a wholly owned development and regeneration company with the remit of accelerating the pace and scale of physical, economic and social regeneration in the Borough. A final business case for Be First was approved by Cabinet in November 2016 and the new service went 'live' in October 2017.

Be First is tasked with scaling up delivery capacity so that the development of over 2,000 residential units per annum can be supported and regulated through the Council's planning and regeneration functions – roughly four times more per year than could previously be delivered. As well as accelerating to circa 10,000 the number of new homes that will be built in the Borough by 2020/21, Be First will also help to generate several other significant financial benefits, namely: additional New Homes Bonus, development fees and the fiscal benefits that arise from increases in the Council Tax base.

In June 2017, the Council agreed the first steps of the Barking Riverside Gateways Housing Zone project which involves the phased development of around 3,000 homes, commercial space and associated facilities, supported by £30m of funding from the Greater London Authority. The project will bring new housing and a site for a new school, connecting communities and transforming the appearance of the area. The scheme will ensure modern employment space is provided as part of a mixed-use development so that overall jobs numbers are not lost. Be First will be closely involved in this major scheme, working with private sector and other partners to deliver the agreed outcomes.

Barking & Dagenham School Improvement Partnership

In June 2017, the Council agreed the establishment of a School Improvement Partnership (SIP) company, limited by guarantee and owned jointly by schools and the Council, to deliver a range of services, both statutory and traded, which were previously delivered by the Council to schools. Over time the SIP will also become the vehicle to drive and support the development of a successful school-led system for the Borough. The proposal was developed in partnership with headteachers and governors through ongoing consultation and working groups. A shadow organisation structure, including a shadow board, was set up in September 2017 prior to full launch in January 2018.

My Place

During 2017/18 the Council made further progress with its plans to bring together all those services that are involved in enforcement and regulation to provide a better offer to residents and to make the workforce more productive and effective. Actions were also taken to deliver significant improvements in the efficiency of the refuse and street cleansing services. Improved public education and enforcement will reduce waste volumes and disposal costs.

Public Realm

The Green and Clean service has been re-structured into three new service blocks:

Waste Services – Implementing a series of staged operational changes and service efficiencies to the refuse collection and recycling services. A new paid for green garden waste service was introduced in the spring of 2017.

Cleaner Communities - Creating a targeted, intelligence driven and collaborative service. The new service brings together cleansing and caretaking services.

Parks and Environment - The new service is required to attract external capital into parks in the next five years through creating expertise in applying for funds, participating in regeneration, and seeking commercial opportunities. With the responsibility of running the newly expanded Chadwell Heath Cemetery there is also a need for a greater commercial focus as well as developing new skills within the workforce to better manage the burial site.

Leisure

The Council agreed in November 2016 that bids should be invited to enable transfer of the management and operation of leisure services to a not-for-profit operator. The new operator, Sports and Leisure Management Ltd (SLM), took over with effect from September 2017. All staff previously involved in the delivery of leisure services transferred under TUPE to the new operator.

Smarter Working

The Smarter Working Programme has provided staff with new technology and the capability to work from any Council site and remotely including homeworking. The roll-out of the corporate accommodation element of the Programme continued during 2017/18.

Financial Performance in 2017/18 - Revenue

The final revenue outturn position is an overspend of £5.6m. This includes overspends of over £10.66m across a range of departments (£5m in Care and Support, £1.1m in Community Solutions, £2.1m in Public Realm, £0.7m Elevate/Customer Services, £0.6m Leisure, £0.4m Enforcement) offset by a large surplus in Traded Services (£0.9m) and underspends in Core, Commissioning and Central Services. Most of these overspends are the result of long standing structural budget deficits and many have been corrected in the 2018-19 budget – either by the provision of growth funding or by Transformation programme activity or a combination of the two. This is the case for Public Realm, Customer Services, Leisure and the Homelessness pressure in Community Solutions.

Function & Block	REVISED BUDGET 17/18	Provisional Outturn	Variance
BE FIRST 2017/18	-130	-130	
CARE & SUPPORT	73,104	78,023	4,918
ADULT'S CARE & SUPPORT	22,082	22,246	164
CHILDREN'S CARE & SUPPORT	33,264	36,585	3,321
DISABILITIES	17,759	19,192	1,433
CENTRAL	-3,065	-5,866	-2,801
COMMUNITY SOLUTIONS	13,297	14,455	1,158
CONTRACTED SERVICES	9,545	10,274	730
CORE	8,767	8,232	-535
EDUCATION,	14,754	14,754	
ENFORCEMENT	10,483	10,894	411

GROWTH & HOMES	-268	398	666
MY PLACE	-58	-441	-383
PUBLIC REALM	6,909	9,101	2,192
SDI COMMISSIONING	11,386	11,575	189
TRADED SERVICES	406	-537	-943
TOTAL GENERAL FUND	145,130	150,730	5,601

Financial Performance - Capital Programme

In April 2017 the Council agreed a new capital bidding process, designed to support its priorities, ambition and agreed strategies, together with the detailed schemes recommended for inclusion in the 2017/18 Capital Programme.

A total of £40.482m of new schemes were agreed for the next five years, of which £20.468m related directly to 2017/18.

The two most significant areas of the capital programme are the provision of school places and housing development. This reflects the needs of the Borough in terms of dealing with a high birth rate and high level of migration into the Borough. School expansion schemes are funded by Government (via the Education Funding Agency), and the HRA programme is self-financed by the HRA using a mixture of Government grants, capital receipts and HRA revenue funding. Therefore, neither of these priorities pose a pressure on the General Fund.

The Council spent £170.3 m on capital projects in 2017/18, as summarised in the following table. Full detail is given in the outturn report to Cabinet 19th June which can be found on the Council's website.

Programme.	Revised Budget	Actual Expenditure	Over / (Under) spend to date
Care & Support	1,869,570	1,591,834	(277,736)
Community Solutions	3,686,400	1,378,893	(2,307,507)
Core	9,202,469	7,827,889	(1,374,580)
Customer Access & Technology	3,991,982	1,740,176	(2,251,806)
Education, Youth & Childcare	25,323	25,474	151
Enforcement	9,167	7,342	-1,824
Culture, Heritage & Recreation	855	171	-684

Investment Strategy	10,219	10,201	-17
Growth & Homes & Regeneration	54,801	43,067	-11,734
My Place	1,209	692	-517
Public Realm	999	124	-875
SDI Commissioning	4,085	2,089	-1,996
GENERAL FUND PROGRAMME	125,408	101,698	-23,710
Grand Total HRA	74,271	68,631	-5,640
CAPITAL PROGRAMME 2017/18	199,678	170,329	-29,349

Financial Performance - Pension Fund

Overall 2017/18 was another good year for the Fund with a positive investment return, net of fund manager fees and custodian costs, of 5.3%, 0.3% higher than its benchmark of 5.0%. Taking net pension contributions into account, the Fund increased in size by 5.6%. Over three years the Fund has returned an annualised return of 7.9%, which 0.4% below the Fund's benchmark return of 8.3%.

Equities and alternatives were the main driver of outperformance, with Baillie Gifford providing a good return of 12.7% for the year, outperforming its benchmark by 9.4% and Aberdeen Asset Management providing a return of 12.5%, outperforming its benchmark by 8.1%. Absolute return managers were the worst performers, both underperforming their benchmarks and providing negative actual returns for the year.

Two new employers, Be First and SLM, joined the scheme as admitted bodies. A further two academies, James Campbell Primary and St Margarets joined the scheme as new scheduled body employers. The total number of active and closed employers within the Fund was 37 as at year end.

Preparation of the financial statements

The pages which follow are the Council's Statement of Accounts for 2017/18. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The financial statements comprise:

- **Statement of Responsibilities**

This sets out the respective responsibilities of the Council and the Section 151 Officer in respect of preparation of the Statement of Accounts. For the London Borough of Barking & Dagenham the Section 151 Officer is the Chief Operating Officer.

- **Expenditure and Funding Analysis**

The requirement to include an Expenditure and Funding Analysis (EFA) was introduced for the first time in financial year 2016/17. Its purpose is to report performance in a similar format used for reporting to management and members throughout the year.

The objective of the Expenditure and Funding Analysis (EFA) is to demonstrate to Council Tax (and rent) payers how the funding available to the Council (i.e. Government grants, rents, Council Tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with Generally Accepted Accounting Practices.

The EFA also shows how this expenditure has been allocated for decision making purposes between the Council's service portfolios. Income and expenditure accounted for under Generally Accepted Accounting Practices are shown more fully in the Comprehensive Income and Expenditure Statement.

- **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'Unusable Reserves' (e.g. the Capital Adjustment Account; Revaluation Reserve; Pension Reserve).

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The "Net Increase/Decrease before Transfers to or from Earmarked Reserves" line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

- **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The Statement shows five significant values:

1. Cost of services (gross income and expenditure for each service)

2. Other operating income and expenditure (including the surplus or deficit from property, plant and equipment sales)
3. Financing and investment income and expenditure
4. Taxation and non-specific grants (revenue from Council Tax, business rates and the Government)
5. Other income and expenditure – values not included elsewhere such as revaluations of property or actuarial gains or losses.

- **Balance Sheet**

The Balance Sheet shows the value of the assets and liabilities recognised by the Council at the end of the financial year. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is 'Usable Reserves', i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes those that the Council is not able to use to provide services ('Unusable Reserves'). This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line: "Adjustments between accounting basis & funding basis under regulations".

- **Cash Flow Statement**

The Cash Flow Statement shows the change in cash and cash equivalents of the Council during the financial year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as:

Operating activities;

Investing activities: and

Financing activities

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

- **Additional Statements**

- **The Housing Revenue Account**

This reflects a statutory obligation to separately account for housing provision. It shows the major elements of housing revenue expenditure - maintenance,

administration and capital financing costs and how these are met from rents, subsidy and other income. This account is reported using two statements – the Housing Revenue Account Income and Expenditure Statement and the Movement on the Housing Revenue Account Statement.

The Collection Fund

The London Borough of Barking & Dagenham acts as an agent in the collection of Council Tax and Non-Domestic Rates on behalf of other precepting authorities. As such the Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Council in relation to the collection from taxpayers and ratepayers, and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

The Pension Fund Accounts

The Barking & Dagenham Pension Fund is part of the Local Government Pension Scheme and is administered by the London Borough of Barking & Dagenham. The Fund is financed by contributions from members, employers and from interest and dividends on the Fund's investments.

The Annual Governance Statement

This Statement summarises the systems and processes, cultures and values by which this Council is directed and controlled and through which it accounts to, engages with and where appropriate, leads the community. It identifies any gaps or weaknesses and implements responding action plans.

- **Notes to the Accounts**

The notes to the accounts provide additional disclosures in respect of the entries within the main financial statements. They explain the basis of the figures included in the accounts. The accounts can only be properly appreciated if the policies, accounting estimates and judgements, which have been followed in dealing with material items, are explained.

Glossary of Terms

<u>Term</u>	<u>Definition</u>
Accounting Policies	The rules and practices adopted by the Council that dictate how transactions and events are shown or costed.
Accruals	Amounts included in the accounts to cover income and expenditure attributable to the financial year, but for which payment had not been received or made as at 31 March.
Actuarial Valuation	A review carried out every three years by the actuary on the assets and liabilities of the Pension Fund. The actuary reports to the Fund's trustees on the financial position and recommended employer's contribution rates. The next actuarial review will be carried out at the end of financial year 2018/19 and the new rates will be applied from April 2020.
Balance Sheet	The Council's balance sheet presents the authority's financial position, i.e., its net resources, at 31 March. The balance sheet is composed of two main balancing parts: its net assets and its total reserves.
Beacon Properties	A sampling technique for valuing the Council's social housing based on the value of properties assuming vacant possession. The Beacon method is used for no other purpose except the special circumstances of the HRA valuation but is an efficient method of arriving at a representative valuation which enables values to be attributed to the whole of the Council's housing stock.
Budget	A forecast of the Council's planned expenditure. The level of the Council Tax is set by reference to detailed revenue budgets. Budgets are reviewed during the financial year to take account of pay and price changes, and other factors affecting the level or cost of services.
Capital Expenditure	Expenditure on the acquisition or enhancement of assets that are of benefit to the Council over a period of more than one year, e.g., buildings and land. Other examples include payments of grants

	and financial assistance to third parties, and expenditure that is classified as capital following a Ministerial direction, e.g., redundancy costs. (See also REFCUS below).
Capital Adjustment Account	A capital reserve that reflects the difference between the costs of fixed assets consumed and the capital financing set aside to pay for them. This is an accounting reserve which is not backed by cash and does not represent resources available to fund future capital expenditure.
Capital Receipts	Income received from the sale of land, buildings and other capital assets.
Central Support Services	Services that are provided by the administrative and professional service groups that support all the Council's services. They include financial, legal, personnel, IT, property and general administrative support.
Collection Fund	A separate account that discloses the income and expenditure relating to Council Tax and National Non-Domestic Rates. The Fund and the taxes that form its basis have a significant impact on the level of resources available to both the Council and its preceptors (e.g., The Greater London Authority).
Community Assets	A class of fixed assets that are expected to be held by the Council in perpetuity. Examples include parks, historic buildings and works of art.
Comprehensive Income & Expenditure Statement	A statement showing the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
Council Tax	A local taxation system used in England, Scotland and Wales. It is a tax on domestic property which was introduced in 1993. Each property is assigned one of eight bands (A to H) based on property value, and the tax is set as a fixed amount for each band. Council Tax is

	collected by the Council (the collecting authority). However, it may consist of components (precepts) levied and redistributed to other agencies or authorities (each known as a precepting authority, e.g., the Greater London Authority).
Council Tax Base	The number of Band D equivalent dwellings in the Borough. To calculate the Tax Base, the number of dwellings in each Council Tax band is adjusted to take account of any discounts, premiums or exemptions. The resulting figure for each band is then multiplied by its pro-portion relative to Band D (from 6/9 for Band A to 18/9 for Band H) and the total across all eight bands is calculated. The Tax Base is used to determine the level of Council Tax the Council charges each dwelling.
Council Tax Requirement	The amount of money the Council needs to raise from Council Tax to fund annual spending once Government funding and other sources of income are deducted.
Creditors	Amounts owed by the Council to suppliers for goods received or services provided before the end of the accounting period but for which payments have not been made by the end of that accounting period.
Debtors	Amounts owed to the Council for services provided before the end of the accounting period but for which payments have not been received by the end of that accounting period.
Deferred Liabilities	Sums owed to creditors that are not due for payment for at least one year. They are carried as a liability on the balance sheet, alongside other long-term debt obligations, until they are paid.
Defined Benefit Scheme	A type of pension plan in which the employer promises a specified pension payment, lump-sum (or combination thereof) on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns.

	A defined benefit plan is 'defined' in the sense that the benefit formula is defined and known in advance. The Council's Pension Scheme offers defined benefits for all its members.
Depreciation	The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.
Earmarked Reserves	Reserves set aside for a specific purpose, particular service or identified risk.
Finance Lease	A funding arrangement where: <ul style="list-style-type: none"> • The lessee (the Council) will select an asset (e.g., equipment, vehicle, software); • The lessor (typically a finance company) will purchase that asset; • The Council will have use of that asset during the lease and pay rent for it; • The lessor will recover a large part or all of the cost of the asset plus earn interest from the rentals paid by the Council; • The Council may have the option to acquire ownership of the asset at the end of the rental period.
General Fund	The main revenue fund from which the day-to-day costs of most services is met. The Council is required to maintain other Funds, e.g. the Housing Revenue Account, the Collection Fund and the Pension Fund. The accumulated credit balance on the General Fund Reserve is the excess of income over expenditure after adjusting for movements to and from reserves.
Government Grants	Government supports the Council's general revenue expenditure through Revenue Support Grant (RSG), a grant given to local authorities which can be used to finance revenue expenditure on any service. The amount of RSG to be provided to authorities is set out in the annual local government finance settlement. RSG is being phased out and will cease entirely by 2020. In addition, specific Government grants are distributed outside the settlement. The basis of the distribution varies from grant to grant. For non ring- fenced grants there are no restrictions on what Councils can spend the money on.

	Where a specific grant is ring-fenced the expenditure is controlled to fund a particular service that is a national priority. For example, funding for schools is paid through the Dedicated Schools Grant, administered by the Department for Education.
Gross Expenditure	The total cost of providing the Council's services before deducting income from Government grants, or fees and charges for services.
Heritage Assets	Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of heritage.
Historic Cost	A measure of value used in accounting in which the price of an asset on the Balance Sheet is based on its nominal or original cost as opposed to its current or fair value.
Housing Revenue Account (HRA)	The HRA specifically accounts for spending and income relating to the management and maintenance of the Council-owned housing stock. By law it must be kept separate from other Council accounts. The HRA is self-financing and receives no income and incurs no expenditure through the Council Tax. The main sources of HRA income are rents and charges for services and facilities.
Impairment	The permanent decline in the value of an asset. Impairment of assets is the diminishing in quality, strength, amount, or value of an asset. It is an accounting estimate of changes in value relating to the consumption of assets.
Infrastructure Assets	Assets that provide the platform for economic and social activity in the Borough, for example, roads, bridges and footpaths.
Interest	The amount received or paid for the use of a sum of money when it is invested or borrowed and typically expressed as an annual percentage rate.
Inventories	The amounts of unused or un-consumed goods held in expectation of future use within the

	<p>following year. Inventory stocks are valued at the end of each financial year and carried forward to be matched to their use or consumption in the following year.</p>
Investment Properties	<p>The Council's interest in land and/or buildings which are held for their investment potential and rental income, rather than being occupied and used to help deliver services.</p>
Levies	<p>Payments that the Council is required to pay to other bodies. The levying bodies are:</p> <ul style="list-style-type: none"> • Lee Valley Regional Park Authority • London Pension Fund Authority • East London Waste Authority • Environment Agency
Long Term Debtors	<p>Debtors who are not expected or required to pay what they owe soon. In some cases, by agreement, it may be many years before the Council receives full payment from certain debtors (e.g., deferred receipts, mortgages).</p>
Minimum Revenue Provision	<p>How capital expenditure which is financed by borrowing or credit arrangements is paid for by Council Tax payers. The Council is required each year to set aside some of its revenue income as provision for this debt.</p>
Movement in Reserves Statement	<p>A statement showing the movement in the year on the different reserves held by the Council, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'Unusable Reserves' (e.g. the Capital Adjustment Account; Revaluation Reserve; Pension Reserve).</p>
National Non-Domestic Rates (NNDR)	<p>Non-Domestic Rates, or business rates, collected by the Council are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1st April 2013, authorities keep a proportion of the business rates paid locally. This provides a direct financial incentive for authorities to work with local businesses to create a favourable local environment for growth since authorities will benefit from growth in business rates revenues. The money, together with revenue from Council</p>

	Tax payers, Revenue Support Grant provided by the Government and certain other sums, is used to pay for the services provided by the Council.
Net Book Value	The amount at which the Council records an asset in its Balance Sheet. Net book value is calculated as the original cost of an asset, minus any accumulated depreciation, accumulated depletion, accumulated amortization, and accumulated impairment.
Net Expenditure	Total gross expenditure less income due to the Council. The Expenditure and Funding Analysis included in the financial statements shows for each of the Council's services a comparison of the net expenditure and the net charge against Council Tax.
Net Realisable Value (NRV)	The value of an asset that can be realized upon sale or disposal, less a reasonable estimate of the costs associated with either the eventual sale or the disposal of the asset in question. NRV is used to apply generally accepted accounting principles to accounting transactions.
Non-Current Assets	Tangible assets that yield benefits to the Council and the communities it serves for a period of more than one year, e.g., property, plant and equipment (see Note 6 to the financial statements).
Operating Lease	The rental of an asset from a lessor under terms that do not transfer ownership of the asset to the Council. During the rental period, the Council typically has unrestricted use of the asset, but is responsible for the condition of the asset at the end of the lease, when it is returned to the lessor.
Operational Assets	Long-lived assets held, occupied, used or consumed by the Council in the normal delivery of services. They are not held for resale, investment or disposal.
Past Service Costs	The term used to describe the change in a defined benefit obligation for employee service in prior periods, arising because of changes to plan arrangements in the current period.

Post Balance Sheet Events	Events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed.
Precept	A charge made on the Council's Collection Fund by precepting authorities such as the Greater London Authority. The sums paid over to the precepting authorities are collected as part of the annual Council Tax from households in the Borough.
Prior Year Adjustment	If a material error is discovered in a previous year's financial statements that have already been signed off, a prior year adjustment is necessary to correct the error. Also, a note must be included with the financial statements to explain the nature of the error and its impact on the financial performance reported in the affected period.
Private Finance Initiative (PFI)	The private finance initiative (PFI) is a procurement method which uses private sector investment to deliver public sector infrastructure and/or services according to a specification defined by the Council. Because of subsequent changes in accounting conventions, assets acquired under a PFI scheme are now shown on the Balance Sheet.
Provision	An amount set aside for liabilities and losses which are likely to be incurred but where the exact amount and date on which it will arise is uncertain.
Rateable Value	The Valuation Office (an executive agency sponsored by HMRC) assesses the rateable value of individual non-domestic properties. Business rate bills are calculated by multiplying the rateable value by the NNDR poundage set by the Government for the year.
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset. The full cost is charged to the relevant service in the Comprehensive Income & Expenditure Statement but then reversed out through the Movement in Reserves Statement to

	ensure that there is no effect on the revenue accounts.
Related Party Transaction	<p>The Council is required to disclose material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. Disclosure of these transactions allow readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.</p> <p>Members and Senior Officers of the Council are required to declare if they have entered into any such transactions and any relationships of significant influence with any organisations associated with the Council.</p>
Reserves	The Council's reserves fall into two categories. The 'unearmarked' reserve is the balance on the General Fund. An 'earmarked' reserve is an amount set aside in the Council's accounts for specific purposes.
Revaluation Reserve	A reserve that records unrealised net gains on Council assets arising from periodic revaluations.
Revenue Balances	These reserves represent surplus balances that can be used in the future. Some balances can only be used to meet future expenditure in a particular account, such as the Housing Revenue Account.
Revenue Expenditure	Day-to-day payments on the running of Council services, such as salaries and wages, heating, lighting, transport and charges for the use of assets.
Revenue Support Grant (RSG)	A general grant paid by the Government to Councils towards the costs of services, distributed via a formula. RSG is being phased out, and by 2020 will have been scrapped altogether.
Service Level Agreement (SLA)	Written agreements between providers of Council support services (e.g., Finance, Human Resources) and users. Each SLA specifies the

	support service to be provided, including timings and frequencies, the charges to be made and the period for which the agreement will run.																																				
Surplus Assets	Assets that are not directly employed, used or consumed in the delivery of services. Examples include investment properties and assets that are surplus to requirements, pending sale, redevelopment or disposal.																																				
Trading Accounts	Accounts that summarise the transactions of those Council services operating on a 'trading' basis and are financed by charges made to recipients of their services.																																				
Transfer Value	A payment made by one pension scheme to another when a member changes employment to enable the receiving pension scheme to fund the member's defined benefits on retirement.																																				
Valuation Band	<p>For the purposes of calculating Council Tax, all domestic properties in the Borough are analysed over eight Valuation Bands as specified in the Local Government Finance Act 1992. In England the Council Tax Valuation Bands are as follows:</p> <table border="1"> <thead> <tr> <th>Band</th> <th>Value (relative to 1991 prices)</th> <th>Ratio</th> <th>Ratio as %</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>up to £40,000</td> <td>6/9</td> <td>67%</td> </tr> <tr> <td>B</td> <td>£40,001 to £52,000</td> <td>7/9</td> <td>78%</td> </tr> <tr> <td>C</td> <td>£52,001 to £68,000</td> <td>8/9</td> <td>89%</td> </tr> <tr> <td>D</td> <td>£68,001 to £88,000</td> <td>9/9</td> <td>100%</td> </tr> <tr> <td>E</td> <td>£88,001 to £120,000</td> <td>11/9</td> <td>122%</td> </tr> <tr> <td>F</td> <td>£120,001 to £160,000</td> <td>13/9</td> <td>144%</td> </tr> <tr> <td>G</td> <td>£160,001 to £320,000</td> <td>15/9</td> <td>167%</td> </tr> <tr> <td>H</td> <td>£320,001 and above</td> <td>18/9</td> <td>200%</td> </tr> </tbody> </table>	Band	Value (relative to 1991 prices)	Ratio	Ratio as %	A	up to £40,000	6/9	67%	B	£40,001 to £52,000	7/9	78%	C	£52,001 to £68,000	8/9	89%	D	£68,001 to £88,000	9/9	100%	E	£88,001 to £120,000	11/9	122%	F	£120,001 to £160,000	13/9	144%	G	£160,001 to £320,000	15/9	167%	H	£320,001 and above	18/9	200%
Band	Value (relative to 1991 prices)	Ratio	Ratio as %																																		
A	up to £40,000	6/9	67%																																		
B	£40,001 to £52,000	7/9	78%																																		
C	£52,001 to £68,000	8/9	89%																																		
D	£68,001 to £88,000	9/9	100%																																		
E	£88,001 to £120,000	11/9	122%																																		
F	£120,001 to £160,000	13/9	144%																																		
G	£160,001 to £320,000	15/9	167%																																		
H	£320,001 and above	18/9	200%																																		

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and the secure that one of its officers has the responsibility for the administration of those affairs, in line with statute this is the Section 151 Officer.
- Manage its affairs to secure effective, efficient, and economic use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Section 151 Officer's Responsibilities

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts and of its Pension Fund Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting ('the Code'), are required to present fairly the financial position of the Council and of the Pension fund at the accounting date and the income and expenditure for the year then ended. In preparing these Statement of Accounts, the section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the code.

The Section 151 Officer has also:

- Ensured proper accounting records were kept and that these were up to date and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of the Section 151 Officer

I certify that the Council's Statement of Accounts represent a true and fair view of the financial position of the Council at the accounting date and of its income and expenditure for the year ended 31 March 2018.

Signed:



Claire Symonds

Chief Operating Officer (Section 151 Officer)

Date: 31st May 2018

Independent auditor's report to the members of London Borough of Barking and Dagenham

(INTENTIONALLY LEFT BLANK)

Independent auditor's report to the members of London Borough of Barking and Dagenham

(INTENTIONALLY LEFT BLANK)

Independent auditor's report to the members of London Borough of Barking and Dagenham

(INTENTIONALLY LEFT BLANK)



CORE FINANCIAL STATEMENTS

Expenditure and Funding Analysis

2016/17			2017/18		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
6,304	-	6,304	5,751	0	5,751
31,125	798	31,923	21,263	983	22,246
7,594	-	7,594	3,922	0	3,922
41,852	-	41,852	36,585	0	36,585
636	-	636	19,151	41	19,192
(658)	170	(488)	(130)	0	(130)
(2,201)	2,057	(144)	761	0	761
21	-	21	(452)	7	(446)
(273)	51	(222)	1,034	0	1,034
(11)	11	0	442	0	442
135	-	135	192	0	192
638	-	638	802	112	913
4,963	-	4,963	54	129	183
(129)	129	0	2,405	282	2,687
9,339	70	9,409	(441)	0	(441)
10,151	1,016	11,167	8,030	1,071	9,101
3,829	-	3,829	0	0	0
294	942	1,236	3,089	11,826	14,915
(8,146)	10,466	2,320	(72)	0	(72)
12,028	53	12,081	1,036	776	1,813
15,943	-	15,943	1,320	9,850	11,170
4,177	833	5,010	9,449	825	10,274
(8,677)	9,317	640	11,441	3,014	14,455
8,868	637	9,505	6,242	6	6,248
(11,024)	(25,283)	(36,307)	2,294	0	2,294
5,159	(29,034)	(23,876)	(8,620)	(21,123)	(29,743)
131,937	(27,767)	104,169	17,664	(33,106)	(15,442)
			143,211	(25,307)	117,904
11,281	(4,459)	6,822	(8,617)	60,136	51,519
15,081	1,328	16,409	23,114	8,354	31,468
(153,895)	(72,256)	(226,151)	(152,878)	(39,017)	(191,895)
4,404	(103,154)	(98,751)	4,830	4,166	8,996
97,697			93,293		
(4,404)			(4,830)		
93,293			88,463		

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

Comprehensive Income and Expenditure Statement

2016/17				2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
6,939	(635)	6,304	ADULTS COMMISSIONING	6,306	(555)	5,751
55,085	(23,162)	31,923	ADULT'S CARE & SUPPORT	49,076	(26,830)	22,246
10,075	(2,481)	7,594	CHILDREN'S COMMISSIONING	4,338	(415)	3,922
44,387	(2,535)	41,852	CHILDREN'S CARE & SUPPORT	39,143	(2,558)	36,585
636	0	636	DISABILITIES	21,514	(2,322)	19,192
0	0	0	BE FIRST	2,330	(2,460)	(130)
149,676	(150,164)	(488)	FINANCE	3,855	(3,094)	761
1,429	(1,573)	(144)	LAW & GOVERNANCE	643	(1,088)	(446)
21	0	21	STRATEGIC LEADERSHIP	1,034	0	1,034
(222)	0	(222)	STRATEGY & PROGRAMMES	1,478	(1,036)	442
0	0	0	TRANSFORMATION	192	0	192
214	(79)	135	ASSETS & INVESTMENT	937	(24)	913
4,924	(4,286)	638	COMMISSIONING - REGEN, HOUSING AND INVESTMENT	2,584	(2,401)	183
6,257	(1,294)	4,963	CULTURE & RECREATION	3,328	(641)	2,687
0	0	0	MY PLACE	(293)	(148)	(441)
13,588	(4,179)	9,409	PUBLIC REALM	13,881	(4,781)	9,101
11,369	(202)	11,167	HOME & TRADED SERVICES	12	(12)	0
14,587	(10,758)	3,826	EDUCATION, YOUTH & CHILDCARE	26,943	(12,028)	14,915
19,893	(18,657)	1,236	PUBLIC HEALTH	17,275	(17,347)	(72)
7554	-5234	2,320	HEALTHY LIFESTYLES & LEISURE	4,044	(2,232)	1,813
21,312	(9,228)	12,084	ENFORCEMENT	21,264	(10,094)	11,170
19,058	(3,115)	15,943	ELEVATE CONTRACT	11,694	(1,420)	10,274
22,993	(17,983)	5,010	COMMUNITY SOLUTIONS	38,747	(24,293)	14,455
1,017	(377)	640	ELEVATE CLIENT TEAM	8,183	(1,934)	6,248
			DEDICATED SCHOOLS GRANT			
258,362	(248,857)	9,505		266,382	(264,088)	2,294
76,706	(113,013)	(36,307)	HRA	79,620	(109,364)	(29,743)
(17,195)	(6,681)	(23,876)	CENTRAL EXPENSES	129,158	(144,600)	(15,442)
728,665	(624,493)	104,169	Cost of Services	753,668	(635,765)	117,904
		6,822	Other Operating Expenditure (Note 6)			51,519
		16,409	Financing and Investment Income and Expenditure (Note			31,468
		(226,151)	Taxation and Non-specific Grant Income (Note 8)			(191,895)
		<u>(98,751)</u>	Deficit/ (Surplus) on Provision of Services			<u>8,996</u>
		(175,763)	Deficit / (Surplus) on Revaluation of Property, Plant & Equipment Assets and Financial Instruments			(457,560)
		77,325	Re-measurement of the Net Defined Benefit Liability/(Asset) (Note 34)			(26,281)
		<u>(98,438)</u>	Other Comprehensive Income and Expenditure			<u>(483,841)</u>
		<u>(197,189)</u>	Total Comprehensive Income and Expenditure			<u>(474,845)</u>

Movement in Reserves Statement

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2017	73,665	19,629	22,587	74,027	1,000	190,908	1,070,197	1,261,105
Movement in reserves during 2017/18								
Total Comprehensive Income and Expenditure	(8,996)					(8,996)	483,841	474,845
Adjustments between accounting basis & funding basis under regulations (Note 4)	7,945	(3,778)	8,138	1,787	(687)	13,405	(13,405)	-
Increase/(Decrease) in 2017/18	(1,051)	(3,778)	8,138	1,787	(687)	4,409	470,436	474,845
Balance at 31 March 2018	72,614	15,851	30,725	75,814	313	195,317	1,540,633	1,735,950
Balance at 31 March 2016	80,254	17,443	17,466	83,968	3,726	202,857	861,058	1,063,915
Movement in reserves during 2016/17								
Total Comprehensive Income and Expenditure	59,038	39,714				98,752	98,438	197,190
Adjustments between accounting basis & funding basis under regulations (Note 4)	(65,627)	(37,528)	5,121	(9,941)	(2,726)	(110,701)	110,701	-
Increase/(Decrease) in 2016/17	(6,589)	2,186	5,121	(9,941)	(2,726)	(11,949)	209,139	197,190
Balance at 31 March 2017	73,665	19,629	22,587	74,027	1,000	190,908	1,070,197	1,261,105
General Fund analysed over:								
Amounts earmarked (Note 5)	55,584							
Amounts uncommitted	17,030							
Total GF Balance at 31 March 2018	72,614							
Housing Revenue Account analysed over:								
Amounts earmarked (Note 5)	8,736							
Amounts uncommitted	7,113							
Total HRA Balance at 31 March 2018	15,849							

Balance Sheet

31 March 2017 £000		Note	31 March 2018 £000
2,042,373	Property, Plant and Equipment	9	2,571,499
6,650	Heritage Assets		6,622
65,673	Investment Property	10	61,606
6,722	Intangible Assets		6,954
171,114	Long Term Debtors & Investments	11	273,953
2,292,532	Long Term Assets		2,920,634
95,134	Short Term Investments	9	42,000
2,786	Assets Held for Resale		2,784
510	Inventories		478
84,545	Short Term Debtors	12	94,397
9,328	Cash and Cash Equivalents	13	10,593
192,303	Current Assets		150,252
(85,030)	Short Term Borrowing	11	(46,000)
(406)	Grants Received in Advance - Capital	24	(406)
(87,038)	Short Term Creditors	14	(99,079)
(307)	Short Term Provisions	15	(526)
(172,781)	Current Liabilities		(146,011)
(142,148)	Long Term Creditors	11	(140,463)
(8,576)	Provisions	15	(10,077)
(457,272)	Long Term Borrowing	11	(595,146)
(442,953)	Pensions Liability	33	(443,240)
(1,050,949)	Long Term Liabilities		(1,188,926)
1,261,105	Net Assets		1,735,949
190,908	Usable Reserves	16	195,315
1,070,197	Unusable Reserves	17	1,540,634
1,261,105	Total Reserves		1,735,949

Cash Flow Statement

2016/17 £000		Note	2017/18 £000
98,752	Net Surplus or (Deficit) on the Provision of Services		(8,996)
(32,492)	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements	18a	92,624
(93,140)	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	18a	(79,353)
(26,880)	Net Cash Flows from Operating Activities		4,275
(71,842)	Investing Activities	18c	(99,057)
87,044	Financing Activities	18d	96,046
(11,678)	Net Increase or Decrease in Cash and Cash Equivalents		1,264
21,006	Cash and Cash Equivalents at the beginning of the Reporting Period	11	9,328
9,328	Cash and Cash Equivalents at the end of the Reporting Period	11	10,592



Notes to the Core Financial Statements

NOTES TO THE CORE FINANCIAL STATEMENTS

Note	Name
1	Material Items of Income and Expenditure
2	EFA Note
3	EFA Analysis
4	Adjustments Between Accounting and Funding Basis
5	Transfers to and from earmarked reserves
6	Other Operating Expenditure
7	Financing and Investment Income and Expenditure
8	Taxation and Non Specific Grant Income
9	Property, Plant and Equipment
10	Investment Properties
11	Financial Instruments
12	Debtors
13	Cash and Cash Equivalents
14	Creditors
15	Provisions
16	Usable reserves
17	Unusable reserves
18	Cash Flow Statement
19	Trading Operations
20	Pooled Budgets
21	Members Allowances
22	Senior Officers Remuneration
23	External Audit Costs
24	Dedicated Schools Grant
25	Grant Income
26	Related Parties
27	Capital Expenditure and Capital Financing
28	Leases
29	PFI and Similar Contracts
30	Impairment Losses
31	Termination Benefits
32	Trust Funds
33	Pension Schemes accounted for as DCS
34	Defined Benefit Pension Schemes
35	Accounting Standards that have been issued but not yet adopted
36	Critical Judgements in Applying Accounting Policies
37	Assumptions made about the future and other major sources of estimation uncertainty
38	Accounting Policies
39	Contingent Liability

1. Material Items of Income and Expense

There are no material items for financial year 2017/18.

2. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2017/18				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000	£000	£000	£000
ADULTS COMMISSIONING	£0			£0
ADULT'S CARE & SUPPORT	£983			£983
CHILDREN'S COMMISSIONING	£0			£0
CHILDREN'S CARE & SUPPORT	£0			£0
DISABILITIES	£41			£41
BE FIRST	£0			£0
ACCESS	£0			£0
INTERVENTION	£152			£152
SUPPORT SERVICES	£2,032			£2,032
TRIAGE SERVICES	£0			£0
UNIVERSAL SERVICES	£830			£830
FINANCE	£0			£0
LAW & GOVERNANCE	£7			£7
STRATEGIC LEADERSHIP	£0			£0
STRATEGY & PROGRAMMES	£0			£0
TRANSFORMATION	£0			£0
ASSETS & INVESTMENT	£112			£112
COMMISSIONING - REGEN, HOUSING AND INVESTMENT	£129			£129
CULTURE & RECREATION	£282			£282
MY PLACE	£0			£0
PUBLIC REALM	£1,071			£1,071
HOME & TRADED SERVICES	£0			£0
EDUCATION, YOUTH & CHILDCARE	£11,826			£11,826
PUBLIC HEALTH	£0			-
HEALTHY LIFESTYLES & LEISURE	£776			776
ENFORCEMENT	£9,850			9,850
ELEVATE CONTRACT	£825			825
COMMUNITY SOLUTIONS	£0			-
ELEVATE CLIENT TEAM	£6			6
Dedicated Schools Grant (DSG)	£0			-
Housing Revenue Account (HRA)	(22,577)	1,454		(21,123)
CENTRAL EXPENSES	(33,106)			(33,106)
Net Cost of Services	(26,761)	1,454	0	(25,307)
Other Operating Expenditure	60,136			60,136
Financing and Investment Income and Expenditure	(2,135)	10,489		8,354
Taxation and Non-specific Grant Income and Expenditure	(39,017)			(39,017)
Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services	(7,777)	11,943	0	4,166

Adjustments between Funding and Accounting Basis
2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
	£000	£000	£000	£000
ADULTS COMMISSIONING	-			-
ADULT'S CARE & SUPPORT	798			798
CHILDREN'S COMMISSIONING	-			-
CHILDREN'S CARE & SUPPORT	-			-
DISABILITIES	-			-
SUPPORT SERVICES	-			-
TRIAGE SERVICES	-			-
UNIVERSAL SERVICES	-			-
FINANCE	170			170
LAW & GOVERNANCE	2,057			2,057
STRATEGIC LEADERSHIP	-			-
STRATEGY & PROGRAMMES	51			51
TRANSFORMATION	11			11
ASSETS & INVESTMENT	-			-
COMMISSIONING - REGEN, HOUSING AND INVE	-			-
CULTURE & RECREATION	-			-
MY PLACE	129			129
PUBLIC REALM	70			70
HOME & TRADED SERVICES	1,016			1,016
EDUCATION, YOUTH & CHILDCARE	-			-
PUBLIC HEALTH	942			942
HEALTHY LIFESTYLES & LEISURE	10,466			10,466
ENFORCEMENT	53			53
ELEVATE CONTRACT	-			-
COMMUNITY SOLUTIONS	833			833
ELEVATE CLIENT TEAM	9,317			9,317
Dedicated Schools Grant (DSG)	637			637
Housing Revenue Account (HRA)	(25,091)	(166)	(26)	(25,283)
CENTRAL EXPENSES	(28,284)	(1,189)	439	(29,034)
Net Cost of Services	(26,825)	(1,355)	413	(27,767)
Other Operating Expenditure	(4,459)			(4,459)
Financing and Investment Income and Expenditure	(12,571)	13,899		1,328
Taxation and Non-specific Grant Income and Expenditure	(71,392)		(864)	(72,256)
Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services	(115,247)	12,544	(451)	(103,154)

Note (i) - Adjustments for Capital Purposes

Adjustments for capital purposes - this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- **Financing and investment income and expenditure** - the statutory charges for capital Financing ie Minimum Revenue Provision and other Revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- **Taxation and non-specific grant income and expenditure** - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note (ii) - Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For **services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

- For **Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the CIES.

Note (iii) - Other Differences

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

- For **Financing and investment income and expenditure** - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

3. Expenditure and Income Analysed by Nature

The Council's expenditure and income are analysed as follows:

	2016-17 £000	2017-18 £000
Expenditure		
Employee benefits expenses	367,405	330,726
Other services expenses	436,437	604,174
Depreciation, amortisation, impairment	(1,650)	18,767
Interest payments	38,669	37,517
Precepts and levies	11,282	12,053
Payments to Housing Capital Receipts pool / Weavers	9,243	1,519
Gain on the disposal of assets	(13,703)	37,947
Total expenditure	<u>847,682</u>	<u>1,042,702</u>
Income		
Fees, charges and other service income	(131,868)	(256,038)
Interest and investment income	(5,066)	(4,995)
Income from council tax and non-domestic rates	(70,594)	(75,431)
Government grants and contributions	(738,907)	(697,243)
Total income	<u>(946,435)</u>	<u>(1,033,706)</u>
Surplus or Deficit on the Provision of Services	<u>(98,753)</u>	<u>8,996</u>

4. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

4. Adjustments between accounting basis and funding basis under regulations (cont)

2017/18	Usable Reserves				
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
Adjustments to the Revenue Reserve					
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i>					
- Pension costs (transferred to/from the Pensions Reserve)	26,568				
- Council tax and NDR (transfers to/from Collection Fund Adjustment Account)	2,302				
- Holiday pay (transferred to the Accumulated Absences Reserve)	1,793				
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(27,390)	(37,002)			38,723
Total Adjustments to Revenue Resources	3,273	(37,002)	0	0	38,723
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,533	37,432	(38,965)		
Payments to the government housing receipts pool	(1,519)		1,519		
Payments to Weavers	(5,336)		5,336		
Posting of HRA resources from revenue to the Major Repairs Reserve		(46,226)		46,226	
Statutory provision for the repayment of debt	9,482	588			
Capital expenditure financed from revenue balances	512				
Total Adjustments between Revenue and Capital Resources	4,672	(8,206)	(32,110)	46,226	0
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure			(23,972)		
Use of the Major Repairs Reserve to finance capital expenditure				(45,539)	
Application of capital grants to finance capital expenditure					(36,936)
Total Adjustments to Capital Resources	0	0	(23,972)	(45,539)	(36,936)
Total Adjustments	7,945	(45,208)	(56,081)	687	1,787

2016/17	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Reserve					
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i>					
- Pension costs (transferred to/from the Pensions Reserve)	10,494	840			
- Council tax and NDR (transfers to/from Collection Fund Adjustment Account)	(864)				
- Holiday pay (transferred to the Accumulated Absences Reserve)	439	(26)			
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(71,563)	23,646			71,392
Total Adjustments to Revenue Resources	(61,494)	24,460	-	-	71,392
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(4,593)	(23,458)	28,051		
Payments to the government housing receipts pool	1,426		(1,426)		
Payments to Weavers	7,817		(7,817)		
Posting of HRA resources from revenue to the Major Repairs Reserve		(37,942)		37,942	
Statutory provision for the repayment of debt	(7,923)	(588)			
Capital expenditure financed from revenue balances	(860)				
Total Adjustments between Revenue and Capital Resources	(4,133)	(61,988)	18,808	37,942	-
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure			(13,687)		
Use of the Major Repairs Reserve to finance capital expenditure				(40,668)	
Application of capital grants to finance capital expenditure					(81,333)
Total Adjustments to Capital Resources	-	-	(13,687)	(40,668)	(81,333)
Total Adjustments	(65,627)	(37,528)	5,121	(2,726)	(9,941)

5. Transfers to / (from) Earmarked Reserves

This note sets out the amounts set aside from the General Fund (GF) and Housing Revenue Account (HRA) balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet GF and HRA expenditure in 2016/17.

	Balance at 31/03/2016	Transfers in during 2016/17	Transfers out during 2016/17	Balance at 31/03/2017	Transfers in during 2017/18	Transfers out during 2017/18	Balance at 31/03/2018
	£000	£000	£000	£000	£000	£000	£000
General Fund							
Balances held by schools under a scheme of delegation:							
- Local Management of Schools	16,427	2,784	(7,273)	11,938	11,290	(15,286)	7,942
- Dedicated Schools Grant	8,690	232	(5,248)	3,674	1,702		5,376
PFI reserve	10,240	383	-	10,623	1,344		11,967
Departmental Reserves	5,097	-	(2,349)	2,748	726		3,474
Budget Support	3,631	11,132	(3,564)	11,199	1,426		12,625
Corporate Restructuring	3,154	-	(1,148)	2,006		(2,006)	-
Spend to Save	1,594	-	(1,594)	-			-
Collection Fund Equalisation Reserve	2,034	-	(453)	1,581		(435)	1,146
Other Miscellaneous	2,559	605	(2,259)	905	92	(365)	632
Insurance	1,639	-	-	1,639			1,639
Capital Investment Reserve	1,580	1,995	-	3,575			3,575
Public Health	161	-	-	161	72		233
Legal Trading Reserve	908	107	-	1,015		(200)	815
LEP Housing Rental Reserve	1,034	360	-	1,394		(528)	866
Elections Reserve	163	60	-	223			223
VAT Market Repayment	-	211	-	211	39	(78)	172
Council's Entities	157	1,531	(244)	1,444	1,205		2,649
Barking Adult College	70	-	(70)	-			-
Education, Youth and Childcare	-	-	-	-	1,250		1,250
Corporate Infrastructure	-	-	-	-	1,000		1,000
Total General Fund	59,138	19,400	(24,202)	54,336	20,146	(18,898)	55,584
HRA							
Leasehold Repairs	8,207	765	-	8,972		(3,779)	5,193
Capital Projects Dispute Reserve	500	-	(500)	-			-
Total HRA	7,844	863	-	8,972	-	(3,779)	5,193

6. Other Operating Expenditure

	2016/17	2017/18
	£000	£000
Levies	11,282	12,053
Payments to the Government Housing Capital Receipts Pool	1,426	1,519
Payments to B&D Reside Weavers LLP	7,817	5,336
(Gains)/losses on the disposal of non-current assets	(13,703)	32,611
Total	6,822	51,519

7. Financing and Investment Income and Expenditure

	2016/17	2017/18
	£000	£000
Interest payable and similar charges	24,770	25,066
Pensions interest cost and expected return on pensions assets	13,899	11,659
Interest receivable and similar income	(4,550)	(3,790)
Income and expenditure in relation to investment properties and changes in their fair value	(17,507)	(376)
(Gains)/Losses on Trading Accounts	(203)	(1,091)
Realised (Gain)/Loss on sale of financial instrument	-	-
Total	16,409	31,468

8. Taxation and Non Specific Grant Income

	2016/17	2017/18
	£000	£000
Council Tax income & retained business rates	(70,594)	(76,721)
Non-ring fenced government grants	(84,123)	(74,786)
Capital grants and contributions	(71,434)	(40,388)
Total	(226,151)	(191,895)

9. Property Plant and Equipment (PPE)

The movements in the Council's Property, Plant and Equipment for the year 2017/18 are set out in the table below. Estimated asset lives and depreciation rates are set out in the Accounting Policies.

The Council revalues its Property, Plant and Equipment on a five year basis (25% each of the last four years of the programme and an impairment review at the end of the financial year) using its valuers, Wilks, Head & Eve.

The Council's social housing stock has been valued in line with the Department of Communities and Local Government's (CLG) "Stock Valuation for Resource Accounting Guidance for Valuers" which is based on the Existing Use Value for Social Housing (EUV-SH). This methodology is a departure from International Accounting Standards but is in accordance with current CIPFA and Treasury guidance.

9. Property Plant and Equipment (PPE)

2017/18

	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total PPE	PFI Included in PPE
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2017	1,061,116	737,341	32,486	180,488	10,597	128,101	1,860	2,151,989	49,166
Additions	69,218	20,202	635	13,256	133	52,379	9,407	165,229	397
Donations	-							-	
Revaluations recognised in the Revaluation Reserve	(2,842)	431,209			(7)		2,974	431,334	55,157
Revaluations recognised in the Provision of Services	(5,927)	31,570			(137)		(3,721)	21,786	47,714
De-recognition due to disposals	(16,762)	(65,486)						(82,248)	
Transfer to subsidiary								-	
Reclassifications to other assets	22,359	53,815				(94,901)	20,727	2,000	
Cost or Valuation at 31 March 2018	1,127,163	1,208,651	33,121	193,744	10,586	85,578	31,248	2,690,091	152,434
Accumulated Depreciation at 1 April 2017	-	(6,041)	(26,386)	(77,189)	-	-	-	(109,616)	-
Depreciation charge	(14,997)	(14,142)	(2,548)	(9,399)				(41,086)	(1,002)
Depreciation written out to the Provision of Services	5,130	3,777					86	8,993	1,002
Depreciation written out to the Revaluation Reserve	9,867	13,249						23,116	
Reclassifications to other assets		86					(86)		
De-recognition due to disposals								-	
Accumulated Depreciation at 31 March 2018	(0)	(3,071)	(28,934)	(86,588)	-	-	(0)	(118,593)	-
Net Book Value at: 31 March 2018	1,127,162	1,205,580	4,187	107,156	10,586	85,578	31,248	2,571,498	152,434

9. Property Plant and Equipment (PPE)

2016/17

	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Asset:	Total PPE	PFI Included in PPE
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2016	988,064	560,333	30,708	168,697	10,432	65,633	1,829	1,825,696	23,134
Additions	35,668	49,757	1,778	11,791	165	71,281		170,440	6,380
Donations								-	
Revaluations recognised in the Revaluation Reserve	48,366	109,398						157,764	3,516
Revaluations recognised in the Provision of Services	(886)	17,853					31	16,998	16,136
De-recognition due to disposals	(10,207)							(10,207)	
Transfer to subsidiary						(8,702)		(8,702)	
Reclassifications to other assets	111					(111)		-	
Cost or Valuation at 31 March 2017	1,061,116	737,341	32,486	180,488	10,597	128,101	1,860	2,151,989	49,166
Accumulated Depreciation at 1 April 2016	-	(4,977)	(23,607)	(68,411)	-	-	-	(96,995)	-
Depreciation charge	(13,962)	(12,830)	(2,779)	(8,778)				(38,349)	(580)
Depreciation written out to the Provision of Services	150	4,038						4,188	580
Depreciation written out to the Revaluation Reserve	13,812	7,728						21,540	
De-recognition due to disposals								-	
Accumulated Depreciation at 31 March 2017	-	(6,041)	(26,386)	(77,189)	-	-	-	(109,616)	-
Net Book Value at: 31 March 2017	1,061,116	731,300	6,100	103,299	10,597	128,101	1,860	2,042,373	49,166

Property Plant and Equipment (PPE) (continued)

At 31 March 2018 the Council had entered into the following contracts amounting to £111.3m (2016/17 £105.8m) for the construction or enhancement of its Property, Plant and Equipment in 2018/19 and future years. The major contractual commitments are:

	£000
<u>Children Services</u>	
Robert Clack Expansion 13-15	7,546
New Gascoigne Secondary School	6,307
Barking Abbey Expansion 2016-18	1,101
	<u>14,954</u>
<u>Enforcement</u>	
Street Lighting 2016-2019 : Expired Lighting Column Replacement	1,673
<u>Investment Strategy</u>	
Establishment of Council Owned Energy Services Company	1,166
Land Acquisitions 2016-18	1,167
	<u>2,333</u>
<u>Housing - General Fund (EIB)</u>	
Gascoigne Estate 1	10,727
Abbey Phase II	11,820
Kingsbridge Development	3,594
Becontree Heath New Build	16,912
	<u>43,053</u>
<u>Housing</u>	
Decent Homes North 2017-19	10,309
Decent Homes South 2017-19	9,795
Decent Homes Central 2017-19	11,211
Decent Homes Cntl18-20 (R&M)	1,099
Fire Safety Improvement Works	1,325
Leys Phase 2	6,188
Modular Programme	5,418
Marks Gate	1,577
Ilchestr Rd / North St New Build	2,364
	<u>49,287</u>
TOTAL	<u><u>111,301</u></u>

10. Investment Properties

Investment Properties are assets owned by the Council and are held solely to earn rentals or for capital appreciation or both. The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement:

	2016/17 £000	2017/18 £000
Rental income from investment property	6,527	5,352
Direct operating expenses arising from investment property	(1,663)	(2,842)
Net gain	4,864	2,510

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

Investment properties are shown at fair value at the balance sheet date and are subject to revaluation annually and any changes in valuation are reflected in the fair value of assets.

The following table summarises the movement in the fair value of investment properties over the year:

	2016/17 £000	2017/18 £000
Balance at start of the year	53,022	65,673
Additions	9	69
Disposals	0	0
Reclassifications	0	(2,000)
Net gains/(losses) from fair value adjustments/revaluations	12,642	(2,135)
Balance at end of the year	65,673	61,606

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Accounting Policy for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

There has been no change in the valuation techniques used during the year for investment properties.

Highest and Best Use

In estimating the fair value of the Council's investment properties, they are valued at the higher of current use and potential alternative use (if different to current use).

Valuation Process for Investment Properties

The Council's investment properties have been valued by Wilks, Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

11. Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

Long Term 2016/17 £000	Short Term 2016/17 £000		Long Term 2017/18 £000	Short Term 2017/18 £000
133,488	35,000	Investments - Loans and Receivables	199,309	42,000
-	60,134	Available for sale financial assets	-	-
-	7,488	Cash and Cash Equivalents	-	10,593
Debtors				
37,626	84,545	Debtors as per Balance Sheet	74,643	94,397
	(33,864)	Adjustments for statutory debtors (not qualifying as loans and receivables)	-	(37,452)
37,626	50,681	Total debtors qualifying as loans and receivables	74,643	56,945
171,114	153,303	Total Financial Assets	273,953	109,538
457,272	85,030	Borrowings	595,146	46,000
Creditors				
133,368	3,311	PFI and finance lease liabilities	130,527	3,053
-	83,727	Short Term Creditors as per Balance Sheet (minus finance leases liabilities)	-	96,034
	(26,014)	Adjustments for statutory short term creditors (not qualifying)	-	(24,081)
133,368	61,024	Total creditors qualifying as financial liabilities at amortised cost	130,527	75,006
590,640	146,054	Total Financial Liabilities	725,673	121,006

Note - Assets arising purely from statutory provisions such as council tax, NNDR and general rates are exempt from the definition of financial assets, which requires a contractual basis.

The following shows an analysis of borrowing by type of debt:

Long Term 2016/17 £000	Current 2016/17 £000		Long Term 2017/18 £000	Current 2017/18 £000
Borrowings				
325,912		PWLB	445,477	
30,000		LOBO's	30,000	
101,360		Other market debt	119,669	
	85,030	Short Term Loans		46,000
457,272	85,030	Total	595,146	46,000

Income, Expense, Gains and Losses

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

Financial Liabilities measured at amortised cost £000	2016/17			Total £000		2017/18		Total £000
	Financial Assets: Loans and Receivables £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Assets and Liabilities at Fair Value through Profit and Loss £000			Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	
(24,770)	0	0	(24,770)	Interest expense *	(25,859)	0	0	(25,859)
0	0	0	0	Losses on derecognition	0	0	0	0
0	0	(175)	(175)	Fee Expense	0	0	(30)	(30)
0	0	4,550	4,550	Interest Income *	0	0	4,120	4,120
(24,770)	0	4,375	(20,395)	Net gain / (loss) for the year	(25,859)	0	4,090	(21,769)

* Interest Income and Expenditure include HRA

Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2018 of 1.47% to 2.57% for loans from the PWLB and 2.34% to 2.77% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2017		31 March 2018	
Carrying Amount £000's	Fair Value £'000s	Carrying Amount £000's	Fair Value £'000s
Financial Liabilities			
325,912	401,661	445,477	523,375
131,360	148,240	149,669	167,261
85,030	85,063	46,000	46,000
87,038	83,727	96,034	96,034
136,679	136,679	133,579	133,579
766,019	855,370	870,760	966,250
Loans and Receivables			
228,622	231,682	241,309	241,524
7,488	7,488	10,593	10,593
37,626	37,626	71,238	71,238
84,545	84,545	93,471	93,471
358,281	361,341	416,612	416,826

The rates quoted in the above valuation were obtained by the Council's treasury management consultants, Capita Asset Services, from the market on 31 March 2018 using bid prices where applicable. The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to lenders above current market rates.

The valuation basis adopted for Fair Value calculation uses Level 2 inputs, which are inputs other than quoted prices that are observable for the financial asset / liability.

Available for sale assets and assets and liabilities at fair value through profit and loss are carried in the Balance Sheet at their fair value. These fair values are based on the public price quotations where there is an active market for the instrument.

In the case of Long Term Creditors, Council takes the position that the carrying value of the liabilities fully reflects their fair value. The total reported above reflects creditors balances deemed to be financial liabilities (i.e. expected to be settled in cash or cash equivalents).

Nature and Extent of Risks Arising for Financial Instruments

The Council's activities expose it to a variety of financial risks:

Credit risk – the possibility that other parties might fail to pay amounts due to the Council;

Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;

Re-financing and Maturity risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms; and

Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Overall Procedures for Managing Risk in Financial Markets

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the *Local Government Act 2003* and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- By approving annually in advance prudential and treasury indicators for the following three years limiting the Council's overall borrowing:
 - > its maximum and minimum exposures to fixed and variable rates;
 - > its maximum and minimum exposures to the maturity structure of its debt;
 - > its maximum annual exposures to investments maturing beyond a year; and
 - > by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators and the Investment Strategy was approved by the Assembly on 22 February 2017, in respect of 2017/18, and is available on the Council website:

<http://modern.gov.barking-dagenham.gov.uk/ieListDocuments.aspx?CId=179&MId=6946&Ver=4>

The key issues within the strategy were:

- the revised authorised borrowing limit (GF and HRA) of £850m for 2017/18, which includes £266m for the HRA self-financing debt settlement (out of a limit of £278m); and

- to approve the annual investment strategy and creditworthiness policy for 2017/18 outlining the investments that the Council may use for the prudent management of its investment balances. These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies, Treasury Management Practices (TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's credit ratings and CDS data which it receives from its advisers Link Asset Services as a basis for assessing credit risk as well as other market information. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after these initial criteria and full details of the Investment Strategy can be found on the Council's website.

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. Sector does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings; and
- sovereign ratings to select counterparties from only the most creditworthy countries.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise.

In the past five years the Council has not experienced any exposure to credit risk, based on the levels of default assessed by the ratings agencies and its advisors. The Council does not allow credit for its trade debtors further reducing its exposure to credit risk and has not experienced any defaults in the last five years on its investments.

The carrying value of the exposure by financial instrument is summarised below:

	Criteria	Amount Invested at 31 March 2018
		£000
Deposits with Banks	A' rated	141,459
	BBB' rated	20,009
Deposits with Building Societies	A' rated	0
Deposits with Money Market Funds	AAA' rated	0
Certificates of Deposit	A' rated	0
	BBB' rated	0
UK Government Risk	Local Authority	80,899
Total Investments		<u>242,367</u>

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from the non-performance by any of its counterparties in relation to deposits.

During the year the Council did not give or receive any collateral as security for a financial instrument.

The Council generally requires trade debtors to be settled within 30 days; the aged debtor analysis of unpaid invoices issued through the accounts receivable system is as follows:

Aged Debtor Analysis	31-Mar-17	31-Mar-18
	£000	£000
Less than three months	7,756	21,335
Three to six months	1,436	819
Six months to one year	985	1,262
More than one year	1,911	3,057

Liquidity Risk

setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets. The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period:

	Actual 31-Mar-17 £000	Actual 31-Mar-18 £000
Less than one year	57,200	46,000
Between 1 and 2 years	-	-
Between 2 and 5 years	-	19,000
Between 5 and 10 years	-	-
More than 10 years	394,912	576,146
Total	<u>452,112</u>	<u>641,146</u>

The maturity analysis of all financial assets, including trade payables and receivables, held by the Council is under one year.

Market Risk

Interest Rate Risk

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

- *Borrowings at variable rates* – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- *Borrowings at fixed rates* – the fair value of the borrowing will fall (no impact on revenue balances);
- *Investments at variable rates* – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- *Investments at fixed rates* – the fair value of the assets will fall (no impact on revenue balances).

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable. According to this assessment strategy, at 31 March 2018 if interest rates had been 1% higher with all other variables held constant, the financial effect for 2018/19 would be:

Interest Rate Risk – 1% Increase	£000
Increase in interest payable on variable rate borrowings*	-
Increase in interest receivable on variable rate investments	<u>2,012</u>
Impact on Surplus or Deficit on the Provision of Services	<u><u>2,012</u></u>
Interest Rate Risk – 1% Decrease	£000
Decrease in interest payable on variable rate borrowings*	-
Decrease in interest receivable on variable rate investments	<u>(1,982)</u>
Impact on Surplus or Deficit on the Provision of Services	<u><u>(1,982)</u></u>

*The Council did not hold any variable rate borrowings as at 31 March 2018 and therefore the effect of an increase or decrease in the rate would be nil.

Price Risk

Excluding the Pension Fund, the Council does not generally hold equity shares. As at 31 March 2018 the Council did not hold any Certificates of Deposit.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

12. Debtors

	2016/17	2017/18
	£000	£000
Central Government Bodies	1,122	1,712
Other Local Authorities	582	2,626
NHS Bodies	213	50
Housing Benefits Overpayments	22,548	24,975
Housing Rents	8,705	9,467
Leaseholder Service Charge	1,338	1,149
Payments in Advance	19,642	22,346
Court Costs	3,799	4,030
VAT	12,034	13,272
Other Entities and Individuals	55,538	62,041
Bad Debt Provisions	(40,976)	(48,197)
NNDR	0	926
Total	84,545	94,397

13. Cash and Cash Equivalents

	2016/17	2017/18
	£000	£000
Cash held by the Authority	91	77
Bank current accounts	9,219	9,048
Deposits at Call	18	1,468
Total	9,328	10,593

14. Creditors

	2016/17	2017/18
	£000	£000
Central Government Bodies	11,742	12,558
Other Local Authorities	4,086	4,209
NHS Bodies	629	1,298
Capital Creditors	6,717	1,955
Finance Lease Liability	3,311	3,053
Employee Benefits	6,008	6,770
Receipts in Advance / Prepayments	7,081	6,048
Third Party Monies	4,569	4,696
VAT	6,714	8,618
Other Entities and Individuals	36,181	49,874
Total	87,038	99,079

15. Provisions	Additional	Amount used	Balance at
	provisions made	or reversed	31 March
	during 2017/18	in 2017/18	2018
	£000	£000	£000
Insurance	(4,699)	(2,323)	1,391
Redundancy	(307)	(526)	307
NDR Appeals	(2,887)	(569)	
Other	(990)		
Total	(8,883)	(3,418)	1,698
			(10,603)

Insurance Claims

Provision is made for those claims where it is deemed probable that the Council will have to make a settlement, based on past experience of court decisions about liability and the amount of damages payable. The Council may be reimbursed by its insurers, but until claims are actually settled no income is recognised as the insurers will only reimburse amounts above a £150,000 excess.

Redundancy Provision

A short term provision of £0.876m has been established to meet the cost of redundancies agreed but not paid out during 2017/18.

16. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

(886,193)

17. Unusable Reserves

2016/17	Unusable Reserves	2017/18
£000		£000
526,512	Revaluation Reserve	964,945
983,740	Capital Adjustment Account	1,015,789
(442,953)	Pensions Reserve	(443,240)
4,254	Collection Fund Adjustment Account	6,556
(1,490)	Accumulated Absences Account	(3,417)
134	Financial Instruments Adjustment Account	0
1,070,197	Total	1,540,633

The breakdown of the first three reserves are provided below.

Revaluation Reserve

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

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

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

2016/17 £000	Revaluation Reserve	2017/18 £000
353,972	Balance at 1 April 2017	526,513
230,236	Upward revaluation of assets	490,021
(54,637)	Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	(33,117)
(1,593)	Accumulated gains or losses on assets disposed of in year	(15,186)
(1,465)	Difference between fair value depreciation and Historical cost depreciation	(3,286)
526,513	Balance at 31 March 2018	964,945

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation reserve was created to hold such gains.

Note 2 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2016/17 £000	Capital Adjustment Account	2017/18 £000
855,549	Balance at 1 April 2017	983,740
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure	
(38,377)	- Charges for depreciation and impairment of non-current	(41,114)
36,889	- Revaluation gains/(losses) on Property, Plant and	24,301
(1,268)	Amortisation of intangible assets	(1,954)
(7,602)	Revenue expenditure funded from capital under statute	(6,257)
(14,348)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(82,248)
	Written back depreciation on reclassifications	
7,796	Adjusting amounts written out of the Revaluation Reserve	20,626
0	Donated Assets	
	Capital financing applied in the year:	
13,687	- Use of the Capital Receipts Reserve to finance new capital expenditure	23,972
40,667	- Use of the Major Repairs Reserve to finance new capital expenditure	45,539
43	- Capital grants and other contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,666
81,333	- Application of grants to capital financing from the Capital Grants Unapplied Account	36,936
8,511	- Statutory provision for the financing of capital investment charged against the General Fund and HRA	10,070
860	- Capital expenditure charged against the General Fund and HRA balances	512
983,740	Balance at 31 March 2017	1,015,789

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

Statutory arrangements require benefits earned to be financed as the Council make the employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2016/17 £000	Pension Reserve	2017/18 £000
(351,076)	Balance at 1 April 2016	(442,953)
(77,325)	Remeasurements of the net defined benefit liability/asset	26,281
(42,214)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure	(53,337)
27,662	Employer pensions' contributions and direct payments to pensioners payable in the year	26,769
(442,953)	Balance at 31 March 2017	(443,240)

18a. Cash Flow Statement – Net Cash Flows from Operating Activities

2016/17 £000		2017/18 £000
98,752	Net (Deficit) on the Provision of Services	(8,996)
	Adjust net surplus or deficit on the provision of services for non cash movements	
(38,349)	Depreciation	(41,086)
28,622	Impairment and downward valuations	28,641
(1,268)	Amortisation	(1,954)
455	Increase/(Decrease) in Interest Creditors	3,054
(1,856)	(Decrease) in Creditors	5,653
(882)	(Increase)/Decrease in Interest and Dividend Debtors	(1,554)
(14,500)	(Increase)/Decrease in Debtors	(7,799)
26	(Increase)/Decrease in Inventories	32
14,552	Movement in Pension Liability	26,568
(2,138)	Contributions to/(from) Provisions	1,720
(6,750)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	82,248
(4,058)	Other non-cash items	(2,899)
<u>(26,146)</u>		<u>92,624</u>
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(71,435)	Capital Grants credited to surplus or deficit on the provision of services	(40,388)
(28,051)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(38,965)
<u>(99,486)</u>		<u>(79,353)</u>
<u>(26,880)</u>	Net Cash Flows from Operating Activities	<u>4,275</u>

The cash flows for operating activities include the following items:

2016/17 £000		2017/18 £000
4,550	Interest received (cash based)	3,790
<u>(24,770)</u>	Interest paid (cash based)	(35,960)

2016/17 £000		2017/18 £000
(165,677)	Purchase of property, plant and equipment, investment property and intangible assets	(165,030)
(5,725)	Purchase of short-term and long-term investments	(13,379)
28,051	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	38,965
71,509	Other receipts from investing activities	40,388
<u>(71,842)</u>	Net Cash Flows from Investing Activities	<u>(99,056)</u>

2016/17 £000		2017/18 £000
137	Council tax and NNDR adjustments	302
(3,283)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(3,100)
90,190	(Repayment) / take-out of short and long-term borrowing	98,844
<u>87,044</u>	Net Cash Flows from Financing Activities	<u>96,046</u>

19. Trading Operations

The Council has a number of trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the council or other organisations:

- **Barking Market** - The Council operates an open air street market in the centre of Barking generating rental income from stall holders. The (surplus)/deficit amounts reported below include the Council's full costs of operating the market;
- **Traded Service** - The Traded Services block was set up to house all the areas which were to be "Traded" in the new traded services company. It included Catering (prior year figures provided), Cleaning and Management and Information Data Systems.

Details of those units with a turnover of greater than £50k in 2017/18 are as follows:

	2016/17 £000	2017/18 £000
2. Barking Market		
Turnover	(769)	(791)
Expenditure	571	515
(Surplus)/Deficit	(198)	(276)
3. Traded Services		
Turnover	(15,272)	(8,524)
Expenditure	15,267	7,709
(Surplus)/Deficit	(5)	(815)
Total (Surplus)/Deficit from Trading Operations	(203)	(1,091)

The financial results of the trading operations are incorporated into the Comprehensive Income and Expenditure Statement, with a net surplus of £1,091k being included within net cost of services (see note 7).

20. Pooled Budgets

On 1st November 2011 the Council entered into a pooled budget arrangement with North East London NHS Foundation Trust for the provision of mental health and social services to meet the needs of people living in the Barking and Dagenham area.

The pooled budget is hosted by the Trust on behalf of the two partners to the agreement.

	2016/17	2017/18
	£000	£000
Funding provided to the pooled budget:		
the Council	3,841	2,268
the Trust	7,469	3,598
	<u>11,310</u>	<u>5,866</u>
Expenditure met from the pooled budget:		
the Council	(3,971)	(2,351)
the Trust	(7,376)	(3,585)
	<u>(11,347)</u>	<u>(5,936)</u>
Total Net Surplus / (Deficit) of the pooled budget	<u>(37)</u>	<u>(70)</u>
Net surplus / (deficit) for the Council	(130)	(83)
Net surplus / (deficit) for the Trust	93	13

The Better Care Fund is a pool of NHS and Council monies intended to support an increase in the scale and pace of integration and promote joint planning for the sustainability of local health and care economies. On 4 April 2014 the Council agreed a pooled budget arrangement with the Barking and Dagenham Clinical Commissioning Group. The pooled budget is hosted by the Council on behalf of the two partners to the agreement

	2016/17	2017/18
	£000	£000
Funding provided to the pooled budget:		
the Council	7,526	8,344
the CCG	13,179	13,415
	<u>20,705</u>	<u>21,759</u>
Expenditure met from the pooled budget:		
the Council	(7,462)	(8,344)
the CCG	(13,289)	(13,374)
	<u>(20,751)</u>	<u>(21,718)</u>
Total Net Surplus / (Deficit) of the pooled budget	<u>(46)</u>	<u>41</u>
Net surplus / (deficit) for the Council	64	0
Net surplus / (deficit) for the CCG	(110)	41

21. Members Allowances

The Council paid the following amounts to members of the Council during the year.

	2016/17	2017/18
	£000	£000
Basic Allowances	510	507
Special Responsibility Allowances	242	243
Expenses	1	0
Employer's NI	49	49
Total	802	799

For further details, please visit the following website:

<https://www.lbbd.gov.uk/council/councillors-and-committees/councillors/councillors-allowances-and-attendance/overview/>

22. Senior Officers' Remuneration (including Teachers)

Additional disclosure requirements have been introduced as a result of Regulation 4 of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 to increase transparency and accountability for reporting the remuneration of senior employees (those who have executive decision making power). The disclosure requirements now comprise the following:

- (a) an analysis of the number of employees whose remuneration is in excess of £50k in bands of £5k;
- (b) an additional requirement listing those senior employees whose salary is £50k or more per year but less than £150k by way of job title. This includes statutory officers and non-statutory officers who report direct to the head of paid service; and
- (c) a list of those employees whose salary is in excess of £150k by name and job title.

Remuneration is defined as all amounts paid to or receivable by a person, and includes sums due by way of expenses allowance (insofar as those sums are chargeable to United Kingdom income tax) and the estimated monetary value of any benefits received by an employee other than in cash (e.g. benefits in kind).

Salary is generally accepted as the amount received under a contract of employment for services rendered (before the deduction of pension contributions) other than bonuses, allowances, benefits in kind or compensation payments.

Remuneration is defined as all amounts paid to or receivable by a person, and includes sums due by way of expenses allowance (insofar as those sums are chargeable to United Kingdom income tax) and the estimated monetary value of any benefits received by an employee other than in cash (e.g. benefits in kind).

Salary is generally accepted as the amount received under a contract of employment for services rendered (before the deduction of pension contributions) other than bonuses, allowances, benefits in kind or compensation payments.

a) Analysis of employees whose remuneration is in excess of £50,000

	2016/17		2017/18	
	Non-Teaching Employees	Teaching Employees	Non-Teaching Employees	Teaching Employees
£50,000 - £54,999	43	202	51	205
£55,000 - £59,999	26	135	37	119
£60,000 - £64,999	12	60	21	71
£65,000 - £69,999	8	42	12	45
£70,000 - £74,999	10	19	9	28
£75,000 - £79,999	9	19	9	21
£80,000 - £84,999	2	15	3	15
£85,000 - £89,999	7	5	4	15
£90,000 - £94,999	2	10	8	3
£95,000 - £99,999	2	1	0	6
£100,000 - £104,999	2	2	2	4
£105,000 - £109,999	2	2	0	3
£110,000 - £114,999	0	3	6	2
£115,000 - £119,999	0	1	0	1
£120,000 - £124,999	0	2	0	1
£125,000 - £129,999	0	1	0	0
£130,000 - £134,999	2	1	0	0
£135,000 - £139,999	0	1	1	1
£140,000 - £144,999	1	1	1	1
£145,000 - £149,999	0	0	1	0
£150,000 - £154,999	0	0	1	0
£155,000 - £159,999	0	0	0	0
£160,000 - £164,999	0	0	0	0
£165,000 - £169,999	1	0	1	1
£170,000 - £174,999	0	0	0	0
£175,000 - £179,999	0	0	0	0
£180,000 - £184,999	0	0	0	0
£185,000 - £189,999	0	0	0	0
£190,000 - £194,999	0	0	0	0
£195,000 - £199,999	0	0	0	0
£200,000 - £204,999	0	0	0	0
£205,000 - £209,999	0	0	0	0
£210,000 - £214,999	0	0	0	0
£215,000 - £249,999	0	1	0	0
£225,000 - £239,999	0	0	0	0
£240,000 - £249,999	0	0	0	0
Total	129	523	167	542

b) Senior Officers whose salary is between £50,000 and £150,000 per year

Post Held	Year	Notes	Salary, Fees & Allowances	Bonuses	Expense Allowances	Compensation for Loss of Employment	Sub-total	Employer's Pension Contribution	Total (including pension contributions)
			£	£	£	£		£	£
Strategic Director Customer, Commercial and Service Delivery	2017/18	1	0				0	0	0
	2016/17		134,806	-	-	-	134,806	33,028	167,834
Strategic Director Service Development and Improvement	2017/18	2	146,450				146,450	34,782	181,232
	2016/17		141,025	-	-	-	141,025	34,551	175,576
Commissioning Director of Education	2017/18	2	113,754				113,754	26,326	140,080
	2016/17		44,358	-	-	74,011	118,369	10,868	129,237
Chief Operating Officer, Customer, Commercial and Service Delivery	2017/18	1	143,083				143,083	33,978	177,061
	2016/17		97,619	-		98,858	196,477	24,453	220,930
Transformation Director	2017/18	3	110,846				110,846	26,326	137,172
	2016/17		109,748	-		-	109,748	26,888	136,636
Director Law and Governance / Monitoring Officer	2017/18		114,701				114,701	27,232	141,933
	2016/17		109,748			-	109,748	26,888	136,636
Strategic Director Growth and Homes	2017/18		112,005			27,065.33	139,070	26,657	165,728
	2016/17		133,075	-	-	-	133,075	32,603	165,678
Finance Director	2017/18		94,628			60,234.98	154,863	28,561	183,424
	2016/17		102,208	-	-	-	102,208	25,041	127,249
Director of Community Solutions	2017/18	4	34,223				34,223	8,042	42,265
	2016/17		0	-	-	-	0	0	0
Director of Policy and Participation	2017/18	4	36,949				36,949	8,683	45,632
	2016/17		0	-	-	-	0	0	0
Director of My Place	2017/18	4	114,333				114,333	27,112	141,445
	2016/17		0	-	-	-	0	0	0
Operational Officer of Enforcement	2017/18	4	103,231				103,231	24,517	127,748
	2016/17		0	-	-	-	0	0	0
Note 1	The Strategic Director of Finance role has been merged with the Strategic Director of Customer, Commercial and Service Delivery to create the role of Chief Operating Officer, Customer Commercial and Service Delivery. The previous Strategic Director of CCS has now been appointed/merged into the Chief Operating Officer's role, therefore the 2017/18 figures for Strategic Director of CCS is nil due to the merger of job roles.								
Note 2	The Corporate Director of Childrens Services left the organisation in July 2016 and received a redundancy package. This role was merged with the Strategic Director of Service Development and Improvement in 2016/17 and has been redefined as Deputy Chief Executive and Strategic Director for Service Development and Improvement.								
Note 3	The job title of Programme Director has been redefined to Transformation Director								
Note 4	As part of the restructure within the council, four senior posts have been created: Director of Community Solutions, Director of Policy and Participation, Director of My Place and Operational Officer of Enforcement								

c) Senior Officers whose salary is £150,000 or more per year

Post Held	Year	Notes	Salary, Fees & Allowances £	Expense Allowances £	Compensation for Loss of Employment £	Sub -total £	Employer's Pension Contribution £	Total (including pension) £
Chief Executive of the Council <i>Christopher Naylor</i>	2017/18 2016/17		168,317 166,650	-	-	168,317 166,650	39,975 40,829	208,292 207,479
Head Teacher, Robert Clack Comprehensive School <i>Sir Paul Grant Apr'17 - Aug'17</i>	2017/18	1	86,574			86,574	14,155	100,729
<i>Russell Taylor Sep-17 - Mar'18</i>	2017/18 2016/17	1	59,364 200,788		-	59,364 200,788	9,658 32,719	69,022 233,507

Note 1

Sir Paul Grant's salary includes a market supplement of £37,735 with his annual salary being £115,582. The market supplement reflects an increase in number of school sites. This has been agreed by the governing body. Sir Paul Grant was Headteacher of Robert Clack Comprehensive School from April to August 2017.

Russel Taylor replaced Sir Paul Grant as Headteacher of Robert Clack Comprehensive School in September 2017 and remains in post. His annual salary is £100,464 and will therefore be removed from this section of the note in 2018/19.

d) Exit packages

The numbers of exit packages with total cost per band and total cost of the compulsory redundancies and other exit packages are set out in the table below. The costs include liabilities in respect of the strain on the Pension Fund.

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed including voluntary redundancies		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band (£)	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 – £20,000	29	49	92	36	121	85	1,226,570	563,294
£20,001–£40,000	8	35	96	1	104	36	2,934,426	1,137,145
£40,001–£60,000	1	8	26	1	27	9	1,326,871	447,504
£60,001–£80,000	1	2	18	0	19	2	1,284,218	123,815
£80,001 +	2	4	13	0	15	4	1,457,686	576,479
Total	41	98	245	38	286	136	8,229,772	2,848,237

23. External Audit costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and the certification of grant claims.

	2016/17 £000	2017/18 £000
Fees payable for external audit services carried out in the year.	166	166
Fees payable for the certification of grant claims and returns for the year.	23	34
TOTAL	189	200

24. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by the Dedicated Schools Grant (DSG) from the Department of Education. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual School Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG received for 2017/18 is below:

Total 2016/17 £000		Central Costs £000	ISB £000	Total 2017/18 £000
241,648	Final DSG for year before Academy recoupment			253,886
33,671	Less: Academy figure recouped			40,566
	Total DSG after Academy recoupment			
207,977				213,320
8,690	Brought forward from previous year			3,675
0	Less: Carry forward to 2017/18 agreed in advance			0
<u>216,667</u>	Agreed initial budget distribution in year	<u>29,472</u>	<u>187,522</u>	<u>216,995</u>
431	In year adjustments	0	-287	-287
<u>217,098</u>	Final budget distribution for 2017/18	<u>29,472</u>	<u>187,235</u>	<u>216,708</u>
27,214	Less: Actual central expenditure	24,095		24,095
186,208	Actual ISB deployed to schools		187,235	187,235
0	Additional carry forward to 2017/18			0
<u>3,675</u>	Total carry forward to 2018/19			<u>5,378</u>

25. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

	2016/17 £000	2017/18 £000
Taxation and Non Specific Grant Income		
RSG (Includes Business Rates Retention Scheme)	71,984	65,194
Education Services Grant	3,375	0
New Homes Grant	6,058	4,993
Housing & Council Tax Benefits Admin Grant	1,623	1,345
Other grants individually less than £1 million	1,084	1,495
NNDR Compensation grants		1,759
Total	84,124	74,786
Capital Grants	71,434	40,388
Direct to Services		
Dedicated Schools Grant (DSG)	208,344	210,361
Education Funding Agency	21,885	20,962
Pupil Premium	13,513	12,649
Public Health England	17,795	17,352
Department of Work and Pensions	2,871	1,445
Department for Education	1,416	1,332
Skills Funding Agency	1,688	2,250
Communities and Local Government	1,785	10,539
Youth Justice Board	413	415
Home Office	1,028	1,327
Mayor's Office for Policing and Crime	941	481
GLA	3	0
Department for Transport	14	14
Department of Health	125	139
Other	2,146	2,427
	273,967	281,695
Housing Benefit		
Mandatory Rent Allowances: Subsidy	72,060	72,001
Mandatory Rent Rebates outside HRA	12,044	10,479
Rent Rebates granted to HRA tenants: Subsidy	51,125	47,462
	135,229	129,942

The Council has received a number of grants that have yet to be recognised as income as the conditions attached to them that have not yet been satisfied. The balances at the year-end are as follows:

	2016/17 £000	2017/18 £000
Capital Grants Received in Advance		
Long Term (Section 106)	(8,615)	(9,772)
Short Term	(406)	(406)

26. Related Parties

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

Central Government

Central government has effective control over the general operations of the Council and is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received in year are further analysed in Note 25.

Members

Members of the Council have direct control over the Council's financial and operating policies.

The total of Members' allowances paid in 2017/18 is shown in Note 21. During 2017/18, no works or services were commissioned from companies in which members had an interest. There have been two declarations by members of personal Related Parties Transactions with the Council in 2017/18. These related to Eastbury Manor House which was hired by Cllr Evelyn Carpenter and Cllr Cameron Geddes rents a property owned by the council.

Officers

During 2017/18 the Senior Officers of the Council held no pecuniary interests in accordance with section 117 of the Local Government Act 1972 in contracts entered into by the Council.

There have been no declarations by officers of personal Related Parties Transactions with the Council in 2017/18.

Other Public Bodies [subject to common control by central government]

The Council has a pooled budget arrangement with North East London NHS Foundation Trust for the provision of mental health and social services and a pooled Better Care Fund budget arrangement with the Barking and Dagenham Clinical Commissioning Group. Transactions and balances are detailed in Note 20.

The Council's Monitoring Officer holds the same appointment at Thurrock Council.

Pension fund

The Council is the administering body of the Barking and Dagenham Pension Fund and has made arrangements for the proper administration of its financial affairs through the appointment of one of its officers.

Entities Controlled or Significantly Influenced by the Council

Elevate East London LLP

The Council has an interest in a joint venture, Elevate East London LLP. This is based on a 50/50 ownership between the Council and Agilysis Ltd. Elevate provides services to the Council in respect of ICT, Customer Services, Revenues and Benefits, Procurement and Accounts Payable services. The Elevate trading figures for the year ended 31 March 2018 are provided below:

2016/17		2017/18
£'000		£'000
26,909	Total turnover*	23,742
- 2	Total Council's share of profit / (loss) at year end	0

* Provisional for 2017/18 [at 31 May 2018]

Barking and Dagenham Reside Ltd

This is a wholly owned subsidiary, which provides 477 affordable rented properties in the Barking area. The properties are based at the Eastern End of Thames View and William Street Quarter and range from 50% - 80% of market rent. The Reside trading figures for the year ended 31 March 2018 are provided below:

2016/17		2017/18
£'000		£'000
5	Total turnover	4
- 2	Council's share of profit / (loss)	2

Barking and Dagenham Abbey Roding LLP

Barking and Dagenham Abbey Roding LLP is a partnership which is 99% owned by the Council. It provides 144 affordable rented properties in Abby Road in Barking, at 80% of market rent. The trading figures for the period ended 31 March 2018 are provided below:

2016/17		2017/18
£'000		£'000
1,641	Total turnover	1,690
	Council's share of profit	-

TPFL Regeneration Ltd

This is a wholly owned subsidiary, which was set up to build 477 new homes that were later managed by Barking and Dagenham Reside Ltd. There was no trading for the period ended 31 March 2018.

Barking and Dagenham Reside Regeneration LLP

This is a partnership set up to build, sell and manage shared ownership properties on the Gascoigne estate as part of a regeneration project for the area. Properties are currently under construction and will be ready in 2018.

Barking and Dagenham Reside Regeneration Ltd

This is a wholly owned subsidiary, which is also a partner in Abbey Roding LLP and B&D Reside Regeneration LLP. There was no trading for the period ended 31 March 2018.

Barking and Dagenham Reside Weavers LLP

This is a partnership set up to build and rent affordable properties on the Gascoigne estate, as part of a regeneration project for the area. The rents will range from 50% to 80% of market rent. The Council holds a 10% share, the other 90% is owned by a Charity organisation called Barking Renew. Properties are currently under construction and will be ready in 2018.

Barking and Dagenham Reside Roding Ltd

This is a wholly owned subsidiary which was set up to build and sell shared ownership properties to East Homes Ltd. The homes are being built on the Gascoigne Estate as part of a regeneration project for the area. These will then be sold and managed by East Homes Ltd. Properties are currently under construction and will be ready in 2018.

Directorships or Trusteeships

A number of elected members are either Directors or Trustees of a number of bodies that deliver services to the community or work in partnership with the Council. Below are details of payments made to and received from the most significant entities.

Organisation	Member	Expenditure £'000s	Income £'000s
Barking & Dagenham Citizen's Advice Bureau	Cllr James Ogungbose, Cllr Peter Chand	537	12
East London Waste Authority	Cllr Jeff Wade, Cllr Lynda Rice	12,834	1,429
Elevate East London	Cllr Josephine Channer, Cllr Kashif Haroon	34,591	1,569
Local Government Association	Cllr Darren Rodwell, Cllr Dominic Twomey, Cllr Sade Bright, Cllr Saima Ashraf	51	-
London Councils	Cllr Bill Turner, Cllr Cameron Geddes, Cllr Dominic Twomey, Cllr Evelyn Carpenter, Cllr Faraaz Shaukat, Cllr Laila Butt, Cllr Lynda Rice, Cllr Maureen Worby, Cllr Sade Bright, Cllr Saima Ashraf	865	233

27. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts - see notes 28 and 29)), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Financing Requirement	2016/17	2017/18
	£000	£000
Opening Capital Financing Requirement	587,051	620,191
Capital investment		
- Property, Plant and Equipment	165,677	165,030
- Property Plant and Equipment - Finance Lease additions	0	111
- Property Plant and Equipment - PFI Additions	69	88
- Investment Properties	9	69
- Intangible Assets	4,180	2,186
- Heritage Assets	0	
- Revenue Expenditure Funded from Capital under Statute	8,306	6,257
Sources of Finance		
Capital receipts	(13,687)	(23,972)
Government grants and other contributions	(81,376)	(38,601)
Contributions from reserves (including Invest to Save)	0	
Sums set aside from revenue:		0
- Direct revenue contributions	(860)	(512)
- MRP/loans fund principal	(8,511)	(10,070)
Major Repairs Reserve	(40,668)	(45,539)
Increase in Capital Financing Requirement	33,139	55,048
Closing Capital Financing Requirement	620,190	675,238
Explanation of Movements in Year	2016/17	2017/18
	£000	£000
Increase in underlying need to borrow (unsupported by government financial assistance)	33,070	54,849
Assets acquired under finance leases	0	111
Assets acquired under PFI/PPP contracts (lifecycle costs)	69	88
Increase in Capital Financing Requirement	33,139	55,048

28. Leases

Council as Lessee

Finance Leases

The Council has acquired vehicles under finance leases. The Council has also entered into an arrangement with Reside Ltd to provide new social housing. Both the vehicles and the Reside homes are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

Net Book Value of Assets acquired under a finance lease	2016/17	2017/18
	£000	£000
Property, Plant and Equipment	119,770	123,323

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the assets acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding.

The minimum lease payments are made up of the following amounts:

Minimum Lease Payments	2016/17	2017/18
	£000	£000
Finance Lease Liabilities (net present value of minimum lease payments)		
- Current	1,661	730
- Non-current	84,045	83,383
	<u>85,706</u>	<u>84,113</u>
Finance Costs Payable in Future Years	134,109	130,648
Minimum Lease Payments	<u>219,815</u>	<u>214,762</u>

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

Finance Lease Payment profile	Minimum Lease Payments		Finance Lease Liabilities	
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
Not later than one year	5,176	4,170	1661	730
Later than one year and not later than five	15,601	15,363	2,092	1,914
Later than five years	199,039	195,229	81953	81,470
	<u>219,815</u>	<u>214,762</u>	<u>85,706</u>	<u>84,113</u>

Operating Leases

The Council has acquired property and IT equipment under operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

Operating Lease Payment profile	2016/17	2017/18
	£000	£000
Not later than one year	151	426
Later than one year and not later than five years	610	920
Later than five years	3,635	1,836
	4,396	3,182

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

Operating Lease costs

	2016/17	2017/18
	£000	£000
Operating Lease payments	1,603	5,486

There were no contingent rents or sublease payments.

Council as Lessor

Operating Leases

The Council leases out property under operating leases for investment purposes. These assets are classed as investment properties within the Balance Sheet. The future minimum lease payments receivable under non-cancellable leases in future years are:

Future Minimum Lease Payments Receivable	2016/17	2017/18
	£000	£000
Not later than one year	5,598	4,983
Later than one year and not later than five years	14,368	11,923
Later than five years	38,044	39,307

29. Private Finance Initiatives and similar contracts

a) PFI Schemes – Eastbury and Jo Richardson Schools

On 30 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 opened in September 2005 and provide the necessary suitable places to cater for steadily increasing pupil numbers in the borough.

Changes in the arrangements during the year (Property, Plant and Equipment)

The assets used to provide services at the schools are recognised on the Council's Balance Sheet and movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 9.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2018 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

PFI Payments	Total	Payment	Reimbursement	Interest	Total
	2016/17	for	of Capital		2017/18
	£000	Services	Expenditure	£000	£000
Payable within one year	6,260	1,734	915	3,612	6,261
Payable within two to five years	25,045	7,379	4,712	12,954	25,044
Payable within six to ten years	31,305	10,310	9,207	11,789	31,305
Payable within eleven to fifteen years	25,044	5,273	7,153	6,357	18,783
Payable within sixteen to twenty years	0	0	0	0	0
Total	87,654	24,695	21,987	34,712	81,394

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable.

The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

Contractor Liability	2016/17	2017/18
	£000	£000
Balance outstanding at 1 April 2018	23,569	22,817
Payments during the year	(752)	(829)
Balance outstanding at 31 March 2018	22,817	21,988

b) PFI Scheme – Dagenham Park School

On 28th October 2010, the Council signed an agreement for the Local Educational partnership (LEP) to deliver two new school buildings and ICT provision at Dagenham Park and Sydney Russell School. Dagenham Park School is a PFI scheme. The school opened on the 9th March 2012 and the contract will be in place for 25 years, after which time the school will be owned by the Council.

Changes in the arrangements during the year (Property Plant and Equipment)

The assets used to provide services at the schools are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 9.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2018 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Total 2016/17 £000	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total 2017/18 £000
Payable within one year	4,193	579	881	2,733	4,193
Payable within two to five years	16,774	2,317	4,019	10,438	16,774
Payable within six to ten years	20,967	2,896	6,688	11,383	20,967
Payable within eleven to fifteen	20,967	2,896	9,453	8,618	20,967
Payable within sixteen to twenty years	20,967	2,317	10,660	3,796	16,774
Payable within twenty-one to twenty-five years	0				0
Total	83,868	11,006	31,701	36,969	79,676

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay to the contractor for capital expenditure incurred is as follows:

Contractor Liability	2016/17 £000	2017/18 £000
Balance outstanding at start of year	28,858	28,152
Payments during the year	(775)	(821)
Capital expenditure incurred in the year	69	88
Balance outstanding at year-end	28,152	27,419

30. Impairment Losses

During 2017/18 the Council's valuers, Wilks, Head & Eve, reviewed the Council's properties for any downward revaluations that may have occurred for reasons other than changes in market values. They have confirmed that there have been no such impairment losses relating to the Council's properties.

31. Termination Benefits

As a result of the reorganisation of its service delivery, a number of employees were made redundant by the Council during 2017/18. Liabilities incurred during 2017/18, including the strain on the Pension Fund, totalled £2.848m (2016/17 £8.230m) – see Note 22 for the number of exit packages and total cost per band. This amount related to 136 employees within the General Fund and the HRA, of which, 38 of these received a settlement agreement and 98 of these left under compulsory redundancy.

32. Trust Funds

The Council acts as a trustee for a number of small trust funds. These funds provide education prizes and assistance for local residents. The funds do not represent the assets of the Council and therefore they have not been included in the Balance Sheet

	2016/17 £000	2017/18 £000
Trust Fund balances at 1 April	(73)	(73)
Payments from funds during year	0	0
Income received by funds in the year	0	0
Balance at 31 March	(73)	(73)

The Council also holds the following balances:

- custody accounts - £1,666,623; (£1,932,599 in 2016/17)
- a residents' amenity fund - £6,193; (£6,145 in 2016/17); and
- an education bursaries fund - £469,608; (£476,834 in 2016/17)

33. Pensions Schemes accounted for as Defined Contribution Schemes

The Council employs teachers and public health staff who are members of the Teachers' Pension Scheme (administered by the Department for Education) and the NHS Pension Scheme respectively. These schemes provide specified benefits upon retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Schemes are technically defined benefit schemes. However, they are unfunded and use a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2017/18, the Council paid £13.3m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.4% of pensionable pay. The figures for 2016/17 were £12.6m and 16.4% respectively. There were no contributions remaining payable at the year-end. For NHS staff in 2017/18 the figures were £0.1m and 14.3%. In 2016/17 the figures were £0.1m and 14.3% respectively.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 34.

34. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose at the time that employees earn their future entitlement. In 2017/18 the Council participated in two post employment schemes:

- The Local Government Pension Scheme (LGPS), administered by the Council: this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement: this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. There have been no new awards during the year.
- The pension scheme is operated under the regulatory framework for the LGPS and the governance of the scheme is the responsibility of the Pension Panel of the Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the Pension Panel.
- The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

* From 1 April 2014 the defined benefit final salary scheme ceased and was replaced with a defined benefit career average scheme.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transaction Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefit is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	LGPS	
	2016/17	2017/18
	£'000	£'000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	(25,526)	(41,266)
Past Service Costs (including curtailments)	(2,298)	(412)
Interest Income on scheme assets	21,102	18,410
Interest cost on defined benefit obligation	(33,392)	(30,069)
Total Post-Employment Benefits charged to the Surplus or Deficit on the provision of services	(40,114)	(53,337)
Remeasurement of the net defined benefit liability:		
Change in demographic assumptions	8,297	0
Change in financial assumptions	(182,508)	24,496
Other experience	15,491	(1,812)
Return on assets excluding amounts included in net interest	81,395	3,597
Total Post-Employment Benefits charged to the Comprehensive Income	(77,325)	26,281

Movement in Reserve Statement:

Reversal of net charges made to the Surplus or Deficit on the provision of services for post-employment benefits in accordance with the code

40,114 53,337

Actual amount charged against the General Fund Balance for pensions in the year:

Employer's contributions payable to scheme

(24,662) (23,912)

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation) and fair value of the scheme (plan):

	LGPS	
	2016/17 £'000	2017/18 £'000
<u>Scheme Liabilities</u>		
Opening balance at 1 April	953,064	1,150,144
Current Service Cost	25,526	41,266
Interest Cost	33,392	30,069
Contributions by scheme participants	6,722	7,004
Actuarial (gains)/losses	158,720	(22,684)
Benefits paid	(29,578)	(29,334)
Discretionary Benefits	(1,609)	(1,704)
Past Service Cost including curtailments	2,298	412
Business Contribution	0	0
Curtailments	0	0
Settlements	0	0
Closing Balance at 31 March	1,148,535	1,175,173

	2015/16 £'000	2017/18 £'000
	<u>Scheme Assets</u>	
Opening balance at 1 April	601,988	707,191
Interest Income	21,102	18,410
Re-measurement gain/(loss)	81,395	3,597
Employer contributions	25,562	25,065
Contributions by scheme participants	6,722	7,004
Benefits paid	(29,578)	(29,334)
Unfunded benefits paid	(1,609)	(1,704)
Contributions in respect of unfunded benefits	1,609	1,704
Curtailments		
Settlements		
Closing Balance at 31 March	707,191	731,933

Pensions Assets and Liabilities Recognised in the Balance Sheet

	2016/17 £'000	2017/18 £'000
Local Government Pension Scheme		
Fair value of plan assets	707,191	731,933
Present value of the defined benefit obligation	(1,148,535)	(1,175,173)
Net liability arising from defined benefit obligation	(441,344)	(443,240)

The liability show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. Before payments fall due), as assessed by the scheme actuary;
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

It is important to recognise that the IAS19 is based on the assumptions that are set as part of the accounting standard and do not reflect the funding strategy of the fund nor the payments made for the employers in 2017/18.

The more important Triennial Valuation is the statutory basis for assessing the Fund's liabilities and for setting the employer's contribution rate. The last triennial valuation took place in March 2016, (effective from 1 April 2017), showed a funding level of 77.2% for the whole fund. The pension fund investment strategy is seeking a fully funded position within 16 years. This long-term strategy allows for short-term market volatility. The next triennial valuation will take place in 2019, (effective from 1 April 2020).

The actuarial process involves sophisticated modelling techniques that look far ahead at the level and flow of pensions out of the Fund and the performance of its assets and contributions from employees and the Council. The IAS19 valuation however, is a far more basic approach and only refers to a specific point in time.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the LGPS and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of Actuaries, estimates for the Pension Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

	LGPS	
	2016/17	2017/18
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
• Men	22.0 yrs	22.0 yrs
• Women	24.7 yrs	24.7 yrs
Longevity at 65 for future pensioners		
• Men	24.0 yrs	24.0 yrs
• Women	26.4 yrs	26.4 yrs
Actuarial Assumptions:		
Rate of Increase in Salaries	2.9%	2.8%
Rate of Increase in Pensions	2.4%	2.4%
Rate of Discounting Scheme Liabilities	2.6%	2.7%

Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2018	Approximate % increase to Employer Liabi	Appropriate monetary amount (£000)
0.5% Decrease in Real Discount Rate	10%	116,982
0.5% Increase in the Salary Increase Rate	1%	14,613
0.5% Increase in the Pension Increase Rate	9%	101,063

Notes:

In order to quantify the impact of a change in the financial assumptions used, we have calculated and compared the value of the scheme liabilities as at 31 March 2018 on varying bases. The approach taken is consistent with that adopted to derive the IAS19 figures provided in this report.

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at

Please note the above figures have been derived based on the membership profile of the Employer as at the date of the most recent actuarial valuation.

Local Government Pension Scheme assets comprised:

	2016/17	2017/18
	£'000	£'000
Equity Securities (Quoted prices in active market)	358,965	389,501
Bonds	28,104	26,343
UK Property	50,054	46,312
Investment Funds and Unit Trusts		
Hedge Funds	37,938	22,571
Infrastructure	51,146	48,789
Other	167,082	188,950
Sub-total	256,166	260,310
Cash and Cash Equivalents		
Cash	13,902	9,467
Total Assets	707,191	731,933

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contribution at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 16 years. Funding levels are reviewed on an annual basis.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2019 is estimated to be £23.9m.

35. Accounting standards that have been issued but have not yet been adopted

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the new or amended standards within the 2017/18 Code. There are no new standards in the 2017/18 Code which are likely to have a material impact on the accounts.

36. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in this document, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The two key critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government and the impact of the decision for Britain to leave the European Union remains unclear. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

The Council's group boundaries have been assessed using the criteria outlined in the Code of Practice. There are a number of interests which fall within the group boundary on the grounds of control and significant influence. However, in aggregate, they are not sufficiently material to warrant producing consolidated financial statements. The Council continues to disclose the relationships and transactions with the entities in the Related Parties note.

37. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Adjustments would be required to some or all of the following accounts: Initial recognition; Depreciation; Revaluation; Derecognition (Disposals), any of which could require amendment to the Council's balance sheet and/or CIES if the adjustment were deemed material. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. For example, it is estimated that the annual depreciation charge for buildings (in total) would increase by circa £1.6m for every year that useful lives had to be reduced. Note that any such adjustment would not have an impact on levels of Council Tax.
Pensions Liability	Adjustments would be required to the assumptions regarding employers' contribution rates if the amendment was deemed material. The effect on the net pension liability of changes in individual assumptions can be measured. For instance, a decrease of 0.5% in the real discount rate assumption would result in an increase in the pension liability of £117.0m. A 0.5% increase in the Pension Rate would increase the pension liability by £101.1m. During 2017/18 the Council's actuary advised that the net pensions deficit increased by £0.3m.

Fair Value estimations	
	<p>Would impact on the value of the Council's assets as set out in the balance sheet at 31 March 2018. The revision of the current methodology used to calculate fair value would be a time-consuming and complex project. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.</p> <p>The Council uses a combination of indexation techniques, beacon valuations and discounted cash flow (DCF) models to measure the fair value of its Investment Properties, Surplus Assets and Assets Held for Sale under IFRS13 depending on which technique it considers most appropriate. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area, repairs backlogs, beacon classifications and others.</p>
Short Term Debtors	
<p>At 31 March 2017, the Council had a significant balance of debtors against which appropriate provisions had been made. However due to the uncertain economic landscape and changes to the welfare reform agenda it is not certain that such an allowance would be sufficient.</p>	<p>The Council will maintain a close watching brief to ensure the provision for each area of debtors is appropriate and action if necessary to help manage the risk associated with the non collection of debt.</p>

38. Statement of Accounting Policies

i. General Principles

The Statement of Accounts provides a true and fair view of the Council's transactions for the 2017/18 financial year and its financial position at the year end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, supported by International Financial Reporting Standards (IFRS).

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

ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant rewards and risks of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet;
- Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected; and
- The above policies are applied in an appropriate manner to avoid material misstatement in the financial statements. For the financial year in question, a de minimis of £10,000 was applied to both debtors and creditors.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

iv. **Exceptional Items**

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

v. **Prior Period Adjustments, changes in Accounting Policies and Estimates and Errors**

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the policy had always been applied.

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

vi. **Charges to Revenue for Non-Current Assets**

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

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Minimum Revenue Provision (MRP) is equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses, and amortisations are therefore replaced by the MRP contribution in the General Fund Balance. This is done by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two (MRP is one amount, with depreciation, revaluation and impairment losses, or amortisations being the other amount).

vii. **Employee benefits**

a) **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and any non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render services to the Council.

An accrual is made for the cost of annual leave entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that annual leave entitlements are charged to revenue in the financial year in which the absence occurs.

b) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the relevant service, or where applicable, to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructure.

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

c) Post Employment Benefits – Teachers' and NHS Pensions

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- The NHS Pension Scheme, administered by NHS Pensions and
- The Local Government Pensions Scheme, administered by London Borough of Barking and Dagenham Pension Fund.

All schemes provided defined benefits to members, earned as employees of the Council.

The arrangements for the Teachers' and NHS Pension Schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they had been a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement was charged with the employer contributions payable to Teachers' Pensions in the year, while NHS pension contributions are included in the Public Health line.

d) The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme.

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

Liabilities are measured on an actuarial basis discounted to present value, using the projected unit method. The discount rate to be used is determined in reference to market yields at balance sheet date of high quality corporate bonds.

The assets of London Borough of Barking and Dagenham pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities - current bid price;
- unquoted securities - professional estimate;
- unitised securities - current bid price;
- property - market value; and
- limited partnerships - fair value on net asset value.

The change in the net pension liability is analysed into the following components:

Service costs comprising:

- current service cost - the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- net interest on the net defined benefit liability (asset), ie net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

Contributions paid to the London Borough of Barking and Dagenham pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

e) Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

viii. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. There are two types of events, adjusting and non-adjusting:

- Where the event is supported by evidence of conditions that existed at the end of the reporting period the Statement of Accounts is adjusted to reflect the impact of the event; and
- Where the event is supported by evidence of conditions that arose after the reporting period the Statement of Accounts is not adjusted, but where the impact of the event is material the nature of the event is disclosed in a separate note setting out the nature of the event and the estimated financial impact.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

Annual charges for interest payable, included within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement, are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts the estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The Council's borrowings are stated in the balance sheet at the outstanding principal repayable, including accrued interest, and the amount charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the relevant loan agreement.

Gains and losses on the repurchase or early settlement of borrowings are posted to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement.

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

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

For loans made by the Council, this means that:

- the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest); and
- interest credited to the Comprehensive Income and Expenditure Statement reflects the amount due for the year in the relevant loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event such that payments due under the contract will not be made, the asset is written down and a charge reflected in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement or to the relevant service. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains or losses that arise on the de-recognition of an asset are credited or debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Available for Sale Assets

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits (to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement) for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Statement when it becomes due to the Council.

Assets are maintained in the Balance Sheet at fair value based on the following principles:

- Instruments with quoted market prices - the market price;
- Other instruments with fixed determinable payments - discounted cash flow analysis; and
- Equity shares with no quoted market prices - independent analysis of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Changes in fair value are balanced by an entry in the Available for Sale Reserve, and the gain/loss is recognised in the surplus or deficit in Revaluation of Available for Sale Financial Assets. Where impairment losses are incurred, these are charged to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available for Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

x. Government Grants and contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to either the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xi. Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

xii. Interest in Companies and Other Entities

An assessment of the Council's interests has been carried out during the year in accordance with the Code of Practice to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the Council's control or influence over the entity demonstrated through ownership, such as a shareholding in an entity or representation on an entity's board of directors. The Council does have a number of interests in companies and other entities, none of which would be material on consolidation due to the elimination of group transactions. Thus the production of group accounts is not required for these interests. The main interests are fully disclosed within the Related Parties disclosure.

In the Council's single entity accounts, the interests in companies and other entities are recorded as financial assets at valuation, where a valuation is not possible or would not give a materiality different result the interests are recorded at cost, less any impairment.

xiii. Investment Properties

Investment properties are those that are used solely to earn rentals (to generate a minimum yield of 6% in accordance with the Council's Standing Orders) and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods (operational assets) or is held for sale (assets for disposal).

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other parties that involve the use of the assets and resources of the parties rather than the establishment of a separate entity. The Council recognises on its Balance Sheet any assets that it controls, and liabilities that it incurs, and reflects in the Comprehensive Income and Expenditure Statement expenditure incurred together with any share of income it earns from the activity of the operation.

xv. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

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

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

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

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two (MRP is one amount, with depreciation, revaluation and impairment losses, or amortisations being the other amount).

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the start of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

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

xvi. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multifunctional, democratic organisation; and
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xvii. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. It should be noted that Voluntary-aided schools are not recorded in the Council's balance sheet.

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement. Assets are then carried in the Balance Sheet using the following measurement bases:

Infrastructure, Assets Under Construction	Depreciated Historical Cost
Community Assets	Depreciated Historical Cost or Valuation
Council Dwellings	Fair value based on existing use value - social housing (EUV - SH)
Other Land & Buildings, Vehicles Plant & Equipment	Fair value based on existing use value (EUV) or depreciated replacement cost (DRC) using the 'instant build' approach if EUV cannot be determined
Surplus Assets	Fair value based on existing use value (EUV) applying the same assumptions relating to the level of usage etc, as those of the most recent revaluation as an operational asset

Where there is no market based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset – between 5 and 20 years;
- infrastructure – straight-line allocation over 20 years;
- no charge is made in the year of purchase or construction of an asset; and
- assets demolished in the year will have a full year's depreciation charge.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

This authority will recognise standard component types and lives provided by the Council's valuers. On a case by case basis, it may also recognise components more specific to individual assets.

Materiality, and what constitutes a significant component, will be determined by reference to the following de minimis thresholds:

- Assets with a Current Net Book Value (excluding land element) of less than £2 million will not be considered for componentisation and no components valued below £250,000 will be componentised; and
- Components will be deemed not significant where their Gross Replacement Cost (GRC) is less than 20% of the GRC of the building, or less than £250,000.

Where the remaining useful life for a prospective component is within two years of, or greater than that of the existing asset, the component will not be recognised separately on grounds of materiality, unless in exceptional cases the useful lives are so short or the value so high as to render the effect material.

Assets must be considered for componentisation when:

- 1) New assets are acquired;
- 2) Revaluation is carried out; or
- 3) Enhancement expenditure is incurred

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

xviii. Private Finance Initiative (PFI) and Similar Contracts

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

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

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

- **fair value of the services received during the year** - debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- **finance cost** - an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- **contingent rent**- increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- **payment towards liability** - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and
- **life-cycle replacement costs** - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xix. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. The most common provisions are for insurance and bad debts.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

xx. Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits, and do not represent usable resources for the Council. These reserves are explained in the relevant policies.

xxi. Revenue Expenditure Funded from Capital under Statute

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

xxii. Value Added Tax (VAT)

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

xxiii. Carbon Reduction Commitment Allowances

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the initial year of its second phase, which ends on 31 March 2019. The authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions i.e. carbon dioxide (CO₂) produced as energy is used. As CO₂ is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price (i.e. price per ton) of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

xxiv. Schools

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

xxv. Fair Value Measurements

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

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

The Council measure the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

xxvi. Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure

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

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

39. Contingent Liability

There is a potential dispute with a contractor for the collection of water and sewerage. The Council is contesting the liability. It is difficult to give a full assessment unless the completed particulars are known. However, it is estimated that the claim could be in the region of £5m.



Housing Revenue Account

for the year ended

31st March 2018

Housing Revenue Account (HRA) Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Statement of Movement on the HRA Statement.

2016/17		2017/18
£000	Expenditure	£000
15,764	Repairs & Maintenance	15,444
45,364	Supervision & Management	41,684
333	Rent, Rates, Taxes & Other Charges	323
13,439	Depreciation and revaluation of non-current assets (note 5)	19,494
892	Movement in the allowance for bad debts	1,018
<u>75,792</u>	Total Expenditure	<u>77,963</u>
	Income	
(90,868)	Dwelling rents	(88,521)
(755)	Non-dwelling rents	(705)
(21,746)	Charges for services and facilities	(16,403)
0	Contributions towards expenditure	0
<u>(113,369)</u>	Total Income	<u>(105,629)</u>
	Net cost of HRA Services as included in the Council's Comprehensive Income & Expenditure Statement	
(37,577)		(27,666)
685	HRA services' share of Corporate & Democratic Core	685
<u>(36,892)</u>	Net Cost/(Surplus) for HRA	<u>(26,981)</u>
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
(13,251)	Gain on sale of HRA non-current assets	(20,670)
9,655	Interest Payable and similar charges	9,692
(454)	Interest & Investment Income	(330)
1,228	Pensions interest cost and expected return on Pension assets	0
<u>(39,714)</u>	(Surplus) / Deficit for the year of HRA Services	<u>(38,289)</u>

MOVEMENT ON THE HRA STATEMENT

The overall objectives for Movement on the HRA Statement and the general principles for its construction are the same as those generally for the Movement in Reserves Statement, into which it is consolidated. The statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2016/17 £'000		2017/18 £'000
(8,736)	Balance at 1 April	(10,656)
(39,714)	(Surplus)Deficit for the year on the HRA Income & Expenditure Statement	(38,289)
37,528	Adjustments between accounting basis and funding basis under statute	42,068
<u>(2,186)</u>	Net increase before transfers to/from reserves	<u>3,779</u>
863	Transfers to / (from) reserves	<u>(3,779)</u>
<u>(1,920)</u>	(Increase) / decrease in year on the HRA	<u>0</u>
<u><u>(10,656)</u></u>	Balance at 31 March	<u><u>(10,656)</u></u>

2016/17 £'000	Adjustments between accounting basis and funding basis under statute	2017/18 £'000
13,251	Gain/(loss) on HRA - Non Current Assets	20,670
(415)	Revaluation/Impairment of Housing Assets	(5,537)
588	Repayment of principal for capital finance lease	618
26	Holiday pay accruals and other accumulating compensated absences	(39)
(840)	Net charges made for retirement benefits in accordance with IAS 19 (note 8)	0
24,918	Transfer to the Major Repairs Reserve	26,356
<u><u>37,528</u></u>		<u><u>42,068</u></u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Council Housing Stock

The Council was responsible for managing an average of 17,848 dwellings units during 2017/18

At 31 March 2018, the stock was made up as follows:

Dwelling type	units	Year of construction	units
Low rise flats	2,255	Pre 1919	271
Medium rise flats	4,058	1919 - 1944	8,679
High rise flats	2,176	1945 - 1964	3,736
Houses and bungalows	9,283	Post 1964	5,088
Multi Occupied	2		
	<u>17,774</u>		<u>17,774</u>

The change in stock can be summarised as follows:

	2016/17 units	2017/18 units
Stock at 1 April	18,115	17,923
Sales - Right to Buy	(192)	(219)
Additions	0	70
Adjustment (Review of Stock)	0	0
Demolitions (Decant Programme)	0	0
Stock at 31 March	<u>17,923</u>	<u>17,774</u>

The balance sheet value of land, houses and other property within the HRA is as follows:

	2016/17 £000	2017/18 £000
Dwellings	917,565	960,473
Other Land and Buildings	6,291	5,993
Vehicles Plant and Equipment	1,176	588
Infrastructure Assets	3,856	3,562
Assets Under Construction	57,144	50,187
	<u>986,032</u>	<u>1,020,803</u>

2. Vacant possession value

The vacant possession value of dwellings within the HRA at 31 March 2018 was £3.8 billion (£3.7 billion 31 March 2017).

The balance sheet value of dwellings, which is stated at Existing Use Value - Social Housing (EUV - SH), is lower than the vacant possession value. This shows the economic cost to the government in providing council housing at less than the open market rental value.

3. Major Repairs Reserve

The following is an analysis of the Major Repairs Reserve (MRR):

Major Repairs Reserve	2016/17 £000	2017/18 £000
Balance at 1 April	(3,726)	(998)
Amount transferred to MRR (Depreciation)	(13,024)	(13,957)
Debits to the MRR in respect of capital expenditure on HRA land and buildings	40,668	41,000
Amount transferred from MRR to Capital Projects Dispute Reserve		(26,356)
Transfers from HRA to MRR	(24,917)	
Balance at 31 March	<u>(998)</u>	<u>(311)</u>

4. Capital expenditure and receipts

The following analyses HRA capital expenditure and the sources of funding used:-

	Borrowing Approvals £000	Grant & S106 £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Total £000
Houses	-	420	13786	37,612	51,818
Land	-	-	-	-	0
Other property	-	-	853	433	1,286
Assets Under Construction	3200	-	4,583	7,494	15,277
Total	<u>3,200</u>	<u>420</u>	<u>19,222</u>	<u>45,539</u>	<u>68,381</u>

Capital receipts derived from disposals of land, houses and other property within the HRA during 2017/18 are summarised as follows:-

	2016/17 £000	2017/18 £000
Houses	23,458	38,864
Land	0	0
Other property	0	0
Total	<u>23,458</u>	<u>38,864</u>

5. Depreciation and impairment

The total charge for depreciation to the HRA was £13.957 million for dwellings and £0.992 million for other property (2016/17 £12.050 million and £0.973 million, respectively). Revaluation loss of £5.537m million have also been charged to the HRA.

The Council commissioned an impairment review of all its assets from its valuers, Wilks Head & Eve. The conclusion of the valuers was that no impairment allowance should be applied to the value of the housing stock.

6. Sums directed by the Secretary of State – Rent rebates transferred to General Fund

From 1 April 2004, HRA tenant rent rebates and the subsidy received from the Department for Work and Pensions (DWP) are accounted for in the General Fund. The exception to this is the subsidy withheld by the DWP because the rent levels set for the tenants are above the DWP guideline rent. This element, known as the 'rent rebate subsidy limitation', is charged to the HRA as a reimbursement to the General Fund for its loss of subsidy income. No reimbursement is required from the Barking and Dagenham HRA in 2017/18 was £0k (2016/17 was £0k).

7. Rent arrears

	2016/17 £000	2017/18 £000
Dwelling rents	4,386	5,717
Other charges/adjustments	1,338	1,149
	<u>5,724</u>	<u>6,866</u>

The total provision for rent & leasehold arrears at 31 March 2018 was £4,563 million.

8. IAS 19 – Retirement Benefits

The Authority considers it to be proper accounting practice to allow the HRA to be charged with an attributable share of current and past service costs. From 2005/06, the HRA has also been charged with an attributable share of pensions interest costs, less expected return on pensions assets.

However, as Local Authorities can only charge actual employer contributions and payments against the HRA, the IAS 19 entries are reversed out in the Movement on the HRA Statement and replaced by actual employers' contributions payable to the scheme.

9. Revenue expenditure funded from capital under statute

Revenue expenditure funded from capital under statute on the HRA in 2017/18 was nil.



The Collection Fund

for the year ended

31st March 2018

Collection Fund Income and Expenditure Statement

The Collection Fund reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates

	2017/18				2016/17
	NDR Supplement	NDR	Council Tax	Total	Total
	£000	£000	£000	£000	£000
Income					
Council Tax Receivable			(71,342)	(71,342)	(67,138)
Business Rates Receivable		(60,552)		(60,552)	(56,544)
Business Rate Supplement	(1,493)			(1,493)	(1,456)
Transitional Protection Payments		0		0	159
	(1,493)	(60,552)	(71,342)	(133,387)	(124,979)
Expenditure					
Precepts, Demands and Shares					
Central Government		18,831		18,831	18,831
Greater London Authority	1,485	21,113	13,332	35,930	25,645
Billing Authority		17,119	53,505	70,624	66,667
	1,485	57,063	66,837	125,385	109,650
Apportionment of Previous Year Surplus/(Deficit)					
Central Government		534		534	-1211
Greater London Authority		214	2,454	2,668	735
Billing Authority		321	611	932	3517
	0	1,069	3,065	4,134	3,041
Charges to Collection Fund					
Write Offs of uncollectable amounts		3	(108)	(105)	102
Increase/(Decrease) in Bad Debt		1,488	936	2,424	1,832
Increase/(Decrease) in Provision for Appeals		1,896		1,896	(5,255)
Cost of Collection	0	203		203	207
	0	3,590	828	4,418	(3,114)
(Surplus)/Deficit arising during the year	(8)	1,170	(612)	549	(3,819)
(Surplus)/Deficit at 1st April 2017	0	(1,560)	(5,328)	(6,888)	(6,888)
(Surplus)/Deficit at 31st March 2018	(8)	(390)	(5,940)	(6,339)	(1,891)
(Surplus)/Deficit Balance Attributable to:					
London Borough of Barking & Dagenham		(117)	(2,454)	(2,571)	(4,704)
Greater London Authority		(78)	(611)	(689)	(1,404)
Central Government		(195)		(195)	(780)

1. Council Tax Base

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

Band	Number of Properties after Discounts and Exemptions	Band 'D' Equivalent Properties
A (Disabled)	0.2	0.1
A	3,776.1	2,517.4
B	7,870.4	6,121.4
C	35,461.1	31,520.9
D	7,960.1	7,960.1
E	1,525.2	1,864.1
F	304.8	440.2
G	40.3	67.2
H	3.0	6.0
Total Band 'D' equivalents for 2017/18		50,497.47
Projected changes in discounts and growth		
Less in year non-collection allowance		(3,282.3)
Add arrears collection		1,567.2
Council Tax Base for 2017/18		48,782.30
Council Tax Base for 2016/17		45,744.57

2. National Non Domestic Rates (NNDR)

Under the arrangements for NNDR, the Council collected rates in the Borough are based on rateable values assessed by the District Valuer, and multiplied by a uniform rate in the pound set each year by the government.

From 1 April 2010, those ratepayers with a Rateable Value in excess of £55k were subject to an additional levy from the Greater London Authority on their Business Rates to fund the Crossrail project

	2016/17 £000	2017/18 £000
Rateable Value at 31 March	139,248	149,164
Business rates multiplier for premises with rateable values (RV) of £25,500 and above	49.7p	49.3p
Small business rates multiplier for premises with RV below £25,500	48.4p	48.0p
Additional Crossrail NNDR Supplement multiplier, levied on premises with a RV above £55,000	2.0p	2.0p



Draft Pension Fund Accounts

for the year ended

31 March 2018

London Borough of Barking and Dagenham Pension Fund Account

	Note	2016/17 £000	2017/18 £000
Dealings with members, employers and others directly involved in the scheme			
Contributions	7	45,556	44,781
Transfers in from other pension funds	8	4,293	2,761
		49,849	47,542
Benefits	9	(39,929)	(38,240)
Payments to and on account of leavers	10	(3,030)	(4,216)
Administrative expenses	11	(780)	(723)
		(43,739)	(43,179)
Net additions for dealings with members		6,110	4,363
Returns on Investments			
Investment Income	12	6,039	18,618
Taxes on income		-	
Profit (losses) on disposal of investments and changes in the market value of investments	14	135,756	31,893
Investment management expenses	13	(3,689)	(3,985)
Net returns on investments		138,106	46,526
Net increase (decrease) in the net assets available for benefits during the year		144,216	50,889

Net Assets Statement as at 31 March 2018

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

	Note	2016/17 £000	2017/18 £000
Investment Assets	15	915,817	967,696
Current Assets	16	1,584	1,590
Current Liabilities	16	(594)	(910)
		916,807	968,376

Notes to the Pension Fund Accounts for the year ended 31 March 2018

1. Introduction

The Barking and Dagenham Pension Fund (“the Fund”) is part of the Local Government Pension Scheme (“LGPS”) and is administered by the London Borough of Barking and Dagenham (“LBBD”). The Council is the reporting entity for this Fund.

The Fund is operated as a funded, defined benefit scheme which provides for the payment of benefits to former employees of LBBD and those bodies admitted to the Fund, referred to as “members”. The benefits include not only retirement pensions, but also widow’s pensions, death grants and lump sum payments in certain circumstances. The Fund is financed by contributions from members, employers and from interest and dividends on the Fund’s investments.

The objective of the Fund’s financial statements is to provide information about the financial position, performance and financial adaptability of the Fund and show the results of the Council’s stewardship in managing the resources entrusted to it and for the assets at the period end.

The Fund is overseen by the Fund’s Pension Panel, which is a Committee of LBBD.

Overall 2017/18 was another good year for the Fund with a positive investment return, net of fund manager fees and custodian costs, of 5.3%, 0.3% higher than its benchmark of 5.0%. Taking net pension contributions into account, the Fund increased in size by 5.6%. Over three years the Fund has returned an annualised return of 7.9%, which 0.4% below the Fund’s benchmark return of 8.3%.

Two new employers, Be First and SLM, joined the scheme as admitted bodies. A further two academies, James Campbell Primary and St Margarets joined the scheme as new scheduled body employers. The total number of active and closed employers within the Fund was 37 as at year end.

2. Format of the Pension Fund Statement of Accounts

The day to day administration of the Fund and the operation of the management arrangements and investment portfolio are delegated to the Chief Operating Officer.

The following description of the Fund is a summary only. For more details, reference should be made to the Fund’s Annual Report for 2017/18, which can be obtained from the Council’s website: <http://www.lbbdpensionfund.org>

The statutory powers that underpin the scheme are the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) regulations, which can be found at: www.legislation.gov.uk.

a) Membership

All local government employees (except casual employees and teachers) are automatically enrolled into the Scheme. However, membership of the LGPS is voluntary and employees

are free to choose whether to opt out, remain in the Scheme or make their own personal arrangements outside the Scheme. Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

	2016/17	2017/18
Number of Employers with active members	30	27
Number of Employees in scheme		
London Borough of Barking and Dagenham		
Active members	5,071	4,754
Pensioners	4,332	4,361
Deferred pensioners	4,401	4,468
Undecided and other members	398	425
	<u>14,202</u>	<u>14,008</u>
Admitted and Scheduled Bodies		
Active members	1,406	1,558
Pensioners	1,151	1,309
Deferred pensioners	1,271	1,335
Undecided and other members	69	60
	<u>3,897</u>	<u>4,262</u>

A list of the Fund's scheduled and admitted employers are provided below:

Scheduled Bodies	Admitted Bodies
LBBDD	<i>Abbeyfield Barking Society (not active)</i>
Barking College	<i>Age UK (not active)</i>
Dorothy Barely Academy	Aspens
Eastbury Academy	B&D Citizen's Advice Bureau
Elutec	Be First – From October 2018
Goresbrook Free School	<i>CGL (not active)</i>
Greatfields Free School	Cleantech
James Campbell Primary	<i>Council for Voluntary Service (not active)</i>
<i>Magistrates Court (not active)</i>	<i>Disablement Assoc. of B&D (not active)</i>
Partnerships Learning	<i>East London E-Learning (not active)</i>
Riverside Bridge	Elevate East London LLP
Riverside Free School	Laing O'Rourke
Riverside School	<i>London Riverside (not active)</i>
St Margarets	<i>May Gurney (not active)</i>
Sydney Russell	<i>RM Education (not active)</i>
Thames View Infants Academy	Schools Offices Services Ltd
Thames View Junior Academy	SLM – From August 2017
University of East London	The Broadway Theatre
Warren Academy	

b) Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service as summarised below:

	Service pre-1 April 2008	Service post 31 March 2008
Pension:	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum:	Automatic lump sum of 3 x salary. In addition part of annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

The benefits payable in respect of service from 1 April 2014 are based on career average devalued earnings and the number of years of eligible service. The accrual rate is 1/49 and the benefits are index-linked to keep pace with inflation. From 1 April 2011, the method of indexation changed from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI).

3. Basis of preparation

The accounts summarise the transactions and net assets for the Fund's transactions for the 2017/18 financial year and its position as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2017/18.

The financial statements do not reflect any liabilities to pay pension or other benefits occurring after 31 March 2018. Such items are reported separately in the Actuary's Report provided in Note 19 to the Fund's accounts.

The accounts have been prepared on an accruals basis (that is income and expenditure are recognised as earned or incurred, not as received and paid) except in the case of transfer values which are included in the accounts on a cash basis.

3.1 Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Transfer Values to/from other funds, for individuals, are included in the accounts based on the actual amounts received and paid in the year.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

3.2 Investment income

- i) Interest income - Interest income is recognised in the Fund account as it accrues. Interest from financial assets that are not carried at fair value through profit and loss, i.e. loans and receivables, are calculated using the effective interest basis.
- ii) Dividend income - Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.
- iii) Movement in the net market value of investments - Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/loss during the year.

3.3 Investments in the Net Assets Statement at market value on the following basis:

- i) Quoted investments are valued at bid price at the close of business on 31 March 2018;
- ii) Unquoted investments are based on market value by the fund managers at year end in accordance with accepted guidelines;
- iii) Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax;
- iv) Investments held in foreign currencies have been valued in sterling at the closing rate ruling on 31 March 2018. All foreign currency transactions are translated into sterling at exchange rates ruling at the closing rate of exchange; and
- v) Limited partnerships are valued at fair value on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

3.4 Administration

All administration expenses are accounted for on an accrual basis. Staff costs associated with the Fund are charged to the Fund, with management, accommodation and other overheads apportioned in accordance with LBBB's policy.

3.5 Taxation

The Fund is a registered public-sector service scheme under section 1(1) of schedule 36 of the Finance act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceed of investments sold.

Taxation agreements exist between Britain and other countries whereby all or a proportion of the tax deducted locally from investment income may be reclaimed. Non-recoverable deductions are classified as withholding tax.

Value Added Tax is recoverable on all Fund activities by the administering authority.

3.6 Investment management expenses

All investment management expenses are accounted for on an accrual basis.

External manager fees, including custodian fees, are agreed in the respective mandates governing their appointments, which are broadly based on the market value of the Fund's investments under their management. Therefore, investment management fees increase / decrease as the value of these investments change.

The Fund does not include a performance related fees element in any of their contracts. Where it has not been possible to confirm the investment management fee owed by the balance sheet date, an estimate based on the market value has been used.

Most the Fund's holdings are invested in pooled funds which include investment management expenses, including actuarial, trading costs and fund manager fees, within the pricing mechanism. These are disclosed in Note 13.

3.7 Foreign currency transactions

Dividends, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts.

3.8 Derivatives

The Fund has a limited use of derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the value of derivative contracts are included in change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The Fund has no direct holdings in exchange traded or over-the-counter options, although some of these trading tools are used within a number of the Fund's pooled investments.

3.9 Cash and cash equivalents

Cash comprises cash in-hand and on-demand deposits.

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

3.10 Present Value of Liabilities

These accruals do not include the Fund's liabilities to pay pensions and other benefits, in the future, to all the present contributors to the Fund. These liabilities are taken account of in the periodic actuarial valuations of the Fund and are reflected in the levels of employers' contributions determined at these valuations.

3.11 Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 19).

3.12 Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Fund's Balance Sheet but are disclosed as a note to the accounts. They arise as a result of past events but are only confirmed by the occurrence of one or more uncertain future events which are not entirely within the Fund's control.

Contingent liabilities arise from a present obligation arising from past events but only where it is not probable that a transfer of economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured with sufficient reliability.

4. Critical Judgements in applying accounting policies

In applying the accounting policies set out in Note 2, the Fund has had to make certain judgements about complex transactions or those involving uncertainty about future events.

A critical judgement made within the accounts is for the Pension Fund liability, which is calculated every three years by the appointed Actuary. The methodology used is in line with accepted guidelines. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Fund about the future or that are otherwise uncertain. Estimates are made taking into consideration historical experience, current trends and other relevant factors. However, as balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. There were no items in the Statement of Accounts 2017/18 for which there is a significant risk of material adjustment in the forthcoming financial years.

6. Additional Voluntary Contributions (AVC)

Additional Voluntary Contributions (AVCs) administered by the Prudential, made by LBBB employees during the year amounted to **£338k** (2016/17 £356k). In accordance with Regulation 4(2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 the contributions paid and the assets of these investments are not included in the Pension Fund Accounts.

AVCs were valued by Prudential at a market value of **£4.3m** (2016/17 £4.6m).

7. Contributions

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007, ranging from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2018. Employee contributions are matched by employer contributions, which are set based on triennial actuarial funding valuations. Currently employer contribution rates range from 14.0% to 33.1%.

Pension strain contributions are accounted for in the period in which the liability arises. Any amounts due in year but unpaid will be classed as a current financial asset.

The Council uses a mechanism to stabilise the contribution rates. This was agreed following the actuary, Hymans Robertson, completing a stochastic modelling of the long-term funding position. Eligibility for stabilisation is dependent on reasonable consistency in an employer's membership profile. The primary contribution rate for the financial year ending 31 March 2018 was 23.5%.

Contributions shown in the revenue statement may be categorised as follows:

Contributions	2016/17	2017/18
	£000	£000
Members normal contributions		
Council	6,667	6,941
Admitted bodies	310	434
Scheduled bodies	2,386	2,118
Total contributions from members	9,363	9,493
Employers normal contributions		
Council	24,622	23,837
Admitted bodies	982	1,439
Scheduled bodies	8,961	8,021
Additional retirement contribution		
Capitalised Redundancy costs	1,628	1,991
Total contributions from employers	36,193	35,288
Total Contributions	45,556	44,781

8. Transfers in from other pension funds

	2016/17	2017/18
	£000	£000
Individual Transfers	3,992	2,761
Group Transfers*	301	0
	4,293	2,761

9. Benefits

Benefits payable and refunds of contributions have been brought into the accounts based on all valid claims approved during the year.

	2016/17				2017/18			
	Council £000	Admitted Bodies £000	Scheduled Bodies £000	Total £000	Council £000	Admitted Bodies £000	Scheduled Bodies £000	Total £000
Pensions	25,040	347	4,485	29,872	26,152	389	5,084	31,625
Lump sums	7,650	235	901	8,786	3,229	37	2,110	5,376
Death grants	860	19	392	1,271	835	-	404	1,239
Interest	-	-	-	-	-	-	-	-
	<u>33,550</u>	<u>601</u>	<u>5,778</u>	<u>39,929</u>	<u>30,216</u>	<u>426</u>	<u>7,598</u>	<u>38,240</u>

10. Payments to and on account of leavers

	2016/17 £000	2017/18 £000
Individual Transfers	2,858	3,966
Refunds	172	250
	<u>3,030</u>	<u>4,216</u>

11. Administrative expenses

	2016/17 £000	2017/18 £000
Administration and Processing	526	473
Audit Fee	21	21
Actuarial Fees	78	66
Legal and Other Professional Fees	37	39
ICT Costs	118	124
	<u>780</u>	<u>723</u>

12. Investment Income

	2016/17 £000	2017/18 £000
Fixed Interest Securities	636	423
Equity Dividends	3,092	16,123
Pooled Property Income	2,153	1,875
Interest - Manager's Cash	2	1
Interest - LBBD balance	95	31
Other Income	61	165
	<u>6,039</u>	<u>18,618</u>

13. Investment management expenses

	2016/17 £000	2017/18 £000
Management Fees	3,084	3,351
Custody Fees	45	28
Interest Costs	560	606
	<u>3,689</u>	<u>3,985</u>

14. Investments

The movement in the opening and closing value of investments during the year, together with related direct transaction costs were as follows:

	Value 31/03/2017 £000	Purchases £000	Sales £000	Change in Fair Value £000	Cash Movement £000	Value 31/03/2018 £000
Pooled Unit Trusts	715,607	43,634	(300)	19,327	-	778,268
Property Unit Trusts	61,208	-	(1,498)	3,952	-	63,662
Pooled Alternatives	51,285	31,926	(27,653)	(70)	-	55,488
Infrastructure	75,761	-	(14,463)	5,779	-	67,077
Other Investments	2,607	-	(1,812)	7	-	802
Derivative Contracts						
Futures	424	198,879	(201,731)	2,828	-	400
Cash Deposits						
Custodian	2,928	-	-	70	(1,925)	1,073
In-House	5,288	-	-	-	(4,656)	632
Total	915,108	274,439	(247,457)	31,893	(6,581)	967,402

	Value 31/03/2016 £000	Purchases £000	Sales £000	Change in Fair Value £000	Cash Movement £000	Value 31/03/2017 £000
Pooled Unit Trusts	453,627	360,858	(229,784)	130,906	-	715,607
Property Unit Trusts	56,246	5,000	(570)	532	-	61,208
Pooled Absolute Return	130,335	61	(129,779)	(617)	-	0
Pooled Alternatives	52,496	28,904	(34,655)	4,540	-	51,285
Infrastructure	60,458	15,061	(4,635)	4,877	-	75,761
Other Investments	5,878	0	(3,276)	5	-	2,607
Derivative Contracts						
Futures	(314)	184,137	(179,151)	(4,248)	-	424
Cash Deposits						
Custodian	3,516	-	-	(239)	(349)	2,928
In-House	8,899	-	-	-	(3,611)	5,288
Total	771,141	594,021	(581,850)	135,756	(3,960)	915,108

The change in fair value of investments during the year comprises all increases and decreases in the value of investments held at any time during the year, including profits and losses realised on sales of investment and changes in the sterling value of assets caused by changes in exchange rates. In the case of pooled investment vehicles changes in market value also includes income, net of withholding tax, which is reinvested in the Fund.

The cost of purchases and the sales proceeds are inclusive of transaction costs, such as broker fees and taxes. In addition to transaction costs, indirect costs are incurred through the bid offer spread on investments within pooled investment vehicles. The amount of indirect cost is not separately provided to the Fund. The Fund employs specialist investment managers with mandates corresponding to the principle asset classes. The managers as at 31 March 2018 are highlighted below:

Investment Manager	Mandate	Investment Area
Aberdeen Asset Management	Active	Diversified Alternatives
BNY Standish	Active	Global Credit
London CIV: Baillie Gifford	Active	Global Equity (Pooled)
London CIV: Pyrford	Active	Absolute Return
London CIV: Newton	Active	Absolute Return
London CIV: Other	Passive	None
BlackRock	Active	Property Investments (UK)
Hermes	Active	Infrastructure (LLP)
Kempen	Active	Global Equity (Pooled)
Prudential/M&G	Active	Alternatives - UK Companies Financing
RREEF	Active	Property Investments (UK)
Schroders	Active	Property Investments (UK Fund of Funds)
UBS	Passive	Global Equity (Pooled)
UBS	Passive	All Share Fixed Income (Pooled)

The value of the Fund, by manager, as at 31 March 2018 was as follows:

Fund by Investment Manager	2016/17		2017/18	
	£000	£000	£000	%
Aberdeen Asset Management	51,710	5.7%	55,889	5.8%
BlackRock	36,702	4.0%	39,031	4.0%
Hermes	75,762	8.3%	67,078	6.9%
Kempen	151,211	16.5%	153,324	15.8%
Other Cash Balances	8,217	0.9%	1,707	0.2%
Prudential/M&G	2,458	0.3%	653	0.1%
RREEF	1,846	0.2%	348	0.0%
Schroders	22,660	2.5%	24,283	2.5%
Standish	65,486	7.2%	66,403	6.9%
UBS Passive Bonds	35,817	3.9%	35,990	3.7%
UBS Passive Equity	159,968	17.5%	171,957	17.9%
London CIV	150	0.0%	150	0.0%
London CIV - Baillie Gifford	164,629	18.0%	186,184	19.2%
London CIV - Pyrford	82,308	9.0%	99,780	10.3%
London CIV - Newton	56,184	6.1%	64,625	6.7%
	915,108	100.0%	967,402	100.0%

15. Securities

	2016/17 £000's	2017/18 £000's
Investment Assets		
Pooled funds - UK		
UK fixed Income Unit Trust	35,818	35,990
UK Equity Unit Trust	324,746	358,291
UK Absolute Return	138,492	164,405
UK Property Unit Trust	24,506	24,631
UK Unit Trust	2,458	653
Pooled funds - Overseas		
Overseas Fixed Income Unit Trust	65,486	66,403
Overseas Equity Unit Trust	151,211	153,324
Overseas Property Unit Trust	36,701	39,031
Other Investment - Infrastructure	75,762	67,078
Other Investment - Private Equity	10,956	22,720
Other Investment - Hedge Funds	40,331	32,770
Other Investment – Tax Recoverable	709	294
Cash	8,217	1,707
Futures	424	400
Total Investment Assets	<u>915,817</u>	<u>967,696</u>
Current Assets: Debtors	1,290	1,590
Current Liabilities: Creditors	(594)	(910)
Total Net Assets	<u>916,513</u>	<u>968,376</u>

16. Debtors and Creditors

The following amounts were debtors or creditors for the Fund at 31 March 2018:

	2016/17 £000	2017/18 £000
Debtors		
Other Investment Balances		
Tax recoverable	709	294
Current Assets		
Other local authorities	1,202	1,130
Other entities and individuals	382	460
Total Current Assets	<u>1,584</u>	<u>1,590</u>
Total Debtors	<u>2,292</u>	<u>1,884</u>
Current Liabilities		
Other local authorities	393	725
Other entities and individuals	202	185
Total Creditors	<u>594</u>	<u>910</u>

17. Cash

The cash balance held at 31 March 2018 is made up as follows:

Cash balances held by Investment Managers	2016/17 £000	2017/18 £000
Aberdeen Asset Management	1,433	928
Prudential / M&G	1,071	0
Schroders	177	26
BlackRock	228	74
Other balances	20	46
In-house Cash	5,288	633
Total Cash	8,217	1,707

18. Investment Strategy Statement

An Investment Strategy Statement was agreed by the Council's Investment Panel on 15 March 2017 and is updated periodically to reflect changes made in Investment Management arrangements. The nature and extent of risk arising from financial instruments and how the Fund manages those risks is included in the Investment Strategy Statement. Copies can be obtained from the Council's Pension website: <http://www.lbbdpensionfund.org>

19. Actuarial position

Actuarial assumptions

The 2016 triennial review of the Fund took place as at 31 March 2016 and the salient features of that review were as follows:

- The funding target is to achieve a funding level of at least 100% over a specific period;
- Deficit recovery period reduced from 20 years in 2013 to 17 years in 2016;
- The key financial assumptions adopted at this valuation are:
 - Future levels of price inflation are based on the Consumer Price Index (CPI);
 - Funding discount rate based on an Asset Outperformance target of 1.7% p.a. above the yield on fixed interest (nominal) and index-linked (real) Government bonds;
 - The resulting discount rate of 4.1% (4.7% as at 31 March 2013).
- Market value of the scheme's assets at the date of the valuation were £772 million;
- The past service liabilities at the rate of the valuation were £1,001 Million;
- The resulting funding level was 77.2% (70.6% as at 31 March 2013); and
- The use of an appropriate asset outperformance assumption is based on available evidence and is a measure of the degree of prudence assumed in the funding strategy.

The valuation has made assumptions about member longevity and has used the following average future life expectancies for pensioners aged 65 at the valuation date

Longevity Assumptions	2013	2013	2016	2016
at 31 March	Male	Female	Male	Female
Average future life expectancy (in years for a pensioner)	21.8	24.0	22.0	24.7
Average future life expectancy (in years) at age 65 for non-pensioner assumed to be aged 45 at the valuation date	24.1	26.5	24.0	26.4

The key financial assumptions adopted by the actuary for the valuation of members' benefits at the 2016 valuation are set out below:

Financial assumptions	31 March 2013	31 March 2016
Discount rate		
Return on long-dated gilts	3.0%	2.2%
Asset Outperformance Assumption	1.7%*	1.9%*
Discount rate	4.7%	4.1%
Benefit increases		
Retail Prices Inflation (RPI)	3.3%	3.2%
Assumed RPI/CPI gap	(0.8%)*	(1.0%)*
Benefit increase assumption (CPI)	2.5%	2.1%
Salary increases		
Retail Prices Inflation (RPI)	3.3%	3.2%
Increases in excess of RPI	0.5%*	(0.6%)*
Salary increase assumption	3.8%	2.6%

*Adjustments are applied arithmetically in 2013 and geometrically in 2016

Funding level and position

The table below shows the detailed funding level for the 2016 valuation:

Employer contribution rates	As at 31 March	
	2013	2016
Primary Rate (net Employer Future Service Cost)	18.7%	18.2%
Secondary Rate (Past Service Adjustment – 17 year spread)	12.7%	6.8%
Total Contribution Rate	31.4%	25.0%

The Primary rate above includes an allowance for administration expenses of 0.4% of pay. The employee average contribution rate is 6.7% of pay. The table below shows the funding position as at 31 March 2016.

Past Service Funding Position at 31 March	As at 31	As at 31
	March 2013	March 2016
Past Service Liabilities	£m	£m
Employees	(316)	(324)
Deferred Pensioners	(180)	(221)
Pensioners	(406)	(456)
	(902)	(1,001)
Market Value of Assets	636	772
Funding Deficit	(266)	(228)
Funding Level	70.6%	77.2%
Present value of funded obligation		

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standard 19 Employee Benefits (IAS 19) assumptions, is estimated to be **£1,487m** as at 31 March 2018 (31 March 2017: £1,445m). This figure is used for statutory accounting purposes by the Pension Fund and complies with the requirements of IAS 26 Accounting and Reporting by Retirement Benefit Plans. The assumptions underlying the figure are as per the IAS 19 assumptions above.

The figure is prepared for the purposes of IAS 26 and has no validity in other circumstances. It is not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund, which is carried out on a triennial basis.

Total contribution rate

The table below shows the minimum total contribution rates, expressed as a percentage of pensionable pay, which was applied to the 2017/18 accounting period:

Scheduled Bodies	Rate %	Admitted Bodies	Rate %
LBBB	24.5	B&D Citizen's Advice Bureau	33.1
Barking College	27.5	Cleantech	28.1
Dorothy Barely Academy	17.9	Elevate East London LLP	21.3
Elutec	22.4	Laing O'Rourke	14.0
Eastbury Academy	23.6	Schools Offices Services Ltd	24.4
Goresbrook Free School	10.8	The Broadway Theatre	30.6
Greatfields Free School	22.5		
Partnership Learning	26.6		
Riverside Bridge	20.3		
Riverside Free School	15.9		
Riverside School	19.6		
Sydney Russell	25.7		
Thames View Infants Academy	22.3		
Thames View Junior Academy	22.8		
University of East London	28.1		
Warren Academy	23.2		

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

20. Related parties

The Fund is a related party of the Council as the following transactions are controlled by the Council. Pension administration and investment management costs of **£658.2k** (2016/17: £548.0k) are charged by the Council.

21. Contingent liabilities

As at 31 March 2018 there were no contingent liabilities.

22. Contingent assets

As at 31 March 2018 the Fund did not hold any contingent assets.

23. Holdings

All holdings within the Fund as at 31 March 2018 were in pooled funds or Limited Liability Partnerships (LLP), with no direct holdings over 5% of the net assets of the scheme. As at 31 March 2017 the following pooled funds and LLPs were over 5% of the scheme's net assets:

Security	Market Value as at 31 March 2018 £000	% of Total Fund %
London CIV - Baillie Gifford	186,184	19.2%
UBS Passive Equity	171,957	17.9%
Kempen	153,324	15.8%
London CIV - Pyrford	99,780	10.3%
Hermes	67,078	6.9%
Standish	66,403	6.9%
London CIV - Newton	64,625	6.7%

24. Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. One of the Fund's absolute return mandates, Pyrford, holds a mixture of quoted equities and fixed income that is traded on an active market and have therefore been classified as Level 1.

Listed investments are shown as bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange. The total financial instruments held by the **Fund at Level 1 were £780.8m**

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available, for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques use inputs that are based significantly on observable market data. For the Fund these investments includes pooled property holdings, the Fund's absolute return manager Newton, where some of the assets, although liquid, do not readily have a market value. The Fund did not hold any Level 2 investments as at 31 March 2018.

Level 3

Financial instruments at Level 3 are those where at least one input could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge fund or funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. The Fund's infrastructure manager has been classified as level 3 as valuations are based on a variety of assumptions and the assets held do not have a readily identifiable market.

The values of the investment in infrastructure are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value. The total financial instruments held by the Fund at **Level 3 were £186.6m**.

25. Events after the Reporting Period

None

26. Compensation of key management personnel

Compensation of key management personnel, including members of the Pension Panel, the Chief Operating Officer, the Director of Finance, the Group Manager for Treasury and Pensions and the Treasury Manager, charged to the Fund are provided below:

	2016/17 £000	2017/18 £000
Short Term employee benefits	220.2	243.0
Total	220.2	243.0

27. Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period. The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

	Fair Value through profit and loss	Loan and receiv- ables 2016/17	Financial liabilities at amortised cost	Designate d as fair value through profit and loss	Loan and receiv -ables 2017/18	Financial liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
Financial assets						
Pooled Fixed Income				102,393	-	-
Unit Trusts	101,304	-	-			
Equities	475,957	-	-	511,615	-	-
Property Unit Trusts	61,208	-	-	63,663	-	-
Cash	-	8,217	-		1,707	-
Other investments	269,132	-	-	288,318	-	-
Total Financial Assets	907,601	8,217	-	965,989	1,707	-
Financial Assets						
Debtors	-	1,584	-	-	1,590	-
Financial liabilities						
Creditors	-	-	(594)	-	-	(910)
Borrowings	-	-	-	-	-	-
Total Net Assets	907,601	9,801	(594)	965,989	3,297	(910)

28. Nature and extent of risks arising from Financial Instruments

The Fund activities expose it to a variety of financial risks, including:

- **Market risk** – the possibility that financial loss might arise from the Fund's as a result of changes in such measures as interest rates or stock market movements;
- **Interest rate risk** – the risk that interest rates may rise/fall above expectations;
- **Credit risk** - the risk that other parties may fail to pay amounts due;
- **Liquidity risk** – the risk that the Fund may not have funds available to meet its commitments to make payment; and
- **Refinancing risk** – the risk that the Fund might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level.

In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Fund's Panel. Risk management policies have been established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Risk and risk management

Market risk

Market risk is the risk of loss from fluctuations in equity prices, from interest and foreign exchange rates and from credit spreads. The Fund is exposed to market risk predominantly from its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. The Fund manages these risks in two ways:

- Fund's exposure to market risk is monitored by reviewing the Fund's asset allocation; and
- Specific risk exposure is limited by applying maximum exposures to individual investments.

Fund equity managers may use futures contracts and exchange traded option contracts to manage market risk on equity investment.

Other price risk

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

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund investment strategy.

Other price risk - sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. Riskier assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome depends largely on Funds' asset allocations.

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix. The Council has determined that the following movements in market price risk are reasonably possible for the 2017/18 reporting period. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in 2016/17.

Asset Class	One Year Expected Volatility (%)	Asset Class	One Year Expected Volatility (%)
Global Pooled Inc UK	10.01	Alternatives	3.92
Total Bonds	4.52	Cash	0.01
Property	2.32		

The sum of the monetary impact for each asset class will equal the total Fund impact as no allowance has been made for diversification of the one year standard deviation for a single currency. Had the market price of the Fund investments increased or decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below):

Asset Type	Value as at 31 March 2018 £000	% Change	Value on Increase £000	Value on Decrease £000
Pooled Fixed Interest Securities	102,393	4.52	107,021	97,765
Pooled Equity Investments	511,615	10.01	562,828	460,402
Pooled Property	63,662	2.32	65,139	62,185
Pooled Absolute Return	164,405	3.92	170,850	157,960
Infrastructure	67,078	3.92	69,707	64,449
Other Investments	56,837	3.92	59,065	54,609
Cash	1,707	0.01	1,707	1,707
Total	967,697		1,036,317	899,077

Asset Type	Value as at 31 March 2017 £000	% Change	Value on Increase £000	Value on Decrease £000
Pooled Fixed Interest Securities	101,303	4.52	105,882	96,724
Pooled Equity Investments	614,265	10.01	675,753	552,777
Pooled Property	61,208	2.32	62,628	59,788
Infrastructure	75,708	3.92	78,676	72,740
Other Investments	54,878	3.92	57,029	52,727
Cash	8,217	0.01	8,218	8,216
Total	915,579		988,186	842,972

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest movements as at 31 March 2016 and 31 March 2017 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March 2017 £000	As at 31 March 2018 £000
Cash and cash equivalent	8,217	1,707
Fixed interest securities	101,304	102,393
Total	109,521	104,100

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100-basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The Fund's investment advisor has advised that long-term average rates are expected to move less than 100 basis points from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates:

Asset type	Carrying amount as at 31 March 2017	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
Cash and cash equivalent	1,707	17	(17)
Fixed interest securities	102,393	1,024	(1,024)
Total	104,100	1,041	(1,041)

Asset type	Carrying amount as at 31 March 2016	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
Cash and cash equivalent	8,217	82	(82)
Fixed interest securities	101,304	1,013	(1,013)
Total	109,521	1,095	(1,095)

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (sterling). The Fund holds both monetary and non-monetary assets denominated in currencies other than sterling.

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The Pension Panel Members are aware of the cash flow pressures that are affecting the Fund. These include the potential for a reduction in Fund current members from the significant savings the LBBB needs to make in the coming years and from an increase in pension payments due to increased pensioner numbers and as a result of the pricing index exceeding salary increases. Members receive a quarterly report on the Fund's cash flow and have agreed to utilise distributions from property and infrastructure to fund future investments and to cover any cash flow shortfalls.

Where there is a long-term shortfall in net income into the Fund, investment income will be used to cover the shortfall.

All financial liabilities at 31 March 2018 are due within one year.

Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of the Fund's financial instruments at a time of unfavourable interest rates. The Council does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The Fund's internally managed cash is invested by the Council's treasury team. Deposits are not made with banks and financial institutions unless they meet the council's credit criteria. The council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, the council invests an agreed percentage of its funds in the money markets to provide diversification. Money market funds chosen all have AAA rating from a leading ratings agency.

London Borough of Barking and Dagenham

The Fund is administered by LBBD. Consequently, there is a strong relationship between the Council and the Fund.

The council incurred administration and investment management costs of **£748.0k** (2017/18 £780.0k) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. For 2017/18 the administration costs included one off costs for move to electronic record keeping and additional costs were incurred for the triennial valuation. The Council is also the single largest employer of members of the Fund and contributed **£23.8m** to the Fund in 2017/18 (2016/17: £24.6m). All monies owing to and due from the Fund were paid in year.

The London Borough of Barking and Dagenham

Annual Governance Statement for 2017-18

**Local Audit and Accountability Act 2014 &
Accounts and Audit Regulation 2015**

Ver 29 May 2018

Annual Governance Statement for 2017-18

Introduction

This document is a review of our governance framework and of the effectiveness of our systems of internal control and risk management. It enables the Council to monitor whether these have led to the delivery of appropriate, cost effective services producing best value and the achievement of its objectives. In doing this, it also considers the legal framework and responsibilities of the Council.

Part of this statement therefore explains how the London Borough of Barking and Dagenham (LBBD) currently meets the requirements of regulation 6(1) (a) and (b) of the Accounts and Audit Regulations 2015 in relation to the review of effectiveness of its systems of internal control and the production of an *Annual Governance Statement* (AGS).

Coupled with these requirements is the need for a wider statement which indicates the degree to which the Council's governance arrangements follow the proper practices in relation to accounts as set out in the revised document *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace, 2016) ('the Framework') these are:

Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Principle B - Ensuring openness and comprehensive stakeholder engagement.

Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes.

Principle E - Developing the Authorities' capacity, including the capability of its leadership and the individuals within it.

Principle F - Managing risks and performance through robust internal control and strong public financial management.

Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

This AGS enables stakeholders to be assured that decisions are properly made and public money is being properly spent on citizens' behalf. It is based on evidence obtained across the Council about the robustness of the Council's governance arrangements and its systems of internal control. This evidence builds on the assurance gathering process that has been in place since the requirement to produce a Statement on Internal Control began and the comments of the Council's senior leadership team (SLT) in relation to statements provided by their Senior Managers.

There are five Sections in this AGS:

- Section 1** Sets out the scope of responsibility and the purpose of the governance framework;
- Section 2** Describes and assesses the effectiveness of the key elements of the systems and processes that comprise the Council's governance arrangements;
- Section 3** Presents an opinion of the level of assurance of the Council's governance arrangements and the effectiveness of the Council's governance arrangements;
- Section 4** Sets out any significant governance issues that need to be addressed and how any issues from the previous years governance statement have been resolved;
- Section 5** The Conclusion – a commitment to monitoring implementation for the next AGS review.

Section 1

The scope of responsibility and the purpose of the Council's governance framework.

Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper public-sector standards, that public money is safeguarded and properly accounted for. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

The Purpose of the Governance Framework

The governance framework comprises the culture and values, coupled with its systems, processes and controls that the authority uses to engage with and lead the community. Its purpose is to enable the Council to monitor the achievement of its strategic objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk or a failure to achieve policies, aims and objectives (without a significant increase in resources and control functions) and so achieves a reasonable rather than an absolute assurance of effectiveness.

It is based on an ongoing process designed to identify and prioritise the risks to achievement of LBBD's policies, aims and objectives; to evaluate the likelihood of those risks being realised; the impact should they be realised; and then to manage them efficiently, effectively and economically.

The Council has a local Code of Corporate Governance revised in spring 2017 to take account of the revised and new *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace, 2016).

The governance framework has been in place for the year ended 31 March 2018 and up to the date of approval of the audited Statement of Accounts.

Section 2

Key elements of the Council's systems and processes and their effectiveness - these are described in more detail below.

The Council's Governance mission is to ensure the business of the Council is carried out within the law and to proper standards ensuring that public funds and resources are used to the best effect economically, effectively and efficiently with the goal of continuous improvement.

a) The Councils Vision and Priorities

The vision and priorities for the London Borough of Barking and Dagenham (LBBD) represents the Councils shared vision for the borough with its priorities setting out its role in place shaping and enabling community leadership within the context of a significantly reducing budget.

Furthermore, the Council is obliged to establish statutory plans and strategies for Crime and Disorder, Transport, Licensing, Planning Local Plan, Community Strategy, Youth Justice and The Corporate Plan and Housing Strategy.

They have been developed to reflect the changing relationship between the Council, partners and the community. Furthermore, during the period of this AGS, a Borough Manifesto '*Barking and Dagenham-Together*' was being developed and launched in the Summer of 2017. The Manifesto is a shared, place-based, 20-year vision for the borough, owned and delivered collectively and collaboratively by the newly established Barking and Dagenham Delivery Partnership.

The Council has set the vision for the borough as being:

One borough; one community; London's growth opportunity

With the priorities being:

Encouraging civic pride

- Build pride, respect and cohesion across our borough
- Promote a welcoming, safe, and resilient community
- Build civic responsibility and help residents shape their quality of life
- Promote and protect our green and public open spaces
- Narrow the gap in attainment and realise high aspirations for every child

Enabling social responsibility

- Support residents to take responsibility for themselves, their homes and their community
- Protect the most vulnerable, keeping adults and children healthy and safe
- Ensure everyone can access good quality healthcare when they need it
- Ensure children and young people are well-educated and realise their potential
- Fully integrate services for vulnerable children, young people and families

Growing the borough

- Build high quality homes and a sustainable community
- Develop a local, skilled workforce and improve employment opportunities
- Support investment in housing, leisure, the creative industries and public spaces to enhance our environment
- Work with London partners to deliver homes and jobs across our growth hubs
- Enhance the borough's image to attract investment and business growth

For more detail on the vision and priorities please visit the Council's website www.lbbd.gov.uk/visionandpriorities.

For 2017-18 the delivery of the vision and priorities was through the **Corporate Plan**.

The Corporate Plan also sets out the Council's performance framework. Progress against delivery of the Corporate Plan is monitored through the corporate performance framework, which is reported to the Corporate Strategy Group and Cabinet on a quarterly basis and to the Public Accounts and Audit Committee every six months (PASSC). The Cabinet Member for Performance also has the opportunity to provide constructive challenge to any Cabinet colleague via the Council's performance challenge sessions.

The 2017-18 financial year saw major organisational change and transformation. The Council has made significant progress in moving towards becoming a new kind of council, a commissioning-based organisation and has seen new service blocks go live. The new structure has four delivery options which include; directly managed services, commissioned services, contracted services, and external suppliers which are all supported by a strategic 'core'.

The Corporate Plan is a key document to ensure the Council has a co-ordinated approach to delivering the vision and priorities, and makes the best use of the resources available. The plan sets out 54 Key Accountabilities focused on the Council's priorities, alongside 43 Key Performance Indicators (KPIs) that are monitored as part of a quarterly report to Senior Leadership Team and Cabinet and every six months to the Public Accounts Audit Select Committee (PAASC). The Key Accountabilities have been identified in consultation with Cabinet Members and represent projects that are integral to the delivery of the overall priorities and running of the Council. Key Performance Indicators (KPIs) have also been developed to support delivery of our key priorities, as well as monitor performance of frontline services.

The KPI's were revised for 2017/18 to prepare for the Council's move to delivering services through an outcomes-based commissioning model. The 2017-18 Corporate Plan is available online via the Council's website. The next period 2018 onwards will see the introduction of a four-year Corporate Plan (2018-22).

b) Our Values

In the delivery of the Council's business, it has developed values which continue to be embedded across the organisation and underpin all Council activity. These values have been developed by staff and represent how the Council aims to conduct its business. The values are called '**DRIVE**' and they expect everyone to:

- **Deliver our best every day – and do what we have promised**

- Respond in a prompt, positive way to our community's needs
- Inspire others with our attitudes and actions
- Value people for who they are and what they can do
- Engage with others to improve our resilience and flexibility

c) Performance Management

Performance management is delivered by the corporate performance management framework which has been developed to ensure that we continue to monitor the effectiveness of our actions, whilst demonstrating how the Council's strategies are being translated into plans and outcomes. It also helps to identify if any risks are materialising where performance indicators are not showing the level of progression anticipated. Our performance management arrangements tackle underperformance and the process supports continuous service improvement. The corporate performance management framework is set out in the Corporate Plan; the key document to monitor progress and delivery of the vision and priorities. Progress for the KPIs and Key Accountabilities set out in the Corporate Plan are reported quarterly to Corporate Performance Group and Cabinet and every six months to the PAASC.

In addition to this, each service produces a business plan setting out the service level objectives, actions to achieve the objectives, contribution to the vision and priorities, budget and risks. The business plans, service level objectives and KPIs are monitored through each service block. In 2017-18 the focus changed to developing commissioning mandates which align to the Corporate Plan and Borough Manifesto priorities. The final element of performance management is individual objectives. The actions required to deliver business plan objectives are reflected in team and individual plans forming the basis of annual and interim appraisals. Appraisals are scored to reflect individual performance and the contribution towards the delivery of the Council's priorities. Regular team meetings and one-to-ones support the monitoring of delivery. Corporate quarterly monitoring provides senior managers and Members with an overview of the Council's direction of travel.

To further ensure effective performance delivery and value for money, internal audit assessments are carried out using in-house and external professionals.

There are a number of Corporate Groups/Boards, each chaired by the Chief Executive or a member of the Council's Senior Leadership Team, they are:

- Corporate Strategy Group
- Corporate Performance Group
- Assurance Group
- Leadership Group

In addition, the Council has the following boards to deliver on operational, Strategic and performance matters:

- Workforce Board
- Procurement Board
- Customer & Information Management Board
- Investment Panel

The Council operates an overview and scrutiny function, which allows Members to challenge decision makers, scrutinise performance, review important policies and advocate on behalf of the community.

The Council delivers its overview and scrutiny function through five Select Committees:

- Children Services Select Committee;
- Health and Adult Services Select Committee;
- Living and Working Select Committee;
- Public Accounts and Audit Select Committee;
- Safer and Stronger Communities Select Committee.

Select Committees consider topics that support the delivery of Council priorities. They contribute to Council policies during their development stage; and they hold key partners such as the health and police services to account for their local performance. Select Committees produce reports on their findings, submitting them to the appropriate committee or body for action.

External benchmarking is used extensively to compare the services delivered by the Council with others both in the private and public sector. This was used as a tool to assess the cost effectiveness and value for money of services provided by the Council. A key part was played by the Select Committees in the Council's comprehensive Budget Challenge process and agreeing savings.

In the previous year (2016/17) a Cabinet portfolio, Corporate Performance and Delivery, was established to look at how the Council is meeting its objectives and where there are areas for improvement. Alongside the Cabinet portfolio for Corporate Performance and Delivery, 2016/17 also saw the introduction of new quarterly performance challenge sessions and monthly 'deep dives'. The quarterly challenge sessions allow for performance to be effectively discussed with the consideration of actions to tackle underperformance. All portfolio holders attend the session and present the performance of the Key Performance Indicators (KPIs) and Key Accountabilities for their portfolios to the Cabinet Member for Corporate Performance & Delivery, the Leader and Chief Executive. Through the monthly 'deep dive' sessions, focus is given to specific areas of concern and used to discuss the reasons for underperformance and what actions are being taken to deliver improvements. These arrangements continued for 2017-18.

d) Council Constitution & Rules and Regulations

The Council's Constitution sets out the roles and responsibilities of officers and Members. It provides details about how decisions are made and who can make them. It also contains the rules for managing our finances and resources effectively. The Strong Leader and Cabinet model has been adopted. This enables the full Council (Assembly) to appoint a Leader who in turn appoints the Council's Cabinet and determines the portfolios. It provides clear accountability, effective leadership and decision making to drive forward service delivery. The Assembly retains strategic decision-making powers such as the budget framework.

In addition, the Council has a Health and Wellbeing Board established under the Health and Social Care Act 2012. It is an executive committee with a specific primary duty to encourage those who arrange for the provision of health or social care to work in an integrated manner.

Membership is a combination of Cabinet Members and prescribed appointees. The board is a forum where key leaders from the Barking and Dagenham health and social care system work to improve the health and wellbeing of local residents and reduce health inequalities. It has an agreed set of priorities – these are outlined in the borough’s Health and Wellbeing Strategy.

Where key decisions are due to be made the Council publishes details in the Forward Plan prior to the decision-making meeting. Those meetings are open to the public unless exclusion is necessary for reasons of confidentiality under the Local Government Act 1972.

The Council Constitution continues to be kept under constant review and the Assembly has agreed a number of amendments in February and May 2018 which sees an overhaul of the framework of committee meetings and the scheme of delegation. In the AGS period April 2017 - January 2018 changes were principally administrative in nature and carried out by the Monitoring Officer and included a revised Officer Scheme of Delegation to clarify responsibility for making decisions following significant changes to the Council’s senior management structure and revised statutory responsibilities.

Alongside the Council’s Contract Rules and Officer Scheme of Delegation, the Council has financial regulations which provide details of officers’ responsibilities relating to income, expenditure, internal control, risk management and partnerships. To support officers when they made purchases, the Council developed a code of procurement practice. These were all kept under review with a number of mechanisms in place to ensure compliance.

The Council has the following statutory officers: Chief Executive (Head of Paid Service), the Chief Operating Officer (Section 151 Officer / Chief Financial Officer) and a Director of Law and Governance (Monitoring Officer), each of whom has the power to refer matters to Assembly if a breach of any regulation has occurred or is anticipated. By law the Council must also appoint a Director of Children’s Services and a Director of Adult Services and during the period both roles were served by the Deputy Chief Executive and Strategic Director of Service Development and Integration. Due to the retirement of the postholder this role will now be called the Director of People Services from June 2018. The Deputy Chief Executive will be the council’s Chief Operating Officer. A Director of Public Health is in post and this has been a statutory position since April 2013 with the transfer of the Public Health function to the Council.

The Council’s financial arrangements fully conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The COO is responsible for the proper administration of the Council’s financial arrangements and leads a suitably qualified finance team of officers. . The COO was actively involved in and able to bring influence to bear on all material business decisions to ensure immediate and long-term implications, opportunities and risks, were fully considered and in alignment with the Council’s Medium Term Financial Strategy.

e) Risk Management

Risk management is essential for the Council to be effective in realising its priorities and was well embedded within the Council in 2017/18. It promoted innovation in support of strategic objectives - opening the door to the possibility of taking risks to achieve positive outcomes. Proper risk assessment enabled informed decisions about the challenges and risks to be taken and the mitigation of any impacts. It also helped the Council to target its resources to achieve the best possible results with value for money in resources used.

The management of risk was embedded throughout the Council's key governance frameworks in such areas as:

- Key decision making;
- Planning processes;
- Programme and Project management;
- Procurement processes;
- Partnership working arrangements;
- Capital Programme management;
- Change management processes.

In January 2012, the Risk Management Policy, Strategy and Framework were revised to be more explicit about Cabinet responsibilities. The strategy stated that 'the Council will maintain a culture of risk awareness across the organisation driven by a 'top down and bottom up' approach and raise the awareness of the need for risk management by all those connected with the delivery of services.' The Public Accounts and Audit Select Committee PAASC is responsible for 'monitoring the effective development and operation of risk management', as defined in the Council's Scheme of Delegation. The Risk Management Policy and Strategy was reviewed and agreed by Public Accounts and Audit Select Committee. This approach continued in 2017/18.

Risk management was undertaken via a quarterly Corporate Risk report from the Senior Leadership Team (SLT). The Chief Operating Officer is the risk management champion, signalling the importance of risk management, underpinning good governance. SLT provided strategic leadership of corporate risk management, setting the tone for the whole risk management framework. This supported the expectation that effective management of risk was 'part of the day job' underpinning day to day decision making, service delivery and ultimately delivery of outcomes and benefits for the community.

Risks were assessed in terms of likelihood and impact, with ratings from 1 to 4 being used to measure both values, and this methodology was used consistently across the Council registers. This solid foundation of Risk Management principles helped to protect staff, the Council's reputation and enabled delivery in a way that allowed the Council to move forward. Finally for the financial year 2018-19 with the changes in the Council structure taking place the a new role of Head of Assurance is being created which will be responsible for monitoring the risk register and audit plan.

f) Codes of Conduct

Corporate and Organisation

The Council developed a major revised *Local Code of Corporate Governance* to take account of the CIPFA/ SOLACE 2016 Framework. The Council has an Employees' Code of Conduct supported by a requirement to make declarations of interest and to declare gifts and hospitality. Interests have to be declared by officers above a certain grade and those in certain decision making and procurement positions. Officers are generally recommended to decline gifts and hospitality to ensure that officers were not inappropriately influenced. These codes and processes were made available to staff at their induction, they are on the intranet

and online training was available to ensure every staff member understood their responsibilities.

Members Codes of Conduct

The Council, within the timescales, duly adopted a local code of conduct which is drafted in accordance with the Nolan Committee's recommendations for standards in public life and revised codes for Planning and Licensing committees have also been introduced to take account of the changes. These have been incorporated into the Constitution and the Register of Members Disclosable Pecuniary Interests successfully established and completed. This has been supported by a Dispensation regime which enables Members to seek Dispensations to take part in meetings where they may have a declarable interest. The Members Code has specific guidance on the issues of gifts and hospitality.

The Localism Act 2011 required that the Council must have in place 'arrangements' under which allegations that a member or co-opted member of the authority or of a Committee or Sub-Committee of the authority who has failed to comply with the Code of Conduct can be investigated and decisions made on such allegations. The arrangements required the Council to appoint at least one Independent Person, that is someone whose views must be sought by the Council before it takes a decision on an allegation which it has decided shall be investigated, and whose views can be sought by the authority at any other stage, or by a member against whom an allegation has been made.

The Council furthers the arrangements required under the Localism Act by its Standards Committee chaired by an elected Member and composed of elected Members. Complaints are managed by the Monitoring Officer who determines according to the Complaints Procedure whether matters should be reported to the Standards Committee for full investigation. Complaints are then considered by a Hearing Sub-committee established by the Standards Committee for that purpose.

The Council's Standards Committee continued to oversee adherence to the Councillors' Code of Conduct, handled any complaints under this and also monitored compliance with employee related Codes of Conduct. The Standards Committee receives annually a report from the Monitoring Officer setting out the declarations of gifts and hospitality received by both Members and Officers. All policies and protocols relating to Members and officers as well as members of the public who volunteer to undertake Council activities were reviewed on an annual basis.

The Complaints procedure has changed substantially in terms of process with the requirement to appoint independent persons as advisors in assisting on questions of Members conduct to apply to officers as well. Three appointments have been made. An opportunity has been taken to make early improvement to the Complaints process by establishing case management rules which have been approved by the Assembly and incorporated into the Complaints Procedure.

g) Whistle-blowing and Members Complaints Process

The Council has a robust whistle blowing procedure which was actively promoted within the Council. The whistle blowing policy was reviewed and updated during the previous year. Complaints against Members were handled in confidence and according to a strict timetable and procedure. There were four complaints against Members, one related to one Member

and the other against three members. The first complaint related to a Council meeting but without any evidence and so was dismissed as being vexatious and without merit. The other three complaints related to a Ward issue and were also not upheld as being vexatious with no reasonable prospect of success.

The Standards Committee (soon to be the Audit and Standards Committee from June 2018) maintains an ongoing review of complaints made, patterns and outcomes which are considered as a regular business item at each meeting.

h) Training and Development

Member Induction

The Council has an Induction Programme, based around the key priorities identified by Members and senior officers. This includes a pre-election event for prospective candidates to ensure they understood in advance, the role and responsibilities of being a councillor and the training support they can expect.

Extensive Induction handbooks are produced for all Members, and there is a tailored version for Cabinet Members. There is training for Development Control, Licensing and Personnel Boards and members of Select Committees at the beginning of each municipal year with update sessions as required. Bespoke training for members of the Pensions Panel is also arranged.

There are all-Member training programmes for internal events. External learning events and mentoring is supported particularly for holders of key positions such as Cabinet and Chairs of Boards and Select Committees. The Induction programme for the new Members includes an intensive training programme and written information on a range of topics including standards and promoting democracy.

The Member Development Programme

The Council has a Member Development Programme based around the key priorities identified by Members and senior officers.

Two thirds of members took part in detailed personal development planning for their councillor role in 2017/18. In addition, the Member Development Group (which includes nine Members) meets quarterly to review member training needs, and officers review requirements with the Organisation and Member Development Officer. The Members Role Profiles list the knowledge and skill requirements for different positions and expected areas of learning and development.

The Member Development Programme is overseen by the Member Development Group. This is comprised of Members from Cabinet and a range of back bench Members from different boards and committees to ensure any new learning needs are quickly noted and addressed including the Council's Monitoring Officer. A full programme of Induction and follow-up training and briefings are arranged for all Members. There are a mix of skills-based and knowledge-based sessions. There is a detailed process for inducting the newly-elected Cabinet Members. This includes the use of Peer Mentors for the Cabinet and the opportunity for all members to develop a bespoke personal development plan.

Cabinet Members, Committee Chairs and Deputies are offered the opportunity to attend the full Local Government Association (LGA) Leadership Academy Programmes which are designed specifically for councillors. Newly-elected councillors are offered the opportunity to attend introductory Leadership Academy residential weekends. There is a designated officer who co-ordinates the development programme and assesses training needs. Training is supplemented through weekly electronic Member Briefings, information from London Councils as well as the Council and LGA's suites of e-learning programmes.

All Select Committee members have training as part of their induction agendas and agreed specific training during the year to remain current and to address identified needs. Induction training was provided for newly appointed Members of all quasi-judicial boards, some of which was assessed.

The Council was accredited with the London Charter Plus for Member Development in April 2017. Charter Plus is a nationally recognised structured quality framework which assesses the processes, impact and effectiveness of member development. Following extensive desktop and interview assessments with councillors and chief officers, the Council were shown to have met Charter Plus criteria: commitment to councillor development and support, strategic approach to councillor development and that learning and development is effective in building councillor capacity.

An on-line Members' handbook (Members App) was introduced in February 2018. This is uploaded onto their iPads and provides easily updateable information on the councillor role, the Council and Borough, media and communications, Member learning, support and ward resources.

i) Communication and Engagement

The Council published numerous documents on its website as well as providing a media service to engage with and inform members of the public.

Consultation exercises were publicised and enabled via the website, as well as through more traditional routes such as surveys and focus groups.

The Council also publishes a fortnightly newsletter aimed at local residents and which goes out to over 69,000 people. This carries details of consultation exercises, job vacancies as well as other council and partner news.

j) Partnerships

In addition to the executive functions of the Health and Wellbeing Board, the Council utilises partnership boards, which are aligned to the borough manifesto targets and the priorities set out in the corporate plan. The partnership boards each have their own plans, identifying their aims to deliver these priorities and contribute to delivering the vision for the borough. They are responsible for monitoring performance, ensuring appropriate partnership representation and where relevant meeting legislative requirements. These boards are:

Health and Wellbeing Board – The Health Wellbeing Board brings together key health partners in order to deliver the priorities set out in the Health and Wellbeing strategy. It is

chaired by the portfolio holder for Health and Social Care and plays a driving role in ensuring residents lead healthy, independent lives and have choice over the care they receive.

The Council has worked with a range of NHS partners, including the Clinical Commissioning Group (CCG) to develop proposals to integrate further health and social care services. Key to this was work through our Integrated Care Partnership which brings together 3 neighbouring local authorities, 3 Clinical commissioning Groups and 2 NHS provider Trusts. As part of the devolution “ask” for London a proposal for an accountable care system has been put forward.

Community Safety Partnership - Together the partners address complex issues and have worked openly to develop and implement solutions to create a safer, stronger and more cohesive borough with reduced levels of crime.

Through the Community Safety Partnership the Council together with the other ‘responsible authorities’ (NHS, Police, Probation, LFCDA, MOPAC) discharged its responsibilities for reducing crime and disorder and making Barking and Dagenham a safer and stronger community.

The Council entered into a formal partnering arrangement with Agilysis in December 2010 to form the Elevate East London joint venture. Elevate run a number of key council services and has been a hub for further services. Governance arrangements are in place for the partnering agreement including a Strategic Partnering Board influencing the strategic direction of the partnership and a Client Function responsible for managing the performance of the contract for each of the services being delivered by Elevate to the Council.

The Council is also part of Local London, a group of eight London Boroughs working together on a sub-regional level mainly around devolution in a number of areas. Local London membership includes; Barking and Dagenham, Bexley, Enfield, Greenwich, Havering, Newham, Redbridge and Waltham Forest. The group is overseeing the devolution of the Work and Health Programme (WHP) and driving the skills workstream including devolution of the Adult Education Budget (AEB).

More information on Local London can be found online:

<https://modgov.lbbd.gov.uk/Internet/documents/s100886/Local%20London%20Committee%20Report.pdf>

k) The Borough Manifesto and the Barking and Dagenham Delivery Partnership

Borough Manifesto

In February 2016, the Councils Independent Growth Commission published its final report, it included 109 recommendations to ensure improvements of outcomes for residents and to capitalise on the borough’s growth opportunities. One such recommendation was to develop ‘a borough manifesto setting out a shared vision for the borough and owned by residents, partners and key stakeholders in the borough’.

Consequently, Council officers began work in partnership with all local stakeholders on the development of ‘*Barking and Dagenham Together: The Borough Manifesto*’; a shared, place-based, 20-year vision for the borough, owned and delivered collectively and

collaboratively by the Barking and Dagenham Delivery Partnership (BDDP). The Borough Manifesto sets the roadmap of what collectively the Council and partners need to deliver. Progress against the targets will be monitored by the BDDP.

The Manifesto was agreed by Cabinet in July 2017 and launched in the same month at an event hosted by Coventry University London. The launch was well attended by partners and other stakeholders. Partners fully supported the vision and targets set out in the manifesto and spoke about the need for everyone to play their part. The manifesto forms the top layer of the Council's strategic framework which informs all other strategies.

Since the launch, the portfolio holder has been engaging residents through roadshows in each ward asking them for their views on the manifesto aspirations and targets.

Barking and Dagenham Delivery Partnership

In parallel with the development of the Manifesto's vision, the Cabinet approved the establishment of the Barking and Dagenham Delivery Partnership (BDDP) in November 2016. The BDDP is comprised of local partners from across the public, private and third sectors, and will collectively be responsible for providing oversight, direction, and leadership in order to achieve the aspirations for the borough. BDDP meets on a quarterly basis and part of its role is to monitor and analyse progress towards delivering the Manifesto vision. Progress towards achieving the targets will be publicly reported on an annual basis.

Work is also underway to develop the partnership in order to enable it to deliver effectively. Lankelly Chase Foundation have funded Collaborate CIC to work with LBBD and in particular explore effective partnership working in Barking and Dagenham. The initial focus is on supporting the development of the delivery partnership with the aim of ensuring partners are working towards shared aims, that those aims are clearly articulated and understood, and that the relationships and infrastructure are ready for new forms of collaboration and place-based working. Developing effective 'place' based collaboration.

l) Schools

The governance of maintained Schools is the responsibility of appointed Governing Bodies. The Governing Body role involves setting, monitoring and evaluating progress toward achievement of strategic aims and objectives, whilst optimising their use of financial and other resources.

The Council's role is to champion children and intervene where necessary or alert the regional schools commissioner for academy schools e.g. where there are concerns about performance or safeguarding.

The November 2014 Ofsted inspection of the local authority confirmed that the Council knows the strengths and weaknesses of governing bodies well.

The quality and performance of schools and governance has improved year on year in the borough and, as of March 2018, 91% of schools are judged 'Good' or 'Outstanding' by Ofsted. This is above the national average. Governance and leadership arrangements are a key part of this judgment.

m) Counter Fraud

The Authority has a dedicated Corporate Fraud team that follows the latest best practice including implementing the national counter fraud standards. Their work is underpinned by Council policies to promote and enforce fraud prevention and ensuring robust mechanisms are in place to acknowledge the risks of fraud, prevent its occurrence and pursue cases, apply appropriate sanctions & recover any losses through proceeds of crime legislation.

n) Audit Committee

The Public Accounts & Audit Select Committee (PAASC) is tasked with the functions of the Council's Audit Committee. It is to oversee and improve the Council's governance and regulation, assurance and risk management, fraud and corruption prevention, performance and compliance, sound financial management to achieve value for money and transparency and open government. In the 2018-19 financial year post the May elections a revised Audit and Standards Committee will take forward the PAASC function with broader terms of reference including standards and governance.

o) Information Governance

Annually each spring an Information Governance Report is produced for PAASC by the Chief Operating Officer. Training in information handling is a key priority with professional development of Members and officers an essential requirement, not least as a control mechanism to help prevent data breaches. A revised i-learn course has been developed with all staff and managers required to complete the 'Data Protection' course by no later than 30th June 2018. This is a mandatory course and is an annual requirement and incorporates changes brought about by the GDPR legislation. Completion rates will be monitored and will form part of the staff annual appraisal process and staff are also provided with a link to a number of information governance policies that they must read as this was a recommendation required by the ICO following the audit.

During 2016, the Council recognised the scale of the task of preparing itself for forthcoming legislative changes, in the form of the new General Data Protection Regulation (GDPR) and, as a result, deleted the post of information governance officer and recruited a senior Information Governance Manager. The GDPR is the first major set of changes to the Data Protection Act since 1998, and will place additional responsibilities upon the council. These range from how we give people access to their data to reducing the time period for compliance and the current charging system.

In October 2016, the Council undertook a voluntary Data Protection Audit carried out by the Information Commissioner's Office (ICO). The levels of reported breaches have increased mainly due to staff awareness and training on reporting all security incidents and data breaches. However, we have not felt the need to report any breaches to the ICO and have investigated and managed breaches through internal processes. **All breaches are logged and reported to the AG.**

Eight cases were reported to the ICO in 2017 direct by members of the public and in all cases the ICO took no further action. There have been two data breach cases reported to the ICO by members of public for 2018 and although the ICO agreed that one case was a breach no further action was taken by the ICO.

P) Transformation Programme

In relation to the Transformation programme current governance process operates through regular reporting to CPG and Cabinet. Confirmation that this process is sound was received in a recent audit conducted by external auditors – Mazars.

There are many risks and dependencies in relation to achieving the savings from the programme and these are regularly reported through CPG and to the relevant portfolios. In addition, The Transformation Director meets with each Programme Sponsor monthly and each Programme Manager fortnightly to ensure the plan is on track and the financial targets are being achieved. A dashboard is produced containing comments and red, amber, green ratings from the PMO, Finance, the Programme Manager and the relevant Sponsor, ensuring full ownership of the content being reported.

The original budget for the programme was agreed by Cabinet in July 2016. These costs are tracked each month and reported through both CPG monthly and quarterly through Cabinet. The spend remains well within the budget limits set per year. All requests for staffing are put through the workforce governance procedures and procurement rules are followed. Each role is tested against the HMRC IR35 tool and this is then sent to the agency prior to recruitment. A copy is also retained for our records.

Looking forward to 2018-19 and 2019-20 work will continue consolidating the programme and ensuring the change is happening across the Council. The success of establishing and embedding cultural change in the organisation is a key consideration for SLT. Work continues to encourage Staff to work differently and create a new relationship with our residents and stakeholders to support them to help themselves and reduce demand where possible. This is a vital objective to avoid overspend and achievement of the forecasted savings.

Section 3

Presents an opinion of the level of effectiveness and assurance of the Council's governance arrangements.

In the light of evidence reviewed in relation to 2017/18 it is confirmed that the Council's governance arrangements are fit for purpose, that the Council's values, ethical standards, laws and regulations are being complied with, that financial statements and other published performance information are accurate & reliable, and that human, financial, environmental and other resources are managed efficiently and effectively.

The Council has embarked on a programme to transform the borough and how the Council works. To achieve this, the Council will need to be innovative and efficient in-service delivery, adopting commercial practices where the business case supports this approach. The Council recognises that robust governance and embedded risk management processes will be fundamental to underpin the successful delivery of the programme. In addition workforce policies are an essential element to bring about the cultural change required over the next four years. Accordingly, comprehensive programme management arrangements are operating, ensuring that risk management and governance structures continue to be fit for purpose, as part of the organisational change that is proposed and has been implemented. The Council undertook a strand of work titled 'Relentless Reliability' championed through training sessions by the Chief Executive and Monitoring Officer on compliance across the organisation on business as usual activity. The Council underwent the Investors In People review in spring 2018 and was awarded Silver Status to recognise the progress that has been made since the last assessment.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. Assurance on the review of effectiveness is informed by a range of evidence, both internal and external, including: the work of the Senior Leadership Team and Senior Managers responsible for the development and maintenance of the governance environment; the Head of Audit's annual report; comments made by the external auditors; and comments by other review agencies and inspectorates.

For this Governance Statement the Strategic, Operational, Commissioning, Service and Transformational Directors were invited to complete standard statements addressing governance issues in their areas. These were collated, with observations and recommendations and presented to the Assurance Group, for their comments and feedback. This ensured that the full span of the Council's management team were consulted.

PAASC undertook the functions of the Council's Audit Committee. Principally, this was to oversee and improve the Council's governance and regulation, assurance and risk management, fraud and corruption prevention, performance and compliance, sound financial management to achieve value for money; and transparency and open government.

A consolidated Audit & Counter Fraud Report is presented to PAASC periodically to assist it in undertaking these functions.

As part of the Head of Audit's annual report, an opinion was given on the Council's internal control framework. The Head of Audit drew upon a wide range of assurance sources to help inform this opinion; including testing of the key controls in the Council's major financial systems and the wider programme of audit and corporate counter fraud work. The Head of Audit reported the opinion that based on the audit work undertaken their conclusion was that the organisation's control framework is operating generally satisfactory with some improvements required.

It is a statutory requirement that the Council must "undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

The 2017/18 Internal Audit Plan, approved by the Public Accounts and Audit Select Committee, included 50 audits, consisting of 34 risk and compliance audits and 16 audits of schools. 40 audits were delivered, consisting of 24 risk and compliance audits and 16 audits of schools.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is in conformance with the Public Sector Internal Audit Standards.

Only one Audit report has been issued for 2017/18 as "no" assurance, this being Adaptations Grant Scheme. The actions for this report are planned to be completed by the end of April 2018 outside this AGS time frame. Nevertheless it will be followed up to confirm implementation as planned. There was no overspend.

Within the period nine reports (including two schools) were issued as "limited" assurance being:

- Housing rents – action plans have been devised and have been implemented
- IT security framework – a need identified to establish a recovery plan since the migration of the Council's servers to the cloud. Work has commenced to remedy the risk and vulnerability
- Licensing – the three "high" risk rated issues related to documentation including the public register of licence application and document storage.
- Community Infrastructure Levy and S.106 fees.
- Planning enforcement – the two "high" risk rated issues related to policies and procedures and unassigned cases.
- Housing service contracts
- Responsive repairs – there were no "high" risk findings, the limited assurance was due to the high number of medium risk findings.

The two schools audits issued with "limited" assurance were William Bellamy Primary School and Manor Junior School. The school's audits are outsourced to Mazars who use different ratings of priorities 1, 2 and 3. Neither school had any priority 1 recommendations, the limited assurance was due to a high number of priority 2 findings, in both cases, these were primarily in the area of income and expenditure.

The Councils Monitoring Officer has a responsibility under the Local Government and Housing Act 1989 to maintain and ensure consistent lawful processes and decision making and that arrangements secure effective and efficient working of the Council, its meetings, committees and working groups with the required officer support. They report that they are not aware of any specific governance concerns for the period.

Complaints

Ombudsman

During the period there were 44 complaints referred to the Council by the Ombudsman 5 were upheld and 0 was partially upheld.

Complaints by the Public

During the period there were 3104 complaints. Of these 1372 were upheld.

The complaints predominately related to domestic waste collection and parking penalty charge notices.

Whistleblowing

During the period of 2017/18 there were 2 cases formally accepted as whistleblowing. One of which is currently ongoing.

Of those investigated, one merited action and was referred to management for action.

.

Section 4

Sets out any significant governance issues that need to be addressed and how any issues from the previous years' governance statement have been resolved.

Previous Year 2016-17

We are pleased to report that for the period of that AGS, no significant governance issues emerged after the AGS was published nor was there any legacy governance issues from the previous period 2015-16. The 2016-17 AGS had identified the following themes:

- staff retention,
- the introduction of the new tax regime IR 35, and
- data protection (awareness and compliance).

As was observed these concerns can be addressed through improvement in our practices. Staff retention and turnover reoccurred as a theme for 2017-18. The new tax regime had little impact. Data protection awareness has been raised in preparation for the new Data Protection General Regulations becoming active on 25 May 2018.

Feedback from Directors for 2017-18

The picture that emerged for the AGS period 2017-18 is of sound governance throughout the organisation. As is the standard practice for this Borough all the Directors and Service Heads were required to complete a Governance Assurance Statement. They were given an opportunity to highlight any specific governance issues/themes these are set out below:

Joint Working

Health and Well-Being - Devolution to London of health responsibilities has provided an opportunity to take forward more integrated arrangements for health and care but progress has been limited by considerable organisational change within the NHS and very significant financial challenges both in terms of funding and financial management in local health trusts. Governance reviews are underway to look at arrangements that could progress the integration agenda whilst ensuring the Council's interests are protected and its responsibilities effectively discharged.

During 2017/18 the Council resumed direct management of mental health social work (it previously had a S.75 National Health Service Act arrangement with North East London Foundation Trust) to strengthen confidence about the delivery of the statutory responsibilities. Going forward into 2018/19 the current statutory Director of Children's Services and Director of Adult Social Services (both roles were served by the Deputy Chief Executive and Strategic Director of Service Development and Integration) will be retiring, and a successor for the statutory roles has been appointed. The new role will be called Director of People Services.

Crisis Intervention Service - There has been a significant increase in discharges of patients requiring care and support from the 2 local Hospitals since the middle of 2017. This development follows a national trend. The Council is currently managing hospital discharges without delays (one of the lowest figures in London). As a result, the pressure on the Crisis

Intervention Service has increased notably. This is likely to continue into the new Financial Year and will become a challenge unless the NHS Partners are offer more financial support.

Crime and Public Safety - An effective community safety partnership requires key organisations such as the police and council to agree shared priorities. The merger of the MPS borough commands to an East BCU has meant that some of the priorities and allocation of key Police resources for Barking and Dagenham have not been maintained. This will be an ongoing challenge for the council in 2018/19.

Rising levels of serious youth violence and the subsequent remand in custody of a number of young people charged with murder impact negatively on the budget for children's social care. The community safety partnership strategy and commissioning functions now sit within the Enforcement service area.

Staff Recruitment and Retention

Feedback was mixed with some reporting that senior posts were receiving quality applications, however Recruitment and retention of social workers particularly in Children's social care remains difficult despite the introduction of an attractive recruitment and retention package during the year. This has had a positive impact and agency staffing has reduced to 28% from a high of 55%. This is an area that requires continuing focus and effort. Finally, the recruitment and retention of skilled legal practitioners continues to present a challenge with the competitive earnings that the London jobs market presents. As a result, scarcity of suitable candidates will mean they will command a premium, and at times as a last resort retention needs to be made to external law firms and counsel.

Budget

The previous year's assurance statement feedback was that budgetary pressure itself was not widely identified, however 2017-18 the financial call on available resources did manifest itself.

The Corporate Director reported that during the 2016/17 accounting period considerable progress was made in strengthening managerial arrangements to bring the budget under control, reducing the overspend in that year. 2017/18 therefore started in a better position. Throughout the year there was considerable pressure on all care budgets in part offset for adult social care by additional government grant and the 3% council tax precept. Rising levels of serious youth violence and the subsequent remand in custody of a number of young people charged with murder impact negatively on the budget for children's social care. At outturn it became clear that the in-year forecasting had not been sufficiently robust. Work is in hand to remedy this which will be aided by a new enhanced reporting system (Liquidlogic), the new electronic social care record system which was implemented in part from March 2018 .

The adult College faced budgetary pressure caused by a combination of cuts in grant funding and number, with a budgetary pressure of £300k predicted for 2018/19. To date pressures have been well managed with almost annual restructuring to accommodate cuts. To reduce the pressure going forward, the Adult College is being integrated into Community

Solutions from April 2018. This should enable further reductions in management, back office and accommodation costs and provide greater value for money.

Further the Education and Skills Funding Agency and the purchase order cleansing exercise on Oracle has generated further funds, reducing the predicted 2018/19 deficit to £150k. It is planned that the 2017/18 Education underspend of £150k will be carried over into 2018/19 and transferred to the Adult College/Community Solutions budget to remove in-year projected deficit.

The 'High Needs' Budget, which forms part of the Dedicated Schools Grant (DSG), continues to experience severe pressures, resulting from insufficient growth in grant funding over a number of years coupled with increasing and more complex SEND needs in the borough. The Director observes that while this pressure is being felt by many Councils, however, due to LBB's demographic profile of rapid population growth, the borough is affected more acutely. The pressure for 2018/19 is forecast at £1.5 million. To help manage this pressure, in March 2018, a 2% reduction in SEND top-up allocations was agreed through the Schools Forum

For the Council's enforcement services, the Director reported significant increases from Fixed Penalty Notices for street enforcement and the private Sector Housing Team has achieved a higher level of licenses than anticipated. Budget pressures within Parking Services remain a challenge for the service. While the net contribution to the Council from Parking is over £3million this is lower than the overall budgetary figures. A review of the service has been carried out through the delivery unit and a plan for 2018/19 agreed.

The picture from the Strategic Leadership and Operational & Commissioning Directors feedback was that they were successfully managing in a period of change and achieving the change management and outcomes set by the Councils plan, though the changing nature of the Borough in terms of need for services was creating additional pressures on financial planning.

AGS Forward Issues

Staffing

As last year there appears to be pressure in terms of recruitment and retention of specialised staff particularly social workers and legal practitioners. This challenge is not exclusive to the borough and illustrates the point that unless the overall employment proposition is competitive and attractive the churn inevitably leads to technical skills and organisational knowledge being lost to the organisation

The new General Data Protection Regulation (GDPR) regulatory regime.

This important change was highlighted in last years' AGS and with the date for implementation as 25 May 2018 will impact outside this AGS, nevertheless preparations are in hand. The evidence is that the Council is compliant with the Data Protection Act 1998 principles and so intends the same with the GDPR, which is intended to harmonise data protection laws across Europe. There are some important changes, which may impact on resources, such as enhanced subject access to information and the scrapping fees connected with this. Furthermore there is to be power for regulators to impose substantial fines for non-compliance. In the UK, the focus has been on enhancing protection of private

and sensitive data relating to children and safeguarding. The information commissioner's view on fines is that these would be utilised when the ICO are unsuccessful in ensuring compliance through other means. The need for effective data management control is also highlighted, and is probably the most difficult challenge as the Council progresses to a digital platform foundation.

The identified challenges and measures are set out in Table A. This does not mean that in a period of change further challenges will not emerge, nevertheless this AGS sets a scene of optimism for the following year.

The Councils Joint Venture – Elevate

The Councils joint venture with Agilysis, Elevate provides the information technology platform and key revenue collection functions. The Councils Core programme, looking at the centre of the organisation and the arrangements to be put into place post end of the Elevate venture, poses the Council some risk. The transformation programme has identified savings attached with potentially £3.8m due in 20/21. To achieve the saving, negotiations with Elevate must establish a clear transition pathway. Current planning envisages new governance arrangements to manage the transition, outside of the current Elevate board arrangements.

Next AGS

Finally work will commence earlier for the 2018-19 AGS as the Account and Audit Regulations 2015 going forward for 2018-19 require approval of the statement of accounts and AGS by no later than 31st July of the financial year following the financial year to which the statements relate.

Table A			
Headline Governance Challenges for the AGS 2018-19			
Item	Potential Issue	Measures	Notes and Indicators
Turnover of Staff	<p>During the Assurance Survey several Directors report having experienced issues regarding a shortage of skilled staff.</p> <p>Periods of radical change can be unsettling, and leadership is more essential than ever. The LGC recognised the Council as 'Council of the Year' in relation to the ambitious change programme particularly its design and implementation. Such recognition ensures the council's reputation is evidenced across the sector and will also attract employees. The issue of having sufficient competent well performing staff is key to sound governance. Once experienced staff have left, they may prove to be difficult to replace in times of upheaval and fiscal uncertainty.</p> <p>This pressure has been further aggravated by the recent changes to taxation treatment of expenses and the revised IR 35 rule and how this affects the commissioning of project agency support/ locums.</p>	<p>This issue is being managed by careful recruitment to roles, redesigning the service and continuous improvement, good induction and training.</p> <p>It is recommended that all staff are encouraged to take up training opportunities to broaden their skills base, thus enabling existing colleagues to take up new challenges.</p> <p>Managers can by exercising sensible flexibility and discretion ensure staff are able to balance their work / life responsibilities and in doing so promote the new ways of working without being tied to a specific location. The Council is moving to outcomes-based delivery.</p> <p>It is becoming more important than ever that equal opportunities and fairness are well rooted in practice to ensure the Council is an employer of choice.</p>	<p>2017-18 saw a new management development programme and a review of the current appraisal system</p> <p>Trend of unplanned vacancies to be noted</p> <p>Invite feedback on why some roles are difficult to fill posts</p> <p>Ongoing measurement of the total number of temporary staff through the Workforce Governance Group</p> <p>Measurement of impact of IR 35 and numbers affected</p> <p>IIP Silver award under the new IIP performance framework with a detailed plan which includes staff retention.</p>
Data Handling and revisions to the regulatory regime.	<p>The issue of the need to comply with the new General Data Protection Regulation (GDPR) will require enhanced Data Protection awareness in all practices was identified as a concern and requiring further training.</p>	<p>Continued assessment of the completion of Data Protection training and other compulsory training is carried out at Workforce Board and Assurance Group.</p> <p>In preparation the Council has appointed a senior information management officer.</p>	<p>Monitoring of compliance by management tools:</p> <ul style="list-style-type: none"> • Training log • Staff briefing • Supervision • Team briefings
Elevate Joint Venture	<p>Elevate is a joint venture with Agilysis. It provides the Council's information technology platform and manages the councils, revenue, benefits and rental income and debtors</p>	<p>The Transformation Programme has identified the need to plan for fusing of the functions carried out by the joint venture in the event that the contract is not extended or renewed.</p> <p>Key issues will be staffing and TUPE, Pension obligations and provision of robust arrangements for ongoing finance management and statutory functions</p>	<p>Engagement of staff with clear messages regarding their future.</p> <p>Planning continuity of information technology platforms.</p> <p>Necessary contractual and procurement planning commenced.</p>

Section 5

The Conclusion – a commitment to monitoring implementation for the next review by the Leader of the Council and the Chief Executive

This statement is intended to provide reasonable assurance. It is based on the evidence available. It is stressed that no system of control can provide absolute assurance, and in a period of transformation and transition to a new delivery model, items may be misstated or be of varying accuracy. As a result, the processes operate to carry out reviews and the forums of PAASC (soon to be Audit and Standards Committee) and the Assurance Group receive and monitor performance of the Councils Governance Framework. Looking forward the Councils new Scrutiny arrangements will focus on key risks which will dovetail with the AGS.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and the ongoing work to ensure continuous improvement of the systems is in place.

We look forward to working more closely with our partners and all organisations in the community, public, private and voluntary sectors to strengthen our local communities and increase prosperity. This year sees a period of transition to the Council's traded companies.

Where issues have been identified in preparation of this report we will ensure that they are effectively addressed and we will monitor their improvement as part of the next annual review.

Signed:

Signed:

Councillor Darren Rodwell
Council Leader

Chris Naylor
Chief Executive

July 2018

July 2018

Glossary of Terms

<u>Term</u>	<u>Definition</u>
Accounting Policies	The rules and practices adopted by the Council that dictate how transactions and events are shown or costed.
Accruals	Amounts included in the accounts to cover income and expenditure attributable to the financial year, but for which payment had not been received or made as at 31 March.
Actuarial Valuation	A review carried out every three years, by the actuary, on the assets and liabilities of the Pension Fund. The actuary reports to the Fund's trustees on the financial position and recommended employer's contribution rates.
Balance Sheet	A statement showing the position of the Council's assets and liabilities as at 31 March in each year.
Beacon Properties	The Council's housing stock is grouped into similar types and a sample from each type, known as beacon properties, are valued with the results being multiplied up to give a total value for each type.
Budget	A forecast of the Council's planned expenditure. The level of the council tax is set by reference to detailed revenue budgets. Budgets are reviewed during the course of the financial year to take account of pay and price changes, and other factors affecting the level or cost of services.
Capital Expenditure	Expenditure on the acquisition or enhancement of assets that are considered to be of benefit to the authority over a period of more than one year, e.g. buildings and land. Other examples include payments of grants and financial assistance to third parties and expenditure that is classified as capital following a Ministerial direction e.g. capitalised redundancy costs.

Capital Adjustment Account	A capital reserve which reflects the difference between the costs of fixed assets consumed and the capital financing set aside to pay for them. This is an accounting reserve which is not backed by cash and does not represent resources available to fund future capital expenditure.
Capital Receipts	Income received from the sale of land, buildings and other capital assets.
Central Support Services	Services that are provided by the administrative and professional service groups that support all the council's services. They include financial, legal, personnel, IT, property and general administrative support.
Collection Fund	A separate account that discloses the income and expenditure relating to residual community charge, council tax and National Non Domestic Rates (NNDR).
Community Assets	A class of fixed assets that are expected to be held by the Council in perpetuity. Examples include parks, historic buildings and works of art.
Comprehensive Income and Expenditure Account	A statement which details the total income received and expenditure made by the Council in the year. It is reconciled back to the General Fund Balance through the Statement of Movement in Reserves.
Council Tax	Introduced in 1993 as a replacement for the community charge (Poll Tax). It is set by both the billing authority and precepting authority. The level is determined by the revenue expenditure requirement for each authority, divided by the council tax base for the year.
Council Tax Base	An amount calculated for each billing authority from which the grant entitlement of its area is derived. The number of properties in each band is multiplied by the relevant band proportion in order to calculate the number of band D equivalent properties in the area. The calculation allows for exemptions and discounts, appeals and a provision for non-collection.

Council Tax Requirement	The council tax requirement for the billing and local precepting authorities. This is the amount calculated under Section 97(1) of the Local Government Finance 1988 Act to be transferred from the Collection Fund to the General Fund (except where the amount calculated is negative, in which case it is the amount to be transferred from the General Fund to the Collection Fund)
Creditors	Amounts owed by the Council for goods received or services provided before the end of the accounting period but for which payments have not been made by the end of that accounting period.
Debtors	Amounts due to the Council before the end of the accounting period but for which payments have not yet received by the end of that accounting period.
Deferred Liabilities	These are creditor balances repayable after one year.
Defined Benefit Scheme	A pension or retirement benefit scheme into which an employee pays regular contributions fixed as an amount or as a percentage of pay. There are no legal obligations to pay further contributions if the scheme does not have sufficient assets to pay all employees benefits relating to employee
Depreciation	The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.
Earmarked Reserves	These are reserves set aside for a specific purpose or a particular service, or type of expenditure.
Finance Lease	A finance lease is one that transfers a substantial proportion of the risks and rewards of a fixed asset to the lessee. With finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset.
General Fund	The account that summarises the cost of providing council services (excluding the Housing Revenue Account)

Government Grants	Assistance by the Government and their agencies in the form of cash or transfer of assets to an authority, which may be in return for the past or future compliance with certain conditions relating to the activities of the authority.
Gross Expenditure	The total cost of providing services before taking into account income, e.g. from Government grants or fees and charges.
Heritage Assets	Assets retained for educational, historical and cultural purposes.
Historic Cost	The actual cost of an asset in terms of past consideration as opposed to its current value.
Housing Revenue Account	A statutory ring-fenced account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.
Housing Subsidy	This represents a Government grant payable towards the cost of providing local authority housing and the management and maintenance of that housing.
Impairment	A reduction in the value of a fixed asset, below the amount it is included at on the balance sheet. Impairment can arise from either the consumption of economic benefits or a general reduction in prices.
Infrastructure Assets	Fixed assets that are recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.
Interest	The amount received or paid for the use of a sum of money when it is invested or borrowed
Inventories	The amount of unused or un-consumed goods held in expectation of future use within one year. Stocks are valued at the end of each financial year and carried forward to be matched to the use or consumption when it arises.
Investment Properties	Interest in land and/or buildings, which are held for their investment potential or rental income.

Levies	A payment that a local authority is required to make to a particular body. Levying bodies include national parks authorities and passenger transport authorities.
Long term debtors	These debtors represent the income still to be received where sales of assets have taken place and deferred receipts, such as mortgages.
Minimum Revenue Provision	An amount, calculated in accordance with statutory guidance, charged to revenue for the repayment of debt.
Movement in Reserves Statement	Shows the movement in reserves held by the Council during the year.
National Non-Domestic Rates (NNDR)	The previous system of local collection and central redistribution has been replaced in 2013/14 by a Business Rates Retention scheme. The scheme allows authorities to retain a proportion of growth in business rates while an element of equalisation is provided via a centrally administered tariff and top up system.
Net Book Value	The amount of which fixed assets are included in the balance sheet, i.e. historical cost or current value less the cumulative amounts provided for depreciation and impairment.
Net Expenditure	Total expenditure less any income due to the council.
Net Realisable Value	The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.
Non-Current Assets	Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.
Surplus Assets	Fixed assets that are not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets that are surplus to requirements, pending sale or redevelopment

Operating Leases	A lease that stipulates the asset can never become the property of the lessee. In essence, all leases that do not meet the definition of a finance lease are accounted for as operating leases.
Operational Assets	Are fixed assets held and occupied, used or consumed by a local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.
Past Service Cost	For a defined benefit scheme, the increase in the value of benefits payable that was earned in prior years arising because of improvements to retirement benefits.
Post Balance Sheet Events	These events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the statement of accounts is signed.
Precept	A charge made on the collection fund by non-billing authorities such as the Greater London Authority, to finance its net expenditure.
Prior Year Adjustment	A material adjustment applicable to prior years arising from changes in accounting policies or from changes the correction of fundamental
Private Finance Initiative (PFI)	Started in 1997/98, PFI offers a form of Private-Public Partnership in which local authorities do not buy assets but rather pay for the use of assets held by the private sector. As a result of changes in accounting conventions, assets acquired under a PFI scheme are now shown on the Balance Sheet.
Provision	An amount set aside for liabilities and losses which are likely to be incurred but where the exact amount and date on which it will arise is uncertain.
Rateable Value	The Valuation Office, (part of the Inland Revenue), assesses the rateable value of individual non-domestic properties. Business rate bills are set by multiplying the rateable value by the NNDR poundage set by the government for the year. (Domestic properties no longer have individual rateable values but are assigned to one of the eight valuation bands for council tax.

REFCUS	Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset. The full cost is charged to the relevant service in the Comprehensive Income and Expenditure Statement but then reversed out through the Movement in Reserves Statement to ensure that there is no effect on the revenue accounts as a whole.
Related Party Transaction	A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Members and senior Officers of the Council are required to declare if they have entered into any such transactions and any relationships of significant influence with any organisations associated with the Council.
Reserves	An amount set-aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.
Revaluation Reserve	A new reserve established to record unrealised net gains on the Council's fixed assets arising from revaluations made on or after 1 April 2007.
Revenue Balances	These reserves represent surplus balances which can be used in the future. Some reserves are set up to meet expenditure included in a particular account, such as the Housing Revenue Account.
Revenue Expenditure	Day-to-day payments on the running of council services such as salaries and wages, heating and lighting transport and charges for the use of assets.
Revenue Support Grant (RSG)	A general grant paid by central government to a local authority towards the cost of its services which is distributed as part of Formula Grant.
Service Level Agreements	Service level agreements are written agreements between council support service users and providers. Each service level agreement specifies the support service to be provided its timing and frequency, the charge to be made for it and the period for which the agreement will run.

Trading Accounts	The accounts, which summarise the revenue transactions of those services operating on a “trading” basis which, are financed by charges made to recipients of the services.
Transfer Value	A payment made by one pension scheme to another when a member changes employment to enable the receiving pension scheme to give benefits for service in the paying pension scheme.
Valuation Band	The eight bands for Council Tax as specified in the Local Government Finance Act 1992. The band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992 as A-6, B-7, C-8, D-9, E-11, F-13, G-15, and H-18 with band D acting as the ‘standard’ band. This means that Band A is 6/9ths of Band D, and so on.