Contents

The Council's accounts for the year 2015/16 consist of the following pages:

Chair's approval of Statement of Accounts

This is the Annual Financial Report, incorporating the Statement of Accounts with all audit activities completed. The Public Accounts and Audit Select Committee of the London Borough of Barking and Dagenham at its meeting on 21 September 2016 authorised the Chair to approve the Statement of Accounts.

Cllr Rocky Gill, Presiding Chair, Public Accounts and Audit Select Committee

Narrative Report

This Narrative Report (a change in requirements for 2015/16 replacing the Explanatory Foreword) provides information about Barking and Dagenham, including the key issues affecting the Council and its accounts. It is structured as follows:

- Council Performance
- Financial Performance
- Looking Ahead
- Structure of the Statement of Accounts

Council Performance

Governance

The Authority operates the Leader / Cabinet system and the borough comprises 17 wards, each served by 3 councillors, giving 51 members in total. The current political balance is 50 Labour and 1 Independent.

Authority Structure

The Council provides services itself, but also through joint ventures and wholly owned companies. The Council has a 50/50 share in a joint venture with Agilysis Ltd, Elevate East London LLP, which provides ICT, Revenues and Benefits, Procurement and Accounts Payable services for the Council. The Council has a wholly owned subsidiary, Barking and Dagenham Reside Ltd, which is responsible for the letting, management and maintenance of 477 new homes within the borough. It also owns Barking and Dagenham Reside Abbey Roding LLP, which provides 144 homes within the borough.

Medium Term Financial Strategy

In summer 2015, the leadership of the Council launched two major pieces of work:

• A panel of independent experts – the Growth Commission - to review the Council's ambition to be London's growth opportunity, and to recommend how to maximise the contribution of the Borough and our people to the London economy. Their report was published in February.

• We set up our 'Ambition 2020' programme within the Council to re-examine every aspect of what the council does and how we are organised.

The Ambition 2020 programme will effectively deliver the Council's budget setting process, addressing how the budget gap of £63m can be met over the next 4 years.

Ambition 2020

This programme is re-examining every aspect of what the Council does and how it is structured to deliver the Council's vision and priorities. Significant progress has been made in defining the future operating model and clarifying how we align the ambitions set out in the vision and priorities with the resources available to deliver them. It envisages the core of the Council being re-shaped around the outcomes of the Council's long term vision, and not around traditional service delivery silos. The Ambition 2020 programme will be integral to the Council meeting the financial challenge whilst continuing to protect frontline services and delivering outstanding customer service. The programme envisages delivering savings of £50m by 2020.

Growth Commission

The Growth Commission was a panel of independent experts set up in 2015/16 who reviewed the Council's ambition to be London's growth opportunity and to recommend how to maximise the contribution of the Borough and its people to the London economy. The findings of the independent Growth Commission will help us to establish a blueprint for transforming the borough over the next 20 years and beyond. We have already seen early benefits from the Commission's work by securing one of 11 new London Housing Zones.

Over the next 12 months, we will lead the development of the 'Barking and Dagenham Manifesto', which will set out what the borough needs from its London and national partners, with a programme to develop the proposals recommended by the Growth Commission and a sustained commitment to seeing them delivered on the ground.

Financial Performance

Revenue

Overall the Council recorded an overspend of £2.984m against a net budget of £151.444m (2%). This overspend, together with an agreed drawdown of £2.0m to fund service transformation resulted in the General Fund balance decreasing from £26.0m to £21.1m. This position should be seen against the achievement of some £22.2m of in year savings targets that represented a significant challenge for the Council. The main overspend occurred within Children's Social Care (£5.214m) where there were considerable demand led pressures. This was offset by corporate underspending to give the net position. Full detail is given in an outturn report to Cabinet which can be found on the council's website: http://moderngov.barking-dagenham.gov.uk/ieListDocuments.aspx?CId=180&MId=8166&Ver=4

Council Summary	**Net Budget 2015/16 £'000**	**Net Outturn 2015/16 £'000**	**Over/(under) Budget 2015/16 £'000**
Directorate Expenditure			
Adult & Community Services	53,113	53,163	50
Children's Services	61,673	66,887	5,214
Housing (GF)	3,369	3,623	254
Environment	19,267	19,370	103
Chief Executive	18,591	17,641	(950)
Central Expenses	(4,569)	(6,255)	(1,686)
Total Service Expenditure	**151,444**	**154,429**	**2,985**
Non-operational expenditure		6,255	
Net Directorate expenditure	See note 17	**160,684**	

Further information on the Council's overall expenditure is set out in Note 17.

Capital Programme

The Council spent £146.1m on capital projects in 2015/16, including General Fund and HRA work, as summarised in the following table:

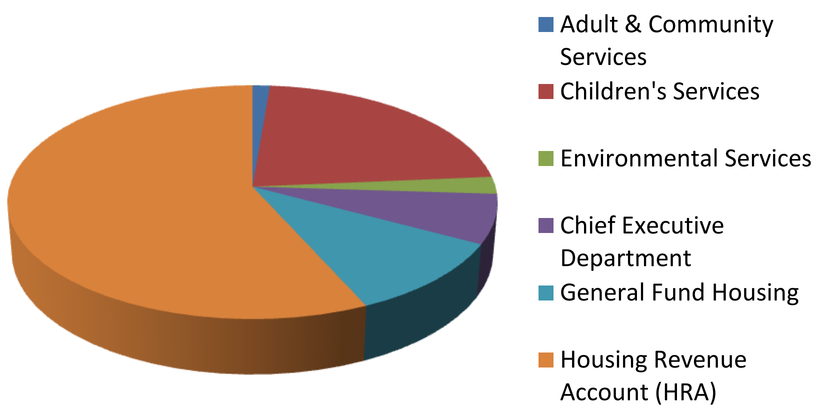
Directorate Summary of Capital Expenditure	Original Budget £'000	Revised Budget £'000	Outturn 2015/16 £'000	Variance to revised budget £'000
Adult & Community Services	2,682	2,192	1,903	(289)
Children's Services	32,799	27,111	32,590	5,479
Environmental Services	4,215	4,005	3,473	(532)
Chief Executive	12,437	10,669	9,959	(710)
Housing GF (EIB-funded)	-	9,222	15,256	6,034
Sub-total - GF	**52,133**	**53,199**	**63,181**	**9,982**
HRA	77,987	81,493	82,866	1,373
Total	**130,120**	**134,692**	**146,047**	**11,355**

Major schemes included:

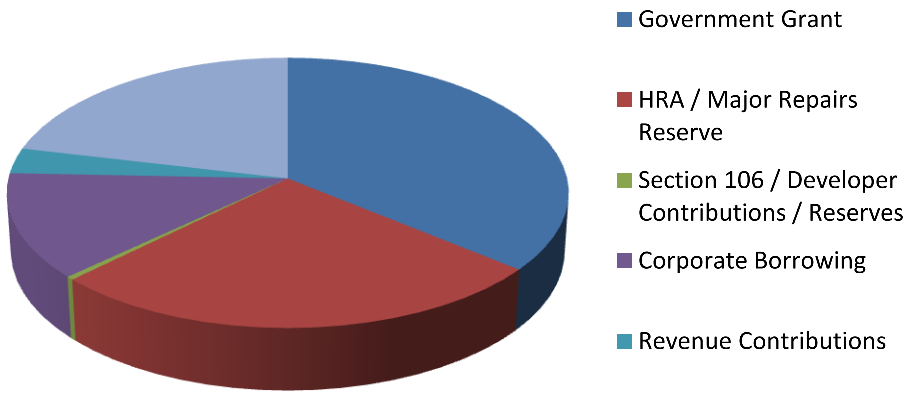
- Maintaining, refurbishing and constructing council homes £98.2m
- Building and expanding primary and secondary schools £25.4m

The programme was funded by government grants (£52.5m), HRA Major Repairs Reserve (£39.0m), capital receipts (£31.1m), corporate borrowing (£18.4m), revenue contributions (£4.5m) and S106 / reserve contributions (£0.5m).

Breakdown of capital spend



Breakdown of capital financing



<u>Balance Sheet Summary</u>

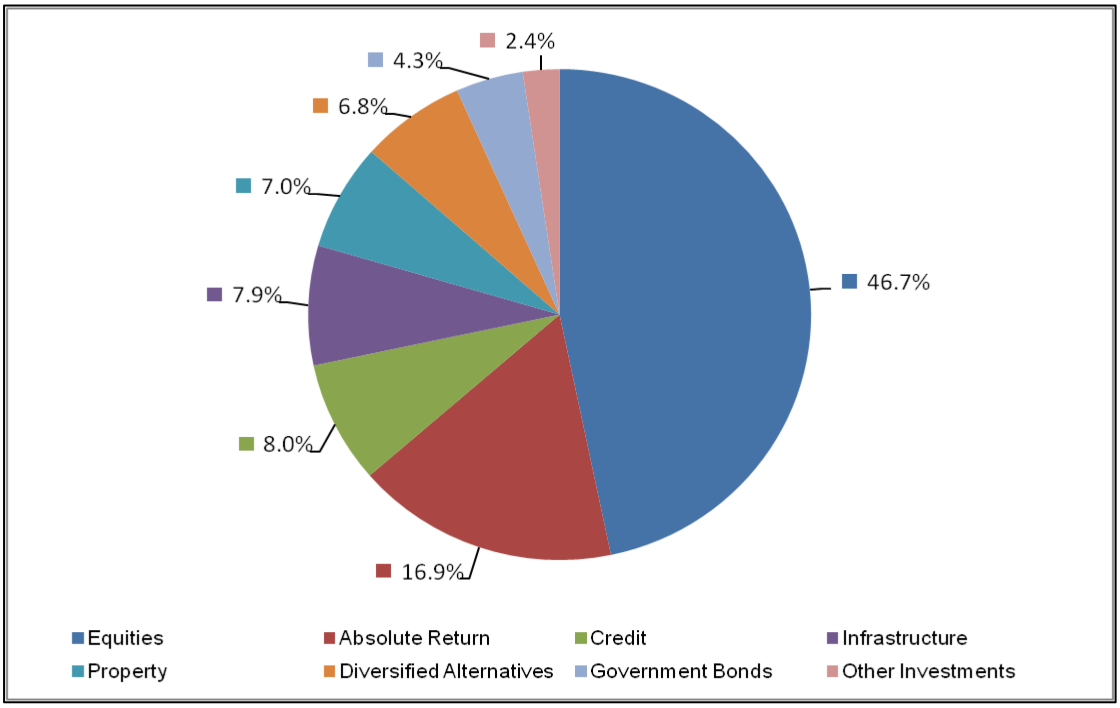
The asset side of the balance sheet has seen a rise in long term asset values, largely due to rises in property prices. The bottom half of the balance sheet shows total reserves split into those that are usable and those that are unusable (they are not cash backed). The main driver for the increase in reserves comes from the latter, including net revaluation increases of £186m and an accounting improvement of £78m in the Council’s position with respect to its defined benefit pension scheme.

<u>Pension Fund</u>

Overall 2015/16 was a reasonable year for the Fund with a positive investment return, net of fund manager fees and custodian costs, of 1.1%. Taking net pension contributions into account, the Fund increased in size by 1.9%. Over three years the Fund has returned an annualised net return of 6.3%, which is 2.6% higher than the return target agreed with the actuary of 4.7% but 1.0% below the Fund’s benchmark return of 7.3%.

During the year the Fund increased its strategic allocation to infrastructure from 7% to 10%, while reducing its exposure to equities. The Fund is invested with 11 managers in 12 different strategies, including equities, fixed income, property, infrastructure, absolute return, hedge fund and private equity. The split between asset allocation is shown graphically in the pie chart below.

Fund Asset by Fund Manager as at 31 March 2016



Although investment returns were not high during the year, the value of the Fund's liabilities decreased significantly due to lower inflation and longevity assumptions used by the actuary to value the Fund’s liabilities.

During the year Partnership Learning, Riverside Bridge and Riverside Free School were admitted to the Fund as Academies. A further scheduled body, Elutec, transferred into the Fund from another Borough via a bulk transfer in April 2016. One new employer, The Broadway Theatre, joined the scheme as an admitted body, with two admitted body schemes, RM Education and May Gurney, leaving the Fund. The total number of active and closed employers within the Fund was 29 as at year end.

Looking Ahead

The combined Autumn Statement and Spending Review in 2015 essentially meant that by 2020 there would have effectively been a decade of austerity measures. By 2020, the cuts in central government funding mean that the Council will have roughly half the amount of money that was available to spend in 2010. Central government’s policy of encouraging local authorities to maintain their council tax levels by way of a freeze grant has now been replaced by the assumption that local authorities will raise their local council tax levels each year. Further encouragement is also given with regard to raising funds for adult social care. Overall, this combined with proposals for 100% business rate retention, is a switch from central government to locally raised funding and the attendant risks that this brings.

<u>Accounting Changes</u>

In 2016/17, the Authority will be required to recognise the Highways Network Asset (HNA). In doing so, it will replace items of infrastructure (e.g. roads, bridges etc) currently shown in the balance sheet at depreciated historic cost and replace them with the HNA which will be valued using depreciated replacement cost. This change will be significantly material, leading to a substantial increase in the value of net assets reported. Accounting standards normally require that changes are made retrospectively to the previous year's accounts, however, in this case, the change will be prospective. Work has been undertaken to ensure that the relevant data is available for use in 2016/17.

Risks

The Authority faces a broad range of risks and maintains a corporate risk register. Each risk has a detailed action plan detailing mitigation being taken to control the risk. Key financial risks include:

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

Meeting the Challenge

Transforming the way that the Council operates is key to addressing these challenges, with a new directorate structure to be implemented. Plans are in place to meet the challenges ahead, with a specific example being the finance area which is developing IT enhancements that will ensure budget managers have their relevant financial information delivered directly to them, allowing staff to concentrate on supporting performance and importantly, enabling transformation.

Structure of the Statement of Accounts

The format for this document is derived from the Code of Practice on Local Authority Accounting in the UK 2015/16, which specifies the principles and practices of accounting required to give a “true and fair” view of the financial position, financial performance and cash flows of a local authority. It primarily comprises the Main Financial Statements (including notes to the accounts) and Additional Statements / Other Notes.

Main Financial Statements

<u>Movement in Reserves Statement</u>

This shows the movement in the year on the different reserves held by the Authority and represents the net worth and is split into two elements:

- Usable (can be spent in the future)
- Unusable (cannot be spent):
  - derived from accounting entries that make adjustments in respect of items required by accounting standards or legislation
  - examples include the Capital Adjustment Account, Revaluation Reserve and Pension Reserve.

<u>Comprehensive Income & Expenditure Statement</u>

This shows the accounting cost in the year of providing services and the resultant surplus / loss (this latter figure does not directly impact the taxpayer), split into five elements:

- Cost of Services (gross income and expenditure for each service is presented)
- Other Operating I&E (includes the surplus / deficit from property, plant and equipment sales)
- Financing and Investment I&E (interest payable and receivable)
- Taxation & General Grant (revenue from council tax, business rates and the government)
- Other I&E (entries not included elsewhere such as revaluation or actuarial gains / losses).

<u>Balance Sheet</u>

This shows the value of the assets and liabilities of the Authority at the end of the reporting period. The net assets are matched by the reserves held.

- Non-Current Assets (this contains assets with a life of greater than one year)
- Current Assets (includes cash, amounts owed to the Authority and other items that will be consumed in the short term)
- Current Liabilities (includes amounts owed by the Authority in the short term)
- Long Term Liabilities (includes longer term borrowing and the accounting cost of pensions)
- Provisions (liabilities where the timing and amount may be uncertain)
- Reserves (the net of the above entries, split between usable and non usable).

Cash Flow Statement

This shows the changes in and use of cash and cash equivalents during the period.

- Operating (cashflows from day to day operations)
- Investing (cashflows relating to capital activities)
- Financing (cashflows relating to financing operations).

Notes to the Accounts

The notes to the accounts provide additional disclosures in respect of the entries within the main financial statements

Additional Statements / Other Notes

Collection Fund Account

This contains statements that reflect the statutory obligation for billing authorities to maintain a separate Collection Fund. The statements show 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.

Housing Revenue Account

This shows the economic cost in the year of the landlord responsibility for social housing provision in accordance with accounting standards, rather than the amount to be funded from rents and government grants.

Pension Fund Account

The London Borough of Barking & Dagenham Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Barking & Dagenham.

Accounting Policies

The main underlying accounting policies that underpin the financial statements.

Annual Governance Statement

This sets out a framework in relation to risk management and internal control, along with a review of efficiency and effectiveness.

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 line with statute this is the Section 151 Officer;
- Manage its affairs to secure effective, efficient, and economic use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Section 151 Officer's Responsibilities

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

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

The Section 151 Officer has also:

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

Statement of the Section 151 Officer

I certify that the Council's Statements of Accounts represent a true and fair view of the financial position of the Council at the accounting date and of its income and expenditure for the year ended 31 March 2016.

Signed:

Jonathan Bunt
Strategic Director, Finance & Investment (Section 151 Officer)
29 September 2016

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 2016 on pages 14 to 140. 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. 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 Section 151 Officer and auditor
As explained more fully in the Statement of Responsibilities, the Section 151 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 the financial statements 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 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 Narrative Report 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 as at 31 March 2016 and of the Authority'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 2016 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2016 other than liabilities to pay pensions and other benefits after the end of the scheme year; and

• have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Matters on which we are required to report by exception
The Code of Audit Practice requires us to report to you if:

• the Annual Governance Statement which accompanies the financial statements 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 Narrative Statement and the content of the Statement of Accounts 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 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or

• any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or

• any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

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 20(1) (c) of the Local Audit and Accountability Act 2014 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 Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether London Borough of Barking and Dagenham had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether London Borough of Barking and Dagenham put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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, London Borough of Barking and Dagenham 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 issued by the C&AG in November 2015, 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 ended 31 March 2016.

Delay in certification of completion of the audit
Due to work on the WGA Return not being completed by the 30th September 2016
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.

Philip Johnstone
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
15 Canada Square
London E14 5GL
30 **September 2016**

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 2015	26,024	64,052	8,736	7,844	27,990	112,728	4,831	**252,205**	503,423	**755,628**
Movement in reserves during 2015/16										
Surplus /(deficit) on the provision of services (*)	7,102		46,674					**53,776**	-	**53,776**
Other Comprehensive Income and Expenditure*								**-**	254,494	**254,494**
Total Comprehensive Income and Expenditure	**7,102**	-	**46,674**	**-**	**-**	**-**	**-**	**53,776**	**254,494**	**308,270**
Adjustments between accounting basis & funding basis under regulations (Note 2)	(16,904)		(46,311)		(10,524)	(28,760)	(605)	**(103,104)**	103,104	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**(9,802)**	**-**	**363**	**-**	**(10,524)**	**(28,760)**	**(605)**	**(49,328)**	**357,598**	**308,270**
Transfers to/(from) Earmarked Reserves (Note 3)	4,893	(4,930)	(363)	863			(500)	**(37)**	37	**-**
Increase/(Decrease) in 2015/16	**(4,909)**	**(4,930)**	**-**	**863**	**(10,524)**	**(28,760)**	**(1,105)**	**(49,365)**	**357,635**	**308,270**
Balance at 31 March 2016	**21,115**	**59,122**	**8,736**	**8,707**	**17,466**	**83,968**	**3,726**	**202,840**	**861,058**	**1,063,898**

*as per the Comprehensive Income and Expenditure Statement

	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	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £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 2)	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 3)	(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**

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.

2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure £000		**2015/16 Gross Expenditure £000**	**2015/16 Gross Income £000**	**2015/16 Net Expenditure £000**
12,245	(7,449)	4,796	Central Services to the Public	10,912	(5,414)	**5,498**
26,447	(11,320)	15,127	Cultural and Related Services	26,173	(12,482)	**13,691**
19,982	(12,008)	7,974	Environmental and Regulatory Services	16,772	(8,450)	**8,322**
5,113	(2,180)	2,933	Planning Services	5,268	(3,210)	**2,058**
404,136	(344,032)	60,104	Education and Children's Services	379,017	(326,799)	**52,218**
27,959	(13,080)	14,879	Highways and Transport Services	29,157	(14,239)	**14,918**
13,848	(14,412)	(564)	Public Health	16,915	(15,925)	**990**
95,057	(105,846)	(10,789)	Local Authority Housing	64,361	(111,495)	**(47,134)**
181,857	(176,686)	5,171	Other Housing Services	177,082	(173,345)	**3,737**
61,279	(19,350)	41,929	Adult Social Care	70,256	(24,274)	**45,982**
8,811	(3,790)	5,021	Corporate and Democratic Core	8,313	(3,561)	**4,752**
106	0	106	Non Distributed Costs	137	0	**137**
856,840	(710,153)	146,687	**Cost of Services (note 17)**	**804,363**	**(699,194)**	**105,169**
		61,470	Other Operating Expenditure (Note 4)			**1,034**
		34,082	Financing and Investment Income and Expenditure (Note 5)			**17,047**
		(242,439)	Taxation and Non-specific Grant Income (Note 6)			**(177,026)**
		(200)	**Deficit/ (Surplus) on Provision of Services**			**(53,776)**
		(39,026)	Deficit/ (Surplus) on Revaluation of Property, Plant & Equipment Assets and Financial Instruments			**(158,146)**
		65,220	Actuarial (Gains) / Losses on Pension Assets / Liabilities (note 33)			**(96,348)**
		26,194	**Other Comprehensive Income and Expenditure**			**(254,494)**
		25,994	**Total Comprehensive Income and Expenditure (note 17)**			**(308,270)**

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 14) and unusable reserves (note 15). 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 March 2015 £000		Note	**31 March 2016 £000**
1,454,386	Property, Plant and Equipment	7	1,728,701
6,631	Heritage Assets		6,678
41,835	Investment Property	8	53,022
4,142	Intangible Assets		3,810
16,857	Long Term Debtors & Investments	9	78,992
1,523,851	**Long Term Assets**		**1,871,203**
195,168	Short Term Investments	9	149,300
2,500	Assets Held for Resale		3,564
659	Inventories		536
66,112	Short Term Debtors	10	68,719
24,720	Cash and Cash Equivalents	11	21,006
289,159	**Current Assets**		**243,125**
-	Short Term Borrowing	9	(57,200)
(407)	Grants Received in Advance - Capital	24	(406)
(66,101)	Short Term Creditors	12	(91,143)
-	Short Term Provisions	13	(600)
(66,508)	**Current Liabilities**		**(149,349)**
(148,681)	Long Term Creditors	9	(144,671)
(17,978)	Provisions	13	(10,422)
(394,912)	Long Term Borrowing	9	(394,912)
(429,303)	Pensions Liability	33	(351,076)
(990,874)	**Long Term Liabilities**		**(901,081)**
755,628	**Net Assets**		**1,063,898**
252,205	Usable Reserves	14	202,840
503,423	Unusable Reserves	15	861,058
755,628	**Total Reserves**		**1,063,898**

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.

2014/15 £000		Note	**2015/16 £000**
200	Net Surplus or (Deficit) on the Provision of Services		53,776
161,212	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements	16a	41,105
(87,291)	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	16a	(46,236)
74,121	**Net Cash Flows from Operating Activities**		**48,645**
(155,668)	Investing Activities	16c	(107,684)
85,345	Financing Activities	16d	55,325
3,798	**Net Increase or Decrease in Cash and Cash Equivalents**		**(3,714)**
20,922	Cash and Cash Equivalents at the beginning of the Reporting Period	11	24,720
24,720	**Cash and Cash Equivalents at the end of the Reporting Period**	11	**21,006**

Notes to the

Core Financial

Statements

2. Adjustments between accounting basis and funding basis under regulations

2015/16	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	21,979				11,030	(33,009)
Revaluation (gains)/losses on Property Plant and Equipment	(18,609)	(9,981)				28,590
Amortisation of intangible assets	1,199					(1,199)
Capital grants and contributions applied	(1,094)					1,094
Revenue expenditure funded from capital under statute	1,351					(1,351)
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	90	10,777				(10,867)
Donated Assets	0					0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(8,913)	(588)				9,501
Capital expenditure charged against the General Fund and HRA balances	(4,453)					4,453
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(23,209)			23,209		0
Application of grants to capital financing transferred to the Capital Adjustment Account				(51,969)		51,969
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	(375)	(21,558)	21,933			0
Use of the Capital Receipts Reserve to finance new capital expenditure			(31,135)			31,135
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,322		(1,322)			0

2. Adjustments between accounting basis and funding basis under regulations

2015/16	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 Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		(27,326)			27,326	0
Use of the Major Repairs Reserve to finance new capital expenditure					(38,961)	38,961
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 31)	38,315	5,503				(43,818)
Employer's pensions contributions and direct payments to pensioners payable in the year	(22,460)	(3,237)				25,697
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	(2,551)					2,551
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	504	99				(603)
Total Adjustments	**(16,904)**	**(46,311)**	**(10,524)**	**(28,760)**	**(605)**	**103,104**

1. Material Items of Income and Expense

During the year, the value of the council's liability to meet the future cost of pensions decreased as a result of changes in actuarial assumptions regarding the fund's liabilities and in returns on fund assets. The impact of these changes was to decrease the long term liability of the Pension fund by £78.2m 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 33.

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.

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
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)			-

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 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 31)	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)**

3. 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 2015/16

	Balance at 31/03/2014	Transfers in during 2014/15	Transfers out during 2014/15	**Balance at 31/03/2015**	Transfers in during 2015/16	Transfers out during 2015/16	**Balance at 31/03/2016**
General Fund	£000	£000	£000	**£000**	£000	£000	**£000**
Balances held by schools under a scheme of delegation:							
- Local Management of Schools	16,463	9,970	(10,184)	**16,249**	178	-	**16,427**
- Dedicated Schools Grant	9,241	1,464	-	**10,705**	-	(2,015)	**8,690**
PFI reserve	8,412	786	-	**9,198**	1,042	-	**10,240**
Departmental Reserves	7,613	3,018	(2,703)	**7,928**	186	(3,017)	**5,097**
Budget Support	3,722	-	(120)	**3,602**	29	-	**3,631**
Corporate Restructuring	2,505	649	-	**3,154**	-	-	**3,154**
Spend to Save	2,900	1,000	(958)	**2,942**	78	(1,426)	**1,594**
Collection Fund Equalisation Reserve	3,630	-	(1,143)	**2,487**	-	(453)	**2,034**
Other Miscellaneous	1,722	1,199	(531)	**2,390**	1,960	(453)	**3,897**
Insurance	1,568	549	-	**2,117**	-	(478)	**1,639**
Capital Investment Reserve	1,000	580	-	**1,580**	-	-	**1,580**
Public Health	785	978	(785)	**978**	-	(817)	**161**
Legal Trading Reserve	227	495	-	**722**	186	-	**908**
Barking Adult College	-	-	-	**-**	70	-	**70**
Total General Fund	59,788	20,688	(16,424)	**64,052**	3,729	(8,659)	**59,122**
HRA							
Leasehold Repairs	7,177	667	-	**7,844**	363	-	**8,207**
Capital Projects Dispute Reserve	-	-	-	**-**	500	-	**500**
Total HRA	7,177	667	-	**7,844**	863	-	**8,707**

4. Other Operating Expenditure

	2014/15	**2015/16**
	£000	**£000**
Levies	9,809	**10,779**
Payments to the Government Housing Capital Receipts Pool	1,155	**1,322**
(Gains)/losses on the disposal of non-current assets *	50,506	**(11,067)**
Total	61,470	**1,034**

*The 2014/15 loss on disposal related largely to the transfer of three schools to Academy Status.

5. Financing and Investment Income and Expenditure

	2014/15	**2015/16**
	£000	**£000**
Interest payable and similar charges	22,046	**23,673**
Pensions interest cost and expected return on pensions assets	15,053	**13,806**
Interest receivable and similar income	(1,524)	**(3,658)**
Income and expenditure in relation to investment properties and changes in their fair value	(1,351)	**(16,653)**
(Gains)/Losses on Trading Accounts	(171)	**(121)**
Realised (Gain)/Loss on sale of financial instrument	29	**-**
Total	34,082	**17,047**

6. Taxation and Non Specific Grant Income

	2014/15	**2014/15**
	£000	**£000**
Council Tax income & retained business rates	(61,376)	**(63,589)**
Non-ring fenced government grants	(108,791)	**(89,953)**
Capital grants and contributions	(72,272)	**(23,484)**
Total	(242,439)	**(177,026)**

7. Property Plant and Equipment (PPE)

The movements in the Council's Property, Plant and Equipment for the year 2015/16 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.

7. Property Plant and Equipment (PPE)

2015/16

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 1 April 2015	**802,850**	**485,299**	**41,333**	**162,183**	**10,214**	**48,282**	**663**	**1,550,824**	**15,580**
Additions	68,202	18,117	555	6,514	218	47,020		**140,626**	2,292
Donations								**-**	
Revaluations recognised in the Revaluation Reserve	92,578	50,403					(163)	**142,818**	3,801
Revaluations recognised in the Provision of Services	6,249	2,420					(272)	**8,397**	483
De-recognition due to disposals	(10,777)	(5)	(11,182)					**(21,964)**	
Reclassifications to other assets	28,962	4,099	2			(29,669)	1,601	**4,995**	979
Cost or Valuation at 31 March 2016	**988,064**	**560,333**	**30,708**	**168,697**	**10,432**	**65,633**	**1,829**	**1,825,696**	**23,135**
Accumulated Depreciation at 1 April 2015	**-**	**(4,307)**	**(32,129)**	**(60,002)**	**-**	**-**	**-**	**(96,438)**	**-**
Depreciation charge	(11,389)	(10,524)	(2,660)	(8,409)				**(32,982)**	(356)
Depreciation written out to the Provision of Services	3,807	2,989						**6,796**	356
Depreciation written out to the Revaluation Reserve	7,582	6,865						**14,447**	
De-recognition due to disposals			11,182					**11,182**	
Accumulated Depreciation at 31 March 2016	**-**	**(4,977)**	**(23,607)**	**(68,411)**	**-**	**-**	**-**	**(96,995)**	**-**
Net Book Value at: 31 March 2016	**988,064**	**555,356**	**7,101**	**100,286**	**10,432**	**65,633**	**1,829**	**1,728,701**	**23,135**

7. 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	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**

Property Plant and Equipment (PPE) (continued)

At 31 March 2016 the Council had entered into the following contracts amounting to £121.4m (2014/15 £54.7m) for the construction or enhancement of its Property, Plant and Equipment in 2016/17 and future years. The major contractual commitments are:

	£000
Children Services	
Gascoigne Primary Expansion (Abbey Road Depot Site)	6,019
Sydney Russell (Fanshawe) Primary Expansion	3,505
Barking Riverside Secondary Free School (Front Funding)	33,767
Village Infants Expansions	1,271
	44,562
Housing - General Fund (EIB)	
Gascoigne Estate	**54,138**
Housing	
Leys Housing Development (Phase 1)	5,023
Decent Homes North - Internal Refurbishment	3,719
Decent Homes South - Internal Refurbishment	3,744
Decent Homes Works Programme	1,151
Marks Gate Regeneration Housing Development	2,576
Goresbrook Developments	6,475
	22,688
TOTAL	**121,388**

8. 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:

	2014/15	**2015/16**
	£000	**£000**
Rental income from investment property	4,927	**4,427**
Direct operating expenses arising from investment property	(3,576)	**(1,174)**
Net gain	1,351	**3,253**

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:

	2014/15	**2015/16**
	£000	**£000**
Balance at start of the year	43,330	**41,835**
Additions	238	**3,184**
Disposals	(195)	**(85)**
Reclassifications	(311)	**(5,312)**
Net gains/(losses) from fair value adjustments/revaluations	(1,227)	**13,400**
Balance at end of the year	41,835	**53,022**

Fair Value Hierarchy

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

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

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy. There has been no change in the valuation techniques used during the year for investment properties.

Highest and Best Use

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

Valuation Process for Investment Properties

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

9. Financial Instruments

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

Long Term 2014/15 £000	Short Term 2014/15 £000		**Long Term 2015/16 £000**	**Short Term 2015/16 £000**
4,500	130,000	**Investments - Loans and Receivables**	**72,893**	**54,001**
-	65,168	**Available for sale financial assets**	**-**	**95,299**
-	24,720	**Cash and Cash Equivalents**	**-**	**21,006**
		Debtors		
12,357	66,112	Debtors as per Balance Sheet	**6,099**	**68,719**
-	(26,565)	Adjustments for statutory debtors (not qualifying as loans and receivables)	**-**	**(30,671)**
12,357	39,547	**Total debtors qualifying as loans and receivables**	**6,099**	**38,048**
16,857	259,435	**Total Financial Assets**	**78,992**	**208,354**
394,912	-	**Borrowings**	**394,912**	**57,200**
		Creditors		
141,249	1,676	PFI and finance lease liabilities	**136,606**	**3,283**
-	64,425	Short Term Creditors as per Balance Sheet (minus finance leases liablities)	-	**87,860**
-	(11,367)	Adjustments for statutory short term creditors (not qualifying)	-	(23,802)
141,249	54,734	**Total creditors qualifiying as financial liabilities at amortised cost**	**136,606**	**67,341**
536,161	54,734	**Total Financial Liabilities**	**531,518**	**124,541**

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

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

Long 2014/15 £000	Current 2014/15 £000		**Long Term 2015/16 £000**	**Current 2015/16 £000**
		Borrowings		
265,912	-	PWLB	**265,912**	**-**
40,000	**-**	LOBO's	**40,000**	**-**
89,000	-	Other market debt	**89,000**	**-**
-	-	Short Term Loans	**-**	**57,200**
394,912	-	**Total**	**394,912**	**57,200**

Income, Expense, Gains and Losses

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

2014/15 Financial Liabilities measured at amortised cost	2014/15 Financial Assets: Loans and Receivables	2014/15 Assets and Liabilities at Fair Value through Profit and Loss	2014/15 Total		**2015/16 Financial Liabilities measured at amortised cost**	**2015/16 Financial Assets: Loans and Receivables**	**2015/16 Assets and Liabilities at Fair Value through Profit and Loss**	**2015/16 Total**
£000	£000	£000	£000		**£000**	**£000**	**£000**	**£000**
(18,531)	0	0	(18,531)	Interest expense *	**(23,643)**	**0**	**0**	**(23,643)**
0	0	(29)	(29)	Losses on derecognition	**0**	**0**	**0**	**0**
0	0	(158)	(158)	Fee Expense	**0**	**0**	**(28)**	**(28)**
0	952	560	1,512	Interest Income *	**0**	**2,697**	**961**	**3,658**
(18,531)	952	373	(17,206)	Net gain / (loss) for the year	**(23,643)**	**2,697**	**933**	**(20,013)**

* Interest Income and Expenditure include HRA

Fair Value of Assets and Liabilities carried at Amortised Cost

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

- estimated ranges of interest rates at 31 March 2016 of 1.10% to 3.11% for loans from the PWLB and 3.07% to 3.50% 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

The fair values calculated are as follows:

31 March 2015			**31 March 2016**	
Carrying Amount £000's	Fair Value £'000s	**Financial Liabilities**	**Carrying Amount £000's**	**Fair Value £'000s**
265,912	290,377	- PWLB	**265,912**	**298,598**
129,000	127,055	- Market Loans	**129,000**	**124,572**
-	-	- Short Term Loans	**57,200**	**57,212**
65,769	65,769	**Short-term creditors**	**87,860**	**87,860**
141,249	141,249	**PFI & Finance Lease**	**139,894**	**139,894**
601,930	624,450	**Total**	**679,866**	**708,136**
		Loans and Receivables		
217,926	219,608	- Investments	**222,193**	**224,731**
24,720	24,720	-Cash & Cash Equivaler	**21,006**	**21,006**
6,557	6,557	**Long-term debtors**	**6,099**	**6,779**
16,499	16,499	**Short-term debtors**	**68,719**	**68,719**
265,702	267,384	**Total**	**318,017**	**321,235**

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 2016 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 2016) arising from a commitment to pay interest to lenders above current market rates.

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

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

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

Nature and Extent of Risks Arising for Financial Instruments

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

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

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 o

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

- By approving annually in advance prudential and treasury indicators for the following three years limiting the Council's overall borrowing:

> its maximum and minimum exposures to fixed and variable rates;

>its maximum and minimum exposures to the maturity structure of its debt;

>its maximum annual exposures to investments maturing beyond a year; and

>by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

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

The annual treasury management strategy which incorporates the prudential indicators and the Investment Strategy was approved by the Assembly on 24 February 2015, in respect of 2015/16, and is available on the Council website:

http://moderngov.barking-dagenham.gov.uk/ieListDocuments.aspx?CId=179&MId=8361&Ver=4

The key issues within the strategy were:

- the revised authorised borrowing limit (GF and HRA) of £800m for 2015/16, which includes £266m for the HRA self-financing debt settlement (out of a limit of £281m); and
- to approve the annual investment strategy and creditworthiness policy for 2015/16 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 2016/17 was approved by the Assembly 24 February 2016.

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 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 2016 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 2016 £000
Deposits with Banks	A' rated	**74,000**
	BBB' rated	**0**
Deposits with Building Societies	A' rated	**0**
Deposits with Money Market Funds	AAA' rated	**0**
Certificates of Deposit	A' rated	**5,001**
	BBB' rated	**90,300**
UK Government Risk	Local Authority	**52,893**
	Commerici al Loan	**4,918**
Total Investments		**227,112**

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-15	**31-Mar-16**
	£000	**£000**
Less than three months	3,873	**4,370**
Three to six months	381	**121**
Six months to one year	289	**427**

More than one year	527	**950**

Liquidity Risk

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

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

Refinancing and Maturity Risk

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

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

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

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

	Actual 31-Mar-15 £000	**Actual 31-Mar-16 £000**
Less than one year	-	**57,200**
Between 1 and 2 years	-	**-**
Between 2 and 5 years	-	**-**
Between 5 and 10 years	-	**-**
More than 10 years	394,912	**394,912**
Total	394,912	**452,112**

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

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 2016 if interest rates had been 1% higher with all other variables held constant, the financial effect for 2015/16 would be:

Interest Rate Risk – 1% Increase	**£000**
Increase in interest payable on variable rate borrowings*	**-**
Increase in interest receivable on variable rate investments	**(2,024)**
Impact on Surplus or Deficit on the Provision of Services	**(2,024)**

Interest Rate Risk – 1% Decrease	**£000**

Decrease in interest payable on variable rate borrowings*	**-**
Decrease in interest receivable on variable rate investments	**(1,955)**
Impact on Surplus or Deficit on the Provision of Services	**(1,955)**

*The Council did not hold any variable rate borrowings as at 31 March 2016 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 £95.3m 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.

10. Debtors

	2014/15 £000	**2015/16 £000**
Central Government Bodies	3,237	**385**
Other Local Authorities	4,798	**8,057**
NHS Bodies	813	**103**
Housing Benefits Overpayments	13,563	**18,120**
Housing Rents	8,058	**7,022**
Leaseholder Service Charge	1,030	**1,131**
Payments in Advance	19,726	**19,804**
Court Costs	3,407	**3,371**
VAT	4,822	**8,709**
Other Entities and Individuals	37,778	**37,693**
Bad Debt Provisions	(31,120)	**(35,676)**
Total	66,112	**68,719**

11. Cash and Cash Equivalents

	2014/15 £000	**2015/16 £000**
Cash held by the Authority	177	**160**
Bank current accounts	16,524	**20,828**
Deposits at Call	8,019	**18**
Total	24,720	**21,006**

12. Creditors

	2014/15 £000	**2015/16 £000**
Central Government Bodies	3,903	**10,662**
Other Local Authorities	6,742	**13,948**
NHS Bodies	551	**732**
Capital Creditors	4,394	**8,403**
Finance Lease Liability	1,676	**3,283**
Employee Benefits	8,370	**8,352**
Receipts in Advance / Prepayments	5,387	**5,815**
Third Party Monies	2,182	**3,911**
VAT	1,774	**4,156**
Other Entities and Individuals	31,122	**31,881**
Total	66,101	**91,143**

13. Provisions

	Balance at 1 April 2015 £000	Additional provisions made during 2015/16 £000	Amount used or reversed in 2015/16 £000	**Balance at 31 March 2016 £000**
Insurance	(4,865)	(3,692)	3,589	**(4,968)**
Redundancy	(498)	(601)	498	**(601)**
NDR Appeals	(11,476)	(1,020)	8,033	**(4,463)**
Other	(1,139)	0	149	**(990)**
Total	(17,978)	(5,313)	12,269	**(11,022)**

Insurance Claims

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

Redundancy Provision

A short term provision of £0.601m has been established to meet the cost of redundancies agreed but not paid out during 2015/16.

NDR Appeals

A provision of £8,033k from 31 March 2015 has been reversed unused. Only the Council's share of the appeals provision is retained. An additional provision of £1,020k is provided for.

14. Usable Reserves

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

15. Unusable Reserves

2014/15 £000	**Unusable Reserves**	**2015/16 £000**
200,596	Revaluation Reserve	**353,972**
731,598	Capital Adjustment Account	**855,549**
(429,303)	Pensions Reserve	**(351,076)**
838	Collection Fund Adjustment Account	**3,389**
(473)	Accumulated Absences Account	**(1,076)**
167	Financial Instruments Adjustment Account	**300**
503,423	**Total**	**861,058**

The breakdown of the first three reserves are provided below.

Revaluation Reserve

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

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

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

2014/15 £000	Revaluation Reserve	2015/16 £000
183,167	**Balance at 1 April**	**200,596**
50,961	Upward revaluation of assets	**171,769**
(12,267)	Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	**(13,756)**
(18,661)	Accumulated gains or losses on assets disposed of in year	**(1,140)**
(2,604)	Difference between fair value depreciation and Historical cost depreciation	**(3,497)**
200,596	**Balance at 31 March**	**353,972**

Capital Adjustment Account

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

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

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

2014/15 £000	**Capital Adjustment Account**	**2015/16 £000**
713,903	**Balance at 1 April**	**731,598**
	Reversal of items relating to capital expenditure debited or	
(34,608)	- Charges for depreciation and impairment of non-current	**(33,009)**
(39,056)	- Revaluation gains/(losses) on Property, Plant and	**28,591**
(1,928)	Amortisation of intangible assets	**(1,199)**
(5,712)	Revenue expenditure funded from capital under statute	**(1,351)**
(70,682)	Amounts of non-current assets written off on disposal or	**(10,866)**
0	Written back depreciation on reclassifications	**0**
21,265	Adjusting amounts written out of the Revaluation Reserve	**4,637**
10,868	Donated Assets	**0**
	Capital financing applied in the year:	
14,035	- Use of the Capital Receipts Reserve to finance new capital expenditure	**31,135**
860	- Use of earmarked reserves to finance new capital	**36**
51,861	- Use of the Major Repairs Reserve to finance new capital expenditure	**38,961**
1,922	- Capital grants and other contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**1,094**
46,988	- Application of grants to capital financing from the Capital Grants Unapplied Account	**51,968**
9,582	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	**9,501**
12,300	- Capital expenditure charged against the General Fund and HRA balances	**4,453**
731,598	**Balance at 31 March**	**855,549**

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.

2014/15 £000	Pension Reserve	2015/16 £000
(351,554)	**Balance at 1 April**	**(429,303)**
(65,220)	Actuarial gains or losses on pensions assets and liabilities	**96,348**
(37,819)	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	**(43,818)**
25,290	Employer pensions' contributions and direct payments to pensioners payable in the year	**25,697**
(429,303)	**Balance at 31 March**	**(351,076)**

16a. Cash Flow Statement – Net Cash Flows from Operating Activities

2014/15 £000		**2015/16 £000**
200	**Net (Deficit) on the Provision of Services**	**53,776**
	Adjust net surplus or deficit on the provision of services for non cash movements	
34,608	Depreciation	33,009
39,056	Impairment and downward valuations	(28,591)
1,928	Amortisation	1,199
(178)	Increase/(Decrease) in Interest Creditors	4
(6,093)	(Decrease) in Creditors	16,987
(578)	(Increase)/Decrease in Interest and Dividend Debtors	(1,238)
9,004	(Increase)/Decrease in Debtors	(4,405)
44	(Increase)/Decrease in Inventories	123
12,529	Movement in Pension Liability	18,121
11,121	Contributions to/(from) Provisions	(6,956)
70,682	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	10,866
(10,911)	Other non-cash items	1,986
161,212		**41,105**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(67,115)	Capital Grants credited to surplus or deficit on the provision of services	(24,303)
(20,176)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(21,933)
(87,291)		**(46,236)**
74,121	**Net Cash Flows from Operating Activities**	**48,645**

16b. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2014/15 £000		**2015/16 £000**
1,524	Interest received (cash based)	**3,658**
(18,660)	Interest paid (cash based)	**(23,673)**

16c. Cash Flow Statement – Investing Activities

2014/15 £000		**2015/16 £000**
(150,088)	Purchase of property, plant and equipment, investment property and intangible assets	**(140,688)**
(105,465)	Purchase of short-term and long-term investments	**(16,726)**
20,176	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**21,933**
79,709	Other receipts from investing activities	**27,797**
(155,668)	**Net Cash Flows from Investing Activities**	**(107,684)**

16d. Cash Flow Statement – Financing Activities

2014/15 £000		**2015/16 £000**
9,111	Council tax and NNDR adjustments	**1,156**
(2,766)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	**(3,031)**
79,000	(Repayment) / take-out of short and long-term borrowing	**57,200**
85,345	**Net Cash Flows from Financing Activities**	**55,325**

17. 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 2015/16. 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 2015/16	**Adults & Community Services**	**Children's Services**	**Housing & Environment**	**Chief Executive**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Fees & charges	(15,721)	(22,029)	(51,206)	(37,975)	**(126,931)**
Government grants	(34,791)	(12,357)	(1,723)	(157,353)	**(206,224)**
Total Income	**(50,512)**	**(34,386)**	**(52,929)**	**(195,328)**	**(333,155)**
	-				
Employee expenses	26,167	34,844	23,163	19,359	**103,533**
Other expenses	73,053	60,765	46,659	187,255	**367,732**
Support service recharges	4,454	5,665	6,100	6,355	**22,574**
Total Expenditure	**103,674**	**101,274**	**75,922**	**212,969**	**493,839**
Net Expenditure	**53,162**	**66,888**	**22,993**	**17,641**	**160,684**

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 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.

	2014/15 £000	**2015/16** **£000**
Net expenditure in the Departmental Analysis	160,227	160,684
Net expenditure of services and support services not included in the Analysis	22,977	(47,577)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(38,153)	(11,311)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	1,636	3,373
Cost of Services in Comprehensive Income and Expenditure Statement	146,687	**105,169**

17 (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.

2015/16	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	(126,931)	(381,080)	(6,166)	53,658	**(460,519)**	(14,069)	**(474,588)**
Interest and investment income					**0**	(3,658)	**(3,658)**
Income from council tax					**0**	(63,589)	**(63,589)**
Government grants and Contributions	(206,224)	(30,824)	(1,648)	20	**(238,676)**	(113,457)	**(352,133)**
Total Income	**(333,155)**	**(411,904)**	**(7,814)**	**53,678**	**(699,195)**	**(194,773)**	**(893,968)**
Employee expenses	103,533	198,327	2,033	(4,997)	**298,896**	4,997	**303,893**
Other service expenses	344,554	145,095	(4,668)	(4,918)	**480,063**	4,917	**484,980**
Support Service recharges	22,574	19,856	5,174	(40,327)	**7,277**	738	**8,015**
Depreciation, amortisation and impairment	23,178	11,030		(63)	**34,145**	63	**34,208**
Interest Payments					**0**	37,479	**37,479**
Precepts & Levies					**0**	10,779	**10,779**
Payments to Housing Capital Receipts Pool					**0**	1,322	**1,322**
Revaluation of PPE		(9,981)	(6,036)		**(16,017)**	(171,546)	**(187,563)**
Actuarial Gains/Losses on Pension Assets/Liabilities					**0**	(96,348)	**(96,348)**
Gain or Loss on Disposal of Fixed Assets					**0**	(11,067)	**(11,067)**
Total Expenditure	**493,839**	**364,327**	**(3,497)**	**(50,305)**	**804,364**	**(218,666)**	**585,698**
Surplus or deficit on the provision of services	**160,684**	**(47,577)**	**(11,311)**	**3,373**	**105,169**	**(413,439)**	**(308,270)**

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				**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**

18. 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 and 2015/16 will be the last year of operation;
- **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;
- **Catering -** An internally operated catering operation provides catering for both schools and Council offices; and

Details of those units with a turnover of greater than £50k in 2015/16 are as follows:

	2014/15 £000	**2015/16** **£000**
1. Teachers Accommodation		
Turnover	(269)	**(68)**
Expenditure	190	**96**
(Surplus)/Deficit	(79)	**28**
2. Barking Market		
Turnover	(766)	**(798)**
Expenditure	818	**618**
(**Surplus)/Deficit**	52	**(180)**
3. Catering		
Turnover	(8,387)	**(8,797)**
Expenditure	8,168	**8,828**
(**Surplus)/Deficit**	(219)	**31**
4. Castle Green		
(**Surplus)/Deficit**	75	**-**
Total (Surplus)/Deficit from Trading Operations	(171)	**(121)**

The financial results of the trading operations are incorporated into the Comprehensive Income and Expenditure Statement, with a net surplus of £121k being included within net cost of services (see note 5).

19. 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.

	2014/15	2015/16
Funding provided to the pooled budget:	£000	£000
the Council	3,599	3,584
the Trust	7,377	7,550
	10,976	11,134
Expenditure met from the pooled budget:		
the Council	(3,956)	(3,756)
the Trust	(7,466)	(7,518)
	(11,422)	(11,274)
Total Net Surplus/(Deficit) of the pooled budget	(446)	(140)
Net surplus/(deficit) for the Authority	(357)	(172)
Net surplus/(deficit) for the Trust	(89)	32

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

	2015/16
Funding provided to the pooled budget:	£000
the Council	8,244
the CCG	13,055
	21,299
Expenditure met from the pooled budget:	
the Council	(8,052)
the CCG	(13,012)
	(21,064)
Total Net Surplus/(Deficit) of the pooled budget	235
Net surplus/(deficit) for the Authority	192
Net surplus/(deficit) for the CCG	43

20. Members Allowances

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

	2014/15	**2015/16**
	£000	**£000**
Basic Allowances	510	**510**
Special Responsibility Allowances	230	**230**
Expenses	17	**22**
Employer's NI	47	**48**
Employer's Pension	12	**0**
Total	816	**810**

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

21. Senior Officers' Remuneration (including Teachers)

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

	2014/15		2015/16	
	Non-Teaching Employees	Teaching Employees	Non-Teaching Employees	Teaching Employees
£50,000 - £54,999	45	182	**25**	**164**
£55,000 - £59,999	21	121	**26**	**127**
£60,000 - £64,999	13	65	**10**	**65**
£65,000 - £69,999	20	36	**13**	**34**
£70,000 - £74,999	9	17	**8**	**28**
£75,000 - £79,999	3	22	**7**	**20**
£80,000 - £84,999	1	9	**2**	**8**
£85,000 - £89,999	2	5	**2**	**5**
£90,000 - £94,999	7	3	**7**	**5**
£95,000 - £99,999	0	1	**0**	**2**
£100,000 - £104,999	1	4	**2**	**3**
£105,000 - £109,999	2	3	**1**	**3**
£110,000 - £114,999	1	1	**0**	**1**
£115,000 - £119,999	0	3	**0**	**1**
£120,000 - £124,999	0	1	**1**	**2**
£125,000 - £129,999	0	1	**0**	**2**
£130,000 - £134,999	2	0	**2**	**1**
£135,000 - £139,999	0	1	**0**	**1**
£140,000 - £144,999	0	1	**0**	**2**
£145,000 - £149,999	0	1	**0**	**0**
£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	**1**	**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**
£185,000 - £189,999	0	0	**0**	**0**
£190,000 - £194,999	0	1	**0**	**0**
£195,000 - £199,999	0	0	**0**	**0**
£200,000 - £204,999	0	0	**0**	**0**
£205,000 - £209,999	0	0	**0**	**0**
£210,000 - £214,999	0	0	**0**	**0**
£215,000 - £219,999	0	0	**0**	**0**
£220,000 - £224,999	0	0	**0**	**1**
£225,000 - £229,999	0	1	**0**	**0**
Total	127	479	**107**	**475**

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

Post Held	Year	Notes	Salary, Fees & Allowances	Bonuses	Expense Allowances	Compensation for Loss of Employment	Sub-total	Employer's Pension Contribution	Total (including pension contributions)
Strategic Director			£	£	£	£	£	£	£
Customer, Commercial and	**2015/16**	**1**	**64,462**	**-**	**-**	**-**	**64,462**	**7,754**	**72,216**
Service Delivery	2014/15		-	-	-	-	-	-	-
Strategic Director			£	£	£	£	£	£	£
Service Development and	**2015/16**		**131,757**	**-**	**-**	**-**	**131,757**	**15,900**	**147,657**
Improvement	2014/15		131,757	-	-	-	131,757	29,645	161,402
Corporate Director	**2015/16**		**131,757**	**-**	**-**	**-**	**131,757**	**15,900**	**147,657**
Children's Services	2014/15		131,757	-	-	-	131,757	29,645	161,402
Strategic Director Finance and	**2015/16**		**122,963**	**-**	**155**	**-**	**123,118**	**14,686**	**137,804**
Investment	2014/15		110,703	-	158	-	110,861	25,928	136,789
Programme	**2015/16**	**2**	**108,661**	**-**	-	**-**	**108,661**	**12,712**	**121,373**
Director	2014/15		-	-	-	-	-	-	-
Director Law and Governance /	**2015/16**	**3**	**102,632**	-	**231**	**-**	**102,863**	**12,049**	**114,912**
Monitoring Officer	2014/15		92,218	-	507	-	92,725	20,749	113,474
Strategic Director	**2015/16**	**4**	**29,397**	**-**	**-**	**-**	**29,397**	**3,486**	**32,883**
Growth and Homes	2014/15		-	-	-	-	**-**	-	-

Note 1 The Strategic Director for Customer, Commercial and Service Delivery was appointed from October 2015. The full basic Annual Salary is £131,757. No Strategic Director for CCS was in place for 2014/15.

Note 2 No Programme Director was in place for 2014/15.

Note 3 The Director of Law and Governance / Monitoring Officer role is shared with Thurrock Council. A contribution of £30,000 (2014/15: £59,610) was received from Thurrock Council to cover salary and oncosts.

Note 4 The Strategic Director for Growth and Homes was appointed from January 2016. The full basic Annual Salary is £131,757. No Strategic Director for G&H was in place for 2014/15.

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

Post Held	Year	Notes	Salary, Fees & Allowances £	Expense Allowances £	Compensation for Loss of Employment £	Sub -total £	Employer's Pension Contribution £	Total (including pension £
Head Teacher, Robert Clack Comprehensive School	**2015/16**	**1**	**194,693**	**100**	**-**	**194,793**	**24,585**	**219,378**
Sir Paul Grant	2014/15		226,588	423	-	227,011	29,006	256,017
Chief Executive of the Council	**2015/16**	**2**	**165,000**	**-**	**-**	**165,000**	**20,487**	**185,487**
Christopher Naylor	2014/15		123,197	-	-	123,197	6,188	129,385

Note 1 Sir Paul Grant's salary includes a market supplement of £78,846 and other payments totaling £1,180. His basic annual salary is £114,437.

Note 2 The current Chief Executive was appointed from February 2015. The figure shown for 2014/15 represents the cost recharged to LBBD for the previous Chief Executive and the new Chief Executive's salary from February 2015.

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 (£)	
	2014/15	**2015/16**	2014/15	**2015/16**	2014/15	**2015/16**	2014/15	**2015/16**
£0 – £20,000	32	**37**	27	**7**	59	**44**	614,840	**424,533**
£20,001–£40,000	11	**21**	8	**1**	19	**22**	487,037	**605,365**
£40,001–£60,000	3	**5**	2	**2**	5	**7**	229,013	**340,740**
£60,001–£80,000	3	**2**	0	**0**	3	**2**	231,352	**205,419**
£80,001 +	0	**3**	0	**0**	0	**3**	0	**465,275**
Total	49	**68**	37	**10**	86	**78**	1,562,242	**2,041,332**

22. External Audit costs

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

	2014/15 £000	**2015/16 £000**
Fees payable for external audit services carried out in the year.	221	**166**
Fees payable for the certification of grant claims and returns for the year.	30	**34**
TOTAL	251	**200**

23. Dedicated Schools Grant (DSG)

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

Details of the deployment of DSG received for 2015/16 is below:

Total 2014/15 £000		Central Costs £000	ISB £000	**Total 2015/16 £000**
223,918	Final DSG for year before Academy recoupment			**233,392**
9,820	**Less:** Academy figure recouped for 2015/16			**25,382**
214,098	Total DSG after Academy recoupment for 2015/16			**208,010**
9,241	Brought forward from previous year			**10,705**
7,733	**Less:** Carry forward to 2016/17 agreed in advance			**8,064**
215,606	Agreed initial budget distribution in year	**29,875**	**180,776**	**210,651**
0	In year adjustments	**0**	**0**	**0**
215,606	Final budget distribution for 2015/16	**29,875**	**180,776**	**210,651**
44,717	**Less:** Actual central expenditure	**29,697**		**29,697**
167,917	Actual ISB deployed to schools		**180,328**	**180,328**
2972	Additional carry forward to 2016-17	**178**	**448**	**626**
10,705	Total carry forward to 2016/17			**8,690**

24. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

	2014/15 £000	**2015/16 £000**
Taxation and Non Specific Grant Income		
RSG (Includes Business Rates Retention Scheme)	96,656	**80,404**
Education Services Grant	4,788	**3,719**
New Homes Grant	3,234	**2,869**
Housing & Council Tax Benefits Admin Grant	1,459	**1,696**
Council Tax Freeze Grant	551	**0**
Weekly Waste Collection Grant	417	**0**
Small Business & Empty Property Rate Relief Grant	546	**398**
Local Services Support Grant	46	**40**
Council Tax New Burdens	178	**65**
Other	916	**762**
Total	108,791	**89,953**
Capital Grants	72,272	**23,484**
Direct to Services		
Dedicated Schools Grant (DSG)	214,098	**208,012**
Department of Work and Pensions	145,501	**141,916**
Education Funding Agency	15,263	**19,014**
Pupil Premium	16,250	**14,429**
Public Health England	14,213	**15,727**
Department for Education	10,715	**3,470**
Skills Funding Agency	2,180	**1,796**
Communities and Local Government	1,078	**2,050**
Youth Justice Board	745	**467**
Home Office	613	**591**
Mayor's Office for Policing and Crime	505	**1,480**
Children's Workforce Development Council	280	**0**
GLA	451	**1,205**
Department for Transport	0	**14**
Department of Health	200	**220**
Department for Culture, Media and Sport	0	**0**
Other	756	**3,296**
	422,848	**413,687**

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

Capital Grants Received in Advance	2014/15 £000	**2015/16 £000**
Long Term (Section 106)	(6,474)	**(7,102)**
Short Term	(407)	**(406)**

25. Related Parties

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

Central Government

Central government has effective control over the general operations of the Council and is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 17 on reporting for resources allocation decisions. Grants received during the year are further analysed in Note 24.

Members

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

The total of Members' allowances paid in 2015/16 is shown in Note 20. During 2015/16, no works or services were commissioned from companies in which members had an interest. There have been no declarations by members of personal Related Parties Transactions with the Council in 2015/16.

Officers

During 2015/16 the Senior Officers of the Council held no pecuniary interests in accordance with section 117 of the Local Government Act 1972 in contracts entered into by the Council.

There have been no declarations by officers of personal Related Parties Transactions with the Council in 2015/16.

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

The Council has a pooled budget arrangement with North East London NHS Foundation Trust for the provision of mental health and social services and a pooled Better Care Fund budget arrangement with the Barking and Dagenham Clinical Commissioning Group. Transactions and balances are detailed in Note 19.

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

Pension fund

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

Entities Controlled or Significantly Influenced by the Council

Elevate East London LLP

The Council has an interest in a joint venture, Elevate East London LLP. This is based on a 50/50 ownership between the Council and Agilysis Ltd. Elevate provides servcies to the Council in respect of ICT, Customer Services, Revenues and Benefits, Procurement and Accounts Payable services. The Elevate trading figures for the year ended 31 March 2016 are provided below:

2014/15 £'000		**2015/16 £'000**
28,743	Total turnover	**25,832**
-	Total Council's share of profit at year end	**10**

Barking and Dagenham Reside Ltd

The Council wholly owns a subsidiary company, Barking and Dagenham Reside Ltd. It provides housing at affordable rents. The Reside trading figures for the year ended 31 March 2016 are provided below:

2014/15 £'000		**2015/16 £'000**
1	Total turnover	**3**
(1)	Council's share of profit / (loss)	**1**

Barking and Dagenham Abbey Roding LLP

Barking and Dagenham Abbey Roding LLP is a company which is 99% owned by the Council. The company became active in October 2015. The trading figures for the period ended 31 March 2016 are provided below:

	2015/16 £'000
Total turnover	**644**
Council's share of profit	**39**

TPFL Regeneration Ltd

This company was used to design and build the B&D Reside Ltd homes. There have been no activity during 2015/16. However, there are assets of £1.353m of which £958k is held as a Long Term Creditor on the Council's accounts.

Directorships or Trusteeships

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

Organisation	Member	Expenditure £'000s	Income £'000s
Local Government Association - General Assembly	Cllr Darren Rodwell, Cllr Dominic Twomey, Cllr Saima Ashraf	55	-

OFSTED Report Panel	Cllr Evelyn Carpenter, Cllr Cameron Geddes, Cllr Elizabeth Kangethe, Cllr Hardial Singh Rai, Cllr Lynda Rice, Cllr Phil Waker, Cllr John White	4	(1)
Barking and Dagenham Citizens' Advice Bureau	Cllr Peter Chand, Cllr James Ogungbose	476	(30)
East London Waste Authority	Cllr Lynda Rice, Cllr Jeff Wade	10,887	-

26. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), 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	2014/15	**2015/16**
	£000	**£000**
Opening Capital Financing Requirement	484,743	**578,098**
Capital investment		
- Property, Plant and Equipment	138,065	140,572
- Property Plant and Equipment - Finance Lease additions	85,083	0
- Property Plant and Equipment - PFI Additions	25	54
- Investment Properties	238	3,184
- Intangible Assets	1,679	866
- Heritage Assets	100	75
- Revenue Expenditure Funded from Capital under Statute	5,712	1,351
Sources of Finance		
Capital receipts	(14,035)	**(31,135)**
Government grants and other contributions	(48,910)	**(53,063)**
Contributions from reserves (including Invest to Save)	(860)	**(36)**
Sums set aside from revenue:		
- Direct revenue contributions	(12,300)	**(4,453)**
- MRP/loans fund principal	(9,581)	**(9,501)**
Major Repairs Reserve	(51,861)	**(38,961)**
Increase in Capital Financing Requirement	93,355	**8,953**
Closing Capital Financing Requirement	578,098	**587,051**

Explanation of Movements in Year	2014/15	**2015/16**
	£000	**£000**
Increase in underlying need to borrow (unsupported by government financial assistance)	8,247	**8,899**
Assets acquired under finance leases	85,083	**0**
Assets acquired under PFI/PPP contracts (lifecycle costs)	25	**54**
Increase in Capital Financing Requirement	93,355	**8,953**

27. Leases

Council as Lessee

Finance Leases

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

Net Book Value of Assets acquired under a finance lease	2014/15	**2015/16**
	£000	**£000**
Property, Plant and Equipment	99,583	**109,574**

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	2014/15	**2015/16**
	£000	**£000**
Finance Lease Liabilities		
(net present value of minimum lease payments)		
- Current	1,677	**1,758**
- Non-current	87,464	**85,706**
	89,141	**87,464**
Finance Costs Payable in Future Years	139,322	**137,753**
Minimum Lease Payments	228,463	**225,217**

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

Finance Lease Payment profile	**Minimum Lease Payments**		**Finance Lease Liabilities**	
	2014/15	**2015/16**	2014/15	**2015/16**
	£000	**£000**	£000	**£000**
Not later than one year	5406	**5,402**	1677	**1,758**
Later than one year and not later than five	18,412	**16,968**	4,601	**3,290**
Later than five years	204645	**202,847**	82862	**82,416**
	228,463	**225,217**	89,140	**87,464**

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	2014/15 £000	**2015/16** **£000**
Not later than one year	411	**694**
Later than one year and not later than five years	739	**1,008**
Later than five years	2,678	**2,730**
	3,828	**4,432**

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

Operating Lease costs

	2014/15 £000	**2015/16** **£000**
Operating Lease payments	4,756	**3,230**

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	2014/15 £000	**2015/16** **£000**
Not later than one year	2,983	**2,934**
Later than one year and not later than five years	9,964	**10,063**
Later than five years	46,749	**45,783**

28. Private Finance Initiatives and similar contracts

a) PFI Schemes – Eastbury and Jo Richardson Schools

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

Changes in the arrangements during the year (Property, Plant and Equipment)
The assets used to provide services at the schools are recognised on the Council's Balance Sheet and movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 7.

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 2016 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

PFI Payments	Total 2014/15 £000	**Payment for Services £000**	**Reimbursement of Capital Expenditure £000**	**Interest £000**	**Total 2015/16 £000**
Payable within one year	6,224	1,650	752	3,859	**6,261**
Payable within two to five years	24,896	7,023	3,869	14,152	**25,044**
Payable within six to ten years	31,121	9,813	7,561	13,932	**31,306**
Payable within eleven to fifteen years	31,120	9,550	11,386	10,369	**31,305**
Payable within sixteen to twenty years	6,223	0	0	0	**0**
Total	99,584	**28,036**	**23,568**	**42,312**	**93,916**

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	2014/15 £000	**2015/16 £000**
Balance outstanding at 1 April	24,867	**24,250**
Payments during the year	(617)	**(681)**
Balance outstanding at 31 March	24,250	**23,569**

b) PFI Scheme – Dagenham Park School

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

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

The assets used to provide services at the schools are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 7.

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 2016 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Total 2014/15 £000	**Payment for Services £000**	**Reimbursement of Capital Expenditure £000**	**Interest £000**	**Total 2015/16 £000**
Payable within one year	4,161	579	775	2,839	**4,193**
Payable within two to five years	16,648	2,317	3,621	10,836	**16,774**
Payable within six to ten years	20,809	2,896	5,857	12,214	**20,967**
Payable within eleven to fifteen	20,809	2,896	8,229	9,842	**20,967**
Payable within sixteen to twenty years	20,809	2,896	11,850	6,221	**20,967**
Payable within twenty-one to twenty-five years	8,324	579	2,965	649	**4,193**
Total	91,560	**12,163**	**33,297**	**42,601**	**88,061**

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	2014/15 £000	**2014/15 £000**
Balance outstanding at start of year	30,200	**29,531**
Payments during the year	(695)	**(727)**
Capital expenditure incurred in the year	26	**54**
Balance outstanding at year-end	29,531	**28,858**

29. Impairment Losses

During 2015/16 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.

30. Termination Benefits

As a result of the reorganisation of its service delivery, a number of employees were made redundant by the Council during 2015/16. Liabilities incurred during 2015/16, including the strain on the Pension Fund, totalled £2.0m (2014/15 £1.6m) – see Note 21 for the number of exit packages and total cost per band. This amount related to 78 employees across the Council who were made redundant through the Council's overall service transformation programme

31. Trust Funds

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

	2014/15	**2015/16**
	£000	**£000**
Trust Fund balances at 1 April	(73)	**(73)**
Payments from funds during year	0	**0**
Income received by funds in the year	0	**0**
Balance at 31 March	(73)	**(73)**

The Council also holds the following balances:

- custody accounts - £1,686,232 (£1,780,497 in 2014/15);
- a residents' amenity fund - £6,097 (£6,049 in 2014/15); and
- an education bursaries fund - £445,799 (£451,263 in 2014/15)

32. 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 2015/16, the Council paid £11.9m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.4% of pensionable pay. The figures for 2014/15 were £11.3m and 14.1%. For NHS staff in 2015/16 the figures were £0.1m and 14.3% (For NHS pension fund members the figures for 2014/15 were £0.1m and 14.0%)

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 33.

33. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose at the time that employees earn their future entitlement. In 2015/16 the Council participated in two post employment schemes:

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

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

• The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pension Panel of the Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the Pension Panel.

• The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the quity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

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

Discretionary Post-retirement Benefits

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

Transaction Relating to Post-Employment Benefits

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

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

	LGPS	
	2014/15	**2015/16**
Comprehensive Income and Expenditure Statement	£'000	**£'000**
Cost of Services:		
Current Service Cost	(22,641)	**(29,880)**
Past Service Costs (including curtailments)	(125)	**(132)**
Interest Income on scheme assets	21,971	**18,975**
Interest cost on defined benefit obligation	(37,024)	**(32,781)**
Total Post-Employment Benefits charged to the Surplus or Deficit on the provison of services	**(37,819)**	**(43,818)**
Remeasurement of the net defined benefit liability:		
Change in demographic assumptions	0	0
Change in financial assumptions	(130,427)	93,293
Other experience	7,721	14,639

Return on assets excluding amounts included in net interest	57,486	(11,584)
Total Post-Employment Benefits charged to the Comprehensive Movement in Reserve Statement:	**(65,220)**	**96,348**
Reversal of net charges made to the Surplus or Deficit on the provision of services for post-employment benefits in accordance with the code	37,819	**43,818**
Actual amount charged against the General Fund Balance for pensions in the year:		
Employer's contrubuitions payable to scheme	(25,290)	**(25,697)**

Assets and Liabilities in Relation to Post-Employment Benefits

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

	LGPS	
	2014/15	**2015/16**
Scheme Liabilities	£'000	**£'000**
Opening balance at 1 April	862,269	**1,020,686**
Current Service Cost	22,641	**29,880**
Interest Cost	37,024	**32,781**
Contributions by scheme participants	6,270	**6,692**
Actuarial (gains)/losses	122,706	**(107,932)**
Benefits paid	(28,684)	**(27,522)**
Discretionary Benefits	(1,665)	**(1,653)**
Past Service Cost including curtailments	125	**132**
Business Contribution	0	**0**
Curtailments	0	**0**
Settlements	0	**0**
Closing Balance at 31 March	**1,020,686**	**953,064**

	2014/15	**2015/16**
Scheme Assets	£'000	**£'000**
Opening balance at 1 April	510,715	**591,383**
Interest Income	21,971	**18,975**
Re-measurement gain/(loss)	57,486	**(11,584)**
Employer contributions	23,625	**24,044**
Contributions by scheme participants	6,270	**6,692**
Benefits paid	(28,684)	**(27,522)**
Unfunded benefits paid	(1,665)	**(1,653)**
Contributions in respect of unfunded benefits	1,665	**1,653**
Curtailments	0	**0**
Settlements	0	**0**
Closing Balance at 31 March	**591,383**	**601,988**

Pensions Assets and Liabilities Recognised in the Balance Sheet	2014/15	**2015/16**
	£'000	**£'000**
Local Government Pension Scheme		
Fair value of plan assets	591,383	**601,988**
Present value of the defined benefit obligation	(1,020,686)	**(953,064)**
Net liability arising from defined benefit obligation	**(429,303)**	**(351,076)**

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

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

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

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

It is important to recognise that the IAS19 is based on the assumptions that are set as part of the accounting standard and do not reflect the funding strategy of the fund nor the payments made for the employers in 2015/16.

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 18 years. This long-term strategy allows for short-term market volatility. The next triennial valuation will take place in 2016, (effective from 1 April 2017).

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

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

The significant assumptions used by the actuary have been:

	LGPS	
Mortality Assumptions:	2014/15	**2015/16**
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**
Actuarial Assumptions:		
Rate of Increase in Salaries	3.8%	**3.7%**
Rate of Increase in Pensions	2.4%	**2.2%**
Rate of Discounting Scheme Liabilities	3.2%	**3.5%**

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 2016	**Approximate % inc to Employer Liability**	**Appropriate monetary amount (£000)**
0.5% Decrease in Real Discount Rate	10%	98,039
1 year Increase in Member Life Expectancy	3%	28,592
0.5% Increase in the Salary Increase Rate	3%	24,669
0.5% Increase in the Pension Increase Rate	8%	72,290

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 2016.

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.

Local Government Pension Scheme assets comprised:

	2014/15	2015/16
	£'000	£'000
Equity Securities (Quoted prices in active market)	272,259	**279,114**
Bonds	79,503	**25,615**
UK Property	44,117	**45,574**
Investment Funds and Unit Trusts		
Hedge Funds	35,130	41,286
Infrastructure	26,270	45,683
Other	107,580	156,786
Sub-total	**168,980**	**243,755**
Cash and Cash Equivalents		
Cash	26,524	**7,930**
Total Assets	**591,383**	**601,988**

Impact on the Council's Cash Flows
The objectives of the scheme are to keep employers' contribution at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 18 years. Funding levels are reviewed on an annual basis.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2017 is estimated to be £24.6m.

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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Under the Infrastructure Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land.

The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. Thus the new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period. If the changes had been implemented in 2015/16, based on current estimates the value of infrastructure assets would increase substantially along with a substantial increase in depreciation.

In addition there are a number of minor amendments to International Financial Reporting Standards, but these are not expected to have any material impact on the accounts.

35. Critical Judgements in Applying Accounting Policies

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

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

The Council's group boundaries have been assessed using the criteria outlined in the Code of Practice. The Council has assessed three entities within its group boundary and identified one, Elevate Partnership, that is considered a significant interest. Whilst this interest is considered to be significant, virtually all the company's turnover relates to transactions with the Council and thus would be eliminated on consolidation. The Council continues to disclose the relationship and transactions with this entity in the Related Parties note.

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

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

The items in the Council's Balance Sheet at 31 March 2016 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 circa £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 £98.0m. An increase of one year in member life expectancy would increase the pension liability by £28.6m. However, the judgements made by the actuary interact in complex ways. During 2015/16, the Council's actuary advised that the net pensions deficit decreased by £78.2m due to improvements in mortality and inflation assumptions.

Fair Value estimations	
When the fair values of Investment Properties, Surplus Assets and Assets Held for Sale cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using the following valuation techniques: 1. For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date; 2. For level 3 inputs, valuations based on; - Most recent valuations adjusted to current valuation by the use of indexation and impairment review. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgment is required in establishing fair values. These judgments typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of The Council’s assets and liabilities. Where Level 1 inputs are not available, the authority employs RICS qualified valuers to identify the most appropriate valuation techniques to determine fair value. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.	The Council uses a combination of indexation techniques, beacon valuations and discounted cash flow (DCF) models to measure the fair value of its Investment Properties, Surplus Assets and Assets Held for Sale under IFRS13 depending on which technique it considers most appropriate. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area repairs backlogs, beacon classifications and others. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.
Short Term Debtors	
At 31 March 2016, 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.	The Council will maintain a close watching brief to ensure the provision for each area of debtors is appropriate and action if necessary to help manage the risk associated with the non collection of debt.

37. Events after the Reporting Period

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

38. Statement of Accounting Policies

i. General Principles

The Statement of Accounts provides a true and fair view of the Council's transactions for the 2015/16 financial year and its financial position at the year end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16 (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.

ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant rewards and risks of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;

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

- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

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

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

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

- The above policies are applied in an appropriate manner to avoid material misstatement in the financial statements. For the financial year 2015/16 a de minimis of £10,000 was applied to both debtors and creditors.

iii. Cash and Cash Equivalents

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

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

iv. **Exceptional Items**

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

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

material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

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

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

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

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

vii. **Employee benefits**

a) **Benefits Payable During Employment**

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

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

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension 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 Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- The NHS Pension Scheme, administered by NHS Pensions and
- The Local Government Pensions Scheme, administered by London Borough of Barking and Dagenham Pension Fund.

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

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

d) **The Local Government Pension Scheme**
The Local Government Scheme is accounted for as a defined benefits scheme.

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

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

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

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

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

Service costs comprising:

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

Re-measurements comprising:

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

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

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

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

viii. Events after the Balance Sheet Date

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

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

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

ix. Financial Instruments

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

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

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

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

Financial Assets
Financial assets are classified into two types:

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

Loans and Receivables

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

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

For loans made by the Council, this means that:

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

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

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

Available for Sale Assets

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

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

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

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

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

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

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

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

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

x. Government Grants and contributions

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

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

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

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

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

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

xi. Community Infrastructure Levy

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

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

xii. Interest in Companies and Other Entities

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

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

xiii. Investment Properties

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

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

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

xiv. Jointly Controlled Operations and Jointly Controlled Assets

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

xv. Leases

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

The Council as Lessee

Finance Leases

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

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

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

Operating Leases

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

xvi. Overheads and Support Services

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

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

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

xvii. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

Infrastructure, Assets Under Construction	Depreciated Historical Cost
Community Assets	Depreciated 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

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

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

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

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

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

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

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

Impairment

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

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

· dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;

· vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset – between 5 and 20 years;

· infrastructure – straight-line allocation over 20 years;

· no charge is made in the year of purchase or construction of an asset; and

· assets demolished in the year will have a full year’s depreciation charge.

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

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

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

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

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

xviii. Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

xix. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

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

xx. Reserves

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

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

xxi. Revenue Expenditure Funded from Capital under Statute

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

xxii. Value Added Tax (VAT)

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

xxiii. Carbon Reduction Commitment Allowances

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the initial year of its second phase, which ends on 31 March 2019. The authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions i.e. carbon dioxide (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.

xxiv. Schools

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

xxv. Fair Value Measurements

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

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

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

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

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

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

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

39. Contingent Liability

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

Housing Revenue Account

for the year ended

31st March 2016

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.

2014/15		**2015/16**
£000	**Expenditure**	**£000**
19,623	Repairs & Maintenance	**17,994**
39,083	Supervision & Management	**43,980**
479	Rent, Rates, Taxes & Other Charges	**329**
35,605	Depreciation and revaluation of non-current assets (note 5)	**1,049**
1,239	Movement in the allowance for bad debts	**513**
96,029	**Total Expenditure**	**63,865**
	Income	
(87,449)	Dwelling rents	**(91,731)**
(735)	Non-dwelling rents	**(690)**
(17,633)	Charges for services and facilities	**(18,578)**
(1,000)	Contributions towards expenditure	**0**
(106,817)	**Total Income**	**(110,999)**
(10,788)	**Net cost of HRA Services as included in the Council's Comprehensive Income & Expenditure Statement**	**(47,134)**
685	HRA services' share of Corporate & Democratic Core	**685**
(10,103)	**Net Cost/(Surplus) for HRA**	**(46,449)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
(8,736)	Gain on sale of HRA non-current assets	**(10,781)**
9,294	Interest Payable and similar charges	**9,324**
(605)	Interest & Investment Income	**(507)**
1,293	Pensions interest cost and expected return on Pension assets	**1,739**
(8,857)	**(Surplus) / Deficit for the year of HRA Services**	**(46,674)**

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.

2014/15 £'000			**2015/16 £'000**
(8,736)	**Balance at 1 April**		**(8,736)**
(8,857)	(Surplus)Deficit for the year on the HRA Income & Expenditure Statement	(46,674)	
8,857	Adjustments between accounting basis and funding basis under statute	46,311	
0	Net increase before transfers to/from reserves	(363)	
0	Transfers to / (from) reserves	363	
0	(Increase) / decrease in year on the HRA		**0**
(8,736)	**Balance at 31 March**		**(8,736)**

2014/15 £'000	**Adjustments between accounting basis and funding basis under statute**	**2015/16 £'000**
8,736	Gain/(loss) on HRA - Non Current Assets	**10,781**
(24,143)	Revaluation/Impairment of Housing Assets	**9,981**
686	Repayment of principal for capital finance lease	**588**
102	Holiday pay accruals and other accumulating compensated	**(99)**
(1,066)	Net charges made for retirement benefits in accordance with IAS 19 (note 8)	**(2,266)**
23,876	Transfer to the Major Repairs Reserve	**27,326**
666	Transfer to/(from) Leasehold Repairs Reserve	**0**
8,857		**46,311**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Council Housing Stock

The Council was responsible for managing an average of 18,307 dwellings during 2014/15 (18,467 during 2014/15).

At 31 March 2016, the stock was made up as follows:

Dwelling type	units	**Year of construction**	units
Low rise flats	2,304	Pre 1919	282
Medium rise flats	4,093	1919 - 1944	8,916
High rise flats	2,199	1945 - 1964	3,834
Houses and bungalows	9,517	Post 1964	5,083
Multi Occupied	2		
	18,115		**18,115**

The change in stock can be summarised as follows:

	2014/15 units	**2015/16** units
Stock at 1 April	18,434	18,500
Sales - Right to Buy	(220)	(226)
Additions	291	144
Adjustment (Review of Stock)	0	3
Demolitions (Decant Programme)	(5)	(306)
Stock at 31 March	18,500	**18,115**

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

	Operational Assets		**Non Operational Assets**		
	Dwellings £000	**Total Land & Dwellings £000**	**Other Property £000**	**Intangible Assets £000**	**Investment Property £000**
Balance at 1 April	602,785	**708,113**	13,631	0	0
Additions	61,647	**61,647**	0	0	0
Depreciation	(10,046)	**(10,046)**	(984)	0	0
Disposals	(9,160)	**(10,777)**	0	0	0
Transfers	12,034	**12,034**	(138)	0	0
Revaluations	65,757	**92,144**	23	0	0
Balance at 31 March	**723,017**	**853,115**	**12,532**	**0**	**0**

2. Vacant possession value

The vacant possession value of dwellings within the HRA at 31 March 2016 was £3.4billion (£2.83billion 31 March 2015). 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	2014/15	**2015/16**
	£000	**£000**
Balance at 1 April	(21,354)	**(4,831)**
Amount transferred to MRR (Depreciation)	(11,462)	**(11,030)**
Debits to the MRR in respect of capital expenditure on HRA land and buildings	51,861	**38,961**
Amount transferred from MRR to Capital Projects Dispute Reserve	0	**500**
Transfers from HRA to MRR	(23,876)	**(27,326)**
Balance at 31 March	(4,831)	**(3,726)**

4. Capital expenditure and receipts

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

	Borrowing Approvals	Grant & S106	Capital Receipts Reserve	Major Repairs Reserve	**Total**
	£000	£000	£000	£000	**£000**
Houses	-	18,531	25,374	17,742	**61,647**
Land	-	-	-	-	**0**
Other property	-	-	-	-	**0**
Assets Under Construction	-	-	-	21,219	**21,219**
Total	**-**	**18,531**	**25,374**	**38,961**	**82,866**

Capital receipts derived from disposals of land, houses and other property within the HRA during 2015/16 are summarised as follows:-

	2014/15	**2015/16**
	£000	**£000**
Houses	17,531	**21,558**
Land	0	**0**
Other property	333	**0**
Total	17,864	**21,558**

5. Depreciation and impairment

The total charge for depreciation to the HRA was £10.046 million for dwellings and £0.984 million for other property including intangible assets (2014/15 £9.4 million and £2.1 million, respectively). A revaluation gain of £9.981 million have also been credited 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 2015/16 (2014/15: nil).

7. Rent arrears	2014/15	**2015/16**
	£000	**£000**
Dwelling rents	4,908	**3,318**
Other charges/adjustments	1,030	**1,131**
	5,938	**4,449**

During 2015/16, arrears were to 4.0% of net rent income, compared with 5.7% in 2014/15. The total provision for rent & leasehold arrears at 31 March 2016 was £3.0m

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 33 gives further details.

9. Revenue expenditure funded from capital under statute

Revenue expenditure funded from capital under statute on the HRA in 2015/16 was nil.

The Collection Fund

for the year ended

31st March 2016

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

	2015/16				2014/15
	NNDR Supplement	NNDR	Council Tax	Total	Total
	£000	£000	£000	£000	£000
Income					
Council Tax Receivable			(63,608)	(63,608)	(58,073)
Business Rates Receivable		(54,926)		(54,926)	(59,464)
Business Rate Supplement	(1,526)			(1,526)	(1,764)
Transitional Protection Payments		213		213	(1,934)
	(1,526)	**(54,713)**	**(63,608)**	**(119,847)**	**(121,235)**
Expenditure					
Precepts, Demands and Shares					
Central Government		25,976		25,976	27,295
Greater London Authority	1,520	10,390	12,574	24,484	24,791
Billing Authority		15,585	44,188	59,773	57,564
	1,520	**51,951**	**56,762**	**110,233**	**109,650**
Apportionment of Previous Year Surplus/(Deficit)					
Central Government		523		523	-3038
Greater London Authority		209	413	622	(897)
Billing Authority		314	1,404	1,718	(756)
	0	**1,046**	**1,817**	**2,863**	**(4,691)**
Charges to Collection Fund					
Write Offs of uncollectable amounts		806	523	1,329	824
Increase/(Decrease) in Bad Debt		(306)	938	632	1,285
Increase/(Decrease) in Provision for Appeals		3,401		3,401	1,844
Cost of Collection	6	205		211	212
	6	**4,106**	**1,461**	**5,573**	**4,165**
(Surplus)/Deficit arising during the year	**0**	**2,390**	**(3,568)**	**(1,178)**	**(12,111)**
(Surplus)/Deficit at 1st April 2015	**0**	**1,534**	**(3,425)**	**(1,891)**	**10,220**
(Surplus)/Deficit at 31st March 2016	**0**	**3,924**	**(6,993)**	**(3,069)**	**(1,891)**
(Surplus)/Deficit Balance Attributable to:					
London Borough of Barking & Dagenham		1,177	(5,471)	(4,294)	(2,196)
Greater London Authority		785	(1,522)	(737)	(462)
Central Government		1,962		1,962	767

1. Council Tax Base

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

Band	Number of Properties after Discounts and Exemptions	Band 'D' Equivalent Properties
A (Disabled)	0.72	0.40
A	3,261.37	2,174.25
B	6,354.99	4,942.77
C	30,988.30	27,545.16
D	7,100.52	7,100.52
E	1,366.02	1,669.58
F	289.14	417.65
G	36.68	61.13
H	4.00	8.00
Total Band 'D' equivalents for 2014/15		**43,919.46**
Projected changes in discounts and growth		212.77
Less in year non-collection allowance		(2,647.93)
Add arrears collection		1,140.34
Council Tax Base for 2015/16		**42,624.64**
Council Tax Base for 2014/15		40,522.12

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

	2014/15 £000	**2015/16** £000
Rateable Value at 31 March	138,295	140,611
Business rates multiplier for premises with rateable values (RV) of £25,500 and above	48.2p	49.3p
Small business rates multiplier for premises with RV below £25,500	47.1p	48.0p
Additional Crossrail NNDR Supplement multiplier, levied on premises with a RV above £55,000	2.0p	2.0p

London Borough of Barking & Dagenham

Pension Fund Accounts

for the year ended

31 March 2016

London Borough of Barking and Dagenham
Pension Fund Account

	Note	2014/15 £000	**2015/16 £000**
Dealings with members, employers and others directly involved in the scheme			
Contributions	**7**	41,466	**43,916**
Transfers in from other pension funds	**8**	1,217	**2,523**
		42,683	**46,439**
Benefits	**9**	(34,434)	**(35,053)**
Payments to and on account of leavers	**10**	(2,587)	**(3,553)**
Administrative expenses	**11**	(483)	**(531)**
		(37,504)	**(39,137)**
Net additions for dealings with members		5,179	**7,302**
Returns on Investments			
Investment Income	**12**	4,750	**5,097**
Taxes on income		-	-
Profit (losses) on disposal of investments and changes in the market value of investments	**14**	83,218	**5,364**
Investment management expenses	**13**	(2,485)	**(3,295)**
Net returns on investments		85,483	**7,166**
Net increase (decrease) in net assets available for benefits during the year		90,662	**14,468**

Net Assets Statement as at 31 March 2016

	Note	2014/15 £000	**2015/16 £000**
Investment Assets	**15**	756,828	**771,785**
Current Assets	**16**	1,214	**1,195**
Current Liabilities	**16**	(213)	**(683)**
Net assets of the scheme available to fund benefits at the period end		757,829	**772,297**

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 2016

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 2015/16 was a reasonable year for the Fund with a positive investment return, net of fund manager fees and custodian costs, of 1.1%. Taking net pension contributions into account, the Fund increased in size by 1.9%. Over three years the Fund has returned an annualised return of 6.3%, which is 2.6% higher than the return target agreed with the actuary of 4.7% but 1.0% below the Fund's benchmark return of 7.3%.

During the year Partnership Learning, Riverside Bridge and Riverside Free School were admitted to the Fund as Academies. A further scheduled body, Elutec, transferred into the Fund from another Borough via a bulk transfer in April 2016.

One new employer, The Broadway Theatre, joined the scheme as an admitted body. Two admitted body schemes, RM Education and May Gurney left the Fund. The total number of active and closed employers within the Fund was 27 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 Strategic Director – Finance and Investments.

The following description of the Fund is a summary only. For more details, reference should be made to the Fund's Annual Report for 2015/16, 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.

	2014/15	**2015/16**
Number of Employers with active members	23	**27**
Number of Employees in scheme		
London Borough of Barking and Dagenham		
Active members	4,625	**4,804**
Pensioners	4,035	**4,041**
Deferred pensioners	4,058	**4,173**
Undecided and other members	332	**571**
	13,050	**13,589**
Admitted and Scheduled Bodies		
Active members	1,317	**1,354**
Pensioners	872	**988**
Deferred pensioners	1,182	**1,282**
Undecided and other members	84	**67**
	3,455	**3,691**

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	East London E-Learning
Warren Academy	Elevate East London LLP
Sydney Russell	Laing O'Rourke
Dorothy Barely Academy	London Riverside
Goresbrook Free School	May Gurney
Riverside Bridge (in 2015/16)	RM Education
Riverside Free School (in 2015/16)	The Broadway Theatre
Partnership Learning (in 2015/16)	

b) Benefits

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

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

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

3. Basis of preparation

The accounts summarise the transactions and net assets for the Fund's transactions for the 2015/16 financial year and its position as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2015/16.

The financial statements do not reflect any liabilities to pay pension or other benefits occurring after 31 March 2016. 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 2016;

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 2016. All foreign currency transactions are translated into sterling at exchange rates ruling at the closing rate of exchange; and

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

3.4 Administration

All administration expenses are accounted for on an accrual basis. Staff costs associated with the Fund are charged to the Fund, with management, accommodation and other overheads apportioned in accordance with 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 13.

3.7 Foreign currency transactions

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

3.8 Derivatives

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

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

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

3.9 Cash and cash equivalents

Cash comprises cash in hand and on-demand deposits.

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

3.10 Present Value of Liabilities

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

3.11 Actuarial present value of promised retirement benefits

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

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

3.12 Contingent assets and liabilities

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

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

4 Critical Judgements in applying accounting policies

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Fund about the future or that are otherwise uncertain. Estimates are made taking into consideration historical experience, current trends and other relevant factors. However, 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 2015/16 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 **£470k** (2014/15 £355k). 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 **£4.8m** (2014/15 £4.7m).

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 2016. 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.

The Council has adopted a mechanism to stabilise the contribution rates. This was agreed following the actuary, Hymans Robertson, completing a stochastic modelling of the long term funding position. Eligibility for stabilisation is dependent on reasonable consistency in an employer's membership profile. The primary contribution rate used during the financial year ending 31 March 2016 was 23.5%. For the year ending 31 March 2017 LBBD's contribution rate will be 24.5%.

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

Contributions	2014/15 £000	**2015/16** **£000**
Members normal contributions		
Council	6,346	**6,672**
Admitted bodies	465	**399**
Scheduled bodies	2,031	**2,297**
Total contributions from members	8,842	**9,368**
Employers normal contributions		
Council	23,692	**24,467**
Admitted bodies	1,464	**1,009**
Scheduled bodies	6,873	**8,446**
Additional retirement contribution	-	**-**
Capitalised Redundancy costs	595	**626**
Total contributions from employers	32,624	**34,548**
Total Contributions	41,466	**43,916**

8 Transfers in from other pension funds

	2014/15 £000	**2015/16** **£000**
Individual Transfers	**1,217**	**2,523**
Group Transfers	**-**	**-**
	1,217	**2,523**

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.

	2014/15				**2015/16**			
	Council	Admitted Bodies	Scheduled Bodies	Total	**Council**	**Admitted Bodies**	**Scheduled Bodies**	**Total**
	£000	£000	£000	£000	**£000**	**£000**	**£000**	**£000**
Pensions	23,359	382	4,179	27,920	**23,822**	**545**	**4,535**	**28,902**
Lump sums	4,015	290	978	5,283	**4,120**	**339**	**630**	**5,089**
Death grants	1,126	-	98	1,224	**942**	**-**	**118**	**1,060**
Interest	7	-	-	7	**2**	**-**	**-**	**2**
	28,507	672	5,255	34,434	**28,886**	**884**	**5,283**	**35,053**

10 Payments to and on account of leavers

	2014/15	**2015/16**
	£000	**£000**
Individual Transfers	2,483	**3,407**
Refunds	104	**146**
	2,587	**3,553**

11 Administrative expenses

	2014/15	**2015/16**
	£000	**£000**
Administration and Processing	407	**452**
Audit Fee	21	**21**
Actuarial Fees	23	**36**
Legal and Other Professional Fees	32	**22**
	483	**531**

12 Investment Income

	2014/15	**2015/16**
	£000	**£000**
Fixed Interest Securities	452	**598**
Equity Dividends	3,195	**3,598**
Pooled Property Income	2,268	**2,072**
Interest - Manager's Cash	5	**2**
Interest - LBBD balance	45	**49**
Currency Gain/(Loss)	(1,232)	**(1,297)**
Other Income	17	**75**
	4,750	**5,097**

13 Investment management expenses

	2014/15	**2015/16**
	£000	**£000**
Management Fees	2,471	**3,165**
Custody Fees	14	**22**
Interest Costs		**108**
	2,485	**3,295**

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 31/03/2015 £000	Purchases £000	Sales £000	Change in Change in Fair Value £000	Cash Cash Movement £000	Value 31/03/2016 £000
Pooled Unit Trusts	**458,710**	**926**	**-**	**-6,009**	**-**	**453,627**
Property Unit Trusts	**53,232**	**-**	**-**	**3,014**	**-**	**56,246**
Pooled Absolute Return	**128,309**	**361**	**-**	**1,665**	**-**	**130,335**
Pooled Alternatives	**52,357**	**10,828**	**(12,098)**	**1,409**	**-**	**52,496**
Infrastructure	**32,602**	**35,055**	**(12,229)**	**5,030**	**-**	**60,458**
Other Investments	**7,152**	**150**	**(1,428)**	**4**	**-**	**5,878**
Derivative Contracts						
Futures	**(565)**			**251**	**-**	**(314)**
Cash Deposits						
Custodian	**1,099**	**-**	**-**	**-**	**2,417**	**3,516**
In-House	**23,352**	**-**	**-**	**-**	**(14,453)**	**8,899**
Total	**756,248**	**47,320**	**(25,755)**	**5,364**	**(12,036)**	**771,141**

	Value 31/03/2014 £000	Purchases £000	Sales £000	Change in Fair Value £000	Cash Movement £000	Value 31/03/2015 £000
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

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 2016 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)
London CIV	Passive	None

The value of the Fund, by manager, as at 31 March 2016 was as follows:

Fund by Investment Manager	2014/15		**2015/16**	
	£000	%	**£000**	**%**
Aberdeen Asset Management	51,792	6.8	**52,182**	**6.8**
Baillie Gifford	123,691	16.5	**122,868**	**15.9**
BlackRock	34,632	4.6	**36,685**	**4.8**
Hermes	32,602	4.3	**60,459**	**7.9**
Kempen	114,521	15.1	**114,590**	**14.9**
Newton	54,003	7.1	**54,765**	**7.1**
Other Cash Balances	24,451	3.2	**12,416**	**1.6**
Prudential/M&G	7,152	0.9	**5,728**	**0.7**
Pyrford	74,307	9.8	**75,570**	**9.8**
RREEF	2,025	0.3	**2,229**	**0.3**
Schroders	16,575	2.2	**17,332**	**2.2**
Standish	67,439	8.9	**62,076**	**8.0**
UBS Passive Bonds	32,537	4.3	**33,423**	**4.3**
UBS Passive Equity	120,521	16	**120,668**	**15.7**
London CIV	-	-	**150**	**0.0**
	756,248	100.0	**771,141**	**100.0**

15 Securities

Investment Assets	2014/15 £000's	**2015/16 £000's**
Pooled funds - UK		
UK fixed Income Unit Trust	32,537	**33,423**
UK Equity Unit Trust	244,212	**243,686**
UK Absolute Return	54,003	**54,765**
UK Property Unit Trust	18,600	**19,561**
UK Unit Trust	7,152	**5,728**
Pooled funds - Overseas		
Overseas Fixed Income Unit Trust	67,439	**62,076**
Overseas Absolute Return	74,307	**75,570**
Overseas Equity Unit Trust	114,521	**114,589**
Overseas Property Unit Trust	34,632	**36,685**
Other Investment - Infrastructure	32,602	**60,459**
Other Investment - Private Equity	1,112	**6,713**
Other Investment - Hedge Funds	51,245	**45,784**
Other Investment – Tax Recoverable	580	**645**
Cash	24,451	**12,415**
Futures	(565)	**(314)**
Total Investment Assets	756,828	**771,785**
Current Assets: Debtors	1,214	**1,195**
Current Liabilities: Creditors	(213)	**(683)**
Total Net Assets	757,829	**772,297**

16 Debtors and Creditors

The following amounts were debtors or creditors for the Fund at 31 March 2016:

Debtors	2014/15 £000	**2015/16 £000**
Other Investment Balances		
Tax recoverable	580	**645**
	580	**645**
Current Assets		
Other local authorities (LBBD)	873	**1,084**
Other entities and individuals	341	**111**
	1,214	**1,195**
Total Debtors	1,794	**1,840**
Current Liabilities		
Other local authorities (LBBD)	9	**94**
Other entities and individuals	204	**589**
Total Creditors	213	**683**

17 Cash

The cash balance held at 31 March 2016 is made up as follows:

Cash balances held by Investment Managers	2014/15 £000	**2015/16 £000**
Aberdeen Asset Management	**5**	**583**
Prudential / M&G	**159**	**1,718**
Schroders	**275**	**400**
BlackRock	**286**	**702**
Other balances	**374**	**112**
In-house Cash	**23,352**	**8,899**
Total Cash	**24,451**	**12,415**

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%	**31.4%**

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

Past Service Funding Position at 31 March	As at 31 March 2010	**As at 31 March 2013**
Past Service Liabilities	£m	**£m**
Employees	(298)	**(316)**
Deferred Pensioners	(117)	**(180)**
Pensioners	(314)	**(406)**
	(729)	**(902)**
Market Value of Assets	549	**636**
Funding Deficit	(180)	**(266)**
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 **£1,204m** as at 31 March 2016 (31 March 2015: £1,089m). 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 2015/16 accounting period:

LBBD	23.5%	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%
Riverside Free School	15.9%	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:

- Pension administration and investment management costs of **£548.0k** (2014/15: £493.8k) are charged by the Council.

21 Contingent liabilities

There are no contingent liabilities.

22 Contingent assets

As at 31 March 2016 the Fund did not hold any contingent assets.

23 Holdings

All holdings within the Fund as at 31 March 2016 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 2016 the following pooled funds and LLPs were over 5% of the net assets of the scheme:

Security	Market Value as at 31 March 2016 £000	% of total Fund %
Baillie Gifford	122,868	15.9
UBS Equity	120,668	15.6
Kempen	114,590	14.9
Pyrford	75,570	9.8
Standish	62,076	8.0
Hermes	60,459	7.8
Newton	54,765	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 £602.3**.

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 £56.2m**.

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 £112.6m.**

25 Events after the Reporting Period

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

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:

	2014/15 £000	**2015/16 £000**
Short Term employee benefits	220.2	**220.2**
Total	220.2	**220.2**

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	Loan and receivables 2014/15	Financial liabilities at amortised cost	**Designated as fair value through profit and loss**	**Loan and receivables 2015/16**	**Financial liabilities at amortised cost**
	£000	£000	£000	**£000**	**£000**	**£000**
Pooled Fixed Income Unit Trusts	99,976	-	-	**95,499**	**-**	**-**
Equities	358,733	-	-	**358,276**	**-**	**-**
Property Unit Trusts	53,231	-	-	**56,246**	**-**	**-**
Cash	-	24,451	-	**-**	**12,416**	**-**
Other investments	220,437	-	-	**249,348**	**-**	**-**
Total Financial Assets	732,377	24,451	-	**759,369**	**12,416**	**-**
Financial Assets						
Debtors	-	1,214	-	**-**	**1,195**	**-**
Financial liabilities						
Creditors	-	-	(213)	**-**	**-**	**(683)**
Borrowings	-	-	-	**-**	**-**	**-**
Total Net Assets	732,377	25,665	(213)	**759,369**	**13,611**	**(683)**

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 depends largely on Funds' asset allocations.

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix. The Council has determined that the following movements in market price risk are reasonably possible for the 2014/15 reporting period.

Asset Class	One Year Expected Volatility (%)	Asset Class	One Year Expected Volatility (%)
Global Pooled Inc UK	10.1	Alternatives	3.92
Total Bonds	4.52	Cash	0.01
Property	2.32		

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

Asset Type	Value as at 31 March 2016 £000	% Change	Value on Increase £000	Value on Decrease £000
Pooled Fixed Interest Securities	**95,499**	**4.52**	**99,816**	**91,182**
Pooled Equity Investments	**358,276**	**10.01**	**394,139**	**322,413**
Pooled Property	**56,246**	**2.32**	**57,551**	**54,941**
Pooled Absolute Return	**130,335**	**3.92**	**135,444**	**125,226**
Infrastructure	**60,459**	**3.92**	**62,829**	**58,089**
Other Investments	**58,554**	**3.92**	**60,849**	**56,259**
Cash	**12,416**	**0.01**	**12,417**	**12,415**
Total	**771,785**		**823,045**	**720,525**

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**

Interest rate risk

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

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

The Fund's direct exposure to interest movements as at 31 March 2016 and 31 March 2015 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 2015 £000	**As at 31 March 2016 £000**
Cash and cash equivalent	24,451	**12,416**
Fixed interest securities	99,976	**95,499**
Total change in assets available	124,427	**107,915**

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 2016**	**Change in year in the net assets available to pay benefits**	
		+100 BPS	**-100 BPS**
Cash and cash equivalent	**12,415**	**124**	**(124)**
Fixed interest securities	**95,499**	**955**	**(955)**
Total change in assets available	**107,914**	**1,079**	**(1,079)**

Asset type	Carrying amount as at 31 March 2015	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
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)

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 2016 are due within one year.

Refinancing risk

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

Credit Risk

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

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

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

London Borough of Barking and Dagenham

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

The council incurred administration and investment management costs of **£548.0k** (2014/15 £493.8k) 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 **£24.5m** to the Fund in 2014/15 (2014/15: £23.7m). All monies owing to and due from the Fund were paid in year.

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 6(1) (a) of the Accounts and Audit Regulations 2015 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 Strategic Directors in relation to statements provided by their Senior Managers.

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 2016 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 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 Key Performance Indicators (KPIs) that are monitored as part of a quarterly report to Corporate Management 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 is part of the process of demonstrating how effective the actions being taken are and assisting in monitoring how the Council's strategies are being translated into action plans and outcomes. It also helps to identify if any risks are materialising where indicators did not show the level of progression anticipated. The performance management framework 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 Corporate Performance Group and Cabinet and every six months to the Public Accounts and Audit Select Committee (PAASC).

In addition to this each services produce 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 Department Management Teams. The final piece for performance management is individual objectives. The actions required to deliver business plan objectives are reflected in team and individual plans forming the basis for annual and interim appraisals. Appraisals are scored to reflect individual performance and contribution towards the delivery of the Council's priorities. Regular team meetings and one-to-ones support the monitoring of delivery. Corporate quarterly monitoring provided senior managers and Members with an overview of the Council's direction of travel.

There are a number of Programme Boards, each chaired by a Sponsor and supported by programme managers and an escalation process associated with issues and risk management.

Each Programme Board provided a highlight report to Corporate Management. They examined whether that process could be streamlined and made appropriate adjustments. Both the Cabinet and Corporate Management 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 operates an overview and scrutiny function, which allows Members to challenge decision makers, scrutinise performance, review important policies and advocate on behalf of the community.

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

External benchmarking 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 2016/17 a Cabinet portfolio, Corporate Performance and Delivery, will be dedicated to looking at how the Council is meeting its objectives and where there are areas for improvement.

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 Council Constitution was subject to a comprehensive review that was completed in November 2014, aimed at giving greater focus to the Council's procedure rules, statutory functions and responsibilities. The document has been kept under constant review and the Assembly has agreed a number of amendments since November 2014, the most significant being in February 2016. The key changes that have been agreed during the past year include:

- Adoption of new Contract Rules which reflect recent legislative changes and best practice, changes in approach to procurement to achieve benefits for local economic and social wellbeing and enhanced governance arrangements to reduce the risk of abuse;
- Implementation of a revised Officer Scheme of Delegation to clarify responsibility for making decisions following significant changes to the Council's senior management structure;
- Changes to fully effect the Openness of Local Government Bodies Regulations 2014, particularly in relation to new webcasting of Council meeting arrangements and the recording and publication of executive decisions by officers;
- New arrangements in respect of the proposed dismissal of the Head of Paid Service, the Monitoring Officer and the Chief Finance Officer to accord with the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015.

Alongside the Council's new Contract Rules and Officer Scheme of Delegation, 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 Strategic Director of Finance & Investment (Section 151 Officer/Chief Financial Officer) and a Director of Law and Governance (Monitoring Officer), each of whom has the power to refer matters to Assembly if a breach of any regulation has occurred or was anticipated. The Council must also appoint a Director of Children's Services and a Director of Adult Social Services role which were filled by the Corporate Director of Children's Services and Strategic Director of Service Development and Integration 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 Strategic Director of Finance & Investment (SDFI) is a key member of the Corporate Leadership Team. The SDFI was responsible for the proper administration of the Council's financial arrangements and led a fully resourced and suitably qualified finance function. The SDFI 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 2015/16. 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.' This approach continued in 2015/16.

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 Senior Leadership Team (SLT). The Strategic Director of Finance & Investment was re affirmed as the risk management champion, signalling the importance of risk management, underpinning good governance. SLT provided strategic leadership of corporate risk management, setting the tone for the whole risk management framework. This supported the expectation that effective management of risk was 'part of the day job' underpinning day to day decision making, service delivery and ultimately delivery of outcomes and benefits for the community.

Risks were assessed in terms of likelihood and impact, with ratings from 1 to 4 being used to measure both values, and this methodology was used consistently across the Council registers. This solid foundation of Risk Management principles helped to protect staff, the Council's reputation and enabled delivery in a way that allowed the Council to move forward.

Risk Management was a shared service with Thurrock Council in 2015/16.

e) Codes of Conduct

The Council had an Employees' Code of Conduct 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 Council, within the timescales, duly adopted a 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 the Register of Members Disclosable Pecuniary Interests successfully established and completed. This has been supported by a Dispensation regime which enables Members to seek dispensations to take part in meetings where they may have a declarable interest. The Local Code has specific guidance on the issues of gifts and hospitality.

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

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

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

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

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. When a complaint was upheld (1 in municipal year 2015-16), appropriate action was undertaken. The Standards Committee maintains an ongoing review of complaints made, patterns and outcomes which are considered as a standard business item at each meeting.

g) Training and Development

<u>Member Induction</u>

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

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

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

<u>The Member Development Programme</u>

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

A full training needs analysis is conducted and two thirds of members took part in the process undertaken in 2015/16. In addition, the Member Development Group (which includes eight Members) meets quarterly to review training needs and officers review requirements with the Organisation and Member Development Officer. Role Profiles list knowledge and skill requirements for different positions and expected areas of learning and development.

The Member Development Programme is overseen by the Member Development Group. This is comprised of Members from Cabinet and a range of 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 are arranged for all Members. There are a mix of skills-based and knowledge based sessions. There is a detailed process for inducting the newly-elected Cabinet Members. This includes the use of Peer Mentors for the Cabinet and the opportunity for all members to develop a personal development plan.

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

All Select Committees members have 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 Council has been reaccredited with the London Member Development Charter in December 2015. This is a nationally recognised structured quality framework which assesses the processes, impact and effectiveness of member development.

h) Communication and Engagement

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

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

A fortnightly e-newsletter aimed at local residents was set up in October 2015 and now goes out to over 69,000 people. This carries some consultation exercises, as well as other council and partner news.

In winter 2015, the Council commissioned an independent residents' survey to gauge residents' opinions and this will be used to inform service plans going forward. A significant consultation exercise was also undertaken for the development of the Council's new Local Plan using a mix of consultation channels.

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) – 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, and with neighbouring Boroughs in developing proposals for an Accountable Care Organisation. 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.

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.

k) Counter Fraud

The Authority has a dedicated Corporate Fraud team that follows the latest best practice including implementing the national counter fraud standards. Their work is underpinned by council policies to promote and enforce fraud prevention and ensuring robust mechanisms are in place to acknowledge the risks of fraud, prevent its occurrence and pursue cases, apply appropriate sanctions & recover any losses through proceeds of crime legislation.

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.

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 Strategic Directors and Senior Managers responsible for the development and maintenance of the governance environment; the Head of Audit's annual report; comments made by the external auditors; and comments by other review agencies and inspectorates.

Senior Managers were invited to complete standard statements addressing governance issues in their areas. The results were then communicated to the relevant Strategic 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 counter 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 must "undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance". A self assessment was undertaken against best practice, which was considered by PAASC in February 2016, and which concluded that Internal Audit continues to conform to the standards and thus is effective.

Section 4

Significant Governance Issues

In the light of evidence reviewed in relation to 2015/16 it is confirmed that the Council's governance arrangements are fit for purpose, that the Council's values, ethical standards, laws and regulations are being complied with, that financial statements and other published performance information are accurate & reliable, and that human, financial, environmental and other resources are managed efficiently and effectively.

The Council has embarked on a programme to transform the borough and how the Council works. To achieve this, the Council will need to be innovative and efficient in service delivery, adopting commercial practices where the business case supports this approach. The Council recognises that robust governance and embedded risk management processes will be fundamental to underpin the successful delivery of the programme. Accordingly, work is ongoing and planned to review the risk management and governance structures, as part of the organisational change that is proposed and has been implemented, to ensure that they continue to be fit for purpose.

Below are the organisational corporate risks currently rated red.

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 Council is seeking to strengthen processes in a challenging environment.

Asset Management (Corporate Risk 23) Officers hold specific responsibility for legionella and asbestos management and their respective registers. Financial constraints are an increasing risk in the current climate, and every effort is being made to protect core activities to mitigate this risk.

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 Assurance Group (CAG) and Members of PAASC on a periodic basis.

In addition to the above Corporate Assurance Group, the Council has further strengthened their governance arrangements by introducing new boards including the Corporate Performance Group and Corporate Leadership Group. These were set up to reflect the new service line model and to provide robust governance across the Council.

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 Corporate Assurance Group 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 2016

Signed:

Chris Naylor
Chief Executive
September 2016

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.