

London Borough of Barking and Dagenham

Accounting Policies

1. Introduction

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

2. Accruals of Income and Expenditure

2.1 Customer and Client Receipts

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

2.2 Employee Costs

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

2.3 Interest

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

3. Supplies & Services

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

4. Deferred Charges

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

5. Fixed Assets

5.1 Recognition

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

5.2 Measurement & Revaluation

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

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

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

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

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

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

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

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

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

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

5.3 Disposals

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

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

5.4 Depreciation

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

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

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

6. Charges to Revenue

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

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

7. Foreign Currency Transactions

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

8. Government Grants

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

9. Investments

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

10. Leases

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

11. Costs of Support Services

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

12. Pension Costs

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

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

13. Provision for Bad and Doubtful Debts

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

14. Other Provisions

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

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

15. Reserves

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

16. Stocks and Long Term Contracts

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

17. Value Added Tax

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

18. Capital Receipts

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

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

19. Private Finance Initiative

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

CONSOLIDATED REVENUE ACCOUNT

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

*** Note to the Consolidated Revenue Account**

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

<p style="text-align: center;">NOTES TO THE CONSOLIDATED REVENUE ACCOUNT</p>

1. SERVICE ANALYSIS

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

Central Services to the Public

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

Court Services

- Coroners Court

Cultural, Environmental and Planning Services

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

Education Services

Highways, Roads and Transport Services

- Transport Planning Policy and Strategy

Housing Services

Social Services

Corporate and Democratic Core

- Democratic Representation and Management
- Corporate Management

2. LEVIES

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

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

3. PRUDENTIAL CODE FOR CAPITAL INVESTMENT

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

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

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

4. ASSET MANAGEMENT REVENUE ACCOUNT

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

5. SECTION 5 - PUBLICITY EXPENDITURE

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

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

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

6. AGENCY SERVICES

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

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

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

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

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

8. PENSION COSTS

• PENSION FUND

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

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

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

• TEACHERS

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

9. POOLED FUNDS

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

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

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

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

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

10. DISCLOSURE OF AUDIT COSTS

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

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

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

11. TRADING UNDERTAKINGS

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

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

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

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

12. REMUNERATION OF SENIOR STAFF (INCLUDING TEACHERS)

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

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

13. MEMBERS ALLOWANCES

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

14. **RELATED PARTY TRANSACTIONS**

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

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

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

15. BUILDING CONTROL SERVICES

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

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

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

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

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

16. PRIVATE FINANCE INITIATIVE (PFI)

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

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

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

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

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

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

HOUSING REVENUE ACCOUNT

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

NOTES TO THE HOUSING REVENUE ACCOUNT

1. COUNCIL HOUSING STOCK

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

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

2. VACANT DWELLINGS

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

3. RENT ARREARS

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

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

4. ASSET VALUATIONS

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

5. MAJOR REPAIRS RESERVE (MRR)

The major repairs allowance account is as follows:

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

6. HOUSING SUBSIDY

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

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

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

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

7. CAPITAL RECEIPTS GENERATED

The capital receipts generated are as follows:

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

8. SUMMARY OF HRA CAPITAL EXPENDITURE

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

9. HOUSING RENTS

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

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

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

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

10. DEPRECIATION

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

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

11. **OTHER INFORMATION**

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

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

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

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

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

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

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

THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT 2004/2005

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

NOTES TO THE COLLECTION FUND ACCOUNT

1. GENERAL

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

2. COUNCIL TAX

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

London Borough of Barking and Dagenham	£ p 868.68
Greater London Authority	241.33
	1,110.01

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

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

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

3. PRECEPTING AUTHORITIES

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

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

4. **SURPLUS / DEFICIT TRANSFERRED**

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

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

The table below summarises this position:

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

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

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

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

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

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

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

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

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2005

2003/2004 (RE-STATED) *				NOTES	2004/05		
£'000	£'000	£'000			£'000	£'000	£'000
483,763			FIXED ASSETS				
299,349			OPERATIONAL ASSETS	1,2,3,5	1,139,523		
7,090			• Council Dwellings		303,034		
39,767			• Other Land and Buildings		7,981		
3,602			• Vehicles, Plant, Furniture & Equipment		44,250		
	833,571		• Infrastructure assets		3,858		
			• Community assets			1,498,646	
	35,599		NON OPERATIONAL ASSETS			65,248	
		869,170	TOTAL FIXED ASSETS				1,563,894
6,317			• Deferred Charges	2	8,280		
3,327	9,644		• Long Term Debtors	7	2,485	10,765	
		878,814	TOTAL LONG TERM ASSETS				1,574,659
372			CURRENT ASSETS				
40,087			• Stock	8	388		
(7,135)			• Debtors	9	49,034		
182,846			Less: Provision for Bad Debts		(9,161)		
46	216,216		• Investments - Short Term	10	187,088		
			• Cash at Bank		51	227,400	
		1,095,030	TOTAL ASSETS				1,802,059
(7,299)			CURRENT LIABILITIES				
(48,587)			• Receipts in Advance	11	(11,758)		
(4,642)			• Creditors	12	(40,111)		
	(60,528)		• Cash Overdrawn		(11,691)		
		1,034,502	TOTAL ASSETS LESS CURRENT LIABILITIES			(63,560)	
		(8,087)	PROVISIONS	13			(8,840)
		(711)	DEFERRED LIABILITIES	14			(695)
		(32,015)	GOVERNMENT GRANTS DEFERRED				(44,737)
		(3,245)	DEFERRED CAPITAL RECEIPTS				(2,413)
		(60,490)	PENSIONS LIABILITY	20			(117,978)
		929,954	NET ASSETS				1,563,836
		537,086	REPRESENTED BY:				
		286,194	FIXED ASSET RESTATEMENT ACCOUNT				1,197,346
		105,608	CAPITAL FINANCING ACCOUNT				321,275
		61,556	USABLE CAPITAL RECEIPTS RESERVE				105,988
		(60,490)	FINANCIAL & SPECIFIC RESERVES				57,205
		929,954	PENSIONS RESERVE	20			(117,978)
							1,563,836

*** Note to the Consolidated Balance Sheet**

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. INFORMATION ON ASSETS HELD

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

2. DEFERRED CHARGES

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

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

3. **CAPITAL EXPENDITURE AND FINANCING**

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

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

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

4. **CAPITAL COMMITMENTS**

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

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

5. MOVEMENT OF FIXED ASSETS 2004/2005

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

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

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

6. REVALUATION OF FIXED ASSETS

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

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

7. LONG TERM DEBTORS

- **Deferred Capital Receipts:-**

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

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

- **Other Mortgage Advances:-**

Mortgages advanced for the purchase of Private Dwellings

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

TOTAL LONG TERM DEBTORS	3,327	2,485
--------------------------------	--------------	--------------

8. STOCK

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

9. DEBTORS

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

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

10. SHORT-TERM INVESTMENTS

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

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

The Council does not have investments in any related companies.

11. RECEIPTS IN ADVANCE

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

12. CREDITORS

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

13. PROVISIONS

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

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

14. DEFERRED LIABILITIES

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

15. LONG TERM BORROWING

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

16. NET ASSETS EMPLOYED

Net assets employed are analysed as follows:-

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

17. TRUST FUNDS

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

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

18. OTHER MATTERS

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

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

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

19. RESERVES AND BALANCES HELD BY SCHOOLS UNDER DELEGATED SCHEMES

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

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

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

20. PENSIONS LIABILITY

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

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

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

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

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

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

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

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

PENSIONS LIABILITY (Continued)

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

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

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

Analysis of Total Recognised Gains and Losses:

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

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

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

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

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

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

PENSIONS LIABILITY (Continued)

Movement in Surplus / Deficit in the Year:

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

History of Experience Gains and Losses:

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

21. EURO COSTS

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

22. PRIVATE FINANCE INITIATIVE

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

23. FINANCE AND OPERATING LEASES

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

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

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

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

24. SPECIFIC REVENUE RESERVES

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

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

STATEMENT OF TOTAL MOVEMENTS IN RESERVES 2004/2005

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

Notes

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

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

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

PURPOSE OF RESERVES

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

CASH FLOW STATEMENT

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

NOTES TO THE CASH FLOW STATEMENT

1. RECONCILIATION OF REVENUE CASH FLOW

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

2. MOVEMENT IN CASH & CASH EQUIVALENTS

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

3. ANALYSIS OF GOVERNMENT GRANTS ETC.

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

PENSION FUND ACCOUNT

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

Return On Investments

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

PENSION FUND NET ASSETS STATEMENT

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

NOTES TO THE PENSION FUND ACCOUNTS

1. OPERATIONS AND MEMBERSHIP

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

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

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

Membership Numbers

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

2. ACCOUNTING POLICIES

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

3. ACTUARIAL POSITION

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

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

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

The key financial assumptions are set out below:

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

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

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

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

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

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

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

4. PURCHASE AND SALE OF INVESTMENTS

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

5. FUND MANAGERS

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

6. STOCK RELEASED TO THIRD PARTIES

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

7. STATEMENT OF INVESTMENT PRINCIPLES

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

8. FURTHER ANALYSIS OF INVESTMENTS

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

Auditors' Report to the London Borough of Barking and Dagenham

Auditors' Report to the London Borough of Barking and Dagenham

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

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

Respective Responsibilities of the Chief Financial Officer and Auditors

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

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

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

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

Basis of audit opinion

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

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

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

Opinion

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

Opinion on the pension fund accounts

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

Certificate

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

Signature:

Date:

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

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

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

Signed:

Councillor J.E. Davis,

Chair of the Assembly

Chair of the Assembly on the 27th July 2005

Dated: