Appendix 2

Statement of Accounts
2018-2019

One borough; one community; no one left behind

London Borough of Barking & Dagenham

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CONTENTS

Chair's Approval of Statement of Accounts

This is the Annual Financial Report, incorporating the Statement of Accounts with all audit activities completed. The Audit and Standards Committee of the London Borough of Barking and Dagenham at its meeting on xxxxx authorised the Chair to approve the Statement of Accounts.

Councillor Princess Bright, Chair of Audit and Standards Committee

Date: XX September 2020

NARRATIVE REPORT

Introduction

The Statement of Accounts (the Accounts) summarises the financial position of the London Borough of Barking & Dagenham for the year ended 31 March 2019.

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 2018/19 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 2018/19; 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 2018/19. 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
- Developing a Shared Vision for the Borough- The Borough Manifesto
- Working in Partnership
- The Council
- Performance – Progress on Transformation
- The Council's Financial Strategy
- Risks and Opportunities
- Financial Performance
- Preparation of the financial statements

Barking and Dagenham – The Place

Barking and Dagenham is at a key moment in its history. London has grown unprecedently in the last 20 years and Barking and Dagenham is the next obvious growth point as London continues to move East. The Council's Growth Commission report entitled 'No-one left behind in the pursuit of growth' (2016) confirmed this and the Borough has already started seeing growth accelerate in recent years. The Council has a unique opportunity to ensure growth is inclusive and leads to improved outcomes for residents, where no-one is left behind.

Over the past 15 years, Barking and Dagenham has become one of the fastest changing communities in Britain. Between 2001 and 2017 the population rose from 164,000 to 210,000 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 approximately 50,000 new residents made the Borough their home and roughly the same number left, meaning that – in line with the average London rate – the turnover was almost a quarter of the total population.

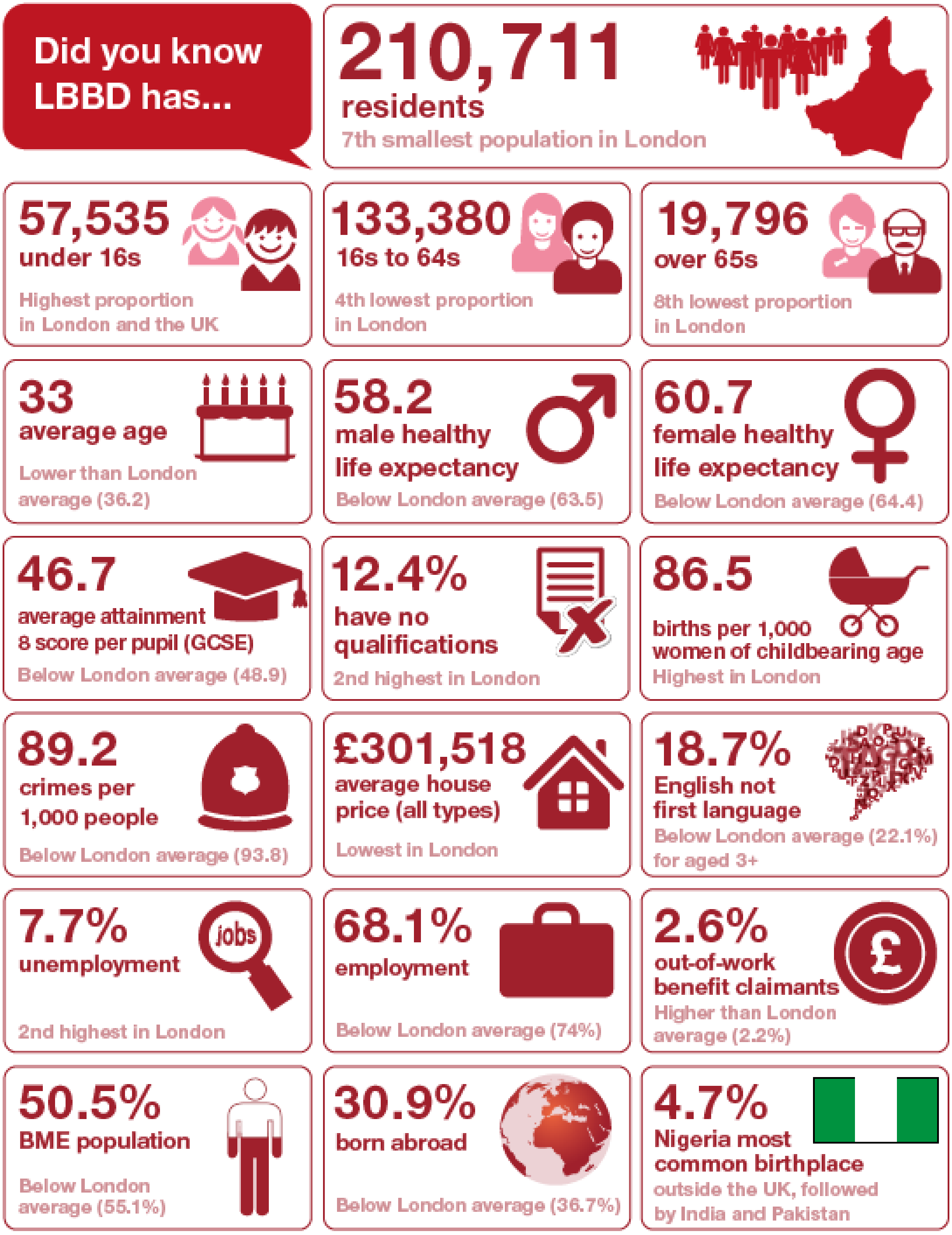
The population is also more diverse than 15 years ago. While the Borough was previously predominantly White British, since 2001 the proportion of the population from minority ethnic backgrounds has increased from 15% to 50%. The population is also very young - the birth rate is the highest in London and we have the highest proportion of 0-16 years in the UK.

The Borough 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 are more likely to 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. Economic hardship combined with population diversification has challenged community cohesion in Barking and Dagenham.

The increasing mix of population increase, acute deprivation and austerity are increasing demand and putting pressure on the services. Austerity has slashed local government's budgets. Since 2010, Barking and Dagenham Council has made savings of £123m. A further £48m must be saved by 2021 for the Council to stay afloat. Rising demand for services, especially social care, means that local authorities are forced to do more with less. Barking and Dagenham Council took the decision to do things differently and invest in the future of the Borough to fundamentally transform the way services are delivered, adopting a root cause approach to empower residents, increase resilience, appease demand and improve outcomes.

About the Borough



Developing a shared vision for the Borough - The Borough Manifesto

In July 2017, Barking and Dagenham Together: The Borough Manifesto was launched. It was borne out of the Growth Commission recommendation to develop a long-term vision for the Borough, outlining how it will grow, prosper and be transformed into a place people are proud to live, work, study and stay. Over 3,000 residents came together to shape this shared, 20-year vision, which is owned and delivered by stakeholders from the public, private and voluntary sectors through the Barking and Dagenham Delivery Partnership (BDDP).

The manifesto is structured 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.

The targets set out in the manifesto are ambitious. By 2037 the aim is to ensure that Barking and Dagenham residents have the same opportunities and life chances as others in the capital.

Our progress towards delivering the Borough Manifesto can be viewed in the Borough Data Explorer, along with a wide range of socioeconomic data about the Borough and the community, which can be viewed in this link:
www.lbbd.gov.uk/boroughdataexplorer

To view the Borough Manifesto, visit this link:
www.lbbd.gov.uk/borough-manifesto

Working in partnership
Delivering the vision set out in the Borough Manifesto requires everyone to play their part. As an enabler and facilitator, the Council's and partners' job is to make the community's vision a reality. There are a number of themed partnership boards which bring partners together to work towards improving the Borough and the lives of residents. These include the Health and Wellbeing Board, Barking and Dagenham Delivery Partnership, and the Community Safety Partnership.

The Health and Wellbeing Strategy
The Joint Health and Wellbeing Strategy 2019-2023 is a partnership strategy, owned by the Health and Wellbeing Board, which sets out our approach to improving the health and wellbeing of the community at every stage of the life course by combating long-standing health inequalities.

The strategy defines our approach across three priority themes decided by the Health and Wellbeing Board and informed by the 2017 Joint Strategic Needs Assessment: giving every resident the best start in life; early diagnosis and intervention; and enabling independence.

The Corporate Plan 2018-22
The Corporate Plan sets out the Council's contribution over the next four years to deliver the Borough Manifesto, consolidating the progress made with the New Kind of Council and achieving real change for residents. The priorities and performance measures we are using to drive progress and improvement link directly to the aspirations, themes and targets of the Manifesto; ensuring that we have a co-ordinated and focused effort.
The Corporate Plan 2018-22 focuses on four key themes and sets out priorities within each theme:

- **A New Kind of Council** – including building a well-run organisation, ensuring relentlessly reliable services and developing place-based partnerships
- **Empowering People** – including enabling greater independence whilst protecting the most vulnerable, strengthening services for all and intervening earlier

- **Inclusive Growth** – including developing an aspirational and affordable housing offer, shaping great places and strong communities through regeneration and encouraging enterprise and enabling employment.
- **Citizenship and Participation** – including harnessing culture and increasing opportunity, encouraging civic pride and social responsibility and strengthening partnerships, participation and a place-based approach.

Each priority has key accountabilities and key performance indicators that allow for performance to be monitored and are reported to Corporate Performance Group and Cabinet on a quarterly basis. The Corporate Plan forms the top layer of the Council's organisational business planning and informs all subsequent strategies, commissioning mandates and business plans, through to frontline service delivery. Building on the themes, work is currently underway to develop three overarching strategies around Inclusive Growth, People and Resilience, and Participation and Engagement.

The Council

The Borough consists of 17 wards, each served by three elected Councillors. During 2018/19, all 51 Councillors were from the Labour Party.

The Council operates with a Leader and Cabinet. During 2018/19 there were 10 Cabinet members, including the Leader and two Deputy Leaders.

The Council's management is led by the Strategic Leadership Team, which during 2018/19 comprised:

- The Chief Executive (Head of Paid Service)
- Chief Operating Officer (Section 151 Officer)
- Director of People and Resilience
- Director of Inclusive Growth
- Director of Law and Governance (Monitoring Officer)
- Director of Policy & Participation

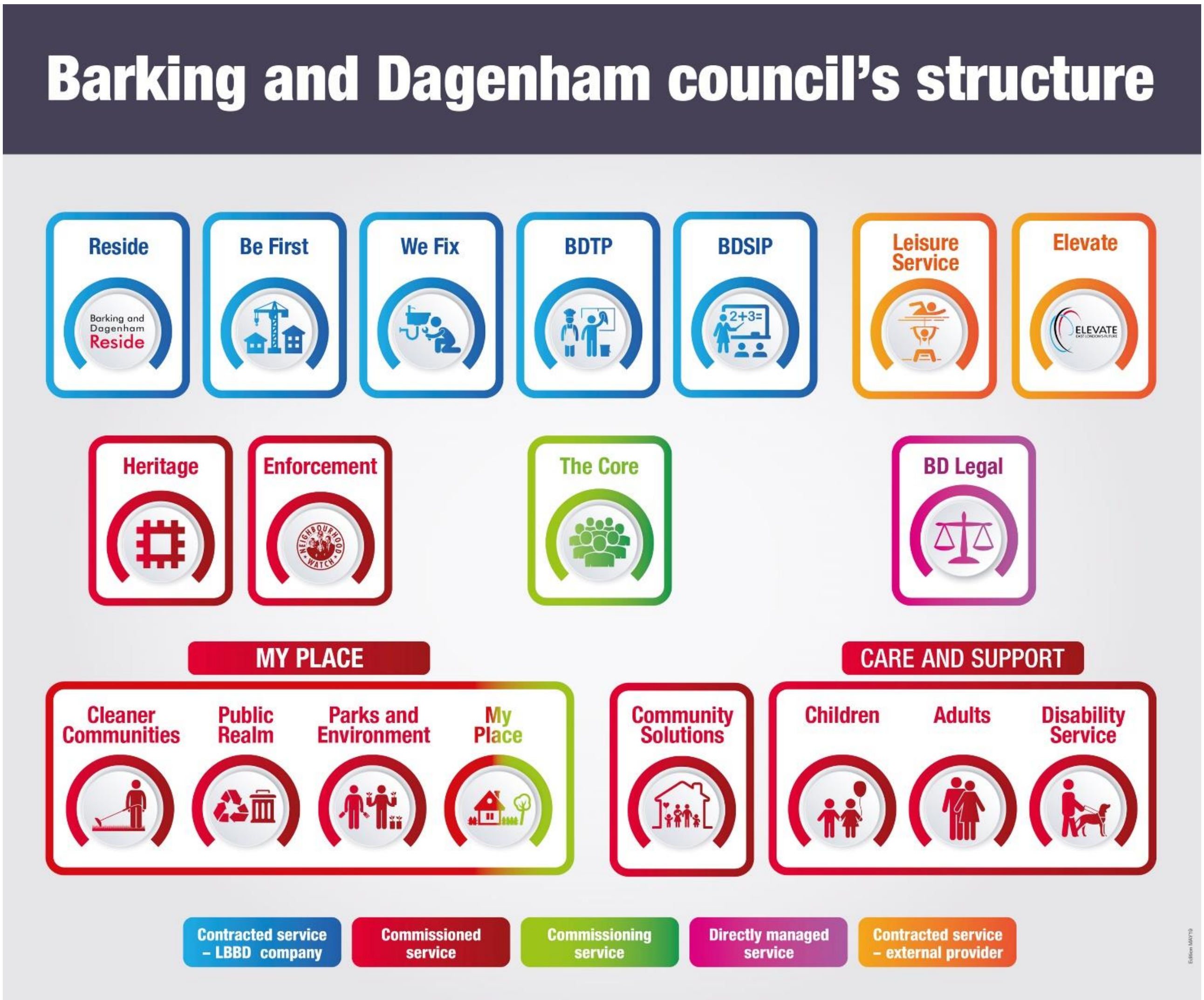
Each of these senior officers oversees the strategic management of service areas managed by commissioning directors, operational directors and heads of service. The Council employs 2,368 employees.

Performance against planned activity and budgets is reported quarterly at Corporate Performance Group (made up of the Strategic Leadership Team), and Cabinet, and to the Overview and Scrutiny Committee every six months.

The Council provides services itself, but also through associates and wholly owned companies. The Council has a partnership 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.

The Council has made considerable progress in its transformation programme which has significantly changed the way services are delivered. This New Kind of Council (shown below) created a raft of new service blocks and companies to fundamentally change the way we deliver public services and meet the needs of residents. These companies will generate vital revenues, protecting jobs and intervening in private markets that are failing both local workers and the wider community. It will combine the enduring core values of the public sector, with the community involvement and flexibility of the voluntary sector, and the commercial mindedness of the private sector.

The New Kind of Council will help build resilience and provide residents with the tools to enable them to do more for themselves, enabling greater independence, and increasing the confidence and resilience within the community. It will enable the Council to intervene earlier in the lives of residents supporting them to get back on their feet when faced with adversity. This can help prevent the need for more costly interventions further down the line. It will also facilitate increased participation and engagement encouraging the community to be more active in civic life and have more of a say in decisions that affect them. And it will help deliver relentlessly reliable services that residents expect and deserve.



The new kind of Council comprises a number of service delivery blocks described 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 brings together sixteen services into one – including parts of care and support, homelessness, housing and community safety, creating multi-disciplinary, multi-agency teams that collaborate closely with the voluntary and community sector and other partners to deliver early intervention and preventative support.

Since going live in April 2018, Community Solutions has seen a number of improvements including an increase in the number of people who have been assisted in avoiding homelessness, reaching over 1,700 residents, an 18% reduction in the number of residents requiring temporary accommodation, helping over 800 residents into work, seeing the lowest levels of families that require support for no recourse to public funds, whilst also achieving over £3million in savings.

Care and Support

Care and Support services have been developed to meet rising demand in a sustainable way. Care and Support brings together children's and adult social care and the new all-age disability service to provide seamless and continuing support to those who need it, to maximise the choice and control residents have over the services they use, and to safeguard vulnerable children, young people and adults from neglect, abuse and harm.

Be First

Be First is the Council-owned company with the remit of accelerating the pace and scale of regeneration in the Borough, whilst delivering affordable housing and shaping inclusive, sustainable and healthy communities for the future. It launched in October 2017 and 2018/19 has been a year of significant progress. Be First finished the year in a profitable position and is on track to meet the Council's target of a cumulative £10.3m contribution by 2021 and annually thereafter. In addition to meeting these targets, Be First will deliver long-term revenue to LBBD through rental income, sales receipts and additional Council Tax from the delivery of the building programme. It will also continue to look for and identify new development opportunities, generating further benefits to the Borough.

Barking & Dagenham School Improvement Partnership

Barking and Dagenham School Improvement Partnership (BDSIP) launched in April 2018. It is a new not-for-profit company jointly owned by local schools and the Council, providing a range of professional support services, both statutory and traded, which were previously delivered by the Council. As a schools-owned and led organisation, BDSIP places school-led improvement and peer support at the heart of the Borough's approach. 93% of the Borough's schools are currently signed up to the partnership.

My Place

My Place is a new service which manages all of the Council's property, infrastructure and assets, including; Council buildings, schools, care homes, children's centres, housing, roads, parks and land to offer a better service to residents and create a more productive and effective workforce.

Barking and Dagenham Reside Ltd

Reside is our Council-owned municipal housing company, providing genuinely affordable homes to local working people, catering for those on a range of different incomes. It already lets and manages over 800 affordable, flexible tenure properties, which will rise to around 3,000 by 2023.

Beam Energy

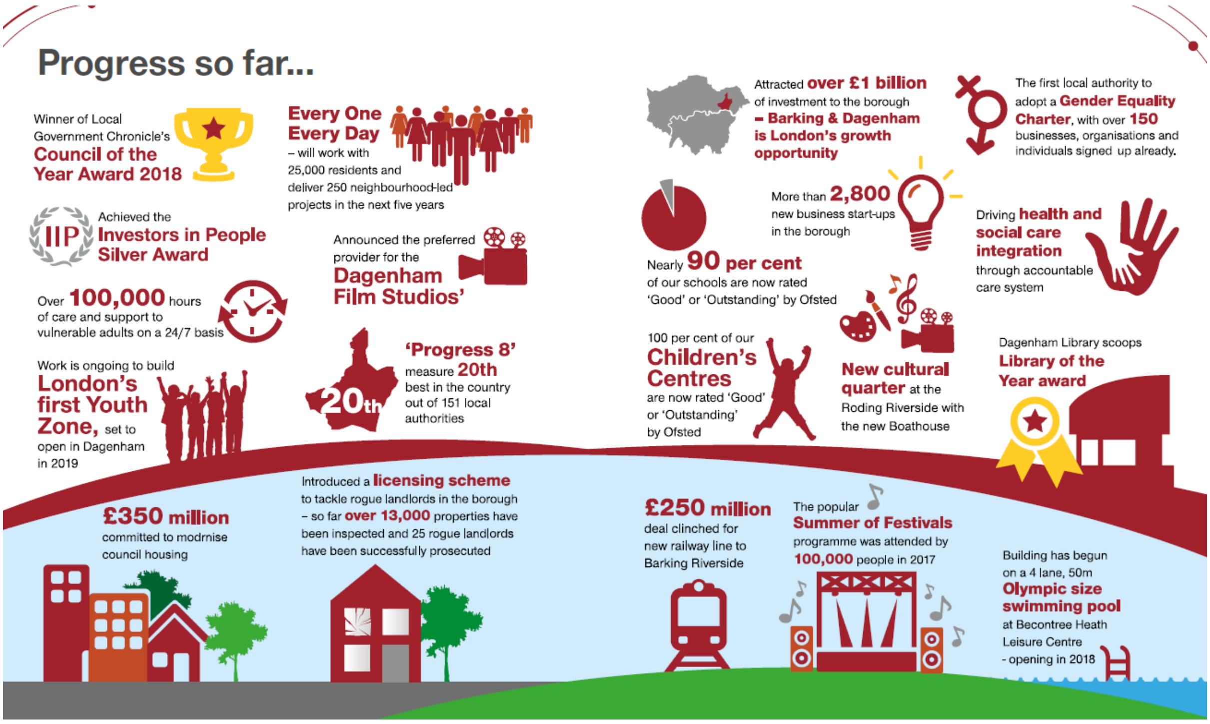
Beam Energy is the newly established, Council-owned green energy company that offers sustainable heat and power to new housing developments within the Borough and surrounding areas. It was set up as part of the Council's drive to be the "green capital of the Capital" and was launched in January 2019. Several new customers and meter points have signed up so far.

Barking and Dagenham Trading Partnership

Barking and Dagenham Trading Partnership (BDTP) a Council-owned company that launched in April 2018. It delivers facilities management and repairs & maintenance services, and catering & cleaning services to the Council, schools and increasingly into the wider market.

Performance – Progress so far and Covid-19

The 2018/19 year saw the Council make significant progress in achieving its vision. The infographic below sets out some of these key achievements.



The past few months have shown the strength of community within Barking and Dagenham in the way that we have collectively responded to the challenges of the Coronavirus pandemic. In the last few weeks of 2019/20 residents and businesses within the borough were affected as day-to-day life changed leading to a prolonged period of lockdown. The economic effects of the lockdown will continue to be felt by residents and businesses for many months as we look to recover and re-establish the way our community works.

The Council played a key role in the response to the pandemic by supporting the vulnerable within our community and will continue to do so. There are additional, unforeseen cost pressures that the Council faces as a result of the pandemic response. These costs have not had a dramatic impact on the 2019/20 financial outturn as the change in behaviour began in the final two weeks of March 2020 therefore the scale of the impact on the Council's finances will be largely felt during 2020/21.

The Council's Medium Term Financial Strategy

The proposed budget for 2018/19 was presented and approved by the Council's Assembly in February 2018 as part of its updated Medium Term Financial Strategy.

In line with the Council's 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 2018/19 budget therefore included provision for growth of £29m including investment in capital infrastructure and land acquisition, the rising costs of Homelessness and Adult Social Care and increasing spend on Waste Services.

Council tax was increased by 2.99% for general expenditure and 3% ringfenced Adult's Social Care precept – this complied with Central Government guidelines.

However, there was an overall decrease in income from grants and local taxation of £6.178m in 2018-19.

Overall the Council is predicting a gap of in the region of £60m during the period 2018-2021 (based on the latest Assembly approved MTFS). 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 expected to deliver £32m of savings during the period 2018-21 leaving a net gap of £15.6m from 2018 to 2021.

In 2020/21 there are several service specific savings which largely are the final stage of the 2017-21 Transformation programme. The largest service saving is the Core Programme. The Council is unwinding its contract with Elevate and a range of services will be transferring back to the Council. At the same time, we are reviewing the services such as Finance, HR and Commissioning provided from the Corporate Centre. We are also considering how we can increase income to the Council and how we can collect debt better

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 £11m (2019 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.
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

The Impact of COVID 19

The response to the CoVid 19 pandemic began around two weeks before the financial year end of 2020/21 and there was relatively little impact on the Council's finances in March 2020. All government funding relating to the situation will fall into the 2020/21 financial year. There is no impact on the reported 2018-19 figures within this document.

In the first quarter of 2020/21 however the Council was subject to both cost increases and lost of income as a result of lockdown. Cost pressures are made up of additional demand for services including some new responsibilities such as Test and Trace, support for those shielding and additional costs of providing services in a COVID safe way.

Income losses have been incurred across the Council with the almost total suspension of a range of normal activities during the period of lockdown. Enforcement has been particularly affected from the reduction in parking, licensing and market income. In addition the Council's leisure centres were closed and return to normal activity is expected to be slow resulting in the loss of the concession income from the managing partner company.

Financial Performance in 2018/19 - Revenue

The final revenue outturn position on approved expenditure budgets is an overspend of £6.162m. This is offset by a £5.797m income surplus making a net variance of £0.365m.

This is the position after carry forward of income and transfers to and from earmarked reserves. Information about the transfers to/from reserves is provided below. Funding the net overspend will require a drawdown on the Council's budget support reserve. However there is sufficient funding in that reserve and so the general fund reserve balance will remain the same at £17m.

The final outturn on the HRA was a surplus of £1.075m above budget. This has been partially used as a revenue contribution to the capital programme (reducing the requirement to use receipts) and the balance taken to the HRA reserve for use in future years.

Departmental Variances

DEPARTMENT	BUDGET 18-19	OUTTURN 18-19	RESERVE TRANSFER TO/(FROM)	FINAL OUTTURN
	£'000	£'000	£'000	£'000
SDI COMMISSIONING	8,224	8,204	294	8,498
CORE	6,782	7,876	(436)	7,440
CENTRAL	35,306	23,121	5,664	28,785
EDUCATION, YOUTH & CHILDCARE	2,755	3,757	912	4,669
DEDICATED SCHOOLS GRANT	0	1,856	(1,856)	0
LAW, GOVERNANCE & HR	(1,023)	(2,094)	(526)	(2,620)
HOUSING REVENUE ACCOUNT	0	(995)	995	0
POLICY & PARTICIPATION	2,990	2,595	(93)	2,502
CARE & SUPPORT	68,001	77,725	215	77,940
INCLUSIVE GROWTH	(142)	59	250	309
COMMUNITY SOLUTIONS	9,544	10,820	185	11,005
MY PLACE	6,872	6,493	(275)	6,218
CONTRACTED SERVICES	6,059	6,784	0	6,784
TOTAL	**145,368**	**146,201**	**5,329**	**151,530**
COUNCIL TAX PRECEPT	(58,521)	(58,521)		(58,521)
BUSINESS RATES	(35,101)	(38,672)		(38,672)
GOVERNMENT GRANTS	(51,746)	(53,972)		(53,972)
TOTAL	**(145,368)**	**(151,165)**	**0**	**(151,165)**
NET TOTAL	**0**	**(4,964)**	**5,329**	**365**

Financial Performance in 2018/19 - Capital Programme

The overall capital programme is £284.758m of which £186.612m is General Fund, £90.352m is HRA and £7.793m is Transformation. The two most significant areas of the capital programme are the provision of school places and housing. 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 Central Government (via the Education and Skills 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, they do not pose a pressure on the General Fund, in terms of needing to borrow and servicing the cost of borrowing.

Spend against the total programme is £223.677m. There is slippage on the General Fund capital programme of £29.960m – mostly relating to the Investment Strategy. In general, schemes under this strategy are profiled into the earliest possible year in order to ensure that funding is available when required. This avoids unnecessary delays but does create a risk of slippage.

There is an overspend of £6.835m on the Schools Programme largely as a result of accelerated spend on school expansion programmes. Funding can therefore be brought forward from future years to cover this.

The Adult's Care and Support programme has an underspend of £0.550m. This is largely due to the suspension of the Direct Payment Adaptations scheme for new applications while the scheme is reviewed.

Many programmes are underspending at year end. In most cases this will be carried forward and budgets realigned.

Two high profile programmes brought forward from last year: Youthzone and the demountable swimming pool at Beacontree Heath have both been completed this year.

The Capital Programme for the HRA was an outturn of £64.169m expenditure against a budget of £92.382m – slippage of £28.213m.

Capital Expenditure Programme.	Revised Budget £'000	Actual Expenditure £'000	Over / (Under) spend to date £'000
Care & Support	1,805	1,255	(550)
Community Solutions	349	146	(203)
Core	2,652	1,854	(798)
Education, Youth & Childcare	53,572	60,407	6,835
Enforcement	1,314	937	(377)
Culture, Heritage & Recreation	6,261	4,519	(1,742)
Investment & Acquisition Strategy	64,529	40,370	(24,159)
Growth & Homes & Regeneration	43,480	34,013	(9,467)
My Place	6,496	7,662	1,166
Public Realm	935	669	(266)
SDI Commissioning	3,190	2,791	(399)
General Fund	**184,583**	**154,623**	**(29,960)**
Housing Revenue Account	**92,382**	**64,169**	**(28,213)**
Transformation	**7,793**	**4,885**	**(2,908)**
CAPITAL PROGRAMME 2018/19	**284,758**	**223,677**	**(61,081)**

Financial Performance - Pension Fund

Overall 2018/19 was a positive year for the Fund with an investment return, net of fund manager fees and custodian costs, of 5.2%, although this was 2.7% lower than its benchmark of 7.9%. Over three years the Fund has returned an annualised return of 9.4%, which 0.5% below the Fund's benchmark return of 9.9%.

Equities were the main driver of outperformance, with Baillie Gifford and Kempen providing a good return of 8.8% and 7.9% for the year. Property, passive bonds and Alternatives provided positive returns of between 2.9% and 7.2%. The Fund's credit manager and infrastructure manager were the only strategies that provided negative returns for the year, with credit providing a disappointing return of -4.7% and infrastructure providing a return of -1.9%.

A number of new employers were admitted to the Fund in 2018/19, including B&D Trading Partnership, BD Together, BD Corporate Cleaning, BD SIP, Lewis and Graves and Town and Country. The total number of active employers within the Fund was 33 as at year end.

2018/19 Statement of Accounts

The pages which follow are the Council's Statement of Accounts for 2018/19. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

The financial statements comprise the following:

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.

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

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.

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.

Philip Gregory
Finance Director (Section 151)
Barking Town Hall
Town Hall Square
1 Clockhouse Ave
Barking
IG11 7LU

Email: Philip.Gregory@lbbd.gov.uk

STATEMENT OF RESPONSIBILITIES

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Chief Financial Officer) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Council's [and the Group's] ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Council [and the Group] will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2019 and of its income and expenditure for the year then ended.

Philip Gregory
Finance Director (Section 151)
Date: XX September 2020

Independent Auditor's Report to the Members of the London Borough of Barking & Dagenham

Opinion on the financial statements

We have audited the financial statements of London Borough of Barking & Dagenham ("the Council") and its subsidiaries ("the group") for the year ended 31 March 2019 which comprise the following:

- Council and Group Movement in Reserves Statement;
- Council and Group Comprehensive Income and Expenditure Statement;
- Council and Group Balance Sheets;
- Council and Group Cash Flow Statements;
- Housing Revenue Account Income and Expenditure Statement;
- Movement on the Housing revenue Account Statement;
- Collection Fund Statement;
- and notes to the financial statements including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts is consistent with the financial statements.

Conclusion on use of resources

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2017, we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we are required to report by exception

We have nothing to report in respect of the following other matters which the Code of Audit Practice requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

Responsibilities of the Chief Financial Officer and the Council

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which comprises the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's and group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to cease operations of the Council or group or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

In respect of our audit of the financial statements our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Auditor's responsibilities in respect of the Council's use of resources

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our use of resources conclusion.

INDEPENDENT AUDITOR'S REPORT

Use of our report

This report is made solely to the members of the London Borough of Barking & Dagenham, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

For and on behalf of BDO LLP, Appointed Auditor
London, UK

XX September 2020

EXPENDITURE AND FUNDING ANALYSIS

2017/18 Net Expenditure Chargeable to the General Fund and HRA Balances	2017/18 Adjustments between the Funding and Accounting Basis	2017/18 Net Expenditure in the Comprehensive Income and Expenditure Statement		2018/19 Net Expenditure Chargeable to the General Fund and HRA Balances £000	2018/19 Adjustments between the Funding and Accounting Basis £000	2018/19 Net Expenditure in the Comprehensive Income and Expenditure Statement £000
10,424	776	**11,200**	SDI Commissioning	8,204	894	**9,098**
7,592	6	**7,598**	Core	9,220	32	**9,252**
16,630	(33,106)	**(16,476)**	Central	(315)	32,801	**32,486**
2,537	9,781	**12,318**	Education, Youth & Childcare	3,757	16,927	**20,684**
(1,447)	0	**(1,447)**	Dedicated Schools Grant (DSG)	1,855	0	**1,855**
(10,151)	9,857	**(294)**	Law, Governance & HR	(1,709)	267	**(1,442)**
(8,620)	(21,123)	**(29,743)**	Housing Revenue Account (HRA)	(10,435)	(4,824)	**(15,259)**
2,792	282	**3,074**	Policy & Participation	2,594	295	**2,889**
76,998	1,024	**78,023**	Care & Support	77,726	1,208	**78,934**
118	241	**359**	Inclusive Growth	59	112	**171**
12,174	3,014	**15,188**	Community Solutions	10,818	3,705	**14,523**
20,239	1,071	**21,310**	My Place	11,842	11,327	**23,169**
9,449	825	**10,274**	Contracted Services	6,784	392	**7,176**
138,736	**(27,352)**	**111,383**	**Net Cost of Services**	**120,401**	**63,135**	**183,536**
(8,617)	79,935	**71,318**	Other Operating Expenditure (Note 5)	12,538	(12,786)	**(248)**
23,114	9,963	**33,077**	Financing & Investment Income and Expenditure (Note 6)	13,261	10,541	**23,802**
(152,878)	(39,017)	**(191,895)**	Taxation & Non-specific Grant Income and Expenditure (Note 7)	(151,164)	(30,870)	**(182,032)**
355	**23,529**	**23,883**	**(Surplus) / Deficit on Provision of Services**	**(4,964)**	**30,020**	**25,058**
			Opening General Fund and HRA Balance	**90,155**		
			Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	**4,964**		
			Closing General Fund and HRA Balance at 31 March	**95,119**		

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Restated - 2017/18 Gross Expenditure £000	Gross Income £000	Net Expenditure £000		2018/19 Gross Expenditure £000	Gross Income £000	Net Expenditure £000
31,519	(20,319)	**11,200**	SDI Commissioning	27,522	(18,424)	**9,098**
12,056	(4,458)	**7,598**	Core	11,911	(2,659)	**9,252**
127,630	(144,600)	**(16,970)**	Central	165,046	(132,560)	**32,486**
22,562	(10,244)	**12,318**	Education, Youth & Childcare	30,742	(10,058)	**20,684**
266,382	(267,829)	**(1,447)**	Dedicated Schools Grant (DSG) *	291,599	(289,744)	**1,855**
10,129	(10,423)	**(294)**	Law, Governance & HR	11,798	(13,240)	**(1,442)**
79,621	(109,364)	**(29,743)**	Housing Revenue Account (HRA)	91,388	(106,647)	**(15,259)**
4,751	(1,677)	**3,074**	Policy & Participation	5,495	(2,606)	**2,889**
109,733	(31,710)	**78,023**	Care & Support	118,521	(39,587)	**78,934**
4,676	(4,317)	**359**	Inclusive Growth	9,527	(9,356)	**171**
41,513	(26,325)	**15,188**	Community Solutions	43,844	(29,321)	**14,523**
28,624	(7,314)	**21,310**	My Place	32,954	(9,785)	**23,169**
11,694	(1,420)	**10,274**	Contracted Services	8,442	(1,266)	**7,176**
750,889	**(639,506)**	**111,383**	**Cost of Services**	**848,789**	**(665,253)**	**183,536**
		71,318	Other Operating Expenditure (Note 5)			**(248)**
		33,077	Financing and Investment Income and Expenditure (Note 6)			**23,802**
		(191,895)	Taxation and Non-specific Grant Income (Note 7)			**(182,032)**
		23,883	**Deficit/ (Surplus) on Provision of Services**			**25,058**
		(467,815)	Deficit / (Surplus) on Revaluation of Property, Plant & Equipment Assets			**(80,851)**
		(26,281)	Re-measurement of the Net Defined Benefit Liability/(Asset) (Note 30)			**80,701**
		(494,096)	**Other Comprehensive Income and Expenditure**			**(150)**
		(470,212)	**Total Comprehensive Income and Expenditure**			**24,908**

* Restated – See Note 35 to the Accounts

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Council Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2017	70,881	19,629	22,587	74,027	1,000	**188,124**	1,067,068	**1,255,192**
Movement in reserves during 2017/18								
Total Comprehensive Income and Expenditure	(62,173)	38,289				**(23,884)**	494,096	**470,212**
Adjustments between accounting basis & funding basis under regulations (Note 3)	65,598	(42,068)	8,138	1,787	(687)	**32,768**	(32,768)	**0**
Increase/(Decrease) in 2017/18	3,425	(3,779)	8,138	1,787	(687)	**8,884**	461,328	**470,212**
Balance at 31 March 2018	74,309	15,849	30,726	75,814	312	**197,011**	1,528,396	**1,725,404**
Movement in reserves during 2018/19								
Total Comprehensive Income and Expenditure	(45,165)	20,107				**(25,058)**	150	**(24,908)**
Adjustments between accounting basis & funding basis under regulations (Note 3)	49,131	(19,111)	350	(42,741)	(78)	**(12,449)**	12,449	**0**
Increase/(Decrease) in 2018/19	3,966	996	350	(42,741)	(78)	**(37,507)**	12,599	**(24,908)**
Balance at 31 March 2019	78,275	16,845	31,076	33,073	234	**159,504**	1,540,995	**1,700,499**

General Fund analysed over:	
Amounts earmarked (Note 4)	61,244
Amounts uncommitted	17,031
Total GF Balance at 31 March 2019	**78,275**

Housing Revenue Account analysed over:	
Amounts earmarked (Note 4)	5,546
Amounts uncommitted	11,299
Total HRA Balance at 31 March 2019	**16,845**

BALANCE SHEET

31 March 2018 (Restated)		Note	31 March 2019
£'000			£'000
2,559,513	Property, Plant and Equipment * (Note 35)	8	2,755,031
6,622	Heritage Assets		6,689
61,606	Investment Property	10	62,057
6,954	Intangible Assets	9	8,527
273,953	Long Term Debtors & Investments	11	293,081
2,908,648	**Long Term Assets**		3,125,385
42,000	Short Term Investments	11	63,100
2,784	Assets Held for Sale		2,500
478	Inventories		411
94,397	Short Term Debtors	12	136,692
11,825	Cash and Cash Equivalents	13	15,280
151,484	**Current Assets**		217,982
(46,000)	Short Term Borrowing	11	(101,000)
(99,079)	Short Term Creditors	14	(83,542)
(406)	Receipts in Advance - Grants		(6,678)
(526)	Provisions	15	0
(146,011)	**Current Liabilities**		(191,220)
(140,463)	Long Term Creditors	11	(136,567)
0	Receipts in Advance - Long Term Grants		(406)
(9,868)	Long Term Provisions	15	(11,055)
(595,146)	Long Term Borrowing	11	(746,613)
(443,240)	Pensions Liability	30	(557,010)
(1,188,717)	**Long Term Liabilities**		(1,451,651)
1,725,404	**Net Assets**		1,700,497
(197,008)	Usable Reserves		(159,504)
(1,528,396)	Unusable Reserves	17	(1,540,993)
(1,725,404)	**Total Reserves**		(1,700,497)

* Restated – See Note 35

I certify that the statement of accounts presents a true and fair view of the financial position as at 31 March 2019 and its income and expenditure for the year then ended.

Philip Gregory
Finance Director (Section 151)
Date:

CASH FLOW STATEMENT

2017/18 £000		Note	2018/19 £000
(23,884)	Net Surplus or (Deficit) on the Provision of Services		(25,058)
92,624	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements	**18a**	78,140
(55,711)	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	**18a**	(58,122)
13,029	**Net Cash Flows from Operating Activities**		(5,040)
(99,057)	Investing Activities	**18b**	(195,481)
96,046	Financing Activities	**18c**	203,977
10,018	**Net Increase or Decrease in Cash and Cash Equivalents**		3,455
1,807	Cash and Cash Equivalents at the beginning of the Reporting Period	**11**	11,825
11,825	**Cash and Cash Equivalents at the end of the Reporting Period**	**11**	15,280

Notes to the Accounts

for the year ended

31st March 2019

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1. Expenditure & Funding Note

Adjustments between Funding and Accounting Basis 2018/19

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**
SDI Commissioning	894			894
Core	32			32
Central	15,297	19,435	(1,931)	32,801
Education, Youth & Childcare	16,927			16,927
Dedicated Schools Grant (DSG)				0
Law, Governance & HR	267			267
Housing Revenue Account (HRA)	(6,253)	1,438	(9)	(4,824)
Policy & Participation	295			295
Care & Support	1,208			1,208
Inclusive Growth	112			112
Community Solutions	3,705			3,705
My Place	11,327			11,327
Contracted Services	392			392
Net Cost of Services	**44,202**	**20,873**	**(1,940)**	**63,135**
Other Operating Expenditure	(12,786)			**(12,786)**
Financing and Investment Income and Expenditure	(1,656)	12,196		**10,540**
Taxation and Non-specific Grant Income and Expenditure	(35,671)		4,801	**(30,870)**
Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services	**(5,911)**	**33,069**	**2,861**	**30,019**

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**
SDI Commissioning	776			**776**
Core	6			**6**
Central	(47,731)	14,625		**(33,106)**
Education, Youth & Childcare	9,781			**9,781**
Dedicated Schools Grant (DSG)	0			**0**
Law, Governance & HR	9,857			**9,857**
Housing Revenue Account (HRA)	(22,577)	1,454		**(21,123)**
Policy & Participation	282			**282**
Care & Support	4,038			**4,038**
Inclusive Growth	241			**241**
Community Solutions	0			**0**
My Place	1,071			**1,071**
Contracted Services	825			**825**
Net Cost of Services	**(43,431)**	**16,079**	**0**	**(27,352)**
Other Operating Expenditure	79,935			**79,935**
Financing & Investment Income and Expenditure	(2,135)	12,098		**9,963**
Taxation & Non-specific Grant Income and Expenditure	(36,715)		(2,302)	**(39,017)**
Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services	**(2,346)**	**28,177**	**(2,302)**	23,529

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 receivables in the year to those receivables 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 **services** this represents a portion of salaries that relate to unused entitlement of accumulated leave on 31 March.

- 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.

2. Expenditure & Income Analysed by Nature

The Council's expenditure and income are analysed as

	2017-18 £000	2018-19 £000
Expenditure		
Employee benefits expenses	326,917	315,237
Other services expenses	450,957	474,336
Depreciation, amortisation, impairment	18,767	88,451
Interest payments	25,859	29,219
Precepts and levies	12,053	12,537
Payments to Housing Capital Receipts pool / Weavers	1,519	2,108
Loss on the disposal of assets	52,410	0
Total expenditure	888,482	921,888
Income		
Fees, charges and other service income	(256,038)	(279,230)
Interest and investment income	(4,995)	(8,879)
Income from council tax and non-domestic rates	(75,431)	(92,388)
Gain on the disposal of assets	0	(14,894)
Government grants and contributions	(528,134)	(501,439)
Total income	(864,598)	(896,830)
Surplus or Deficit on the Provision of Services	23,884	25,058

3. Adjustments Between Accounting and Funding Basis

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.

3. Adjustments between accounting basis and funding basis under regulations (con't)

2018/19	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					
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:					
- Pension costs (transferred to/from the Pensions Reserve)	(30,389)	(2,680)			
- Council tax and NDR (transfers to/from Collection Fund Adjustment Account	(4,801)				
- Holiday pay (transferred to the Accumulated Absences Reserve)	1,931	9			
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(30,270)	(41,358)			(35,672)
Total	(63,529)	(44,029)			(35,672)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,228	29,685	(31,913)		
Payments to the government housing receipts pool	(1,299)		1,299		
Payments to Weavers	(810)		810		
Posting of HRA resources from revenue to the Major Repairs Reserve		33,456		(33,456)	
Statutory provision for the repayment of debt	10,298				
Capital expenditure financed from revenue balances	3,980				
Total	14,398	63,141	(29,805)	(33,456)	
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure			29,455		
Use of the Major Repairs Reserve to finance capital expenditure				33,534	
Application of capital grants to finance capital expenditure					78,413
Total			29,455	33,534	78,413
Total Adjustments	**(49,131)**	**19,112**	**(350)**	**78**	**42,741**

3. Adjustments between accounting basis and funding basis under regulations (con't)

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					
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:					
- Pension costs (transferred to/from the Pensions Reserve)	28,177				
- 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	(102,542)	(37,002)			(38,723)
Total	(70,270)	(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	3140			
Total	4,672	(5,066)	(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	0	0	23,972	45,539	36,936
Total Adjustments	**(65,598)**	**(42,068)**	**(8,138)**	**(687)**	**(1,787)**

4. 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 2018/19.

General Fund	Balance at 31/03/2017 £000	Transfers in £000	Transfers out £000	Balance at 31/03/2018 £000	Transfers in £000	Transfers out £000	**Balance at 31/03/2019 £000**
Balances held by schools under a scheme of delegation:							
- Local Management of Schools	9,154	15,282	(15,537)	8,899	-	(2,957)	**5,942**
- Dedicated Schools Grant	3,674	1,702	-	5,376	1,173	(72)	**6,477**
PFI reserve	10,623	1,344	-	11,967	661	-	**12,628**
Departmental Reserves	2,748	726	-	3,474	235	(2,527)	**1,182**
Budget Support	11,199	1,426	-	12,625	6,308	(8,768)	**10,165**
Corporate Restructuring	2,006	735	(2,006)	735	-	-	**735**
Collection Fund Equalisation Reserve	1,581	-	(435)	1,146	3,403	(1,044)	**3,505**
Other Miscellaneous	905	92	(365)	590	5,578	(40)	**6,128**
Insurance	1,639	-	-	1,639	-	-	**1,639**
Capital Investment Reserve	3,575	-	-	3,575	-	-	**3,575**
Public Health	161	72	-	233	330	-	**563**
Legal Trading Reserve	1,015	-	(200)	815	-	-	**815**
LEP Housing Rental Reserve	1,394	-	(528)	866	-	(662)	**204**
Elections Reserve	223	-	-	223	180	(106)	**297**
VAT Market Repayment	211	39	(78)	172	-	(4)	**168**
Council's Entities	1,444	1,205		2,691	662	(2,580)	**773**
Investment Reserve	-	-	-	-	4,333	-	**4,333**
Education, Youth and Childcare	-	1,250	-	1,250	890	(1,239)	**901**
Corporate Infrastructure	-	1,000	-	1,000	214	-	**1,214**
Total General Fund	51,552	24,873	(19,149)	57,276	23,966	(19,998)	**61,244**
HRA							
Leasehold Repairs	8,972		(3,779)	5,193	353		**5,546**
Total HRA	8,972	-	(3,779)	5,193	353	-	**5,546**

5. Other Operating Expenditure

	2017/18 £000	**2018/19 £000**
Levies	12,053	**12,537**
Payments to the Government Housing Capital Receipts Pool	1,519	**1,299**
Payments to B&D Reside Weavers LLP	5,336	**810**
(Gains)/losses on the disposal of non-current assets	52,410	**(14,894)**
Total	71,318	**(248)**

6. Financing and Investment Income and Expenditure

	2017/18 £000	**2018/19 £000**
Interest payable and similar charges	25,066	**29,219**
Net interest on the net defined benefit liability	13,268	**12,196**
Interest receivable and similar income	(3,790)	**(8,880)**
Income and expenditure in relation to investment properties	(2,510)	**(6,642)**
Changes in fair value of investment properties	2,135	**(1,707)**
(Gains)/Losses on Trading Accounts	(1,091)	**(384)**
Total	33,078	**23,802**

7. Taxation and Non-Specific Grant Income

	2017/18 £000	**2018/19 £000**
Council Tax income & Retained Business Rates	(76,721)	**(92,389)**
Non-ring fenced Government Grants	(74,786)	**(53,972)**
Capital Grants & Contributions	(40,388)	**(35,671)**
Total	(191,895)	**(182,032)**

8. Property, Plant and Equipment

The movements in the Council's Property, Plant and Equipment for the year 2018/19 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 (20% each of the last five 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 Ministry of Housing, Communities and Local Government's (MHCLG, formerly DCLG) "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.

2018/19

	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	**Total PPE**	PFI Included in PPE
	£000	£000	£000	£000	£000	£000	£000	**£000**	£000
Cost or Valuation at 1 April 2018	**1,156,867**	**1,196,666**	**33,121**	**193,744**	**10,586**	**55,874**	**31,247**	**2,678,105**	**152,434**
Additions	57,659	23,920	3,461	9,369	3,595	120,272		**218,276**	1,538
Revaluations recognised in the Revaluation Reserve	49,771	(81,817)			85,995			**53,949**	
Revaluations recognised in the Provision of Services	(26,551)	(29,525)			7,223		(884)	**(49,737)**	(13,131)
De-recognition due to disposals	(14,155)	(1,003)	(1,513)					**(16,671)**	
Reclassifications to other assets	29,403	20,199	1,163		2,546	(54,817)	1,789	**283**	
Cost or Valuation at 31 March 2019	**1,252,994**	**1,128,440**	**36,232**	**203,113**	**109,945**	**121,329**	**32,152**	**2,884,205**	**140,841**
Accumulated Depreciation at 1 April 2018	**-**	**(3,071)**	**(28,932)**	**(86,587)**	**-**	**-**	**-**	**(118,590)**	**-**
Depreciation charge	(15,933)	(20,038)	(1,724)	(10,061)				**(47,756)**	(2,955)
Depreciation written out to the Provision of Services	7,455	1,909						**9,364**	2,955
Depreciation written out to the Revaluation Reserve	8,478	18,422						**26,900**	
Reclassifications to other assets								**-**	
De-recognition due to disposals			908					**908**	
Accumulated Depreciation at 31 March 2019	**-**	**(2,778)**	**(29,748)**	**(96,648)**	**-**	**-**	**-**	**(129,174)**	**-**
Net Book Value at: 31 March 2019	**1,252,994**	**1,125,662**	**6,484**	**106,465**	**109,945**	**121,329**	**32,152**	**2,755,031**	**140,841**

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
	£000	£000	£000	£000	£000	£000	£000	**£000**	£000
Cost or Valuation at 1 April 2017	**1,090,821**	**737,341**	**32,486**	**180,488**	**10,597**	**98,396**	**1,860**	**2,151,989**	**49,166**
Additions	69,218	20,202	635	13,256	133	52,379	9,407	**165,230**	397
Donations	-							**-**	
Revaluations recognised in the Revaluation Reserve	(2,842)	436,726			(7)		2,974	**436,851**	55,157
Revaluations recognised in the Provision of Services	(5,927)	33,614			(137)		(3,721)	**23,830**	47,714
De-recognition due to disposals	(16,762)	(85,032)						**(101,794)**	
Transfer to subsidiary								**-**	
Reclassifications to other assets	22,359	53,815				(94,901)	20,727	**2,000**	
Cost or Valuation at 31 March 2018	**1,156,868**	**1,196,666**	**33,121**	**193,744**	**10,586**	**55,874**	**31,247**	**2,678,105**	**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	**1,156,867**	**1,193,595**	**4,187**	**107,156**	**10,586**	**55,874**	**31,247**	**2,559,512**	**152,434**

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Property Plant and Equipment (PPE) (continued)

At 31 March 2019 the Council had entered into the following contracts amounting to £67.0m (2017/18 £111.3m) for the construction or enhancement of its Property, Plant and Equipment in 2019/20 and future years. The major contractual commitments are:

	£000
Education, Youth and Childcare	
Lymington Fields School 2016	15,080
New Gascoigne Secondary School	6,745
Roding Fire	1,678
	23,503
Investment Strategy	
Purchase of Welbeck Wharf	17,755
Becontree Heath New Build	9,793
Land Acquisitions 2017-19	1,514
Gascoigne East Ph2	943
	30,005
Regeneration	
Gascoigne West (Housing Zone)	1,121
Sebastian Court - Redevelop	745
	1,866
Housing	
Modular programme 2016-18	5,192
Fire safety improvement works	2,056
Central Heating	895
Decent Homes (North) 2015-16	933
Gascoigne East	1,383
External Fabric – Blocks	1,223
	11,684
TOTAL	**67,057**

The valuations per asset category in each year of the rolling programme are shown below:

	Council Dwellings £000	Other Land & Buildings £000	Vehicles Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £000	**Total PPE £000**
Valued at Historic Cost	0	1,156	6,484	106,465	5,304	121,329	0	**240,738**
Valued at current value in:								
2018/19	1,252,994	1,066,812	0	0	104,641	0	32,152	**2,456,599**
2017/18	0	19,324	0	0	0	0	0	**19,324**
2016/17	0	8,568	0	0	0	0	0	**8,568**
2015/16	0	12,662	0	0	0	0	0	**12,662**
2014/15	0	17,140	0	0	0	0	0	**17,140**
	1,252,994	1,125,662	6,484	106,465	109,945	121,329	32,152	**2,755,031**

9. Intangible Assets

		2017/18	2018/19
Balance at Start of the Year			
	Gross Carrying Amount	11,041	13,227
	Accumulated Amortisation	(4,320)	(6,273)
Net Carrying Amount at the Start of the Year		6,721	6,954
Additions		2,186	3,668
Amortisation for the period		(1,954)	(2,095)
Net Carrying Amount at the End of the Year		233	1,573
Closing Net Book Value		**6,954**	**8,527**

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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:

	2017/18	**2018/19**
	£000	**£000**
Rental income from investment property	5,352	**7,183**
Direct operating expenses arising from investment property	(2,842)	**(541)**
Net gain	2,510	**6,642**

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:

	2017/18	**2018/19**
	£000	**£000**
Balance at start of the year	65,673	**61,606**
Additions	69	0
Disposals	0	**(1,256)**
Reclassifications	(2,000)	**0**
Net gains/(losses) from fair value adjustments/revaluations	(2,135)	**1,707**
Balance at end of the year	61,606	**62,057**

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 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 2017/18 £000	Short Term 2017/18 £000		Long Term 2018/19 £000	Short Term 2018/19 £000
		Financial Assets at Amortised Cost		
199,309	42,000	**Investments**	**215,741**	**63,100**
-	10,593	**Cash and Cash Equivalents (see Note 13)**	**-**	**15,280**
		Debtors		
74,644	92,563	Debtors as per Balance Sheet (see Note 12)*	**77,340**	**134,465**
	1,834	Accrued Interest Receivable		**2,227**
		Total Debtors		
-	(37,452)	Adjustments for statutory debtors - not qualifying as financial assets at amortised cost	**-**	**(65,984)**
74,644	56,945	**Total debtors qualifying as Financial Assets at Amortised Cost**	**77,340**	**70,708**
273,953	**109,538**	**Total Financial Assets**	**293,081**	**149,088**
		Financial Liabilities at Amortised Cost*		
595,146	46,000	**Borrowings**	**746,613**	**101,000**
		Creditors		
130,527	3,053	PFI and finance lease liabilities*	**136,567**	**2,274**
-	92,627	Creditors as per Balance Sheet (See Note 14)	**-**	**76,820**
	3,407	Accrued Interest Payable		**4,448**
-	(24,081)	Adjustments for statutory short term creditors (not qualifying)	**-**	**(24,645)**
130,527	75,006	**Total creditors qualifiying as financial liabilities at amortised cost**	**136,567**	**58,897**
725,673	121,006	**Total Financial Liabilities**	**883,180**	**159,897**

* Financial Liabilities at Amortised Costs were previously classified as Loans and Receivables. This change did not lead to any further reclassification of the Council's financial assets or liabilities

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 2017/18 £000	Current 2017/18 £000		Long Term 2018/19 £000	Current 2018/19 £000
		Borrowings		
445,477		PWLB	**601,508**	
30,000		LOBO's	**30,000**	
119,669		Other market debt	**115,104**	
	46,000	Short Term Loans		**101,000**
595,146	46,000	**Total**	**746,612**	**101,000**

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:

2017/18 Financial Liabilities measured at amortised cost £000	2017/18 Assets and Liabilities at Fair Value through Profit and Loss £000	2017/18 Total £000		**2018/19 Financial Liabilities measured at amortised cost £000**	**2018/19 Assets and Liabilities at Fair Value through Profit and Loss £000**	**2018/19 Total £000**
(25,859)	0	(25,859)	Interest expense *	**(29,219)**	**0**	**(29,219)**
0	0	0	Losses on derecognition	**0**	**0**	**0**
0	(30)	(30)	Fee Expense**	**0**	**(145)**	**(145)**
0	4,120	4,120	Interest Income *	**0**	**8,879**	**8,879**
(25,859)	4,090	(21,769)	Net gain / (loss) for the year	**(29,219)**	**8,734**	**(20,485)**

* Interest Income and Expenditure include HRA
** Fee Expense includes brokerage costs for longer term loans

Fair Value of Assets and liabilities carried at Amortised Cost

Financial liabilities, financial assets, 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 2019 of 1.48% to 2.23% for loans from the PWLB
· 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 Council has a continuing ability to borrow at a concessionary rate from the PWLB rather than from the markets, termed the PWLB certainty rate (NL rate). The Fair Value calculations in the table below are based on the NL Rate.

The fair values calculated are as follows:

31 March 2018			**31 March 2019**	
Carrying Amount	Fair Value based on New Loan Rate		**Carrying Amount £000's**	**Fair Value based on New Loan Rate**
£000's	£000's	**Financial Assets**	**£000's**	**£000's**
241,310	241,524	- Investments	**278,841**	**280,927**
10,593	10,593	- Cash & Cash Equivalents	**15,280**	**15,280**
71,238	71,238	Long-term debtors	**77,340**	**77,340**
91,637	91,637	ST Debtors (excluding Interest Receivable)	**68,481**	**68,481**
1,834	1,834	Interest Receivable Accrual	**2,227**	**2,227**
416,612	416,826	**Total**	**442,169**	**444,255**
£000's	£000's	**Financial Liabilities**	**£000's**	**£000's**
445,478	523,376	- PWLB	**601,508**	**693,036**
149,669	167,261	- Market Loans	**145,104**	**164,556**
46,000	46,000	- Temporary Loans	**101,000**	**100,508**
133,579	163,544	PFI & Finance Lease (*)	**138,841**	**160,944**
92,627	92,627	ST Creditors (excluding Interest Payable)	**52,175**	**52,175**
3,407	3,407	Interest Payable Accrual	**4,448**	**4,448**
870,760	996,215	**Total**	**1,043,076**	**1,175,667**

(*) – The Fair Value of the PFI has been restated for the prior year comparator (31st March 2018). Please see Note 35 for further information.

The rates quoted in the above valuation were obtained by the Council's treasury management consultants, Link Asset Services, from the market on 31 March 2019 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 2019) 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.

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 and is available on the Council website.

The key issues within the strategy were:

- the revised authorised borrowing limit (GF and HRA) of £1.102bn for 2018/19, which includes £266m for the HRA self-financing debt settlement; and
- to approve the annual investment strategy and creditworthiness policy for 2018/19 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 2019 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 2019 £000
Deposits with Banks	A' rated	99,718
Deposits with Building Societies	A' rated	0
Deposits with Money Market Funds	AAA' rated	0
UK Government Risk	Local Authority	181,302
Commercial Loans	See Below	76,670
Total Investments		357,690

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:

Trade and Other Receivables

At 31 March 2019, the lifetime Expected Loss Provision (ECL) for trade receivables is as follows:

	Current £000	More than 30 days past due date £000	More than 60 days past due date £000	More than 90 days past due date £000	Total £000
Expected loss rate	1%	3%	10%	50%	
Gross carrying Amount	29,543	1,227	694	6,723	38,186
Loss Provision	295	37	69	3,361	3,763

At 31 March 2018 the lifetime Expected Loss Provision (ECL) for trade receivables is as follows:

	Current £000	More than 30 days past due £000	More than 60 days past due £000	More than 90 days past due £000	Total £000
Expected loss rate	1%	3%	10%	50%	
Gross carrying Amount	18,346	3,030	945	5,138	27,459
Loss Provision	183	91	95	2,569	2,938

Amounts Arising from ECL for Investments and Loans

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

Under the general approach used in IFRS9, a financial asset is in one of three stages in order to determine both the amount of ECL to recognise as well as how interest income should be recognised.

Stage 1 is where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, entities are required to recognise 12 month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Stage 2 is where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2 entities are required to recognise lifetime ECL but interest income will continue to be recognised on a gross basis.

Stage 3 is where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event under the IAS 39 model. For financial assets in stage 3, entities will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. This means that interest income will be calculated based on the gross carrying amount of the financial asset less ECL. The table below summarises the general approach.

There are currently 10 loans totalling £76.6m. The loans are predominantly loans to Reside and these are secured against a number of properties held with Reside. In addition another of the loans is for the purchase of LEUK and is secured against the land the company owns. The Authority undertook due diligence on the credit quality of these third parties during the awarding of the loans and there is no indication of credit impairment or default at the time these accounts were finalised. During 2018/19 none of the counterparties experienced any financial problems. £150k in loss allowance based on the 12 month ECL basis. The changes in loss allowance for investments at amortised cost during the year are as follows, with all loans currently in stage 1:

Loss allowance by Asset Class

Investments and Loans at amortised	**12mth Expected Credit**
Opening balance as at 1 April 2018	**-**
	£000s
Individual financial assets transferred to 12mth ECL (stage 1)	**151**
Amounts written off	**-**
Changes in models/risk parameters	**-**
As at 31 March 2019	**151**

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the 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-18 £000	**Actual 31-Mar-19 £000**
Less than one year	46,000	**101,000**
Between 1 and 2 years		**14,000**
Between 2 and 5 years	19,000	
Between 5 and 10 years		
More than 10 years	576,146	**732,613**
Total	641,146	**847,613**

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 2019 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	**2,315**
Impact on Surplus or Deficit on the Provision of Services	**2,315**

Interest Rate Risk – 1% Decrease	**£000**
Decrease in interest payable on variable rate borrowings*	**-**
Decrease in interest receivable on variable rate investments	**2,243**
Impact on Surplus or Deficit on the Provision of Services	**2,243**

*The Council did not hold any variable rate borrowings as at 31 March 2019 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 2019 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

	2017/18	**2018/19**
	£000	**£000**
Central Government Bodies	1,712	3,660
Other Local Authorities	2,626	2,291
NHS Bodies	49	388
Housing Benefits Overpayments (net of BDP)	6,868	6,656
Housing Rents (net of BDP)	1,208	2,594
Leaseholder Service Charge	1,149	3,587
Payments in Advance	22,346	40,439
Court Costs	4,030	4,438
VAT	13,272	16,092
Other Entities and Individuals	41,137	56,547
Total	94,397	**136,692**

13. Cash and Cash Equivalents

	2017/18	**2018/19**
	£000	**£000**
Cash held by the Authority	77	**25**
Bank current accounts	10,280	**8,075**
Deposits at Call	1,468	**7,180**
Total	11,825	**15,280**

The Cash and Cash Equivalent 2018/19 balance includes a forecasted amount for Q4 in relation to schools due to the timing of producing the financial statements. The total amount of Schools Cash balance for 2018/19 was £8,941k (2017/18: £11,230k).

14. Creditors

	2017/18	**2018/19**
	£000	**£000**
Central Government Bodies	(12,558)	**(9,949)**
Other Local Authorities	(4,209)	**(4,774)**
NHS Bodies	(1,298)	**(1,709)**
Other Entities and Individuals	(81,014)	**(67,110)**
Total	(99,079)	**(83,542)**

15. Provisions

	Balance at 1 April 2018 £000	Amount used or reversed £000	Provisions made during year £000	**Balance at 31 March 2019 £000**
Insurance	(5,422)	4,427	(4,096)	**(5,091)**
Redundancy	(526)	1,091	(565)	**0**
NDR Appeals	(3,456)	5,533	(8,041)	**(5,964)**
Other	(990)	990		**0**
Total	(10,394)	12,041	(12,702)	**(11,055)**

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.

Business Rates Appeals
The amount provided for business rates appeals (Council's share) is £5,964k. The provision is based on data and trends that reflect local circumstances. This is made to meet the estimated costs repayable to ratepayers as a result of reductions in rateable values following successful appeals against valuation.

16. Usable Reserves

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

17. Unusable Reserves

2017/18 £000	**Unusable Reserves**	**2018/19** **£000**
960,043	Revaluation Reserve	**1,034,265**
1,008,453	Capital Adjustment Account	**1,063,461**
(443,240)	Pensions Reserve	**(557,010)**
6,556	Collection Fund Adjustment Account	**1,754**
(3,417)	Accumulated Absences Account	**(1,477)**
0	Financial Instruments Adjustment Account	**0**
1,528,395	**Total**	**1,540,993**

The breakdowns of materially significant 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.

2017/18 £000	Revaluation Reserve	2018/19 £000
526,513	**Balance at 1 April 2018**	**960,043**
495,538	Upward revaluation of assets	**210,399**
(33,117)	Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	**(129,547)**
(25,605)	Accumulated gains or losses on assets disposed of in year	**(4,427)**
(3,286)	Difference between fair value depreciation and Historical cost depreciation	**(2,203)**
960,043	**Balance at 31 March 2019**	**1,034,265**

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.

2017/18 £000	Capital Adjustment Account	2018/19 £000
979,002	**Balance at 1 April 2018**	**1,008,453**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(41,114)	Charges for depreciation and impairment of non-current assets	**(47,689)**
31,083	Revaluation gains/(losses) on Property, Plant and Equipment	**(40,373)**
(1,954)	Amortisation of intangible assets	**(2,095)**
(6,257)	Revenue expenditure funded from capital under statute	**(1,830)**
(101,794)	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	**(17,020)**
30,792	Adjusting amounts written out of the Revaluation Reserve	**6,629**
	Capital financing applied in the year:	
23,972	Use of the Capital Receipts Reserve to finance new capital expenditure	**29,455**
45,539	Use of the Major Repairs Reserve to finance new capital expenditure	**33,534**
1,666	Capital grants and other contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**0**
36,936	Application of grants to capital financing from the Capital Grants Unapplied Account	**78,413**
10,070	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	**10,298**
512	Capital expenditure charged against the General Fund and HRA balances	**3,980**
	Movements in market value of Investment Properties	**1,706**
1,008,453	**Balance at 31 March 2019**	**1,063,461**

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.

2017/18 £000	Pension Reserve	2018/19 £000
(441,344)	**Balance at 1 April 2018**	**(443,240)**
26,281	Remeasurements of the net defined benefit liability/asset	**(80,701)**
(53,337)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**(61,593)**
25,160	Employer pensions' contributions and direct payments to pensioners payable in the year	**28,524**
(443,240)	**Balance at 31 March 2019**	**(557,010)**

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

18a. Net Cash Flows from Operating Activities

2017/18 £000		2018/19 £000
(23,884)	**Net Surplus/(Deficit) on the Provision of Services**	**(25,058)**
	Adjust net surplus or deficit on the provision of services for non cash movements	
(41,086)	Depreciation	(47,757)
28,641	Impairment and downward / (upward) valuations	56,498
(1,954)	Amortisation	(2,095)
3,054	Increase/(Decrease) in Interest Creditors	1,040
5,653	Increase / (Decrease) in Creditors	(82,811)
(1,554)	(Increase)/Decrease in Interest and Dividend Debtors	(552)
(7,799)	(Increase)/Decrease in Debtors	136,098
32	(Increase)/Decrease in Inventories	67
28,177	Movement in Pension Liability	33,069
1,720	Contributions to/(from) Provisions	661
104,281	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(17,020)
0	Donated Asset - credited to Taxation & Non Specific Grant Income	0
(2,899)	Other non cash items charged to the net surplus or deficit on the PoS	942
116,267		**78,140**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(40,388)	Capital Grants credited to surplus or deficit on the provision of services	(32,748)
(38,965)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(31,913)
302	Council tax and NNDR adjustments	6,539
13,332	**Net Cash Flows from Operating Activities**	**(5,040)**

18b. Cash Flow Statement - Investing Activities

2017/18 £000		2018/19 £000
(165,030)	Purchase of PPE, investment property and intangible assets	(222,940)
38,965	Proceeds from sale of PPE, investment property and intangib	31,913
(719,312)	Purchase of short and long term investments	(155,000)
705,933	Proceeds of short and long term investments	117,094
40,388	Capital Grants	32,748
(99,056)		(196,185)

18c. Cash Flow Statement - Financing Activities

2017/18 £000		2018/19 £000
(3,100)	Cash payments for the reduction of the outstanding liabilities	(2,490)
(376,925)	(Repayment) of short and long-term borrowing	(509,721)
475,769	Cash receipts of short-term and long-term borrowing	716,188
95,744		203,977

18d. Analysis of Borrowings related cashflows

	2016/17 £000	Financing Cashflows £000	Non-Cash Changes Acquisition £000	Non-Cash Changes Other £000	2017/18 £000
Long Term Borrowings	**(457,272)**	(137,874)			**(595,146)**
Short Term Borrowings	**(85,030)**	39,030			**(46,000)**
Lease Liabilities	**(87,361)**	1,392			**(85,969)**
On Balance Sheet PFI	**(49,318)**	1,708			**(47,610)**
TOTAL	**(678,981)**	**(95,745)**	**0**	**0**	**(774,725)**

	2017/18 £000	Financing Cashflows £000	Non-Cash Changes Acquisition £000	Non-Cash Changes Other £000	2018/19 £000
Long Term Borrowings	**(595,146)**	(151,467)			**(746,613)**
Short Term Borrowings	**(46,000)**	(55,000)			**(101,000)**
Lease Liabilities	**(85,969)**	790			**(85,180)**
On Balance Sheet PFI	**(47,610)**	1,700			**(45,910)**
TOTAL	**(774,725)**	**(203,977)**	**0**	**0**	**(978,702)**

IAS 7 Statement of Cash Flows: Disclosure Initiative – the CODE has adopted this new requirement for the financial year beginning 1 April 2018. This standard relates to presentation of Cash Flow Statement and does not materially impact on the 2018/19 Financial Statement.

19. Pooled Budgets

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

	2017/18	2018/19
Funding provided to the pooled budget:	£000	£000
the Council	8,344	**10,567**
the CCG	13,415	**13,670**
	21,759	**24,237**
Expenditure met from the pooled budget:		
the Council	(8,344)	**(10,567)**
the CCG	(13,374)	**(13,670)**
	(21,718)	**(24,237)**
Total Net Surplus / (Deficit) of the pooled budget	41	**0**
Net surplus / (deficit) for the Council	0	**0**
Net surplus / (deficit) for the CCG	41	**0**

20. Members Allowances

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

	2017/18	**2018/19**
	£000	**£000**
Basic Allowances	507	**518**
Special Responsibility Allowances	243	**292**
Expenses	0	**0**
Employer's NI	49	**46**
Total	799	**856**

For further details, please visit the following website:
https://www.lbbd.gov.uk/council/councillors-and-committees/councillors/councillors-allowances-and-attendance/overview/

21. Senior Officers' Remuneration (including Teachers)

The disclosure requirements 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.

a) Senior Officers' Remuneration (including Teachers)

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.

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

	2017/18		2018/19	
	Non-Teaching Employees	Teaching Employees	Non-Teaching Employees	Teaching Employees
£50,000 - £54,999	51	205	**47**	**202**
£55,000 - £59,999	37	119	**34**	**156**
£60,000 - £64,999	21	71	**17**	**75**
£65,000 - £69,999	12	45	**20**	**55**
£70,000 - £74,999	9	27	**9**	**27**
£75,000 - £79,999	9	21	**2**	**21**
£80,000 - £84,999	3	15	**9**	**15**
£85,000 - £89,999	4	15	**1**	**12**
£90,000 - £94,999	8	3	**1**	**10**
£95,000 - £99,999	0	6	**6**	**4**
£100,000 - £104,999	2	4	**3**	**1**
£105,000 - £109,999	0	3	**4**	**3**
£110,000 - £114,999	6	2	**3**	**1**
£115,000 - £119,999	0	1	**0**	**2**
£120,000 - £124,999	0	1	**3**	**2**
£125,000 - £129,999	0	0	**1**	**2**
£130,000 - £134,999	0	0	**0**	**0**
£135,000 - £139,999	1	1	**0**	**0**
£140,000 - £144,999	1	1	**0**	**1**
£145,000 - £149,999	1	0	**1**	**1**
£150,000 - £154,999	1	0	**0**	**0**
£155,000 - £159,999	0	0	**0**	**0**
£160,000 - £164,999	0	0	**0**	**0**
£165,000 - £169,999	1	1	**0**	**0**
£170,000 - £174,999	0	0	**2**	**0**
£175,000 - £179,999	0	0	**0**	**0**
£180,000 - £184,999	0	0	**0**	**0**
£185,000 - £189,999	0	0	**0**	**1**
Total	167	541	163	591

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

Post Held	Year	Notes	Salary, Fees & Allowances	Compensation for Loss of Employment	Sub-total	Employer's Pension Contribution	Total (including pension contributions)
Director of People and Resilience	**2018/19**	**1**	**36,613**		**36,613**	**8,604**	**45,216**
Strategic Director Service Development and Improvement	**2018/19**	**1**	**107,772**		**107,772**	**25,326**	**133,098**
	2017/18		146,450		146,450	34,782	181,232
Commissioning Director of Education	**2018/19**		**113,063**		**113,063**	**26,570**	**139,633**
	2017/18		110,846		110,846	26,326	137,172
Chief Operating Officer, Customer, Commercial and Service Delivery	**2018/19**		**149,070**		**149,070**	**35,104**	**184,174**
	2017/18		143,083		143,083	33,978	177,061
Transformation Director	**2018/19**		**113,063**		**113,063**	**26,570**	**139,633**
	2017/18		110,846		110,846	26,326	137,172
Director Law, Governance and HR (Monitoring Officer)	**2018/19**		**124,861**		**124,861**	**29,342**	**154,203**
	2017/18		114,701		114,701	27,232	141,933
Director of Inclusive Growth	**2018/19**	**2**	**98,822**		**98,822**	**23,427**	**122,249**
Strategic Director Growth and Homes	2017/18		112,005	27,065	139,070	26,657	165,728
Finance Director	**2018/19**	**5**	**51,269**		**51,269**	**0**	**51,269**
	2017/18		94,628	60,235	154,863	28,561	183,424
Director of Community Solutions	**2018/19**	**3**	**124,861**		**124,861**	**29,342**	**154,203**
	2017/18		34,223		34,223	8,042	42,265
Director of Policy and Participation	**2018/19**	**3**	**113,063**		**113,063**	**26,570**	**139,633**
	2017/18		36,949		36,949	8,683	45,632
Director of My Place	**2018/19**	**3**	**122,400**		**122,400**	**28,764**	**151,164**
	2017/18		114,333		114,333	27,112	141,445
Operational Officer of Enforcement	**2018/19**	**4**	**84,615**		**84,615**	**19,423**	**104,038**
	2018/19	**4**	**31,325**		**31,325**	**0**	**31,325**
	2017/18	3	103,231		103,231	24,517	127,748
Director of Public Health	**2018/19**	**6**	**109,336**		**109,336**	**15,723**	**125,058**
	2017/18		88,269		88,269	12,693	100,962

Note 1	The Strategic Director of Service Development and Improvement left the organisation in July 2018 and was replaced by the Director of People and Resilience who joined the Council in June 2018. This has been reflected in the split of 2018/19 figures.
Note 2	The Strategic Director of Growth and Homes left the organisation in February 2018 and was replaced by the Director of Inclusive Growth who joined the Council in May 2018.
Note 3	As part of the restructure within the organisation, four senior posts were created in 2017/18: Director of Community Solutions created in December 2017 Director of Policy and Participation created in December 2017 Director of My Place created in May 2017 Operational Office of Enforcement created in April 2017 All positions have now been active for a full year hence the variance from 2017/18 to 2018/19.
Note 4	The Operational Officer of Enforcement left the organisation at the start of February 2019. An Interim Operational Director has been in place since the end of February 2019.
Note 5	The Finance Director left the organisation in March 2018. An Interim Finance Director has been in place since November 2018 on a part time basis.
Note 6	The salary for the Director of Public Health in 2018/19 includes £16,984 of back pay for previous years.

c) Senior Officers whose salary is £150,000 or more 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) £
Chief Executive of the Council	**2018/19**		**171,683**				**171,683**	**40,346**	**212,029**
Christopher Naylor	2017/18		168,317				168,317	39,975	208,292
Head Teacher - Jo Richardson	**2018/19**	**1**	**187,411**				**187,411**	**31,455**	**218,866**
Ges Smith	2017/18		144,654				144,654	23,839	168,493

Note 1

Salary of Mr Ges Smith, Head teacher of Jo Richardson School also includes a salary relating to executive cover of Dagenham Park School. The split is as follows:

- Jo Richardson Salary of £149,929 with pension contributions of £24,556 – Start of Employment April 2002
- Dagenham Park Salary of £37,482 with pension contributions of £6,900 – Executive cover started February 2018

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	(b) Number of compulsory		(c) Number of other		(d) Total number of exit		(e) Total cost of exit	
	2017/18	**2018/19**	2017/18	**2018/19**	2017/18	**2018/19**	2017/18	**2018/19**
£0 – £20,000	49	**14**	36	**9**	85	**23**	563,294	**237,773**
£20,001–£40,000	14	**16**	1	**1**	15	**17**	402,145	**493,304**
£40,001–£60,000	8	**9**	1	**1**	9	**10**	447,504	**506,294**
£60,001–£80,000	2	**2**	0	**0**	2	**2**	123,815	**128,395**
£80,001 +	4	**7**	0	**0**	4	**7**	576,479	**678,819**
Total	77	**48**	38	**11**	115	**59**	2,113,237	**2,044,584**

22. 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.

	2017/18 £000	**2018/19 £000**
Fees payable for audit of the authority	166	**128**
Fees payable for certification of grant claims	32	**27**
TOTAL	198	**155**

23. 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 2018/19 is below:

Total 2017/18 £000		Central Costs £000	ISB £000	**Total 2018/19 £000**
253,886	Final DSG for year before Academy recoupment			264,909
40,566	**Less:** Academy figure recouped			(46,568)
213,320	Total DSG after Academy recoupment			218,341
3,675	Brought forward from previous year			5,378
0	**Less:** Carry forward agreed in advance			0
216,995	Agreed initial budget distribution in year	**23,881**	**199,838**	**223,719**
-287	In year adjustments		(427)	(427)
216,708	Final budget distribution for the year	**23,881**	**199,411**	**223,292**
24,095	**Less:** Actual central expenditure	(18,361)		(18,361)
187,235	Actual ISB deployed to schools		(199,411)	(199,411)
5,378	Total carry forward	**5,520**	**0**	**5,520**

24. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

	2017/18	**2018/19**
	£000	**£000**
Taxation and Non Specific Grant Income		
RSG (Includes Business Rates Retention Scheme)	65,194	**44,353**
New Homes Grant	4,993	**3,710**
Housing & Council Tax Benefits Admin Grant	1,345	**1,340**
Other grants individually less than £1 million	1,495	**4,590**
NNDR Compensation grants	1,759	**-21**
Total	74,786	**53,972**
Capital Grants	40,388	35,672
Direct to Services		
Dedicated Schools Grant (DSG)	210,361	**217,914**
Education and Skills Funding Agency	20,962	**22,486**
Pupil Premium	12,650	**12,029**
Public Health England	17,353	**16,906**
Department of Work and Pensions	1,446	**2,029**
Department for Education	1,332	**411**
Skills Funding Agency - now merged with EFA	2,250	**0**
Ministry of Housing, Communities and Local Government	10,539	**14,531**
Youth Justice Board	415	**415**
Home Office	1,327	**2,016**
Mayor's Office for Policing and Crime	481	**710**
GLA	0	**25**
Department for Transport	14	**14**
Department of Health	139	**1,053**
Other	2,427	**4,055**
	281,695	294,594
Housing Benefit		
Mandatory Rent Allowances: Subsidy	72,001	**64,972**
Mandatory Rent Rebates outside HRA	10,479	**9,750**
Rent Rebates granted to HRA tenants: Subsidy	47,462	**42,479**
	129,942	**117,200**

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:

Capital Grants Received in Advance	2017/18	**2018/19**
	£000	**£000**
Long Term (Section 106)	(9,772)	**(406)**
Short Term	(406)	**(6,452)**

25. 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 during the year are further analysed in Note 24.

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

The total of Members' allowances paid in 2018/19 is shown in Note 20. During 2018/19, no works or services were commissioned from companies in which members had an interest. There have been three declarations by members of personal Related Parties Transactions with the Council in 2018/19. These related to Eastbury Manor House which was hired by Cllr Evelyn Carpenter, Cllr Muhammed Saleem rents a property owned by the council and Cllr Simon Perry purchased 70% of a share ownership property from B&D Reside Regeneration LLP.

Officers
During 2018/19 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 2018/19.

Other Public Bodies
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 19.

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.

BDSIP Ltd.
It is a company partly owned by the Council established to advance the education of pupils. It will do this by delivering consistently excellent services to educational institutions and promoting efficiency and effectiveness of the application of resources.

B&D Reside Weavers LLP
It is a company partly owned by the Council established to manage the rental of affordable housing in Barking.

Wholly owned subsidiaries:

B&D Energy Ltd

B&D Energy Ltd is established to drive the Borough to become the "green capital of the capital". It aims to do this through the delivery of low carbon and zero energy carbon projects throughout the Borough and east London area.

Barking and Dagenham Reside Ltd
This 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 rents range from 50% - 80% of market rent.

Barking and Dagenham Reside Roding Ltd
This was set up to build and sell 146 properties to London & Quadrant (formerly East Homes Ltd). The homes have been built on the Gascoigne Estate as part of a regeneration project for the area. The homes were completed and sold during 2019 as planned and are being sold as Shared Ownership properties. The Company had a loan facility for the construction works, with its parent company, the London Borough of Barking & Dagenham.

Barking and Dagenham Reside Regeneration Ltd
This is a partner in the letting and management of 144 affordable homes in the Barking area. The Company is a partner in Barking & Dagenham Reside Abbey Roding LLP. The Company is also a partner in B&D Reside Regeneration LLP, who have built and manage 45 shared ownership homes and have a lease for a further 27 shared ownership properties at Kingsbridge in Barking.

Barking and Dagenham Reside Regeneration LLP
This is a partnership which has built and manages 46 shared ownership homes with a lease for a further 27 shared ownership properties at Kingsbridge in Barking.

Barking and Dagenham Reside 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 Abbey Road in Barking, at 80% of market rent.

TPFL Regeneration Ltd
This was set up to build 477 new homes, which were completed in May 2014, that are now managed by Barking and Dagenham Reside Ltd.

Barking and Dagenham Trading Partnership Ltd
This is the parent company of a group of five wholly owned subsidiaries summarised below, which was established to provide cleaning, catering and repairs and maintenance services. The group provides competitively priced services to the Council and to external entities with the aim of delivering dividends to the Council.

BD Management Services Ltd.
It provides repairs and maintenance services to the Council through a mixture of management of the Council's own labour force and sub-contracting.

BD Service Delivery Ltd.
At present it is a dormant company, with plans to deliver repairs and maintenance services to the Council and external clients.

BD Together Ltd.
It provides catering, cleaning and data Services to Schools and private organisations within the Borough.

BD Corporate Cleaning Ltd.
It provides cleaning services to the Council.

Londoneast-UK Ltd.
It provides serviced offices, facilities management and support services to businesses in the Borough.

Be First (Regeneration) Ltd
Be First has the remit of accelerating the pace and scale of regeneration in the Borough, whilst delivering affordable housing and shaping inclusive, sustainable and healthy communities for the future.

Joint Venture

Elevate East London LLP
Established in 2010 as a partnership with Agilisys to provide core support services such as procurement, accounts payable & receivable and ICT to the council and others. The Council is entitled to up to 50% board representation, with unanimous consent required for decisions on reserved matters which amount to the 'relevant activities' of Elevate, as define by the Council's reporting framework. Profit sharing proportions are 50:50. These key factors support Elevate being treated as a joint venture for accounting purposes.

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 related parties with which the Council had material transactions:

Party	Income	Expenditure	Creditors	Debtors	Loans
B&D Energy Ltd.	84,471	20,517			2,345,347
Barking & Dagenham Citizen's Advice Bureau	12,354	512,565			
Barking & Dagenham Trading Partnership - Group	562,405	21,573,506	2,203,442		21,836,088
BDSIP Ltd.		794,420	2,854,988	2,490,534	
Be First (Regeneration) Ltd.	711,864	7,533,297	3,981,010	560,490	4,107,784
East London Waste Authority	1,504,033	14,866,924		3,750	
Local Government Association		40,142			
London Councils	183,059	1,129,704			
BD Reside Ltd	57,471		82,862,413	17,981	
BD Reside Roding Ltd	884,713			408,123	
BD Reside Regen LLP				2,524,000	6,901,913
BD Reside Abbey LLP	1,654,815			382,875	

26. 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 27 and 28), 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	2017/18	**2018/19**
	£000	**£000**
Opening Capital Financing Requirement (restated *)	619,486	**674,534**
Capital investment		
- Property, Plant and Equipment	165,030	**216,738**
- Property Plant and Equipment - Finance Lease additions	111	**0**
- Property Plant and Equipment - PFI Additions	88	**1,538**
- Investment Properties	69	**0**
- Intangible Assets	2,186	**3,668**
- Heritage Assets	0	**0**
- Revenue Expenditure Funded from Capital under Statute	6,257	**1,830**
Sources of Finance		
Capital receipts	(23,972)	**(29,455)**
Government grants and other contributions	(38,601)	**(78,413)**
Sums set aside from revenue:		
- Direct revenue contributions	(512)	**(3,980)**
- MRP/loans fund principal	(10,070)	**(10,298)**
Major Repairs Reserve	(45,539)	**(33,534)**
Increase in Capital Financing Requirement	55,048	**68,095**
Closing Capital Financing Requirement	674,534	**742,629**

* 2017/18 Opening has been restated by £704k due to incorrect figure used in 2016/17

Explanation of Movements in Year	2017/18	**2018/19**
	£000	**£000**
Increase in underlying need to borrow (unsupported by government financial	54,849	**66,557**
Assets acquired under finance leases	111	**0**
Assets acquired under PFI/PPP contracts (lifecycle costs)	88	**1,538**
Increase in Capital Financing Requirement	55,048	**68,095**

27. 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	2017/18	2018/19
	£000	**£000**
Property, Plant and Equipment	123,323	**126,803**

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	2017/18	2018/19
	£000	**£000**
Finance Lease Liabilities		
(net present value of minimum lease payments)		
- Current	730	**478**
- Non-current	83,383	**82,906**
	84,113	**83,383**
Finance Costs Payable in Future Years	130,648	**127,209**
Minimum Lease Payments	214,762	**210,592**

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

Finance Lease Payment profile	Minimum Lease		Finance Lease	
	2017/18	**2018/19**	2017/18	**2018/19**
	£000	**£000**	£000	**£000**
Not later than one year	4,170	**3,876**	730	**478**
Later than one year and not later than five years	15,363	**15,297**	1,914	**1,938**
Later than five years	195,229	**191,419**	81,470	**80,967**
	214,762	**210,592**	84,113	**83,383**

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	2017/18	**2018/19**
	£000	**£000**
Not later than one year	426	**303**
Later than one year and not later than five years	920	**755**
Later than five years	1,836	**1,525**
	3,182	**2,583**

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

Operating Lease costs

	2017/18	**2018/19**
	£000	**£000**
Operating Lease payments	5,486	**4,592**

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	2017/18	**2018/19**
	£000	**£000**
Not later than one year	4,983	**6,852**
Later than one year and not later than five years	11,923	**16,550**
Later than five years	39,307	**45,388**

28. 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 2019 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Total 2017/18 £000	**Payment for Services £000**	**Reimbursement of Capital Expenditure £000**	**Interest £000**	**Total 2018/19 £000**
Payable within one year	6,261	1,777	1,010	3,474	**6,261**
Payable within two to five years	25,044	7,563	5,199	12,282	**25,044**
Payable within six to ten years	31,305	10,568	10,159	10,578	**31,305**
Payable within eleven to fifteen years	18,783	3,054	4,703	4,765	**12,522**
Total	81,394	**22,962**	**21,071**	**31,099**	**75,132**

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	2017/18 £000	**2018/19 £000**
Balance outstanding at 1 April 2018	22,817	**21,987**
Payments during the year	(829)	**(915)**
Balance outstanding at 31 March 2019	21,988	**21,072**

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 2019 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Total 2017/18 £000	**Payment for Services £000**	**Reimbursement of Capital £000**	**Interest £000**	**Total 2018/19 £000**
Payable within one year	4,193	579	937	2,677	**4,193**
Payable within two to five	16,774	2,317	4,246	10,211	**16,774**
Payable within six to ten	20,967	2,896	7,165	10,907	**20,968**
Payable within eleven to	20,967	2,896	10,161	7,910	**20,967**
Payable within sixteen to	16,774	1,738	8,311	2,531	**12,580**
Total	79,676	**10,426**	**30,820**	**34,236**	**75,482**

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	2017/18 £000	**2018/19 £000**
Balance outstanding at start of year	28,152	**27,420**
Payments during the year	(821)	**(881)**
Capital expenditure incurred in the year	88	**96**
Balance outstanding at year-end	27,419	**26,635**

29. 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 2018/19, the Council paid £12.8m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.4% of pensionable pay. The figures for 2017/18 were £13.3m and 16.4% respectively. There were no contributions remaining payable at the year-end. For NHS staff in 2018/19 the figures were £0.1m and 14.3%. In 2017/18 the figures were £0.1m and 14.3% respectively.

It is expected the Council will pay around £15m for 2019/20 in respect of teachers' retirement benefits.

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 30.

30. 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 2018/19 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.

Guaranteed Minimum Pension (GMP) Equalisation
On 22 January 2018, the Government published the outcome of its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age before 6 April 2021. An approximate allowance for the impact of GMP equalisation changes of 0.22% of total liabilities has been calculated by the Actuary, which corresponds to an additional liability of £2,836,000.

McCloud Judgement
The McCloud court case relates to possible age discrimination within the New Judicial Pension Scheme. An allowance for the McCloud judgement of 0.3% of total liabilities has been calculated by the actuary, which corresponds to an additional liability of £3,786,000.

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.

LGPS Relating to the Subsidiaries

The Council has TUPE transferred staff to a number of companies, including Be First, BS SIP, BD Corporate Cleaning Ltd, BD Together Ltd and BD Management Services Ltd. Passthrough pension arrangements have been agreed for all of these companies. Passthrough is achieved because the council substantially retains pension risk under the arrangements, as a result it is appropriate for the Council to report each of the contracting companies' share of the pension assets/liabilities under IAS19.

The passthrough arrangement effectively mean that, for the purposes of the administration and valuation of the Scheme and the calculation of any payments due to or from the Fund under the prevailing Admission Agreement and the 2013 Regulations, all liabilities of the Fund in respect of the Eligible Employees will continue to be treated as liabilities which are attributable to the Council, and the corresponding assets held within the Fund which relate to those liabilities will continue to be treated as allocated to the Council's notional sub-fund within the Fund on and from the Commencement Date.

The companies will account for contributions through charging these to the profit and loss account in the period to which they relate. The following transactions have been made in the CIES and the General Fund Balance via the Movement in Reserves Statement during the year:

	LGPS	
	2017/18	**2018/19**
Comprehensive Income and Expenditure Statement	£'000	**£'000**
Cost of Services:		
Current Service Cost	(41,266)	**(42,539)**
Past Service Costs (including curtailments)	(412)	**(6,858)**
Interest Income on scheme assets	18,410	**19,817**
Interest cost on defined benefit obligation	(30,069)	**(32,013)**
Total Post-Employment Benefits charged to the Surplus or Deficit on the provison of services	(53,337)	**(61,593)**
Remeasurement of the net defined benefit liability:		
Change in demographic assumptions	0	0
Change in financial assumptions	24,496	(81,986)
Other experience	(1,812)	(392)
Return on assets excluding amounts included in net interest	3,597	18,609
Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement	26,281	**(63,769)**
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	53,337	61,593
Employer's contributions payable to scheme	(23,912)	(28,524)

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	
	2017/18	**2018/19**
Scheme Liabilities	£'000	**£'000**
Opening balance at 1 April	1,150,144	**1,175,173**
Current Service Cost	41,266	**42,539**
Interest Cost	30,069	**32,013**
Contributions by scheme participants	7,004	**7,304**
Actuarial (gains)/losses	(22,684)	**99,310**
Benefits paid	(29,334)	**(29,002)**
Discretionary Benefits	(1,704)	**(1,703)**
Past Service Cost including curtailments	412	**6,858**
Business Contribution	0	**0**
Curtailments	0	**0**
Settlements	0	**0**
Closing Balance at 31 March	1,175,173	**1,332,492**

	2017/18	**2018/19**
Scheme Assets	£'000	**£'000**
Opening balance at 1 April	707,191	**731,933**
Interest Income	18,410	**19,817**
Return on assets excluding amounts included in net interest gain/(loss)	3,597	**18,609**
Employer contributions	25,065	**26,821**
Contributions by scheme participants	7,004	**7,304**
Benefits paid	(29,334)	**(29,002)**
Unfunded benefits paid	(1,704)	**(1,703)**
Contributions in respect of unfunded benefits	1,704	**1,703**
Curtailments		
Settlements		
Closing Balance at 31 March	731,933	**775,482**

Pensions Assets and Liabilities Recognised in the Balance Sheet	2017/18	**2018/19**
	£'000	**£'000**
Local Government Pension Scheme		
Fair value of plan assets	731,933	**775,482**
Present value of the defined benefit obligation	(1,175,173)	**(1,332,492)**
Net liability arising from defined benefit obligation	(443,240)	**(557,010)**

The liability shows 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 valuation 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 2018/19.

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	
Mortality Assumptions:	2017/18	**2018/19**
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	2.8%	**3.00%**
Rate of Increase in Pensions	2.4%	**2.50%**
Rate of Discounting Scheme Liabilities	2.7%	**2.40%**

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 2019	Approximate % increase to Employer Liability	Appropriate monetary amount (£000)
0.5% Decrease in Real Discount Rate	10.0%	138,225
0.5% Increase in the Salary Increase Rate	1.0%	16,204
0.5% Increase in the Pension Increase Rate	9.0%	119,990

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 2019 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 younger or older ages).

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:

	2017/18	**2018/19**
	£'000	**£'000**
Equity Securities (Quoted prices in active market)	**389,501**	**412,675**
Bonds	**26,343**	**27,911**
UK Property	**46,312**	**49,068**
Investment Funds and Unit Trusts		
Hedge Funds	22,571	23,913
Infrastructure	48,789	51,692
Other	188,950	200,123
Sub-total	**260,310**	**275,728**
Cash and Cash Equivalents		
Cash	**9,467**	**10,100**
Total Assets	**731,933**	**775,482**

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 2020 is estimated to be £25.829m.

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

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021. The Council is still assessing the impact.

- IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.

- IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the single entity accounts and minimal impact on the group accounts.

- IFRS 9 Financial instruments: prepayment features with negative compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to whom this will apply.

- IFRS 15 Revenue from Contracts with Customers: The Council has performed a risk assessment to assess material income streams and concluded that there is no adjustment required.

32. 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 is a number of interests which fall within the group boundary on the grounds of control and significant influence. As a result, the Council has produced a set of Group Accounts. The Council continues to disclose the relationships and transactions with the entities in the Related Parties note.

The Council transferred services and employees to three companies which, under TUPE arrangements, participate in the London Borough of Barking and Dagenham Pension Fund as admitted bodies. Admission agreements that set out the terms of scheme participation and crucially establish where pension risk lays for IAS 19 reporting purposes, were signed after the balance sheet date. It is the Council's judgement that entering the admission agreements amounts to an adjusting post balance sheet event.

IAS 10 - Events After The Reporting Period defines adjusting events as those that provide evidence of conditions that existed at the end of the reporting period. Independent legal advice has been obtained that confirms the admission agreements can be backdated, from a legal perspective, to a commencement date that precedes the balance sheet date. Signing the agreements did not change the obligations of the parties as all parties had been operating as though the agreement was in place from the legal commencement date. On this basis, the Council's view is that the agreements merely confirm conditions in place during the reporting period and this is reflected in the Council's IAS 19 reporting.

33. 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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment (PPE)	Non-current asset valuations are a significant estimate included on the Council's balance sheet and are subject to market uncertainties and various assumptions, based on the professional judgement of experts. These valuations are carried out by qualified external valuers, with all material assets subject to valuation valued as at the balance sheet date and other assets valued over a 5 year rolling programme. Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. Useful lives are regularly reviewed by the external valuers as part of the valuation process.	Any increase/decrease in valuation will either increase/decrease the level of the Revaluation Reserve, and the amount shown under Other Comprehensive Income and Expenditure or will affect the Net Cost of Services. There is no impact on usable reserves from valuation adjustments as these are reversed in line with statutory guidance. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. There is no impact on usable reserves from depreciation.
Investment Properties	Investment properties are measured at Fair Value under IFRS13 as at 31st March annually by qualified external valuers, using valuation techniques to determine the fair value. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, or the best information available. Changes in assumptions and professional judgements used could affect the fair value of investment properties.	Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date. Any movements in the fair value of investment properties affect the balance sheet value of the asset and are also charged through Financing and Investment Income and Expenditure, but with no impact on usable reserves.
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 £138.2m. A 0.5% increase in th ePension rate would increase th epension liability by £120.0m.

34. Events after the Reporting Period

Since 31 March 2019, the Council and group companies have continued with the implementation of their business plans. The outturn for 2019-20 did not show a significant deviation from plans in budgetary terms other than the reported overspend. The most significant area of capital expenditure is the Investment Strategy Programme, which spent £119.2m in 2019-20 (mostly funded from borrowing as planned) and is now progressing in 2020/21.

The presence of the Covid-19 pandemic has caused significant strain on the economy and stringent measures to be taken to subdue the outbreak by policy-makers. We are unable to forecast the financial consequence of this pandemic, as it cannot be quantified at this time. We have however produced scenarios to help us plan ahead.

The valuation of land, buildings, housing dwellings and investment property assets will be difficult in 2020. Initial valuations for 31st March 2020 provided by the Council's valuer show reductions in value of 4% (£53.8m) for Council Dwellings and an increase of 6% (£3.8m) for Investment Properties. While these draft movements in value will include some amounts which are not due to changes in market conditions they reflect the general trend in valuations to 31st March 2020.

Given the uncertain economic situation, the valuers have reported a material uncertainty statement to the valuation report, however, the Council has no plans to dispose of assets in the short term and expects valuations to rise in the medium to long term. There is no indication of impairment in the carrying value of investments in subsidiaries, or credit impairment on the loans to subsidiaries, given the long term nature of the business plans.

The draft actuarial assessment of the net pension liability as at 31 March 2020 is that there has been a reduction from £538m to £433m. This is due to change in the actuarial assumptions reflecting the triennial review in 2019.

35. Prior Year Adjustments

There have been two prior year adjustments for the primary statements. Both are detailed below:

Property, Plant & Equipment (PPE)
A number of assets were identified as incorrectly classified as assets under construction and have been transferred into Council Dwellings in operational PPE. All the affected assets were HRA housing assets, mostly relating to the Estate Renewal project. The adjustment to correct this in prior years is set out below:

Balance 1/4/17 (as per 2017/18 SoA) £000	Adjustment to 2017/18 opening balance £000	**Restated Balance 1/4/17 £000**	**Asset Category**	**Balance 31/3/18 (as per 17/18 SoA) £000**	Adjustment to 2017/18 closing balance £000	**Restated Balance 31/3/18 £000**
1,061,116	29,705	**1,090,821**	Council Dwellings	1,127,162	29,705	**1,156,867**
128,101	-29,705	**98,396**	Assets Under Construction	85,578	-29,705	**55,873**
1,189,217	0	**1,189,217**	**TOTAL RESTATEMENT**	1,212,740	0	**1,212,740**

Dedicated Schools Grant (DSG)
During the course of accounts audit, it was noted that both the income and expenditure of DSG in the Comprehensive Income & Expenditure Statement (CIES) have been double counted up in both years of 2017/18 (£168,108k) and 2018/19 (£176,808k) with nil impact on the net position. The CIES have been restated to reflect this.

Fair Value of PFI Liabilities
In Note 11 (Financial instruments), the figure of PFI liabilities has been restated for 31st March 2018 to correctly record the fair value of the liabilities.

36. Basis of Preparation

The Covid-19 pandemic has resulted in increased costs to the Council from March 2020 in responding to the crisis. There have also been reductions in income collected from fees and charges and expected reductions in commercial rent as the country was required to lockdown and businesses were closed. The impact in 2020/21 has been modelled. The cost to the council of the

COVID-19 pandemic response at the time of writing is £41.3m in 2020/21. Government emergency grant funding of £12.1m has been received leaving a residual cost pressure to the council of £29.2m. If Council Tax and Business Rates income losses of £13.0m are excluded the pressure reduces to £16.2m (Council Tax and Business Rates losses are accounted for within the Collection Fund where deficits are accounted for in future financial years). The Council can manage this cost pressure of £16.2m by utilising reserve balances. This will provide sufficient headroom to enable the Council to fund its operations over the next two years based on the modelling of the financial impact of Covid-19 on the Council's reduced income and additional spending and therefore the use of the going concern principle is considered applicable.

37. Statement of Accounting Policies

i. General Principles

The Statement of Accounts provides a true and fair view of the Council's transactions for the 2018/19 financial year and its financial position at the year end of 31 March 2019. 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 2018-19, 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. Council Tax and Business Rates

The Council acts as agents, collecting Council Tax and Business Rates on behalf of the preceptors and, as principals, collecting Council Tax and Business Rates for themselves. The Council is required by statue to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and Business Rates. Under the legislative framework for the Collection Fund, the Council, major preceptors and central government share proportionately the risks and rewards that the amount of Council tax and Business Rates collected could be less or more than predicated.

viii. Accounting for Council Tax and Business Rates

The Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and Business Rates that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES 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 Business Rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

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

ix. 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 arising from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years;
- 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.

x. Events after the Reporting 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.

xi. Financial Instruments

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

Financial Liabilities

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest).

Annual charges to the Financing and Investment Income and Expenditure line 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 Council's loan portfolio at year end consisted of Public Works Loan Board (PWLB), market debt and temporary borrowing. Other types of financial liabilities the Council has include service concession arrangements (PFI Schemes), finance leases and trade payables (creditors).

Financial Assets

Financial assets are now classified into one of three categories:

Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.

Fair Value Through Other Comprehensive Income (FVOCI). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of. The Council did not hold any FVOCI at 31 March 2019.

Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur. The Council did not hold any FVTPL at 31 March 2019.

Expected Credit Loss Model (ECL)
The ECL implications for those financial assets not treated as fair value are minimal for the majority of the treasury investment as the Council adopts strict credit quality arrangements in accordance with the CIPFA Treasury Management Code of Practice. In addition to the day to day treasury investments the Council also has outstanding loan agreements with a number of third parties, including a number of its wholly owned subsidiaries.

Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

xii. 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.

xiii. 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.

xiv. Interest in Companies and Other Entities

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

xv. 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.

xvi. 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.

xvii. 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 2018/19 (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.

xviii. 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 Histocial Cost or Valuation
Council Dwellings	Existing use value - social housing (EUV - SH)
Other Land & Buildings, Vehicles Plant & Equipment	Existing use value (EUV) or depreciated replacement cost (DRC) using the 'instant build' approach if EUV cannot be determined
Surplus Assets	Fair value 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 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 current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services 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). 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 inception, 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)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation
Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain community assets) and assets that are not yet available for use (ie assets under construction).

- Deprecation 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 – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 20 years.

Where an item of property, plant and equipment asset 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.

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 recognised losses in the Surplus or Deficit on the 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 (ie 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 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals 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 authority'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.

xix. Private Finance Initiatives (PFI)

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 authority 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 authority at the end of the contracts for no additional charge, the authority 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)

xx. Reserves

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies [not Scotland]. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the authority – 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 authority 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. 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 local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

xxiii. 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.

xxiv. Fair Value Measurement

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

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

When measuring the fair value of a non-financial asset, the authority 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 authority 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 authority'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 authority 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.

Lifecycle 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.

Housing Revenue Account

for the year ended

31st March 2019

Housing Revenue Account 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.

2017/18 £000		2018/19 £000
	Expenditure	
15,444	Repairs & Maintenance	17,932
41,684	Supervision & Management	45,307
323	Rent, Rates, Taxes & Other Charges	16
19,494	Depreciation and revaluation of non-current assets (note 5)	27,203
1,018	Movement in the allowance for bad debts	289
77,963	**Total Expenditure**	90,747
	Income	
(88,521)	Dwelling rents	(85,871)
(705)	Non-dwelling rents	(545)
(16,403)	Charges for services and facilities	(20,274)
0	Contributions towards expenditure	
(105,629)	**Total Income**	(106,690)
(27,666)	**Net cost of HRA Services as included in the Council's Comprehensive Income & Expenditure Statement**	(15,944)
685	HRA services' share of Corporate & Democratic Core	685
(26,981)	**Net Cost/(Surplus) for HRA**	(15,259)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
(20,670)	Gain on sale of HRA non-current assets	(15,530)
9,692	Interest Payable and similar charges	9,690
(330)	Interest & Investment Income	(250)
0	Net interest on the net defined benefit liability	1,242
(38,289)	**(Surplus) / Deficit for the year of HRA Services**	(20,107)

Movement on the Housing Revenue Account 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.

2017/18 £'000		2018/19 £'000
(10,656)	**Balance at 1 April**	(10,656)
(38,289)	(Surplus)Deficit for the year on the HRA Income & Expenditure Statement	(20,107)
42,068	Adjustments between accounting basis and funding basis under statute	19,112
3,779	Net increase before transfers to/from reserves	(995)
(3,779)	Transfers to / (from) reserves	188
0	(Increase) / decrease in year on the HRA	(807)
(10,656)	**Balance at 31 March**	(11,463)

2017/18 £'000	**Adjustments between accounting basis and funding basis under statute**	2018/19 £'000
20,670	Gain/(loss) on HRA - Non Current Assets	15,530
(5,537)	Revaluation/Impairment of Housing Assets	(12,628)
618	Repayment of principal for capital finance lease	0
(39)	Holiday pay accruals and other accumulating compensated absences	9
0	IAS 19 Pension costs adjustment	(2,680)
26,356	Transfer to the Major Repairs Reserve	18,880
42,068		19,112

Notes to the Housing Revenue Account

1. Council Housing Stock

The Council was responsible for managing an average of 17,698 dwellings units during 2018/19

At 31 March 2019, the stock was made up as follows:

Dwelling type	units
Low rise flats	2,180
Medium rise flats	1,576
High rise flats	9,468
Houses and bungalows	4,392
Multi Occupied	6
	17,622

Year of construction	units
Pre 1919	270
1919 - 1944	8,590
1945 - 1964	3,618
Post 1964	5,144
	17,622

The change in stock can be summarised as follows:

	2017/18 units	**2018/19** units
Stock at 1 April	17,923	17,774
Sales - Right to Buy	(219)	(201)
Additions	70	69
Adjustment (Review of Stock)	0	20
Demolitions (Decant Programme)	0	0
Stock at 31 March	17,774	17,662

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

	2017/18 £000	**2018/19** **£000**
Dwellings	990,178	**1,072,650**
Other Land and Buildings	5,993	**6,167**
Vehicles Plant and Equipment	588	**1,343**
Assets Under Contruction	20,482	**16,215**
	1,017,241	**1,096,375**

2. Vacant Possession Value

The vacant possession value of dwellings within the HRA at 31 March 2019 was £4.1 billion (£3.8 billion 31 March 2018).

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	2017/18	**2018/19**
	£000	**£000**
Balance at 1 April	(998)	**(311)**
Amount transferred to MRR (Depreciation)	(13,957)	**(14,576)**
Debits to the MRR in respect of capital expenditure on HRA land and	41,000	**33,534**
Transfers from HRA to MRR	(26,356)	**(18,880)**
Balance at 31 March	(311)	**(234)**

4. Capital Expenditure and Receipts

The following analyses HRA capital expenditure and the source of funding used.

During 2018-19:

	Capital Receipts	Major Repairs Reserve	**Total**
	£000	£000	**£000**
Houses	12,584	32,706	**45,290**
Vehicles, plant & equipment	1,343		**1,343**
Other property		216	**216**
Assets Under Construction	17,004	611	**17,615**
Total	**30,931**	**33,533**	**64,464**

During 2017-18:

	Borrowing Approvals	Grant & S106	Capital Receipts Reserve	Major Repairs Reserve	**Total**
	£000	£000	£000	£000	**£000**
Houses		420	13,786	37,612	**51,818**
Land					**0**
Other property			853	433	**1,286**
Assets Under Construction	3,200		4,583	7,494	**15,277**
Total	**3,200**	**420**	**19,222**	**45,539**	**68,381**

Capital receipts derived from disposals of land, houses and other property within the HRA during 2018/19 are summarised as follows:

	2017/18	**2018/19**
	£000	**£000**
Houses	38,864	**29,685**
Total	38,864	29,685

5. Depreciation and Impairment

The total charge for depreciation to the HRA was £13.6 million for dwellings and £1.0 million for other property (2017/18 £13.957 million and £0.992 million, respectively). Revaluation loss of £12.6m 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. Rent Arrears

	2017/18	**2018/19**
	£000	**£000**
Dwelling rents	5,717	**3,762**
Other charges/adjustments	1,149	**2,507**
	6,866	**6,269**

7. 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 (REFCUS)

Revenue expenditure funded from capital under statute on the HRA in 2018/19 was nil (2017/18: nil).

Collection Fund Account

for the year ended

31st March 2019

COLLECTION FUND ACCOUNT

	2018/19				2017/18			
	NNDR Supplement	NNDR	Council Tax	Total	NNDR Supplement	NNDR	Council Tax	Total
Income	£000	£000	£000	£000	£000	£000	£000	£000
Council Tax Receivable			(76,956)	(76,956)			(71,342)	(71,342)
Business Rates Receivable		(59,910)		(59,910)		(60,552)		(60,552)
Business Rate Supplement	(1,529)			(1,529)	(1,493)			(1,493)
Transitional Protection Payments		3,835		3,835				0
	(1,529)	**(56,075)**	**(76,956)**	**(134,560)**	**(1,493)**	**(60,552)**	**(71,342)**	**(133,387)**
Expenditure - Precepts, Demands and Shares								
Central Government		0		0		18,831		18,831
Greater London Authority	1,523	21,926	14,353	37,802	1,485	21,113	13,237	35,835
Billing Authority		38,977	58,521	97,498		17,119	53,505	70,624
	1,523	**60,903**	**72,874**	**135,300**	**1,485**	**57,063**	**66,742**	**125,290**
Apportionment of Previous Year Surplus/(Deficit)								
Central Government		(129)		(129)		534		534
Greater London Authority		(323)	(756)	(1,079)		214	2,454	2,668
Billing Authority		(194)	6,085	5,891		321	611	932
	0	**(646)**	**5,329**	**4,683**	**0**	**1,069**	**3,065**	**4,134**
Charges to Collection Fund								
Write Offs of uncollectable amounts		57	315	372		3	(108)	(105)
Inc/(Dec) in Bad Debt Provision		637	1,532	2,169		1,488	936	2,424
Inc/(Dec) in Provision for Appeals		(2,201)		(2,201)		1,896		1,896
Cost of Collection	14	204		218	0	203		203
	14	**(1,303)**	**1,847**	**558**	**0**	**3,590**	**828**	**4,418**
(Surplus)/Deficit arising during the year	**8**	**2,879**	**3,094**	**5,981**	**(8)**	**1,170**	**(707)**	**455**
(Surplus)/Deficit at 1st April	(8)	(390)	(6,035)	(6,433)	0	(1,560)	(5,328)	(6,888)
(Surplus)/Deficit at 31st March	0	2,489	(2,941)	(452)	(8)	(390)	(6,035)	(6,433)
(Surplus)/Deficit Balance Attributable to:								
London Borough of Barking & Dagenham		634	(2,387)	(1,753)		(117)	(4,648)	(4,765)
Greater London Authority		928	(554)	374		(78)	(1,387)	(1,465)
Central Government		927		927		(195)		(195)

COLLECTION FUND ACCOUNT

1. Council Tax Base

The tax base used to determine this figure was Band 'D' equivalent.

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	1,864.2
F	304.8	440.2
G	40.3	67.2
H	3.0	6.0
Total Band 'D' equivalents for 2018/19		50,497.48
Projected changes in discounts and growth		
Less in year non-collection allowance		(3,282.34)
Add arrears collection		1,567.17
Council Tax Base for 2018/19		**48,782.31**
Council Tax Base for 2017/18		47,273.15

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. In 2017/18 the Rateable Value was increased to £70,000.

	2017/18 £'000s	**2018/19 £'000s**
Rateable Value at 31 March	154,873	154,447
Business rates multiplier for premises with rateable values (RV) of £25,500 and above	47.9p	49.3p
Small business rates multiplier for premises with RV below £25,500	46.6p	48.0p
Additional Crossrail NNDR Supplement multiplier for premises with a RV above £70,000 in 2017/18, £55,000 in 2016/17	2.0p	2.0p