Explanatory Foreword

The Council's draft accounts for the year 2014/15 consist of the following pages:

Introduction and Overview of the year 2014/15

This foreword has been prepared to provide a summary of the overall financial performance and financial management of the Council. The accounts have been prepared in line with the guidance prescribed to the Council under International Financial Reporting Standards (IFRS) to enable consistent reporting across local authorities, the wider public sector and private sector organisations. As a result of complying with these requirements, the statements that follow are less accessible to the lay reader than is desirable and therefore it is recommended that they are read alongside the Council's financial outturn report to Cabinet which more succinctly captures the Council's financial position. It is also why this foreword seeks to draw out the key items within the statements and to put them into context.

Core Financial Statements

The accounts provide four core financial statements:

- The Movement in Reserves Statement, showing usable and unusable reserves;
- The Comprehensive Income and Expenditure Statement, summarising all of the monies received and spent by the Council;
- The Balance Sheet, reflecting what the Council owns and owes; and
- The Cash Flow Statement, summarising where cash was generated or spent.

Each core financial statement includes a short summary describing its purpose within the Statement of Accounts with references to additional notes, which provide further information and explanation. The accounting policies adopted by the Council are more fully explained on pages 26 to 44.

Our Financial Health

The overall financial health of the Council has remained relatively stable over the last twelve months. The Council made a number of difficult savings decisions in the context of its main objective of aiming to protect front line services wherever possible and making our support services even more efficient. The changes made in this last year will ensure that the Council is able to manage the significant reductions in our income streams and remain financially stable.

Following the completion of the audit of the Statement of Accounts 2013/14, the General Fund balances were confirmed as increasing to £27.1m. Given the ongoing uncertainty in the Council's key income sources, the General Fund balance held is an important resource to cushion some of the fluctuations in our resources. In accordance with CIPFA's guidance on local authority reserves and balances, the Chief Finance Officer set a target for the General Fund balance of £15.0m.

In the challenging economic climate with continuing funding reductions and with a growing and more demanding population, the Council continued to be committed to maintaining stringent expenditure control measures and reducing the level of spend within the Council. This will enable it to manage both the growing financial and operational risks, and to provide the right level of services to its residents.

The General Fund

The overall General Fund balance decreased to £26.0m as a result of a net overspend of £0.07m in 2014/15 against a net budget of £165.3m, which included the budgeted use of £1m from reserves. The table below shows the effectiveness of expenditure control during the year and reflects the commitment of the Council to meet the needs of the community within available resources. The main overspend was in Children's services, mitigated by underspends in other service areas.

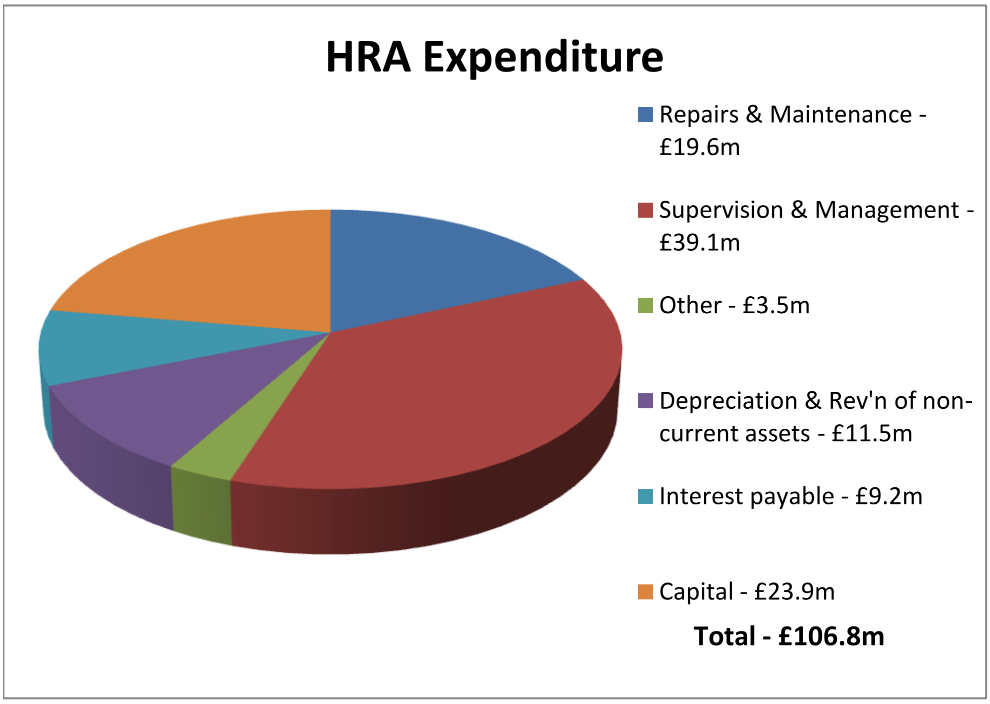
Service Directorate net expenditure and (under)/over spend	**Over/ (under) spend 2013/14**	**Total Net Expenditure 2014/15**	**Over/ (under) spend 2014/15**
	£000	**£000**	**£000**
Adult & Community Services	(1,007)	51,295	(1,283)
Children's Services	0	66,984	4,892
Housing & Environment	97	23,008	(218)
Chief Executive's	(694)	18,940	(529)
Central Expenses	(2,845)	9,908	(2,792)
Central Expenses – Budgeted Surplus	(5,234)	0	0
Total	**(9,683)**	**170,135**	**70**
Non operational expenditure		(9,908)	
Net Departmental Expenditure	See note 29	**160,227**	

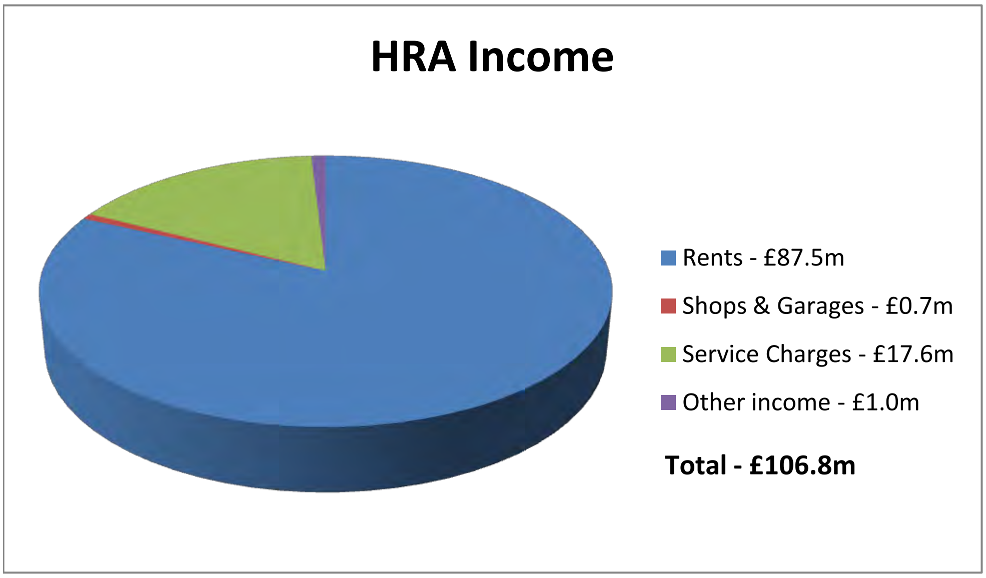
Further information on the Council's overall expenditure is set out in Note 29.

The Housing Revenue Account

The Housing Revenue Account (HRA) is a ring-fenced account which shows how much the authority spends on providing, maintaining and managing Council owned flats and houses. Any money spent on looking after our Council housing has to be paid for by the tenants or leaseholders. Following the abolition of the HRA subsidy system, from April 2012, the Council has had greater flexibility in the maintenance and development of the housing stock. This has allowed the Council to increase expenditure on improving the quality of the stock and invest in new build projects. The HRA had turnover of £106.8m and delivered a breakeven position, therefore, the working balance for the HRA remains at £8.7m

Chart 3 & 4 – Where our HRA income came from and where it was spent





Capital Programme

The Council spent £128.9m on capital projects in 2014/15, including General Fund and HRA work, as summarised in the following table:

Summary of Capital Expenditure by Directorate	Original Budget 2014/15	Revised Budget 2014/15	Actual 2014/15	Comparison to Revised Budget
	£'000	£'000	£'000	£'000
Adult & Community Services	10,056	10,451	9,487	(964)
Children's Services	30,098	27,632	29,953	2,321
Housing and Environment	5,103	5,492	3,887	(1,605)
Chief Executive	7,901	9,139	6,995	(2,144)
Housing Revenue Account	100,808	90,439	78,544	(11,895)
Total	**153,966**	**143,153**	**128,866**	(14,287)

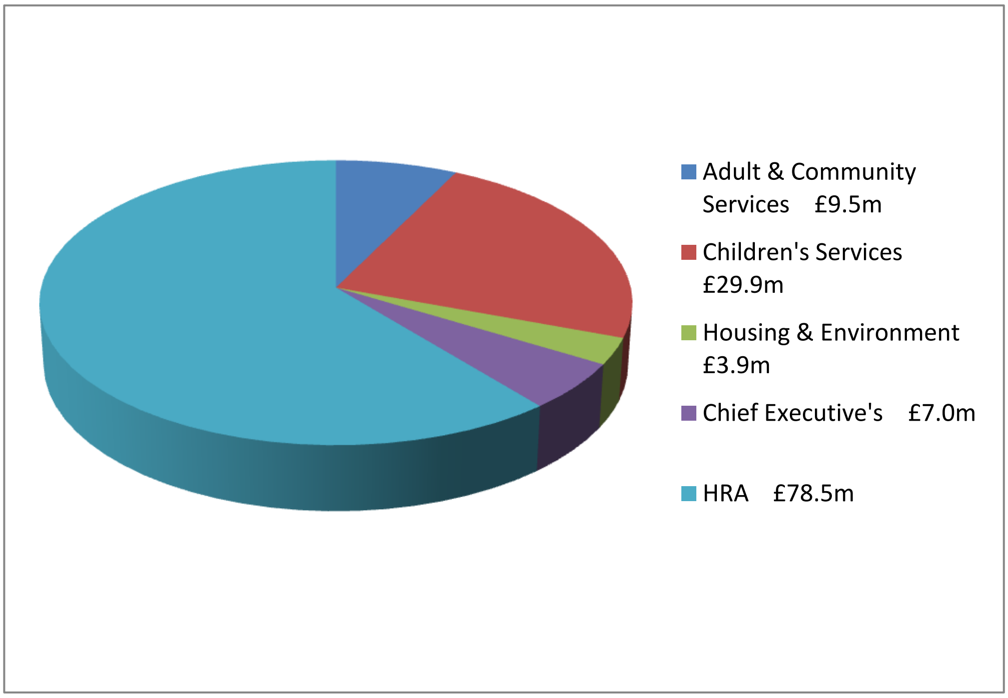
Major schemes included:

- Maintaining, refurbishing and constructing council homes £78.5m
- Building, expanding and improving primary and secondary schools £29.9m
- Barking Leisure Centre £7.3m.
- Highways improvement programme £2.4m

The programme was funded by external grants (mainly from central government), revenue contributions, capital receipts and S106 contributions.

The Council started the year with a very ambitious capital programme, particularly in relation to housing and schools, and this was revised throughout the year to more accurately reflect the capacity to deliver projects. The reason for spend being below budget at year end was mainly due to the early stages of projects taking longer than anticipated.

Chart 4 - Breakdown of capital spend



Pension Fund

Overall 2014/15 was a good year for the Fund's investments, with a net return of 12.8%, which is significantly higher return than the actuaries return expectation for the Fund of 4.7%.

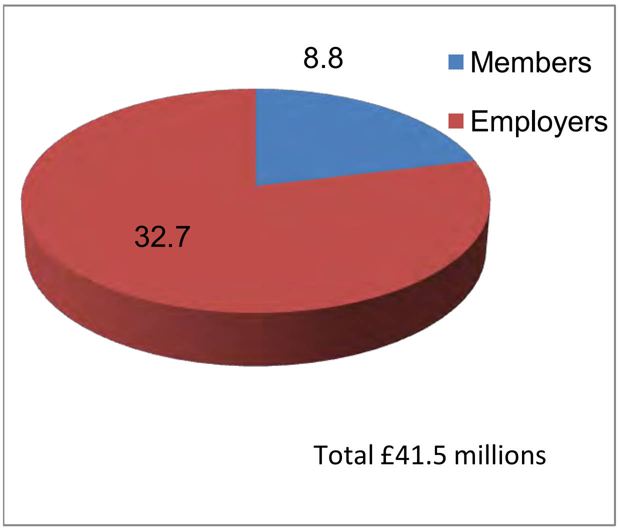
During the year the Fund sought to diversify its asset allocation by moving 7% of its holdings from equities and cash and invested in a range of diversified alternatives, including Hedge Funds and Private Equity. The investment in alternatives will further improve the diversification of the Fund whilst still achieving the Fund's target return.

Although investment returns were good during the year, the value of the Fund's liabilities increased significantly due to the continued decrease in discount rate used to value the liabilities.

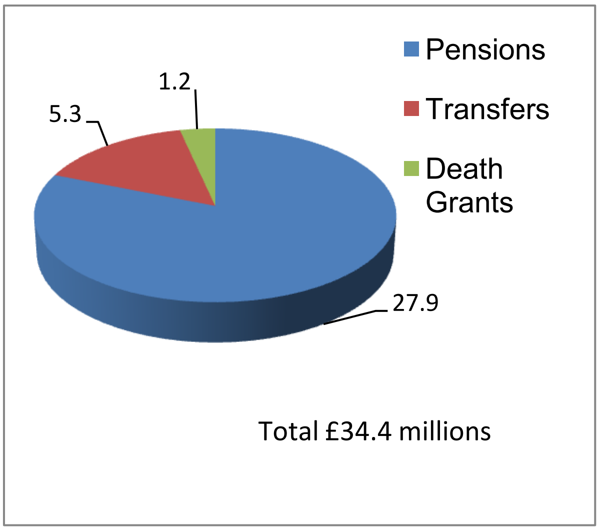
A number of academies were included as scheduled bodies during the year, including Thames View Junior, Warren Academy, Sydney Russell and Dorothy Barley. A Free School, Goresbrook, was also admitted as a scheduled body during the year. No new admitted bodies joined the scheme. The total number of active and closed employers within the fund was 23 at year end.

The contributions from, and payments to, members are summarised in the chart below

Pension Contributions Received



Pensions Paid



Looking Forward

During February 2015, the Council's Assembly agreed a balanced budget for 2015/16 and 2016/17. The demographic challenges, large funding reductions combined with the legislative changes arising from the Care Act 2014 and Children and Families Act 2014, have created significant financial pressures for the next few years. The Council will be required to implement and deliver significant savings over the next two years whilst embarking on an ambitious agenda for growth and transformation of the borough.

Due to the lack of certainty of future funding reductions, the Council is estimating budget cuts of 8-12% for 2016/17 and 2017/18 respectively. Overall, depending on the final grant settlement, the Council will need to find savings or identify alternatives sources of income of between £55m and £100m. The Treasury announced in June that there would be further cuts of up to £3bn to unprotected public services during 2015/16 which could result in the Council having to find in-year savings. The level of funding reductions are expected to be announced in the emergency budget in July.

These are challenging times for the Council. It can, however, face that challenge from a position of good financial health and the current level of reserves and balances will provide the Council with some flexibility on how that reduction is achieved or may be used to invest in the redesign of services for the community.

Jonathan Bunt

Chief Finance Officer
30 June 2015

Annual Governance Statement

Introduction

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

Part of this statement therefore explains how the London Borough of Barking and Dagenham (LBBD) currently meet the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the review of effectiveness of its system of internal control.

Coupled with these requirements is the need for a wider statement which indicates the degree to which the council's governance arrangements follow the six core principles set out in 'Delivering Good Governance in Local Government' which was published by CIPFA/SOLACE in 2007.

The CIPFA/SOLACE six core principles are that the Council in its activities:

i. Focuses on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;

ii. Has Members and officers working together to achieve a common purpose with clearly defined functions and roles;

iii. Promotes values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

iv. Takes informed and transparent decisions which are subject to effective scrutiny and managing risk;

v. Develops the capacity and capability of Members and officers to be effective;

vi. Engages with local people and other stakeholders to ensure robust accountability.

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

1. **This Annual Governance Statement (AGS)**:

There are four Sections in this AGS:

Section 1 sets out the scope of responsibility and the purpose of the governance framework;
Section 2 describes the key elements of the systems and processes that comprise the Council's governance arrangements;
Section 3 presents the review of effectiveness of the Council's governance arrangements;
Section 4 sets out any significant governance issues that need to be addressed.

Section 1

Scope of Responsibility

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

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

The Purpose of the Governance Framework

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

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives (without a significant increase in resources and control functions) and can therefore only provide reasonable and not absolute assurance of effectiveness.

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

The governance framework has been in place for the year ended 31 March 2015 and up to the date of approval of the audited Statement of Accounts.

Section 2

Key elements of the systems and processes
These are described in more detail below:

a) Vision and Purpose

The new vision and priorities for the London Borough of Barking and Dagenham (LBBD) represents a shared vision for the borough and sets out our role in place shaping and enabling community leadership within the context of a significantly reducing budget. They have been developed to reflect the changing relationship between the Council, partners and the community,

Our vision for the borough:

One borough; one community;
London's growth opportunity

Our priorities:

Encouraging civic pride

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

Enabling social responsibility

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

Growing the borough

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

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

The Corporate Delivery Plan is a key document to ensure the Council has a co-ordinated approach to delivering the vision and priorities, and makes best use of the limited resources available. The plan sets out the priority projects and KPIs that are monitored as part of a quarterly report to CMT and Cabinet and every six months to PAASC. The priority projects have been identified in consultation with Cabinet members, and represent projects that are integral to the delivery of the overall priorities and running of the Council. KPIs have also been developed to monitor performance of frontline services.

b) Performance Management

The performance management framework was part of the process of demonstrating how effective the actions being taken were and assisted in monitoring how the Council's strategies were being translated into action plans and outcomes. It also helped to identify if any risks were materialising when indicators did not show the level of progression anticipated. The performance management framework was (and is) therefore instrumental in identifying and mapping continuous improvement of services across the Council.

The corporate performance management framework is set out in the corporate delivery plan. This is a key document to monitor progress and delivery of the vision and priorities. Progress for the KPIs and priority projects set out in the corporate delivery plan are reported quarterly to CMT and Cabinet and every 6 months to the Public Accounts and Audit Select Committee (PAASC). In addition to this each service produced a business plan setting out the service level objectives, actions to achieve the objectives, contribution to the vision and priorities, budget, risks etc. The business plans, service level objectives and KPIs are monitored at DMTs. The final piece for performance management is individual objectives. The actions required to deliver business plan objectives were reflected in team and individual plans forming the basis for annual and interim appraisals. Appraisals were scored to reflect individual performance and contribution towards the delivery of the Council's priorities. Regular team meetings and one-to-ones supported the monitoring of delivery. Corporate quarterly monitoring provided senior managers and Members with an overview of the Council's direction of travel.

There were a number of Programme Boards, each chaired by a Director and supported by programme managers, which met monthly and an escalation process associated with issues and risk management. Each Programme Board provided a highlight report to the Corporate Management Team (CMT). They examined whether that process could be streamlined and made appropriate adjustments. Both the Cabinet and CMT monitored performance information on a quarterly basis. Performance was considered at least monthly by Directors at directorate management team meetings and by Members through portfolio meetings and partnership theme boards.

The Council operated an overview and scrutiny function, which allowed Members to challenge decision makers, scrutinise performance, review important policies and advocate on behalf of the community. The Council delivered its overview and scrutiny function through five Select Committees:

Children Services Select Committee;

Health and Adult Services Select Committee;

Living and Working Select Committee;

Public Accounts and Audit Select Committee;

Safer and Stronger Communities Select Committee.

Select Committees chose topics for scrutiny that support the delivery of Council priorities. They exercised Members' statutory right to 'Call In' formal decisions of the Cabinet; they contributed to Council policies during their development stage; and they held key partners such as the health and police services to account for their local performance. Select Committees produced reports on their findings, submitting them to the appropriate committee or body for action.

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

Furthermore autumn 2014 saw the publication of a Peer Review carried out by the Local Government Association (LGA). Its recommendations were accepted and action plans drafted and implemented.

c) Council Constitution & Rules and Regulations

The Constitution sets out the roles and responsibilities of officers and Members. It provides details about how decisions were made and who could make them. It also contains the rules for managing our finances and resources effectively. The Strong Leader and Cabinet model provided clear accountability, effective leadership and decision making that drove forward service delivery. The Assembly retained some strategic decision making powers such as the budget framework.

Where key decisions were due to be made the Council published details in the Forward Plan prior to the decision making meeting. Those meetings were open to the public unless exclusion was necessary for reasons of confidentiality under the Local Government Act 1972. The Monitoring Officer ensured that the Constitution was reviewed at least annually. In the last year achievements have been made in terms of:

- Updating financial procedure rules;
- Introducing a budget setting framework;
- Reviewing overview and scrutiny report procedures;
- Updating general meeting procedures;
- Responding to legislative changes to the ethical governance and standards frameworks;
- Addressing concerns about the clarity and robustness of the scheme of delegation;
- Clarifying Members' roles in representing the Council on outside bodies;
- Making the structure clearer and simpler to use.

The Council's rules and regulations formed part of the Constitution and there was a scheme of delegation for officers. This stated who was authorised to make decisions in particular areas. Alongside this, the Council had financial regulations which provided details of officers' responsibilities relating to income, expenditure, internal control, risk management and partnerships. To support officers when they made purchases, the Council developed a code of procurement practice. These were all kept under review with a number of mechanisms in place to ensure compliance.

The Council has the following statutory officers: Chief Executive (Head of Paid Service), the Chief Finance Officer (Section 151 Officer) and Head of Legal and Democratic Services (Monitoring Officer), each of whom has the power to refer matters to Assembly if a breach of any regulation has occurred or was anticipated. The Council must also appoint a Director of Education and a Director of Adult Social Services role which is currently filled by the Corporate Director of Children's Services and Corporate Director of Adult and Community Services respectively. A Director of Public Health is in post and this has been a statutory position since April 2013 with the transfer of Public Health to the Authority.

The Council's financial arrangements fully conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Chief Financial Officer (CFO) is a key member of the Corporate Management Team. The CFO was responsible for the proper administration of the Council's financial arrangements and led a fully resourced and suitably qualified finance function. The CFO was actively involved in and able to bring influence to bear on all material business decisions to ensure immediate and long term implications, opportunities and risks, were fully considered and in alignment with the Medium Term Financial Strategy.

d) Risk Management

Risk management is essential for the Council to be effective in realising its priorities and was well embedded within the Council in 2014/15. It promoted innovation in support of strategic objectives - opening the door to the possibility of taking risks to achieve positive outcomes. Proper risk assessment enabled informed decisions about the challenges and risks to be taken on and the mitigation of any impacts. It also helped the Council to target its resources to achieve the best possible results with value for money in resources used.

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

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

In January 2012, the Risk Management Policy, Strategy and Framework were revised to be more explicit about Cabinet responsibilities. The strategy stated that 'the Council will maintain a culture of risk awareness across the organisation driven by a 'top down and bottom up' approach, and raise the awareness of the need for risk management by all those connected with the delivery of services.' It strengthened the Risk Management Framework, with the explicit appointment of a Lead Portfolio Holder for Risk. This role is being undertaken by the Cabinet Member for Finance with Portfolio Holders taking political responsibility for risk in their portfolios as they had previously been doing. This approach continued in 2014/15 and was reaffirmed in the review of the Risk Management Policy, Strategy and Framework undertaken and agreed in March 2014.

The Public Accounts and Audit Select Committee (PAASC) was responsible for 'monitoring the effective development and operation of risk management', as defined in the Council's Scheme of Delegation. This was undertaken via a quarterly Corporate Risk report from the Corporate Management Team (CMT). The Chief Finance Officer was designated the risk management champion, signalling the importance of risk management, underpinning good governance. CMT provided strategic leadership of corporate risk management, setting the tone for the whole risk management framework. That supported the expectation that effective management of risk was 'part of the day job' underpinning day to day decision making, service delivery and ultimately delivery of outcomes and benefits for the community.

Directorate Management Teams (DMTs) monitored and oversaw their service risks and individually and collectively acted as an escalation channel up to CMT, and in receiving points raised from within services. Risks were assessed in terms of likelihood and impact, with ratings from 1 to 4 being used to measure both values, and this methodology was used consistently across the Council registers. This solid foundation of Risk Management principles helped to protect staff, the Council's reputation and enabled delivery in a way that allowed the Council to move forward.

Risk Management is currently a shared service with Thurrock Council. By working as a shared service there is greater opportunity to become aware of potential risks and potential mitigating strategies

e) Codes of Conduct

The Council had a code of conduct for officers supported by a requirement to make declarations of interest and to declare gifts and hospitality. Interests had to be declared by officers above a certain grade and those in certain decision making and procurement positions. Officers were generally recommended to decline gifts and hospitality to ensure that officers were not inappropriately influenced. These codes and processes were made available to staff at their induction, they were on the intranet and online training was available to ensure every staff member understood their responsibilities.

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

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

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

The Localism Act 2011 required revision to the Standards Committee which is now chaired by a Council elected Member and composed of elected Members. Complaints are managed by the Monitoring Officer who determines according to the Complaints Procedure whether matters should be reported to the Standards Committee for full investigation. Complaints are then considered by a sub-committee established by the Standards Committee for that purpose.

The Council's Standards Committee continued to oversee adherence to the Code of Conduct for Members, handled any complaints under this and also monitored compliance with employee related Codes of Conduct. All policies and protocols relating to Members and officers as well as members of the public who volunteer to undertake Council activities were reviewed on an annual basis. Members reviewed and monitored compliance with the Anti-Fraud and Corruption Policy and Strategy, Benefits Fraud Policies and the Code of Corporate Governance.

f) Whistle-blowing and Members Complaints Process

The Council has a robust whistle blowing procedure which was actively promoted within the Council. The whistle blowing policy was reviewed and updated during the course of last year. Complaints against Members were handled in confidence and according to a strict timetable and procedure. Where complaints were upheld, appropriate action was undertaken. The Standards Committee reviewed complaints made, patterns and outcomes on an annual basis.

g) Training and Development

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

The Member Development Programme was overseen by the Member Development Group. This is comprised of Members from Cabinet and a range of different boards and committees to ensure any new learning needs are quickly noted and addressed. A full programme of induction and follow-up training and briefings were arranged for all Members. There were a mix of skills-based and knowledge based sessions. There was a detailed process for inducting the newly- elected Mayor and Cabinet. This included the use of peer mentors for the Cabinet and the opportunity for all members to develop a personal development plan.

Cabinet Members were offered the opportunity to attend the full Local Government Group (LGG) Leadership Academy Programmes which are designed specifically for Councillors. In addition newly-elected Councillors were offered the opportunity to attend introductory Leadership Academy residential weekends. There was a designated officer who co-ordinated the development programme and assessed training needs. Training was supplemented through written briefings from London Councils and senior officers and access to the Council‟s suite of e-learning programmes.

All Select Committees had training as part of their induction agendas and agreed specific training during the year in order to remain current. Training was provided for Members of all quasi-judicial boards, some of which was assessed. Finally, the borough was reaccredited with the London Member Development Charter in July 2012. This is a nationally recognised structured quality framework which assesses the processes, impact and effectiveness of member development.

Following on from an LGA Peer Review, a review of the role of elected members as community leaders has commenced with Members training and development to address this and specifically consider Member roles in building civic pride and social responsibility in the community.

h) Communication and Engagement

The Council published numerous documents on its website as well as providing a press release service for local newspapers to engage with and inform members of the public. Consultation exercises were publicised and enabled via the website, as well as through more traditional routes such as surveys and focus groups. . There was also significant public consultation on the budget proposals in the autumn of 2014 with online consultation, consultation with partner organisations, six public meetings, and discussions in Select Committees.

i) Partnerships

The Council has four key partnership boards, which are aligned to the community strategy priorities. The partnership boards each have their own strategic plans, identifying their aims to deliver the Community Strategy priorities and improve the borough. They are responsible for monitoring performance, ensuring appropriate partnership representation and where relevant meeting legislative requirements. The four boards are:

Children's Trust - is responsible for delivering the Children and Young People's Plan for the borough and has a commissioning role. Partners shared knowledge and resources effectively to overcome challenges and to ensure that the voices are heard and the needs are met of the children, young people and families in the Borough;

Community Safety Partnership - Together the partners address complex issues and have worked openly to develop and implement solutions to create a safer, stronger and more cohesive borough with reduced levels of crime;

Health and Wellbeing Board – HWB Boards were established under the Health and Social Care Act 2012 and became statutory in April 2013. The board is a forum where key leaders from the Barking and Dagenham health and social care system work to improve the health and wellbeing of local residents and reduce health inequalities. The members of the boards work together to understand the needs of the local community and have an agreed set of priorities which they are working towards – these are outlined in the borough's Health and Wellbeing Strategy.

Skills, Jobs and Enterprise Board – delivers partnership work in three streams; skills, employment and youth; enterprise and business support; and, sustainable regeneration. The Board works to deliver a number of plans including the Economic Development Single Programme, the Economic Regeneration Strategy and the Board's Delivery Plan.

The Council entered into a formal partnering arrangement with Agilysis in December 2010 to form the Elevate East London joint venture. Elevate runs a number of key council services and has been a hub for further services. Governance arrangements are in place for the partnering agreement including: a Strategic Partner Board influencing the strategic direction of the partnership and a Client Function responsible for managing the performance of the contract for each of the services being delivered by Elevate to the Council.

The Council also had important partnership arrangements with the local NHS, in particular building relationships with the Clinical Commissioning Groups as part of the new health arrangements. There were also partnership arrangements with the Police, Probation and Youth Justice Services to help to meet the targets for reducing crime and making Barking and Dagenham a safer and stronger community.

a governance guarantee was drawn up and agreed by both councils in previous years . The arrangements for a shared Chief Executive, Director of Growth and Strategy team were ended in the year.

j) Schools

The governance of maintained Schools is the responsibility of appointed Governing Bodies. The Governing Body role involves setting, monitoring and evaluating progress toward achievement of strategic aims and objectives, whilst optimising their use of financial and other resources.

The Council's role is to monitor and support the school Governing Body in achieving its role, and to intervene where necessary e.g. where a school falls into deficit. The Ofsted inspection of the Local Authority School Improvement arrangements in November 2014 stated 'the local authority knows the strengths and weaknesses of governing bodies well. Governors welcome being held to account via the Members' Ofsted Report Panel, which is a robust scrutiny panel and through the annual Director's Challenge Meetings. One Interim Executive Board is in place in 2014/15 which replaced a governing body.

k) Counter Fraud

The Authority has dedicated Corporate Fraud, Social Housing Fraud and Housing Benefit teams. Each team follows the latest best practice including implementing the national counter fraud standards. Their work is underpinned by council policies to promote and enforce zero tolerance and ensure robust mechanisms are in place to acknowledge the risks of fraud, prevent its occurrence and pursue cases, apply appropriate sanctions & recover any losses.

l) Audit Committee

The Public Accounts & Audit Select Committee (PAASC) undertook the functions of the Council's Audit Committee. Principally, this was to oversee and improve the Council's governance and regulation, assurance and risk management, fraud and corruption prevention, performance and compliance, sound financial management to achieve value for money; and transparency and open government.

A consolidated Audit & Counter Fraud Report is presented to PAASC periodically to assist it in undertaking these functions. The outcomes from PAASC are reported annually to the Assembly.

Section 3

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. Assurance on the review of effectiveness is informed by a range of evidence, both internal and external, including: the work of relevant Corporate and Divisional Directors responsible for the development and maintenance of the governance environment; the Head of Audit's annual report; comments made by the external auditors; and comments by other review agencies and inspectorates.

Divisional Directors were invited to complete standard statements addressing governance issues in their areas. The results were then communicated to the relevant Corporate Director who used these and other sources of assurance to complete a statement in relation to governance within their Department.

As part of the Head of Audit’s annual report, an opinion was given on the Council’s internal control framework. The Head of Audit drew upon a wide range of assurance sources to help inform this opinion; including testing of the key controls in the Council‟s major financial systems and the wider programme of audit and corporate anti-fraud work.

Based on the work undertaken during the year and the implementation by management of the recommendations made, internal audit were able to provide reasonable assurance that the systems of internal control were operating adequately and effectively. The opinion of the Head of Audit was therefore that overall the control environment was adequate.

It is a statutory requirement that the Council undertakes a review of the effectiveness of Internal Audit at least annually. To this end, a self assessment was undertaken against best practice which was considered and agreed by PAASC in March 2014.

Section 4

Significant Governance Issues

In the light of evidence reviewed in relation to 2014/15 it is confirmed that the Council’s governance arrangements are robust, that the Council’s values, ethical standards, laws and regulations are being complied with, that financial statements and other published performance information are accurate & reliable, and that human, financial, environmental and other resources are managed efficiently and effectively. In line with operational corporate risks currently rated red, the following areas are actively being strengthened.

Information Assurance (Corporate Risk 10) The pace of change of service delivery models, information technology and the ever present threat of external attack means that Information Assurance continues to be an area for concern. The Authority is seeking to strengthen processes in a challenging environment.

Asset Management (Corporate risk 23) The Council’s formal corporate asset management strategy has not been updated for a number of years and much of the staffing capacity has been located in service areas, e.g. housing, education. A draft Corporate Asset Management Strategy has been drafted and the return of Property Services to the Council from Elevate provides the opportunity to reorganise the corporate resources for the future.

In addition, the following amber rated operational corporate risks are being closely monitored going forward:

IT System (Corporate Risk 4) The Authority is dependent on IT Systems for the majority of services it offers. The systems are evolving to reflect the changing needs of both these services and the Council as a whole with significant savings identified for IT systems in 2015/16 and beyond.

Compliance (Corporate Risk 6) The authority is introducing new systems such as e-tendering which give increased control and clarity over events in the procurement process. The need to ensure that all actions are within the constitution and the authority's rules and procedures is a constant, especially in the light of the report of events at a neighbouring authority.

Customer Demand (Corporate Risk 16) Reduced public sector finances, together with increasing demographic demand, mean that the Council's ability to meet customer expectations could become increasingly challenging. The Council is developing its digital services offer to enable it to meet future customer needs.

In accordance with the Council's Risk Management Strategy and processes, action plans are in place, and periodically reviewed and updated, to address these areas in conjunction with the relevant Cabinet Member Portfolio Holder. Progress is reported to and scrutinised by Corporate Management Team (CMT) and Members of PAASC on a periodic basis.

Opinion of the Chief Executive and Leader of the Council

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the CMT and the Public Accounts and Audit Select Committee, and the ongoing work to ensure continuous improvement of the system is in place. We look forward to working more closely with all organisations in the community, public, private and voluntary sectors to strengthen our local communities and increase prosperity.

Signed:

Councillor Darren Rodwell
Council Leader
September 2015

Signed:

Chris Naylor
Chief Executive
September 2015

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

The Chief Finance Officer's Responsibilities

The CFO is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code). In preparing this Statement of Accounts, the CFO has:

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

The CFO has also:

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

Statement of the Chief Finance Officer

I certify that the Council's Statement of Accounts represents a true and fair view of the financial position of the Council at the accounting date and of its income and expenditure for the year ended 31 March 2015.

Signed:

Chief Finance Officer
28 September 2015

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

We have audited the financial statements of London Borough of Barking and Dagenham for the year ended 31 March 2015 on pages 26 to 159. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's, the Group's and the Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2015 and of the Authority's and the Group's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2015 and the amount and disposition of the fund's assets and liabilities as at 31 March 2015 and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 8 to 20 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

Conclusion on London Borough of Barking and Dagenham's arrangements for securing economy, efficiency and effectiveness

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, London Borough of Barking and Dagenham put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Delay in certification of completion of the audit

Due to work on the WGA Return not being completed by the 30 September 2015

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

Due to matters brought to our attention by a local authority elector

Furthermore we cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by a local authority elector relating to 2013/14. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Philip Johnstone
for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants
KPMG
15 Canada Square
Canary Wharf
London
E14 SGL

30 September 2015

Statement of Accounting Policies

1. General Principles

The Statement of Accounts provides a true and fair view of the Council's transactions for the 2014/15 financial year and its financial position at the year end of 31 March 2015. The Council is required to prepare its annual Statement of Accounts by the Accounts and Audit Regulations 2011 which require the accounts to be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice for Local Authorities 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

2. Accruals of Income and Expenditure

The activities of the Council are accounted for in the year in which they take place not simply when cash payments are made or received. Specifically:

- Revenue for the sale of goods is recognised when the rewards and risks of ownership are transferred to the purchaser and it is probable that the economic benefit or service associated with the transaction will flow to the Council;

- Revenue from the provision of services is recognised when the percentage of completion of the transaction can be reliably measured and it is probable that economic benefits or service associated with the transaction will flow to the Council;

- Supplies are recorded as expenditure when they are used. Where there is a delay between the date supplies are received and the time they are used, they are held as inventories on the Balance Sheet;

- Expenses in relation to services received (including those provided by employees) are recorded as expenditure when the service is received rather when payment is made;

- Interest receivable from investments or payable on borrowings is accounted for as income or expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows determined by the contract;

- Where revenue or expenditure has been recognised but cash has not been received or paid a debtor or creditor for the relevant amount is recorded in the Balance Sheet;

- Where debts may not be settled, the balance of debtors is reduced and a charge made to revenue for the income which might not be collected; and

- The above policies are applied in an appropriate manner to avoid material misstatement in the financial statements. For the financial year 2014/15 a de minimis of £10,000 was applied to both debtors and creditors.

3. **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than twenty four hours. Cash equivalents are investments that mature within 3 months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

4. **Exceptional Items**

When items of income or expenditure are material, their nature and value is disclosed separately on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts.

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

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

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

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

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

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

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

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

7. **Employee benefits**

a) **Benefits Payable During Employment**

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

An accrual is made for the cost of annual leave entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services (page 49), but then reversed out through the Movement in Reserves Statement (page 47) so that annual leave benefits are charged to revenue in the financial year in which the absence occurs.

b) **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the relevant service in the Comprehensive Income and Expenditure Statement, when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

c) **Post Employment Benefits – Teachers' and NHS Pensions**

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

the Department for Education (DfE);

· The NHS Pension Scheme and

· The Local Government Pensions Scheme, administered by London Borough of Barking and Dagenham Pension Fund.

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

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

d) **The Local Government Pension Scheme**

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 3.2% based on the indicative rate of return on high quality corporate bond (rated AA or above).

Council are included in the Balance Sheet at their fair value:

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

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

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

Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the London Borough of Barking and Dagenham pension fund - cash paid as employer’s contributions to the pension fund in settlement of liabilities not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount paid by the Council to the Pension Fund or directly to pensioners in the year, supplanting the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

e) Discretionary Benefits

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

8. Events after the Balance Sheet Date

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

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

9. Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

For loans made by the Council, this means that:

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

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

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

Available for Sale Assets

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

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

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

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

10. Government Grants and contributions

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

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where a grant has not yet been used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it is used, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

11. Heritage Assets

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's policies on property, plant and equipment.

Where assets are deemed to have indeterminate lives and a high residual value the Council does not consider it appropriate to charge depreciation. However, heritage assets with an estimated useful life will be depreciated.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

Any disposals of heritage assets are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

The measurement rules in relation to the various categories of heritage assets are detailed below:

- Art Collections

The Fanshawe art collection at Valence House was valued by an external valuer /auctioneer in 2008 for insurance purposes.

- Museum Exhibits

Other less valuable exhibits at Valence House are valued using the insurance valuation.

- Public Art Displays

There are a number of open air art displays that are valued at historic cost.

- Civic Regalia

Mayoral regalia has been valued using the insurance valuation for these assets.

- Historic Sites

Valence House is a listed building of historic interest to the area and is valued by the Council's appointed surveyors at fair value based on existing use. Other sites such as Barking Abbey ruins are impracticable to value and so are not recognised on the Balance Sheet.

- Statues & Monuments

Statues for which there is historic cost information available have been valued at historic cost. Monuments such as the three war memorials in the Borough's parks are not recognised on the Balance Sheet because it is impracticable to obtain a valuation for these items.

12. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13. Interest in Companies and Other Entities

The Council entered into a joint venture with Agilysis in December 2010 to form the Elevate Partnership, and in 2013 set up a subsidiary company, Barking & Dagenham Reside Ltd. Group Accounts are included in the Financial Statements.

In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

14. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using consistent costing calculations.

15. Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

16. Jointly Controlled Operations and Jointly Controlled Assets

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

17. Leases

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

The Council as Lessee

Finance Leases

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

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

· a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and

· finance income - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

Operating Leases

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

18. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

19. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

· where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or

· where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

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

· Assets with a Current Net Book Value (excluding land element) of less than £2 million will not be considered for componentisation and no components valued below £250,000 will be componentised; and

· Components will be deemed not significant where their Gross Replacement Cost (GRC) is less than 20% of the GRC of the building, or less than £250,000.

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

Assets must be considered for componentisation when:
1) New assets are acquired;
2) Revaluation is carried out; or
3) Enhancement expenditure is incurred

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

20. Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

- fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost - an interest charge of 10.35% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent- increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and
- life-cycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

21. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

22. Reserves

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

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

23. Revenue Expenditure Funded from Capital under Statute

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

24. Value Added Tax (VAT)

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

25. Carbon Reduction Commitment Allowances

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the initial year of its second phase, which ends on 31 March 2019. The authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions i.e. carbon dioxide (C02) produced as energy is used. As C02 is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price (i.e. price per ton) of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

CORE FINANCIAL STATEMENTS

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and council dwellings rent setting purposes. The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2014	27,138	59,788	8,736	7,177	23,004	94,523	21,354	**241,720**	539,902	**781,622**
Movement in reserves during 2014/15										
Surplus /(deficit) on the provision of services (*)	(8,657)		8,857					**200**	-	**200**
Other Comprehensive Income and Expenditure*								**-**	(26,194)	**(26,194)**
Total Comprehensive Income and Expenditure	**(8,657)**	-	**8,857**	**-**	**-**	**-**	**-**	**200**	**(26,194)**	**(25,994)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	12,670		(8,192)		4,986	18,205	(16,523)	**11,146**	(11,146)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**4,013**	**-**	**665**	**-**	**4,986**	**18,205**	**(16,523)**	**11,346**	**(37,340)**	**(25,994)**
Transfers to/(from) Earmarked Reserves (Note 7)	(5,127)	4,264	(665)	667				**(861)**	861	**-**
Increase/(Decrease) in 2014/15	**(1,114)**	**4,264**	**-**	**667**	**4,986**	**18,205**	**(16,523)**	**10,485**	**(36,479)**	**(25,994)**
Balance at 31 March 2015	**26,024**	**64,052**	**8,736**	**7,844**	**27,990**	**112,728**	**4,831**	**252,205**	**503,423**	**755,628**

*as per the Comprehensive Income and Expenditure Statement

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and council dwellings rent setting purposes. The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2013	17,456	51,925	8,461	6,349	15,609	103,627	30,752	**234,179**	529,931	**764,110**
Movement in reserves during 2013/14										
Surplus /(deficit) on the provision of services (*)	(12,354)		18,078					**5,724**	-	**5,724**
Other Comprehensive Income and Expenditure*								**-**	11,788	**11,788**
Total Comprehensive Income and Expenditure	**(12,354)**	-	**18,078**	**-**	**-**	**-**	**-**	**5,724**	**11,788**	**17,512**
Adjustments between accounting basis & funding basis under regulations (Note 6)	29,899		(16,975)		7,395	(9,104)	(9,398)	**1,817**	(1,817)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**17,545**	**-**	**1,103**	**-**	**7,395**	**(9,104)**	**(9,398)**	**7,541**	**9,971**	**17,512**
Transfers to/(from) Earmarked Reserves (Note 7)	(7,863)	7,863	(828)	828				**-**		**-**
Increase/(Decrease) in 2013/14	**9,682**	**7,863**	**275**	**828**	**7,395**	**(9,104)**	**(9,398)**	**7,541**	**9,971**	**17,512**
Balance at 31 March 2014	**27,138**	**59,788**	**8,736**	**7,177**	**23,004**	**94,523**	**21,354**	**241,720**	**539,902**	**781,622**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, which may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net Expenditure £000		**2014/15 Gross Expenditure £000**	**2014/15 Gross Income £000**	**2014/15 Net Expenditure £000**
7,380	(2,338)	5,042	Central Services to the Public	12,245	(7,449)	**4,796**
22,701	(5,714)	16,987	Cultural and Related Services	26,447	(11,320)	**15,127**
12,290	(2,971)	9,319	Environmental and Regulatory Services	19,982	(12,008)	**7,974**
5,375	(1,448)	3,927	Planning Services	5,113	(2,180)	**2,933**
403,761	(319,075)	84,686	Education and Children's Services	404,136	(344,032)	**60,104**
23,049	(7,304)	15,745	Highways and Transport Services	27,959	(13,080)	**14,879**
12,306	(13,111)	(805)	Public Health	13,848	(14,412)	**(564)**
86,801	(108,843)	(22,042)	Local Authority Housing	95,057	(105,846)	**(10,789)**
179,313	(169,808)	9,505	Other Housing Services	181,857	(176,686)	**5,171**
57,585	(12,708)	44,877	Adult Social Care	61,279	(19,350)	**41,929**
6,953	(50)	6,903	Corporate and Democratic Core	8,811	(3,790)	**5,021**
198	0	198	Non Distributed Costs	106	0	**106**
817,712	(643,370)	174,342	**Cost of Services (note 29)**	**856,840**	**(710,153)**	**146,687**
		8,663	Other Operating Expenditure (Note 8)			**61,470**
		30,884	Financing and Investment Income and Expenditure (Note 9)			**34,082**
		(219,613)	Taxation and Non-specific Grant Income (Note 10)			**(242,439)**
		(5,724)	**Deficit/ (Surplus) on Provision of Services**			**(200)**
		(24,067)	Deficit/ (Surplus) on Revaluation of Property, Plant & Equipment Assets and Financial Instruments			**(39,026)**
		12,279	Actuarial (Gains) / Losses on Pension Assets / Liabilities (note 46)			**65,220**
		(11,788)	**Other Comprehensive Income and Expenditure**			**26,194**
		(17,512)	**Total Comprehensive Income and Expenditure (note 29)**			**25,994**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council and the net assets (assets less liabilities) are matched by the Council's reserves. Reserves are reported in two categories, usable reserves (note 23) and unusable reserves (note 24). Usable reserves are reserves which can be used to provide services, subject to maintaining a prudent level of reserves. Unusable reserves cannot be used to provide services and reflect accounting transactions (such as those arising from asset revaluations which could only be used to fund services when the revaluation gain is realised through the sale of the assets).

31-Mar-14			31-Mar-15
£000		Note	**£000**
1,325,786	Property, Plant and Equipment	11	1,454,386
6,502	Heritage Assets	12	6,631
43,330	Investment Property	13	41,835
4,392	Intangible Assets	14	4,142
25,816	Long Term Debtors & Investments	15	16,857
1,405,826	**Long Term Assets**		**1,523,851**
94,196	Short Term Investments	15	195,168
1,006	Assets Held for Resale	16	2,500
703	Inventories	17	659
73,608	Short Term Debtors	19	66,112
20,922	Cash and Cash Equivalents	20	24,720
190,435	**Current Assets**		**289,159**
(10,000)	Short Term Borrowing	15	-
(520)	Grants Received in Advance - Capital	38	(407)
(75,330)	Short Term Creditors	21	(66,101)
(85,850)	**Current Liabilities**		**(66,508)**
(64,465)	Long Term Creditors	15	(148,681)
(6,858)	Provisions	22	(17,978)
(305,912)	Long Term Borrowing	15	(394,912)
(351,554)	Pensions Liability	46	(429,303)
(728,789)	**Long Term Liabilities**		**(990,874)**
781,622	**Net Assets**		**755,628**
241,720	Usable Reserves	23	252,205
539,902	Unusable Reserves	24	503,423
781,622	**Total Reserves**		**755,628**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2013/14 £000		Note	**2014/15 £000**
5,724	Net Surplus or (Deficit) on the Provision of Services		200
140,255	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements	25	161,212
(66,795)	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	25	(87,291)
79,184	**Net Cash Flows from Operating Activities**		**74,121**
(108,895)	Investing Activities	27	(155,668)
(12,761)	Financing Activities	28	85,345
(42,472)	**Net Increase or Decrease in Cash and Cash Equivalents**		**3,798**
63,394	Cash and Cash Equivalents at the beginning of the Reporting Period		20,922
20,922	**Cash and Cash Equivalents at the end of the Reporting Period**		**24,720**

Notes to the Core Financial Statements

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

For 2014/15 the following accounting policy changes that need to be reported relate to:

- IFRS 13 *Fair Value Measurement* (May 2011)
- *Annual Improvements to IFRSs (2011-2013 Cycle)* - see below for further details
- IFRIC 21 Levies

The issues included in the Annual Improvements to IFRSs 2011-2013 cycle are:

- IFRS 1 Meaning of *Fair Value Measurement* (May 2011)
- IFRS 3 Scope exceptions for joint ventures
- IFRS 13 Scope of paragraph 52 (portfolio exception); and
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property

The standards will be adopted in line with CIPFA's guidance, but none of the updated standards are anticipated to have a material impact on the statement of accounts.

2. Critical Judgements in Applying Accounting Policies

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

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

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

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

The items in the Authority's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	
Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £1.4m for every year that useful lives had to be reduced. Should this adjustment arise it would not impact Council Tax charges.
Pensions Liability	
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a decrease of 0.5% in the real discount rate assumption would result in an increase in the pension liability of £81.5m. However, the assumptions interact in complex ways. During 2014/15, the Council's actuaries advised that the net pensions liability had increased by £77.7m largely as a result of changes in actuarial assumptions regarding the fund's liabilities.
Short Term Debtors	
At 31 March 2015, the Council had a significant balance of debtors against which appropriate provisions had been made. However due to the uncertain economic landscape and changes to the welfare reform agenda it is not certain that such an allowance would be sufficient.	In order to mitigate the uncertainty in prevailing debt recovery rates a general contingency amounting to £1.3m has been created to manage the risk associated with the non collection of debt.

The list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

4. Material Items of Income and Expense

During the year, the value of the council's liability to meet the future cost of pensions increased as a result of both changes in actuarial assumptions regarding the fund's liabilities and lower than expected returns on fund assets. The impact of these changes was to increase the long term liability of the Pension fund by £77.7m the effect of which is reflected in part in the Cost of Services and in part in the Actuarial Gains on Pensions Assets and Liabilities; further information is provided in note 46.

It should be noted that this item had no impact on the General Fund, as it was reversed out via the Movement in Reserves Statement. However, there is an impact on the Net Worth of the Council on the Balance Sheet.

5 Events after the Reporting Period

The Statement of Accounts was authorised for publication by the Chief Finance Officer on 28 September 2015. Events taking place after this date are not reflected in the financial statements or notes. There is one non-adjusting event after the balance sheet date as detailed below:

- The Government has announced that social housing rents are to reduce by 1% per annum for four years commencing in April 2016. As a social housing landlord this will obviously impact on the Council. The financial effects of this change on the HRA business plan are currently being considered.

6. Adjustments between accounting basis and funding basis under regulations

2014/15	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	24,118				10,490	(34,608)
Revaluation losses on Property Plant and Equipment	14,913	24,143				(39,056)
Amortisation of intangible assets	956				972	(1,928)
Capital grants and contributions applied	(1,922)					1,922
Revenue expenditure funded from capital under statute	5,712					(5,712)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	61,697	8,985				(70,682)
Donated Assets	(10,868)					10,868
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(8,895)	(686)				9,581
Capital expenditure charged against the General Fund and HRA balances	(12,300)					12,300
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(65,193)			65,193		-
Application of grants to capital financing transferred to the Capital Adjustment Account				(46,988)		46,988

6. Adjustments between accounting basis and funding basis under regulations

2014/15	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,454)	(17,722)	20,176			-
Use of the Capital Receipts Reserve to finance new capital expenditure			(14,035)			14,035
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,155		(1,155)			-
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		(23,876)			23,876	-
Use of the Major Repairs Reserve to finance new capital expenditure					(51,861)	51,861
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 46)	34,582	3,237				(37,819)
Employer's pensions contributions and direct payments to pensioners payable in the year	(23,118)	(2,172)				25,290
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(5,022)					5,022
Adjustment involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(691)	(101)				792
Total Adjustments	**12,670**	**(8,192)**	**4,986**	**18,205**	**(16,523)**	**(11,146)**

6. Adjustments between accounting basis and funding basis under regulations

2013/14	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	22,863	-	-	-	9,767	(32,630)
Revaluation losses on Property Plant and Equipment	41,848	7,456	-	-	-	(49,304)
Amortisation of intangible assets	1,790	-	-	-	-	(1,790)
Capital grants and contributions applied	(2,189)	-	-	-	-	2,189
Revenue expenditure funded from capital under statute	2,530	-	-	-	-	(2,530)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	14,255	8,369	-	-	-	(22,624)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(9,729)	(561)	-	-	-	10,290
Capital expenditure charged against the General Fund and HRA balances	(9,249)		-	-	-	9,249
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(40,199)	-	-	40,199	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	(49,303)	-	49,303

6. Adjustments between accounting basis and funding basis under regulations

2013/14	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(8,417)	(15,990)	24,407	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(15,960)	-	-	15,960
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,052	-	(1,052)	-	-	-
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	(23,491)			23,491	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	(42,656)	42,656
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 46)	30,905	10,785	-	-	-	(41,690)
Employer's pensions contributions and direct payments to pensioners payable in the year	(20,508)	(3,564)	-	-	-	24,072
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	4,782	-	-	-	-	(4,782)
Adjustment involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	165	21	-	-	-	(186)
Total Adjustments	**29,899**	**(16,975)**	**7,395**	**(9,104)**	**(9,398)**	**(1,817)**

7. Transfers to / (from) Earmarked Reserves

This note sets out the amounts set aside from the General Fund (GF) and Housing Revenue Account (HRA) balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet GF and HRA expenditure in 2014/15

	Balance at 01/04/2013	Transfers in during 2013/14	Transfers out during 2013/14	**Balance at 31/03/2014**	Transfers in during 2014/15	Transfers out during 2014/15	**Balance at 31/03/2015**
General Fund	£000	£000	£000	**£000**	£000	£000	**£000**
Balances held by schools under a scheme of delegation:							
Local Management of Schools	18,023	13,919	(15,479)	**16,463**	9,970	(10,184)	**16,249**
Dedicated Schools Grant	5,659	4,767	(1,185)	**9,241**	1,464	-	**10,705**
PFI reserve	7,695	717		**8,412**	786	-	**9,198**
Departmental Reserves	8,576	6,394	(7,357)	**7,613**	3,018	(2,703)	**7,928**
Budget Support	3,722			**3,722**	-	(120)	**3,602**
Corporate Restructuring	2,505			**2,505**	649	-	**3,154**
Spend to Save	2,782	1,050	(932)	**2,900**	1,000	(958)	**2,942**
Collection Fund Equalisation Reserve	-	3,630	-	**3,630**	-	(1,143)	**2,487**
Other Miscellaneous	1,263	489	(30)	**1,722**	1,199	(531)	**2,390**
Insurance	-	1,568		**1,568**	549	-	**2,117**
Capital Investment Reserve	1,000	-	-	**1,000**	580	-	**1,580**
Public Health	-	785		**785**	978	(785)	**978**
Legal Trading Reserve	-	227		**227**	495	-	**722**
Barking Adult College	700		(700)	**-**	-	-	**-**
Total General Fund	51,925	33,546	(25,683)	**59,788**	20,688	(16,424)	**64,052**
HRA							
Leasehold Repairs	6,349	828	-	**7,177**	667		**7,844**
Total HRA	6,349	828	-	**7,177**	667	-	**7,844**

8. Other Operating Expenditure

	2013/14 £000	**2014/15 £000**
Levies	9,395	**9,809**
Payments to the Government Housing Capital Receipts Pool	1,052	**1,155**
(Gains)/losses on the disposal of non-current assets *	(1,784)	**50,506**
Total	8,663	**61,470**

*The loss on disposal relates largely to the transfer of three schools to Academy Status.

9. Financing and Investment Income and Expenditure

	2013/14 £000	**2014/15 £000**
Interest payable and similar charges	18,960	**22,046**
Pensions interest cost and expected return on pensions assets	14,634	**15,053**
Interest receivable and similar income	(1,329)	**(1,524)**
Income and expenditure in relation to investment properties and changes in their fair value	(1,049)	**(1,351)**
(Gains)/Losses on Trading Accounts	(332)	**(171)**
Realised (Gain)/Loss on sale of financial instrument	-	**29**
Total	30,884	**34,082**

10. Taxation and Non Specific Grant Income

	2013/14 £000	**2014/15 £000**
Council Tax income & retained business rates	(55,889)	**(61,376)**
Non-ring fenced government grants	(122,412)	**(108,791)**
Capital grants and contributions	(41,312)	**(72,272)**
Total	(219,613)	**(242,439)**

11. Property Plant and Equipment (PPE)

The movements in the Council's Property, Plant and Equipment for the year 2014/15 are set out in the table below. Estimated asset lives and depreciation rates are set out in the Accounting Policies.

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

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

11. Property Plant and Equipment (PPE)

2014/15

Cost or Valuation	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	**Total PPE**	PFI Included in PPE
	£000	£000	£000	£000	£000	£000	£000	**£000**	£000
Cost or Valuation at 01-Apr-14	**658,028**	**481,686**	**53,200**	**157,029**	**18,362**	**49,839**	**4,807**	**1,422,951**	**13,000**
Additions	147,198	30,826	1,610	5,154	512	37,209	663	**223,172**	103
Donations		10,868						**10,868**	
Revaluations recognised in the Revaluation Reserve	10,117	24,680	-	-	(3,423)	-	461	**31,835**	55
Revaluations recognised in the Provision of Services	(33,372)	(12,000)	-	-	(4,938)		(5)	**(50,315)**	2,422
De-recognition due to disposals	(8,985)	(57,842)	(13,477)	-	-	(2,665)	-	**(82,969)**	-
Reclassifications to other assets (notes 12 & 13)	29,864	7,081	-	-	(299)	(36,101)	(5,263)	**(4,718)**	-
Cost or Valuation at 31 March 2015	**802,850**	**485,299**	**41,333**	**162,183**	**10,214**	**48,282**	**663**	**1,550,824**	**15,580**
Accumulated Depreciation at 01-Apr-14	**-**	**(5,897)**	**(39,026)**	**(51,887)**	**(243)**	**-**	**(112)**	**(97,165)**	**(71)**
Depreciation charge	(9,372)	(10,501)	(6,581)	(8,115)	(11)	-		**(34,580)**	(297)
Depreciation written out to the Provision of Services	9,229	3,226	-	-	168	-		**12,623**	368
Depreciation written out to the Revaluation Reserve	143	8,854		-	86	-	112	**9,195**	
De-recognition due to disposals	-	11	13,478	-	-	-		**13,489**	
Accumulated Depreciation at 31 March 2015	**-**	**(4,307)**	**(32,129)**	**(60,002)**	**-**	**-**	**-**	**(96,438)**	**-**
Net Book Value at: 31 March 2015	**802,850**	**480,992**	**9,204**	**102,181**	**10,214**	**48,282**	**663**	**1,454,386**	**15,580**

11. Property Plant and Equipment (PPE)

2013/14

Cost or Valuation	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	**Total PPE**	PFI Included in PPE
	£000	£000	£000	£000	£000	£000	£000	**£000**	£000
Cost or Valuation at 01-Apr-13	**651,723**	**490,447**	**47,552**	**148,453**	**17,429**	**5,113**	**-**	**1,360,717**	**10,186**
								-	
Additions	31,160	25,831	5,648	7,600	395	47,711		**118,345**	230
Revaluations recognised in the Revaluation Reserve	268	23,974			(9)			**24,233**	164
Revaluations recognised in the Provision of Services	(16,766)	(44,057)			(6,677)			**(67,500)**	2,420
De-recognition due to disposals	(8,356)	(10,237)						**(18,593)**	
Reclassifications to other assets (notes 12 & 13)		(4,272)		978	7,225	(2,987)	4,807	**5,751**	
Other movements	(1)			(2)	(1)	2		(2)	
Cost or Valuation at 31 March 2014	**658,028**	**481,686**	**53,200**	**157,029**	**18,362**	**49,839**	**4,807**	**1,422,951**	**13,000**
Accumulated Depreciation at 01-Apr-13	**-**	**(7,815)**	**(34,135)**	**(44,292)**	**(248)**	**-**		**(86,490)**	
Depreciation charge	(9,310)	(10,785)	(4,891)	(7,596)	(21)			**(32,603)**	(233)
Depreciation written out to the Provision of Services	9,310	12,674			44		(112)	**21,916**	162
De-recognition due to disposals		9						**9**	
Other movements		20		1	(18)			3	
Accumulated Depreciation at 31 March 2014	**-**	**(5,897)**	**(39,026)**	**(51,887)**	**(243)**	**-**	**(112)**	**(97,165)**	**(71)**
Net Book Value at: 31 March 2014	**658,028**	**475,789**	**14,174**	**105,142**	**18,119**	**49,839**	**4,695**	**1,325,786**	**12,929**

Property Plant and Equipment (PPE) (continued)

At 31 March 2015 the Council had entered into the following contracts amounting to £54.7m (2013/14 £80.3m) for the construction or enhancement of its Property, Plant and Equipment in 2015/16 and future years. The major contractual commitments are:

	£000
Schools	
Gascoigne Primary Expansion (Abbey Road Depot Site)	11,071
Barking Riverside City Farm (Phase 2)	4,054
Other schemes individually below £1m (Robert Clack and Richard Alibon Expansions)	455
	15,580
Housing	
Decent Homes North - Internal Refurbishment	6,898
Decent Homes South - Internal Refurbishment	2,537
Decent Homes Blocks - Internal Refurbishment	1,529
Decent Homes Sheltered - Internal Refurbishment	2,143
Goresbrook Village Housing Development	1,183
Abbey Road Housing Development (Phase 2)	5,372
Leys Housing Development (Phase 1)	8,568
Bungalows Housing Development at Stansgate & Margaret Bondfield	6,603
Marks Gate Regeneration Housing Development	4,290
	39,124
TOTAL	**54,704**

12. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets held by the Authority:

	Works of Art	Historic Sites	Museum Exhibits	Statues & Monuments	Civic Regalia	Total Assets
	£000	£000	£000	£000	£000	£000
Gross Book Value 1 April 2014	**4,219**	**1,224**	**264**	**390**	**530**	**6,627**
Accumulated Depreciation	(96)	(29)	0	0	0	**(125)**
Net Book Value 1 April 2014	**4,123**	**1,195**	**264**	**390**	**530**	**6,502**
Additions	95	6	0	0	0	**101**
Reclassifications to Heritage Assets	56	0	0	0	0	**56**
Depreciation	0	(28)	0	0	0	**(28)**
Net Book Value 31 Mar 2015	**4,274**	**1,173**	**264**	**390**	**530**	**6,631**
Net Book Value 1 April 2013	4,123	1,202	264	390	530	6,509
Additions	0	20	0			20
Reclassifications from PPE	0	0	0			0
Revaluations	0	0	0			0
Depreciation	0	(27)	0			(27)
Net Book Value 31 March 2014	**4,123**	**1,195**	**264**	**390**	**530**	**6,502**

Works of Art

The Council holds a significant collection of art works. The Fanshawe Art collection is a collection of 53 portraits relating to the Fanshawe family. The earliest painting dated from 1560 and with the last painting commissioned in 1940. The artists included some of the most famous in the country for the time period, such as William Dobson, Sir Peter Lely and Marcus Gheeraedts.

The Council has also holds other modern art works such as the Secret Garden in Barking and the A13 Artscape project. The Secret Garden is a 7 metre high facade which has been constructed from reclaimed bricks and architectural salvage, incorporating a public art element into the design of the main square. The A13 Artscape is one of the most ambitious and innovative public arts projects in the United Kingdom. It has been one of the highest profile arts projects for the borough. The A13 Artscape project was delivered through a partnership with Transport for London, which led to the involvement of some 17 artists and organisations to improve the environmental impact of the A13 on the surrounding areas.

Historic Sites

Valence House is a grade II listed medieval building. Its earliest parts are over 600 years old. Valence House has been a museum since 1937 and became a dedicated museum in 1976. It is the local history museum for Barking and Dagenham, displaying history and objects from the Borough.

Barking Abbey was founded in 666 A.D. by St Erkenwald. The ruins that remain today are a rebuild from the 13th Century. The Abbey was one of the first and wealthiest in the country but was dissolved by King Henry VIII after 1539. The Barking Abbey Ruins was excavated a hundred years ago in 1911. It has not been possible to provide a financial value of the Barking Abbey Ruins due to the nature of what they are.

Museum Exhibits

Current museum exhibits include the original coat of arms from the Elizabethan town hall and a large painting of Kings Charles II.

Other exhibits include a bronze Ford Capri sculpture on display outside Valence House Museum.

Statues & Monuments

There are several statues and monuments in Barking and Dagenham:

A statue of Job Henry Charles Drain V.C. was erected in autumn 2009 on Broadway, Barking in memory of his heroism. There are also three war memorials in Barking Park, Rippleside cemetery and Chadwell Heath cemetery. The Rippleside cemetery war memorial has recently been listed by English Heritage. It has not been possible to place a financial value on these memorials.

Barking and Dagenham have produced some of the most famous and successful sportsmen and women in the country. A number of statues were erected in 2008 to celebrate these individuals in the form of a large dynamic sculptural installation. The artwork includes silhouettes of Bobby Moore OBE, Beverley Gull MBE, Sir Alf Ramsey and Jason Leonard OBE, all of whom were champions and success stories of their time. These statues are situated on the A13, by Castle Green.

Civic Regalia

The Council holds items of Civic Regalia, such as the Mayor's robe and the Chain of Office, with the Insignia pendant. The Mayor's robe was first used in 1931 when Barking received the Charter of Incorporation, which meant that Barking had the power to elect a Mayor for the first time in history. The robe is part of Valence House Museum collection and was last used in 1993. The chain of office with the Insignia pendant, this is usually located at Barking Town Hall, but is currently on display at Valence House Museum.

Preservation and Management

Each of the collections at the Valence House museum is managed by a curator and the policy for documentation, collections, disposals, loans, conservation and storage are contained within the museum's Collection Management Plan.

Additions of Heritage Assets

There were additions and enhancements of £157k to heritage assets in 2014/15, including the Creekmouth Arts and Heritage trail.

Disposals in 2014/15:
There were no heritage assets sold in 2014/15.

13. Investment Properties

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

	2013/14	**2014/15**
	£000	**£000**
Rental income from investment property	2,996	**4,927**
Direct operating expenses arising from investment property	(1,947)	**(3,576)**
Net gain	1,049	**1,351**

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

Investment Properties are shown at fair value at the balance sheet date and are subject to revaluation as part of the Council's five-year rolling revaluation process and any changes in valuation are reflected in the fair value of the assets.

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

	2013/14	**2014/15**
	£000	**£000**
Balance at start of the year	52,579	**43,330**
Additions	244	**238**
Disposals	(22)	**(195)**
Reclassifications	(5,751)	**(311)**
Net gains/(losses) from fair value adjustments/revaluations	(3,720)	**(1,227)**
Balance at end of the year	43,330	**41,835**

14. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life assigned to all intangible assets is 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1.929m charged to revenue in 2014/15 was to the relevant SeRCOP categories, on the basis of software type.

The movement on Intangible Asset balances during the year is as follows:

	2013/14	**2014/15**
	£000	**£000**
Gross Balance at Start of Year:		
Gross Carrying Amount	11,097	**12,769**
Additions	1,672	**1,679**
Disposals	-	**(8,452)**
Gross Balance at End of Year:	12,769	**5,996**
Accumulated Amortisation at start of year	(6,587)	**(8,377)**
Amortisation for the period	(1,790)	**(1,929)**
Amortisation written back	-	**8,452**
Accumulated Amortisation at end	(8,377)	**(1,854)**
Net Carrying Amount at the End of the Year	4,392	**4,142**

15. Financial Instruments

Financial Liabilities

Borrowing - The Council is able to borrow to finance capital expenditure, and to meet day-to-day cash flow needs, as long as the total debt outstanding does not exceed the Authorised Limit set by the Council under the requirements of the Prudential Code. The Council has recourse to a wide range of borrowing facilities, although in practice most of its debt is with the Public Works Loans Board (PWLB). Total external borrowing at 31 March 2015 was £394.9m of principal (£315.9 million at 31 March 2014), which was within the Council's approved borrowing limit. The increase in external borrowing was due to an £89.0m loan from the European Investment Bank taken out in January 2015.

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where a repurchase or early settlement of borrowing is made any gains or losses are credited or debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repurchase/settlement. However if a repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is deducted from or added to the amortised cost of the new or modified loan as appropriate and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund to be spread over future years. The Council spreads the gain or loss over the term that was remaining on the loan when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. In 2014/15 there were no repurchases, early settlements or restructuring of debts. A £10m PWLB loan matured on 28 April 2014 and this was repaid.

Cash and Cash Equivalents - Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours, having originally been invested for a period no longer than three months.

Cash equivalents are investments that, having originally been invested for no longer than three months, are repayable on demand or readily convertible to known amounts of cash with an insignificant risk of change in value. Fixed Deposits are not considered to be readily convertible since they are only repayable at the point of maturity and cannot be traded or redeemed without penalty.

The Council had cash and cash equivalent of £24.7m (principal) as at 31 March 2015 (£20.9 million at 31 March 2014). Further information on cash and investments is within notes 20 and 49 of the accounts.

Investments - Long-term investments are intended to be held for use on a continuing basis in the activities of the authority. Investments that do not meet this criterion are classified as current assets. The Authority’s investments fall into this latter category and are therefore shown within current assets. Investments are split between Call Accounts and Cash deposits. During 2013/14 an external cash manager, Investec, was employed their contract was terminated on 2 December 2013, with the assets returned to the Council and invested by the in-house treasury section.

Categories of Financial Instruments

Financial assets are classified into:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument classified as such. They are initially measured at fair value and are subsequently measured at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount

Where assets are identified as impaired because it is likely that due to a past event, payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to a service) or the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument classified as such. They are initially measured and subsequently carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income e.g. dividends, is credited to the CIES when it becomes receivable by the Council.

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

- **Instruments with quoted market prices** - the market price; and
- **Other instruments with fixed and determinable payments** - discounted cash flow analysis.

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

	Long Term		Current	
	2013/14	**2014/15**	2013/14	**2014/15**
	£000	**£000**	£000	**£000**
Financial Assets				
Cash and Cash Equivalents				
Financial assets at fair value through profit and loss	-	-	20,922	**24,720**
Total Cash and Cash Equivalents	-	**-**	20,922	**24,720**
Investments				
Loans and Receivables	25,000	**10,300**	88,536	**130,000**
Available for sale assets*	-	-	5,660	**65,168**
Total Investments	25,000	**10,300**	94,196	**195,168**
Debtors				
Loans and Receivables	816	**6,557**	-	-
Financial assets carried at contract amounts	-	-	18,237	**16,499**
Total Debtors	816	**6,557**	18,237	**16,499**
Borrowings				
Financial Liabilities at amortised cost	(305,912)	**(394,912)**	(10,000)	**-**
Financial Liabilities at fair value through profit and loss	(527)	**(349)**	-	**-**
Total Borrowings	(306,439)	**(395,261)**	(10,000)	**-**
Other Long Term Liabilities				
PFI and Finance Lease Liabilities	(59,561)	**(141,249)**	-	**-**
Total Long Term Liabilities	(59,561)	**(141,249)**	-	**-**
Creditors				
Financial Liabilities at amortised cost	-	-	-	-
Financial liabilities carried at contract amount	-	**958**	(67,977)	**(65,769)**
Total Creditors	-	**958**	(67,977)	**(65,769)**

*Available for sale financial instruments consist of the Council's direct Certificate of Deposit (CD) holdings. The CDs are valued at the year-end by the Council's custodian with reference to the price quoted by the Debt Management Office at the close of business on 31/3/2015.

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

Reclassifications

No financial instruments have been reclassified within the 2014/15 financial year.

15 (continued)

	2013/14					2014/15			
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Available for sale assets £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000	**Financial Liabilities measured at amortised cost £000**	**Financial Assets: Loans and Receivables £000**	**Assets and Liabilities at Fair Value through Profit and Loss £000**	**Total £000**
Interest Expense	(18,730)	0			(18,730)	**(18,531)**			**(18,531)**
Losses on derecognition	0	0		0	0			**(29)**	**(29)**
Fee Expense	0	0		(41)	(41)	**0**	**0**	**(158)**	**(158)**
Total expense in surplus or deficit on the Provision of Services	(18,730)	0		(41)	(18,771)	**(18,531)**	**0**	**(187)**	**(18,718)**
Interest income	0	376		953	1,329	**0**	**952**	**560**	**1,512**
Total income in surplus or deficit on the Provision of Services	0	376		953	1,329	**0**	**952**	**560**	**1,512**
Gains/(Losses) on revaluation			(7)		(7)				**0**
Surplus/(Deficit) arising on revaluation of financial assets in Other Comprehensive Income & Expenditure	0	0	(7)	0	(7)				**0**
Net gain (loss) for the year	(18,730)	376	(7)	912	(17,449)	**(18,531)**	**952**	**373**	**(17,206)**

Fair Values of Assets and Liabilities

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

- estimated ranges of interest rates at 31 March 2015 of 1.1% to 3.12% for loans from the PWLB and 3.23% to 3.66% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	2013/14		**2014/15**	
	Carrying Amount	Fair Value	**Carrying Amount**	**Fair Value**
	£000's	£000's	**£000's**	**£000's**
Financial Assets	179,102	179,582	**217,944**	**219,627**
Financial Liabilities	(384,402)	(341,142)	**(394,912)**	**(417,432)**
Long-term creditors	(59,561)	(59,561)	**(56,768)**	**(56,768)**

The rates quoted in the above valuation were obtained by the Council's treasury management consultants, Capita Asset Services, from the market on 31 March 2015 using bid prices where applicable. The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2015) arising from a commitment to pay interest to lenders above current market rates.

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

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

Available for Sale Financial Instrument Reserve

The Available for Sale Financial Instrument Reserve contains gains and losses made by the Council arising from increases or decreases in the value of its instruments that have quoted market prices or otherwise do not have fixed or determinable payments.

As at 31 March 2015 the Available for Sale Financial Instrument Reserve was (£0.16m) reflecting an unrealised gain on the market value of CDs held.

16. Assets held for resale

The Council had the following assets held for resale at the 31 March 2015

	Non-Current	
	2013/14	**2014/15**
	£000	**£000**
Property, Plant and Equipment.	5,024	**1,006**
Reclassification to / (from) Assets held for sale	0	**4,972**
Revaluation losses	0	**(2,472)**
Disposals	(4,018)	**(1,006)**
Balance outstanding at year-end	1,006	**2,500**

17. Inventories

	Consumable Stores	
	2013/14	**2014/15**
	£000	**£000**
Balance at 1 April	233	**703**
Purchases	7,175	**8,127**
Recognised as an expense in the year	(6,705)	**(8,170)**
Written off balances	0	**(1)**
Balance at 31 March	703	**659**

18. Construction Contracts

At 31 March 2015 the Council had no construction contracts in operation for which it was responsible for the delivery of the project. Construction contracts provided by third party contractors are disclosed in Property Plant and Equipment as assets under construction.

19. Debtors

	2013/14	**2014/15**
	£000	**£000**
Central Government Bodies	6,912	**8,059**
Other Local Authorities	6,310	**4,798**
NHS Bodies	61	**813**
Other Entities and Individuals	60,325	**52,442**
Total	73,608	**66,112**

20. Cash and Cash Equivalents

	2013/14	**2014/15**
	£000	**£000**
Cash held by the Authority	68	**177**
Bank current accounts	18,860	**16,524**
Deposits at Call	1,994	**8,019**
Total	20,922	**24,720**

21. Creditors

	2013/14 £000	**2014/15 £000**
Central Government Bodies	9,855	**11,013**
Other Local Authorities	7,880	**6,694**
NHS Bodies	1,397	**562**
LBBD Pension Fund	11,993	**0**
Other Entities and Individuals	44,205	**47,832**
Total	75,330	**66,101**

22. Provisions

	2013/14 £000	Transfers in £000	Transfers out £000	**2014/15 £000**
Insurance	(5,809)	(1,584)	2,528	**(4,865)**
Redundancy	(130)	(498)	130	**(498)**
Other	(919)	(12,216)	520	**(12,615)**
Total	(6,858)	(14,298)	3,178	**(17,978)**

Insurance Claims

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

Redundancy Provision

A provision of £0.498m has been established to meet the cost of redundancies agreed but not paid out during 2014/15.

Other

The main element is a provision for NNDR appeals of £11.5m.

23. Usable Reserves

The Council has the following reserves, as detailed in the Movement in Reserves Statement and note 7:

2013/14 £000	**Usable Reserve**	**2014/15 £000**
27,138	General Fund (GF) balance	**26,024**
59,788	Earmarked GF reserves	**64,052**
8,736	Housing Revenue Account (HRA)	**8,736**
7,177	Earmarked HRA reserves	**7,844**
23,004	Capital receipts reserve	**27,990**
94,523	Capital Grants unapplied	**112,728**
21,354	Major Repairs reserve	**4,831**
241,720	**Total**	**252,205**

24. Unusable Reserves

2013/14 £000	Unusable Reserves	2014/15 £000
183,167	Revaluation Reserve	**200,596**
713,903	Capital Adjustment Account	**731,598**
(351,554)	Pensions Reserve	**(429,303)**
(4,184)	Collection Fund Adjustment Account	**838**
(1,265)	Accumulated Absences Account	**(473)**
(165)	Available For Sale Financial Instruments Reserve	**167**
539,902	**Total**	**503,423**

Revaluation Reserve

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

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

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

2013/14 £000	Revaluation Reserve	2014/15 £000
166,185	**Balance at 1 April**	**183,167**
42,604	Upward revaluation of assets	**50,961**
(18,371)	Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	**(12,267)**
(4,888)	Accumulated gains or losses on assets disposed of in year	**(18,661)**
(2,363)	Difference between fair value depreciation and Historical cost depreciation	**(2,604)**
183,167	**Balance at 31 March**	**200,596**

Capital Adjustment Account

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

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

Note 6 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2013/14 £000	Capital Adjustment Account	2014/15 £000
685,882	**Balance at 1 April**	**713,903**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(32,630)	- Charges for depreciation and impairment of noncurrent assets	**(34,608)**
(49,313)	- Revaluation losses on Property, Plant and Equipment	**(39,056)**
(1,790)	Amortisation of intangible assets	**(1,928)**
(2,530)	Revenue expenditure funded from capital under statute	**(5,712)**
(22,623)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**(70,682)**
9	Written back depreciation on reclassifications	**0**
7,251	Adjusting amounts written out of the Revaluation Reserve	**21,265**
	Donated Assets	**10,868**
	Capital financing applied in the year:	
15,960	- Use of the Capital Receipts Reserve to finance new capital expenditure	**14,035**
0	- Use of earmarked reserves to finance new capital expenditure	**860**
42,656	- Use of the Major Repairs Reserve to finance new capital expenditure	**51,861**
2,189	- Capital grants and other contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**1,922**
49,303	- Application of grants to capital financing from the Capital Grants Unapplied Account	**46,988**
10,290	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	**9,582**
9,249	- Capital expenditure charged against the General Fund and HRA balances	**12,300**
713,903	**Balance at 31 March**	**731,598**

Pensions Reserve

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

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

2013/14	**Pension Reserve**	**2014/15**
£000		**£000**
(321,657)	**Balance at 1 April**	**(351,554)**
(12,279)	Actuarial gains or losses on pensions assets and liabilities	**(65,220)**
(36,249)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**(37,819)**
(5,441)	Other	**0**
24,072	Employer pensions' contributions and direct payments to pensioners payable in the year	**25,290**
(351,554)	**Balance at 31 March**	**(429,303)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and NNDR income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2013/14 £000	**Collection Fund Adjustment Account**	**2014/15** **£000**
598	**Balance at 1 April**	**(4,184)**
(4,782)	Amount by which council tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	**5,022**
(4,184)	**Balance at 31 March**	**838**

Accumulated Absences Account

The Accumulated Absences Account reflects the differences that would otherwise arise on the General Fund Balance by accruing for compensated absences earned but not taken in the year, that is annual leave entitlement carried forward at 31 March 2015. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2013/14 £000	Accumulated Absences Account	2014/15 £000
(1,077)	**Balance at 1 April**	**(1,265)**
1,077	Settlement or cancellation of accrual made at the end of the preceding year	**1,265**
(1,265)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**(473)**
(1,265)	**Balance at 31 March**	**(473)**

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

2013/14 £000		**2014/15 £000**
5,724	**Net (Deficit) on the Provision of Services**	**200**
	Adjust net surplus or deficit on the provision of services for non cash movements	
32,630	Depreciation	34,608
49,313	Impairment and downward valuations	39,056
1,790	Amortisation	1,928
(176)	Increase/(Decrease) in Interest Creditors	(178)
15,454	(Decrease) in Creditors	(6,093)
523	(Increase)/Decrease in Interest and Dividend Debtors	(578)
2,707	(Increase)/Decrease in Debtors	9,004
(470)	(Increase)/Decrease in Inventories	44
17,618	Movement in Pension Liability	12,529
(1,758)	Contributions to/(from) Provisions	11,121
22,624	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	70,682
0	Other non-cash items (includes donated asset £10.868m)	(10,911)
140,255		**161,212**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(42,388)	Capital Grants credited to surplus or deficit on the provision of services	(67,115)
(24,407)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(20,176)
(66,795)		**(87,291)**
79,184	**Net Cash Flows from Operating Activities**	**74,121**

26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2013/14 £000		**2014/15 £000**
1,852	Interest received (cash based)	**1,524**
(18,784)	Interest paid (cash based)	**(18,660)**

27. Cash Flow Statement – Investing Activities

2013/14 £000		**2014/15 £000**
(111,055)	Purchase of property, plant and equipment, investment property and intangible assets	**(150,088)**
(64,362)	Purchase of short-term and long-term investments	**(105,465)**
24,407	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**20,176**
42,115	Other receipts from investing activities	**79,709**
(108,895)	**Net Cash Flows from Investing Activities**	**(155,668)**

28. Cash Flow Statement – Financing Activities

2013/14 £000		**2014/15 £000**
(242)	Council tax and NNDR adjustments	**9,111**
(2,519)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	**(2,766)**
(10,000)	(Repayment) / take-out of short and long-term borrowing	**79,000**
(12,761)	**Net Cash Flows from Financing Activities**	**85,345**

29. Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice for Local Authorities 2014/15. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year; and
- expenditure on some support services is budgeted for centrally and not charged to departments.

The income and expenditure of the Authority's principal departments, as recorded in the budget monitoring reports for the year, is as follows:

Departmental Income and Expenditure 2014/15	**Adults & Community Services**	**Children's Services**	**Housing & Environment**	**Chief Executive**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Fees & charges	(22,231)	(10,478)	(27,932)	(18,044)	**(78,685)**
Government grants	(16,885)	(12,431)	(2,216)	(145,441)	**(176,973)**
Total Income	**(39,116)**	**(22,909)**	**(30,148)**	**(163,485)**	**(255,658)**
Employee expenses	25,479	36,381	26,377	16,882	**105,119**
Other expenses	62,656	60,677	45,853	190,575	**359,761**
Support service recharges	2,276	(7,165)	(19,074)	(25,032)	**(48,995)**
Total Expenditure	**90,411**	**89,893**	**53,156**	**182,425**	**415,885**
Net Expenditure	**51,295**	**66,984**	**23,008**	**18,940**	**160,227**

Departmental Income and Expenditure 2013/14	Adults & Community Services	Children's Services	Housing & Environment	Chief Executive	Total
	£000	£000	£000	£000	£000
Fees & charges	(17,501)	(9,637)	(25,276)	(13,835)	(66,249)
Government grants	(14,834)	(12,612)	(697)	(148,717)	(176,860)
Total Income	(32,335)	(22,249)	(25,973)	(162,552)	(243,109)
Employee expenses	24,921	36,559	26,669	17,228	105,377
Other expenses	59,354	56,530	44,459	192,488	352,831
Support service recharges	3,250	(5,824)	(19,568)	(28,689)	(50,831)
Total Expenditure	87,525	87,265	51,560	181,027	407,377
Net Expenditure	55,190	65,016	25,587	18,475	164,268

Departmental Income and Expenditure to Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2013/14 £000	**2014/15** **£000**
Net expenditure in the Departmental Analysis	164,268	**160,227**
Net expenditure of services and support services not included in the Analysis	(10,491)	**22,977**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	19,183	**(38,153)**
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	1,382	**1,636**
Cost of Services in Comprehensive Income and Expenditure Statement	174,342	**146,687**

29 (continued) **Reconciliation to Subjective Analysis**

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2014/15	Departmental Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(78,685)	(382,069)	(6,243)	2,374	**(464,623)**	(2,374)	**(466,997)**
Interest and investment income		(605)	(2)		**(607)**	(1,524)	**(2,131)**
Income from council tax					**0**	(61,376)	**(61,376)**
Government grants and Contributions	(176,973)	(33,711)	(7,960)		**(218,644)**	(181,063)	**(399,707)**
Total Income	**(255,658)**	**(416,385)**	**(14,205)**	**2,374**	**(683,874)**	**(246,337)**	**(930,211)**
Employee expenses	105,119	201,291	(1,552)		**304,858**		**304,858**
Other service expenses	334,688	176,648	(30,621)	(738)	**479,977**	19,320	**499,297**
Support Service recharges	(48,995)	12,132	2,387		**(34,476)**		**(34,476)**
Depreciation, amortisation and impairment	25,073	11,462			**36,535**		**36,535**
Interest Payments		9,294	(9,075)		**219**	18,631	**18,850**
Precepts & Levies					**0**	9,809	**9,809**
Payments to Housing Capital Receipts Pool					**0**	1,155	**1,155**
Revaluation of PPE		28,535	14,913		**43,448**	(39,026)	**4,422**
Actuarial Gains/Losses on Pension Assets/Liabilities					**0**	65,220	**65,220**
Gain or Loss on Disposal of Fixed Assets					**0**	50,535	**50,535**
Total Expenditure	**415,885**	**439,362**	**(23,948)**	**(738)**	**830,561**	**125,644**	**956,205**
Surplus or deficit on the provision of services	**160,227**	**22,977**	**(38,153)**	**1,636**	**146,687**	**(120,693)**	**25,994**

2013/14	Departmental Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(66,249)	(114,466)	14,342	7,707	**(158,666)**	(7,707)	**(166,373)**
Interest and investment income	0	(686)	670	0	**(16)**	(1,283)	**(1,299)**
Income from council tax	0	0	0	0	**0**	(55,889)	**(55,889)**
Government grants and Contributions	(176,860)	(292,114)	0	0	**(468,974)**	(163,724)	**(632,698)**
Total Income	**(243,109)**	**(407,266)**	**15,012**	**7,707**	**(627,656)**	**(228,603)**	**(856,259)**
Employee expenses	105,377	201,945	(1,283)	0	**306,039**	0	**306,039**
Other service expenses	328,177	111,978	(27,102)	(6,325)	**406,728**	6,325	**413,053**
Support Service recharges	(50,830)	56,336	0	0	**5,506**	0	**5,506**
Depreciation, amortisation and impairment	24,653	26,516	0	0	**51,169**	0	**51,169**
Interest Payments	0	0	(9,293)	0	**(9,293)**	56,240	**46,947**
Precepts & Levies	0	0	0	0	**0**	9,395	**9,395**
Payments to Housing Capital Receipts Pool	0	0	0	0	**0**	1,052	**1,052**
Revaluation of PPE	0	0	41,849	0	**41,849**	(24,067)	**17,782**
Actuarial Gains/Losses on Pension Assets/Liabilities	0	0	0	0	**0**	(10,413)	**(10,413)**
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	**0**	(1,783)	**(1,783)**
Total Expenditure	**407,377**	**396,775**	**4,171**	**(6,325)**	**801,998**	**36,749**	**838,747**
Surplus or deficit on the provision of services	**164,268**	**(10,491)**	**19,183**	**1,382**	**174,342**	**(191,854)**	**(17,512)**

30. Acquired and Discontinued Operations

There were no operations acquired or discontinued during 2014/15.

31. Trading Operations

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

- **Teachers Accommodation -** The Council provides an accommodation block for teachers new to the borough;
- **Barking Market -** The Council operates an open air street market in the centre of Barking generating rental income from stall holders. The (surplus)/deficit amounts reported below include the Council's full costs of operating the market;
- **Eastbury Manor -** This is an Elizabethan Manor House owned by the National Trust and managed by the Council. From 2014/15, it is no longer operated as a trading account but has its own dedicated budget.
- **Catering -** An internally operated catering operation provides catering for both schools and Council offices; and
- **Castle Green -** This is a centre for the community that incorporates the Jo Richardson school. There are both sporting and conference facilities that can be hired.

Details of those units with a turnover of greater than £50k in 2014/15 are as follows:

	2013/14 £000	**2014/15 £000**
1. Teachers Accommodation		
Turnover	(254)	**(269)**
Expenditure	229	**190**
(Surplus)/Deficit	(25)	**(79)**
2. Barking Market		
Turnover	(870)	**(766)**
Expenditure	854	**818**
(**Surplus)/Deficit**	(16)	**52**
3. Eastbury Manor		
Turnover - not operated as a trading account from 14/15	(67)	**0**
Expenditure	357	**0**
(Surplus)/Deficit	290	**0**
4. Catering		
Turnover	(7,740)	**(8,387)**
Expenditure	7,084	**8,168**
(**Surplus)/Deficit**	(656)	**(219)**
5. Castle Green		
Turnover	(1,513)	**(1,230)**
Expenditure	1,588	**1,305**
(**Surplus)/Deficit**	75	**75**
Total (Surplus)/Deficit from Trading Operations	(332)	**(171)**

The financial results of the trading operations are incorporated into the Comprehensive Income and Expenditure Statement, with a net surplus of £171k being included within net cost of services (see note 9).

32. Agency Services

The Council carries out certain work for the East London Waste Authority (ELWA) on an agency basis for which it is reimbursed by way of a management fee. The areas of work relate to its role as Clerk to ELWA, carrying out administrative and legal work on their behalf. The financial position is shown below:

	2013/14 £000	**2014/15 £000**
Expenditure incurred in providing services to ELWA	481	**364**
Management fee payable by ELWA	(481)	**(366)**
Net (surplus)/deficit arising on the agency arrangement	0	**(2)**

33. Pooled Budgets

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

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

	2013/14	**2014/15**
Funding provided to the pooled budget:	£000	**£000**
the Authority	3,426	**3,599**
the Trust	7,377	**7,377**
	10,803	**10,976**
Expenditure met from the pooled budget:		
the Authority	(3,803)	**(3,956)**
the Trust	(7,466)	**(7,466)**
	(11,269)	**(11,422)**
Total Net Surplus/(Deficit) of the pooled budget	(466)	**(446)**
Net surplus/(deficit) for the Authority	(377)	**(357)**
Net surplus/(deficit) for the Trust	(89)	**(89)**

34. Members Allowances

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

	2013/14	**2014/15**
	£000	**£000**
Basic Allowances	509	**510**
Special Responsibility Allowances	241	**230**
Expenses	22	**17**
Employer's NI	45	**47**
Employer's Pension	76	**12**
Total	893	**816**

35. Senior Officers' Remuneration (including Teachers)

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

(a) an analysis of the number of employees whose remuneration is in excess of £50k in bands of £5k;

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

(c) a list of those employees whose salary is in excess of £150k by name and job title.

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

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

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

	2013/14		**2014/15**	
	Non-Teaching Employees	**Teaching Employees**	**Non-Teaching Employees**	**Teaching Employees**
£50,000 - £54,999	34	211	**45**	**182**
£55,000 - £59,999	21	131	**21**	**121**
£60,000 - £64,999	16	56	**13**	**65**
£65,000 - £69,999	19	36	**20**	**36**
£70,000 - £74,999	13	20	**9**	**17**
£75,000 - £79,999	1	17	**3**	**22**
£80,000 - £84,999	1	12	**1**	**9**
£85,000 - £89,999	9	2	**2**	**5**
£90,000 - £94,999	3	2	**7**	**3**
£95,000 - £99,999	0	3	**0**	**1**
£100,000 - £104,999	0	1	**1**	**4**
£105,000 - £109,999	3	1	**2**	**3**
£110,000 - £114,999	0	2	**1**	**1**
£115,000 - £119,999	0	3	**0**	**3**
£120,000 - £124,999	0	3	**0**	**1**
£125,000 - £129,999	0	1	**0**	**1**
£130,000 - £134,999	3	0	**2**	**0**
£135,000 - £139,999	0	1	**0**	**1**
£140,000 - £144,999	0	0	**0**	**1**
£145,000 - £149,999	0	0	**0**	**1**
£150,000 - £154,999	0	0	**0**	**0**
£155,000 - £159,999	0	0	**0**	**0**
£160,000 - £164,999	0	0	**0**	**0**
£165,000 - £169,999	0	0	**0**	**0**
£170,000 - £174,999	0	0	**0**	**0**
£175,000 - £179,999	0	0	**0**	**0**
£180,000 - £184,999	0	0	**0**	**0**
£190,000 - £194,999	0	1	**0**	**1**
£215,000 - £219,999	0	0	**0**	**0**
£225,000 - £229,999	0	0	**0**	**1**
£240,000 - £249,999	0	1	0	**0**
Total	123	504	**127**	**479**

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

Post Held	Year	Notes	Salary, Fees & Allowances	Bonuses	Expense Allowances	Compensation for Loss of Employment	Sub-total	Employer's Pension Contribution	Total (including pension contributions)
			£	£	£	£	£	£	£
Corporate Director Adult & Community Services	**2014/15**		**131,757**	**-**	**-**	**-**	**131,757**	**29,645**	**161,402**
	2013/14		131,757	-	-	-	131,757	28,328	160,085
Corporate Director Children's Services	**2014/15**		**131,757**				**131,757**	**29,645**	**161,402**
	2013/14		131,757	-	-	-	131,757	28,328	160,085
Corporate Director Housing & Environment	**2014/15**			**-**	**-**	**-**	**0**	**0**	**0**
	2013/14	**1**	131,757	-	-	-	131,757	28,328	160,085
Chief Finance Officer	**2014/15**		**110,703**	**-**	**158**	**-**	**110,861**	**25,928**	**136,789**
	2013/14		111,898	-	131	-	112,029	24,058	136,087
Director Public Health	**2014/15**		**88,269**	**-**	**-**	**-**	**88,269**	**12,358**	**100,627**
	2013/14		88,269	-	-	-	88,269	12,358	100,627
Monitoring Officer	**2014/15**		**92,218**	-	**507**	-	**92,725**	**20,749**	**113,474**
	2013/14	**2**	89,763	-	397	-	90,160	19,299	109,459
Chief Executive	**2014/15**		**123,197**				**123,197**	**6,188**	**129,385**
	2013/14	**3**	87,500	5000	118	0	92,618	0	92,618

Note 1 The Corporate Director for Housing & Environment left at the end of 2013/14. The Environment role has been covered by the Corporate Director of Adults & Community Services and the Housing role has been covered by an interim manager employed via an agency.

Note 2 The Head of Legal & Democratic Services/ Monitoring Officer role is shared with Thurrock Council at an annual salary of £92,218. A contribution of £59,610 was received from Thurrock Council to cover salary and oncosts.

Note 3 At the start of 2014/15 the Chief Executive role was shared with Thurrock Council at an annual salary of £185,000. This arrangement was terminated during 2014/15 and a new Chief Executive for the borough was appointed from February 2015. The figure shown represents the cost recharged to LBBD and the new Chief Executive's salary from February 2015.

Further information: The post of Assistant Chief Executive was shared with Thurrock Council until 31 January 2015. The Council made a contribution of £42,917 towards the salary.

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

Post Held	Year	Notes	Salary, Fees & Allowances £	Expense Allowances £	Compensation for Loss of Employment £	Sub -total £	Employer's Pension Contribution £	(including pension contributions) £
Head Teacher, Sydney Russell Comprehensive School	**2014/15**		**193,621**	**0**	**0**	**193,621**	**24,457**	**218,078**
Roger Leighton	2013/14	**1**	192,492	0	0	192,492	27,141	219,633
Head Teacher, Robert Clack Comprehensive School	**2014/15**		**226,588**	**423**		**227,011**	**29,006**	**256,017**
Sir Paul Grant	2013/14	**2**	244,509	89	0	244,598	34,236	278,834

Note 1 Roger Leighton's salary includes a market supplement of £39,657 and an allowance of £40,000 for his additional role as Executive Head of Barking Riverside school. His annual salary is £113,964

Note 2 Sir Paul Grant's salary includes a market supplement of £71,640 and an acting allowance of £40,000 for his additional role as Executive Head of Warren Comprehensive school. His annual salary is £113,964.

d) Exit packages

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

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band (£)	
	2013/14	**2014/15**	2013/14	**2014/15**	2013/14	**2014/15**	2013/14	**2014/15**
£0 – £20,000	37	**32**	38	**27**	75	**59**	797,743	**614,840**
£20,001–£40,000	15	**11**	7	**8**	22	**19**	616,708	**487,037**
£40,000–£60,000	5	**3**	3	**2**	8	**5**	391,435	**229,013**
£60,001–£80,000	2	**3**	1	**0**	3	**3**	205,220	**231,352**
Total	59	**49**	49	**37**	108	**86**	2,011,106	**1,562,242**

36. External Audit costs

Following market testing of audit services by the Audit Commission, KPMG were appointed as the Council's auditors in 2012/13. The Council has incurred the following costs in relation to the audit of the Statement of Accounts and the certification of grant claims.

	2013/14 £000	**2014/15** **£000**
Fees payable for external audit services carried out in the year.	219	**221**
Fees payable for the certification of grant claims and returns for the year.	63	**30**
TOTAL	282	**251**

37. Dedicated Schools Grant (DSG)

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

Details of the deployment of DSG received for 2014/15 is below:

Total 2013/14 £000		Central Costs £000	ISB £000	**Total 2014/15 £000**
216,802	Final DSG for year before Academy recoupment			**223,918**
2,214	**Less:** Academy figure recouped for 2014/15			**9,820**
214,588	Total DSG after Academy recoupment for 2014/15			**214,098**
5,659	Brought forward from previous year			**9,241**
7,493	**Less:** Carry forward to 2015/16 agreed in			**7,733**
212,754	Agreed initial budget distribution in year	47,602	168,004	**215,606**
0	In year adjustments	0	0	**0**
	Final budget distribution for 2014/15	47,602	168,004	**215,606**
23,755	**Less:** Actual central expenditure			**44,717**
187,251	Actual ISB deployed to schools			**167,917**
	Additional carry forward to 2015-16	2,885	87	**2,972**
1,748	Total carry forward to 2015/16			**10,705**

38. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

	2013/14 £000	**2014/15 £000**
Taxation and Non Specific Grant Income		
RSG (Includes New Business Rates Retention Scheme 2014/15)	109,456	**96,656**
Education Services Grant	4,930	**4,788**
New Homes Grant	2892	**3,234**
Housing & Council Tax Benefits Admin Grant	1,861	**1,459**
LACSEG (Topslice Reallocation)	1,491	**-**
Council Tax Freeze Grant	540	**551**
Other	418	**916**
Weekly Waste Collection Grant	417	**417**
Small Business & Empty Property Rate Relief Grant	337	**546**
Local Services Support Grant	70	**46**
Council Tax New Burdens	-	**178**
Total	122,412	**108,791**
Capital Grants	41,312	**72,272**
Direct to Services		
Dedicated Schools Grant (DSG)	214,588	**214,098**
Department of Work and Pensions	148,901	**145,501**
Education Funding Agency	13,271	**15,263**
Pupil Premium	13,141	**16,250**
Public Health England	12,921	**14,213**
Department for Education	8,759	**10,715**
Skills Funding Agency	2,017	**2,180**
Communities and Local Government	1,291	**1,078**
Youth Justice Board	758	**745**
Home Office	481	**613**
Mayor's Office for Policing and Crime	406	**505**
GLA	284	**451**
Children's Workforce Development Council	289	**280**
Department of Health	-	**200**
Other	605	**756**
	417,712	**422,848**

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

Long term liabilities	2013/14 £000	**2014/15 £000**
Capital Grants Received in Advance	(520)	**(407)**

39. Related Parties

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

Central Government

Central government has effective control over the general operations of the Council and is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 29 on reporting for resources allocation decisions. Grants received during the year are further analysed in Note 38.

Members

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

The total of members' allowances paid in 2014/15 is shown in Note 34. During 2014/15, no works or services were commissioned from companies in which members had an interest.

Officers

During 2014/15 the Senior Officers of the Council held no pecuniary interests in accordance with section 117 of the Local Government Act 1972 in contracts entered into by the Council.

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

The Council has a pooled budget arrangement with North East London NHS Foundation Trust for the provision of mental health and social services. Transactions and balances are detailed in Note 33.

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

Pension fund

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

Entities Controlled or Significantly Influenced by the Council

The Council participates in a joint venture (Elevate LLP) the details of which are set out in the Group Accounts on pages 125-135. Two councillors sit on the board of directors. The Council also owns Barking and Dagenham Reside Ltd which provides housing at affordable rents. Three councilors sit on the company board.

A number of elected members are either Directors or Trustees of a number of bodies that deliver services to the community or work in partnership with the Council, the most significant of which are set out below:

• Barking and Dagenham Adult College: Councillor E Carpenter is a member of the board for which no remuneration is received;

• Elevate East London Limited Liability Partnership Board: Councillors J Ogungbose and P Waker are Council appointed members for which no remuneration is received;

• East London Waste Authority: Councillors L Rice and J Wade are Council appointed members of the statutory body responsible for the disposal of waste in the London boroughs of Barking and Dagenham, Havering Newham and Redbridge for which no remuneration is received; and

• Barking and Dagenham Reside Ltd: Councillors S Ashraf, D Twomey and C Geddes are Council appointed board members for which no remuneration is received

40. Capital Expenditure and Capital Financing

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

Capital Financing Requirement	2013/14 £000	**2014/15** **£000**
Opening Capital Financing Requirement	491,578	**484,743**
Capital investment		
- Property, Plant and Equipment	114,890	**138,065**
- Property Plant and Equipment - Finance Lease additions	3,440	**85,083**
- Property Plant and Equipment - PFI Additions	15	**25**
- Investment Properties	244	**238**
- Intangible Assets	1,672	**1,679**
- Heritage Assets	20	**100**
- Revenue Expenditure Funded from Capital under Statute	2,531	**5,712**
Sources of Finance		
Capital receipts	(15,960)	**(14,035)**
Government grants and other contributions	(51,492)	**(48,910)**
Contributions from reserves (including Invest to Save)	0	**(860)**
Sums set aside from revenue:		
- Direct revenue contributions	(9,249)	**(12,300)**
- MRP/loans fund principal	(10,290)	**(9,581)**
Major Repairs Reserve	(42,656)	**(51,861)**
Increase in Capital Financing Requirement	(6,835)	**93,355**
Closing Capital Financing Requirement	484,743	**578,098**

Explanation of Movements in Year	2013/14 £000	**2014/15** **£000**
Increase in underlying need to borrow (unsupported by government financial assistance)	(10,290)	**8,247**
Assets acquired under finance leases	3,440	**85,083**
Assets acquired under PFI/PPP contracts	15	**25**
Increase in Capital Financing Requirement	(6,835)	**93,355**

41. Leases

Council as Lessee

Finance Leases

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

Net Book Value of Assets acquired under a finance lease	2013/14	**2014/15**
	£000	**£000**
Property, Plant and Equipment	6,341	**99,583**

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

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

Minimum Lease Payments	2013/14	**2014/15**
	£000	**£000**
Finance Lease Liabilities		
(net present value of minimum lease payments)		
- Current	792	**1,677**
- Non-current	2,535	**87,464**
	3,327	**89,141**
Finance Costs Payable in Future Years	1,095	**139,322**
Minimum Lease Payments	4,422	**228,463**

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

Finance Lease Payment profile	**Minimum Lease Payments**		**Finance Lease Liabilities**	
	2013/14	**2014/15**	2013/14	**2014/15**
	£000	**£000**	£000	**£000**
Not later than one year	1218	**5,406**	792	**1,677**
Later than one year and not later than five	3,204	**18,412**	2,535	**4,601**
Later than five years	0	**204,645**	0	**82,862**
	4,422	**228,463**	3,327	**89,140**

Operating Leases

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

Operating Lease Payment profile	2013/14 £000	**2014/15** **£000**
Not later than one year	255	**411**
Later than one year and not later than five years	391	**739**
Later than five years	2,711	**2,678**
	3,357	**3,828**

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

Operating Lease costs

	2013/14 £000	**2014/15** **£000**
Operating Lease payments	1,724	**4,756**

There were no contingent rents or sublease payments.

Council as Lessor

Operating Leases

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

Future Minimum Lease Payments Receivable	2013/14 £000	**2014/15** **£000**
Not later than one year	2,983	**2,983**
Later than one year and not later than five years	9,825	**9,964**
Later than five years	47,830	**46,749**

42. Private Finance Initiatives and similar contracts

PFI Schemes – Eastbury and Jo Richardson Schools

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

Changes in the arrangements during the year (Property, Plant and Equipment)
The assets used to provide services at the schools are recognised on the Council's Balance Sheet and movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 11.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2015 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

PFI Payments	Total 2013/14	**Payment for Services**	**Reimbursement of Capital Expenditure**	**Interest**	**Total 2014/15**
	£000	**£000**	**£000**	**£000**	**£000**
Payable within one year	6,151	1,610	681	3,933	**6,224**
Payable within two to five years	24,602	6,852	3,506	14,538	**24,896**
Payable within six to ten years	30,752	9,574	6,852	14,695	**31,121**
Payable within eleven to fifteen years	30,752	10,831	11,211	9,078	**31,120**
Payable within sixteen to twenty years	12,301	779	1,999	3,445	**6,223**
Total	104,558	**29,646**	**24,249**	**45,689**	**99,584**

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

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

Contractor Liability	2013/14	**2014/15**
	£000	**£000**
Balance outstanding at 1 April	25,426	**24,867**
Payments during the year	(559)	**(617)**
Balance outstanding at 31 March	24,867	**24,250**

PFI Scheme – Dagenham Park School

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

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

The assets used to provide services at the schools are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 11.

Payments

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2015 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Total 2013/14 £000	**Payment for Services £000**	**Reimbursement of Capital Expenditure £000**	**Interest £000**	**Total 2014/15 £000**
Payable within one year	4,076	590	727	2,844	**4,161**
Payable within two to five years	16,301	2,361	3,414	10,873	**16,648**
Payable within six to ten years	20,376	2,951	5,511	12,347	**20,809**
Payable within eleven to fifteen	20,376	2,951	7,666	10,192	**20,809**
Payable within sixteen to twenty years	20,376	2,951	10,960	6,898	**20,809**
Payable within twenty-one to twenty-five years	12,226	1,180	5,746	1,398	**8,324**
Total	93,731	**12,984**	**34,024**	**44,552**	**91,560**

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

Contractor Liability	2013/14 £000	**2014/15 £000**
Balance outstanding at start of year	30,831	**30,200**
Payments during the year	(646)	**(695)**
Capital expenditure incurred in the year	15	**26**
Balance outstanding at year-end	30,200	**29,531**

43. Impairment Losses

During 2014/15 the Council's valuers, Wilks, Head & Eve, reviewed the Council's properties for any downward revaluations that may have occurred for reasons other than changes in market values. They have confirmed that there have been no such impairment losses relating to the Council's properties.

44. Termination Benefits

As a result of the reorganisation of its service delivery, a number of employees were made redundant by the Council during 2014/15. Liabilities incurred during 2014/15, including the strain on the Pension Fund, totalled £1.6m (2013/14 £2.0m) – see Note 35 for the number of exit packages and total cost per band. This amount related to 86 employees across the Council who were made redundant through the Council's overall service transformation programme

45. Pensions Schemes accounted for as Defined Contribution Schemes

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

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

In 2014/15, the Council paid £11.3m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £11.4m and 14.1%. There were no contributions remaining payable at the year-end. For NHS staff in 2014/15 the figures were £0.1m and 14% (For NHS pension fund members the figures for 2013/14 were £0.07m and 14%)

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 46.

46. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. In 2014/15 the Council participated in two post employment schemes:

• The Local Government Pension Scheme (LGPS), administered by the Council: this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets

• Arrangements for the award of discretionary post retirement benefits upon early retirement: this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due

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

Historical Returns for the Scheme

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Scheme History	2010/11 £000s	2011/12 £000s	2012/13 £000s	2013/14 £000s	**2014/15 £000s**
Present Value of liabilities:					
LGPS	(623,490)	(683,921)	(793,250)	(862,269)	**(1,020,686)**
Discretionary Benefits	-	-	-	-	-
	(623,490)	(683,921)	(793,250)	(862,269)	**(1,020,686)**
Fair value of assets in the LGPS	430,131	424,142	471,593	510,715	**591,383**
Surplus/(deficit) in the scheme:					
LGPS	(193,359)	(259,779)	(321,657)	(351,554)	**(429,303)**
Discretionary Benefits	-	-	-		
Total	(193,359)	(259,779)	(321,657)	(351,554)	**(429,303)**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the LGPS and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of Actuaries, estimates for the Pension Fund being based on the latest full valuation of the scheme as at 31 March 2013.

Whilst the liabilities calculated under the Accounting Standard include an allowance for some premature retirements on grounds of ill-health, there is no allowance for early retirement on grounds of redundancy or efficiency. The principal assumptions used by the Actuary have been:

Actuarial Assumptions	**LGPS**	
	2013/14	**2014/15**
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
• Men	21.8 yrs	**21.8 yrs**
• Women	24.0 yrs	**24.0 yrs**
Longevity at 65 for future pensioners		
• Men	24.1 yrs	**24.1 yrs**
• Women	26.5 yrs	**26.5 yrs**
Rate of Increase in Salaries*	4.1%	**3.8%**
Rate of Increase in Pensions	2.8%	**2.4%**
Rate of Discounting Scheme Liabilities	4.3%	**3.2%**

* *Salary increases are assumed to be 1% p.a. until 31 March 2015, reverting to 4.8% thereafter*

Commutation: An allowance is included for future retirement to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-fee cash for post-April 2008 service.

Employer membership statistics

The total number of active, deferred and pensioner members is provided below. The average age assumption is based on triennial valuation data and is therefore as at 31 March 2013.

	Number		**Average Age**
	31-Mar-14	**31-Mar-15**	**31-Mar-13**
Actives	4,858	5,015	51
Deferred Pensioners	4,216	4,475	50
Pensioners	4,190	4,266	67
Total	**13,264**	**13,756**	

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the accounts during the year:

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for yearend 31 March 2015:

Period ended 31 March 2015	Assets	Obligations	Net (liability) / asset
	£000s	£000s	£000s
Fair value of employer assets	510,715		510,715
Present value of funded liabilities		837,251	(837,251)
Present value of unfunded liabilities		25,018	(25,018)
Opening Position as at 31 March 2014	**510,715**	**862,269**	**(351,554)**
Service cost			
Current service cost*		22,641	(22,641)
Past service cost (including curtailments)		125	(125)
Total service cost	**0**	**22,766**	**(22,766)**
Net interest			
Interest income on plan assets	21,971		21,971
Interest cost on defined benefit obligation		37,024	(37,024)
Total defined benefit cost recognised in Profit or (Loss)	**21,971**	**37,024**	**(15,053)**
Cash flows			
Plan participants' contributions	6,270	6,270	0
Employer contributions	23,625		23,625
Contributions in respect of unfunded benefits	1,665		1,665
Benefits paid	(28,684)	(28,684)	0
Unfunded benefits paid	(1,665)	(1,665)	0
Total cash flow movements	**1,211**	**(24,079)**	**25,290**
Expected closing position	**533,897**	**897,980**	**(364,083)**
Remeasurements			
Changes in demographic assumptions			
Changes in financial assumptions		130,427	(130,427)
Other experience		(7,721)	7,721
Return on assets excluding amounts included in net intere	57,486		57,486
Total remeasurements recognised in Other Comprehensive Income (OCI)	**57,486**	**122,706**	**(65,220)**
Effect of business combinations and disposals			
Fair value of employer assets	591,383		591,383
Present value of funded liabilities		994,794	(994,794)
Present value of unfunded liabilities**		25,892	(25,892)
Closing position as at 31 March 2015	**591,383**	**1,020,686**	**(429,303)**

Period ended 31 March 2014	Assets	Obligations	Net (liability) / asset
	£000s	£000s	£000s
Fair value of employer assets	471,593	-	471,593
Present value of funded liabilities	-	769,216	(769,216)
Present value of unfunded liabilities		24,034	(24,034)
Opening Position as at 31 March 2013	**471,593**	**793,250**	**(321,657)**
Service cost			
Current service cost	-	21,465	(21,465)
Past service cost (including curtailments)	-	150	(150)
Total service cost	**-**	**21,615**	**(21,615)**
Net interest			
Interest income on plan assets	22,692	-	22,692
Interest cost on defined benefit obligation	-	37,326	(37,326)
Total Net Interest	**22,692**	**37,326**	**(14,634)**
Total defined benefit cost recognised in Profit or (Loss)	**22,692**	**58,941**	**(36,249)**
Cash flows			
Plan participants' contributions	5,800	5,800	-
Employer contributions	22,425	-	22,425
Contributions in respect of unfunded benefits	1,647	-	1,647
Benefits paid	(26,099)	(26,099)	-
Unfunded benefits paid	(1,647)	(1,647)	-
Total cash flow movements	**2,126**	**(21,946)**	**24,072**
Expected closing position	**496,411**	**830,245**	**(333,834)**
Remeasurements			
Changes in demographic assumptions	-	14,862	(14,862)
Changes in financial assumptions	-	705	(705)
Other experience		(24,004)	24,004
Return on assets excluding amounts included in net interest	(20,716)	-	(20,716)
Total remeasurements recognised in Other Comprehensive Income (OCI)	**(20,716)**	**(8,437)**	**(12,279)**
Effect of business combinations and disposals	35,020	40,461	(5,441)
Fair value of employer assets	510,715	-	510,715
Present value of funded liabilities	-	837,251	(837,251)
Present value of unfunded liabilities	-	25,018	(25,018)
Closing position as at 31 March 2014	**510,715**	**862,269**	**(351,554)**

*The service cost figures include an allowance for administration expenses of 0.6% of payroll.

**This liability comprises of approximately £16.4m in respect of LGPS unfunded pensions and £9.5m in respect of Teachers' unfunded pensions.

For unfunded liabilities as at 31 March 2015, it is assumed that all unfunded pensions are payable for the remainder of the member's life

It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension as at the date of the member's death.

Scheme Liabilities

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of **£1,020.7m** has a substantial impact on the net worth of the authority as recorded in the Balance Sheet resulting in a negative overall balance of **£429.3m** (see note 4 for further information).

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

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary;

- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

It is important to recognise that the IAS19 is based on the assumptions that are set as part of the accounting standard and do not reflect the funding strategy of the fund nor the payments made for the employers in 2014/15.

The more important Triennial Valuation is the statutory basis for assessing the Fund's liabilities and for setting the employer's contribution rate. The last triennial valuation took place in March 2013, (effective from 1 April 2014), showed a funding level of 70.6% for the whole fund. The pension fund investment strategy is seeking a fully funded position within 19 years. This long-term strategy allows for short-term market volatility.

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

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2016 is estimated to be **£22.3m**.

Fair value of employers' assets

Below are the asset values of the London Borough of Barking and Dagenham's assets at bid value and broken down by asset class as at 31 March 2015:

	Period Ended 31 March 2014				**Period Ended 31 March 2015**			
Asset Category	Quoted prices in active markets	Quoted prices not in active markets	Total	% of total assets	**Quoted prices in active markets**	**Quoted prices not in active markets**	**Total**	**% of total assets**
	£000	£000	£000	%	**£000**	**£000**	**£000**	**%**
Debt Securities								
Corporate Bonds (investment grade)	-	-	0	0			0	0
UK Government	-	-	0	0			0	0
Real Estate								
UK Property		37,527	37,527	7		44,117	**44,117**	**7**
Investment Funds and Unit Trusts								
Equities	265,886		265,886	52	272,259		**272,259**	**46**
Bonds	68,363		68,363	13	79,503		**79,503**	**13**
Hedge Funds	-	-	-	0		35,130	**35,130**	**6**
Commodities	99,508		99,508	19		-	0	**0**
Infrastructure	-	34,054	34,054	7		26,270	**26,270**	**4**
Other	-	-	-	-	107,580		**107,580**	**18**
Derivatives								
Interest rate	-	-	-	-	-	-	-	**0**
Cash and Cash Equivalent		5,377	5,377	1		26,524	**26,524**	**4**
Totals	433,757	76,958	510,715	100	**459,342**	**132,041**	**591,383**	**100**

Projected defined benefit cost for the period to 31 March 2016

Analysis of projected amount to be charged to operating profit for the period to 31 March 2016

Period Ended 31 March 2016	**Assets** **£000**	**Obligations** **£000**	**Net(liability)/ asset** **£000**	**% of pay**
Projected Current service cost*		28,245	(28,245)	(29.8)
Total Service Cost	0	28,245	(28,245)	(29.8)
Interest income on plan assets	18,941	-	18,941	20
Interest cost on defined benefit obligation	-	32,746	(32,746)	(34.5)
Total Net Interest Cost	18,941	32,746	(13,805)	(14.5)
Total Included in Profit and Loss	**18,941**	**60,991**	**(42,050)**	**(44.3)**

**The current service cost includes an allowance for administration expenses of 0.6% of payroll.*

The contributions paid by the Employer are set by the Fund actuary at each triennial actuarial valuation. The contributions payable over the period to 31 March 2017 are set out in the Rate and Adjustments certificate. For further details on the approach adopted to set contribution rates for the Employer, please refer to the 2013 actuarial valuation report dated 31 March 2014. The estimated Employer's contributions for the period to 31 March 2016 is approximately £22.3m.

Notes: The above figures should be treated as estimates and may need to be adjusted to take account of:

- Any material events, such as curtailments, settlements or the discontinuance of the Employer's participation in the Fund; any changes to accounting practices;

- Any changes to the Scheme benefit or member contribution rates; and/or any full funding valuation that may have been carried out on the Employer's behalf; and

- The monetary amount of the projected service cost for the period to 31 March 2016 maybe adjusted to take account of actual pensionable payroll for the period.

Sensitivity Analysis

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

Change in assumptions at year ended 31 March 2015	Approximate % increase to Employer	Appropriate monetary amount (£000)
0.5% Decrease in Real Discount Rate	10%	103,570
1 yr Increase in Member Life Expectancy	3%	30,621
0.5% Increase in the Salary Increase Rate	3%	29,469
0.5% Increase in the Pension Increase Rate	7%	72,211

Notes:

To quantify the impact of a change in the financial assumptions a number of different assumptions have been used on the value of the scheme liabilities as at 31 March 2015.

To quantify the uncertainty around life expectancy the difference in cost to the Employer of a one year increase in life expectancy has been used.

For sensitivity purposes, this is assumed to be an increase in the cost of benefits of broadly 3%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominately apply at younger or older ages).

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

47. Contingent Liabilities

At 31 March 2015, the Council had no material contingent liabilities.

48. Contingent Assets

At 31 March 2015, the Council had no material contingent assets.

49. Nature and Extent of Risks Arising for Financial Instruments

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

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

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

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

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

Overall Procedures for Managing Risk in Financial Markets

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

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;

- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;

- By approving annually in advance prudential and treasury indicators for the following three years limiting the Council's overall borrowing:
> its maximum and minimum exposures to fixed and variable rates;
>its maximum and minimum exposures to the maturity structure of its debt;
>its maximum annual exposures to investments maturing beyond a year; and
investing and selecting investment counterparties in compliance with the Government Guidance.

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

The annual treasury management strategy which incorporates the prudential indicators and the Investment Strategy was approved by the Assembly on 19 February 2014, in respect of 2014/15, and is available on the Council website:

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

The key issues within the strategy were:

- the revised authorised borrowing limit (GF and HRA) of £500m for 2014/15, which includes £266m for the HRA self-financing debt settlement (out of a limit of £278m); and

- to approve the annual investment strategy and creditworthiness policy for 2014/15 outlining the investments that the Council may use for the prudent management of its investment balances These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies, Treasury Management Practices (TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

The Treasury Management Strategy Statement for 2015/16 was approved by the Assembly 24 February 2015.

Credit Risk

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

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

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £218.1m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

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

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

	Criteria	Amount Invested at 31 March 2015 £000
Deposits with Banks	A' rated	**89,510**
	BBB rated'	**9**
Deposits with Building Societies	A' rated	**20,000**
Deposits with Money Market Funds	'AAA' rated	**8,000**
Certificates of Deposit	A' rated	**15,008**
	BBB rated'	**50,160**
UK Government Risk	Local Authority	**30,800**
	Commercial Loan	**4,626**
Total Investments		**218,113**

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

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

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

Aged Debtor Analysis	31-Mar-14	**31-Mar-15**
	£000	**£000**
Less than three months	2,757	**3,873**
Three to six months	415	**381**
Six months to one year	321	**289**
More than one year	492	**527**

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

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

Refinancing and Maturity Risk

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

· monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

· monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

	Actual 2013/14 £000	**Actual 2014/15 £000**
Less than one year	10,000	**-**
Between 1 and 2 years		**-**
Between 2 and 5 years	-	**-**
Between 5 and 10 years	-	**-**
More than 10 years	305,912	**394,912**
Total	315,912	**394,912**

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

Market Risk

Interest Rate Risk

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

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

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

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

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

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

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable. According to this assessment strategy, at 31 March 2015 if interest rates had been 1% higher with all other variables held constant, the financial effect for 2014/15 would be:

Interest Rate Risk – 1% Increase	**£000**
Increase in interest payable on variable rate borrowings*	**-**
Increase in interest receivable on variable rate investments	**(557)**
Impact on Surplus or Deficit on the Provision of Services	**(557)**

Interest Rate Risk – 1% Decrease	**£000**
Decrease in interest payable on variable rate borrowings*	**459**
Decrease in interest receivable on variable rate investments	**-**
Impact on Surplus or Deficit on the Provision of Services	**459**

*The Council did not hold any variable rate borrowings as at 31 March 2015 and therefore the effect of an increase or decrease in the rate would be nil.

Price Risk

Excluding the Pension Fund, the Council does not generally hold equity shares. The Council holds £65.2m worth of Certificates of Deposit with maturity dates of between six months and two years. It is the Council's intention to hold these until maturity.

Foreign exchange risk

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

50. Trust Funds

The Council acts as a trustee for a number of small trust funds. These funds provide education prizes and assistance for local residents.

	2013/14 £000	**2014/15** **£000**
Trust Fund balances at 1 April	(73)	**(73)**
Payments from funds during year	0	**0**
Income received by funds in the year	0	**0**
Balance at 31 March	(73)	**(73)**

These balances do not form part of the Authority's consolidated balance sheet.

The council also holds the following balances:

- custody accounts - £1,780,497 (£1,587,396 in 2013/14);
- a residents' amenity fund - £6,049 (£41,519 in 2013/14); and
- an education bursaries fund - £451,263 (£393,842 in 2013/14)

Housing Revenue Account

for the year ended

31st March 2015

Housing Revenue Account (HRA) Income and Expenditure Statement

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

2013/14		**2014/15**
£000	**Expenditure**	**£000**
20,507	Repairs & Maintenance	**19,623**
42,473	Supervision & Management	**39,083**
5,441	Pension Liability	**0**
596	Rent, Rates, Taxes & Other Charges	**479**
17,223	Depreciation and revaluation of non-current assets (note 5)	**35,605**
1,112	Movement in the allowance for bad debts	**1,239**
87,352	**Total Expenditure**	**96,029**
	Income	
(87,100)	Dwelling rents	**(87,449)**
(2,366)	Non-dwelling rents	**(735)**
(18,928)	Charges for services and facilities	**(17,633)**
(1,000)	Contributions towards expenditure	**(1,000)**
(109,394)	**Total Income**	**(106,817)**
(22,042)	**Net cost of HRA Services as included in the Council's Comprehensive Income & Expenditure Statement**	**(10,788)**
811	HRA services' share of Corporate & Democratic Core	**685**
(21,231)	**Net Cost/(Surplus) for HRA**	**(10,103)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
(7,621)	Gain on sale of HRA non-current assets	**(8,736)**
9,294	Interest Payable and similar charges	**9,294**
(686)	Interest & Investment Income	**(605)**
2,166	Pensions interest cost and expected return on Pension assets	**1,293**
(18,078)	**(Surplus) / Deficit for the year of HRA Services**	**(8,857)**

MOVEMENT ON THE HRA STATEMENT

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

2013/14 £'000			**2014/15 £'000**
(8,461)	**Balance at 1 April**		**(8,736)**
(18,078)	(Surplus)Deficit for the year on the HRA Income & Expenditure Statement	(8,857)	
17,803	Adjustments between accounting basis and funding basis under statute	8,857	
(275)	Net increase before transfers to/from reserves	0	
0	Transfers to / (from) reserves	0	
(275)	(Increase) / decrease in year on the HRA		**0**
(8,736)	**Balance at 31 March**		**(8,736)**

2013/14 £'000	**Adjustments between accounting basis and funding basis under statute**	**2014/15 £'000**
7,621	Gain/(loss) on HRA - Non Current Assets	**8,736**
(7,456)	Revaluation/Impairment of Housing Assets	**(24,143)**
561	Repayment of principal for capital finance lease	**686**
(21)	Holiday pay accruals and other accumulating compensated absences	**102**
(1,780)	Net charges made for retirement benefits in accordance with IAS 19 (note 8)	**(1,066)**
(5,441)	Pension Liability - Housing Repairs DLO	**0**
23,491	Transfer to the Major Repairs Reserve	**23,876**
828	Transfer to/(from) Leasehold Repairs Reserve	**666**
17,803		**8,857**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Council Housing Stock

The Council was responsible for managing an average of 18,467 dwellings during 2014/15 (18,787 during 2013/14).

At 31 March 2015, the stock was made up as follows:

Dwelling type	units
Low rise flats	2,210
Medium rise flats	4,373
High rise flats	2,160
Houses and bungalows	9,755
Multi Occupied	2
	18,500

Year of construction	units
Pre 1919	283
1919 - 1944	9,041
1945 - 1964	3,899
Post 1964	5,277
	18,500

The change in stock can be summarised as follows:

	2013/14 units	**2014/15** units
Stock at 1 April	19,140	18,434
Sales - Right to Buy	(223)	(220)
Additions	11	291
Demolitions (Decant Programme)	(494)	(5)
Stock at 31 March	18,434	**18,500**

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

	Operational Assets		**Non Operational Assets**		
	Dwellings	**Total Land & Dwellings**	**Other Property**	**Intangible Assets**	**Investment Property**
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 1 April	562,343	**658,028**	12,542	972	20,725
Additions	62,115	**62,115**	0	0	0
Depreciation	(9,372)	**(9,372)**	(1,000)	(972)	0
Disposals	(7,659)	**(8,986)**	0	0	0
Transfers	29,864	**29,864**	2,879	0	(20,725)
Revaluations	(34,506)	**(23,536)**	(790)	0	0
Balance at 31 March	**602,785**	**708,113**	**13,631**	**0**	**0**

2. Vacant possession value

The vacant possession value of dwellings within the HRA at 31 March 2015 was £2.832 billion (£2.55 billion 31 March 2014). The balance sheet value of dwellings, which is stated at Existing Use Value - Social Housing, is lower than the vacant possession value.

This shows the economic cost to the government in providing council housing at less than the open market rental value.

3. Major Repairs Reserve

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

Major Repairs Reserve	2013/14	**2014/15**
	£000	**£000**
Balance at 1 April	30,752	**21,354**
Amount transferred to MRR (Depreciation)	9,767	**11,462**
Debits to the MRR in respect of capital expenditure on HRA land and buildings	(42,656)	**(51,861)**
Transfers from HRA to MRR	23,491	**23,876**
Balance at 31 March	21,354	**4,831**

4. Capital expenditure and receipts

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

	Borrowing Approvals	Grant & S106	Capital Receipts	Major Repairs Reserve	**Total**
	£000	£000	£000	£000	**£000**
Houses	-	1,827	8,427	51,861	**62,115**
Land	-	-	-	-	**0**
Other property	-	-	-	-	**0**
Assets Under Construction	900	15,529	-	-	**16,429**
Total	**900**	**17,356**	**8,427**	**51,861**	**78,544**

Capital receipts derived from disposals of land, houses and other property within the HRA during 2014/15 are summarised as follows:-

	2013/14	**2014/15**
	£000	**£000**
Houses	15,892	**17,531**
Land	0	**0**
Other property	98	**333**
Total	15,990	**17,864**

5. Depreciation and impairment

The total charge for depreciation to the HRA was £9.4 million for dwellings and £2.1 million for other property including intangible assets (2013/14 £9.3 million and £0.5 million, respectively). Revaluation losses of £24.1 million have also been debited to the HRA.

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

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

From 1 April 2004, HRA tenant rent rebates and the subsidy received from the Department for Work and Pensions (DWP) are accounted for in the General Fund. The exception to this is the subsidy withheld by the DWP because the rent levels set for the tenants are above the DWP guideline rent. This element, known as the 'rent rebate subsidy limitation', is charged to the HRA as a reimbursement to the General Fund for its loss of subsidy income. No reimbursement is required from the Barking and Dagenham HRA in 2014/15 (2013/14 was £0k).

7. Rent arrears	2013/14	**2014/15**
	£000	**£000**
Dwelling rents	5,004	**4,908**
Other charges/adjustments	616	**1,030**
	5,620	**5,938**

During 2014/15, arrears were to 5.7% of net rent income, compared with 5.3% in 2013/14. The total provision for rent & leasehold arrears at 31 March 2015 was £3.2m

8. IAS 19 – Retirement Benefits

The Authority considers it to be proper accounting practice to allow the HRA to be charged with an attributable share of current and past service costs. From 2005/06, the HRA has also been charged with an attributable share of pension interest costs, less expected return on pension assets. However, as local authorities can only charge actual employer contributions and payments against the HRA, the IAS 19 entries are reversed out in the Movement on the HRA statement and replaced by actual employers' contributions payable to the scheme. The Core Financial Statements note 46 gives further details.

The Collection Fund

for the year ended

31st March 2015

Collection Fund Income and Expenditure Statement

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

	2014/15				2013/14
	NNDR Supplement	**NNDR**	**Council Tax**	**Total**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Income					
Council Tax Receivable			(58,073)	(58,073)	(55,780)
Business Rates Receivable		(59,464)		(59,464)	(58,299)
Business Rate Supplement	(1,764)			(1,764)	(1,751)
Transitional Protection Payments		(1,934)		(1,934)	
	(1,764)	**(61,398)**	**(58,073)**	**(121,235)**	**(115,830)**
Expenditure					
Precepts, Demands and Shares					
Central Government		27,295		27,295	29,663
Greater London Authority	1,757	10,918	12,116	24,791	25,715
Billing Authority		16,377	41,187	57,564	58,409
	1,757	**54,590**	**53,303**	**109,650**	**113,787**
Apportionment of Previous Year Surplus/(Deficit)					
Central Government		(3,038)		(3,038)	0
Greater London Authority		(1,215)	318	(897)	136
Billing Authority		(1,823)	1,067	(756)	450
	0	**(6,076)**	**1,385**	**(4,691)**	**586**
Charges to Collection Fund					
Write Offs of uncollectable amounts		320	504	824	753
Increase/(Decrease) in Bad Debt Provision		353	932	1,285	1,856
Increase/(Decrease) in Provision for Appeals		1,844		1,844	9,632
Cost of Collection	7	205		212	214
	7	**2,722**	**1,436**	**4,165**	**12,455**
(Surplus)/Deficit arising during the year	**0**	**(10,162)**	**(1,949)**	**(12,111)**	**10,998**
(Surplus)/Deficit at 1st April 2014	**0**	**11,696**	**(1,476)**	**10,220**	**(778)**
(Surplus)/Deficit at 31st March 2015	**0**	**1,534**	**(3,425)**	**(1,891)**	**10,220**
(Surplus)/Deficit Balance Attributable to:					
London Borough of Barking & Dagenham		460	(2,656)	(2,196)	2,371
Greater London Authority		307	(769)	(462)	2,001
Central Government		767	0	767	5,848

1. Council Tax Base

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

Band	**Number of Properties after Discounts and Exemptions**	**Band 'D' Equivalent Properties**
A (Disabled)	2.75	1.52
A	5,230.95	2,078.98
B	9,163.00	4,677.93
C	38,872.50	26,624.10
D	7,997.75	6,756.13
E	1,533.50	1,640.50
F	312.25	414.76
G	39.00	63.19
H	4.00	8.00

Total Band 'D' equivalents for 2014/15	**42,265.11**
Less in year non-collection allowance	(2,746.99)
Add arrears collection	1,004.00
Council Tax Base for 2014/15	**40,522.12**
Council Tax Base for 2013/14	39,955.66

2. National Non Domestic Rates (NNDR)

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

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

	2013/14 £000	**2014/15** £000
Rateable Value at 31 March	148,255	138,295
Business rates multiplier for premises with rateable values (RV) of £25,500 and above	47.1p	48.2p
Small business rates multiplier for premises with RV below £25,500	46.2p	47.1p
Additional Crossrail NNDR Supplement multiplier, levied on premises with a RV above £55,000	2.0p	2.0p

Group Accounts

for the year ended

31st March 2015

Introduction to the Group Accounts

The Council has an interest in a joint venture, Elevate East London LLP and wholly owns a subsidiary company, Barking and Dagenham Reside Ltd. Both of these entities are incorporated into the Group Accounts. The joint venture is incorporated using the equity method whilst the subsidiary company is incorporated using the consolidation method.

Elevate East London LLP

On 10th December 2010 the Council entered into a joint venture arrangement with Agilysis Ltd to create "Elevate East London LLP" in which the parties each hold a 50% share in the equity of the joint venture company. The contract is for a period of seven years, with the option to extend for a further three years.

Elevate has provided services to the Council in respect of ICT, Customer Services, Revenues and Benefits, Procurement and Accounts Payable services. Payroll was previously provided, but is now provided by the Council.

The Council's interest in Elevate has been classed as a Joint Venture. This is due to the 50/50 ownership between the Council and Agilysis Ltd and the makeup of the Elevate Board, which consists of 1 independent chair, 3 Council representatives and 3 Agilysis Ltd representatives. A unanimous vote is required for a decision to be approved by the Board.

In accordance with International Accounting Standard (IAS) 31, Elevate is consolidated using the Equity Method.
The financial statements in the Group Accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies. Although Elevate prepare their accounts based on UK Generally Accepted Accounting Principles (GAAP) there is no material difference in accounting policies between the entities.

Agilisys Ltd is a company incorporated and registered in England. Their ultimate parent company is Agilisys Group Limited, a company incorporated in Guernsey.
Second Floor
26-28 Hammersmith Grove
London
W6 7AW

The appointed auditors for Elevate are:
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Barking and Dagenham Reside Ltd

This company lets and manages affordable housing in the Barking area. The company became operational in the latter half of 2013/14 and 2014/15 is the first year of consolidation. During 2013/14 the company managed 211 properties and 266 properties were added in 2014/15.

The directors of the company are Councillors Geddes, Twomey and Ashraf, whilst the Council's Chief Finance Officer acts as the Company Secretary. The appointed auditors are:

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

The company prepares its accounts on an IFRS basis and a copy of the accounts can be obtained from Companies House (company registration number 07706999)

The preamble notes to the following Statements are the same as for those for the Council's own accounts.

Restatements

The statements for 2013/14 have been restated as follows:

a) Elevate LLP

Elevate's accounts were based on draft accounts and have now been restated in line with their audited accounts for 2013/14. The previous surplus of £5k has been restated to £0k.

b) Barking & Dagenham Reside Ltd

Barking & Dagenham Reside Ltd commenced trading part way through the 13/14 financial year and the results were not incorporated into the Group Accounts as the results were immaterial to the group as a whole. Following audit a balance of -£120k has been incorporated into the opening balance of the 2014/15 MIRS.

Group Movement in Reserves Statement

* B/f restated for Reside and Elevate balance b/f from 13/14	General Fund Balance £000	Reside * £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Major Repairs Reserve £000	Council's Share of Elevate's Reserves £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 31 March 2014	27,138	(120)	59,788	8,736	7,177	23,004	94,523	21,354	8	**241,608**	539,902	**781,510**
Movement in reserves during 2014/15												
Surplus /(deficit) on the provision of services	(8,657)	40	-	8,857	-	-	-	-	-	**240**	-	**240**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-		**-**	(26,194)	**(26,194)**
Total Comprehensive Income and Expenditure	**(8,657)**	**40**	-	**8,857**	**-**	**-**	**-**	**-**	**-**	240	**(26,194)**	**(25,954)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	12,670	-	-	(8,192)	-	4,986	18,205	(16,523)		**11,146**	(11,146)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**4,013**	**40**	**-**	**665**	**-**	**4,986**	**18,205**	**(16,523)**	**-**	**11,386**	**(37,340)**	**(25,954)**
Transfers to/(from) Earmarked Reserves	(5,127)	-	4,264	(665)	667					**(861)**	861	**-**
Increase/(Decrease) in 2013/14	**(1,114)**	**40**	**4,264**	**-**	**667**	**4,986**	**18,205**	**(16,523)**	**-**	**10,525**	**(36,479)**	**(25,954)**
Balance at 31 March 2015	**26,024**	**(80)**	**64,052**	**8,736**	**7,844**	**27,990**	**112,728**	**4,831**	**8**	**252,133**	**503,423**	**755,556**

*Elevate surplus restated	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Major Repairs Reserve £000	Council's Share of Elevate's Reserves £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 31 March 2013	17,456	51,925	8,461	6,349	15,609	103,627	30,752	8	**234,187**	529,931	**764,118**
Movement in reserves during 2012/13											
Surplus /(deficit) on the provision of services	(12,354)	-	18,078	-	-	-	-	-	**5,724**	-	**5,724**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	**-**	11,788	**11,788**
Total Comprehensive Income and Expenditure	**(12,354)**	-	**18,078**	-	-	-	-	-	**5,724**	**11,788**	**17,512**
Adjustments between accounting basis & funding basis under regulations (Note 6)	29,899	-	(16,975)	-	7,395	(9,104)	(9,398)	-	**1,817**	(1,817)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**17,545**	**-**	**1,103**	-	**7,395**	**(9,104)**	**(9,398)**	**-**	**7,541**	**9,971**	**17,512**
Transfers to/(from) Earmarked Reserves	(7,863)	7,863	(828)	828	-	-	-	-	**-**	-	**-**
Increase/(Decrease) in 2012/13	**9,682**	**7,863**	**275**	**828**	**7,395**	**(9,104)**	**(9,398)**	**-**	**7,541**	**9,971**	**17,512**
Balance at 31 March 2014	**27,138**	**59,788**	**8,736**	**7,177**	**23,004**	**94,523**	**21,354**	**8**	**241,728**	**539,902**	**781,630**

Group Comprehensive Income and Expenditure Statement

* Restated for 2013/14 for Elevate surplus

2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net Expenditure £000		**2014/15 Gross Expenditure £000**	**2014/15 Gross Income £000**	**2014/15 Net Expenditure £000**
			Services			
7,380	(2,338)	5,042	Central Services to the Public	12,983	(7,812)	**5,171**
22,701	(5,714)	16,987	Cultural and Related Services	26,447	(11,320)	**15,127**
12,290	(2,971)	9,319	Environmental and Regulatory Services	19,982	(12,008)	**7,974**
5,375	(1,448)	3,927	Planning Services	5,113	(2,180)	**2,933**
403,761	(319,075)	84,686	Education and Children's Services	403,398	(343,669)	**59,729**
23,049	(7,304)	15,745	Highways and Transport Services	27,959	(13,080)	**14,879**
12,306	(13,111)	(805)	Public Health	13,848	(14,412)	**(564)**
87,612	(108,843)	(21,231)	Local Authority Housing	95,057	(105,672)	**(10,615)**
179,313	(169,808)	9,505	Other Housing Services	182,171	(177,394)	**4,777**
57,585	(12,708)	44,877	Adult Social Care	61,279	(19,350)	**41,929**
6,142	(50)	6,092	Corporate and Democratic Core	8,811	(3,766)	**5,045**
198		198	Non Distributed Costs	106	0	**106**
817,712	(643,370)	174,342	**Cost of Services**	**857,154**	**(710,663)**	**146,491**
		8,663	Other Operating Expenditure			**61,628**
		30,884	Financing and Investment Income and Expenditure			**34,080**
		(219,613)	Taxation and Non-specific Grant Income			**(242,439)**
		(5,724)	**Deficit/ (Surplus) on Provision of Services**			**(240)**
		0	Joint Venture Accounted for on an Equity Basis *			**0**
		(5,724)	**Group (Surplus) / Deficit**			**(240)**
		(24,067)	Deficit/ (Surplus) on Revaluation of Property, Plant and Equipment Assets			**(39,026)**
		12,279	Actuarial (Gains) / Losses on Pension Assets / Liabilities			**65,220**
		(11,788)	**Other Comprehensive Income and Expenditure**			**26,194**
		(17,512)	**Total Comprehensive Income and Expenditure**			**25,954**

Group Balance Sheet

31-Mar-14 £000		31-Mar-15 £000
1,325,786	Property, Plant and Equipment	1,454,386
6,502	Heritage Assets	6,631
43,330	Investment Property	41,835
4,392	Intangible Assets	4,142
816	Long Term Debtors	16,857
8	Investment in Joint Venture *	8
1,380,834	**Long Term Assets**	**1,523,859**
119,196	Short Term Investments	195,168
1,006	Assets Held for Resale	2,500
703	Inventories	659
73,608	Short Term Debtors	66,146
20,922	Cash and Cash Equivalents	24,731
215,435	**Current Assets**	**289,204**
(10,000)	Short Term Borrowing	-
(520)	Grants Received in Advance - Capital	(407)
(75,330)	Short Term Creditors	(66,226)
(85,850)	**Current Liabilities**	**(66,633)**
(64,465)	Long Term Creditors	(148,681)
(6,858)	Provisions	(17,978)
(305,912)	Long Term Borrowing	(394,912)
(351,554)	Pensions Liability	(429,303)
(728,789)	**Long Term Liabilities**	**(990,874)**
781,630	**Net Assets**	**755,556**
241,728	Usable Reserves	252,133
539,902	Unusable Reserves	503,423
781,630	**Total Reserves**	**755,556**

* 13/14 restated for JV

Group Cash Flow Statement

2013/14 £000		Note	**2014/15 £000**
5,724	Net Surplus or (Deficit) on the Provision of Services		240
140,255	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements		161,150
(66,795)	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities		(87,291)
-	(Surplus)/Deficit attributable to joint venture *		-
79,184	**Net Cash Flows from Operating Activities**		**74,099**
(108,895)	Investing Activities		(155,668)
(12,761)	Financing Activities		85,345
(42,472)	**Net Increase or Decrease in Cash and Cash Equivalents**		**3,776**
63,394	Cash and Cash Equivalents at the beginning of the Reporting Period	*	20,955
20,922	**Cash and Cash Equivalents at the end of the Reporting Period**		**24,731**

*Restated for Elevate restated surplus

1. External Audit Costs

The Group has incurred the following costs in relation to the audit of the Statement of Accounts, statutory inspections and the certification of grant claims and to non-audit services provided by the Council's and Reside's appointed external auditors, KPMG and Elevate's appointed external auditors, PricewaterhouseCoopers LLP (PwC).

31-Mar-14		**31-Mar-15**
£000		**£000**
259	Fees payable to KPMG and PWC with regard to external audit services carried out in the year	**278**
63	Fees payable to KPMG for the certification of grant claims and returns for the year	**30**
322	**Total**	**308**

2. Nature and Extent of Risks Arising for Financial Instruments

Elevate holds surplus cash in its current account with Barclays Bank PLC. The interest earned consolidated into the Group Accounts on balances held in 2014/15 was **£24k** (£44k in 2013/14).

3. Pension Scheme Arrangements

Elevate participates in a defined benefit pension scheme on behalf of certain employees. Elevate's involvement in the scheme arises from contracts with the Council involving the TUPE (Transfer of Undertakings (Protection of Employment) Regulations) transfer of staff to Elevate at the commencement of the agreement. Elevate is only responsible to make contributions during the contracts. At the end of the contracts the obligations in relation to these pension schemes will cease and will transfer to the following supplier. As a result Elevate has accounted for these schemes as defined contribution pension schemes with the contributions being charged to the profit and loss account in the period to which they relate. In addition, certain employees of Elevate participate in a defined contribution pension scheme with contributions being charged to the profit and loss account in the period to which they relate. The assets of the defined benefit scheme are held separately from those of Elevate in an independently administered fund.

Barking and Dagenham Reside Ltd has no direct employees and therefore does not operate a pension scheme.

4. Related Parties

Related parties are disclosed at note 39 of the Council's accounts. The net amount due from the Council to Elevate at 31 March 2015 is £1,504k (£808k in 2013/14).

5. Employee information

The average monthly number of staff employed by Elevate was as follows:

	2013/14	**2014/15**
Management, technical and administrative	417	**413**
The aggregate payroll costs of the above were:	£'000	**£'000**
Wages and salaries	14,483	**13,389**
Social security costs	1,002	**973**
Other pension costs	1,408	**1,541**
Total	16,893	**15,903**

Reside Ltd has no employees.

Pension Fund Accounts

for the year ended

31st March 2015

London Borough of Barking and Dagenham
Pension Fund Account

	Note	2013/14 £000	**2014/15 £000**
Dealings with members, employers and others directly involved in the scheme			
Contributions	**7**	38,377	**41,466**
Transfers in from other pension funds	**8**	1,926	**1,217**
		40,303	**42,683**
Benefits	**9**	(32,230)	**(34,434)**
Payments to and on account of leavers	**10**	(3,177)	**(2,587)**
Administrative expenses	**11**	(655)	**(483)**
		(36,062)	**(37,504)**
Net additions for dealings with members		4,241	**5,179**
Returns on Investments			
Investment Income	**12**	6,208	**4,750**
Taxes on income			
Profit (losses) on disposal of investments and changes in the market value of investments	**14**	22,728	**83,218**
Investment management expenses	**13**	(2,412)	**(2,485)**
Net returns on investments		26,524	**85,483**
Net increase (decrease) in the net assets available for benefits during the year		30,765	**90,662**

Net Assets Statement as at 31 March 2015

	Note	2013/14 £000	**2014/15 £000**
Investment Assets	**15**	655,031	**756,828**
Investment Liabilities	**15**	-	**-**
Current Assets	**16**	12,381	**1,214**
Current Liabilities	**16**	(245)	**(213)**
		667,167	**757,829**

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

Notes to the Pension Fund Accounts for the year ended 31 March 2015

1. Introduction

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

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

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

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

Overall 2014/15 was a good year for the Fund with an investment return, net of fund manager fees of 12.8%. Taking net pension contributions into account, the Fund increased in size by 13.6%, which is in line with the actuaries return expectation for the Fund.

During the year Dorothy Barley, Warren, Thames View Academy, and Sydney Russell became Academies, with Goresbrook admitted to the Fund as a Free School. No new admitted bodies joined the scheme. The total number of active and closed employers within the fund was 23 as at year end.

2. Format of the Pension Fund Statement of Accounts

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

The following description of the Fund is a summary only. For more details, reference should be made to the Fund's Annual Report for 2014/15, which can be obtained from the Council's website: http://www.lbbdpensionfund.org

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

a) Membership

All local government employees (except casual employees and teachers) are automatically entered into the Scheme. However, membership of the LGPS is voluntary and employees are free to choose whether to opt out, remain in the Scheme or make their own personal arrangements outside the Scheme. Organisations participating in the Fund include:

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

	2013/14	**2014/15**
Number of Employers with active members	19	**23**
Number of Employees in scheme		
London Borough of Barking and Dagenham		
Active members	4,528	**4,625**
Pensioners	4,070	**4,035**
Deferred pensioners	3,846	**4,058**
Undecided and other members	242	**332**
	12,686	**13,050**
Admitted and Scheduled Bodies		
Active members	1,182	**1,317**
Pensioners	922	**872**
Deferred pensioners	1,058	**1,182**
Undecided and other members	91	**84**
	3,253	**3,455**

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

Scheduled Bodies	Admitted Bodies
LBBD	Age UK
Barking College	Abbeyfield Barking Society
University of East London	B&D Citizen's Advice Bureau
Magistrates Court	Council for Voluntary Service
Thames View Infants Academy	CRI
Riverside School	Disablement Assoc. of B&D
Thames View Junior Academy (in 2014/15)	East London E-Learning
Warren Academy (in 2014/15)	Elevate LLP
Sydney Russell Academy (in 2014/15)	Laing O'Rourke
Dorothy Barley Academy (in 2014/15)	London Riverside
Goresbrook Free School (in 2014/15)	May Gurney
	RM Education

b) Benefits

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

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

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. Benefits are index-linked to keep pace with inflation. From 1 April 2011 the method of indexation changed from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI).

c) Changes to the Local Government Pension Scheme from 1 April 2014

On 1 April 2014 the Local Authority Pension Scheme changed from a final salary defined benefit scheme to a career average scheme. The key changes are summarised below:

- An accrual rate of 1/49th of pensionable earnings each year;
- Revaluation of active members' benefits in line with a price index (currently CPI);
- A Normal Pension Age equal to the State Pension Age (SPA), which applies both to active members and deferred members (new scheme service only). If a member's SPA rises, so too will the Normal Pension Age for all post-2014 service;
- A low cost optional arrangement allowing 50% of main benefits to be accrued on a 50% contribution rate;
- Pensions in payment to increase in line with a price Index (currently CPI);
- Benefits to increase in any period of deferment in line with a price index (CPI);
- Average member contribution yield of 6.5%, with tiered contributions;
- Optional lump sum commutation at a rate of £12 of lump sum for every £1 per annum of pension foregone in accordance with HMRC limits and regulations;
- Early/late retirement factors from age 55 on an actuarially neutral basis;
- A vesting period of two years; and
- Spouse and partner pensions to continue to be based on an accrual rate of 1/160 and three times death in service benefit.

Transitional protection will be available in respect of:

- All accrued rights are protected and those past benefits will be linked to final salary when members leave the scheme;
- Protection underpin for members aged 57 to 59; and
- Rule of 85 protection as in the current scheme.

3. Basis of preparation

The accounts summarise the transactions and net assets for the Fund's transactions for the 2014/15 financial year and its position as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2014/15.

The financial statements do not reflect any liabilities to pay pension or other benefits occurring after 31 March 2015. Such items are reported separately in the Actuary's Report provided in Note 19 to the Fund's accounts.

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

3.1 Transfers to and from other schemes

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

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

3.2 Investment income

i) Interest income - Interest income is recognised in the Fund account as it accrues. Interest from financial assets that are not carried at fair value through profit and loss, i.e. loans and receivables, are calculated using the effective interest basis.

ii) Dividend income - Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Movement in the net market value of investments - Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/loss during the year.

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

i) Quoted investments are valued at bid price at the close of business on 31 March 2015;

ii) Unquoted investments are based on market value by the fund managers at year end in accordance with accepted guidelines;

iii) Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax;

iv) Investments held in foreign currencies have been valued in sterling at the closing rate ruling on 31 March 2015. All foreign currency transactions are translated into sterling at exchange rates ruling at the closing rate of exchange;

v) Limited partnerships are valued at fair value on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

3.4 Administration

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

3.5 Taxation

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

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

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

3.6 Investment management expenses

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

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

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

The majority of the Fund's holdings are invested in pooled funds which include investment management expenses, including actuarial, trading costs and fund manager fees, within the pricing mechanism. These are disclosed in Note 14.

3.7 Foreign currency transactions

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

3.8 Derivatives

The Fund has a limited use of derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the value of derivative contracts are included in change in market value.

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

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

3.9 Cash and cash equivalents

Cash comprises cash in hand and on-demand deposits.

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

3.10 Present Value of Liabilities

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

3.11 Actuarial present value of promised retirement benefits

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

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

3.12 Contingent assets and liabilities

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

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

4 Critical Judgements in applying accounting policies

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Fund about the future or that are otherwise uncertain. Estimates are made taking into consideration historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. There were no items in the Statement of Accounts 2014/15 for which there is a significant risk of material adjustment in the forthcoming financial years.

6 Additional Voluntary Contributions (AVC)

Additional Voluntary Contributions (AVCs) administered by the Prudential, made by LBBD employees during the year amounted to **£355k** (2013/14 £305k). In accordance with Regulation 4(2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 the contributions paid and the assets of these investments are not included in the Pension Fund Accounts.

AVCs were valued by Prudential at a market value of **£4.7m** (2013/14 £4.9m).

7 Contributions

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007, ranging from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2015. Employee contributions are matched by employer contributions, which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013. Currently employer contribution rates range from 14.0% to 33.1%.

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

Following a separate modelling exercise carried out by the Fund's actuary, Hymans Robertson, LBBD have had their contribution rates stabilised. The primary contribution rate used during the financial year ending 31 March 2015 was 22.5%. For the year ending 31 March 2016 LBBD's contribution rate will be 23.5%. Contributions shown in the revenue statement may be categorised as follows:

Contributions	2013/14 £000	**2014/15** **£000**
Members normal contributions		
Council	5,804	**6,346**
Admitted bodies	496	**465**
Scheduled bodies	1,794	**2,031**
Total contributions from members	8,094	**8,842**
Employers normal contributions		
Council	22,288	**23,692**
Admitted bodies	1,433	**1,464**
Scheduled bodies	6,022	**6,873**
Additional retirement contribution	-	**-**
Capitalised Redundancy costs	540	**595**
Total contributions from employers	30,283	**32,624**
Total Contributions	38,377	**41,466**

8 Transfers in from other pension funds

	2013/14 £000	**2014/15** **£000**
Individual Transfers	1,926	**1,217**
Group Transfers	-	**-**
	1,926	**1,217**

9 Benefits

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

	2013/14				**2014/15**			
	Council £000	Admitted Bodies £000	Scheduled Bodies £000	Total £000	**Council** **£000**	**Admitted Bodies** **£000**	**Scheduled Bodies** **£000**	**Total** **£000**
Pensions	21,741	957	3,783	26,481	**23,359**	**382**	**4,179**	**27,920**
Lump sums	3,566	542	706	4,814	**4,015**	**290**	**978**	**5,283**
Death grants	762	-	160	922	**1,126**	**-**	**98**	**1,224**
Interest	13	-	-	13	**7**	**-**	**-**	**7**
	26,082	1,499	4,649	32,230	**28,507**	**672**	**5,255**	**34,434**

10 Payments to and on account of leavers

	2013/14 £000	**2014/15 £000**
Individual Transfers	3,164	**2,483**
Refunds	13	**104**
	3,177	**2,587**

11 Administrative expenses

	2013/14 £000	**2014/15 £000**
*Administration and Processing	466	**407**
Audit Fee	21	**21**
Actuarial Fees	53	**23**
Legal and Other Professional Fees	115	**32**
	655	**483**

*Administration fees were higher in 2013/14 as a result of higher than usual IT costs association with a system upgrade.

12 Investment Income

	2013/14 £000	**2014/15 £000**
Fixed Interest Securities	49	**452**
Equity Dividends	3,918	**3,195**
Pooled Property Income	1,891	**2,268**
Interest - Manager's Cash	223	**5**
Interest - LBBD balance*	46	**45**
Currency Gain/(Loss)	64	**(1,232)**
Stock Lending fees	17	**-**
Other Income	-	**17**
	6,208	**4,750**

* The income earned from the cash held with LBBD is an apportionment of the total interest generated by LBBD investments based on the average balance for the year.

13 Investment management expenses

	2013/14 £000	**2014/15 £000**
Management Fees	2,376	**2,471**
Custody Fees	36	**14**
	2,412	**2,485**

14 Investments

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

	Value 31/03/2014 £000	Purchases £000	Sales £000	Change in Fair Value £000	Cash Movement £000	Value 31/03/2015 £000
Fixed Interest Securities	-	-	-	-	-	-
Equities	-	-	-	-	-	-
Pooled Unit Trusts	433,775	67,172	(107,195)	64,958	-	458,710
Property Unit Trusts	48,087	-	(85)	5,230	-	53,232
Pooled Absolute Return	119,944	349	-	8,016	-	128,309
Pooled Alternatives	-	56,439	(7,710)	3,628	-	52,357
Infrastructure	42,287	-	(11,636)	1,951	-	32,602
Other Investments	8,718	-	(1,566)	-	-	7,152
Derivative Contracts						
Futures	-	64,224	(64,224)	(565)	-	(565)
Cash Deposits						
Custodian	1,318	-	-	-	(219)	1,099
In-House	-	-	-	-	23,352	23,352
Total	654,129	188,184	(192,416)	83,218	23,133	756,248

	Value 31/03/2013 £000	Purchases £000	Sales £000	Change in Fair Value £000	Cash Movement £000	Value 31/03/2014 £000
Fixed Interest Securities	72,462	154,379	(221,748)	(5,093)	-	-
Equities	-	-	-	-	-	-
Pooled Unit Trusts	384,446	91,052	(61,691)	19,968	-	433,775
Property Unit Trusts	44,527	-	-	3,560	-	48,087
Pooled Absolute Return	78,578	40,299	-	1,067	-	119,944
Infrastructure	36,450	6,986	(4,361)	3,212	-	42,287
Other Investments	9,728	-	(1,024)	14	-	8,718
Derivative Contracts						
Futures	(14)	-	-	-	14	-
				-		-
Cash Deposits	2,671	-	-	-	(1,353)	1,318
Total	628,848	292,716	(288,824)	22,728	(1,339)	654,129

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

The cost of purchases and the sales proceeds are inclusive of transaction costs, such as broker fees and taxes. In addition to transaction costs, indirect costs are incurred through the bid offer spread on investments within pooled investment vehicles. The amount of indirect cost is not separately provided to the Fund. The Fund employs specialist investment managers with mandates corresponding to the principle asset classes. The managers as at 31 March 2015 are highlighted below:

Investment Manager	Mandate	Investment Area
Aberdeen Asset Management	Active	Diversified Alternatives
BNY Standish	Active	Global Credit
Baillie Gifford	Active	Global Equity (Pooled)
BlackRock	Active	Property Investments (UK)
Hermes	Active	Infrastructure (LLP)
Kempen	Active	Global Equity (Pooled)
Newton	Active	Absolute Return
Prudential/M&G	Active	Alternatives - UK Companies Financing
Pyrford	Active	Absolute Return
RREEF	Active	Property Investments (UK)
Schroders	Active	Property Investments (UK Fund of Funds)
UBS	Passive	Global Equity (Pooled)
UBS	Passive	All Share Fixed Income (Pooled)

The value of the Fund, by manager, as at 31 March 2015 was as follows:

Fund by Investment Manager	2013/14		**2014/15**	
	£000	%	**£000**	**%**
Aberdeen Asset Management	-	-	**51,792**	**6.8**
Baillie Gifford	114,637	17.5	**123,691**	**16.5**
BlackRock	31,450	4.8	**34,632**	**4.6**
Hermes	42,287	6.5	**32,602**	**4.3**
Kempen	101,412	15.5	**114,521**	**15.1**
Newton	50,495	7.7	**54,003**	**7.1**
Other Cash Balances	1,318	0.2	**24,451**	**3.2**
Prudential/M&G	8,718	1.3	**7,152**	**0.9**
Pyrford	69,449	10.6	**74,307**	**9.8**
RREEF	1,939	0.3	**2,025**	**0.3**
Schroders	14,698	2.3	**16,575**	**2.2**
Standish	60,365	9.2	**67,439**	**8.9**
UBS Passive Bonds	28,555	4.4	**32,537**	**4.3**
UBS Passive Equity	128,806	19.7	**120,521**	**16.0**
	654,129	100.0	**756,248**	**100.0**

15 Securities

	2013/14 £000's	**2014/15 £000's**
Investment Assets		
Fixed interest securities		
UK		
Fixed Interest Public Sector	-	**-**
Fixed Interest Private Sector	-	**-**
Overseas		
Overseas Fixed Interest - Public Sector	-	**-**
Overseas fixed Income Unit Trust	-	**-**
Equities		
Overseas Equities	-	**-**
UK Equities	-	**-**
Pooled funds		
UK		
UK fixed Income Unit Trust	28,555	**32,537**
UK Equity Unit Trust	243,442	**244,212**
UK Absolute Return	50,495	**54,003**
UK Property Unit Trust	16,638	**18,600**
UK Unit Trust	8,718	**7,152**
Overseas		
Overseas Fixed Income Unit Trust	60,365	**67,439**
Overseas Absolute Return	69,449	**74,307**
Overseas Equity Unit Trust	101,412	**114,521**
Overseas Property Unit Trust	31,450	**34,632**
Other Investment - Infrastructure	42,287	**32,602**
Other Investment - Private Equity		**1,112**
Other Investment - Hedge Funds		**51,245**
Other Investment	902	**580**
Cash	1,318	**24,451**
Futures	-	**(565)**
Total Investment Assets	655,031	**756,828**
Current Assets: Debtors	12,381	**1,214**
Current Liabilities	(245)	**(213)**
Total Net Assets	667,167	**757,829**

16 Debtors and Creditors

The following amounts were debtors or creditors for the Fund at 31 March 2015:

	2013/14 £000	**2014/15** **£000**
Debtors		
Other Investment Balances		
Investment sales	-	**-**
Dividends receivable	-	**-**
Stock lending	-	**-**
Tax recoverable	902	**580**
	902	**580**
Current Assets		
Other local authorities (LBBD)	11,993	**873**
Other entities and individuals	388	**341**
	12,381	**1,214**
Total Debtors	13,283	**1,794**
Other Investment balances		
Investment purchases	-	**-**
Current Liabilities		
Other local authorities (LBBD)	-	**9**
Other entities and individuals	245	**204**
Total Creditors	245	**213**

17 Cash

The cash balance held at 31 March 2015 is made up as follows:

Cash balances held by Investment Managers	2013/14 £000	**2014/15** **£000**
Aberdeen Asset Management	**99**	**5**
Goldman Sachs	**40**	**-**
Prudential / M&G	**203**	**159**
Schroders	**268**	**275**
BlackRock	**631**	**286**
Other balances	**77**	**374**
In-house Cash	**-**	**23,352**
Total Cash	**1,318**	**24,451**

18 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. The nature and extent of risk arising from financial instruments and how the Fund manages those risks is included in the Statement of Investment Principles. Copies can be obtained from the Council's Pension website: http://www.lbbdpensionfund.org

19 Actuarial position

Actuarial assumptions

The triennial review of the Fund took place as at 31 March 2013 and the salient features of that review were as follows:

- The funding target remains unchanged to achieve a funding level of at least 100% over a specific period;
- The key financial assumptions adopted at this valuation are:
  - Future levels of price inflation are based on the Consumer Price Index (CPI), previously Retail Price Inflation;
  - Future levels of real pay increases - assumed to be 1.3% p.a. in excess of price inflation - based on CPI;
  - Funding discount rate based on an Asset Outperformance target of 1.7% p.a. above the yield on fixed interest (nominal) and index-linked (real) Government bonds;
  - The resulting discount rate of 4.7% (6.1% as at 31 March 2010).
- Market value of the scheme's assets at the date of the valuation were £636 million;
- The past service liabilities at the rate of the valuation were £902 Million;
- The resulting funding level was 70.6% (75.4% as at 31 March 2010); and
- The use of an appropriate asset outperformance assumption is based on available evidence and is a measure of the degree of prudence assumed in the funding strategy.

The key financial assumptions adopted by the actuary for the valuation of members' benefits at the 2013 valuation are set out below:

Financial Assumptions	**Derivation**	**Rate at 31 March 2013**	
Price Inflation (CPI)	Market expectation of long term future inflation as measured by the difference between yields of fixed and index linked Government bonds at the valuation date less 0.5% per annum	2.50%	-
Pay Increases	Assumed to be 1.5% in excess of price inflation	3.80%	1.3%
Funding basis discount rate	Assumed to be 1.6% above the yield on fixed interest Government bonds	4.70%	2.20%

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

Longevity Assumptions	2010	2010	**2013**	**2013**
at 31 March	Males	Females	**Males**	**Females**
Average future life expectancy (in years for a pensioner)	19.1	20.9	**19.6**	**21.9**
Average future life expectancy (in years) at age 65 for a non-pensioner assumed to be aged 45 at the valuation date	21.2	23.1	**21.8**	**24.0**

Funding level and position

The table below shows the detailed funding level for the 2013 valuation:

Employer contribution rates	As at 31 March 2010	**2013**
Net Employer Future Service Cost	16.1%	**18.7%**
Past Service Adjustment – 20 year spread	8.3%	**12.7%**
Total Contribution Rate	24.4%	**31.5%**

The table below shows the funding position as at 31 March 2013.

Past Service Funding Position at 31 March **Past Service Liabilities**	As at 31 March 2010 £m	**As at 31 March 2013 £m**
Employees	(298)	**(316)**
Deferred Pensioners	(117)	**(180)**
Pensioners	(314)	**(406)**
	(729)	**(902)**
Market Value of Assets	549	**636**
Funding Deficit	(180)	**(265)**
Funding Level	75.4%	**70.6%**

Present value of funded obligation

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standard 19 Employee Benefits (IAS 19) assumptions, is estimated to be **£1,289m** as at 31 March 2015 (31 March 2014: £1,077m). This figure is used for statutory accounting purposes by the Pension Fund and complies with the requirements of IAS 26 Accounting and Reporting by Retirement Benefit Plans. The assumptions underlying the figure are as per the IAS 19 assumptions above.

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

Total contribution rate

The table below shows the minimum total contribution rates, expressed as a percentage of pensionable pay, which was applied to the 2014/15 accounting period:

LBBD	22.5%	May Gurney	22.8%
University of East London	25.1%	Laing O'Rourke	14.0%
Barking College	22.7%	RM Education	22.8%
Disablement Association of B&D	22.9%	Elevate	21.3%
B&D Citizen's Advice Bureau	33.1%	CRI	15.1%
Thames view Infants Academy	22.3%	Goresbrook	10.8%
Riverside Academy	15.9%	Warren Academy	23.2%
Dorothy Barley	17.9%	Thames View Junior	22.8%
		Sydney Russell	25.7%

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

20 Related parties

The Fund is a related party of the Council as the following transactions are controlled by the Council:

- Cash investments of **£0.0m** (2013/14; £12.0m) are managed on behalf of the Fund; and
- Pension administration and investment management costs of £493.8k (2013/14: £487.8k) are charged by the Council.

21 Contingent liabilities

There are no contingent liabilities.

22 Contingent assets

As at 31 March 2015 the Fund did not hold any contingent assets.

23 Holdings

All holdings within the Fund as at 31 March 2015 were in pooled funds or in Limited Liability Partnerships (LLP), with no direct holdings over 5% of the net assets of the scheme. As at 31 March 2015 the following holdings in pooled funds and LLPs were over 5% of the net assets of the scheme:

Security	Market Value as at 31 March 2015 £000	% of total Fund %
Baillie Gifford Global Alpha	**123,691**	**16.5**
UBS Life World Equity Tracker Fund	**120,521**	**16.0**
Kempen Global High Dividend	**114,521**	**15.1**
Pyrford Global Total Return Fund	**74,307**	**9.8**
Standish Global Opportunistic Fixed Income	**67,439**	**8.9**
Newton Real Return Fund	**54,003**	**7.1**

24 Valuation of financial instruments carried at fair value

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

Level 1

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

Listed investments are shown as bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange. The total financial instruments held by the **Fund at Level 1 were £618.6m**.

Level 2
Financial instruments at Level 2 are those where quoted market prices are not available, for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques use inputs that are based significantly on observable market data. For the Fund these investment includes pooled property holdings, the Fund's absolute return manager Newton, where some of the assets, although liquid, do not readily have a market value. The total financial instruments held by the **Fund at Level 2 were £53.2m**.

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

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

The values of the investment in infrastructure are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value. The total financial instruments held by the Fund at **Level 3 were £84.4m.**

25 Post balance sheet events

There are no adjusting or non-adjusting events which have occurred after the Fund Statement date.

26 Compensation of key management personnel

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

	2013/14	2014/15
	£000	£000
Short Term employee benefits*	132.8	220.2
Total	**132.8**	**220.2**

*The increase in the short-term employee benefits in 2014/15 compared to 2013/14 reflect the inclusion, for 2014/15, of a portion of the Group Manager for Treasury and Pensions and the Treasury Manager costs

27 Financial Instruments

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

Financial assets	Fair Value through profit and loss 2013/14	Loan and receivables	Financial liabilities at amortised cost	Designated as fair value through profit and loss 2014/15	Loan and receivables	Financial liabilities at amortised cost
	£000	£000	£000	**£000**	**£000**	**£000**
Pooled Fixed Income Unit Trusts	-	-	-	**-**	**-**	**-**
Equities	-	-	-	**-**	**-**	**-**
Property Unit Trusts	48,087	-	-	**53,231**	**-**	**-**
Cash		1,318	-	**-**	**24,451**	**-**
Other investments	605,626*	-	-	**679,146**	**-**	**-**
Total Financial Assets	653,713	1,318		**732,377**	**24,451**	
Financial Assets						
Debtors	-	12,381	-	**-**	**1,213**	**-**
Financial liabilities						
Creditors	-	-	(245)	**-**	**-**	**(213)**
Borrowings	-	-	-	**-**	**-**	**-**
Total Net Assets	653,713	13,699	(245)	**732,377**	**25,664**	**(213)**

*Restated from prior year

28 Nature and extent of risks arising from Financial Instruments

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

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

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

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

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

Risk and risk management

Market risk

Market risk is the risk of loss from fluctuations in equity prices, from interest and foreign exchange rates and from credit spreads. The Fund is exposed to market risk from its investment activities, predominantly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

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

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

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

Other price risk

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

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

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

Other price risk - sensitivity analysis

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

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix. The Council has determined that the following movements in market price risk are reasonably possible for the 2014/15 reporting period.

Asset Class	1 Year Expected Volatility (%)
Global Pooled Inc UK	9.17
Total Bonds	4.73
Property	5.28
Alternatives	3.77
Cash	0.02

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

Asset Type	Value as at 31 March 2015 £000	% Change	Value on Increase £000	Value on Decrease £000
Pooled Fixed Interest Securities	99,976	4.73	104,705	95,247
Pooled Equity Investments	358,733	9.17	391,629	325,837
Pooled Property	53,232	5.28	56,043	50,421
Pooled Absolute Return	128,310	3.77	133,147	123,473
Infrastructure	32,602	3.77	33,831	31,373
Other Investments	59,524	3.77	61,768	57,280
Cash	24,451	0.02	24,456	24,446
Total	**756,828**		**805,579**	**708,077**

Asset Type	Value as at 31 March 2014 £000	% Change	Value on Increase £000	Value on Decrease £000
Pooled Fixed Interest Securities	88,920	4.3	92,744	85,096
Pooled Equity Investments	344,855	11.0	382,789	306,921
Pooled Property	48,087	4.9	50,443	45,731
Pooled Absolute Return	119,944	2.9	123,422	116,466
Infrastructure	42,286	2.9	43,512	41,060
Other Investments	8,718	2.9	8,971	8,465
Cash	1,318	0.0	1,318	1,318
Total	654,128		703,199	605,057

Interest rate risk

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

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

The Fund's direct exposure to interest movements as at 31 March 2015 and 31 March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March 2014 £000	**As at 31 March 2015 £000**
Cash and cash equivalent	1,318	**24,451**
Fixed interest securities	88,920	**99,976**
Total change in assets available	90,238	**124,427**

Interest rate risk sensitivity analysis

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

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

Asset type	**Carrying amount as at 31 March 2015**	**Change in year in the net assets available to pay benefits**	
		+100 BPS	**-100 BPS**
Cash and cash equivalent	24,451	244	(244)
Fixed interest securities	99,976	1,000	(1,000)
Total change in assets available	124,427	1,244	(1,244)

Asset type	Carrying amount as at 31 March 2014	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
Cash and cash equivalent	1,318	13	(13)
Fixed interest securities	88,920	889	(889)
Total change in assets available	90,238	902	(902)

Currency risk

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

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

Liquidity risk

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

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

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

All financial liabilities at 31 March 2015 are due within one year.

Refinancing risk

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

Credit Risk

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

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

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

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

The council incurred administration and investment management costs of £493.8k (2013/14 £487.8k) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Fund and contributed £23.7m to the Fund in 2014/15 (2013/14:£22.3m). All monies owing to and due from the Fund were paid in year

Glossary of Terms

Term	Definition
Accounting Policies	The rules and practices adopted by the Council that dictate how transactions and events are shown or costed.
Accruals	Amounts included in the accounts to cover income and expenditure attributable to the financial year, but for which payment had not been received or made as at 31 March.
Actuarial Valuation	A review carried out every three years, by the actuary, on the assets and liabilities of the Pension Fund. The actuary reports to the Fund's trustees on the financial position and recommended employer's contribution rates.
Balance Sheet	A statement showing the position of the Council's assets and liabilities as at 31 March in each year.
Beacon Properties	The Council's housing stock is grouped into similar types and a sample from each type, known as beacon properties, are valued with the results being multiplied up to give a total value for each type.
Budget	A forecast of the Council's planned expenditure. The level of the council tax is set by reference to detailed revenue budgets. Budgets are reviewed during the course of the financial year to take account of pay and price changes, and other factors affecting the level or cost of services.
Capital Expenditure	Expenditure on the acquisition or enhancement of assets that are considered to be of benefit to the authority over a period of more than one year, e.g. buildings and land. Other examples include payments of grants and financial assistance to third parties and expenditure that is classified as capital following a Ministerial direction e.g. capitalised redundancy costs.

Capital Adjustment Account	A capital reserve which reflects the difference between the costs of fixed assets consumed and the capital financing set aside to pay for them. This is an accounting reserve which is not backed by cash and does not represent resources available to fund future capital expenditure.
Capital Receipts	Income received from the sale of land, buildings and other capital assets.
Central Support Services	Services that are provided by the administrative and professional service groups that support all the council's services. They include financial, legal, personnel, IT, property and general administrative support.
Collection Fund	A separate account that discloses the income and expenditure relating to residual community charge, council tax and National Non Domestic Rates (NNDR).
Community Assets	A class of fixed assets that are expected to be held by the Council in perpetuity. Examples include parks, historic buildings and works of art.
Comprehensive Income and Expenditure Account	A statement which details the total income received and expenditure made by the Council in the year. It is reconciled back to the General Fund Balance through the Statement of Movement in Reserves.
Council Tax	Introduced in 1993 as a replacement for the community charge (Poll Tax). It is set by both the billing authority and precepting authority. The level is determined by the revenue expenditure requirement for each authority, divided by the council tax base for the year.
Council Tax Base	An amount calculated for each billing authority from which the grant entitlement of its area is derived. The number of properties in each band is multiplied by the relevant band proportion in order to calculate the number of band D equivalent properties in the area. The calculation allows for exemptions and discounts, appeals and a provision for non-collection.

Council Tax Requirement	The council tax requirement for the billing and local precepting authorities. This is the amount calculated under Section 97(1) of the Local Government Finance 1988 Act to be transferred from the Collection Fund to the General Fund (except where the amount calculated is negative, in which case it is the amount to be transferred from the General Fund to the Collection Fund)
Creditors	Amounts owed by the Council for goods received or services provided before the end of the accounting period but for which payments have not been made by the end of that accounting period.
Debtors	Amounts due to the Council before the end of the accounting period but for which payments have not yet received by the end of that accounting period.
Deferred Liabilities	These are creditor balances repayable after one year.
Defined Benefit Scheme	A pension or retirement benefit scheme into which an employee pays regular contributions fixed as an amount or as a percentage of pay. There are no legal obligations to pay further contributions if the scheme does not have sufficient assets to pay all employees benefits relating to employee service in
Depreciation	The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.
Earmarked Reserves	These are reserves set aside for a specific purpose or a particular service, or type of expenditure.
Finance Lease	A finance lease is one that transfers a substantial proportion of the risks and rewards of a fixed asset to the lessee. With finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset.
General Fund	The account that summarises the cost of providing council services (excluding the Housing Revenue Account)

Government Grants	Assistance by the Government and their agencies in the form of cash or transfer of assets to an authority, which may be in return for the past or future compliance with certain conditions relating to the activities of the authority.
Gross Expenditure	The total cost of providing services before taking into account income, e.g. from Government grants or fees and charges.
Heritage Assets	Assets retained for educational, historical and cultural purposes.
Historic Cost	The actual cost of an asset in terms of past consideration as opposed to its current value.
Housing Revenue Account	A statutory ring-fenced account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.
Housing Subsidy	This represents a Government grant payable towards the cost of providing local authority housing and the management and maintenance of that housing.
Impairment	A reduction in the value of a fixed asset, below the amount it is included at on the balance sheet. Impairment can arise from either the consumption of economic benefits or a general reduction in prices.
Infrastructure Assets	Fixed assets that are recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.
Interest	The amount received or paid for the use of a sum of money when it is invested or borrowed
Inventories	The amount of unused or un-consumed goods held in expectation of future use within one year. Stocks are valued at the end of each financial year and carried forward to be matched to the use or consumption when it arises.
Investment Properties	Interest in land and/or buildings, which are held for their investment potential or rental income.

Levies	A payment that a local authority is required to make to a particular body. Levying bodies include national parks authorities and passenger transport authorities.
Long term debtors	These debtors represent the income still to be received where sales of assets have taken place and deferred receipts, such as mortgages.
Minimum Revenue Provision	An amount, calculated in accordance with statutory guidance, charged to revenue for the repayment of debt.
Movement in Reserves Statement	Shows the movement in reserves held by the Council during the year.
National Non-Domestic Rates (NNDR)	The previous system of local collection and central redistribution has been replaced in 2013/14 by a Business Rates Retention scheme. The scheme allows authorities to retain a proportion of growth in business rates while an element of equalisation is provided via a centrally administered tariff and top up system.
Net Book Value	The amount of which fixed assets are included in the balance sheet, i.e. historical cost or current value less the cumulative amounts provided for depreciation and impairment.
Net Expenditure	Total expenditure less any income due to the council.
Net Realisable Value	The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.
Non-Current Assets	Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.
Surplus Assets	Fixed assets that are not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operating Leases	A lease that stipulates the asset can never become the property of the lessee. In essence, all leases that do not meet the definition of a finance lease are accounted for as operating leases.
Operational Assets	Are fixed assets held and occupied, used or consumed by a local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.
Past Service Cost	For a defined benefit scheme, the increase in the value of benefits payable that was earned in prior years arising because of improvements to retirement benefits.
Post Balance Sheet Events	These events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the statement of accounts is signed.
Precept	A charge made on the collection fund by non-billing authorities such as the Greater London Authority, to finance its net expenditure.
Prior Year Adjustment	A material adjustment applicable to prior years arising from changes in accounting policies or from changes the correction of fundamental errors.
Private Finance Initiative (PFI)	Started in 1997/98, PFI offers a form of Private-Public Partnership in which local authorities do not buy assets but rather pay for the use of assets held by the private sector. As a result of changes in accounting conventions, assets acquired under a PFI scheme are now shown on the Balance Sheet.
Provision	An amount set aside for liabilities and losses which are likely to be incurred but where the exact amount and date on which it will arise is uncertain.
Rateable Value	The Valuation Office, (part of the Inland Revenue), assesses the rateable value of individual non-domestic properties. Business rate bills are set by multiplying the rateable value by the NNDR poundage set by the government for the year. (Domestic properties no longer have individual rateable values but are assigned to one of the eight valuation bands for council tax.

REFCUS	Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset. The full cost is charged to the relevant service in the Comprehensive Income and Expenditure Statement but then reversed out through the Movement in Reserves Statement to ensure that there is no effect on the revenue accounts as a whole.
Related Party Transaction	A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Members and senior Officers of the Council are required to declare if they have entered into any such transactions and any relationships of significant influence with any organisations associated with the Council.
Reserves	An amount set-aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.
Revaluation Reserve	A new reserve established to record unrealised net gains on the Council's fixed assets arising from revaluations made on or after 1 April 2007.
Revenue Balances	These reserves represent surplus balances which can be used in the future. Some reserves are set up to meet expenditure included in a particular account, such as the Housing Revenue Account.
Revenue Expenditure	Day-to-day payments on the running of council services such as salaries and wages, heating and lighting transport and charges for the use of assets.
Revenue Support Grant (RSG)	A general grant paid by central government to a local authority towards the cost of its services which is distributed as part of Formula Grant.
Service Level Agreements	Service level agreements are written agreements between council support service users and providers. Each service level agreement specifies the support service to be provided its timing and frequency, the charge to be made for it and the period for which the agreement will run.

Trading Accounts	The accounts, which summarise the revenue transactions of those services operating on a "trading" basis which, are financed by charges made to recipients of the services.
Transfer Value	A payment made by one pension scheme to another when a member changes employment to enable the receiving pension scheme to give benefits for service in the paying pension scheme.
Valuation Band	The eight bands for Council Tax as specified in the Local Government Finance Act 1992. The band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992 as A-6, B-7, C-8, D-9, E-11, F-13, G-15, and H-18 with band D acting as the 'standard' band. This means that Band A is 6/9ths of Band D, and so on.