Statement of Accounts
2018-2019

One borough; one community; no one left behind

London Borough of Barking & Dagenham

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Chair's Approval of Statement of Accounts

This is the Annual Financial Report, incorporating the Statement of Accounts with all audit activities completed. The Audit and Standards Committee of the London Borough of Barking and Dagenham at its meeting on 21 September 2020 authorised the Chair to approve the Statement of Accounts.

Councillor Princess Bright, Chair of Audit and Standards Committee

Date: 23 October 2020

NARRATIVE REPORT

Introduction

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

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

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

This Narrative Report provides information about the London Borough of Barking & Dagenham, its main objectives and strategies and the principal risks it faces in delivering its ambitions for the communities it serves. It sets out in summary how the Council has used its resources during financial year 2018/19 to achieve planned outcomes in line with its objectives and strategies.

The Narrative Report is a key document for communicating to stakeholders the authority's purpose; how it has performed in accordance with its overall strategy and against Key Performance Indicators over the financial year 2018/19; and how it has allocated its resources in line with intended outcomes. It assists management to demonstrate their collective performance over the year and gives assurance about how well the authority is equipped to deal with the challenges ahead, to continue delivering services and support its local communities.

The Report provides a fair, balanced and understandable analysis of the Council's performance in 2018/19. It shows the connections between the information within the financial statements and the achievement of the Council's objectives and strategies.

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

- Barking and Dagenham – The Place
- Developing a Shared Vision for the Borough- The Borough Manifesto
- Working in Partnership
- The Council
- Performance – Progress on Transformation
- The Council's Financial Strategy
- Risks and Opportunities
- Financial Performance
- Preparation of the financial statements

Barking and Dagenham – The Place

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

Over the past 15 years, Barking and Dagenham has become one of the fastest changing communities in Britain. Between 2001 and 2017 the population rose from 164,000 to 210,000 and is projected to rise to 275,000 by 2037. Within this overall increase is a picture of rapid movement of people. Between 2012 and 2014 approximately 50,000 new residents made the Borough their home and roughly the same number left, meaning that – in line with the average London rate – the turnover was almost a quarter of the total population.

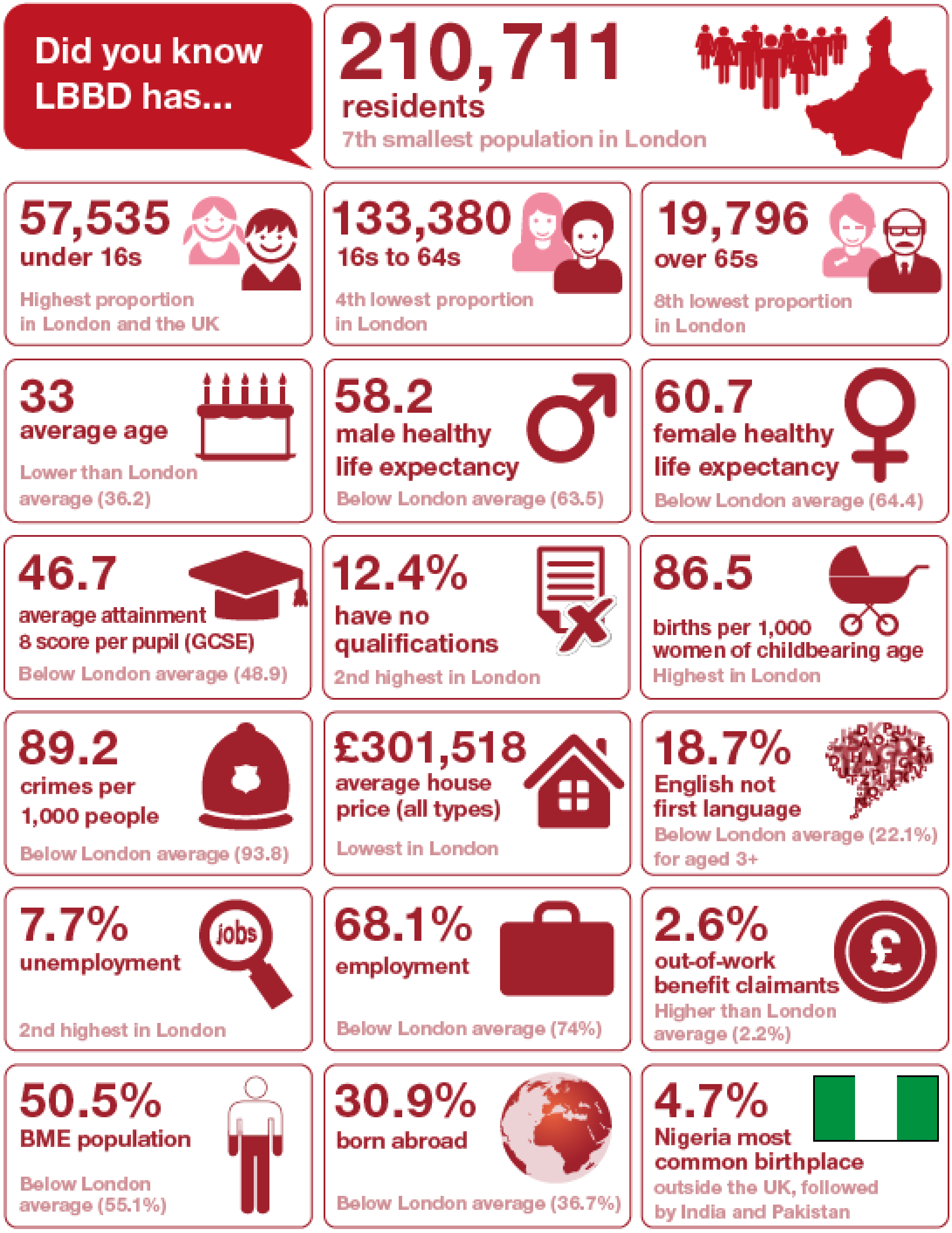
The population is also more diverse than 15 years ago. While the Borough was previously predominantly White British, since 2001 the proportion of the population from minority ethnic backgrounds has increased from 15% to 50%. The population is also very young - the birth rate is the highest in London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

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

People in our Borough are more likely to die earlier, have poorer health, and lower levels of education and skills, than across London. Too many are insufficiently skilled, too many are in low paid work, and too many struggle to find suitable homes that they can afford. Economic hardship combined with population diversification has challenged community cohesion in Barking and Dagenham.

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

About the Borough



Developing a shared vision for the Borough - The Borough Manifesto

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

The manifesto is structured around ten key themes:

- Employment, Skills and Enterprise
- Education
- Regeneration
- Housing
- Health and Social Care
- Community and Cohesion
- Environment
- Crime and Safety
- Fairness
- Arts Culture and Leisure.

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

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

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

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

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

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

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

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

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

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

The Council

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

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

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

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

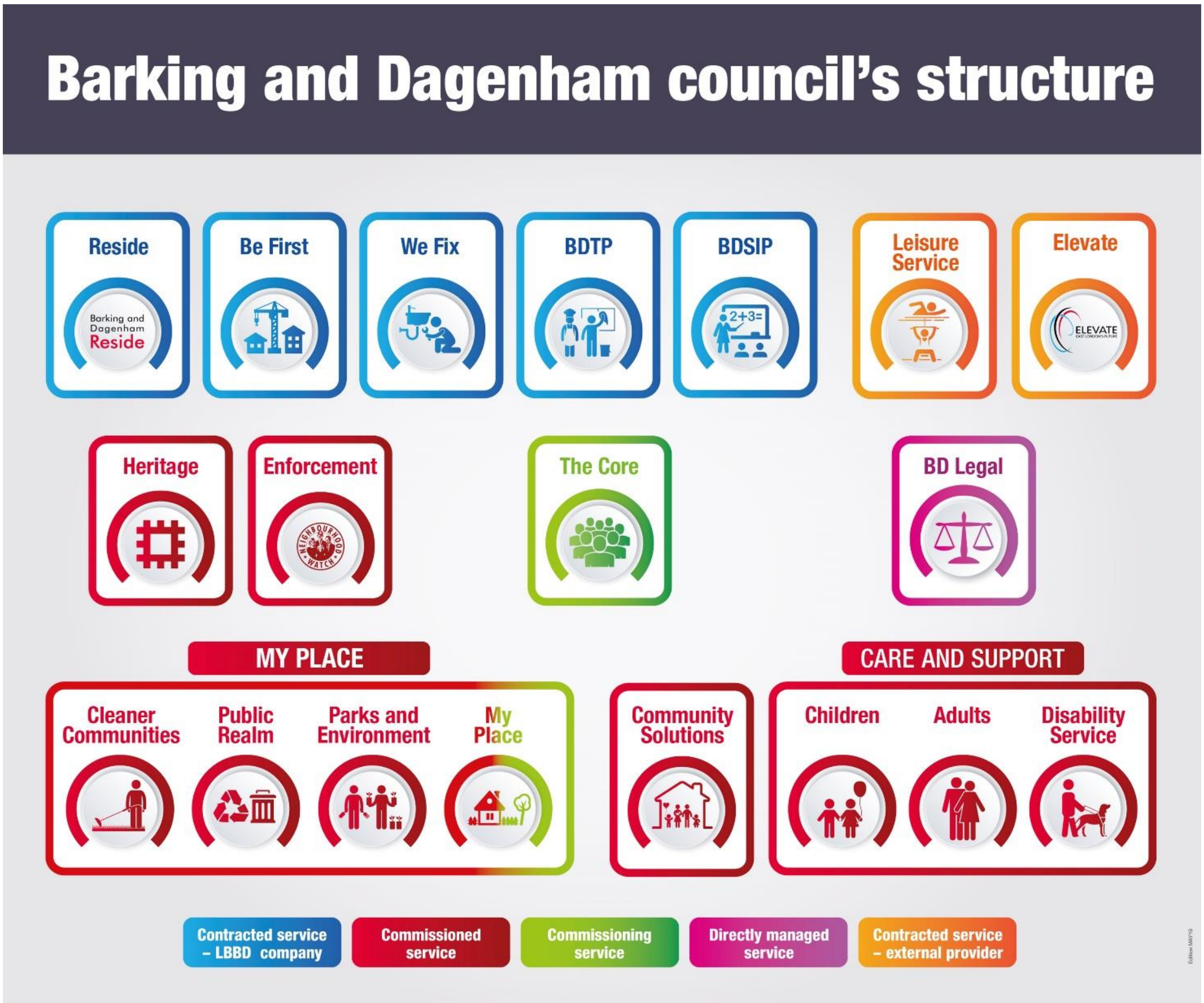
Each of these senior officers oversees the strategic management of service areas managed by commissioning directors, operational directors and heads of service. The Council employs 2,368 employees.

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

The Council provides services itself, but also through associates and wholly owned companies. The Council has a partnership with Agilysis Ltd, Elevate East London LLP, which provides ICT, Revenues & Benefits, Procurement, and Accounts Payable services for the Council. The Council has a set of subsidiaries.

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

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



The new kind of Council comprises a number of service delivery blocks described below:

Community Solutions

The core of the Council's people-focused services, Community Solutions, identifies and resolves the root causes of an individual's or family's problems, by tackling the multiple needs of households in a joined-up way, and at an early stage. It brings together sixteen services into one – including parts of care and support, homelessness, housing and community safety, creating multi-disciplinary, multi-agency teams that collaborate closely with the voluntary and community sector and other partners to deliver early intervention and preventative support.

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

Care and Support

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

Be First

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

Barking & Dagenham School Improvement Partnership

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

My Place

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

Barking and Dagenham Reside Ltd

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

Beam Energy

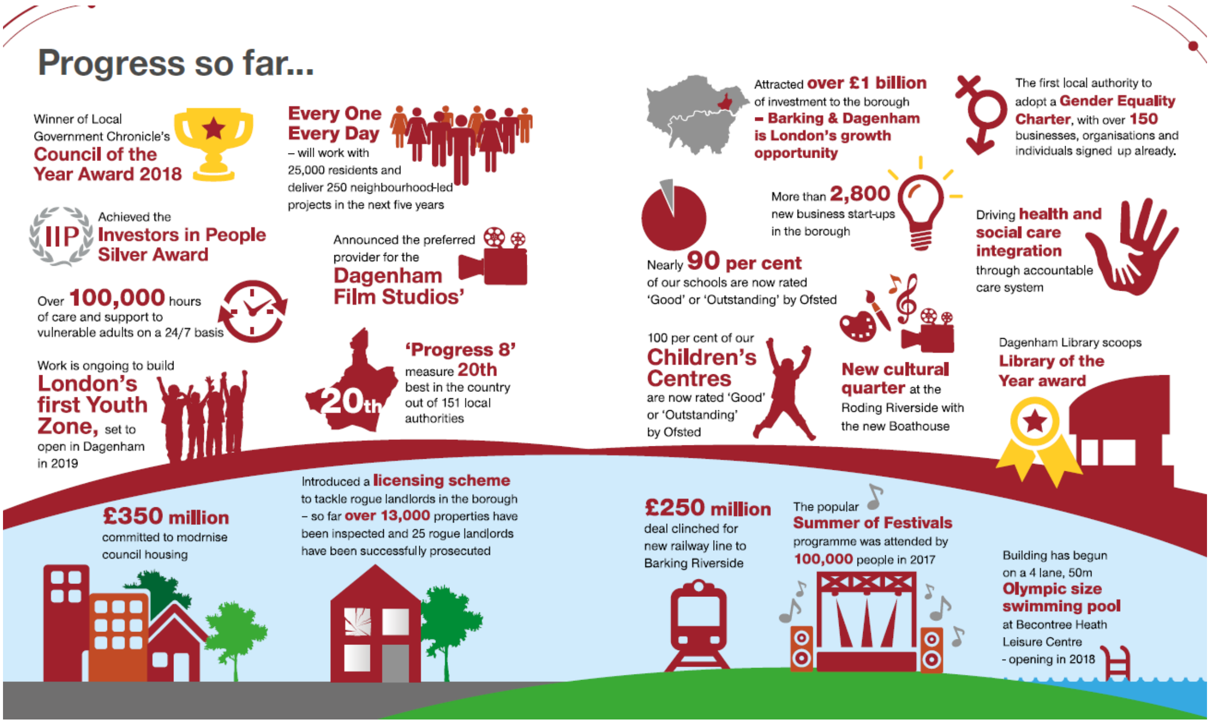
Beam Energy is the newly established, Council-owned green energy company that offers sustainable heat and power to new housing developments within the Borough and surrounding areas. It was set up as part of the Council's drive to be the "green capital of the Capital" and was launched in January 2019.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

Barking and Dagenham Trading Partnership

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

Performance – Progress so far and Covid-19

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



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

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

The Council's Medium Term Financial Strategy

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

In line with the Council's vision, the Council has a growth based Financial Strategy which seeks to invest in the Borough's future while making necessary savings to set a balanced budget. The 2018/19 budget therefore included provision for growth of £29m including investment in capital infrastructure and land acquisition, the rising costs of Homelessness and Adult Social Care and increasing spend on Waste Services.

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

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

Overall the Council is predicting a gap of in the region of £60m during the period 2018-2021 (based on the latest Assembly approved MTFS). This level of savings will not be delivered by small economies or "salami-slicing" and such an approach would risk jeopardising the Council's ambitions for its residents. For this reason a Council wide strategic approach was needed and this led to the adoption of an ambitious Transformation Programme based on full scale service redesign, commercialisation and driving economic growth. This programme expected to deliver £32m of savings during the period 2018-21 leaving a net gap of £15.6m from 2018 to 2021.

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

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

Risks and Opportunities

Despite the ambitious nature of the Transformation programme and the success to date in finding additional savings, pressures still remain in the Medium Term. The MTFS gap is now estimated to be a further £11m (2019 to 2021). Moreover there remain further risks as the future of Local Government funding is still uncertain once the Revenue Support Grant system comes to an end in 2020.

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

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

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

Area	Issue
Safeguarding	Keeping vulnerable and young persons safe
Housing Strategy	Failure to deliver a coherent strategy could lead to an inability to meet local housing needs, resulting in a lack of affordable housing providing real alternatives to homelessness

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

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

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

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

Financial Performance in 2018/19 - Revenue

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

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

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

Departmental Variances

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

Financial Performance in 2018/19 - Capital Programme

The overall capital programme is £284.758m of which £186.612m is General Fund, £90.352m is HRA and £7.793m is Transformation. The two most significant areas of the capital programme are the provision of school places and housing. This reflects the needs of the Borough in terms of dealing with a high birth rate and high level of migration into the Borough. School expansion schemes are funded by Central Government (via the Education and Skills Funding Agency), and the HRA programme is self-financed by the HRA using a mixture of Government grants, capital receipts and HRA revenue funding. Therefore, they do not pose a pressure on the General Fund, in terms of needing to borrow and servicing the cost of borrowing.

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

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

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

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

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

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

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

Financial Performance - Pension Fund

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

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

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

2018/19 Statement of Accounts

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

The financial statements comprise the following:

Statement of Responsibilities

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

Movement in Reserves Statement

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

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

Comprehensive Income and Expenditure Statement

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

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

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

Balance Sheet

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

Cash Flow Statement

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

Operating activities;
Investing activities: and
Financing activities.

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

Additional Statements

Expenditure and Funding Analysis

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

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

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

The Housing Revenue Account
This reflects a statutory obligation to separately account for housing provision. It shows the major elements of housing revenue expenditure - maintenance, administration and capital financing costs and how these are met from rents, subsidy and other income. This account is reported using two statements – the Housing Revenue Account Income and Expenditure Statement and the Movement on the Housing Revenue Account Statement.

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

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

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

Notes to the Accounts

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

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

Email: Philip.Gregory@lbbd.gov.uk

STATEMENT OF RESPONSIBILITIES

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers, the Finance Director (Section 151 Officer), has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Finance Director (Section 151 Officer)'s responsibilities

The Finance Director (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 ('the Code').

In preparing this Statement of Accounts, the Finance Director (Section 151 Officer) has:

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

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

Philip Gregory
Finance Director (Section 151 Officer)
Date: 23 October 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF BARKING AND DAGENHAM

Opinion on the financial statements

We have audited the financial statements of the London Borough of Barking and Dagenham ("the Council") and its subsidiaries ("the group") for the year ended 31 March 2019 which comprise the Council and group Movement in Reserves Statements, the Council and group Comprehensive Income and Expenditure Statements, the Council and group Balance Sheets, the Council and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Account and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

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

Basis for opinion on the financial statements

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

Conclusions relating to going concern

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

- the Finance Director (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Finance Director (Section 151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Finance Director (Section 151 Officer) is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Conclusion on use of resources

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

Matters on which we are required to report by exception

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

- we have been unable to satisfy ourselves that the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

Responsibilities of the Finance Director (Section 151 Officer) and the Council

As explained more fully in the Finance Director (Section 151 Officer)'s Statement of the Responsibilities, the Finance Director (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which comprises the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

In preparing the financial statements, the Finance Director (Section 151 Officer) is responsible for assessing the Council's and group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to cease operations of the Council or group or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Certificate of completion of the audit

We certify that we have completed the audit of the accounts of London Borough of Barking and Dagenham in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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

Lisa Clampin
For and on behalf of BDO LLP, Appointed Auditor
Ipswich, UK

23 October 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF BARKING AND DAGENHAM PENSION FUND

Opinion on pension fund financial statements

We have audited the Pension Fund financial statements of London Borough of Barking and Dagenham ("the Pension Fund") for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and notes to the Pension Fund financial statements, including a summary of significant accounting policies. The framework that has been applied in the preparation of the Pension Fund financial statements is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2019 and the amount and disposition of the fund's assets and liabilities as at 31 March 2019, other than the liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion on the financial statements

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

Conclusions relating to going concern

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

- the Finance Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Finance Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Finance Director and London Borough of Barking and Dagenham ("the Council") as administering authority of the Pension Fund

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

In preparing the Pension Fund financial statements, the Finance Director is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to wind up the scheme or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the members of London Borough of Barking and Dagenham, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

David Eagles, Key Audit Partner
For and on behalf of **BDO LLP**, Appointed Auditor
Ipswich, UK

23 October 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

EXPENDITURE AND FUNDING ANALYSIS

2017/18 Net Expenditure Chargeable to the General Fund and HRA Balances	2017/18 Adjustments between the Funding and Accounting Basis	2017/18 Net Expenditure in the Comprehensive Income and Expenditure Statement		2018/19 Net Expenditure Chargeable to the General Fund and HRA Balances £000	2018/19 Adjustments between the Funding and Accounting Basis £000	2018/19 Net Expenditure in the Comprehensive Income and Expenditure Statement £000
10,424	776	**11,200**	SDI Commissioning	8,204	894	**9,098**
7,592	6	**7,598**	Core	9,220	32	**9,252**
16,630	(33,106)	**(16,476)**	Central	(315)	32,801	**32,486**
2,537	9,781	**12,318**	Education, Youth & Childcare	3,757	16,927	**20,684**
(1,447)	0	**(1,447)**	Dedicated Schools Grant (DSG)	1,855	0	**1,855**
(10,151)	9,857	**(294)**	Law, Governance & HR	(1,709)	267	**(1,442)**
(8,620)	(21,123)	**(29,743)**	Housing Revenue Account (HRA)	(10,435)	(4,824)	**(15,259)**
2,792	282	**3,074**	Policy & Participation	2,594	295	**2,889**
76,998	1,024	**78,023**	Care & Support	77,726	1,208	**78,934**
118	241	**359**	Inclusive Growth	59	112	**171**
12,174	3,014	**15,188**	Community Solutions	10,818	3,705	**14,523**
20,239	1,071	**21,310**	My Place	11,842	11,327	**23,169**
9,449	825	**10,274**	Contracted Services	6,784	392	**7,176**
138,735	**(27,352)**	**111,384**	**Net Cost of Services**	**120,400**	**63,136**	**183,536**
(8,617)	79,935	**71,318**	Other Operating Expenditure (Note 5)	12,538	(12,786)	**(248)**
23,114	9,963	**33,077**	Financing & Investment Income and Expenditure (Note 6)	13,262	10,540	**23,802**
(152,878)	(39,017)	**(191,895)**	Taxation & Non-specific Grant Income and Expenditure (Note 7)	(151,164)	(30,870)	**(182,032)**
354	**23,529**	**23,884**	**(Surplus) / Deficit on Provision of Services**	**(4,964)**	**30,020**	**25,058**
			Opening General Fund and HRA Balance	**90,155**		
			Less/Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	**4,964**		
			Closing General Fund and HRA Balance at 31 March	**95,119**		

London Borough of Barking & Dagenham
lbbd.gov.uk

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Restated - 2017/18 Gross Expenditure £000	Restated - 2017/18 Gross Income £000	Restated - 2017/18 Net Expenditure £000		2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000
31,519	(20,319)	**11,200**	SDI Commissioning	27,522	(18,424)	**9,098**
12,056	(4,458)	**7,598**	Core	11,911	(2,659)	**9,252**
127,630	(144,106)	**(16,476)**	Central	165,046	(132,560)	**32,486**
22,562	(10,244)	**12,318**	Education, Youth & Childcare	30,742	(10,058)	**20,684**
266,382	(267,829)	**(1,447)**	Dedicated Schools Grant (DSG) *	291,599	(289,744)	**1,855**
10,129	(10,423)	**(294)**	Law, Governance & HR	11,798	(13,240)	**(1,442)**
79,621	(109,364)	**(29,743)**	Housing Revenue Account (HRA)	91,388	(106,647)	**(15,259)**
4,751	(1,677)	**3,074**	Policy & Participation	5,495	(2,606)	**2,889**
109,733	(31,710)	**78,023**	Care & Support	118,521	(39,587)	**78,934**
4,676	(4,317)	**359**	Inclusive Growth	9,527	(9,356)	**171**
41,513	(26,325)	**15,188**	Community Solutions	43,844	(29,321)	**14,523**
28,624	(7,314)	**21,310**	My Place	32,954	(9,785)	**23,169**
11,694	(1,420)	**10,274**	Contracted Services	8,442	(1,266)	**7,176**
750,890	**(639,506)**	**111,384**	**Cost of Services**	**848,789**	**(665,253)**	**183,536**
		71,318	Other Operating Expenditure (Note 5)			**(248)**
		33,077	Financing and Investment Income and Expenditure (Note 6)			**23,802**
		(191,895)	Taxation and Non-specific Grant Income (Note 7)			**(182,032)**
		23,884	**Deficit/ (Surplus) on Provision of Services**			**25,058**
		(467,815)	Deficit / (Surplus) on Revaluation of Property, Plant & Equipment Assets			**(80,851)**
		(26,281)	Re-measurement of the Net Defined Benefit Liability/(Asset) (Note 30)			**80,701**
		(494,096)	**Other Comprehensive Income and Expenditure**			**(150)**
		(470,212)	**Total Comprehensive Income and Expenditure**			**24,908**

* Restated – See Note 35 to the Accounts

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Council Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2017	70,881	19,629	22,587	74,027	1,000	**188,124**	1,067,068	**1,255,192**
Movement in reserves during 2017/18								
Total Comprehensive Income and Expenditure	(62,173)	38,289				**(23,884)**	494,096	**470,212**
Adjustments between accounting basis & funding basis under regulations (Note 3)	65,598	(42,068)	8,138	1,787	(687)	**32,768**	(32,768)	**0**
Increase/(Decrease) in 2017/18	3,425	(3,779)	8,138	1,787	(687)	**8,884**	461,328	**470,212**
Balance at 31 March 2018	74,306	15,850	30,725	75,814	313	**197,008**	1,528,396	**1,725,404**
Movement in reserves during 2018/19								
Total Comprehensive Income and Expenditure	(45,165)	20,107				**(25,058)**	150	**(24,908)**
Adjustments between accounting basis & funding basis under regulations (Note 3)	49,133	(19,112)	351	(42,741)	(78)	**(12,447)**	12,447	**0**
Increase/(Decrease) in 2018/19	3,968	995	351	(42,741)	(78)	**(37,505)**	12,597	**(24,908)**
Balance at 31 March 2019	78,274	16,845	31,076	33,073	235	**159,503**	1,540,993	**1,700,496**

General Fund analysed over:	
Amounts earmarked (Note 4)	61,244
Amounts uncommitted	17,030
Total GF Balance at 31 March 2019	**78,274**

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

BALANCE SHEET

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

* Restated – See Note 35

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

Philip Gregory
Finance Director (Section 151)
Date: 23 October 2020

CASH FLOW STATEMENT

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

Notes to the Accounts

for the year ended

31st March 2019

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1. Expenditure & Funding Note

Adjustments between Funding and Accounting Basis 2018/19

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	**Total Adjustments**
	£000	£000	£000	**£000**
SDI Commissioning	894			894
Core	32			32
Central	15,297	19,435	(1,931)	32,801
Education, Youth & Childcare	16,927			16,927
Dedicated Schools Grant (DSG)				0
Law, Governance & HR	267			267
Housing Revenue Account (HRA)	(6,253)	1,438	(9)	(4,824)
Policy & Participation	295			295
Care & Support	1,208			1,208
Inclusive Growth	112			112
Community Solutions	3,705			3,705
My Place	11,327			11,327
Contracted Services	392			392
Net Cost of Services	**44,202**	**20,873**	**(1,940)**	**63,135**
Other Operating Expenditure	(12,786)			**(12,786)**
Financing and Investment Income and Expenditure	(1,656)	12,196		**10,540**
Taxation and Non-specific Grant Income and Expenditure	(35,671)		4,801	**(30,870)**
Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services	**(5,911)**	**33,069**	**2,861**	**30,019**

Adjustments between Funding and Accounting Basis 2017/18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	**Total Adjustments**
	£000	£000	£000	**£000**
SDI Commissioning	776			**776**
Core	6			**6**
Central	(47,731)	14,625		**(33,106)**
Education, Youth & Childcare	9,781			**9,781**
Dedicated Schools Grant (DSG)	0			**0**
Law, Governance & HR	9,857			**9,857**
Housing Revenue Account (HRA)	(22,577)	1,454		**(21,123)**
Policy & Participation	282			**282**
Care & Support	4,038			**4,038**
Inclusive Growth	241			**241**
Community Solutions	0			**0**
My Place	1,071			**1,071**
Contracted Services	825			**825**
Net Cost of Services	**(43,431)**	**16,079**	**0**	**(27,352)**
Other Operating Expenditure	79,935			**79,935**
Financing & Investment Income and Expenditure	(2,135)	12,098		**9,963**
Taxation & Non-specific Grant Income and Expenditure	(36,715)		(2,302)	**(39,017)**
Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services	**(2,346)**	**28,177**	**(2,302)**	**23,529**

Note (i) - Adjustments for Capital Purposes

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

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

- **Financing and investment income and expenditure** - the statutory charges for capital Financing ie Minimum Revenue Provision and other Revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivables in the year to those receivables without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note (ii) - Net Change for the Pensions Adjustments

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

- For **services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the CIES.

Note (iii) - Other Differences

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

- For **services** this represents a portion of salaries that relate to unused entitlement of accumulated leave on 31 March.

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

2. Expenditure & Income Analysed by Nature

The Council's expenditure and income are analysed as

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

3. Adjustments Between Accounting and Funding Basis

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

General Fund Balance

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

Housing Revenue Account Balance

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

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

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

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

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

2018/19	Usable Reserves				
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
Adjustments to the Revenue Reserve					
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:					
- Pension costs (transferred to/from the Pensions Reserve)	(30,389)	(2,680)			
- Council tax and NDR (transfers to/from Collection Fund Adjustment Account	(4,801)				
- Holiday pay (transferred to the Accumulated Absences Reserve)	1,931	9			
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(30,270)	(41,358)			(35,672)
Total	(63,529)	(44,029)			(35,672)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,228	29,685	(31,913)		
Payments to the government housing receipts pool	(1,299)		1,299		
Payments to Weavers	(810)		810		
Posting of HRA resources from revenue to the Major Repairs Reserve		33,456		(33,456)	
Statutory provision for the repayment of debt	10,298				
Capital expenditure financed from revenue balances	3,980				
Total	14,398	63,141	(29,805)	(33,456)	
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure			29,455		
Use of the Major Repairs Reserve to finance capital expenditure				33,534	
Application of capital grants to finance capital expenditure					78,413
Total			29,455	33,534	78,413
Total Adjustments	**(49,131)**	**19,112**	**(350)**	**78**	**42,741**

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

2017/18	Usable Reserves				
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
Adjustments to the Revenue Reserve					
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:					
- Pension costs (transferred to/from the Pensions Reserve)	28,177				
- Council tax and NDR (transfers to/from Collection Fund Adjustment Account	2,302				
- Holiday pay (transferred to the Accumulated Absences Reserve)	1,793				
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(102,542)	(37,002)			(38,723)
Total	(70,270)	(37,002)	0	0	(38,723)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,533	37,432	(38,965)		
Payments to the government housing receipts pool	(1,519)		1,519		
Payments to Weavers	(5,336)		5,336		
Posting of HRA resources from revenue to the Major Repairs Reserve		(46,226)		(46,226)	
Statutory provision for the repayment of debt	9,482	588			
Capital expenditure financed from revenue balances	512	3140			
Total	4,672	(5,066)	(32,110)	(46,226)	0
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure			23,972		
Use of the Major Repairs Reserve to finance capital expenditure				45,539	
Application of capital grants to finance capital expenditure					36,936
Total	0	0	23,972	45,539	36,936
Total Adjustments	**(65,598)**	**(42,068)**	**(8,138)**	**(687)**	**(1,787)**

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4. Transfers to / (from) Earmarked Reserves

This note sets out the amounts set aside from the General Fund (GF) and Housing Revenue Account (HRA) balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet GF and HRA expenditure in 2018/19.

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

5. Other Operating Expenditure

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

6. Financing and Investment Income and Expenditure

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

7. Taxation and Non-Specific Grant Income

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

8. Property, Plant and Equipment

The movements in the Council's Property, Plant and Equipment for the year 2018/19 are set out in the table below. Estimated asset lives and depreciation rates are set out in the Accounting Policies.

The Council revalues its Property, Plant and Equipment on a five year basis (20% each of the last five years of the programme and an impairment review at the end of the financial year) using its valuers, Wilks, Head & Eve.

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

2018/19

	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	**Total PPE**	PFI Included in PPE
	£000	£000	£000	£000	£000	£000	£000	**£000**	£000
Cost or Valuation at 1 April 2018	**1,156,867**	**1,196,666**	**33,121**	**193,744**	**10,586**	**55,874**	**31,247**	**2,678,105**	**152,434**
Additions	57,659	23,920	3,461	9,369	3,595	120,272	-	**218,276**	1,538
Revaluations recognised in the Revaluation Reserve	49,771	(81,817)	-	-	85,995	-	-	**53,949**	
Revaluations recognised in the Provision of Services	(26,551)	(29,525)	-	-	7,223	-	(884)	**(49,737)**	(13,130)
De-recognition due to disposals	(14,155)	(1,003)	(1,513)	-	-	-	-	**(16,671)**	
Reclassifications to other assets	29,403	20,199	1,163	-	2,546	(54,817)	1,789	**283**	
Cost or Valuation at 31 March 2019	**1,252,994**	**1,128,440**	**36,232**	**203,113**	**109,945**	**121,329**	**32,152**	**2,884,205**	**140,842**
Accumulated Depreciation at 1 April 2018	**-**	**(3,071)**	**(28,934)**	**(86,588)**	**-**	**-**	**-**	**(118,593)**	**-**
Depreciation charge	(15,933)	(20,038)	(1,722)	(10,060)	-	-	-	**(47,753)**	(2,955)
Depreciation written out to the Provision of Services	7,455	1,909	-	-	-	-	-	**9,364**	2,955
Depreciation written out to the Revaluation Reserve	8,478	18,422	-	-	-	-	-	**26,900**	
Reclassifications to other assets	-	-	-	-	-	-	-	**-**	
De-recognition due to disposals	-	-	908	-	-	-	-	**908**	
Accumulated Depreciation at 31 March 2019	**-**	**(2,778)**	**(29,748)**	**(96,648)**	**-**	**-**	**-**	**(129,174)**	**-**
Net Book Value at: 31 March 2019	**1,252,994**	**1,125,662**	**6,484**	**106,465**	**109,945**	**121,329**	**32,152**	**2,755,031**	**140,842**

2017/18

	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	**Total PPE**	PFI Included in PPE
	£000	£000	£000	£000	£000	£000	£000	**£000**	£000
Cost or Valuation at 1 April 2017	**1,090,821**	**737,341**	**32,486**	**180,488**	**10,597**	**98,396**	**1,860**	**2,151,989**	**49,166**
Additions	69,218	20,202	635	13,256	133	52,379	9,407	**165,230**	397
Donations	-							**-**	
Revaluations recognised in the Revaluation Reserve	(2,842)	436,726			(7)		2,974	**436,851**	55,157
Revaluations recognised in the Provision of Services	(5,927)	33,614			(137)		(3,721)	**23,830**	47,714
De-recognition due to disposals	(16,762)	(85,032)						**(101,794)**	
Transfer to subsidiary								**-**	
Reclassifications to other assets	22,359	53,815				(94,901)	20,727	**2,000**	
Cost or Valuation at 31 March 2018	**1,156,868**	**1,196,666**	**33,121**	**193,744**	**10,586**	**55,874**	**31,247**	**2,678,105**	**152,434**
Accumulated Depreciation at 1 April 2017	**-**	**(6,041)**	**(26,386)**	**(77,189)**	**-**	**-**	**-**	**(109,616)**	**-**
Depreciation charge	(14,997)	(14,142)	(2,548)	(9,399)				**(41,086)**	(1,002)
Depreciation written out to the Provision of Services	5,130	3,777					86	**8,993**	1,002
Depreciation written out to the Revaluation Reserve	9,867	13,249						**23,116**	
Reclassifications to other assets		86					(86)		
De-recognition due to disposals								**-**	
Accumulated Depreciation at 31 March 2018	**(0)**	**(3,071)**	**(28,934)**	**(86,588)**	**-**	**-**	**(0)**	**(118,593)**	**-**
Net Book Value at: 31 March 2018	**1,156,867**	**1,193,595**	**4,187**	**107,156**	**10,586**	**55,874**	**31,247**	**2,559,512**	**152,434**

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Property Plant and Equipment (PPE) (continued)

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

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

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

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

9. Intangible Assets

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

10. Investment Properties

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

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

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.
Investment properties are shown at fair value at the balance sheet date and are subject to revaluation annually and any changes in valuation are reflected in the fair value of assets.

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

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

Fair Value Hierarchy

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

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

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio.

Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

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

Highest and Best Use

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

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

11. Financial Instruments

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

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

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

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

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

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

Income, Expense, Gains and Losses

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

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

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

Fair Value of Assets and liabilities carried at Amortised Cost

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

· estimated ranges of interest rates at 31 March 2019 of 1.48% to 2.23% for loans from the PWLB
· no early repayment or impairment is recognised
· where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
· the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The Council has a continuing ability to borrow at a concessionary rate from the PWLB rather than from the markets, termed the PWLB certainty rate (NL rate). The Fair Value calculations in the table below are based on the NL Rate.

The fair values calculated are as follows:

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

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

The rates quoted in the above valuation were obtained by the Council’s treasury management consultants, Link Asset Services, from the market on 31 March 2019 using bid prices where applicable. The fair value of the liabilities is higher than the carrying amount because the Council’s portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

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

Nature and Extent of Risks Arising for Financial Instruments

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

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

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

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

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

Overall Procedures for Managing Risk in Financial Markets

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

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- By approving annually in advance prudential and treasury indicators for the following three years limiting the Council's overall borrowing:

  - its maximum and minimum exposures to fixed and variable rates;
  - its maximum and minimum exposures to the maturity structure of its debt;
  - its maximum annual exposures to investments maturing beyond a year; and
  - by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.
The Annual Treasury Management Strategy which incorporates the prudential indicators and the Investment Strategy was approved by the Assembly and is available on the Council website.

The key issues within the strategy were:

- the revised authorised borrowing limit (GF and HRA) of £1.102bn for 2018/19, which includes £266m for the HRA self-financing debt settlement; and
- to approve the annual investment strategy and creditworthiness policy for 2018/19 outlining the investments that the Council may use for the prudent management of its investment balances

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies, Treasury Management Practices (TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

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

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

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

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

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

	Criteria	Amount Invested at 31 March 2019 £000
Deposits with Banks	A' rated	**99,718**
Deposits with Building Societies	A' rated	**0**
Deposits with Money Market Funds	AAA' rated	**0**
UK Government Risk	Local Authority	**181,302**
Commercial Loans	See Below	**76,670**
Total Investments		**357,690**

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

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

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

Trade and Other Receivables

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

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

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

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

Amounts Arising from ECL for Investments and Loans

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

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

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

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

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

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

Loss allowance by Asset Class

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

Liquidity Risk

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

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

Refinancing and Maturity Risk

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

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

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

	Actual 31-Mar-18 £000	**Actual 31-Mar-19 £000**
Less than one year	46,000	**101,000**
Between 1 and 2 years		**14,000**
Between 2 and 5 years	19,000	
Between 5 and 10 years		
More than 10 years	576,146	**732,613**
Total	641,146	**847,613**

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

Market Risk

Interest Rate Risk

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

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

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

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

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

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable. According to this assessment strategy, at 31 March 2019 if interest rates had been 1% higher with all other variables held constant, the financial effect for 2018/19 would be:

Interest Rate Risk – 1% Increase	**£000**
Increase in interest payable on variable rate borrowings*	**-**
Increase in interest receivable on variable rate investments	**2,315**
Impact on Surplus or Deficit on the Provision of Services	**2,315**

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

*The Council did not hold any variable rate borrowings as at 31 March 2019 and therefore the effect of an increase or decrease in the rate would be nil.

Price Risk

Excluding the Pension Fund, the Council does not generally hold equity shares. As at 31 March 2019 the Council did not hold any Certificates of Deposit.

Foreign exchange risk

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

12. Debtors

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

13. Cash and Cash Equivalents

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

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

14. Creditors

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

15. Provisions

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

Insurance Claims

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

Business Rates Appeals

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

16. Usable Reserves

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

17. Unusable Reserves

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

The breakdowns of materially significant reserves are provided below.

Revaluation Reserve

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

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

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

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

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation reserve was created to hold such gains.
Note 2 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

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

Pensions Reserve

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

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

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

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

18a. Net Cash Flows from Operating Activities

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

18b. Cash Flow Statement - Investing Activities

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

18c. Cash Flow Statement - Financing Activities

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

18d. Analysis of Borrowings related cashflows

	2016/17 £000	Financing Cashflows £000	Non-Cash Changes Acquisition £000	Non-Cash Changes Other £000	2017/18 £000
Long Term Borrowings	**(457,272)**	(137,874)		(915)	**(596,061)**
Short Term Borrowings	**(85,030)**	39,030		(37)	**(46,037)**
Lease Liabilities	**(87,361)**	1,392			**(85,969)**
On Balance Sheet PFI	**(49,318)**	1,708			**(47,610)**
TOTAL	**(678,981)**	**(95,745)**	**0**	**(952)**	**(775,677)**

	2017/18 £000	Financing Cashflows £000	Non-Cash Changes Acquisition £000	Non-Cash Changes Other £000	2018/19 £000
Long Term Borrowings	**(596,061)**	(151,467)		(2,108)	**(749,636)**
Short Term Borrowings	**(46,037)**	(55,000)		(113)	**(101,150)**
Lease Liabilities	**(85,969)**	790			**(85,180)**
On Balance Sheet PFI	**(47,610)**	1,700			**(45,910)**
TOTAL	**(775,677)**	**(203,977)**	**0**	**(2,221)**	**(981,875)**

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

19. Pooled Budgets

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

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

20. Members Allowances

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

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

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

21. Senior Officers' Remuneration (including Teachers)

The disclosure requirements comprise the following:

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

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

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

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

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

a) Senior Officers' Remuneration (including Teachers)

Remuneration is defined as all amounts paid to or receivable by a person, and includes sums due by way of expenses allowance (insofar as those sums are chargeable to United Kingdom income tax) and the estimated monetary value of any benefits received by an employee other than in cash (e.g. benefits in kind).
Salary is generally accepted as the amount received under a contract of employment for services rendered (before the deduction of pension contributions) other than bonuses, allowances, benefits in kind or compensation payments.

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

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

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

Post Held	Year	Notes	Salary, Fees & Allowances	Compensation for Loss of Employment	Sub-total	Employer's Pension Contribution	Total (including pension contributions)
Director of People and Resilience	**2018/19**	**1**	**36,613**		**36,613**	**8,604**	**45,217**
Strategic Director Service Development and Improvement	**2018/19**	**1**	**107,772**		**107,772**	**25,326**	**133,098**
	2017/18		146,450		146,450	34,782	181,232
Commissioning Director of Education	**2018/19**		**113,063**		**113,063**	**26,570**	**139,633**
	2017/18		110,846		110,846	26,326	137,172
Chief Operating Officer, Customer, Commercial and Service Delivery	**2018/19**		**149,070**		**149,070**	**35,104**	**184,174**
	2017/18		143,083		143,083	33,978	177,061
Transformation Director	**2018/19**		**113,063**		**113,063**	**26,570**	**139,633**
	2017/18		110,846		110,846	26,326	137,172
Director Law, Governance and HR (Monitoring Officer)	**2018/19**		**124,861**		**124,861**	**29,342**	**154,203**
	2017/18		114,701		114,701	27,232	141,933
Director of Inclusive Growth	**2018/19**	**2**	**98,822**		**98,822**	**23,427**	**122,249**
Strategic Director Growth and Homes	2017/18		112,005	27,065	139,070	26,657	165,727
Finance Director	**2018/19**	**5**	**51,269**		**51,269**	**0**	**51,269**
	2017/18		94,628	60,235	154,863	28,561	183,424
Director of Community Solutions	**2018/19**	**3**	**124,861**		**124,861**	**29,342**	**154,203**
	2017/18		34,223		34,223	8,042	42,265
Director of Policy and Participation	**2018/19**	**3**	**113,063**		**113,063**	**26,570**	**139,633**
	2017/18		36,949		36,949	8,683	45,632
Director of My Place	**2018/19**	**3**	**122,400**		**122,400**	**28,764**	**151,164**
	2017/18		114,333		114,333	27,112	141,445
Operational Officer of Enforcement	**2018/19**	**4**	**84,615**		**84,615**	**19,423**	**104,038**
	2018/19	**4**	**31,325**		**31,325**	**0**	**31,325**
	2017/18	**3**	103,231		103,231	24,517	127,748
Director of Public Health	**2018/19**	**6**	**109,336**		**109,336**	**15,723**	**125,059**
	2017/18		88,269		88,269	12,693	100,962

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

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

Post Held	Year	Notes	Salary, Fees & Allowances	Bonuses	Expense Allowances	Compensation for Loss of Employment	Sub -total	Employer's Pension Contribution	Total (including pension contributions)
			£	£	£	£	£	£	£
Chief Executive of the Council	**2018/19**		**171,683**				**171,683**	**40,346**	**212,029**
Christopher Naylor	2017/18		168,317				168,317	39,975	208,292
Head Teacher - Jo Richardson	**2018/19**	**1**	**187,411**				**187,411**	**31,455**	**218,866**
Ges Smith	2017/18		144,654				144,654	23,839	168,493

Note 1

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

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

d) Exit Packages

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

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

22. External Audit costs

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

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

23. Dedicated Schools Grant (DSG)

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

Details of the deployment of DSG received for 2018/19 is below:

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

24. Grant Income

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

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

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

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

25. Related Parties

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

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

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

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

Officers
During 2018/19 the Senior Officers of the Council held no pecuniary interests in accordance with section 117 of the Local Government Act 1972 in contracts entered into by the Council.

There have been no declarations by officers of personal Related Parties Transactions with the Council in 2018/19.

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

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

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

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

Wholly owned subsidiaries:

B&D Energy Ltd

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

Barking and Dagenham Reside Ltd
This provides 477 affordable rented properties in the Barking area. The properties are based at the Eastern End of Thames View and William Street Quarter and rents range from 50% - 80% of market rent.

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

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

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

Barking and Dagenham Reside Abbey Roding LLP
Barking and Dagenham Abbey Roding LLP is a partnership which is 99% owned by the Council. It provides 144 affordable rented properties in Abbey Road in Barking, at 80% of market rent.

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

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

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

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

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

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

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

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

Joint Venture

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

Directorships or Trusteeships
A number of elected members are either Directors or Trustees of a number of bodies that deliver services to the community or work in partnership with the Council.

Below are details of payments made to and received from the related parties with which the Council had material transactions:

Party	Income	Expenditure	Creditors	Debtors	Loans
B&D Energy Ltd.	84,471	20,517			2,345,347
Barking & Dagenham Citizen's Advice Bureau	12,354	512,565			
Barking & Dagenham Trading Partnership Ltd		837,295		981,632	21,836,088
Barking & Dagenham Management Services Ltd	14,514,865	1,382,264	2,511,009		
Barking & Dagenham Corporate Cleaning Ltd	1,900,370		323,767		
Barking & Dagenham Together Ltd	5,137,053		909,881		
Londoneast-UK Limited	21,218			861,659	
BDSIP Ltd.		794,420	2,854,988	2,490,534	
Be First (Regeneration) Ltd.	711,864	7,533,297	3,981,010	560,490	4,107,784
East London Waste Authority	1,504,033	14,866,924		3,750	
Local Government Association		40,142			
London Councils	183,059	1,129,704			

26. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts - see notes 27 and 28), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

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

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

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

27. Leases

Council as Lessee

Finance Leases

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

Net Book Value of Assets acquired under a finance lease	2017/18	**2018/19**
	£000	**£000**
Property, Plant and Equipment	123,323	**126,803**

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

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

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

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

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

Operating Leases

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

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

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

Operating Lease costs

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

There were no contingent rents or sublease payments.

Council as Lessor

Operating Leases

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

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

28. Private Finance Initiatives and similar contracts

a) PFI Schemes – Eastbury and Jo Richardson Schools

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

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

Payments
The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year, but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2019 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

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

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

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

b) PFI Scheme – Dagenham Park School

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

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

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

Payments
The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year,

but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2019 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

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

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

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

29. Pensions Schemes accounted for as Defined Contribution Schemes

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

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

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

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

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 30.

30. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose at the time that employees earn their future entitlement. In 2018/19 the Council participated in two post-employment schemes:

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

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

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

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

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

Guaranteed Minimum Pension (GMP) Equalisation

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

McCloud Judgement

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

Discretionary Post-retirement Benefits

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

Transaction Relating to Post-Employment Benefits

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

LGPS Relating to the Subsidiaries

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

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

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

	LGPS	
	2017/18	**2018/19**
Comprehensive Income and Expenditure Statement	£'000	**£'000**
Cost of Services:		
Current Service Cost	(41,266)	**(42,539)**
Past Service Costs (including curtailments)	(412)	**(6,858)**
Interest Income on scheme assets	18,410	**19,817**
Interest cost on defined benefit obligation	(30,069)	**(32,013)**
Total Post-Employment Benefits charged to the Surplus or Deficit on the provison of services	(53,337)	**(61,593)**
Remeasurement of the net defined benefit liability:		
Change in demographic assumptions	0	0
Change in financial assumptions	24,496	(98,918)
Other experience	(1,812)	(392)
Return on assets excluding amounts included in net interest	3,597	18,609
Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement	26,281	**(80,701)**
Movement in Reserve Statement:		
Reversal of net charges made to the Surplus or Deficit on the provision of services for post-employment benefits in accordance with the code	53,337	61,593
Employer's contributions payable to scheme	(23,912)	(28,524)

Assets and Liabilities in Relation to Post-Employment Benefits

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

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

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

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

The liability shows the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits.
However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

It is important to recognise that the IAS19 valuation is based on the assumptions that are set as part of the accounting standard and do not reflect the funding strategy of the fund nor the payments made for the employers in 2018/19.

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

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

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

The significant assumptions used by the actuary have been:

	LGPS	
Mortality Assumptions:	2017/18	**2018/19**
Longevity at 65 for current pensioners:		
• Men	22.0 yrs	**22.0 yrs**
• Women	24.7 yrs	**24.7 yrs**
Longevity at 65 for future pensioners		
• Men	24.0 yrs	**24.0 yrs**
• Women	26.4 yrs	**26.4 yrs**
Actuarial Assumptions:		
Rate of Increase in Salaries	2.8%	**3.00%**
Rate of Increase in Pensions	2.4%	**2.50%**
Rate of Discounting Scheme Liabilities	2.7%	**2.40%**

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

Change in assumptions at year ended 31 March 2019	Approximate % increase to Employer Liability	Appropriate monetary amount (£000)
0.5% Decrease in Real Discount Rate	10.0%	138,225
0.5% Increase in the Salary Increase Rate	1.0%	16,204
0.5% Increase in the Pension Increase Rate	9.0%	119,990

Notes:

In order to quantify the impact of a change in the financial assumptions used, we have calculated and compared the value of the scheme liabilities as at 31 March 2019 on varying bases. The approach taken is consistent with that adopted to derive the IAS19 figures provided in this report.

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

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

Local Government Pension Scheme assets comprised:

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

Impact on the Council's Cash Flows

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 is estimated to be £25.829m.

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

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

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

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

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

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

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

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

32. Critical Judgements in Applying Accounting Policies

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

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

The Council's group boundaries have been assessed using the criteria outlined in the Code of Practice. There is a number of interests which fall within the group boundary on the grounds of control and significant influence. As a result, the Council has produced a set of Group Accounts. The Council continues to disclose the relationships and transactions with the entities in the Related Parties note.

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

34. Events after the Reporting Period

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

The presence of the Covid-19 pandemic has caused significant strain on the economy and stringent measures to be taken to subdue the outbreak by policy-makers. Refer to Note 36 for the impact on the 2020/21 financial year and we have produced scenarios to help us plan ahead.

Since 31 March 2019, there have been three material acquisitions:

- Welbeck Wharf for £24m
- Restore for £12m
- Loan and equity investment to subsidiary to fund the acquisition of Muller site for £47m

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

35. Prior Year Adjustments

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

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

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

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

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

36. Basis of Preparation

The Covid-19 pandemic has resulted in increased costs to the Council from March 2020 in responding to the crisis. There have also been reductions in income collected from fees and charges and expected reductions in commercial rent as the country was required to lockdown and businesses were closed. The impact in 2020/21 has been modelled. The pessimistic case cost to the Council of the COVID-19 pandemic response at the time of writing is £44.5m in 2020/21. Government emergency un-ringfenced grant funding of £14.6 and £3.8m of specific funding has been received and a further £4.8m could be claimed from the Sales, Fees and Charges Compensation scheme leaving a residual cost pressure to the council of £20.3m. If Council Tax and Business Rates income losses of £8.5m are excluded the pressure reduces to £12.8m (Council Tax and Business Rates losses are accounted for within the Collection Fund where deficits are accounted for in future financial years). The Council can manage this cost pressure of £12.8m by utilising reserve balances. This will provide sufficient headroom to enable the Council to fund its operations over the next two years based on the modelling of the financial impact of Covid-19 on the Council's reduced income and additional spending and therefore the use of the going concern principle is considered applicable.

37. Statement of Accounting Policies

i. General Principles

The Statement of Accounts provides a true and fair view of the Council's transactions for the 2018/19 financial year and its financial position at the year end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19, supported by International Financial Reporting Standards (IFRS).

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

ii. Accruals of Income and Expenditure

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

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

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

- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

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

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

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

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

iii. Cash and Cash Equivalents

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

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

iv. Exceptional Items

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

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

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

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

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

vi. Charges to Revenue for Non-Current Assets

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

· Depreciation attributable to the assets used by the relevant service;

· Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and

· Amortisation of intangible fixed assets attributable to the service.

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

vii. Council Tax and Business Rates

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

viii. Accounting for Council Tax and Business Rates

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

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

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

ix. Employee benefits

a) Benefits Payable During Employment

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

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

b) Termination Benefits

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

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

c) Post Employment Benefits – Teachers' and NHS Pensions

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

· The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
· The NHS Pension Scheme, administered by NHS Pensions and

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

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

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

d) The Local Government Pension Scheme

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

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

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

The assets of London Borough of Barking and Dagenham pension fund attributable to the Council are included in the Balance Sheet at their fair value:
- quoted securities - current bid price;
- unquoted securities - professional estimate;
- unitised securities - current bid price;
- property - market value; and
- limited partnerships - fair value on net asset value.

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

Service costs comprising:
- current service cost - the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost - the increase in liabilities arising from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years;
- net interest on the net defined benefit liability (asset), ie net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of

the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

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

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

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

e) Discretionary Benefits

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

x. Events after the Reporting Date

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

· Where the event is supported by evidence of conditions that existed at the end of the reporting period the Statement of Accounts is adjusted to reflect the impact of the event; and

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

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

xi. Financial Instruments

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

Financial Liabilities

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

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

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

Financial Assets

Financial assets are now classified into one of three categories:

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

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

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

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

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

xii. Government Grants and contributions

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

- the Council will comply with the conditions attached to the payments; and

- the grants or contributions will be received.

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

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

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

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

xiii. Community Infrastructure Levy

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

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

xiv. Interest in Companies and Other Entities

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

xv. Investment Properties

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

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

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

xvi. Leases

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

The Council as Lessee

Finance Leases

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

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

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

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

Operating Leases

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

The Council as Lessor

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

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

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

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

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

xvii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2018/19 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

xviii. Property, Plant and Equipment

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

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

Measurement
Assets are initially measured at cost, comprising:

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

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

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

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

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

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.
Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:
where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains). Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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

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

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

Depreciation

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

- Deprecation is calculated on the following bases:
- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 20 years.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

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

Amounts received for a disposal are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the authority’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

xix. Private Finance Initiatives (PFI)

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

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

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

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

xx. Reserves

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

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

xxi. Revenue Expenditure Funded from Capital under Statute

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

xxii. Schools

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

xxiii. VAT

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

xxiv. Fair Value Measurement

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

a) in the principal market for the asset or liability, or

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

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

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

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

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

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

Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

Housing Revenue Account

for the year ended

31st March 2019

Housing Revenue Account Income and Expenditure Statement

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

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

Movement on the Housing Revenue Account Statement

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

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

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

Notes to the Housing Revenue Account

1. Council Housing Stock

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

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

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

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

The change in stock can be summarised as follows:

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

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

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

2. Vacant Possession Value

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

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

3. Major Repairs Reserve

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

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

4. Capital Expenditure and Receipts

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

During 2018-19:

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

During 2017-18:

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

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

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

5. Depreciation and Impairment

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

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

6. Rent Arrears

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

7. IAS 19 – Retirement Benefits

The Authority considers it to be proper accounting practice to allow the HRA to be charged with an attributable share of current and past service costs. From 2005/06, the HRA has also been charged with an attributable share of pensions interest costs, less expected return on pensions assets. However, as Local Authorities can only charge actual employer contributions and payments against the HRA, the IAS 19 entries are reversed out in the Movement on the HRA Statement and replaced by actual employers' contributions payable to the scheme.

8. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

London Borough of
Barking & Dagenham

Collection Fund Account

for the year ended

31st March 2019

COLLECTION FUND ACCOUNT

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

1. Council Tax Base

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

Band	Number of Properties after Discounts and Exemptions	Band 'D' Equivalent Properties
A (Disabled)	0.2	0.1
A	3,776.1	2,517.4
B	7,870.4	6,121.4
C	35,461.1	31,520.9
D	7,960.1	7,960.1
E	1,525.2	1,864.2
F	304.8	440.2
G	40.3	67.2
H	3.0	6.0
Total Band 'D' equivalents for 2018/19		50,497.48
Projected changes in discounts and growth		
Less in year non-collection allowance		(3,282.34)
Add arrears collection		1,567.17
Council Tax Base for 2018/19		**48,782.31**
Council Tax Base for 2017/18		47,273.15

2. National Non-Domestic Rates (NNDR)

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

From 1 April 2010, those ratepayers with a Rateable Value in excess of £55k were subject to an additional levy from the Greater London Authority on their Business Rates to fund the Crossrail project. In 2017/18 the Rateable Value was increased to £70,000.

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

Pension Fund Accounts

for the year ended 31st March 2019

London Borough of Barking and Dagenham
Pension Fund Account

	Note	2017/18 £000	**2018/19 £000**
Dealings with members, employers and others directly involved in the scheme			
Contributions	**8**	44,781	**45,570**
Transfers in from other pension funds	**9**	2,761	**2,372**
		47,542	**47,942**
Benefits	**10**	(38,240)	**(40,216)**
Payments to and on account of leavers	**11**	(4,216)	**(2,765)**
		(42,456)	(42,981)
Net additions from dealings with members		5,086	**4,961**
Management expenses	**12**	(4,708)	**(5,957)**
Net Additions/(Withdrawals) including Fund Management Expenses		378	**(996)**
Returns on Investments			
Investment Income	**13**	18,618	**9,759**
Profit (losses) on disposal of investments and changes in the market value of investments	**14**	31,893	**44,767**
Net returns on investments		50,511	**54,526**
Net increase in the net assets available for benefits during the year		50,889	**53,530**

Net Assets Statement as at 31 March 2019

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

	Note	2017/18 £000	**2018/19 £000**
Investment Assets	**17**	967,696	**1,041,927**
Investment Liabilities	**17**	0	**(226)**
Current Assets	**18**	1,590	**825**
Current Liabilities	**18**	(910)	**(20,624)**
Net asset of the fund available to fund benefits at the end of the reporting period		968,376	**1,021,902**

Notes to the Pension Fund Accounts for the year ended 31 March 2019

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 governed by the Public Service Pensions Act 2013 and the following secondary legislation:

i. The LGPS Regulations 2013 (as amended)
ii. The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
iii. The LGPS (Management and Investment of Funds) Regulations 2016.

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 Committee, which is a Committee of LBBD.

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

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

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

2. Format of the Pension Fund Statement of Accounts

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

The following description of the Fund is a summary only. For more details, reference should be made to the Fund's Annual Report for 2018/19, which can be obtained from the Council's website: http://www.lbbdpensionfund.org

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

a) Membership

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

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund; and

- 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.

A list of the Fund's scheduled and admitted employers are provided below. Not Active employers do not have any current members but have either deferred or pensioners. The obligations and assets for these employers have been absorbed by the Council.

Scheduled Bodies	Admitted Bodies
Active	**Active**
LBBD	Aspens
Barking College	B&D Citizen's Advice Bureau
Dorothy Barely Academy	BD Corporate Cleaning
Eastbury Academy	BD Schools Improvement Partnership
Elutec	BD Together
Goresbrook Free School	Be First
Greatfields Free School	BD Trading Partner
James Campbell Primary	Cleantech
Partnerships Learning	Elevate East London LLP
Riverside Bridge	Laing O'Rourke
Riverside Free School	Lewis and Graves
Riverside School	Schools Offices Services Ltd
St Margarets	Sports Leisure Management
Sydney Russell	The Broadway Theatre
Thames View Infants Academy	Town and Country Cleaners
Thames View Junior Academy	
University of East London	
Warren Academy	
Not Active	**Not Active**
Magistrates Court (not active)	*Abbeyfield Barking Society (not active)*
	Age UK (not active)
	Council for Voluntary Service (not active)
	Disablement Assoc. of B&D (not active)
	East London E-Learning (not active)
	London Riverside (not active)
	May Gurney (not active)
	RM Education (not active)

A breakdown of the Fund's member by employer type and by member type is included in the table below:

	2017/18	**2018/19**
Number of Employers with active members	27	33
Number of Employees in scheme		
London Borough of Barking and Dagenham		
Active members	4,754	**4,298**
Pensioners	4,361	**4,687**
Deferred pensioners	4,468	**4,731**
Undecided and other members	425	**231**
	14,008	**13,947**
Admitted and Scheduled Bodies		
Active members	1,558	**1,978**
Pensioners	912*	**965**
Deferred pensioners	1,335	**1,466**
Undecided and other members	60	**62**
	3,865	**4,471**

* 2017/18 Admitted and Scheduled body Pensioners have been restated from 1,335 to 912 as the original number included non-fund members who had a Guaranteed Minimum Pension.

b) Benefits

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

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

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

3. Basis of preparation

The accounts summarise the transactions and net assets for the Fund's transactions for the 2018/19 financial year and its position as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2018/19. The financial statements do not reflect any liabilities to pay pension or other benefits occurring after 31 March 2019. 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. The Pension Fund Accounts have been prepared on a going concern basis.

3.1 Contributions (see Note 8)

Primary contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate.

Secondary contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

Employer's augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset.

3.2 Transfers to and from other schemes (see Note 9)

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

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

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

3.3 Investment income (see Note 13)

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.

3.4 Net Assets Statement at market value is produced on the following basis (see note 14):

i) Quoted investments are valued at bid price at the close of business on 31 March 2019;

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 2019. 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.

3.5 Management expenses (see note 12)

Administration Expenses

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.

Investment management expenses

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

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

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

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

The Council has made a prepayment of employer pension contributions to the Fund, totalling £40m. The interest costs associated with this prepayment are included as an investment management expense.

3.6 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.

3.7 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 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.

3.9 Present Value of Liabilities

These accounts 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.

3.10 Actuarial present value of promised retirement benefits (see note 18)

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

3.11 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 and is included in Note 20 but is not included in the net asset statement. The methodology used is in line with accepted guidelines. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in Note 20. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Fund about the future or that are otherwise uncertain. Estimates are made taking into consideration historical experience, current trends and other relevant factors. However, as balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. There were no items in the Statement of Accounts 2018/19 for which there is a significant risk of material adjustment in the forthcoming financial years.

All investments are measured at fair value and by necessity unquoted investments involve a degree of estimation. Notes 14 and 21 provide information about valuation methodology and the assumptions made in deriving the estimates.

6. Additional Voluntary Contributions (AVC)

AVCs administered by the Prudential, made by LBBD employees during the year amounted to **£267k** (2017/18 £338k). 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 **£4.0m** (2017/18 £4.3m).

7. Recharges from the General Fund

The LGPS (Management and Investment of Funds) Regulations 2016 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs have been charged to the Fund on the basis of actual time spent on Pension Fund business. Cost incurred in the administration and the Fund's oversight and governance are included in Note 12.

8. 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 2019. Employee contributions are matched by employer contributions, which are set based on triennial actuarial funding valuations. Currently employer contribution rates range from 15.6% to 43.0%.

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

The Council uses a mechanism to stabilise the contribution rates. This was agreed following the actuary, Hymans Robertson, completing a stochastic modelling of the long-term funding position. Eligibility for stabilisation is dependent on reasonable consistency in an employer's membership profile. The primary contribution rate for the financial year ending 31 March 2019 was 23.5%. Contributions shown in the revenue statement may be categorised as follows:

Contributions	2017/18	**2018/19**
Members normal contributions	£000	**£000**
Council	6,941	**6,710**
Admitted bodies	434	**959**
Scheduled bodies	2,118	**1,913**
Total contributions from members	9,493	**9,582**
Employers contributions		
Council - Normal	18,055	**17,878**
Council - Deficit Recovery	5,782	**5,726**
Admitted bodies - Normal	1,423	**3,750**
Admitted bodies- Deficit Recovery	16	**23**
Scheduled bodies - Normal	5,726	**5,235**
Scheduled bodies- Deficit Recovery	2,295	**1,948**
Pension Strain	1,991	**1,428**
Total contributions from employers	35,288	**35,988**
Total Contributions	44,781	**45,570**

9. Transfers in from other pension funds

	2017/18 £000	**2018/19 £000**
Individual Transfers	2,761	**2,372**
	2,761	**2,372**

10. Benefits

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

	2017/18				**2018/19**			
	Council £000	Admitted Bodies £000	Scheduled Bodies £000	Total £000	**Council £000**	**Admitted Bodies £000**	**Scheduled Bodies £000**	**Total £000**
Pensions	26,152	389	5,084	31,625	**26,913**	**462**	**5,678**	**33,053**
Lump sums	3,229	37	2,110	5,376	**4,934**	**226**	**1,216**	**6,376**
Death grants	835	-	404	1,239	**599**	**1**	**187**	**787**
	30,216	426	7,598	38,240	**32,446**	**689**	**7,081**	**40,216**

11. Payments to and on account of leavers

	2017/18 £000	**2018/19 £000**
Individual Transfers	3,966	**2,439**
Refunds	250	**326**
	4,216	**2,765**

12. Management Expenses

	2017/18 £000	**2018/19 £000**
Administration and Processing	723	**773**
Management Fees	3,027	**3,587**
Custody Fees	28	**25**
Oversight and Governance Fees	251	**239**
Other Costs	679	**1,333**
	4,708	**5,957**

13. Investment Income

	2017/18 £000	**2018/19 £000**
Fixed Interest Securities	423	**421**
Equity Dividends	16,123	**6,252**
Pooled Property Income	1,875	**2,759**
Interest - Manager's Cash	1	**184**
Interest - LBBD balance	31	**120**
Other Income	165	**23**
	18,618	**9,759**

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 31/03/2018 £000	Purchases £000	Sales £000	Change in Fair Value £000	Cash Movement £000	Value 31/03/2019 £000
Pooled Unit Trusts	**778,268**	**5,649**	**-**	**41,381**	**-**	**825,298**
Property Unit Trusts	**63,662**	**39,570**	**(39,571)**	**490**	**-**	**64,151**
Pooled Alternatives	**55,488**	**26,209**	**(18,456)**	**5,540**	**-**	**68,781**
Infrastructure	**67,077**	**7,207**	**-**	**135**	**-**	**74,419**
Other Investments	**802**	**-**	**-**	**(155)**	**-**	**647**
Derivative Contracts						
Futures	**400**	**233,930**	**(231,908)**	**(2,648)**	**-**	**(226)**
Cash Deposits						
Custodian	**1,073**	**287,587**	**(284,595)**	**24**	**-**	**4,089**
In-House	**632**	**-**	**-**	**-**	**3,900**	**4,532**
Total	**967,402**	**600,152**	**(574,530)**	**44,767**	**3,900**	**1,041,691**

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

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 2019 are highlighted below:

A list of the Fund's Fund Manager, their mandate and asset type is outlined in the table below:

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

The value of the Fund, by manager, as at 31 March 2019 was as follows:

Fund by Investment Manager	2017/18		**2018/19**	
	£000	%	**£000**	**%**
Aberdeen Asset Management	55,889	5.8	**68,555**	**6.6**
BlackRock	39,031	4.0	**39,651**	**3.8**
Hermes	67,078	6.9	**74,419**	**7.1**
Kempen	153,324	15.8	**165,846**	**16.0**
Other Cash Balances	1,707	0.2	**8,621**	**0.8**
Prudential/M&G	653	0.1	**498**	**0.0**
RREEF	348	0.0	**338**	**0.0**
Schroders	24,283	2.5	**24,162**	**2.3**
Mellon Corporation	66,403	6.9	**63,364**	**6.1**
UBS Passive Bonds	35,990	3.7	**37,324**	**3.6**
UBS Passive Equity	171,957	17.9	**183,816**	**17.7**
London CIV	150	0.0	**150**	**0.0**
London CIV - Baillie Gifford	186,184	19.2	**202,492**	**19.5**
London CIV - Pyrford	99,780	10.3	**103,188**	**9.9**
London CIV - Newton	64,625	6.7	**69,267**	**6.6**
Total	967,402	100.0	**1,041,691**	**100.0**

15. **Cash**

The cash balance held at 31 March 2019 is made up as follows:

Cash balances held by Investment Managers	2017/18 £000	**2018/19 £000**
Aberdeen Asset Management	928	**1,541**
Prudential / M&G	0	**184**
Schroders	26	**862**
BlackRock	74	**1,499**
Other balances	46	**3**
In-house Cash	633	**4,532**
Total Cash	1,707	**8,621**

16. Securities

Investment Assets	2017/18 £000's	**2018/19 £000's**
Pooled funds - UK		
UK fixed Income Unit Trust	35,990	**37,324**
UK Equity Unit Trust	358,290	**386,458**
UK Absolute Return	164,405	**172,455**
UK Property Unit Trust	24,631	**24,500**
UK Unit Trust	653	**498**
Pooled funds - Overseas		
Overseas Fixed Income Unit Trust	66,403	**63,364**
Overseas Equity Unit Trust	153,324	**165,846**
Overseas Property Unit Trust	39,031	**39,651**
Other Investment - Infrastructure	67,078	**74,419**
Other Investment - Private Equity	22,720	**34,714**
Other Investment - Hedge Funds	32,770	**34,067**
Other Investment – Tax Recoverable	294	**10**
Cash	1,707	**8,621**
Futures	400	**0)**
Total Investment Assets	967,696	**1,041,701**
Investment Liabilities		
Futures	0	**(226)**
Total Investment Liabilities	0	**(226)**
Current Assets: Debtors	1,590	**825**
Current Liabilities: Creditors	(910)	**(20,624)**
Total Net Assets	968,376	**1,021,902**

17. **Debtors and Creditors**

The following amounts were debtors or creditors for the Fund at 31 March 2019:

Debtors	2017/18 £000	**2018/19 £000**
Other Investment Balances		
Tax recoverable	294	**10**
Current Assets		
Other local authorities	1,130	**347**
Other entities and individuals	460	**478**
Total Current Assets	1,590	**825**
Total Debtors	1,884	**835**
Current Liabilities		
Other local authorities	725	**382**
LBBD Prepayment	-	**20,000**
Other entities and individuals	185	**242**
Total Creditors	910	**20,624**

18. Holdings

All holdings within the Fund as at 31 March 2019 were in pooled funds or Limited Liability Partnerships (LLP), with no direct holdings over 5% of the net assets of the scheme. As at 31 March 2019 the following pooled funds and LLPs were over 5% of the scheme's net assets:

Security	Market Value as at 31 March 2019	% of Total Fund
	£000	%
London CIV - Baillie Gifford	202,492	19.5
UBS Passive Equity	183,816	17.7
Kempen	165,846	16.0
London CIV - Pyrford	103,188	9.9
Hermes	74,419	7.1
London CIV - Newton	69,267	6.7
Mellon Corporation	63,364	6.1

19. Investment Strategy Statement

An Investment Strategy Statement was agreed by the Council's Investment Committee on 15 March 2018 and is updated periodically to reflect changes made in Investment Management arrangements. The nature and extent of risk arising from financial instruments and how the Fund manages those risks is included in the Investment Strategy Statement.

Copies can be obtained from the Council's Pension website: http://www.lbbdpensionfund.org

20. Actuarial position

Actuarial assumptions

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

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

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

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

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

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

**Adjustments are applied arithmetically in 2013 and geometrically in 2016*

Funding level and position

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

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

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

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

Present value of funded obligation

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standard 19 Employee Benefits (IAS 19) assumptions, is estimated to be **£1,676m** as at 31 March 2019 (31 March 2018: £1,487m). This figure is used for statutory accounting purposes by the Pension Fund and complies with the requirements of IAS 26 Accounting and Reporting by Retirement Benefit Plans. The assumptions underlying the figure are as per the IAS 19 assumptions above.

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

During 2018/19 the Court of Appeal upheld two claims concerning age discrimination within the transitional arrangements of the judges and firefighters pension schemes. The impact of the Court of Appeal rulings would be to increase the pension liabilities of both schemes. The Government is considering whether to seek leave to appeal the judgements to the Supreme Court and it is uncertain as to the outcome of any such appeal. The Local Government Pension Scheme has similar transitional arrangements to the judges and firefighters' schemes. The gross pension liability of £1,676m takes account of the two rulings.

Total contribution rate

The table below shows the minimum total contribution rates, expressed as a percentage of pensionable pay, which was applied to the 2018/19 accounting period:

Scheduled Bodies	Rate %	Admitted Bodies	Rate %
Barking College	25.3	Aspens	31.3
Dorothy Barely Academy	18.7	B&D Citizen's Advice Bureau	43.0
Eastbury Academy	23.6	BD Corporate Cleaning	27.8
Elutec	20.0	BD Schools Improvement Partnership	27.7
Goresbrook Free School	15.6	BD Together	27.8
Greatfields Free School	23.5	Be First	27.0
James Cambell Academy	22.8	Cleantech	28.1
LBBD	23.5	Elevate East London LLP	21.3
Partnership Learning	21.9	Laing O'Rourke	28.1
Riverside Bridge	17.7	Lewis and Graves	23.5
Riverside Free School	17.6	Schools Offices Services Ltd	24.4
Riverside School	17.3	Sports Leisure Management	22.2
St Margarets Academy	23.0	The Broadway Theatre	31.1
Sydney Russell	20.5	Town and Country Cleaners	24.7
Thames View Infants Academy	18.1		
Thames View Junior Academy	20.0		
University of East London	28.6		
Warren Academy	24.4		

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

21. 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. There were no transfers between levels during 2018/19.

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 £834.6m**

Level 2
Financial instruments at Level 2 are those where quoted market prices are not available, for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques use inputs that are based significantly on observable market data. For the Fund these investments includes pooled property holdings, the Fund's absolute return manager Newton, where some of the assets, although liquid, do not readily have a market value. The Fund did not hold any Level 2 investments as at 31 March 2019.

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 £207.4m.**

Asset Valuation Hierarchy and Basis of Valuation

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs
Fixed Income Unit Trusts	Level 1	Published bid market price ruling on the final day of the accounting period	Not required
Equity Unit Trust	Level 1	Market value based on current yields	Not required
Absolute Return Funds	Level 1	Closing bid value on published exchanges	Not required
Property Unit Trust	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis
Other Investment - Infrastructure	Level 3	Enterprise value (EV) / Earnings Before Interest, Taxes, Depreciation & Amortisation (EBITDA) as their valuation methodology, using a basket of public and transaction comparables.	EV / EBITDA
Other Investment - Private Equity	Level 3	Enterprise value (EV) / Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA) as their valuation methodology, using a basket of public and transaction comparables.	EV / EBITDA
Other Investment - Hedge Funds	Level 3	Underlying assets are publicly traded securities (equities, bonds) where pricing is readily available from	Valuations are affected by any changes to the value of the financial

		providers such as Bloomberg or Reuters.	instrument being hedged against.

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2019.

Description of asset	Assessed valuation range	Value at 31 March 2019	Value on Increase	Value on Decrease
	%	£000s	£000s	£000s
Property Unit Trust	10	64,151	70,566	57,736
Other Investment - Infrastructure	15	74,419	81,861	63,256
Other Investment - Private Equity	15	34,714	38,185	29,507
Other Investment - Hedge Funds	15	34,068	37,475	28,958
		207,352	228,087	179,457

The potential movement of 10% for Property Unit Trusts represents a combination of the following factors, which could all move independently in different directions:

- Rental increases +/- 4%
- Vacancy levels +/- 2%
- Market prices +/- 3%
- Discount rates +/-1%

All movements in the assessed valuation range derive from changes in the underlying profitability of component companies, the range in the potential movement of 15% is caused by how this profitability is measured since different methods (listed in the first table of Note 21 above) produce different price results

22. Events after the Reporting Period

None

23. 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 **£751.1k** (2017/18: £658.2k) are charged by the Council.

24. Contingent Asset and liabilities

As at 31 March 2019 there were no contingent assets or liabilities.

25. Compensation of key management personnel

Compensation of key management personnel, including members of the Pension Committee, the Chief Operating Officer, the Director of Finance, the Investment Fund Manager, Pension Fund Accountant and Senior Treasury Accountant, charged to the Fund are provided below:

	2017/18	**2018/19**
	£000	**£000**

Short Term employee benefits	243.0	**231.7**
Total	243.0	**231.7**

26. 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	Designated as fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost	**Designated as fair value through profit and loss**	**Financial assets at amortised cost**	**Financial liabilities at amortised cost**
		2017/18			**2018/19**	
	£000	£000	£000	**£000**	**£000**	**£000**
Pooled Fixed Income Unit Trusts	102,393	-	-	**100,688**	**-**	**-**
Equities	511,615	-	-	**552,304**	**-**	**-**
Property Unit Trusts	63,663	-	-	**64,151**	**-**	**-**
Cash		1,707	-		**8,620**	**-**
Other investments	288,318	-	-	**315,938**	**-**	**-**
Total Financial Assets	965,989	1,707	-	**1,033,081**	**8,620**	**-**
Financial Assets - Debtors		1,590	-			**825**
Financial liabilities - Creditors		-	(910)			**(20,624)**
Total Net Assets	965,989	3,297	(910)	**1,033,081**	**8,620**	**(19,799)**

27. Nature and extent of risks arising from Financial Instruments

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

- **Market risk** – the possibility that financial loss might arise from the Fund's as a result of changes in such measures as interest rates or stock market movements;
- **Interest rate risk** – the risk that interest rates may rise/fall above expectations;
- **Credit risk** - the risk that other parties may fail to pay amounts due;
- **Liquidity risk** – the risk that the Fund may not have funds available to 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 Committee. Risk management policies have been established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Risk and risk management

Market risk

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

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

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

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

Other price risk

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

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

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

Other price risk - sensitivity analysis

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

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix. The Council has determined that the following movements in market price risk are reasonably possible for the 2018/19 reporting period.

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

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

Asset Type	**Value as at 31 March 2019 £000**	**% Change**	**Value on Increase £000**	**Value on Decrease £000**
Pooled Fixed Interest Securities	**100,688**	**4.52**	**105,240**	**96,137**
Pooled Equity Investments	**552,304**	**10.01**	**607,590**	**497,018**
Pooled Property	**64,150**	**2.32**	**65,639**	**62,663**
Pooled Absolute Return	**172,455**	**3.92**	**179,215**	**165,695**
Infrastructure	**74,419**	**3.92**	**77,336**	**71,502**
Other Investments	**69,064**	**3.92**	**71,771**	**66,356**
Cash	**8,621**	**0.01**	**8,623**	**8,619**
Total	**1,041,701**		**1,115,414**	**967,990**

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

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 2018 and 31 March 2019 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 2018 £000	**As at 31 March 2019 £000**
Cash and cash equivalent	1,707	**8,621**
Fixed interest securities	102,393	**100,688**
Total	104,100	**109,309**

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 BPS 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 2019**	**Change in year in the net assets available to pay benefits**	
		+100 BPS	**-100 BPS**
	£000	**£000**	**£000**
Cash and cash equivalent	**8,621**	**86**	**(86)**
Fixed interest securities	**100,688**	**1,007**	**(1,007)**
Total	**109,309**	**1,093**	**(1,093)**

Asset type	Carrying amount as at 31 March 2018	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
Cash and cash equivalent	1,707	17	(17)
Fixed interest securities	102,393	1,024	(1,024)
Total	104,100	1,041	(1,041)

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 Committee 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 2019 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.

28. London Borough of Barking and Dagenham (LBBD)

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 **£751.1k** (2017/18 £748.0k) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Fund and contributed **£23.6m** to the Fund in 2018/19 (2017/18 £23.8m). All monies owing to and due from the Fund were paid in year.

In 2018/19 the Council prepaid two-years' worth of employer contributions, totalling **£40.0m**. As at 31 March 2019 one-year worth of prepaid employer's contribution remained, totalling **£20.0m,** with the Fund and this has been included as a prepayment in the Fund's debtors.

Group Accounts

for the year ended 31st March 2019

INTRODUCTION

The Code of Practice requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their own single entity financial statements, unless their interest is not considered material.

The Council has interests in a number of companies that are wholly owned. Details of the companies considered for consolidation are summarised below.

These Group Accounts have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The accounting policies of its subsidiaries have been aligned with the policies of the Council, for the purposes of Group Accounts, where materially different.

The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with the Companies. Notes to the group accounts have been included where the relevant values and/or impact on the group statements are material.

The following pages show:

- Basis of Identification of the Group Boundary
- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Cash Flow Statement
- Group Movement in Reserves Statement
- Notes to the Group Accounts

BASIS OF IDENTIFICATION OF THE GROUP BOUNDARY

In its preparation of these Group Accounts, the Council has considered its relationship with entities that fall into the following categories:

- Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.

- Joint Venture – where the Council has joint control of a separate legal entity. Joint control exists when a contractual agreement requires unanimous consent from control-sharing parties for decisions made about relevant activities. These entities are equity accounted in the group accounts.

- Other entities– where the Council does not have significant influence or control in an entity, that entity is not consolidated in the group accounts.

SUBSIDIARIES

The following wholly-owned subsidiaries have been consolidated within the Group Accounts:

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

Barking and Dagenham Reside Ltd

This provides 477 affordable rented properties in the Barking area. The properties are based at the Eastern End of Thames View and William Street Quarter and rents range from 50% - 80% of market rent.

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

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

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

Barking and Dagenham Reside Abbey Roding LLP
Barking and Dagenham Abbey Roding LLP is a partnership which is 99% owned by the Council. It provides 144 affordable rented properties in Abbey Road in Barking, at 80% of market rent.

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

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

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

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

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

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

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

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

Joint Venture

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

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/18 Gross Expenditure £'000	2017/18 Gross Income £'000	2017/18 Net Expenditure £'000		2018/19 Gross Expenditure £'000	2018/19 Gross Income £'000	2018/19 Net Expenditure £'000
31,519	(20,320)	11,199	SDI COMMISSIONING	27,522	(18,424)	9,098
12,056	(4,458)	7,598	CORE	11,911	(2,659)	9,252
129,213	(144,500)	(15,287)	CENTRAL	207,474	(168,385)	39,089
22,562	(10,244)	12,318	EDUCATION, YOUTH & CHILDCARE	30,742	(10,058)	20,684
266,382	(267,829)	(1,447)	DEDICATED SCHOOLS GRANT	291,599	(289,744)	1,855
10,129	(9,929)	200	LAW, GOVERNANCE & HR	11,798	(13,240)	(1,442)
79,621	(109,364)	(29,743)	HOUSING REVENUE ACCOUNT - HRA	91,388	(106,647)	(15,259)
4,751	(1,677)	3,074	POLICY & PARTICIPATION	5,495	(2,606)	2,889
109,733	(31,710)	78,023	CARE & SUPPORT	118,521	(39,587)	78,934
4,676	(4,317)	359	INCLUSIVE GROWTH	9,527	(9,356)	171
41,513	(26,325)	15,188	COMMUNITY SOLUTIONS	43,844	(29,321)	14,523
28,624	(7,314)	21,310	MY PLACE	32,954	(9,785)	23,169
11,694	(1,420)	10,274	CONTRACTED SERVICES	8,442	(1,266)	7,176
752,472	**(639,407)**	**113,065**	**COST OF SERVICES**	**891,217**	**(701,078)**	**190,139**
		71,318	Other Operating Expenditure			(248)
		33,121	Financing and Investment Income and Expenditure			24,210
		(191,894)	Taxation and Non-Specific Grant Income			(182,032)
		25,610	(Surplus)/Deficit on Provision of Services			**32,069**
		1	Corporation Tax on Group Trading Activity			173
		25,611	Group (Surplus)/Deficit			32,242
		(467,814)	Surplus on Revaluation of PPE and Heritage Assets			(80,851)
		(26,281)	Remeasurements of the Net Pensions Defined Benefit Liability			80,702
		(468,485)	Total Comprehensive Income and Expenditure			**32,093**

GROUP ACCOUNTS MOVEMENT IN RESERVES

This statement shows the movement in the year on the different reserves held, analysed into 'usable reserves' (that is, those that can be applied to fund expenditure or reduce local taxation) and other rese
The adjustments are made in the Group's Movement in Reserves Statement in order to reconcile the General Fund balance back to its Council position prior to funding basis adjustments being made.

	Council's GF	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total Council's Usable Reserves	Council's Unusable Reserves	Total Council's Reserves	Council's Share of Reserves of Subsidiaries	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2017	**70,881**	**19,627**	**22,588**	**74,027**	**1,000**	**188,123**	**1,067,068**	**1,255,191**	**95**	**1,255,286**
Movement in reserves during 2017/18								**0**		
Surplus or Deficit on the Provision of Services	(62,173)	38,289	0	0	0	(23,884)		**(23,884)**	(1,727)	(25,611)
Other Comprehensive Income	0	0	0	0	0	0	494,096	**494,096**	0	494,096
Total Comprehensive Income and Expenditure	**(62,173)**	**38,289**	**0**	**0**	**0**	**(23,884)**	**494,096**	**470,212**	**(1,727)**	**468,485**
Adjustments between council accounts and group accounts	(162)	0	0	0	0	(162)	0	**(162)**	162	0
Increase/(Decrease) in 2017/18 before Transfers	**(62,335)**	**38,289**	**0**	**0**	**0**	**(24,046)**	**494,096**	**470,050**	**(1,565)**	**468,485**
Adjustments between accounting basis & funding basis under regulations	65,601	(42,068)	8,136	1,787	(688)	32,768	(32,768)	**0**	0	0
Increase/Decrease (movement) in Year	3,266	(3,779)	8,136	1,787	(688)	8,722	461,328	470,050	(1,565)	468,485
Balance at 31 March 2018	**74,147**	**15,848**	**30,724**	**75,814**	**312**	**196,845**	**1,528,396**	**1,725,241**	**(1,470)**	**1,723,771**
Movement in reserves during 2018/19										
Surplus or Deficit on the Provision of Services	(45,165)	20,107	0	0	0	(25,058)	150	(24,908)	(7,161)	(32,069)
Other Comprehensive Income	(24)					(24)		(24)		(24)
Total Comprehensive Income and Expenditure	**(45,189)**	**20,107**	**0**	**0**	**0**	**(25,082)**	**150**	**(24,932)**	**(7,161)**	**(32,093)**
Adjustments between council accounts and group accounts	(3,856)	0	0	0	0	(3,856)	0	**(3,856)**	3,856	0
Increase/(Decrease) in 2018/19 before Transfers	**(49,045)**	**20,107**	**0**	**0**	**0**	**(28,938)**	**150**	**(28,788)**	**(3,305)**	**(32,093)**
Adjustments between accounting basis & funding basis under regulations	49,131	(19,110)	350	(42,741)	(78)	(12,448)	12,448	**0**	0	0
Increase/Decrease (movement) in Year	**86**	**997**	**350**	**(42,741)**	**(78)**	**(41,386)**	**12,598**	**(28,788)**	**(3,305)**	**(32,093)**
Balance at 31 March 2019	**74,233**	**16,845**	**31,074**	**33,073**	**234**	**155,459**	**1,540,994**	**1,696,453**	**(4,775)**	**1,691,678**

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GROUP ACCOUNTS – BALANCE SHEET

31 March 2018 £'000		Note	31 March 2019 £'000
2,569,713	Property, Plant and Equipment	G3	2,756,672
6,622	Heritage Assets		6,689
61,606	Investment Properties	G4	86,810
6,950	Intangible Assets		8,527
186,983	Long Term Investments	G5	215,740
74,644	Long Term Receivables	G5	39,202
2,906,518	**Long Term Assets**		**3,113,640**
17,588	Short Term Investments	G5	63,100
2,784	Assets Held for Sale		2,500
24,653	Inventories	G6	412
94,969	Short Term Receivables	G5	136,665
12,747	Cash and Cash Equivalents	G5	19,138
152,741	**Current Assets**		**221,815**
0	Cash and Cash Equivalents Overdrawn		0
(46,000)	Short Term Borrowing	G5	(100,987)
(99,839)	Short Term Payables	G5	(81,270)
(406)	Revenue Grant Receipts in advance		(6,678)
(526)	Short-Term Provisions		0
(146,772)	**Current Liabilities**		**(188,935)**
(9,868)	Long Term Provisions		(14,247)
(595,146)	Long Term Borrowing	G5	(746,613)
(443,240)	Pensions Liability		(557,010)
(140,463)	Long Term Creditors	G5	(136,567)
0	Revenue Grants Receipts in Advance		(406)
(1,188,717)	Long Term Liabilities		(1,454,842)
1,723,771	Net Assets		**1,691,678**
195,375	Usable Reserves		150,684
1,528,396	Unusable Reserves		1,540,994
1,723,771	**Total Reserves**		**1,691,678**

2017/18 £000		Note	2018/19 £000
(25,610)	**Net Surplus or (Deficit) on the Provision of Services**		**(32,069)**
102,071	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements	G7	105,684
(79,353)	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	G7	(64,660)
(2,891)	**Net Cash Flows from Operating Activities**		**8,955**
(83,349)	Investing Activities	G8	(207,208)
96,157	Financing Activities	G9	204,644
9,917	Net Increase or Decrease in Cash and Cash Equivalents		6,390
2,830	Cash and Cash Equivalents at the beginning of the Reporting Period		12,747
12,747	**Cash and Cash Equivalents at the end of the Reporting Period**		**19,138**

G1. ACCOUNTING POLICIES OF CONSOLIDATED SUBSIDIARIES

The Group Financial Statements summarise the Council's and its Group's transactions for the 2018/19 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS).

Notes to the Group Financial Statements have been presented where the figures are materially different from those of the Council entity accounts. Where there are no material differences, the Notes to the Council entity accounts provide the required disclosures.

Accounting policies of the individual members of the Group have been aligned to the Council's accounting policies. The accounting policies applied to the Group Financial Statements are consistent with those set out in Note 37 to the Council entity accounts, with additional policies specific to the Group set out below.

Revenue
Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the conditions are satisfied:

- the amount of revenue can be measured reliably
- it is probable that the Company will receive the consideration due under the contract
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably

Taxation
Tax on the profit or loss for the year comprising current and deferred tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs, which comprise direct production costs, are based on the method most appropriate to the type of inventory class. Net realisable value is based on the estimated selling price less any estimated completion or selling costs. When inventories are sold, the carrying amount of those inventories are recognised as an expense (and cost of sales) in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs.

Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty
Details of the nature of assumptions and material estimates are disclosed in the single entity Note 33. The carrying values of estimates are disclosed in the Group PPE Note G3 and Group Investment Property in Note G4.

International Financial Reporting Standards (IFRS)
The Council produces its financial statements in accordance with IFRS. Where UK GAAP is still being used by group entities, their financial statements are adjusted to reflect IFRS where any changes have a material effect on the presentation of the group financial statements.

IFRS 15 – Revenue from Contracts with Customers
The entities adopted IFRS 15 using the modified retrospective method of adoption. There has been no effect on the current year's financial statements as a result of adopting IFRS15, as the service is provided by the entities and consumed by the customer simultaneously.

G2. CONSOLIDATION METHOD

In preparing Group Accounts, like items of assets, liabilities, reserves, income and expenses are added together line by line to combine the financial statements of the reporting authority and its subsidiaries.

G3. GROUP PROPERTY PLANT & EQUIPMENT (PPE)

Financial Year 2018/19

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 2018	**1,156,867**	**1,196,665**	**33,121**	**193,744**	**10,586**	**66,236**	**31,248**	**2,688,467**	**152,434**
Additions	53,806	23,920	3,461	9,369	3,595	123,357	-	217,508	1,538
Donations	-	-	-	-	-	-	-	-	-
Revaluations recognised in the Revaluation Reserve - RR	43,481	(81,817)	-	-	85,995	-	-	47,659	-
Revaluations recognised in the Provision of Services - CAA	(26,551)	(29,525)	-	-	7,223	-	(884)	(49,737)	(13,131)
De-recognition due to disposals	(14,155)	(1,003)	(1,513)	-	-	-	-	(16,671)	-
Transfer to subsidiary	-	-	-	-	-	-	-	-	-
Reclassifications to other assets	40,358	20,199	1,163	-	2,546	(54,817)	1,789	11,238	-
Cost or Valuation at 31 March 2019	**1,253,806**	**1,128,439**	**36,232**	**203,113**	**109,945**	**134,776**	**32,153**	**2,898,463**	**140,841**
	-	-	-	-	-	-	-	-	-
Accumulated Depreciation at 1 April 2018	-	(3,071)	(28,934)	(86,588)	-	-	-	(118,593)	-
Depreciation charge	(15,933)	(20,038)	(1,724)	(10,062)	-	-	-	(47,757)	(2,955)
Depreciation written out to the Provision of Services	7,455	1,909	-	-	-	-	-	9,364	2,955
Depreciation written out to the Revaluation Reserve	8,478	18,422	-	-	-	-	-	26,900	-
Reclassifications to other assets	-	-	-	-	-	(10,952)	-	(10,952)	-
De-recognition due to disposals	(1,662)	-	908	-	-	-	-	(754)	-
Accumulated Depreciation at 31 March 2019	(1,662)	(2,778)	(29,750)	(96,650)	-	(10,952)	-	(141,792)	-
Net Book Value at: 31 March 2019	**1,252,144**	**1,125,661**	**6,482**	**106,463**	**109,945**	**123,824**	**32,153**	**2,756,672**	**140,841**

Financial Year 2017/18

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 2017	**1,090,982**	**737,341**	**32,486**	**180,488**	**10,597**	**101,346**	**1,860**	**2,155,100**	**49,166**
Additions	69,056	20,202	635	13,256	133	59,791	9,407	172,480	397
Donations	-	-	-	-	-	-	-	-	-
Revaluations recognised in the Revaluation Reserve	(2,842)	436,726	-	-	(7)	-	2,974	436,851	55,157
Revaluations recognised in the Provision of Services	(5,927)	33,613	-	-	(137)	-	(3,721)	23,829	47,714
De-recognition due to disposals	(16,762)	(85,032)	-	-	-	-	-	(101,794)	-
Transfer to subsidiary	-	-	-	-	-	-	-	-	-
Reclassifications to other assets	22,359	53,815	-	-	-	(94,901)	20,727	2,000	-
Cost or Valuation at 31 March 2018	**1,156,867**	**1,196,665**	**33,121**	**193,744**	**10,586**	**66,236**	**31,248**	**2,688,467**	**152,434**
	-	-	-	-	-	-	-	-	-
Accumulated Depreciation at 1 April 2017	-	(6,041)	(26,386)	(77,189)	-	-	-	(109,777)	-
Depreciation charge	(14,997)	(14,142)	(2,548)	(9,399)	-	-	-	(41,086)	(1,002)
Depreciation written out to the Provision of Services	5,130	3,777	-	-	-	-	86	8,993	1,002
Depreciation written out to the Revaluation Reserve	9,867	13,250	-	-	-	-	-	23,117	-
Reclassifications to other assets	-	86	-	-	-	-	(87)	(1)	-
De-recognition due to disposals	-	-	-	-	-	-	-	-	-
Accumulated Depreciation at 31 March 2018	(0)	(3,070)	(28,934)	(86,588)	-	-	(1)	(118,754)	-
Net Book Value at: 31 March 2018	**1,156,867**	**1,193,595**	**4,187**	**107,156**	**10,586**	**66,236**	**31,247**	**2,569,713**	**152,434**

G4. GROUP INVESTMENT PROPERTIES

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

2017/18 £000		2018/19 £000
65,673	Balance at start of the year	61,606
69	Additions	6
0	Disposals	(1,256)
(2,000)	Reclassifications	24,746
(2,135)	Net gains/(losses) from fair value adjustments/revaluations	1,707
61,606	Balance at end of the year	**86,810**

G5. GROUP FINANCIAL INSTRUMENTS

Financial instruments are recognised on the Balance Sheet when they are becomes contractually binding. They are classified based on the business model for holding the instruments and their expected cash flow characteristics. Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise. Subsidiaries' financial instruments (financial liabilities or assets) are with the Council and eliminated on consolidation. The only material instrument within subsidiary accounts not eliminated on consolidation is lease liabilities (disclosed in Note G5), attributable to a lease liability of £82.8m reported by Reside Ltd (£83.2m in 2017/18). All other material types of instrument within the group are predominately disclosed in the Council's single entity accounts and IFRS 7 disclosure requirements in respect of those instruments are included in Note 7 in the single entity.

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

Group Long Term 2017/18 £000	Group Short Term 2017/18 £000		Group Long Term 2018/19 £000	Group Short Term 2018/19 £000
		Financial Assets at Amortised Cost		
186,983	17,588	**Investments**	215,740	63,100
0	12,747	**Cash and Cash Equivalents**	0	19,138
		Debtors		
74,644	93,135	Debtors as per Balance Sheet	39,202	134,438
0	1,834	Accrued Interest Receivable	0	2,227
74,644	**94,969**	**Total Debtors**	**39,202**	**136,665**
0	(37,452)	Adjustments for statutory debtors - not qualifying as financ	0	(65,984)
74,644	57,517	Total debtors qualifying as Financial Assets at Amortised Co	39,202	70,681
261,627	**87,852**	**Total Financial Assets**	**254,942**	**152,919**
		Financial Liabilities at Amortised Cost		
595,146	46,000	**Borrowings**	746,613	100,987
		Creditors		
130,527	3,053	PFI and finance lease liabilities (see table below)	219,429	2,703
-	93,380	Creditors as per Balance Sheet	-	74,118
-	3,407	Accrued Interest Payable	-	4,448
-	(24,081)	Adjustments for statutory short term creditors (not qualify	-	(24,645)
130,527	75,758	Total creditors qualifying as financial liabilities at amortise	219,429	56,623
725,673	**121,758**	**Total Financial Liabilities**	**966,042**	**157,610**

Further details on the Council's policies for valuations of financial instruments are provided in Note 11 of the single entity accounts

Analysis of Group Finance Lease Liabilities

The analysis below includes long term lease liability of Reside Ltd which is consolidated in the amount shown in the table below. Details of the council's lease payments and liabilities are provided in the note 27 of the single entity accounts.

Long Term 2017/18 £000	Short Term 2017/18 £000		Long Term 2018/19 £000	Short Term 2018/19 £000
47,610	3,053	PFI Liabilities	45,910	2,800
92,853	-	Finance Lease Liabilities*	173,519	-
140,463	**3,053**		**219,429**	**2,800**

**£82.8m in 2018/19 (£83.2m in 2017/18) long term liability attributable to Reside Ltd are included in the group figure*

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G6. GROUP INVENTORIES

The following table summarises the movement in the group inventories at the end of the year:

2018/19	Consumables £000	Residential Property Inventory £000	Total £000
Carrying value at the start of the year	478	24,174	24,653
Purchases	0	6,853	6,853
	478	**31,027**	**31,506**
Recognised as expenses	(65)	(30,284)	(30,349)
Written off	0	(744)	(744)
Carrying value at end of the year	**413**	**(1)**	**412**

2017/18	Consumables £000	Residential Property Inventory £000	Total £000
Carrying value at the start of the year	510	10,691	11,201
Purchases	1	13,639	13,640
	511	**24,330**	**24,841**
Recognised as expenses	(33)	0	(33)
Written off	0	(156)	(156)
Carrying value at end of the year	**478**	**24,174**	**24,653**

G7 NET CASH FLOW FROM OPERATING ACTIVITIES

2017/18 £000		2018/19 £000
(25,610)	**Net (Deficit) on the Provision of Services**	**(32,069)**
	Adjust net surplus or deficit on the provision of services for non cash movements	
(41,086)	Depreciation	(47,757)
28,641	Impairment and downward valuations	62,789
(1,954)	Amortisation	(2,095)
3,054	Increase/(Decrease) in Interest Creditors	1,040
4,981	Increase/(Decrease) in Creditors	(68,981)
(1,554)	(Increase)/Decrease in Interest and Dividend Debtors	(552)
(7,362)	(Increase)/Decrease in Debtors	118,880
(13,661)	(Increase)/Decrease in Inventories	24,039
28,177	Movement in Pension Liability	33,069
1,720	Contributions to/(from) Provisions	661
104,281	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(17,020)
(3,166)	Other non-cash items	1,597
1	Taxation	15
102,071	**Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities**	**105,684**
(40,388)	Capital Grants credited to surplus or deficit on the provision of services	(32,748)
(38,965)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(31,912)
(79,353)		**(64,660)**
(2,891)	**Net Cash Flows from Operating Activities**	**8,955**

2017/18 £000		2018/19 £000
3,790	Interest received	8,637
(35,960)	Interest paid	(40,307)
(32,170)	**Net Interest**	**(31,670)**

G8 NET CASH FLOW FROM INVESTING ACTIVITIES

2017/18 £000		2018/19 £000
(172,443)	Purchase of property, plant and equipment, investment property and intangible assets	(236,927)
38,965	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	33,575
(696,192)	Purchase of short-term and long-term investments	(127,704)
705,933	Proceeds from short-term and long-term investments	91,100
40,388	Capital grants received	32,748
(83,349)	Net Cash Flows from Investing Activities	**(207,208)**

G9. NET CASH FLOW FROM FINANCING ACTIVITIES

2017/18 £000		2018/19 £000
302	Council tax and NNDR adjustments	6,539
(3,100)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(2,490)
(376,925)	(Repayment) of short and long-term borrowing	(509,726)
475,880	Cash receipts of short-term and long-term borrowing	716,121
0	Isue of ordinary share capital/capital contribution	(5,800)
96,157	Net Cash Flows from Financing Activities	**204,644**

Annual Governance Statement 2018-19

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

Introduction

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

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

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

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

Principle B - Ensuring openness and comprehensive stakeholder engagement.

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

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

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

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

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

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

There are five Sections in this AGS:

Section1 Sets out the scope of responsibility and the purpose of the governance framework;

Section 2 Describes and assesses the effectiveness of the key elements of the systems and processes that comprise the Council's governance arrangements;

Section 3 Presents an opinion of the level of assurance of the Council's governance arrangements and the effectiveness of the Council's governance arrangements;

Section 4 Sets out any significant governance issues that need to be addressed and how any issues from the previous year's governance statement have been resolved;

Section 5 The Conclusion – a commitment to monitoring implementation for the next AGS review.

Section 1

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

Scope of Responsibility

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

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

The Purpose of the Governance Framework

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

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

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

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

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

Section 2

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

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

a) The Council's Vision and Priorities

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

The understanding that everyone has a part to play in the future of the Borough fuelled the creation of the Borough Manifesto, the Council's aspirational, community-led and community-owned vision for the future of the Borough over the next twenty years. The
Manifesto will be delivered by strengthened local partnerships and new relationships to collaborate and take a place-based approach to overcome our biggest challenges. In order to realise that twenty-year vision by 2037, the Council must first build the foundations and make certain progress by 2022. The Corporate Plan sets out how that journey is started. The foundations in the redesign of the Council have now been created and changes now need to be made to culture, thinking and approach to service delivery, commissioning and partnership working

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

One Borough; one community; no-one left behind

With the priorities being set-out under 4 themes:

Theme 1: A New Kind of Council
Priorities:
1. Build a well-run organisation
2. Ensure relentlessly reliable services
3. Develop place-based partnerships

Theme 2: Empowering People
Priorities:
1. Enable greater independence & protect the most vulnerable
2. Strengthen our services for all
3. Intervene earlier

Theme 3: Inclusive Growth
Priorities:
1. Develop our aspirational and affordable housing offer
2. Shape great places and strong communities through regeneration
3. Encourage enterprise and enable employment

Theme 4: Citizenship and Participation
Priorities:
1. Harness culture and increase opportunity
2. Encourage civic pride and social responsibility
3. Strengthen partnerships, participation and a place-based approach

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

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

The 2018-19 financial year saw continued organisational change and transformation. The Council has made significant progress in moving towards becoming a new kind of council, a commissioning-based organisation based on service blocks that went live in 2017-18. The new structure has four delivery options which include; directly managed services, commissioned services, contracted services, and external suppliers which are all supported by a strategic 'core'.

The Corporate Plan is a key document to ensure the Council has a co-ordinated approach to delivering the vision and priorities and makes the best use of the resources available. The plan sets out 62 Key Accountabilities focused on the Council's priorities, alongside 52 Key Performance Indicators (KPIs) that are monitored as part of a quarterly report to Senior Leadership Team and Cabinet. The Key Accountabilities have been identified in consultation with Cabinet Members and represent projects that are integral to the delivery of the overall priorities and running of the Council. Key Performance Indicators (KPIs) have also been developed to support delivery of our key priorities, as well as monitor performance of frontline services.

The KPI's were revised for 2018/19 in the four-year Corporate Plan 2018-22 as the Council moves further towards delivering services through an outcomes-based commissioning model. The 2018-22 Corporate Plan is available on the Council's website.

b) Our Values

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

- **D**eliver our best every day – and do what we have promised
- **R**espond in a prompt, positive way to our community's needs
- **I**nspire others with our attitudes and actions
- **V**alue people for who they are and what they can do
- **E**ngage with others to improve our resilience and flexibility

c) Performance Management

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

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

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

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

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

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

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

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

Following changes to the Council's constitution in May 2018, the Council's Overview and Scrutiny functions are fulfilled by the Overview and Scrutiny Committee, except for health-related matters which are the responsibility of the Health Scrutiny Committee. The Overview and Scrutiny Committee supports the work of the Cabinet and the Council as a whole by
considering and making recommendations through the scrutiny review process; scrutinising key decisions made by the Cabinet and other decisionmakers; and holding them to account and reviewing matters relating to a wide range of partner organisations.

In 2016-17 a Cabinet portfolio, Corporate Performance and Delivery, was established to look at how the Council is meeting its objectives and where there are areas for improvement. Alongside the Cabinet portfolio for Corporate Performance and Delivery, 2016-17 also saw the introduction of new quarterly performance challenge sessions and monthly 'deep dives'. The quarterly challenge sessions allow for performance to be effectively discussed with the consideration of actions to tackle underperformance. All portfolio holders attend the session and present the performance of the Key Performance Indicators (KPIs) and Key Accountabilities for their portfolios to the Cabinet Member for Corporate Performance & Delivery, the Leader and Chief Executive. Through the monthly 'deep dive' sessions, focus is given to specific areas of concern and used to discuss the reasons for underperformance and what actions are being taken to deliver improvements. These arrangements continued for 2018-19, but with the change in portfolios are being lead by the Cabinet Member for Finance, Performance and Core Services.

d) Council Constitution & Rules and Regulations

The Council's Constitution sets out the roles and responsibilities of officers and Members. It provides details about how decisions are made and who can make them. It also contains the rules for managing the finances and resources effectively. The Council has adopted the strengthened Leader model and, under this model, the Council's executive functions are discharged by the

Cabinet as a collective body, by the Leader of the Council or delegated to officers. It provides clear accountability, effective leadership and decision making to drive forward service delivery. The Assembly retains strategic decision-making powers such as the budget framework.

In addition, the Council has a Health and Wellbeing Board established under the Health and Social Care Act 2012. It is an executive committee with a specific primary duty to encourage those who arrange for the provision of health or social care to work in an integrated manner. Membership is a combination of Cabinet Members and prescribed appointees. The board is a forum where key leaders from the Barking and Dagenham health and social care system work to improve the health and wellbeing of local residents and reduce health inequalities. It has an agreed set of priorities – these are outlined in the Borough's Health and Wellbeing Strategy.

The Council has created a Shareholder Panel as an advisory board to support Cabinet decision making around the Council's role as Shareholder in any Company, wholly or partly owned by the Council. The Panel has the primary aim of managing the Council's shareholder interests in its commercial entities and to ensure the performance of the Companies against agreed Business Plans are satisfactory. The Shareholder Panel provides assurance that all legal Shareholder requirements are fulfilled and through its governance and reporting framework seeks to protect the delivery of the Council's strategic objectives.

Membership of the Shareholder Panel includes Members and Chief Officers and receives quarterly input and performance reports from each of the commercial entities. The Shareholder Panel will periodically report Company performance to Cabinet, with a minimum of one report per Company per annum or as otherwise requested by Cabinet.

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

The Council Constitution continues to be kept under constant review and the Assembly has agreed a number of amendments in May and September 2018 which sees an overhaul of the framework of committee meetings and the scheme of delegation to clarify responsibility for making decisions following significant changes to the Council's senior management structure and revised statutory responsibilities.

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

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

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

e) Risk Management

Risk management is essential for the Council to be effective in realising its priorities and was well embedded within the Council in 2018/19. It promoted innovation in support of strategic objectives - opening the door to the possibility of taking risks to achieve positive outcomes. Proper risk assessment enabled informed decisions about the challenges and risks to be taken and the mitigation of any impacts. It also helped the Council to target its resources to achieve the best possible results with value for money in resources used.

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

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

In January 2012, the Risk Management Policy, Strategy and Framework were revised to be more explicit about Cabinet responsibilities. The strategy stated that 'the Council will maintain a culture of risk awareness across the organisation driven by a 'top down and bottom up' approach and raise the awareness of the need for risk management by all those connected with the delivery of services.' The Audit and Standards Committee is responsible for 'receiving reports and making appropriate recommendations concerning…risk management', as defined in the Council's Scheme of Delegation.

A new Head of Assurance was appointed in January 2019 and is responsible for setting the risk management framework and monitoring the Corporate Risk Register. A fundamental review of risk management is currently underway, and the progress of this review is reported monthly to the Assurance Group.

f) Codes of Conduct

<u>Corporate and Organisation</u>

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

<u>Members Codes of Conduct</u>

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

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

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

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

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

g) Whistleblowing and Members Complaints Process

The Council has a robust whistle blowing procedure which is actively promoted within the Council. The whistleblowing policy was last reviewed and updated in June 2018. Complaints against Members were handled in confidence and according to the strict timetable and procedure set out in the Code of Conduct and Complaints Procedure. There were seven complaints against individual Members, six of these relating to Code of Conduct matters and one relating to a Planning Committee item. One of these complaints resulted in a Standards Hearing and all seven cases are now closed.

The Audit and Standards Committee maintains an ongoing review of complaints made, patterns and outcomes which are considered as a regular business item at each meeting.

h) Training and Development

<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.

The Member Development Programme

The Council has a Member Development Programme based around the key priorities identified by Members and senior officers. In addition, the Member Development Group (which includes nine Members) meets quarterly to review member training needs, and officers review requirements with the Organisation and Member Development Officer. The Members Role Profiles list the knowledge and skill requirements for different positions and expected areas of learning and development.

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

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

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

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

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

i) Communication and Engagement

The Council published numerous documents on its website as well as providing a media service to engage with and inform members of the public. Consultation exercises were publicised and enabled via the website, as well as through more traditional routes such as surveys and focus groups.

The Council also publishes an online newsletter 'One Borough' carrying news, events and jobs as well as having a presence on numerous social media platforms including Facebook, Twitter You Tube and Instagram.

j) Partnerships

In addition to the executive functions of the Health and Wellbeing Board, the Council utilises partnership boards, which are aligned to the Borough manifesto targets and the priorities set out in the corporate plan. The partnership boards each have their own plans, identifying their aims to deliver these priorities and contribute to delivering the vision for the Borough. They are responsible for monitoring performance, ensuring appropriate partnership representation and where relevant meeting legislative requirements. These boards are:

Health and Wellbeing Board – The Health Wellbeing Board brings together key health partners in order to deliver the priorities set out in the Health and Wellbeing strategy. It is chaired by the portfolio holder for Health and Social Care and plays a driving role in ensuring residents lead healthy, independent lives and have choice over the care they receive.

The Council has worked with a range of NHS partners, including the Clinical Commissioning Group (CCG) to develop proposals to integrate further health and social care services. Key to this was work through our Integrated Care Partnership which brings together 3 neighbouring local authorities, 3 Clinical commissioning Groups and 2 NHS provider Trusts. As part of the devolution "ask" for London a proposal for an accountable care system has been put forward.

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

Through the Community Safety Partnership the Council together with the other 'responsible authorities' (NHS, Police, Probation, LFCDA, MOPAC) discharged its responsibilities for reducing crime and disorder and making Barking and Dagenham a safer and stronger community.

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

k) The Borough Manifesto and the Barking and Dagenham Delivery Partnership

Borough Manifesto

In February 2016, the Council's Independent Growth Commission published its final report, it included 109 recommendations to ensure improvements of outcomes for residents and to capitalise on the Borough's growth opportunities. One such recommendation was to develop 'a Borough manifesto setting out a shared vision for the Borough and owned by residents, partners and key stakeholders in the Borough'.

Consequently, Council officers began work in partnership with all local stakeholders on the development of '*Barking and Dagenham Together: The Borough Manifesto'*; a shared, place-based, 20-year vision for the Borough, owned and delivered collectively and collaboratively by the Barking and Dagenham Delivery Partnership (BDDP). The Borough Manifesto sets the roadmap of what collectively the Council and partners need to deliver. Progress against the targets will be monitored by the BDDP.

The Manifesto was agreed by Cabinet in July 2017 and launched in the same month at an event hosted by Coventry University London. The launch was well attended by partners and other stakeholders. Partners fully supported the vision and targets set out in the manifesto and spoke about the need for everyone to play their part. The manifesto forms the top layer of the Council's strategic framework which informs all other strategies.

Since the launch, the Cabinet Member for Community Engagement has been engaging residents through roadshows in each ward asking them for their views on the manifesto aspirations and targets.

<u>Barking and Dagenham Delivery Partnership</u>
In parallel with the development of the Manifesto's vision, the Cabinet approved the establishment of the Barking and Dagenham Delivery Partnership (BDDP) in November 2016. The BDDP is comprised of local partners from across the public, private and third sectors, and will collectively be responsible for providing oversight, direction, and leadership in order to achieve the aspirations for the Borough. BDDP meets on a quarterly basis and part of it's role is to monitor and analyse progress towards delivering the Manifesto vision. Progress towards achieving the targets will be publicly reported on an annual basis.

Work is also underway to develop the partnership in order to enable it to deliver effectively. *Lankelly Chase Foundation* have funded Collaborate CIC to work with LBBD and in particular explore effective partnership working in Barking and Dagenham. The initial focus is on supporting the development of the delivery partnership with the aim of ensuring partners are working towards shared aims, that those aims are clearly articulated and understood, and that the relationships and infrastructure are ready for new forms of collaboration and place-based working. Developing effective 'place' based collaboration.

I) Schools

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

The Council's role is to champion children and intervene where necessary or alert the regional schools commissioner for academy schools e.g. where there are concerns about performance or safeguarding.

The November 2014 Ofsted inspection of the local authority confirmed that the Council knows the strengths and weaknesses of governing bodies well.

The quality and performance of schools and governance has improved year on year in the Borough and, as of March 2019, nearly 90% of schools are judged 'Good' or 'Outstanding' by Ofsted. This is above the national average. Governance and leadership arrangements are a key part of this judgment.

m) Counter Fraud

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

n) Audit Committee

One function of the Audit and Standards Committee is to oversee and improve the Council's governance and regulation, assurance and risk management, fraud and corruption prevention, performance and compliance, sound financial management to achieve value for money and transparency and open government. The Audit and Standards Committee took over this function from the Public Accounts and Audit Select Committee in June 2018 and functions with broader terms of reference including standards and governance.

o) Information Governance

Annually each spring an Information Governance Report is produced for the Audit and Standards Committee by the Chief Operating Officer. Training in information handling is a key priority with professional development of Members and officers an essential requirement, not least as a control mechanism to help prevent data breaches. A revised i-learn 'Data Protection' course has been developed that is mandatory for all staff and managers. The course must be completed annually and it incorporates changes brought about by the GDPR legislation. Completion rates are be monitored and will form part of the staff annual appraisal process and staff are also provided with a link to a number of information governance policies that they must read as this was a recommendation required by the ICO following the audit.

During 2016, the Council recognised the scale of the task of preparing itself for forthcoming legislative changes, in the form of the new General Data Protection Regulation (GDPR) and, as a result, deleted the post of information governance officer and recruited a senior Information Governance Manager. The GDPR is the first major set of changes to the Data Protection Act since 1998, and will place additional responsibilities upon the council. These range from how we give people access to their data to reducing the time period for compliance and the current charging system.

Following an audit of the Council in 2017 by the Office of the Information Commissioner (ICO), work continued in 2018/19 to implement the actions arising from the action plan sent to the Council in September 2017. Information data breaches continue to be reported and investigated internally to ensure that lessons are learnt, the likelihood of breaches is reduced and arising risks are mitigated.

The levels of reported breaches have shown a noticeable increase over the past few years because of greater awareness of the need to report even minor breaches, in part as a result of the annual data protection training which is mandatory for staff. Critical breaches still occur, on average, about twice a year and it is these that are the main focus of the Council's prevention / management activity. One critical case was self-reported to the Office of the Information Commissioner (ICO) in 2016, none in 2017 and 4 in 2018. In all cases the ICO felt that the council took sufficient steps to mitigate, and accordingly no further action was taken.

p) Transformation Programme

In relation to the Transformation programme current governance process operates through regular reporting to Corporate Performance Group (CPG) and Cabinet.

There are many risks and dependencies in relation to achieving the savings from the programme and these are regularly reported through CPG and to the relevant portfolios. In addition, The Transformation Director meets with each Programme Sponsor monthly and each Programme Manager fortnightly to ensure the plan is on track and the financial targets are being achieved. A dashboard is produced containing comments and red, amber, green ratings from the PMO, Finance, the Programme Manager and the relevant Sponsor, ensuring full ownership of the content being reported.

The original budget for the programme was agreed by Cabinet in July 2016. These costs are tracked each month and reported through both CPG monthly and quarterly through Cabinet. The spend remains well within the budget limits set per year. All requests for staffing are put through the workforce governance procedures and procurement rules are followed. Each role is tested against the HMRC IR35 tool and this is then sent to the agency prior to recruitment. A copy is also retained for our records.

Looking forward to 2019-20 work will continue consolidating the programme and ensuring the change is happening across the Council. The success of establishing and embedding cultural change in the organisation is a key consideration for SLT. Work continues to encourage Staff to work differently and create a new relationship with our residents and stakeholders to support them to help themselves and reduce demand where possible. This is a vital objective to avoid overspend and achievement of the forecasted savings.

Section 3

Presents an opinion of the level of effectiveness and assurance of the Council's governance arrangements.

In the light of evidence reviewed in relation to 2018/19 it is confirmed that the Council's governance arrangements are fit for purpose, that the Council's values, ethical standards, laws and regulations are being complied with, that financial statements and other published performance information are accurate & reliable, and that human, financial, environmental and other resources are managed efficiently and effectively.

The Council has embarked on a programme to transform the Borough and how the Council works. To achieve this, the Council will need to be innovative and efficient in-service delivery, adopting commercial practices where the business case supports this approach. The Council recognises that robust governance and embedded risk management processes will be fundamental to underpin the successful delivery of the programme. In addition workforce policies are an essential element to bring about the cultural change required over the next four years. Accordingly, comprehensive programme management arrangements are operating, ensuring that risk management and governance structures continue to be fit for purpose, as part of the organisational change that is proposed and has been implemented. The Council underwent the Investors In People review in spring 2018 and was awarded Silver Status to recognise the progress that has been made since the last assessment.

Review of Effectiveness

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

For this Governance Statement the Strategic, Operational, Commissioning, Service and Transformational Directors were invited to complete standard statements addressing governance issues in their areas. These were collated, with observations and recommendations and presented to the Assurance Group, for their comments and feedback. This ensured that the full span of the Council's management team were consulted.

One of the functions of the Audit and Standards Committee 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.

Audit and Counter Fraud Reports are presented to Audit and Standards Committee periodically to assist it in undertaking these functions.

As part of the Head of Assurance's annual report, an opinion was given on the Council's internal control framework. The Head of Assurance drew upon a wide range of assurance sources to help inform this opinion; including testing of the key controls in the Council's major financial systems and the wider programme of audit and corporate counter fraud work. The Head of Assurance reported the opinion that based on the audit work undertaken their conclusion was that the organisation's control framework is operating generally satisfactory with some improvements required.

It is a statutory requirement that the Council must "undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

The 2018/19 Internal Audit Plan, approved by the Audit and Standards Committee in June 2018, included 28 audits consisting of 27 risk and compliance audits and 1 schools' risk assessment project. 39 audits were delivered, consisting of 23 risk and compliance audits and 16 audits of schools, with reasons for variations in the plan being reported quarterly to the Audit and Standards Committee.

Internal audit work was performed in accordance with the Council's Internal Audit Charter and Strategy in accordance with the Public Sector Internal Audit Standards.

Only one Audit report was issued in 2018/19 as with a "No Assurance" audit opinion, this being the Adoptions audit. The agreed actions that arose from this work were followed-up later in the year and sufficient improvements had been made to internal control to increase the audit opinion to "Reasonable Assurance"

There were a further four audits whereby a "Limited Assurance" audit opinion was given, these are listed below with any high risk findings identified:

- Recruitment
  - Recruiting managers were not always attending training and refresher courses
  - Key documents supporting the recruitment process could not always be located
- Cyber Security

    - Owners of Cyber Security risks did not have sufficient oversight of Cyber Security operations
- My Place BDMS Contract Management
    - There was no Business Continuity Plan in place to ensure that critical services could continue in the event of major disruption.
- Direct Payments
    - Files did not always contain the appropriate legal agreements, supports plans and associated documents.

The Council's Monitoring Officer has a responsibility under the Local Government and Housing Act 1989 to maintain and ensure consistent lawful processes and decision making and that arrangements secure effective and efficient working of the Council, its meetings, committees and working groups with the required officer support. They report that they are not aware of any specific governance concerns for the period.

Complaints

Ombudsman
During the period there were 20 complaints referred to the Council by the Ombudsman and 16 were upheld.

Complaints by the Public
During the period there were 3718 complaints. Of these 2193 were upheld.
This represents a 20% increase in the number of complaints from 2017/18, primarily due to reported missed domestic waste collections for which the Council now always accepts liability.

Section 4

Sets out any significant governance issues that need to be addressed and how any issues from the previous years' governance statement have been resolved.

Previous Year 2017-18

We are pleased to report that for the period of that AGS, no significant governance issues emerged after the AGS was published nor was there any legacy governance issues from the previous period 2016-17. The 2017-18 AGS had identified the following themes:

- Turnover of staff;
- Data Handling (in advance of GDPR); and
- Elevate Joint Venture.

As was observed these concerns can be addressed through improvement in our practices.
Staff retention and turnover has recurred as a theme for 2018-19. Data Handling risks are being effectively managed via compulsory training and the Elevate Joint Venture with Agilisys is due to end by December 2019.

Feedback from Directors for 2018-19

The picture that emerged for the AGS period 2018-19 is of sound governance throughout the organisation. As is the standard practice for this Borough all the Directors and Service Heads were required to complete a Governance Assurance Statement. They were given an opportunity to highlight any specific governance issues/themes these are set out below:

High Needs Budget

The 'High Needs' Budget, which forms part of the Dedicated Schools Grant (DSG), continues to experience severe pressures, resulting from insufficient growth in grant funding over a number of years coupled with increasing and more complex SEND needs in the Borough. This pressure is being felt by many Council's, however, due to LBBD's demographic profile of rapid population growth, the Borough is affected more acutely.

If the new national funding formula were applied in full to the 'High Needs' element of the DSG, the Borough would have had an extra £4m from 2018/19. Instead this is being phased in over 3-4 years and the actual amount awarded for 18/19 was less than £1m. The Council's officers are working with the Schools Forum and are in the 5th year of a programme to manage the pressure and demand in High Needs.

Risk Management

Some Directors reported that risk management was not well developed in their areas of responsibility and that risk registers were not as up to date as they would like them to be. Directors have not received a strong corporate steer in this regard and the risk management strategy has not been updated for some time. The appointment of the Head of Assurance during the AGS period has triggered a review of the Risk Management Framework and this will in time feed through to all Directors and service risk registers.

Mandatory Training

A number of Directors expressed concern over the levels of mandatory training undertaken in their areas of responsibility, although there are in fact very reasonable levels of compliance for the staff mandatory training, with the exception of new mandatory training for Mental Health Awareness. Manager-level training is being followed up with individual managers to increase the level of compliance and achieve 100% by 1 June 2019 which may explain the concern that some Directors have.

<u>Headline Governance Challenges</u>

Staffing

As in previous years there again appears to be pressure in terms of recruitment and retention of specialised staff particularly social workers and legal practitioners. This challenge is not exclusive to the Borough and illustrates the point that unless the overall employment proposition is competitive and attractive the churn inevitably leads to technical skills and organisational knowledge being lost to the organisation. This is particularly is governance issue at the higher levels.

Periods of radical change can be unsettling, and leadership is more essential than ever. The Council currently has silver accreditation from Investors in People' and was recognised by the LGC as 'Council of the Year' in 2018 in relation to the ambitious change programme particularly its design and implementation. Such recognition ensures the council's reputation is evidenced across the sector and will also attract employees. The issue of having sufficient competent well performing staff is key to sound governance. Once experienced staff have left, they may prove to be difficult to replace in times of upheaval and financial uncertainty.

Inclusive Growth Strategy

The Council in the process of producing an Inclusive Growth strategy, setting out the council's goals, positions and commitments in relation to this core area of focus for LBBD. The aim is for this to be agreed by Cabinet towards the end of the year. The strategy will serve the purpose of clarifying where responsibility sits for different functions and objectives relating to inclusive growth. It will also set out the desire role for partners. In addition, the strategy will establish and frame a comprehensive outcomes and performance framework in relation to inclusive growth, encapsulating the wholly owned companies and in-house service blocks that are responsible for delivering on this agenda for LBBD.

Alongside the production of the strategy, the Council are undertaking an inclusive growth 'system review' which aims to resolve significant issues emerging from LBBD's distinctive structure – in particular where the different commissioned entities (whether wholly owned companies or in-house service blocks) interface and interact. This includes issues related to where decisions are taken, where accountability sits and how conflicts are resolved. One of the key governance issues within the area defined by inclusive growth in LBBD relates to planning and specifically the council's responsibilities as the local planning authority whereby a process of codifying these arrangements is underway

Ofsted Inspection of Children's Services

In February the Council was subject to a Standard Inspection under the Ofsted Inspection of Local Authority Children's Service (ILACS) framework. Following initial feedback provided at the conclusion of the inspection the final 'Ofsted Letter' formally setting-out their findings was published on 1st April 2019.

Ofsted determined that services for children in Barking and Dagenham require improvement in all judgement areas, as they did at the last inspection in 2014, although the judgement is consistent with the Council's annual self-evaluation to Ofsted and inspectors did report that strong and effective senior leadership was now in place under the recently appointed Director of Children's Services.

Six specific recommendations were made by Ofsted and in the short amount of time since the report was published, the Council have developed a first draft improvement plan, started to discuss the corporate response to areas for improvement that require a corporate leadership response and outlined an approach that sets out how this will be delivered as part of the wider improvement programme.

Phased Transition of Elevate Services

The Elevate East London LLP (Elevate) joint venture between the Council and Agilisys was formed on 10th December 2010 and at the same time the Council entered into a seven-year contract with Elevate for a range of services including ICT, Revenues and Benefits and Customer Services (B&D Direct), Procurement and Accounts Payable. The contract was extended by 3 years to December 2020 and the decision was made during 2018/19 to end the agreement and transfer services back to the Council in a phased manner.

There is also a requirement to transform the current in-house Core services as well as the services currently being delivered through the Elevate joint venture, to address the structural changes achieved by the successful implementation of Ambition 2020 Transformation Programme and the creation of a new kind of Council.

Whilst a budget of £9.7m to be spent on the proposed exit of the Elevate contract and the implementation of the new operating models for all Core Support Services has been agreed, the decision to reintroduce the services into the Core during a period of continued transformation has created a governance challenge that will continue into the next financial year.

Transformation – Creating a 'New Kind of Council'

LBBD have already made a great deal of progress towards delivering a new kind of council. Municipal entrepreneurialism has been embraced, working with the flexibility of the private sector and the ethos of the public sector and the Council has established wholly owned companies in the areas of sustainable energy, housing and regeneration, home and traded services and school improvement (Barking and Dagenham School Improvement Partnership is owned by the Council and schools). These companies pursue the priorities of the community but, by operating in the private sector, they have independence and the ability to innovate, take risks and do things differently. In-house services have also been transformed, breaking down traditional siloes and rebuilding the organisation to act as an enabling and collaborative council, in doing so creating a structure that is quite different to a traditional Council organisation.

This however marks only the beginning of the transformation and with £48m of savings still to be made by 2021, the New Kind of Council really needs to deliver; improving the life chances and independence of residents, accelerating our growth and becoming financially sustainable. Vital to this success is the performance of the new council-owned companies. By 2022 each of these organisations must be independently delivering the expected outcomes and this is a challenge that has been closely monitored during 2018/19 and will continue to be so moving forward.

Statement of Accounts

The preparation of timely, high quality accounts is a key component of a system of good governance. The Council's external auditors, BDO, reported in their Audit Completion Report that there had been significant challenges to the completion of their work relating to 2018/19, particularly with regard to the completeness and quality of the draft financial statements and supporting working papers. This resulted in additional audit testing being necessary and significant changes to the draft financial statements. BDO highlighted significant deficiencies in internal control relevant to the preparation of the statement of accounts and a high volume of errors was identified through multiple iterations of group consolidation working papers. A number of the misstatements were in relation to the previously audited prior year (2017/18) some of which resulted in a prior period adjustment.

2018/19 was the first year of consolidation of the group accounts and the fact that each subsidiary follows a different accounting framework has created an understandably significant challenge for the Council to consolidate all into the Group Accounts.

Significant improvements have been made to internal control in 2019/20 such that the accounts are now reviewed for compliance with the code of practice and all working papers are reconciled to the draft financial statements. Working papers are also reviewed for quality as part of the robust quality assurance process introduced by the Chief Accountant and changes to the working papers have been made making it easier for BDO to select samples from and perform their audit work.

Individual ledgers have been created within Oracle for the Council's subsidiaries to address the dual ledgers set up issue. This has put the Council in a better position going forward to address most of the concerns raised over the consolidated accounts. The Council is also working hard with its subsidiaries to ensure the draft accounts are received in a timely manner. This will ensure sufficient time is set aside for consolidation and reviews effective from 2020/21 onwards. The learning taken from the results of the 2018/19 Group Accounts audit has put the Council on a better footing for the 2019/20 work.

Section 5

The Conclusion – a commitment to monitoring implementation for the next review by the Leader of the Council and the Chief Executive

This statement is intended to provide reasonable assurance. It is based on the evidence available. It is stressed that no system of control can provide absolute assurance, and in a period of transformation and transition to a new delivery model, items may be misstated or be of varying accuracy. As a result, the processes operate to carry out reviews and the forums of Audit and Standards Committee and the Assurance Group receive and monitor performance of the Council's Governance Framework. Looking forward the Council's new Scrutiny arrangements will focus on key risks which will dovetail with the AGS.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and the ongoing work to ensure continuous improvement of the systems is in place.

We look forward to working more closely with our partners and all organisations in the community, public, private and voluntary sectors to strengthen our local communities and increase prosperity. This year sees a period of transition to the Council's traded companies.

Where issues have been identified in preparation of this report we will ensure that they are effectively addressed and we will monitor their improvement as part of the next annual review.

Signed:

Councillor Darren Rodwell
Council Leader
23 October 2020

Signed:

Claire Symonds
Acting Chief Executive
23 October 2020

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. The next actuarial review will be carried out at the end of financial year 2018/19 and the new rates will be applied from April 2020.
Balance Sheet	The Council's balance sheet presents the authority's financial position, i.e., its net resources, at 31 March. The balance sheet is composed of two main balancing parts: its net assets and its total reserves.
Beacon Properties	A sampling technique for valuing the Council's social housing based on the value of properties assuming vacant possession. The Beacon method is used for no other purpose except the special circumstances of the HRA valuation but is an efficient method of arriving at a representative valuation which enables values to be attributed to the whole of the Council's housing stock.
Budget	A forecast of the Council's planned expenditure. The level of the Council Tax is set by reference to detailed revenue budgets. Budgets are reviewed during the financial year to take account of pay and price changes, and other factors affecting the level or cost of services.
Capital Expenditure	Expenditure on the acquisition or enhancement of assets that are of benefit to the Council over a period of more than one year, e.g., buildings and land. Other examples include payments of grants and financial assistance to third parties, and expenditure that is classified as capital following a Ministerial direction, e.g., redundancy costs. (See also REFCUS below).
Capital Adjustment Account	A capital reserve that reflects the difference between the costs of fixed assets consumed and the capital financing set aside to pay for them. This is an accounting reserve which is not backed by cash and does not represent resources available to fund future capital expenditure.
Capital Receipts	Income received from the sale of land, buildings and other capital assets.
Central Support Services	Services that are provided by the administrative and professional service groups that support all the Council's services. They include financial, legal, personnel, IT, property and general administrative support.
Collection Fund	A separate account that discloses the income and expenditure relating to Council Tax and National Non-Domestic Rates. The Fund and the taxes that form its basis have a significant impact on the level of

	resources available to both the Council and its preceptors (e.g., The Greater London Authority).
Community Assets	A class of fixed assets that are expected to be held by the Council in perpetuity. Examples include parks, historic buildings and works of art.
Comprehensive Income & Expenditure Statement	A statement showing the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
Council Tax	A local taxation system used in England, Scotland and Wales. It is a tax on domestic property which was introduced in 1993. Each property is assigned one of eight bands (A to H) based on property value, and the tax is set as a fixed amount for each band. Council Tax is collected by the Council (the collecting authority). However, it may consist of components (precepts) levied and redistributed to other agencies or authorities (each known as a precepting authority, e.g., the Greater London Authority).
Council Tax Base	The number of Band D equivalent dwellings in the Borough. To calculate the Tax Base, the number of dwellings in each Council Tax band is adjusted to take account of any discounts, premiums or exemptions. The resulting figure for each band is then multiplied by its pro-portion relative to Band D (from 6/9 for Band A to 18/9 for Band H) and the total across all eight bands is calculated. The Tax Base is used to determine the level of Council Tax the Council charges each dwelling.
Council Tax Requirement	The amount of money the Council needs to raise from Council Tax to fund annual spending once Government funding and other sources of income are deducted.
Creditors	Amounts owed by the Council to suppliers for goods received or services provided before the end of the accounting period but for which payments have not been made by the end of that accounting period.
Debtors	Amounts owed to the Council for services provided before the end of the accounting period but for which payments have not been received by the end of that accounting period.
Deferred Liabilities	Sums owed to creditors that are not due for payment for at least one year. They are carried as a liability on the balance sheet, alongside other long-term debt obligations, until they are paid.
Defined Benefit Scheme	A type of pension plan in which the employer promises a specified pension payment, lump-sum (or combination thereof) on retirement that is predetermined by a formula based on the employee's earnings

	history, tenure of service and age, rather than depending directly on individual investment returns. A defined benefit plan is 'defined' in the sense that the benefit formula is defined and known in advance. The Council's Pension Scheme offers defined benefits for all its members.
Depreciation	The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.
Earmarked Reserves	Reserves set aside for a specific purpose, particular service or identified risk.
Finance Lease	A funding arrangement where: • The lessee (the Council) will select an asset (e.g., equipment, vehicle, software); • The lessor (typically a finance company) will purchase that asset; • The Council will have use of that asset during the lease and pay rent for it; • The lessor will recover a large part or all of the cost of the asset plus earn interest from the rentals paid by the Council; • The Council may have the option to acquire ownership of the asset at the end of the rental period.
General Fund	The main revenue fund from which the day-to-day costs of most services is met. The Council is required to maintain other Funds, e.g. the Housing Revenue Account, the Collection Fund and the Pension Fund. The accumulated credit balance on the General Fund Reserve is the excess of income over expenditure after adjusting for movements to and from reserves.
Government Grants	Government supports the Council's general revenue expenditure through Revenue Support Grant (RSG), a grant given to local authorities which can be used to finance revenue expenditure on any service. The amount of RSG to be provided to authorities is set out in the annual local government finance settlement. RSG is being phased out and will cease entirely by 2020. In addition, specific Government grants are distributed outside the settlement. The basis of the distribution varies from grant to grant. For non ring- fenced grants there are no restrictions on what Councils can spend the money on. Where a specific grant is ring-fenced the expenditure is controlled to fund a particular service that is a national priority. For example, funding for schools is paid through the Dedicated Schools Grant, administered by the Department for Education.
Gross Expenditure	The total cost of providing the Council's services before deducting income from Government grants, or fees and charges for services.

Heritage Assets	Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of heritage.
Historic Cost	A measure of value used in accounting in which the price of an asset on the Balance Sheet is based on its nominal or original cost as opposed to its current or fair value.
Housing Revenue Account (HRA)	The HRA specifically accounts for spending and income relating to the management and maintenance of the Council-owned housing stock. By law it must be kept separate from other Council accounts. The HRA is self-financing and receives no income and incurs no expenditure through the Council Tax. The main sources of HRA income are rents and charges for services and facilities.
Impairment	The permanent decline in the value of an asset. Impairment of assets is the diminishing in quality, strength, amount, or value of an asset. It is an accounting estimate of changes in value relating to the consumption of assets.
Infrastructure Assets	Assets that provide the platform for economic and social activity in the Borough, for example, roads, bridges and footpaths.
Interest	The amount received or paid for the use of a sum of money when it is invested or borrowed and typically expressed as an annual percentage rate.
Inventories	The amounts of unused or un-consumed goods held in expectation of future use within the following year. Inventory stocks are valued at the end of each financial year and carried forward to be matched to their use or consumption in the following year.
Investment Properties	The Council’s interest in land and/or buildings which are held for their investment potential and rental income, rather than being occupied and used to help deliver services.
Levies	Payments that the Council is required to pay to other bodies. The levying bodies are: • Lee Valley Regional Park Authority • London Pension Fund Authority • East London Waste Authority • Environment Agency
Long Term Debtors	Debtors who are not expected or required to pay what they owe soon. In some cases, by agreement, it may be many years before the Council receives full payment from certain debtors (e.g., deferred receipts, mortgages).
Minimum Revenue Provision	How capital expenditure which is financed by borrowing or credit arrangements is paid for by Council Tax payers. The Council is required each year to set aside some of its revenue income as

	provision for this debt.
Movement in Reserves Statement	A statement showing the movement in the year on the different reserves held by the Council, analysed into ‘Usable Reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘Unusable Reserves’ (e.g. the Capital Adjustment Account; Revaluation Reserve; Pension Reserve).
National Non-Domestic Rates (NNDR)	Non-Domestic Rates, or business rates, collected by the Council are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1st April 2013, authorities keep a proportion of the business rates paid locally. This provides a direct financial incentive for authorities to work with local businesses to create a favourable local environment for growth since authorities will benefit from growth in business rates revenues. The money, together with revenue from Council Tax payers, Revenue Support Grant provided by the Government and certain other sums, is used to pay for the services provided by the Council.
Net Book Value	The amount at which the Council records an asset in its Balance Sheet. Net book value is calculated as the original cost of an asset, minus any accumulated depreciation, accumulated depletion, accumulated amortization, and accumulated impairment.
Net Expenditure	Total gross expenditure less income due to the Council. The Expenditure and Funding Analysis included in the financial statements shows for each of the Council’s services a comparison of the net expenditure and the net charge against Council Tax.
Net Realisable Value (NRV)	The value of an asset that can be realized upon sale or disposal, less a reasonable estimate of the costs associated with either the eventual sale or the disposal of the asset in question. NRV is used to apply generally accepted accounting principles to accounting transactions.
Non-Current Assets	Tangible assets that yield benefits to the Council and the communities it serves for a period of more than one year, e.g., property, plant and equipment
Operating Lease	The rental of an asset from a lessor under terms that do not transfer ownership of the asset to the Council. During the rental period, the Council typically has unrestricted use of the asset, but is responsible for the condition of the asset at the end of the lease, when it is returned to the lessor.
Operational Assets	Long-lived assets held, occupied, used or consumed by the Council in the normal delivery of services. They are not held for resale, investment or disposal.
Past Service Costs	The term used to describe the change in a defined benefit obligation for employee service in prior periods, arising because of changes to plan arrangements in the current period.
Post Balance Sheet Events	Events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts

	is signed.
Precept	A charge made on the Council's Collection Fund by precepting authorities such as the Greater London Authority. The sums paid over to the precepting authorities are collected as part of the annual Council Tax from households in the Borough.
Prior Year Adjustment	If a material error is discovered in a previous year's financial statements that have already been signed off, a prior year adjustment is necessary to correct the error. Also, a note must be included with the financial statements to explain the nature of the error and its impact on the financial performance reported in the affected period.
Private Finance Initiative (PFI)	The private finance initiative (PFI) is a procurement method which uses private sector investment to deliver public sector infrastructure and/or services according to a specification defined by the Council. Because of subsequent changes in accounting conventions, assets acquired under a PFI scheme are now shown on the Balance Sheet.
Provision	An amount set aside for liabilities and losses which are likely to be incurred but where the exact amount and date on which it will arise is uncertain.
Rateable Value	The Valuation Office (an executive agency sponsored by HMRC) assesses the rateable value of individual non-domestic properties. Business rate bills are calculated by multiplying the rateable value by the NNDR poundage set by the Government for the year.
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset. The full cost is charged to the relevant service in the Comprehensive Income & Expenditure Statement but then reversed out through the Movement in Reserves Statement to ensure that there is no effect on the revenue accounts.
Related Party Transaction	The Council is required to disclose material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. Disclosure of these transactions allow readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. 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	The Council's reserves fall into two categories. The 'unearmarked' reserve is the balance on the General Fund. An 'earmarked' reserve is an amount set aside in the Council's accounts for specific purposes.
Revaluation Reserve	A reserve that records unrealised net gains on Council assets arising from periodic revaluations.

Revenue Balances	These reserves represent surplus balances that can be used in the future. Some balances can only be used to meet future expenditure in a particular account, such as the Housing Revenue Account.
Revenue Expenditure	Day-to-day payments on the running of Council services, such as salaries and wages, heating, lighting, transport and charges for the use of assets.
Revenue Support Grant (RSG)	A general grant paid by the Government to Councils towards the costs of services, distributed via a formula. RSG is being phased out, and by 2020 will have been scrapped altogether.
Service Level Agreement (SLA)	Written agreements between providers of Council support services (e.g., Finance, Human Resources) and users. Each SLA specifies the support service to be provided, including timings and frequencies, the charges to be made and the period for which the agreement will run.
Surplus Assets	Assets that are not directly employed, used or consumed in the delivery of services. Examples include investment properties and assets that are surplus to requirements, pending sale, redevelopment or disposal.
Trading Accounts	Accounts that summarise the transactions of those Council services operating on a 'trading' basis and are financed by charges made to recipients of their services.
Transfer Value	A payment made by one pension scheme to another when a member changes employment to enable the receiving pension scheme to fund the member's defined benefits on retirement.
Valuation Band	For the purposes of calculating Council Tax, all domestic properties in the Borough are analysed over eight Valuation Bands as specified in the Local Government Finance Act 1992. In England the Council Tax Valuation Bands are as follows:

Band	Value (relative to 1991 prices)	Ratio	Ratio as %
A	up to £40,000	6/9	67%
B	£40,001 to £52,000	7/9	78%
C	£52,001 to £68,000	8/9	89%
D	£68,001 to £88,000	9/9	100%
E	£88,001 to £120,000	11/9	122%
F	£120,001 to £160,000	13/9	144%
G	£160,001 to £320,000	15/9	167%
H	£320,001 and above	18/9	200%