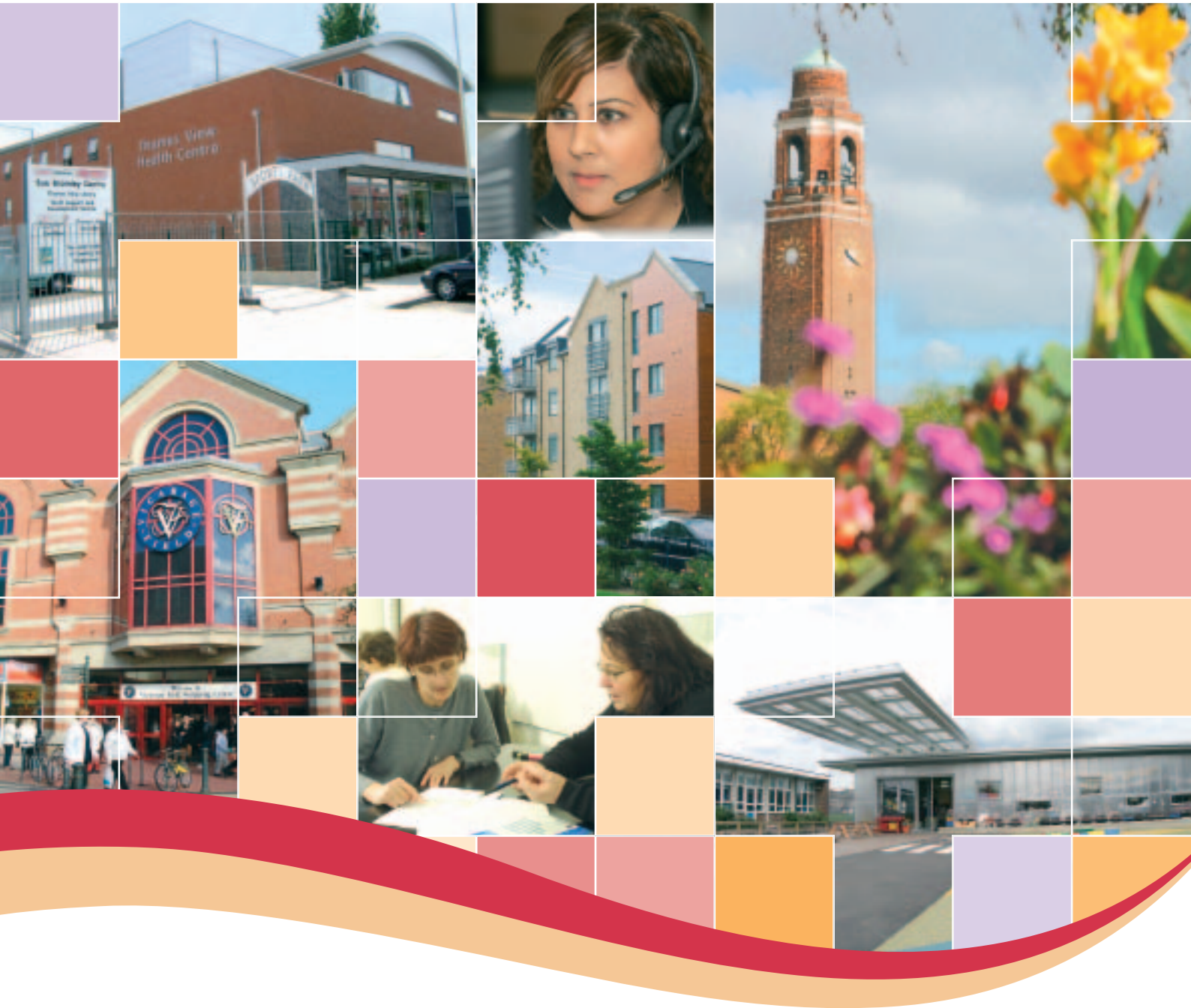


Statement of Accounts 2005/2006





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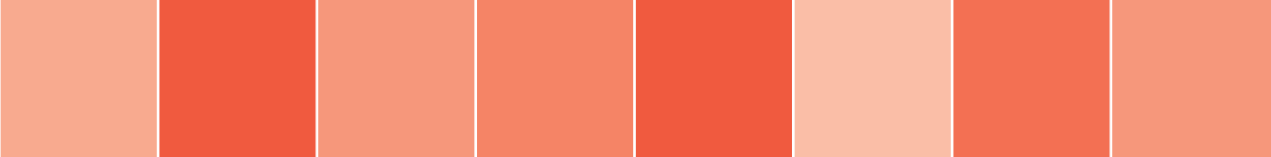
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Glossary of terms



Explanatory forward

Explanatory foreword

This foreword provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main features of the Council's financial position at 31st March 2006.

1. The Accounting Statements

The Council's accounts for the year 2005/2006 consist of:

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• Statement of Responsibilities for Statement of Accounts	(viii)
• The Statement on Internal Control	(x)
• Accounting Policies	1
• The Consolidated Revenue Account:- which sets out income and expenditure on all services.	9
• The Housing Revenue Account:- which shows in detail income and expenditure on Council Housing.	20
• The Collection Fund Account:- which shows the receipt of Council Tax, Business Rates and Government Grants, which are then used to finance services provided by the Council and the Greater London Authority.	25
• The Consolidated Balance Sheet:- which sets out the assets and liabilities of the Council on the 31 st March 2006, excluding the Pension Fund (which is shown separately).	29
• The Statement of Total Movements in Reserves:- which shows the movement to/from reserves in the Council's accounts for 2005/2006.	42
• The Cash Flow Statement:- which shows the movements in cash of the Council's funds for 2005/2006, excluding the Pension Fund and Trust Funds.	44
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2. Revenue Budget

The following table sets out the overall comparison of original estimates and actual expenditure (in millions) on the day to day running costs of services for the area and shows where the money comes from.

	Budget Original	Budget Revised	Actual	Variation Revised vs Actual
	£m	£m	£m	£m
<u>Money Spent</u>				
Barking & Dagenham Council				
Spending on Services:-				
• Education	135.5	134.5	134.5	0.0
• Social Services	71.3	71.9	71.9	0.0
• Other Services	22.6	27.5	25.3	(2.2)
	229.4	233.9	231.7	(2.2)
Levyng Authorities				
• East London Waste Authority	5.5	5.5	5.5	0.0
• Lee Valley Regional Park Authority	0.2	0.2	0.2	0.0
• Environmental Agency	0.1	0.1	0.1	0.0
• London Pensions Fund Authority	0.1	0.1	0.1	0.0
	235.3	239.8	237.6	(2.2)
Precepting Authorities				
• Greater London Authority	12.9	12.9	12.9	0.0
	248.2	252.7	250.5	(2.2)
Total Money Spent				
Net Contribution from Reserves				
• Schools' Balances	0.0	1.1	1.1	0.0
• Specific Reserves	(1.2)	(3.0)	(3.0)	0.0
• General Reserves	(1.8)	(5.6)	(3.4)	2.2
	245.2	245.2	245.2	0.0
<u>Where the Money Comes from</u>				
• Council Taxpayers	57.7	57.7	57.7	0.0
• Government Grants	132.2	132.2	132.2	0.0
• Business Rates	55.3	55.3	55.3	0.0
	245.2	245.2	245.2	0.0

2.1 Revenue Services - Financial Performance

For the financial year 2005/06 the Council reported an overall underspend of £1.7m. The main reasons for this position are summarised as follows:

	<u>£m</u>
1) Net underspends and additional income within the Council's service departments	2.4
2) Additional Investment Interest	0.6
3) Unused contingency	0.1
4) Overspend in Regeneration & Environment	<u>(0.9)</u>
Total	<u>2.2</u>

1) Net underspends within Service departments

The majority of these underspends relate to a variety of projects, service issues and developments that were unable to be completed during 2005/06. Whilst the Council works to ensuring its plans and objectives are achieved within the appropriate financial year, in some cases it may be necessary for expenditure to be delayed in order to ensure that the Council's developments are delivered to the highest standards and achieve Value for Money. At the Council's Executive meeting on the 13th June 2006 approval was given to roll-forward £1.7m of these underspends into 2006/07.

2) Additional Investment Interest

In 2005/06 the Council achieved additional investment interest to its General Fund of £0.6m. There were three main reasons for this increase being:

- Changes to the profile of the Council's Capital programme which resulted in additional balances being available for investment purposes; and
- Strong investment performance from both the Council's investment managers and its own in-house team.

3) Unrequired Contingency

The 2005/06 contingency budget was approved for any unforeseen items that may arise during the year. The majority of this budget was used to fund specific, one off pressures, but at the year end, £112,000 remained unused.

4) Overspend in Regeneration and Environment

Overall the Regeneration and Environment department overspent by £0.9m in 2005/06 owing to the following reasons:

- Leisure Centre income fell short of target partly as a result of one-off closures of facilities to meet health and safety standards. Additional employee costs to make consistent part-time and casual staff terms and conditions in 2005/06 were incurred, and these have been part funded in 2006/07 via a pressure bid. Premises and energy costs at

leisure centres also exceeded budget as a result of one-off backdated bills being identified and higher unit costs (£219,000).

- The Grounds Maintenance function also incurred additional employee and running costs and generated less variation order income resulting in an overspend of £417,000. Actions have already been planned to minimise these costs in 2006/07.
- The Land and Property division generated an additional one-off net surplus of £158,000 mainly as a result of transaction fees and a back-dated turnover rent being finalised. Reduced support costs and an over-recovery of fees by Engineers generated a surplus of £255,000. The surveyors, architects and building design teams generated a net surplus of (£146,000).
- Regeneration, planning and development has underspent as a result of containing employee and running costs and using Planning Delivery Grant to off-set other costs.
- Waste Services - due to a change in the apportionment of trade waste tonnage charge from ELWA, non-recurring net additional costs were incurred that could not be fully recovered – £152,000. Running costs (£29,000) and additional vehicles were hired to deliver the flattened recycling collection service £80,000
- Street Cleansing – additional employee, transport and supplies costs were incurred in order to meet standards and improve performance.
- Fleet Services – reduced demand for coaches from Education and Social Services led to an overspend of £150,000. Reduced private hire demand led to an overspend of £113,000 offset which was by reduced vehicle hire of £74,000. One-off costs of £102,000 were incurred to ensure the secure and safe premises of the new transport depot as a result of the re-location from Eastbrook Garage to Creek Road Depot. Other net transport operations underspent by £26,000.

The Council's full position on its 2005/06 revenue outturn was reported to its Executive meeting on the 13th June 2006. The Council has in place a medium term financial strategy which is based on achieving a balanced budget by not using reserves for recurring expenditure.

The Council's General and School reserves position as at 31/3/2006 is as follows:

	<u>31/3/2005</u>	<u>31/3/2006</u>
	<u>£000's</u>	<u>£000's</u>
General Reserves	20,360	16,919
School Balances	2,378	3,438

The full reserves position is shown at page 41.

2.2 Income for service expenditure

Government Formula Spending Grant is calculated as the difference between the Council's Formula Spending Share (FSS) and the amount deemed to be raised locally by levying the National Standard Council Tax (CT) and the proceeds from the National Non Domestic Rating (NNDR) Pool i.e.

$$\text{Government Formula Spending Grant} = \text{FSS} - (\text{CT} + \text{NNDR})$$

The FSS is set annually by the Government and is their estimate of the amount needed to be spent locally to provide a standard level of service.

In 2005/2006 the Council together with the five levying authorities budgeted to spend £232.3m. This amount is £5.9m under the FSS of £238.2m.

The Council set a Band 'D' Council tax in 2005/06 of £898.74 (excluding the Greater London precept (GLA)) and is summarised as follows:

	<u>2004/05</u>	<u>2005/06</u>	<u>Increase</u>
	<u>£</u>	<u>£</u>	<u>%</u>
LBBB	868.68	898.74	3.46
GLA	241.33	254.62	5.5
Total	1,110.01	1,153.36	3.9

The Council's 2005/06 Council tax represented the 2nd lowest Council tax in Outer London and the overall increase of 3.9% was in line with the average increase across the country.

In addition to income from general government grant, NNDR and Council Tax, the Council received £279m of income from specific grants and fees and charges.

3. Capital Budget

In addition to the Revenue Budget there is a Capital Budget covering spending on construction and substantial improvements to Council housing, schools, roads, sports facilities and other buildings.

Capital Programme spending in 2005/2006 was £88.6 million compared with the planned expenditure level of £92.9 million.

The Capital Programme was funded from the following sources:

	<u>£m</u>
Capital Receipts	51.1
Direct Revenue Financing	1.9
Major Repairs Reserve	13.9
Government Grants/Other Contributions	21.7
	<u>88.6</u>

At 31st March 2006, the Council had £72m in Capital Receipts available to finance future years' capital programmes. However a substantial amount of this balance is already committed to funding the Council's future capital spending plans and its outstanding capital creditors from 2005/06.

In 2005/2006 the Council neither had nor entered into any long term borrowing to finance Capital expenditure having decided to repay all such borrowing in 1993. The capital programme for 2005/06 was therefore funded from a combination of existing capital reserves and external sources. The Council's current financial strategy is not to return to borrowing up until and including the financial year 2009/10 but to fund its capital programme from capital receipts, revenue resources and external funding.

The Council's full position on its 2005/06 capital outturn was reported to its Executive meeting on the 13th June 2006.

4. Balance Sheet

The Council's housing stock was re-valued during 2005/06. This has led to a reduction in the net book value of housing stock in the accounts. This reduction is a result of a change in the discount factor used for valuation of social housing.

The balance sheet also sees a drop in the value of investments, as a result of the Council using capital receipts to fund capital projects across the borough.

5. Pension Liability

The Council has prepared this Statement of Accounts to comply with the requirements of FRS 17 "Accounting for Retirement Benefits". A Pension Fund reserve is shown on the balance sheet, representing the net funding deficit as at the 31st March 2006. The balance at this date stands at £142m (£118m at 31st March 2005), following the updated actuarial information received at the year end. See note 22 to the balance sheet for further details.

6. Accounting Policies

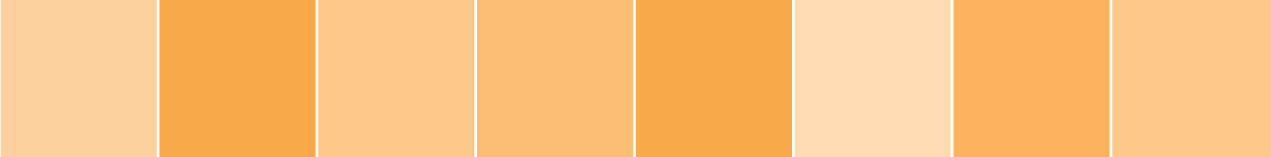
The accounting policies adopted by the Council comply with the relevant recommended accounting practices. The Council's policies are explained fully in the Statement of Accounting policies set out in pages 1 to 8.

7. Further Information

Further information about the accounts is available from:-

Divisional Director of Corporate Finance,
London Borough of Barking and Dagenham
Civic Centre,
Dagenham, Essex. RM10 7BY

In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection will be advertised in the local press.



Statement of responsibilities for statement of accounts

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:-

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Executive;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Statement of Accounts.

Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council's statement of accounts in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'); and is required to present fairly the financial position of the Council and its Pension Fund at the accounting date and its income and expenditure for the year ended 31st March 2006.

In preparing this statement of accounts, the Chief Financial Officer has:

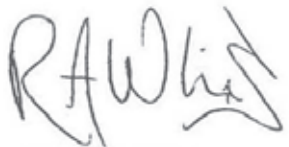
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

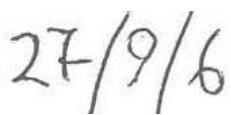
The Chief Financial Officer has also:

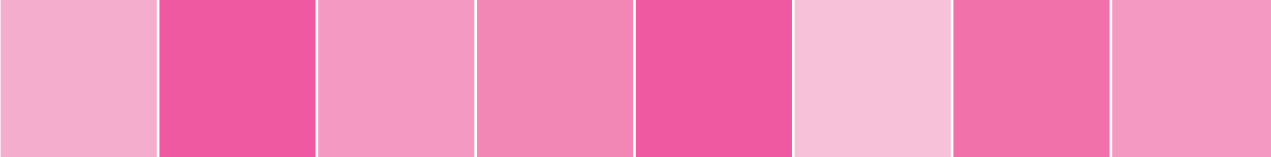
- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Chief Financial Officer's Certification to the Statement of Accounts

For the purpose of identifying the relevant accounts on which the Auditors are to express their opinion, in accordance with regulation 10 (2) of the Accounts and Audit Regulations 2003, I certify that the accounts of the Council set out on pages 1 to 46 and its Pension Fund on pages 47 to 53 have been submitted to the Council's Auditors – PricewaterhouseCoopers LLP - and that they present fairly the financial position and transactions of the Council and its Pension Fund at 31st March 2006, and their income and expenditure for the year then ended.


CHIEF FINANCIAL OFFICER


DATE



The statement on internal control

THE STATEMENT ON INTERNAL CONTROL 2006

1. Introduction

The Accounts and Audit Regulations (England) 2003 require the Authority to be responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and which include arrangements for the management of risk. Coupled with

this the Authority has responsibility for conducting at least annually a review of the effectiveness of the system of internal control and for including a Statement on Internal Control (SIC), prepared in accordance with proper practices, with its published accounts.

Arrangements in place at Barking and Dagenham include the following: governance arrangements, standing orders, internal audit, financial regulations and performance monitoring. Without such existing arrangements the Authority could not effectively conduct its business. The work undertaken to produce the SIC is intended to ensure that such arrangements are reviewed to provide assurance of their soundness, and at the same time, provide an early warning system for areas requiring action.

The internal control regime has been evaluated as described in the following sections. On the basis of this evaluation, it is our view that internal control is adequate, although areas are identified requiring further work. Issues identified in the 2005 Statement on Internal Controls have been progressed and are referred to where appropriate within this document.

2. Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. 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 executed, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

3. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

A system of internal control has been in place at the Council for the year ended 31st March 2006 and up to the date of approval of the annual report and accounts.

4. The internal control environment

The guidance of the Chartered Institute of Public Finance and Accountancy (CIPFA) Finance and Advisory Network has been followed in the production of this document and in the process of identifying the sources of assurance that underpin this document.

There are four key elements to the internal control environment;

- Policy, planning and Performance Management Frameworks
- Financial Management and Budgetary Control
- Corporate Governance
- Risk Management Mechanisms

Policy, Planning and Performance Management Frameworks

In 2002, the Council agreed seven Community Priorities which would form the context of all future Council actions and ensure delivery of the Council's longer term Vision (2020).

Underpinning the priorities twenty four key strategic objectives were originally identified. These have since been reviewed and are now reflected in 19 new strategic objectives. These address gaps across the Council and were also informed by the results of external inspections. Performance indicators are attached to each objective.

Thematic scorecards have also been developed for each of the community priorities, derived from the annual balanced scorecard process.

In response to the Corporate Performance Assessment recommendations an improvement plan has been presented on a monthly basis to the Corporate Monitoring Group (CMG). This group is chaired by the member with portfolio responsibility for performance management and is attended by the Chair of the Scrutiny Management Board and the Chair of the Standards Committee. The same group also meets on a regular basis in the capacity of an Audit Committee. This structure is currently subject to further review which will lead to the creation of a new Audit Committee reporting directly to the Assembly providing independent, effective assurances about the adequacy of internal control frameworks and financial management and reporting. To reinforce the independence of the Committee it is to be led by a non Executive/ Scrutiny Management Board Member(s).

The CMG also receives reports and improvement plans arising from external inspections.

Throughout 2005/6, the Service and Financial Planning Board (a sub group of Corporate Management Team (CMT), chaired by the Director of Finance provided a cross service approach and focus on delivering good quality services. (This has recently been revised and from May '06 is now a combined forum integrating the former Efficiency Board, to form the Service Efficiency and Financial Planning Board, with representation across all services).

Strategic Priorities are reviewed annually by the Service and Financial Planning Board; taking account of the issues raised from the Comprehensive Performance Assessment

(CPA) process; external inspections, other strategic issues such as the Customer First agenda, and annual service planning and budget process.

Both the Executive and the CMT regularly monitor performance information. Key performance information is reported at the weekly Performance Boards attended by Directors and chaired by the Chief Executive. Performance is considered at least monthly by Directors at departmental management team meetings and by Members on a quarterly basis at the Executive. Worst performing indicators are reported with action plans to the Scrutiny Management Board.

The Corporate Monitoring Group receives reports and improvement plans arising from external inspections. It oversees delivery against Council Improvement Plans and a range of Performance Indicators (PIs) (developed in response to the Corporate Performance Assessment recommendations).

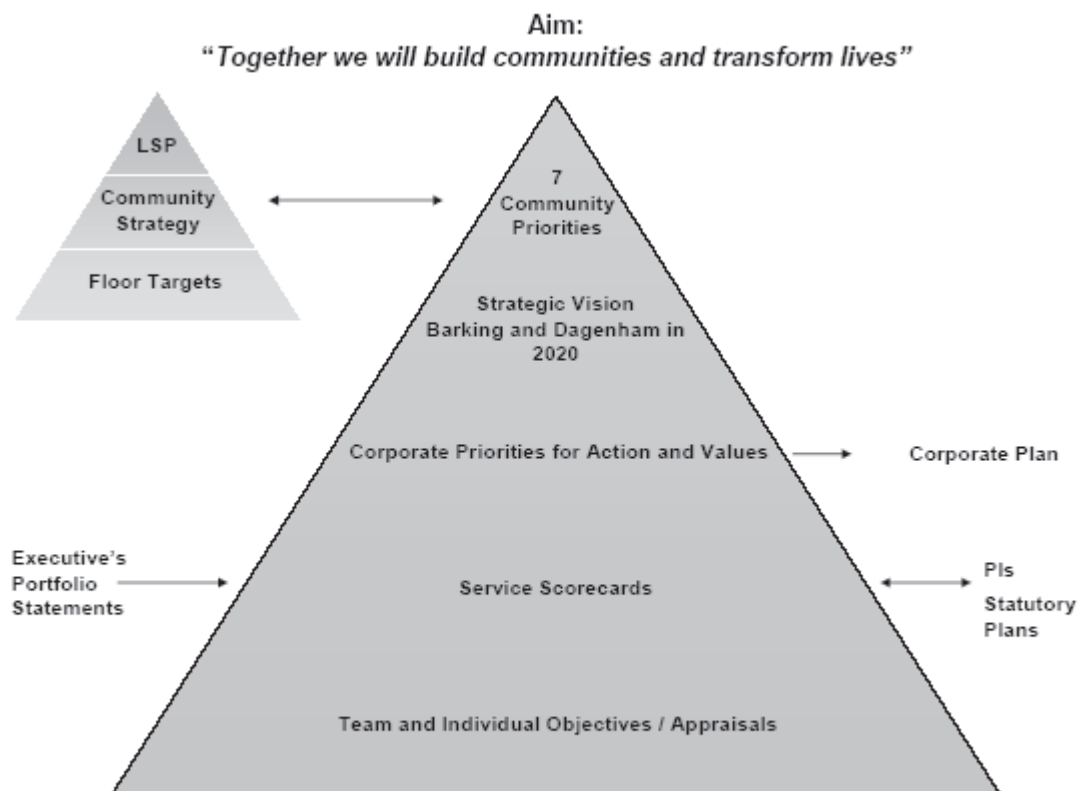
An annual service scorecard process is incorporated into the Personal Performance Management interviews of all the senior managers of the Council. This gives Members a further opportunity to influence the development of service objectives.

All statutory and local performance indicators are subject to an internal audit which in turn is reviewed by the Council's external statutory auditors.

The Council's aim is to move its CPA judgment to Good in 2006 and Excellent in 2008. This will be continued to be strengthened year on year.

The seven Community Priorities remain the broad context for all of the Council's actions. These are set out annually in our Corporate Plan and underpin the Council's work with its partners in the community through the Barking and Dagenham Partnership. This synergy ensures that the Council and its partners are on track towards delivering their shared aim for 2020: "Together we will Build Communities and Transform Lives".

The diagram below sets out the Council's planning processes. It shows the linkages between different parts of the process - from setting community priorities to individual appraisals. Every member of staff has received a leaflet and a briefing on the priorities and values from the Chief Executive undertaken in March 06.



LSP – Local Service Plan
Floor targets – departmental service objectives

Executive Members have published summarised versions of their “portfolio statements” in the Corporate Plan. These set out their major ambitions and are presented and monitored at the Executive on a quarterly basis.

Financial Management and Budgetary Control

The Authority has a recognised procedure in place for the monitoring of both its revenue and capital budgets.

Each month a separate Resource Monitoring Panel meeting is held with the Member for Resources and, during 2005/6 each of the six Directors of the Council’s Departments with support from the Finance Department. Following the corporate restructure, in 2006/7 there are five Corporate Directors. The meeting considers the current revenue and capital position for each Department and any other related resource matters.

During 2005/6, the information from these meetings was presented to the Chief Executive, Director of Finance and Director of Corporate Strategy in a Corporate Round-up Meeting attended again by the lead Member for Resources. Following the corporate restructure, the Directors of Finance and Corporate strategy have been replaced by a Director of Resources.

The overall position is presented monthly to the Executive to inform them of the Council’s budgetary position.

To complement this process the Capital Project Management Office (CPMO) monitors the individual progress of each scheme within the Council’s Capital Programme with the

relevant Project Sponsors in spending Departments. During 2005/6, the CPMO was located within the Department for Regeneration and Environment, but in order to provide greater independence and to align more closely with financial planning, became a part of the Resources Department from 2006/7. Additional to this is a capital appraisal process which vets each project for:

- Strategic Fit
- Financial Implications including value for money
- Deliverability and Procurement
- Benefits Plan (cost benefit analysis)

This progress is recognised as good practice by both the Improvement and Development Agency (IDeA) and the Audit Commission.

At the Assembly on 1st March 2006, the Council approved a Medium Term Financial Strategy (MTFS) covering the period 2006/07 to 2008/09.

This Strategy is driven by the Council's desire to maximise its impact in addressing the needs of local people, delivering against the Community Priorities and working with the local community wherever possible. The MTFS sets out a framework for using the Council's finances to deliver the Community Priorities over the next three years.

Each year the Strategy will be reviewed to update our projections of expenditure need and resources available to enable full and proper planning of our Council's services.

There is financial input to all reports to the Executive - they have to be cleared by the Section 151 Officer or designated deputy before submission to Members.

The Section 151 Officer (or designated deputy) attends both the Assembly and Executive meetings to advise members on financial matters.

Internal Audit operates in accordance with the CIPFA Code of Practice. All the major financial systems of the Council are subject to an annual audit by the Council's Internal Auditors being internal audit staff and Deloitte. Key recommendations arising from this work are reported to the Corporate Monitoring Group. The Internal Auditors' opinion for 2005/06 is that the overall control framework is adequate.

Corporate Governance

The Council has assessed itself against the CIPFA/ SOLACE best practice guidelines for Corporate Governance and has adopted the National Code of Conduct for Members.

The Council has a comprehensive set of policies and frameworks relating to Corporate Governance which have been approved by both the Standards Committee and the Assembly.

The Standards Committee also receives an annual report from the Head of Audit Services in respect of fraud and disciplinary work. This contributes to the planning process in so far as it provides an early indication of emerging trends and problems which proactive audits can help address.

The Monitoring Officer and the Assistant Chief Executive Partnerships and Democracy (Whistleblowing Officer) also submit annual reports to the Standards Committee.

The Monitoring Officer monitors and reviews the operation of the Constitution to ensure that its aims and principles are given full effect.

A Members' Code of Conduct is contained within the Constitution. Members' Registers of Interests and Hospitality are kept by the Monitoring Officer.

The Divisional Director of Legal Services (and Monitoring Officer) advises upon the legal implications of committee reports, advises Members and Officers on legality, probity and constitutional issues and updates the Council on significant legal developments.

5. Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the Directors and Heads of Service within the Council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

Financial Management and Budgetary Control

The remit of the Corporate Monitoring Group includes the responsibilities of an Audit Committee. This has been revised and from May 06, a separate Audit Committee has been established (in accordance with CIPFA guidance) reporting to the Assembly.

Internal Audit review and test the key controls in the Council's major financial systems on an annual basis.

The totality of this work is considered by the Council's external auditors as part of their annual audit process. The implication of this is that the external auditors can place reliance on the work of Internal Audit and that it complies with appropriate professional standards and statutory requirements.

Corporate Governance

Compliance with the CIPFA / SOLACE best practice guidance has been tested in detail and on the basis of that work a Code of Corporate Governance has been approved by both the Executive and the Assembly. This is the subject of an annual review by a senior officer who reports the outcome to the Executive and the Assembly.

Various individual policies comprising the Corporate Governance Framework are reviewed as part of a rolling annual programme by the Standards Committee. All changes are submitted to the Assembly for approval.

The Monitoring Officer undertakes a rolling programme of checks, at the request of the Scrutiny Management Board, to test the operational effectiveness of the Scheme of Delegation and compliance with constitutional provisions such as

contracts rules and to vouch for the legality and probity of decisions taken in this context. Members are reminded to notify of any changes of interests or new interests to be recorded in the Register of Members' Interests.

The Monitoring Officer vets the legal implications of all committee reports.

Risk Management Mechanisms

Risk management is a mandatory feature of the Balanced Scorecard of each senior officer. The Council now believes that risk management is embedded within the senior structure of the organisation. This is evidenced by risk assessments within capital projects, all reports and the ongoing review of risk registers.

The 2005 Statement on Internal Controls advised on the review of the risk management arrangements and advised on the implications of the result of the review of the effectiveness of the system of internal control to the Assembly, the Executive, the Scrutiny Management Board, the Standards Committee and the Corporate Monitoring Group in 2005/6, and a plan to address weaknesses and ensure continuous improvement of the system was put in place and is now established.

Considerable progress has been made in the last year in implementing Risk Management throughout the Authority.

- A risk management policy agreed by the Executive in 2004/5 has been reviewed and updated
- A full time corporate risk manager was appointed in December 05.
- Both strategic and operational risk registers have been completed, and are being reviewed, monitored and maintained on a regular basis.
- Risk management remains as a mandatory feature of the Balanced Scorecard of each senior officer
- The explicit consideration of risks remains a mandatory feature of all committee reports

The initial training carried out in 2004/5 is being built upon by a mandatory training programme on the improved risk management process during 2006/7.

6. Significant internal control issues

External Inspections

Recent external inspections of the Council in the areas of; Cultural Services, Mental Health Services, Home Care, Fostering and Adoption have identified areas of strength and weakness in the delivery of these services. The full details of the findings and recommendations can be found in the relevant inspection reports. The Council has acknowledged the outcomes of these inspections and action plans are in place to make service improvements, share learning and best practice. Full monitoring of these plans and their progress on delivery will be reported regularly to the Projects Board, the Executive (where appropriate) and CMT.

Business Continuity Planning

The Business Continuity Planning Steering Group identified Council Services which were identified as Vital Services under Civil Contingencies Act (2004). The Act defines these services as

- i) **Emergency management/civil protection:** Functions that underpin the authority's capability to respond to the emergency itself, and take effective action to reduce, control or mitigate the effects of the emergency.
- ii) **Impact on human welfare, the environment and security:** The significance of services to the effective functioning of the community in the event of an emergency.
- iii) **Legal implications:** Statutory requirements on Category 1 responders and the threat of litigation if a service is not delivered, or delivered adequately.
- iv) **Financial implications:** Loss of revenue and payment of compensation.
- v) **Reputation:** Functions that impact on the credibility and public perception of a responder body.

All relevant Heads of Service have completed a Business Continuity Plan. The next stage of the process is to check and test the plans, and work has already started on this.

Other issues

In the 2004/05 Statement on Internal Control, we reported that problems had arisen in respect of the accounts receivable system and debtor balances on the general ledger. Controls have been developed during 2005/06 to address this issue, and as a result, only timing differences remain between the two systems, with full reconciliation processes now in place. In addition to this, comprehensive management information has been developed on aged debtors and reported to the Resource Monitoring Panel for the final quarter of the year, this will continue into future years.

**Certification to the Statement on internal control
in the London Borough of Barking and Dagenham**


CHIEF EXECUTIVE

27/9/06
DATE


LEADER OF THE COUNCIL

27/9/06
DATE



The statement of accounting policies

London Borough of Barking and Dagenham

Accounting Policies

1. Introduction

- 1.1 These accounting policies are based on UK accounting standards (except where they conflict with specific statutory accounting requirements). The Council's accounts have been drawn up in accordance with these standards and fairly present the financial position and transactions of the Council.
- 1.2 The Statement of Accounts complies with the basic accounting concepts set out in CIPFA's Statement of Recommended Practices 2005 ("SORP") and the Best Value Accounting Code of Practice ("BVACOP").
- 1.3 The Statement of Accounts provides information about the Council's financial performance and position that can be used in assessing its stewardship of public funds. The financial information can be depended upon to represent the substance of the transactions and events that took place during this financial year.
- 1.4 The Statement of Accounts is prepared on an accruals basis that requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.
- 1.5 The accounts are prepared on a going concern basis and assume that the Council will continue in existence for the foreseeable future. There is no intention to curtail the scale of operations significantly.

2. Accruals of Income and Expenditure

2.1 Customer and Client Receipts

Customer and client receipts for sales, fees, charges and rents that relate to this financial year have been accrued and accounted for. Revenue is only recognised when a 'right to consideration' exists. Payments received in advance of performance are recognised as a liability in the balance sheet.

2.2 Employee Costs

The full cost of employees in 2005/2006 has been charged to the year's accounts. Any significant retrospective adjustments or special payments (such as pay awards or redundancy payments) are charged or credited to the accounts with the additional amount as soon as it can reasonably be estimated.

2.3 Interest

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

3. Supplies & Services

The cost of supplies and services received and works completed during this financial year have been accrued and accounted for in this financial year. Accruals have been made for all sums unpaid at the year end for goods or services received or works completed.

4. Contingent Assets and Liabilities

Contingent assets are not recognised in the Statement of Accounts. They are disclosed by way of the notes where the inflow of a receipt or economic benefit is probable. Similarly, contingent liabilities are not recognised in the Statement of Accounts, but disclosed in the notes to the accounts where the outflow of a payment or transfer of economic benefit is possible.

5. Deferred Charges

Deferred charges represent expenditure which may be properly deferred, including expenditure that may properly be capitalised, but which does not result in or remain matched with tangible assets. An example is house renovation grants. As the Council does not control the economic benefits arising from the expenditure, 100% of these charges are written off to revenue in the year of recognition.

6. Fixed Assets

6.1 Recognition

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

6.2 Measurement & Revaluation

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

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

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

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

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

Non-HRA assets in these accounts are based on a valuation certificate issued by the District Valuer as at 1st April 2004. HRA assets in these accounts are based on a valuation issued by the District Valuer as at 1st April 2005.

6.3 Disposals

Receipts from the disposal of fixed assets are credited to the capital receipts reserve on an accruals basis, when it is sufficiently certain that the sale will proceed. Upon disposal, the net book value of the asset is written off against the fixed asset restatement reserve.

If an asset was disposed of by an exchange for another asset, this other asset is included in the Consolidated Balance Sheet at its Fair Value (this being the value at which the asset could have been bought or sold at that time).

6.4 Depreciation

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

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

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

7. Charges to Revenue

The capital charges made to service revenue accounts, central support services and trading accounts, equate to the sum of depreciation plus a notional interest charge based on the net amount at which the fixed asset is included in the balance sheet at 1st April 2005. The notional rates of interest to be used are prescribed by the CIPFA/LASAAC Joint Committee. For 2005/06, the rates used are 3.5% for those fixed assets included in the balance sheet at current value and 4.95% for infrastructure assets and community assets which are included in the balance sheet at historical cost.

8. Foreign Currency Transactions

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

9. Government Grants

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

10. Investments

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

Long term investments are separately identified on the face of the balance sheet, and are also held at the lower of cost and net realisable value.

11. Leases

Rental payments on Operating Leases are charged to revenue on a straight-line basis over the term of the lease.

12. Costs of Support Services

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

13. Pension Costs

- 13.1. The Council participates in the Local Government Pension Scheme, a defined benefit scheme, with employer and employee contributions paid into a separate Pension Fund. The amount of contributions is in line with actuarial advice and the pension costs included in the accounts have been determined in accordance with relevant government regulations. The cost of providing pensions for employees is charged to the accounts in accordance with the statutory requirements governing the pension scheme.
- 13.2. In accordance with Financial Reporting Standard No. 17 - Retirement Benefits (FRS17), the Council is required to disclose information related to pension schemes for its employees.
- 13.3. The most recent full actuarial valuation was carried out as at 31st March 2004. However, the actuary has taken into account the requirements of FRS17 to assess the liabilities of the Fund as at 31 March 2006.
- 13.4. The Council currently pays an employer's contribution of 12%, which includes an element for Pension increases for all employees in the Council's Pension Scheme. Further details can be found in Note 1 to the Pension Fund Accounts (Page 49).
- 13.5. As a result of the actuarial valuation carried out as at 31st March 2004 the employer's contribution will rise in 2006/07 to 15% with a further planned increase to 16.2% in 2007/08.

13.6. Under the new pension accounting arrangements as set out in the 2005 Code of Practice on Local Authority Accounting in the United Kingdom 'A Statement of Recommended Practice', pension costs are now reflected within the financial accounts in the following way:

- Assets are measured at fair value;
- Liabilities are measured on an actuarial basis using the projected unit method;
- Liabilities are discounted at a rate that reflects the time value of money and the characteristics of the liability. The rate used for 2005/06 is 3.5% which is based on the assumed long-term rate of return on a portfolio of long-dated gilts as determined by the Government's actuary department;
- The surplus/deficit in the scheme reflects the value of the assets over/under the present value of liabilities;
- Current service costs are based on the actuarial valuation at 31st March 2006 which reflects current conditions;
- The interest cost on pension scheme liabilities is based on the discount rate (3.5% 2005/06) and the present value of liabilities at 31st March 2006;
- The expected return on assets is based on the long-term future expected investment return for each asset class;
- Actuarial losses and gains arising during the year are the result of updating the latest actuarial valuation. Changes arise because events have not coincided with the actuarial assumptions made from the last valuation and because the actuarial assumptions have changed;
- Past service costs are disclosed on a straight line basis over the period in which the increase in benefits rest; and
- Settlements and curtailments are shown in full.

14. Provision for Bad and Doubtful Debts

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

15. Other Provisions

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

Provisions are not made for either any future operating loss, or for any situation where the Council anticipates it will be unable to cover future expenditure with income.

16. Reserves

Amounts set aside for purposes falling outside the definition of provisions are treated as reserves. They fund future projects, unplanned expenditure and irregular but recurring expenditure. Transfers to and from reserves are distinct from service expenditure shown in this Statement of Accounts and the purpose, usage and the basis of such transfers are clearly identified in the Statement of Total Movements in Reserves on (Page 42).

17. Stocks and Long Term Contracts

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

18. Value Added Tax

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

19. Capital Receipts

The Council has been a debt free authority since 1993. Prior to 1st April 2004, the Council was able to keep 100% of its capital receipts, and use them for any purpose. From 1st April 2004, the Local Government Act 2003 came into force, and changed the regulations in respect of capital financing. The act stipulates that the Council is required to pool its future Housing Revenue Account (HRA) capital receipts at the rate of 75% for RTB sales and 50% for other HRA disposals. There are, however, arrangements in place that entitle debt free authorities to transitional relief. As such, the Council only had to pool 25% of the amount it would have pooled from capital receipts in 2004/05. This rose to 50% in 2005/06 and will rise to 75% in 2006/07. The amount retained by the Council under transitional arrangements from HRA receipts must be spent on the HRA, or on regeneration projects.

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

20. Private Finance Initiative

PFI schemes have been accounted for in accordance with FRS 5 Application Note F: Accounting for Private Finance Initiatives, and Treasury Taskforce Technical Note 1 (Revised): How to account for PFI transactions.

The Council has classified the PFI scheme at the Jo Richardson Community School and Eastbury Comprehensive as "off-balance sheet".



The consolidated revenue account

Consolidated Revenue Account

2004/2005	SERVICE	2005/2006			
		NOTES	GROSS EXPENDITURE	INCOME	NET EXPENDITURE
NET EXPENDITURE			£'000	£'000	£'000
£'000	CONTINUING OPERATIONS	1 & 8	£'000	£'000	£'000
4,017	Central Services to the Public		5,045	(557)	4,488
100	Court Services		108	(4)	104
29,711	Cultural, Environmental, and Planning Services		51,795	(16,771)	35,024
128,046	Education Services		197,218	(61,378)	135,840
14,883	Highways, Roads and Transport Services		19,928	(4,498)	15,430
52,580	Housing Services		210,879	(164,476)	46,403
62,481	Social Services		100,009	(31,213)	68,796
6,010	Corporate and Democratic Core		5,447	(127)	5,320
2,043	Non Distributed Costs		1,749	0	1,749
299,871	NET COST OF SERVICES		592,178	(279,024)	313,154
(883)	Net surplus on Trading undertakings	11			(498)
(54,995)	Asset Management Revenue Account	4			(49,337)
5,665	Contribution of housing capital receipts to Government pool				7,212
12,321	Amounts due to - precepting authority				12,945
5,535	- levying authorities	2			5,902
(8,598)	Interest on Balances				(8,013)
19,784	Pensions Interest Cost	8			22,940
(20,815)	Expected Return on Pensions Asset	8			(20,730)
257,885	NET OPERATING EXPENDITURE				283,575
	APPROPRIATIONS				
1,190	Transfer to/(from) HRA balances				(784)
(11,610)	Contributions from Specific Revenue Reserves				(8,449)
1,636	Revenue contribution to Capital Financing				1,305
(5,665)	Transfer from Usable Capital Receipts equal to the contribution to Housing Pooled Capital Receipts				(7,212)
(11,933)	Contributions from Capital Financing Account				(14,707)
1,591	Contributions to LMS Reserves				1,060
(5,764)	Movement on Pensions Reserve	8			(6,150)
227,330	NET EXPENDITURE (the amount to be met from Government Grants and Local Taxpayers)				248,638
	SOURCES OF FINANCE				
(130,386)	General Government Grants				(132,173)
(46,736)	Non Domestic Rate Income				(55,272)
(55,367)	Council Taxpayers				(57,752)
(232,489)	TOTAL REVENUE FINANCING				(245,197)
(5,159)	NET GENERAL FUND (SURPLUS) / DEFICIT FOR YEAR				3,441
(15,201)	BALANCE AT 1st APRIL				(20,360)
(5,159)	NET GENERAL FUND (SURPLUS) / DEFICIT FOR YEAR				3,441
(20,360)	BALANCE AT 31ST MARCH				(16,919)

Notes to the Consolidated Revenue Account

1. Service Analysis

The Council has analysed expenditure in accordance with the requirements of the CIPFA Best Value Accounting Code of Practice. This analysis is on a different basis to the Council's revenue budget, which is analysed by department. BVACOP aims to provide a consistent analysis across all local authorities. Details of the main services are shown below:-

Central Services to the Public

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

Court Services

- Coroners Court

Cultural, Environmental and Planning Services

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

Education Services

Highways, Roads and Transport Services

- Transport Planning Policy and Strategy

Housing Services

Social Services

Corporate and Democratic Core

- Democratic Representation and Management
- Corporate Management

2. Levies

	2004/2005	2005/2006
	<u>£'000</u>	<u>£'000</u>
East London Waste Authority	4,881	5,524
Environment Agency	88	94
Lee Valley Regional Park Authority	142	148
London Pensions Fund Authority	134	136
Greater London Magistrates Court Authority	290	0
	5,535	5,902

3. Prudential Code for Capital Investment

The “Prudential Framework for Capital Investment” was introduced through the Local Government Act 2003, and came into effect on the 1st April 2004. It replaced the previous system of central government control over borrowing, and offered Councils significant freedoms to make their own capital investment plans. The Council had been a debt free authority since 1993, and under the previous regime, was able to keep 100% of its capital receipts. Under the Prudential Code, the Council is required to pool HRA capital receipts at a rate of 75% for Right to Buy receipts and 50% for other HRA receipts. There are, however, arrangements in place that entitle debt free authorities to transitional relief. As such, the Council only had to pool 50% of the amount it would have pooled from capital receipts for 2005/06. This will rise to 75% in 2006/07.

As the Council was in a debt free position and had a negative credit ceiling at 1st April 2005, it is not required to make a minimum revenue contribution for the financial year to 31st March 2006.

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

4. Asset Management Revenue Account

	2004/2005	2005/2006
	<u>£'000</u>	<u>£'000</u>
Grants released from Government Grants Deferred Account	(1,467)	(1,923)
Provision for Depreciation	36,818	33,744
Capital Charges to Service Accounts (notional interest)	(53,528)	(47,414)
Capital Charges to Service Accounts (depreciation)	(36,818)	(33,744)
Transfer to Consolidated Revenue Account	(54,995)	(49,337)

5. Section 5 - Publicity Expenditure

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

Head of Corporate Finance
London Borough of Barking and Dagenham,
Civic Centre,
Dagenham,
Essex.
RM10 7BY

	<u>2004/2005</u> <u>£'000</u>	<u>2005/2006</u> <u>£'000</u>
Staff Advertising	1,649	1,525
Non Staff Advertising	438	341
Printing	111	136
Publicity & Publications	469	444
Total	2,667	2,446

6. Agency Services

The Council carries out certain work for the East London Waste Authority (ELWA) on an agency basis for which it is reimbursed. The areas of work relate to its role as clerk to ELWA, carrying out administrative and legal work on their behalf. The value of these works was £206,000 in 2005/2006 (£147,000 in 2004/2005). The Council also provided services for Thames Gateway London Partnership. The value of reimbursements was £35,000 in 2005/06 (£41,000 in 2004/05).

7. Local Authorities Goods and Services Act 1970 (Work done for other local authorities or public bodies)

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

	2004/2005	2005/2006
	£'000	£'000
London Riverside Ltd	124	184

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

8. Pension Costs

• Pension Fund

In 2005/2006 the Council paid an employer's contribution of £9.89 million into the Pension Fund (2004/2005 £6.84 million) representing 12% of pensionable pay. The contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation, the last review being 31st March 2004. Under Local Government Pension Scheme Delegations, contribution rates are set to meet overall liabilities of the fund.

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

	<u>2004/05</u> <u>£'000</u>	<u>2005/06</u> <u>£'000</u>
<u>Net Cost of Services</u>		
• Current service cost	13,019	13,560
• Past service costs	35	150
• Curtailments and Settlements	582	120
<u>Net Operating Expenditure:</u>		
• Interest cost	19,784	22,940
• Expected return on assets in the scheme	(20,815)	(20,730)
<u>Amounts to be met from Government Grants and Local Taxation:</u>		
• Movement on pensions reserve	(5,764)	(6,150)
<u>Actual amount charged against council tax for pensions in the year:</u>		
• Employers' contributions payable to scheme	6,841	9,890

• Teachers

In 2005/2006 the Council paid £8.087 million (£7.9 million in 2004/2005) to the Department of Education and Skills in respect of teachers' pension costs representing 13.5% (13.5% in 2004/05) of pensionable pay.

9. Pooled Funds

Section 31 of the Health Act 1999 enables joint working arrangements between NHS bodies and local authorities. The Council entered into a partnership with Barking and Dagenham Primary Care Trust (PCT) which pooled budgets from both organisations to provide a Learning Disability Services for the 3 year period 2002/03 to 2004/05. The pooling of funds formally ended on the 31st March 2005 at the mutual agreement of both parties. During 2005/06 the Council and the PCT operated a parallel budget overseen by the Learning Disabilities Joint Commissioning Board.

	<u>Total</u> <u>2004/05</u> <u>£'000</u>	<u>Total</u> <u>2005/06</u> <u>£'000</u>
Gross Funding		
- The Council	(7,066)	0
- PCT	(3,006)	0
	(10,072)	0
Expenditure	10,064	0
Net (Under) / Overspend	(8)	0
Apportionment of underspend		
- The Council	0	0
- PCT	(8)	0
Net Overspend / (Underspend)	(8)	0

10. Disclosure of Audit Costs

In 2005/06 The London Borough of Barking and Dagenham incurred the following fees relating to external audit and inspection:

	<u>2004/05</u> <u>£'000</u>	<u>2005/06</u> <u>£'000</u>
• Fees payable to the appointed auditor with regard to external audit services.	403	431
• Fees payable to the Audit Commission in respect of statutory Inspection.	117	87
• Fees payable to the appointed auditor for the certification of grant claims and returns.	185	182
• Fees payable in respect of other services provided by the appointed auditor.	60	120

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

11. Trading Undertakings

CIPFA's *Best Value Accounting Code of Practice* defines trading operations as services provided to users on a basis other than a straightforward recharge of cost, providing services in a competitive environment. The following 10 trading units meet this definition:

	Expenditure £'000	Income £'000	2005/06 Net (Income) / Expenditure £'000	Memo Capital Charges Included £'000	2004/05 Net (Income) / Expenditure £'000
Teachers Accommodation	260	(205)	55	33	(13)
Barking Market	685	(685)	0	0	0
Land Management	149	(1,360)	(1,211)	1	(877)
Eastbury House	315	(134)	181	0	170
Building Cleaning	3,333	(3,476)	(143)	0	(77)
Security	1,466	(1,431)	35	0	(1)
Grounds Maintenance	2,994	(2,421)	573	87	53
Other Catering	252	(207)	45	0	(2)
Castle Green (new for 2005/06)	803	(694)	109	0	-
Housing Rents	1,739	(1,881)	(142)	0	(136)
Total	11,996	(12,494)	(498)	121	(883)

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

12. Remuneration of senior staff (including teachers)

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

2004/2005 Number of staff	Value Of Remuneration	2005/2006 Number of staff
81	£50,000 to £59,999	106
42	£60,000 to £69,999	38
7	£70,000 to £79,999	17
7	£80,000 to £89,999	9
6	£90,000 to £99,999	2
0	£100,000 to £109,999	3
0	£110,000 to £119,999	1
1	£120,000 to £129,999	0
0	£130,000 to £139,999	0
0	£140,000 to £149,999	1

13. Members allowances

The total amount paid to councillors in 2005/06 for members' allowances was £745,521 (£717,718 in 2004/05). A report outlining these expenses was submitted to the Council's Assembly on the 17th May 2006 and a list showing the total amount paid to each member of the Council has also been published which can be inspected at any time within normal working hours at the Civic Centre, Dagenham.

14. Thames Gateway London Partnership

The Council is the accountable body to Thames Gateway London Partnership (TGLP), an unincorporated association whose objectives are to bring about high quality, sustainable economic regeneration of the whole Thames Gateway area. As TGLP is not a legal entity, it is outside the scope of group accounts. The results of the partnership have been included in the Council's accounts. A summary of the financial information for 2005/06 in respect of TGLP is included below:

	2004/05 (£)	2005/06 (£)
Total Income	(2,724,749)	(3,182,487)
Total Expenditure	2,563,796	2,811,178
(Surplus)/Deficit for the year	(160,953)	(371,309)
Total Assets	1,002,221	943,583
Total Liabilities	(727,401)	(297,454)
Net Assets	274,820	646,129

15. Related Party Transactions

The Code of Practice requires a disclosure of any material transactions between the Council and its related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Central government has significant influence over the Council’s operations, as it is responsible for the statutory framework within which the Council operates, and provides the majority of the Council’s funding. Full details of transactions with government departments are set out in note 3 to the cashflow statement.

During 2005/06, the Council carried out a comprehensive exercise to ensure that it accounts correctly for any related bodies and potential “group entities” (such as subsidiary companies). The conclusion of this work was that there were no group entities to consolidate, although the results of Thames Gateway London Partnership have been included in these accounts.

In early April 2006 all Councillors and Chief and Statutory Officers were canvassed to identify any such transactions that had taken place during 2005/2006. The following Members of the Council have material related party transactions with the Council:

MEMBER/ OFFICER	VALUE OF PAYMENTS BY COUNCIL TO RELATED ORGANISATIONS	Value of Payments
Cllr J Blake	Cllr Blake’s husband is a trustee of the charity Barking and Dagenham Befrienders.	<u>£’000</u> 1
Cllr G Bramley	Cllr Bramley is a non executive director of The Barking and Dagenham Primary Care Trust and a Member of Barking College Corporation.	1,928
Cllr FC Jones	Cllr Jones has numerous interests: Trustee & Committee Member of Barking & Dagenham Befrienders, Member and Trustee of Axe Street Project, Member of Barking & Dagenham Racial Equality Council and Committee Member of Kingsley Hall Church & Community Centre.	477
Cllr RC Little	Cllr Little is a trustee of the Broadway Theatre.	528
Cllr V M Rush	Cllr Rush has interests in BASIS (Barking Aid, Support & Information Services) and East Street Youth Information Shop.	83
Cllr A Thomas	Cllr Thomas’s wife is employed by Age Concern Barking and Dagenham.	1,502
Cllr T Wade	Cllr Wade & Mrs Wade are Members of the Friends Of The Osborne Partnership. Cllr Wade is a Member of the Board of the Barking Broadway Theatre Ltd Trust.	864
R. Whiteman (Chief Executive)	Rob Whiteman is Managing Director of East London Waste Authority.	6,169

16. Building Control Services

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

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

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

<u>Financial Year</u>	<u>(Surplus)/Deficit</u>
	<u>£'000</u>
2003/2004	2
2004/2005	(122)
2005/2006	(11)

Expenditure	Chargeable £'000	Non Chargeable £'000	2005/06 Total £'000	2004/05 Total £'000
Employee Expenses	168	134	302	290
Transport	8	6	14	13
Supplies and Services	6	5	11	10
Agency	25	0	25	14
Support	64	52	116	88
Recharges		(11)	(11)	
Total Expenditure	271	186	457	415
Income from Building Regulations	(282)	0	(282)	(356)
Total Income	(282)	0	(282)	(356)
(Surplus)/Deficit	(11)	186	175	59

17. Private Finance Initiative (PFI)

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

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

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

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

Under the PFI contract the Council pays an agreed charge for the services provided by the PFI contractor. The unitary charge commenced in September 2005, PFI credits were received from April 2004. This charge is included in the Council’s revenue budget and outturn figures. At the time the contract was signed the total estimated contract payments were £157.7 million over the 25 year contract period.

Central Government provides a grant to support the PFI scheme. This Revenue Support Grant is based on a formula related to the Capital Expenditure in the scheme: this is called the notional credit approval, and amounts to £39.76 million of notional credits. This approval triggers the payment of a Revenue Support Grant over the life of the scheme of 25 years. These credits were received from April 2005, and will total £72.835 million over the 25 year period.



The housing revenue account

Housing Revenue Account

The Housing Revenue Account (HRA) includes all transactions relating to the provision, management and maintenance of the Council's housing stock. The Account is ring-fenced in accordance with the Local Government Act 1989 which means that no transfers to or from the General Fund are permitted, except in certain exceptional circumstances.

The Accounts are prepared on a resource accounting basis which brings them in line with Registered Social Landlords (RSL). They reflect more accurately the true cost of providing the service and show the cost of capital assets employed in housing.

2004/2005 RESTATED *			Notes	2005/2006	
£'000	£'000			£'000	£'000
		INCOME			
(63,875)		Rents of Dwellings	9	(65,225)	
(2,329)		Non Dwelling Rents		(2,302)	
(3,174)		Other Charges		(4,400)	
(1,216)		Grant Income		(1,058)	
	(70,594)	TOTAL INCOME			(72,985)
		EXPENDITURE			
		Supervision & Management -			
		• General		17,936	
15,129		• Special		7,298	
7,132					
22,261				25,234	
18,551		Repairs & Maintenance	11	21,156	
23,256		Depreciation – Council Stock	10	19,272	
485		Depreciation Other HRA Assets	10	543	
1,357		Rents, Rates and Other Charges		885	
40,524		Capital Charge	11	34,136	
7,406		Payment to ODPM – Negative subsidy	6	8,238	
5,130		Housing Benefit Limitation		4,699	
1,122		Provision for Bad Debts & Write Offs		568	
	120,092	TOTAL EXPENDITURE			114,731
		NET COST OF SERVICE			41,746
	49,498				
	(40,524)	Capital Charges	11	(34,136)	
	(8,853)	Reversal of Depreciation above MRA	5	(5,538)	
	(1,826)	Interest Receivable		(1,754)	
	(1,705)	NET OPERATING EXPENDITURE			318
		Appropriations			
	1,000	Revenue Contributions to Capital	8	1,009	
	(485)	Contribution from Major Repairs Reserve	5	(543)	
	(1,190)	TOTAL DEFICIT/(SURPLUS) FOR THE YEAR			784
	(1,984)	Working Balance b/f			(3,174)
	(3,174)	Working balance c/f			(2,390)

* - The Housing Revenue Account has been restated to reflect the grossing up of costs and income associated with grant funded projects, and for write offs of housing rents.

Notes to the Housing Revenue Account

1. Council Housing Stock

	Houses	Flats	31 st March 2006 Total	31 st March 2005 Total
One Bedroom	260	4,841	5,101	5,315
Two Bedroom	5,242	3,210	8,452	8,578
Three Bedroom	4,314	1,946	6,260	6,411
More than Three Bedrooms	150	20	170	172
Total	9,966	10,017	19,983	20,476

During the year 249 properties were sold under the Right to Buy legislation, a further 242 properties were designated for demolition and 2 were disposed to a RSL. The above figures exclude the hostel at Thompson Road, which provides 7 units and the Council's proportion of shared ownership properties.

2. Vacant Dwellings

The vacant possession value of dwellings at 31st March 2006 was £14.1m (31st March 2005 £22.1m). The vacant possession value, when added to the balance sheet value of dwellings gives the economic cost of providing council housing at less than open market rents.

3. Rent Arrears

	31 ST March 2005 £'000	31 ST March 2006 £'000
Current Tenants	2,668	2,366
Past Tenants	992	1,034
Total Housing Tenants	3,660	3,400
Commercial Rents	2,314	1,389
Total Rent Arrears	5,974	4,789
Provision For Bad Debts	2,800	2,716

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

4. Asset Valuations

The assets of the HRA are valued as follows:

<u>Fixed Assets Operational</u>	<u>31st March 2005</u> <u>£'000</u>	<u>31st March 2006</u> <u>£'000</u>
Council Dwellings	1,139,523	924,056
Other Land And Buildings	8,944	12,875
Non Operational Fixed Assets	24,537	22,996
TOTAL ASSET VALUATIONS	1,173,004	959,927

Asset valuations are stated at Net Book Value. The Housing Revenue Account stock has been revalued as at the 1st April 2005.

5. Major Repairs Reserve (MRR)

The major repairs allowance account is as follows:

	<u>2004-05</u> £'000	<u>2005-06</u> £'000
Opening Balance 1 st April	10,735	1,604
Contributions During Year	9,338	6,081
Major Repairs Allowance	14,408	13,734
Expenditure Incurred During Year	(23,539)	(13,889)
Contribution towards depreciation charge	(9,338)	(6,081)
Closing Balance 31 st March	1,604	1,449

The government provides funding for major housing capital works through the major repairs allowance. The total received in 2005/06 was £13.7m.

6. Housing Subsidy

The negative subsidy payable to Central Government from the HRA for 2005/06 can be broken down as follows:

<u>2004-2005</u>			<u>2005-2006</u>	
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
0		Rent Rebates	0	
37,272		Notional Management and Maintenance	38,148	
14,403		Major Repairs Allowance	13,734	
	51,675			51,882
(58,040)		Notional Rent	(58,986)	
(1,041)		Interest On Credit Ceiling	(1,134)	
	(59,081)			(60,120)
	(7,406)	Subsidy payable to ODPM		(8,238)

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

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

7. Capital Receipts Generated

The capital receipts generated are as follows:

	<u>2004-05</u> £'000	<u>2005-06</u> £'000
Right to Buy receipts	31,233	19,850
Mortgage principal repayments	832	570
Sales of HRA land	1,548	96
ODPM pooling of Capital Receipts	(5,665)	(7,212)
	27,948	13,304

8. Summary of HRA Capital Expenditure

<u>2004/05</u> <u>£'000</u>	<u>Expenditure</u>	<u>2005-06</u> <u>£'000</u>
7,358	Shape UP For Homes	2,249
20,484	Major Repairs Programme	32,086
86	Capitalised Repairs	0
0	Padnall Green	9
565	Disabled Adaptations	600
28,493	Total Capital Expenditure	34,944
	<u>Financed By</u>	
7,734	Usable Capital Receipts	17,366
1,000	Revenue Contributions	1,009
23,539	Major Repairs Reserve	13,889
317	Other contributions	664
(7,387)	Amounts financed for previous years	(3,290)
3,290	Amounts not yet financed	5,306
28,493	Total	34,944

9. Housing Rents

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

For 2005/06, the following were the relevant average rents:

	<u>2004/05</u> <u>£</u>	<u>2005/06</u> <u>£</u>
Formula (target) rent	£60.93	£63.48
Transitional rent	£60.68	£63.01
Actual rent	£60.67	£62.99

This means an average increase of £2.32 was required from 4th April 2006.

10. Depreciation

<u>2004/2005</u> <u>£'000</u>		<u>2005/2006</u> <u>£'000</u>
23,256	HRA Dwellings	19,272
456	Operational Assets	543
29	Non-operational assets	0
23,741	TOTAL	19,815

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

For 2005/06, the revaluation of HRA assets incorporated a change in the discount rate from 47% to 37%, resulting in a drop in asset values. This has resulted in a reduction in the annual depreciation charge.

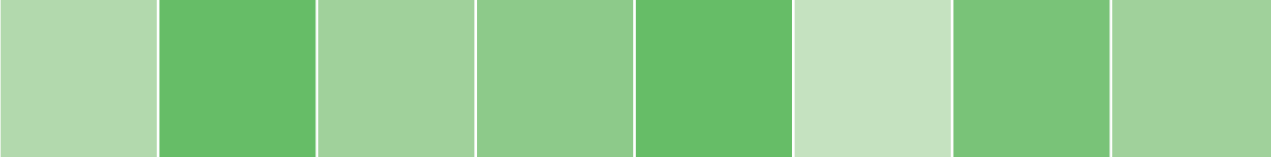
11. Other Information

The notional charge on capital remained at 3.5% for 2005/06.

A partnership arrangement was set up in May 2003 with Thames Accord to run the repairs and maintenance service. The total amount paid to Thames Accord under this arrangement for 2005/06 was £18.9m (£17.982m 2004/05) and this included the costs of repairs and maintenance within the HRA.

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

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



The collection fund account

The Collection Fund Income and Expenditure Account 2005/2006

2004/2005			NOTES	2005/2006	
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>	
		<u>INCOME</u>			
(41,839)		Net Income receivable from Council Tax	2	(43,082)	
(15,078)		Transfers from the General Fund:- Council Tax Benefits		(15,794)	
(41,439)		Income collectable from Business Ratepayers		(41,764)	
(93)		Transfers from General fund:- Discretionary relief		(98)	
(1,653)		Contribution to previous year deficit	4	(1,128)	
	(100,102)	TOTAL INCOME			(101,866)
		<u>EXPENDITURE</u>			
56,672		Precepts	3	58,636	
40,855		Business Rate:-			
356		Payment to National Pool	5	41,201	
		Costs of Collection		320	
524		Bad and Doubtful Debts/Appeals:-			
1,325		Write offs		1,668	
		Provisions		(172)	
	99,732	TOTAL EXPENDITURE			101,653
	370	(DEFICIT)/SURPLUS			213
	(2,088)	Balance at 1st April 2005			(1,718)
	(1,718)	Balance at 31st March 2006			(1,505)

Notes to the Collection Fund Account

1. General

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

2. Council Tax

The Council levied a Council Tax of £1,153.36 for a Band 'D' property in 2005/2006 comprising:-

London Borough of Barking and Dagenham	£ p 898.74
Greater London Authority	254.62
	1,153.36

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

BAND	NUMBER OF PROPERTIES IN BANDS	BAND 'D' EQUIVALENT PROPERTIES
A	5,743.00	3,828.2
B	8,460.00	6,580.0
C	36,347.50	32,308.9
D	7,116.75	7116.8
E	1,578.75	1,929.6
F	299.50	432.6
G	42.25	70.4
H	4.50	9.0
	59,592.25	52,275.5

Allowance was made for additions to the list during the year and a non-collection rate of 3.0% which reduced the above figure to 50,839 Band 'D' equivalent properties.

3. Precepting Authorities

The precepts levied on the Collection Fund in 2005/2006 were as follows:-

	<u>2004/2005</u> <u>£'000</u>	<u>2005/2006</u> <u>£'000</u>
London Borough of Barking and Dagenham	44,351	45,691
Greater London Authority	12,321	12,945
	56,672	58,636

4. Surplus / Deficit Transferred

This figure represents the transfer of the estimated deficit on the Council Tax Collection Fund account as at 31st March 2006 to the London Borough of Barking and Dagenham's General Fund, and to the Greater London Authority in 2005/2006.

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

The table below summarises this position:

	2004/05 £'000	2005/06 £'000
Surplus/(Deficit)	(1,718)	(1,505)
Provision made in:		
- 2005/06 budget	(1,132)	0
- 2006/07 budget	0	(1,226)
Additional provision to be made in:		
- 2006/07	(586)	
- 2007/08	0	(279)
Total Surplus/(Deficit) to be provided for in future budget setting process	(1,718)	(1,505)

5. National Non Domestic Rates (NNDR)

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

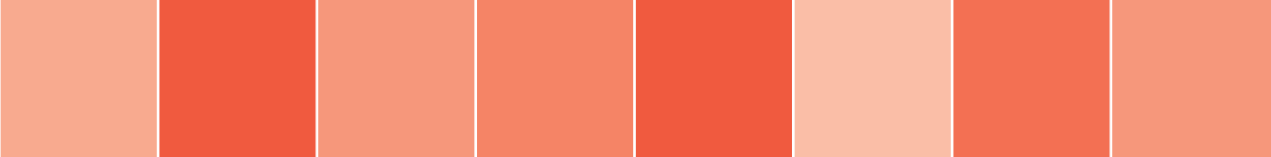
The total proceeds, less certain reliefs and allowances are paid into a central pool managed by the Government and these in turn are redistributed to local authorities as a standard amount per head of relevant population.

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

	<u>2004/2005</u> <u>£'000</u>	<u>2004/2005</u> <u>£'000</u>	<u>2005/2006</u> <u>£'000</u>	<u>2005/2006</u> <u>£'000</u>
Amount due from ratepayers net of transitional, mandatory and empty property relief		41,586		41,898
Less Amount of additional discretionary relief granted chargeable to pool	(54)		(42)	
Less Cost of Collection Including Interest	(356)		(320)	
Provision for Bad Debts And Write-offs	(321)	(731)	(335)	(697)
Contribution to Pool		40,855		41,201

The contribution received from the pool in 2005/2006 was £55.3m and this was credited direct to the Council's General Fund.

The Rateable value at 31st March 2006 was	£121,959,748
The Uniform rate in the pound (or multiplier) for 2005/2006 for premises with rateable values below £21,500 was	41.5
The Uniform rate in the pound (or multiplier) for 2005/2006 for premises with rateable values above £21,501 was	42.2



The consolidated balance sheet

Consolidated Balance Sheet As At 31st March 2006

2004/2005 (RE-STATED)*				NOTES	2005/2006		
£'000	£'000	£'000			£'000	£'000	£'000
139,523			FIXED ASSETS				
308,853			OPERATIONAL ASSETS	1,2,3,7			
7,323			• Council Dwellings		924,056		
44,222			• Other Land and Buildings		314,999		
3,834	1,503,755		• Vehicles, Plant, Furniture & Equipment		8,122		
			• Infrastructure assets		51,513		
			• Community assets		6,723		
	66,860		NON OPERATIONAL ASSETS			1,305,413	
		1,570,615	TOTAL FIXED ASSETS				1,371,1
659			• Intangible Assets	5	984		
0			• Deferred Charges	2	0		
0			• Long Term Investments	12	2,003		
10,342			• Long Term Debtors	9	14,186		
	11,001		TOTAL LONG TERM ASSETS			17,173	
		1,581,616	CURRENT ASSETS				1,388,3
388			• Stock	10	436		
49,342			• Debtors	11	54,155		
(9,161)			Less: Provision for Bad Debts		(9,475)		
87,088			• Short Term Investments	12	153,743		
51			• Cash at Bank		51		
	227,708		TOTAL ASSETS			198,910	
		1,809,324	CURRENT LIABILITIES				1,587,2
(18,037)			• Receipts in Advance	13	(25,821)		
(33,920)			• Creditors	14	(38,114)		
(11,636)			• Cash Overdrawn		(14,270)		
	(63,593)		TOTAL ASSETS LESS CURRENT LIABILITIES			(78,205)	
		1,745,731	PROVISIONS	15			(7,9
		(8,693)	DEFERRED LIABILITIES	16			(6)
		(695)	GOVERNMENT GRANTS DEFERRED				(54,9
		(44,211)	DEFERRED CAPITAL RECEIPTS				(2,4
		(2,413)	PENSIONS LIABILITY	22			(141,5
		(117,978)	NET ASSETS				1,301,3
		1,571,741	REPRESENTED BY:				
		1,205,565	FIXED ASSET RESTATEMENT ACCOUNT				958,4
		321,028	CAPITAL FINANCING ACCOUNT				359,6
		105,657	USABLE CAPITAL RECEIPTS RESERVE				71,7
		55,865	FINANCIAL & SPECIFIC RESERVES				51,5
		1,604	MAJOR REPAIRS RESERVE				1,4
		(117,978)	PENSIONS RESERVE	22			(141,5
		1,571,741					1,301,3

* - The balance sheet has been restated to reflect funds received in advance from government departments previously classified as government department creditors.

Notes to the Consolidated Balance Sheet

1. Information on Assets Held

Fixed Assets owned by the Council include the following:-	Number as at 31 st March 2005	Number as at 31 st March 2006
Council Dwellings	20,476	19,983
Operational Buildings		
• Youth Service	8	8
• Conveniences	8	8
• Community Halls	18	18
• Registrars	1	1
• Office Buildings	16	17
• School Sites	45	45
• Libraries	10	9
• Sports and Other Leisure Centres	14	14
• Residential Homes and Day Centres	26	28
• Museums and Galleries	2	2
• Depots and Workshops	5	5
• Cemeteries	3	3
Operational Equipment		
• Vehicles	36	29
• Plant	510	453
Infrastructure Assets		
• Highways (kilometres)	322	322
Community Assets		
• Parks and Open Spaces (hectares)	487	485
• Allotments	9	13
Investment Properties		
• Strategic Land Holdings	19	14

2. Deferred Charges

	<u>£'000</u>
Balance 1/4/2005	0
Other Expenditure	2,914
Amounts funded by Government Grants	(1,895)
Amounts funded by Capital Receipts	(1,019)
Total Deferred Charges 31/3/2006	0

Expenditure on deferred charges comprises revenue expenditure which qualifies as capital for control purposes, but does not result in the creation of a fixed asset. Such items include improvement grants and non-repayable loans to housing associations.

3. Capital Expenditure and Financing

Capital Programme expenditure for 2005/2006 (including deferred charges and PFI contributions) amounted to £88.6m (£75.0m in 2004/2005).

	2004/2005	2005/2006
	<u>£'000</u>	<u>£'000</u>
Direct Revenue Financing/MRR	25,176	15,101
Capital Receipts – Usable	45,093	48,209
Government Grants	16,061	21,658
Other Contributions	(14)	479
Amounts Financed For Previous Years	(19,483)	(7,948)
Amounts Not yet Financed (capital creditors)	8,180	11,132
	75,013	88,631

4. Capital Commitments

Significant contractual commitments at the 31st March 2006 were:-

<u>SCHEME</u>	<u>£'000</u>
Padnall Green	128
Abbey Sports Centre	120
Gascoigne Adult Training Centre	121
Barking Abbey Comprehensive	100
LBBB Revenue Offices	379
Land Disposal	139
Reede Road	280
Lighted Lady	132
Housing Futures:	
-Central Heating	899
-Internal Works	4,142
-Lifts	1,185
-Rewires	326
-Roofing	350
-CHP Security Works	1,629
-CHP Lighting	468
	10,398

Of these capital commitments £10,385k are in respect of 2006/2007, and £13k are in respect of 2007/2008

5. Intangible Assets

	Computer Software
	£'000
Gross Value 01.04.05	690
Additions	463
Disposals	0
Gross Value 31.03.06	1,153
Depreciation 01.04.05	(31)
In year depreciation	(138)
Depreciation 31.03.06	(169)
Net Value 01.04.05	659
Net Value 31.03.06	984

6. Private Finance Transactions

The Council has entered into a PFI scheme that is off balance sheet (see CRA note 17). A capital contribution of £12m (see balance sheet note 7) has been made which will reduce the annual unitary charge payable, and will therefore be released over the life of the contract. This has been treated as a long term debtor, and will be written down over the life of the scheme.

	£000
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet	3,184
Amortisation of PFI deferred asset	(142)
Contract start date 01/09/2005	
Contract end date 31/08/2030	

7. Movement of Fixed Assets 2005/2006

	Council Dwellings £'000	Other Land and Buildings and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Investment properties £'000	Assets Under Construction £'000	Total £'000
Gross Book Value at 1st April 2005	1,162,779	318,174	16,007	51,877	3,995	53,471	13,388	1,619,691
Additions (See Note 1)	34,934	15,165	4,316	8,521	808		16,949	80,693
Disposals	(20,694)	(125)	(244)			(1,658)		(22,721)
Reclassifications		14,254	(1,325)	1,325	2,100	724	(17,078)	0
Revaluations	(234,155)	(14,065)	54	(5)	28		(70)	(248,213)
Gross Book Value at 31st March 2006	942,864	333,403	18,808	61,718	6,931	52,537	13,189	1,429,450
DEPRECIATION								
Balance at 1st April 2005	(23,255)	(9,320)	(8,684)	(7,656)	(160)			(49,075)
Depreciation for Year	(19,272)	(9,432)	(2,305)	(2,549)	(48)			(33,606)
Revaluations	23,719	348	303					24,370
Balance as at 31st March 2006	(18,808)	(18,404)	(10,686)	(10,205)	(208)	0	0	(58,311)
Net Book Value as at 1st April 2005	1,139,523	308,854	7,323	44,222	3,834	53,471	13,389	1,570,616
Net Book Value as at 31st March 2006	924,056	314,999	8,122	51,513	6,723	52,537	13,189	1,371,139

Note 1: Additions to Fixed Assets exclude deferred charges of £2.914m which have been written-off during 2005/06, PFI contributions of £4.561m and intangible assets of £0.463m. Additions to Fixed Assets, deferred charges, PFI contributions and intangibles represent total capital expenditure for 2005/06 as shown in note 3 (page 31)

Note 2: Council dwellings have been revalued during the year.

8. Revaluation of Fixed Assets

A full revaluation of the Council's property assets was carried out as at the 1st April 2004 by the District Valuer. Housing Revenue Account assets have been revalued as at 1st April 2005. All the Council's assets will be revalued from 2006/07 as part of a rolling programme.

9. Long Term Debtors

- **Deferred Capital Receipts:-**

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

	<u>2004/2005</u> <u>£'000</u>	<u>2005/2006</u> <u>£'000</u>
Mortgages Outstanding 1st April	3,245	2,413
Principal Repayments During Year	(832)	(570)
New Advances during Year	0	0
Mortgages Outstanding 31st March	2,413	1,843

- **Other Mortgage Advances:-**

Mortgages advanced for the purchase of Private Dwellings

	<u>2004/2005</u> <u>£'000</u>	<u>2005/2006</u> <u>£'000</u>
Mortgages Outstanding 1st April	82	72
Principal Repayments During Year	(10)	(6)
New Advances during Year	0	0
Mortgages Outstanding 31st March	72	66

- **Private Finance Initiative:-**

	<u>2004/05</u> <u>£'000</u>	<u>2005/06</u> <u>£'000</u>
Outstanding 1 st April	5,582	7,857
Adjustment short term to long term	126	(497)
Residual value of asset	0	356
New Advances during year	2,149	4,561
PFI Outstanding 31st March	7,857	12,277

The Council has made a capital contribution totalling £12m in respect of the PFI scheme for Jo Richardson School and Eastbury Comprehensive School. The Council has also made a contribution of £1m to Jo Richardson Children's Centre. These capital contributions are classified as long term debtors and will be amortised over the life of the contract.

At the end of the 25 year contract term, the assets will transfer back to the Council at £nil cost. To recognise the true residual value of these assets, this value will be built up as a long term debtor in the Council's accounts until the asset transfers.

TOTAL LONG TERM DEBTORS	10,342	14,186
--------------------------------	---------------	---------------

10. Stock

	<u>31st March</u> <u>2005</u> <u>£'000</u>	<u>31st March</u> <u>2006</u> <u>£'000</u>
General supplies	215	256
Fuel	41	54
Grounds maintenance	27	24
Leisure centre stores	26	21
School meals stores	57	64
Stationary	22	17
TOTAL	388	436

11. Debtors

	<u>31st March</u> <u>2005</u> <u>£'000</u>	<u>31st March</u> <u>2006</u> <u>£'000</u>
Debtors	49,342	54,155
Less Bad Debt Provision	(9,161)	(9,475)
	40,181	44,680

	<u>31st March</u> <u>2005</u> <u>£'000</u>	<u>31st March</u> <u>2006</u> <u>£'000</u>
Analysis:		
• Government Departments	15,130	16,443
• Other Local Authorities & organisations	3,408	1,871
• Council Tax Payers	2,718	2,728
• National Non Domestic Rates	1,046	726
• Housing Rents*	1,421	1,274
• Employee Loans	537	514
• Prepayments	1,332	1,614
• Other	14,589	19,510
TOTAL	40,181	44,680

* - This includes arrears for HRA and non-HRA housing tenants.

12. Investments

The Council has total investments of £155.7m as at 31st March 2006 of which £113.2m is managed by two external Fund Managers. The remaining funds are managed in-house.

Of this total, £2m is invested for periods over 1 year, and £153.7m is invested for periods less than one year. These have been categorised as long term and short term investments respectively.

The funds are in respect of capital receipts from Council House sales together with reserves and cash balances and are managed with a view to maximising the return on investment within defined policy guidelines limiting risk. All investments are in Money Market Instruments. The Council does not have investments in any related companies.

13. Receipts in Advance

	<u>31st March</u> <u>2005 * as restated</u> <u>£'000</u>	<u>31st March</u> <u>2006</u> <u>£'000</u>
Government departments	6,279	15,131
NNDR	970	612
Council Tax	756	1,227
Section 106 Planning Agreements	3,783	3,849
Other	6,249	5,002
	18,037	25,821

* - This note has been restated to reflect funds received in advance from government departments previously classified as government department creditors.

14. Creditors

	<u>31st March</u> <u>2005 * as</u> <u>restated</u> <u>£'000</u>	<u>31st March</u> <u>2006</u> <u>£'000</u>
Government Departments	10,309	8,472
Other Local Authorities	1,024	1,873
Housing Rents	757	718
Capital	8,180	12,735
Other	13,650	14,316
TOTAL	33,920	38,114

* - This note has been restated following a movement of funds received in advance from government departments into the receipts in advance note.

15. Provisions

	<u>2004/2005</u> <u>£'000</u>	<u>2005/2006</u> <u>£'000</u>
Balance brought forward	8,087	8,693
Claims made	(2,854)	(2,199)
Contributions to (from) Provisions	3,460	1,418
Balance carried forward	8,693	7,912

Provisions relate to outstanding self insurance claims as determined by the Council's insurer. The expected timing of transfers of economic benefits cannot be determined.

16. Deferred Liabilities

Deferred liabilities of £0.679m (£0.695m 2004/05) relate to leaseholder contributions to capital works.

17. Long Term Borrowing

The Council has no long term borrowing.

18. Net Assets Employed

Net assets employed are analysed as follows:-

	<u>31st March</u>	<u>31st March</u>
	<u>2005</u> <u>£000</u>	<u>2006</u> <u>£000</u>
General Fund & HRA	1,573,459	1,302,239
Collection Fund	(1,718)	(1,505)
Thames Gateway London Partnership	0	646
	1,571,741	1,301,380

19. Trust Funds

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

	<u>2004/2005</u>	<u>2005/2006</u>
	<u>£000</u>	<u>£000</u>
Trust Fund balances at 1st April	89	93
Payments from funds during year	0	0
Income received by funds in the year	4	4
Balance at 31st March	93	97

The Council also holds balances on behalf of schools totalling £1.6m.

20. Contingent Liabilities

The Council is taking forward staff pay and grading reviews as part of the national agreement on Single Status. The Greater London Provincial Council job evaluation scheme was developed to support local authorities to carry out their obligations. The Council has used this scheme to carry out a detailed assessment of potential liabilities; however there will be continuing negotiations over the coming months and presently there is significant uncertainty over the outcome of these. Therefore at this stage it is not possible to quantify the liability with any certainty. The Council has considered this issue in determining the appropriate level of reserves during the financial planning process.

21. Reserves and balances held by schools under Delegated Schemes

	<u>2004/2005</u>		<u>2005/2006</u>	
	<u>No of Schools</u>	<u>£'000</u>	<u>No of Schools</u>	<u>£'000</u>
Schools in Surplus	42	3,466	45	4,450
Schools in Deficit	17	(1,088)	14	(1,012)
TOTAL	59	2,378	59	3,438

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

Where this is not practicably possible, schools may apply to the Council for permission to set a licensed deficit budget under the terms of the scheme, which if approved, allows schools to plan to eliminate the deficit over a longer period up to a maximum of 5 years. The Government have allocated Transitional Support Grant to support schools in deficit which commenced in 2004/05. The Transitional Support Grant paid to the Council in 2005/06 was £773,000.

22. Pensions Liability

The Council operates a defined benefits pension scheme. This is separate from Teachers Pensions, which are operated under a defined contributions scheme administered by the DfES. The underlying liability for retirement benefits attributable to the Council at 31 March 2006 is:

LGPS Pension Fund	<u>2003/2004</u>	<u>2004/2005</u>	<u>2005/2006</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Estimated assets in scheme	298,529	306,089	365,530
Estimated liabilities in scheme	(359,019)	(424,067)	(507,110)
Net asset / (liability)	(60,490)	(117,978)	(141,580)

The liability shows the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £142m has a 7.5% impact on the net worth of the Council as recorded in the balance sheet.

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

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

The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, and are based on the latest full valuation of the scheme at 31st March 2004, updated for 2005/06. The main assumptions used for the purposes of FRS 17 are as follows:

	<u>31st March 2004</u>	<u>31st March 2005</u>	<u>31st March 2006</u>
<u>Liability increases:</u>			
Discount rate	6.5% pa	5.4% pa	4.9% pa
Rate of increase in salaries	4.9% pa	4.4% pa	4.6% pa
Rate of increase in pensions	2.9% pa	2.9% pa	3.1% pa
Rate of inflation	2.9% pa	2.9% pa	3.1% pa

	<u>31st March 2004</u>	<u>31st March 2005</u>	<u>31st March 2006</u>
<u>Long-term expected rates of return on:</u>			
Equities	7.7% pa	7.7% pa	7.4% pa
Bonds	5.1% pa	4.8% pa	4.6% pa
Property	6.5% pa	5.7% pa	5.5% pa
Other assets	4.0% pa	4.8% pa	4.6% pa
Average long term expected rate of return	7.0% pa	6.8% pa	6.6% pa

Pensions Liability (Continued)

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

	<u>31 March</u> <u>2004</u> <u>£'000</u>	<u>31 March</u> <u>2005</u> <u>£'000</u>	<u>31 March</u> <u>2006</u> <u>£'000</u>
Equities	214,664	198,800	252,280
Bonds	53,067	64,800	66,930
Property	19,362	33,200	39,030
Other	11,436	9,289	7,290
Total	298,529	306,089	365,530

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole at 31 March 2006, 31 March 2005 and 31 March 2004. This valuation differs from the value of assets in the pension fund account. The reason for this is that the FRS 17 valuation takes into account assumptions around the long term returns on equities, bonds and property, projecting forward. It is therefore not possible to draw a direct link between these values and those in the pension fund account.

Analysis of Total Recognised Gains and Losses:

	<u>31 March</u> <u>2005</u> <u>£'000</u>	<u>31 March</u> <u>2006</u> <u>£'000</u>
Actual return less expected return on pension scheme assets	9,528	39,420
Experience gains and losses arising on the scheme liabilities	(4,855)	(2,622)
Changes in financial assumptions underlying the present value of the scheme liabilities	(57,813)	(55,850)
Actuarial Gain / (Loss) in Pension Plan	(53,140)	(19,052)
Increase / (Decrease) in irrecoverable surplus from membership fall and other factors	0	0
Actuarial Gain / Loss in STRGL	(53,140)	(19,052)

Movement in Surplus / Deficit in the Year:

	<u>2004/05</u> <u>£'000</u>	<u>2005/06</u> <u>£'000</u>
(Deficit) at beginning of year	(60,490)	(117,978)
Current service cost	(13,019)	(13,560)
Employer contributions	6,841	9,890
Contributions in respect of unfunded benefits	1,416	1,600
Past service costs	(35)	(150)
Impact of settlements and curtailments	(582)	(120)
Net return on assets	1,031	(2,210)
Actuarial gains / (losses)	(53,140)	(19,052)
(Deficit)/ Surplus at End of the Year	(117,978)	(141,580)

Pensions Liability (Continued)

History of Experience Gains and Losses:

	<u>31 March 2005</u>	<u>31 March 2006</u>
	<u>£'000</u>	<u>£'000</u>
Difference between the expected and actual return on assets	9,528	39,420
Value of assets	306,089	365,530
Percentage of Assets	3.1%	10.8%
Experience gains/(losses) on liabilities	(4,855)	(2,622)
Total present value of liabilities	(424,067)	(507,110)
Percentage of the Total Present Value of Liabilities	(1.1%)	(0.5%)
Net Actuarial gains/(losses) recognised in STRGL	(53,140)	(19,052)
Total present value of liabilities	(424,067)	(507,110)
Percentage of the Total Present Value of Liabilities	(12.5%)	(3.8%)

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have taken the view that there is insufficiently reliable evidence to assume a level of take-up of the change in the pension scheme. Consequently, the valuation of the Council's retirement benefit liabilities as at 31 March 2006 does not include any allowance for this change in the pension scheme.

23. Euro Costs

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

24. Operating Leases

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

In 2005/06 payments of £3.000m (2004/05 £2.245m) were made in respect of operating leases for property, vehicles and plant.

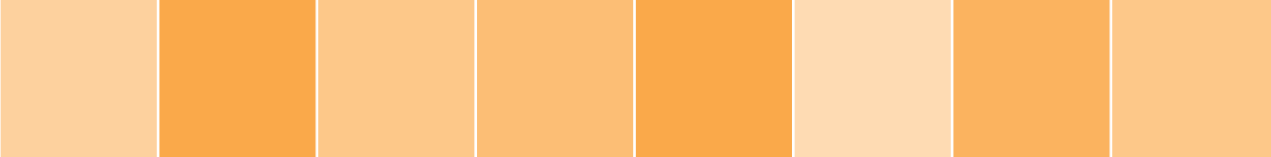
At 31st March 2006, the future liability under existing operating leases amounted to £9.571m as detailed below:

	<u>One Year</u>	<u>Two to Five</u>	<u>Five Years and</u>
	<u>£'000</u>	<u>Years</u>	<u>beyond</u>
		<u>£'000</u>	<u>£'000</u>
Future rental Liabilities under operating leases	2,486	4,871	2,214

25. Specific Revenue Reserves

<u>General Fund Reserves</u>	<u>Opening balance 2005/06 £'000</u>	<u>Transfers In £'000</u>	<u>Transfers Out £'000</u>	<u>Closing balance 2005/06 £'000</u>
Repair and Renewals Reserve	2,310	112	(295)	2,127
Spend To Save Reserve	4,000	0	(1,541)	2,459
Service Reconfiguration Reserve	2,885	3,241	(3,084)	3,042
Interest Equalisation Reserve	300	0	0	300
Barking Adult College Reserve	359	0	(155)	204
Insurance Fund Reserve	8,282	0	(643)	7,639
Amending report Reserve	0	118	0	118
Capital and Revenue support Fund Reserve	10,000	0	0	10,000
Thames Gateway London Partnership	0	646	0	646
Total	28,136	4,117	(5,718)	26,535

<u>HRA Reserves</u>	<u>Opening balance 2005/06 £'000</u>	<u>Transfers In £'000</u>	<u>Transfers Out £'000</u>	<u>Closing balance 2005/06 £'000</u>
Major Repairs Reserves	1,604	0	(155)	1,449
Leasehold Repairs Reserve	3,494	140	0	3,634
Insurance Fund Reserve	41	137	0	178
Total	5,139	277	(155)	5,261



The statement of total movement in reserves

Statement of total movements in Reserves 2005/2006

Fixed Asset Re-statement Account	Capital Financing Account	Usable Capital Receipts	General Fund	Specific Reserves General Fund	HRA Working Balance	Specific Reserve HRA	Pensions Reserve	Collection Fund	LMS	TOTAL
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(1,205,565)	(321,028)	(105,657)	(20,360)	(28,136)	(3,174)	(5,139)	117,978	1,718	(2,378)	(1,571,741)
225,038			3,441	1,601	784	(122)	23,602	(213)	(1,060)	4,431
22,037		(21,546)								23,602
										225,038
										491
	(400)									(400)
	(14,898)									(14,898)
	(48,209)	48,209								0
	33,744	7,212								33,744
										7,212
	1,019									1,019
	(7,741)									(7,741)
	(1,923)									(1,923)
	(214)									(214)
(958,490)	(359,650)	(71,782)	(16,919)	(26,535)	(2,390)	(5,261)	141,580	1,505	(3,438)	(1,301,380)

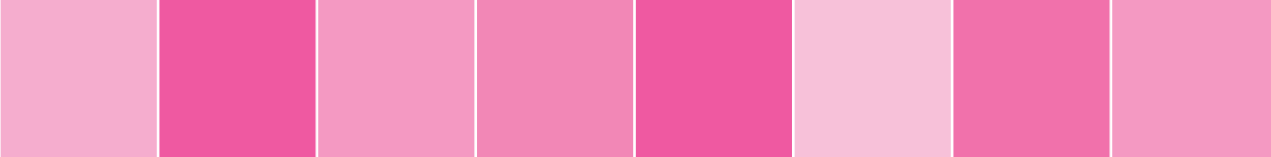
Notes

- 1 – Local Management of Schools (LMS) balances represent sums delegated to Schools in accordance with the Education Reform Act 1988 not spent at 31st March 2006
- 2 - The actuarial gains identified as movements on the Pension Reserve in 2005/06 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets and liabilities at 31st March 2006: This represents the movement in actuarial gains and losses in the year. For full details of the movement between opening and closing pensions deficit, see note 20 to the balance sheet.

	2003/04		2004/05		2005/06	
	£'000	%	£'000	%	£'000	%
Differences between the expected and actual return on Assets	41,143	13.8	9,528	3.1	39,420	10.8
Experience Gains and Losses arising on the scheme Liabilities	(549)	(0.2)	(4,855)	(1.1)	(2,622)	(0.5)
Changes in Financial assumptions used to estimate Liabilities	0	0	(57,813)	(19.9)	(55,850)	(11.0)
	40,594		(53,140)		(19,052)	

Purpose Of Reserves

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



The cashflow statement

Cash Flow Statement

	2004/2005	2005/2006
<u>REVENUE ACTIVITIES</u>	<u>£'000</u>	<u>£'000</u>
<u>Expenditure</u>		
• Cash paid to and on behalf of employees	198,654	200,792
• Other Operating Costs	132,192	157,809
• Housing Benefit Paid Out	25,659	31,440
• Non Domestic Rate Payments To National Pool	42,748	41,365
• ODPM Pooling of Capital Receipts	5,665	7,212
• Precepts Paid To Other Authorities	12,321	12,945
<i>Total Expenditure (A)</i>	417,239	451,563
<u>Income</u>		
• Council Tax Income (Net of Rebates)	(41,847)	(44,118)
• Non-Domestic Rates Received from National Pool	(46,735)	(55,272)
• Revenue Support Grant	(130,386)	(132,173)
• Other Government Grants	(65,380)	(63,323)
• Rents (Net of Rebates)	(25,500)	(25,444)
• DWP Grants for Rebates	(75,471)	(83,371)
• Cash Received for Goods and Services	(26,519)	(35,515)
<i>Total Income (B)</i>	(411,838)	(439,216)
<i>Revenue Activities Net Cash Flow (A less B)</i>	5,401	12,347
<u>RETURNS ON INVESTMENTS</u>		
<u>Income</u>		
• Interest Received	(8,591)	(8,775)
<i>Returns on investments Net Cash Flow (C)</i>	(8,591)	(8,775)
<u>CAPITAL ACTIVITIES</u>		
<u>Expenditure</u>		
• Purchase of Fixed Assets	82,086	77,972
• Purchase of non-LBBD Assets	2,090	2,914
• PFI Expenditure	2,140	4,561
	86,316	85,447
<u>Income</u>		
• Sale of Fixed Assets	(50,807)	(21,546)
• Capital Grants & Development Grants Received	(29,572)	(33,497)
	(80,379)	(55,043)
<i>Capital Activities Net Cash Flow (D)</i>	5,937	30,404
<i>(Increase)/Decrease in Cash Equivalents (A+B+C+D)</i>	2,747	33,976

Notes to the Cash Flow Statement

1. Reconciliation Of Revenue Cash Flow

	2004/2005	2005/2005
	<u>£'000</u>	<u>£'000</u>
(Surplus)/Deficit per Consolidated Revenue Account	(5,159)	3,441
(Surplus)/Deficit per Housing Revenue Account	(1,190)	784
(Surplus)/Deficit per Collection Fund	(370)	(213)
NET (SURPLUS)/DEFICIT	(6,719)	4,012
Interest	8,591	8,775
Non Cash Transactions:		
Contribution (to) from Provisions	(606)	781
Contribution (to) from Reserves	(10,806)	419
Contribution to Capital	(1,636)	(1,305)
(Increase)/Decrease in Creditors	(7,424)	(7,423)
Increase/(Decease) in Debtors	6,997	4,499
Other Movements	16,540	2,589
Revenue Activities Net Cash Flow	5,401	12,347

2. Movement in Cash and Cash Equivalents

	As at 31st March 2005	As at 31st March 2006	Movement
	£'000	£'000	£'000
Temporary Loan Investments	187,088	155,746	31,342
Cash at Bank	51	51	0
Cash Overdrawn	(11,636)	(14,270)	2,634
Net Cash Outflow/Inflow	175,503	141,527	33,976

3. Analysis of Government Grants etc.

	2004/2005	2005/2006
	£'000	£'000
Revenue Support Grant	130,386	132,173
DWP Grants for Rebates:		
• Tenants' Rent Allowance	21,637	25,912
• Tenants Rent Rebates	36,735	39,579
• Council Tax Benefit Subsidy	15,171	15,873
• Housing Benefit Administration	1,118	1,164
• Council Tax Benefit Administration	810	843
	75,471	83,371
Other Revenue Grants:		
• Education & Libraries	33,106	31,511
• General Purposes	855	1,150
• Social Services	20,683	18,256
• Housing and Health	361	1,891
• Single Regeneration Budget (SRB)	10,375	10,515
	65,380	63,323
Capital Grants:		
• Transport For London	3,860	3,058
• Sport England	1,191	0
• Dept of Work and Pensions	146	850
• Barking College	901	0
• Office of the Deputy Prime Minister	4,688	7,064
• Dept. for Education and Science	428	2,686
• London Development Agency	1	0
• SRB/Lottery Grants	605	542
• Children's Centre Capital Grant	0	1,740
• Developer Contribution	205	475
• Sure Start	2,006	791
• MRA	14,403	13,734
• Thames Gateway Development Council	0	1,376
• Enterprise training & Skills Council	0	692
• Government Office For London	300	0
• PCT	430	188
• Other	408	301
	29,572	33,497
Total of Government Grants	300,809	312,364



The pension fund account

Pension Fund Account

2004/2005			2005/2006	
£'000	£'000		£'000	£'000
		Contributions and Benefits		
		Contributions receivable:		
6,910		• from employers (administering body)	10,462	
841		(scheduled bodies)	1,782	
1,311	9,062	(admitted bodies)	1,494	13,738
4,823		• from employees (administering body)	5,268	
853		(scheduled bodies)	925	
590	6,266	(admitted bodies)	626	6,819
	5,882	Transfers in		6,771
	21,210	Total Contributions (A)		27,328
		Benefits payable:		
12,777		• Pensions (administering body)	13,318	
1,696		(scheduled bodies)	1,742	
197	14,670	(admitted bodies)	277	15,337
2,101		• Lump sums (administering body)	2,180	
218		(scheduled bodies)	235	
172	2,491	(admitted bodies)	424	2,839
		Payments to and on account of leavers		
179		• Refunds of contributions	61	
3,718		• Transfers out	4,228	
445	4,342	• Administrative and other expenses	490	4,779
	21,503	Total Payments (B)		22,955
	(293)	Net Income (withdrawals) (A less B)		4,373
		Returns on investments		
11,895		• Investment income	11,649	
26,203		• Change in market value of investments (realised and unrealised)	86,407	
(997)		• Investment management expenses	(1,521)	
	37,101	Net returns on investments		96,535
	36,808	Net new money invested	14,501	
10,605		<i>Change in market value of investments:</i>		
8,030		Net realised profits/(losses)	64,666	
18,173	36,808	Net unrealised profits/(losses)	21,741	
		Net increase/(decrease) in the fund during the year		100,908
	360,070	Opening net assets at 1 st April 2005		396,878
	396,878	Closing Net Assets At 31st March 2006		497,786

Pension Fund Net Assets Statement

31st March 2005			31 st March 2006	
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
		INVESTMENT ASSETS		
28,523		Fixed Interest Securities – Public Sector	37,622	
143,786		U.K. Equities – quoted	101,948	
0		U.K. Equities – unquoted	0	
94,969		Foreign Equities	200,103	
0		Foreign Fixed Interest Securities	8,011	
42,308		Managed Funds – Property	52,739	
77,994		Managed Funds – Other	82,892	
5,547		Short Term Investments	5,120	
	393,127			488,435
		CURRENT ASSETS		
2,806		Debtors	4,491	
1,943		Cash	8,898	
	4,749			13,389
		CURRENT LIABILITIES		
	(998)	Creditors		(4,038)
	396,878	TOTAL NET ASSETS		497,786

Notes to the Pension Fund Accounts

1. Operations and Membership

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

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

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

Membership Numbers	<u>Actives</u>	<u>Pensioners</u>	<u>Deferred</u>
	• London Borough of Barking & Dagenham	4,180	3,353
• University of East London	619	496	544
• Magistrates Court	0	9	17
• Barking College	208	61	120
• Barking Council for Voluntary Services	0	0	4
• Age Concern	41	34	12
• Abbeyfield Barking Society	2	4	1
• Disablement Association for Barking & Dagenham	2	0	3
• Barking & Dagenham Citizens Advice Bureau	0	0	0
• London Riverside	3	1	6
• Thames Accord	185	15	18
TOTAL	5,240	3,973	2,999

2. Accounting Policies

- (i) **Investment Valuation** - All investments are shown at their market value, which is determined using closing mid market prices from an independent pricing source.
- (ii) **Accruals Basis** - The accounts are prepared on an accruals basis. Any material transactions that were found to be for this financial year which arose or were received after the end of the year are enclosed in these pension financial statements.
- (iii) **Transfer Values** - are included in the accounts on a cash basis.
- (iv) **Foreign Currency Translation** - The valuation of foreign equities is calculated by using the overseas market price current at the relevant date and the exchange rate for the appropriate currency at the time to express the value as a sterling equivalent.
- (v) **Costs of Acquiring Investments** – these costs are included in the value of the assets.
- (vi) **Investment Management Expenses** – Fees charged for the investment and custodial arrangements of the fund.
- (vii) The Pension Fund accounts have been prepared in accordance with the accounting recommendations of the Financial Reports of the Pension Schemes – a Statement of Recommended Practice. However, disclosures have been limited to those required by the Code of Practice on Local Authority Accounting in the United Kingdom: a Statement of Recommended Practice.

3. Actuarial Position

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

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

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

The key financial assumptions are set out below:

Financial assumptions	Nominal % p.a.	Real % p.a.
Minimum Risk Rate of Return	4.7	1.8
Additional long-term returns from:		
• Equities	2.0	
• Corporate Bonds	0.4	
Overall additional long-term returns from:		
• Equities	6.7	3.8
• Bonds (50% Corporate, 50% Gilts)	4.9	2.0
Discount Rate	6.3	3.4
Pay Increases	4.4	1.5
Price Inflation/Pension Increases	2.9	

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

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

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

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

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

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

4. Purchase And Sale Of Investments

During the year the Fund purchased investments totalling £913.4 million and sold investments at a price of £839.5 million, including net realised profit of £64.6 million.

5. Fund Managers

The assets of the Council's pension fund are managed by the following Investment managers

Manager	Value of fund £,000	%
Aberdeen Asset Management	166,939	33.5
Alliance Berstein	163,819	32.9
Goldman Sachs	159,817	32.1
RREEF	1,015	0.2
Internal	6,196	1.3
Total	497,786	100

6. Stock released to third parties

The fund is involved with a stock lending agreement via its custodians. As at 31st March 2006 £12.9m of stock was lent to counterparties with 102.5% collateral exposure.

7. Statement of Investment Principles

A Statement of Investment Principles has been agreed by the Council's Investment panel and is updated periodically to reflect changes made in Investment Management arrangements. Copies can be obtained from the Authority's Web site: www.lbbd.gov.uk

8. Further Analysis of Investments

The Council is required to disclose a further analysis of the investments between UK and Foreign, and between Listed and Unlisted investments. This information is included in the Net Assets Statement on Page 47.

9. Related Party Transactions

Material Transactions between the LBBB Pension Fund and London Borough of Barking and Dagenham, in respect of pension administration costs, investment monitoring and other services amounted to £382,815 (2004/05 £317,000).

10. Administrative and other expenses

	2004/05 £'000	2005/06 £'000
Administrative and Processing	348	422
Actuarial Fees	10	9
Legal and other Professional Fees	87	59
Total	445	490

11. Transfers Out

Included in transfers out was a bulk transfer of £2,013k to the LFPA in respect of Magistrates Court employees who transferred out on 31st March 2001.

12. Post Balance Sheet Events

In the first two months after the year end, there were transfers out of the fund amounting to £548k.



External audit report

Independent Auditors' Report to the members of the London Borough of Barking and Dagenham

Opinion on the Financial Statements

We have audited the financial statements for the year ended 31 March 2006 under the Audit Commission Act 1998. The financial statements comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cashflow Statement, the Pension Fund Account and Net Assets Statement and the related notes. The financial statements have been prepared under the accounting policies set out within them.

Respective Responsibilities of the Chief Financial Officer and Auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities for the Financial Statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Auditing Standards (United Kingdom and Ireland).

This report, including the opinion, has been prepared for and only for the London Borough of Barking and Dagenham's members as a body in accordance with the Audit Commission Act 1998 and for no other purpose as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Council and its income and expenditure for the year.

We review whether the Statement on Internal Control reflects the Council's compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if

we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005:

- the financial position of the London Borough of Barking and Dagenham as at 31 March 2006 and its income and expenditure and cash flows for the year then ended; and
- the financial transactions of the pension fund during the year ended 31 March 2006, and the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year



PricewaterhouseCoopers LLP

Southwark Towers
32 London Bridge Street
London
SE1 9SY

29th September 2006

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's Responsibilities

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 regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Council is required to prepare and publish a best value performance plan summarising the Council's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Council has made such proper arrangements. 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.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the Council's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, the London Borough of Barking and Dagenham made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2006.

Best Value Performance Plan

We have issued our statutory report on the audit of the Council's best value performance plan for the financial year 2005/06. We did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

Certificate

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

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

PricewaterhouseCoopers LLP

Southwark Towers
32 London Bridge Street
London
SE1 9SY

29th September 2006



Signature of chairman of the assembly to the approval of the statement of accounts

**SIGNATURE OF THE CHAIRMAN OF THE ASSEMBLY TO THE
APPROVAL OF THE 2005/2006 STATEMENT OF ACCOUNTS**

This Statement of the Council's accounts for 2005/2006 was approved by the Council's Assembly on 28th June 2006

Signed: *Al Davis*

Councillor *AL DAVIS*

Chair of the Assembly on the 28th June 2006

Dated: *28/6/06*



Glossary of terms

Glossary of Terms

Term	Definition
Accounting Policies	The rules and practices adopted by the authority 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 st 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 council on the funds financial position and recommended employers contribution rates.
Actuary	One who makes calculations for pensions and insurance purposes.
Appropriation	The assignment of revenue to a specific purpose.
Asset Management Revenue Account	An account a local authority is required to maintain under the capital accounting arrangements applying from 1994/95 onwards. Charges for depreciation and interest charges on loans are debited to this account.
Band Proportions	The relation that Council Tax property band bears to the 'standard' Band D tax. The band proportions are expressed in ninths and are specified in the Local Government Finance act 1992 as A-6, B-7, C-8, D-9, E-11, F-13, G-15, H-18. This means that band A is six ninths of Band D, and so on.
Billing Authority	A district, unitary or London Borough council, or the council of the Scilly isles. The billing authority is responsible for levying and collecting the council tax in its area.

Budget	A forecast of the Borough's planned expenditure. The level of the council tax is set by reference to detailed revenue budgets. Budgets are reviewed during the course of the financial year to take account of pay and price changes, and other factors affecting the level or cost of services.
Capital Charges	A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. The charge is for notional interest (to represent the cost of tying up resources in those assets) and may include depreciation (Intended to represent the cost of using the asset.
Capital Expenditure	Payments on the acquisition or enhancement of assets that are considered to be of benefit to the authority over a period of more than one year, e.g. buildings and land. Payments of grants and financial assistance to third parties. Expenditure that is classified as capital following a ministerial direction e.g. capitalised redundancy costs.
Capital Financing Account	This reserve includes amounts set aside from either revenue resources or capital receipts to fund the acquisition of assets.
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, computer, property and general administrative support.
Collection Fund	A separate account that discloses the income and expenditure relating to residual community charge, council tax and NNDR
Community Assets	A Class of fixed assets that are expected to be held by the borough in perpetuity. Examples include parks, historic buildings and works of art.

Consolidated Balance Sheet	A statement showing the position of the borough's assets and liabilities as at 31 March in each year.
Consolidated Revenue Account	A statement setting out the costs for the year incurred by the borough in the provision of its services and showing how the expenditure has been financed from general government grants and local taxation.
Contingent Liability	<p>A contingent liability is either:</p> <ul style="list-style-type: none"> • A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control (e.g. The outcome of a court case) • A present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured.
Council Tax	Introduced from the 1 st April 1993 as a replacement for the community charge (Poll Tax). It is set by both the billing authority and precepting authority. The level is determined by the revenue expenditure requirement for each authority, divided by the council tax base for the year.
Council Tax Base	An amount calculated for each billing authority from which the RSG entitlement of its area is derived. The number of properties in each band is multiplied by the relevant band proportion in order to calculate the number of band D equivalent properties in the area. The calculation allows for exemptions and discounts, appeals and a provision for non-collection. Some levying bodies in determining their charge to the area also use the tax base.

Council tax requirement	The council tax requirement for the billing and local precepting authorities. This is the amount calculated under section 97(1) of the 1988 act to be transferred from the collection fund to the general fund (except where the amount calculated is negative, in which case it is the amount to be transferred from the general fund to the collection fund)
Creditors	Amounts owed by the council for goods received or services provided but not yet paid for as at 31 st March 2004
Debtors	Amounts owed to the council but not received at 31 st March 2004.
Deferred Charges	A type of capital expenditure, which may be deferred but which does not give rise to tangible assets. Examples are renovation grants and capital grants to other organisations.
Deferred Liabilities	These are creditor balances repayable after one year.
Defined Benefit Scheme	A pension or retirement benefit scheme into which an employee pays regular contributions fixed as an amount or as a percentage of pay. There are no legal obligations to pay further contributions if the scheme does not have sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.
Depreciation	The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.
Earmarked Reserves	These are reserves set aside for a specific purpose or a particular service, or type of expenditure.
Finance Lease	A finance lease is one that transfers a substantial proportion of the risks and rewards of a fixed asset to the lessee. With finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset.

Fixed Asset Restatement Reserve	A reserve showing the surplus or deficits achieved when re valuing fixed assets. This reserve is not available for general use in the financing of capital expenditure
Fixed Assets	Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.
Formula Funding Share	Formerly known as the Standard Spending Assessment (SSA), this calculates each authority's need to spend on its main services based on 'client' numbers and measures of deprivation. The system was not designed to prescribe how much an authority should spend, but to provide a fair basis for distributing Revenue Support Grant. Nevertheless, some Government departments, (particularly Education), increasingly regard it as a minimum Spending level.
Funded Scheme	A superannuation scheme that is supported by a fund of money which is maintained at a level sufficient to meet all future liabilities under the scheme.
General Fund	The account that summarises the cost of providing council services (excluding the housing revenue account)
Government Grants	Assistance by the government and their agencies in the form of cash or transfer of assets to an authority, which may be in return for the past or future compliance with certain conditions relating to the activities of the authority.
Gross Expenditure	The total cost of providing services before taking into account income, e.g. from government grants or fees and charges.
Historic Costs	The actual cost of an asset in terms of past consideration as opposed to its current value.

Housing Benefit	Financial help given to local authority or private tenants whose income falls below prescribed amounts.
Housing Revenue account	A statutory account maintained separately from the general fund for the recording of income and expenditure relating to the provision of council housing.
Housing Subsidy	This represents a government grant payable towards the cost of providing Local Authority Housing and the management and Maintenance of that Housing.
Impairment	A reduction in the value of a fixed asset, below the amount it is included at on the balance sheet.
Infrastructure Assets	Fixed assets that are recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.
Interest	The amount received or paid for the use of a sum of money when it is invested or borrowed
Investment Properties	Interest in land and/or buildings, which are held for their investment potential or rental income.
Levies	A payment that a local authority is required to make to a particular body. Levying bodies include national parks authorities and passenger transport authorities.
Long Term debtors	These debtors represent the capital income still to be received where sales of assets have taken place and deferred receipts, such as mortgages.
Memorandum account	These accounts are not part of the council's formal statutory accounts and are included in the statement for added information.
Minimum Revenue Provision	The minimum amounts that the council must charge to the revenue account to provide for the repayment of debt.

National Non-Domestic Rates (NNDR)	The form of local taxation charged on non-residential premises at a level set by central government. Rates are collected and paid into a central pool administered by central government. The total collected is then redistributed to authorities on the basis of population.
Net Book Value	The amount of which fixed assets are included in the balance sheet, i.e. they're historical cost or current value less the cumulative amounts provided for by depreciation.
Net Expenditure	Total expenditure less any income due to the council.
Net Realisable Value	The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.
Non Distributable Costs	These are overheads for which no user benefits and should not be apportioned to services.
Non-operational Assets	Are fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets that are surplus to requirements, pending sale or redevelopment.
Operating Leases	A lease that stipulates the asset can never become the property of the lessee.
Operational Assets	Are fixed assets held and occupied, used or consumed by a local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.
Past Service Cost	For a defined benefit scheme, the increase in the value of benefits payable that was earned in prior years arising because of improvements to retirement benefits.

Post Balance Sheet Events	These events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the statement of accounts is signed, by the Director of Finance.
Precept	A charge made on the collection fund by the Greater London Authority, to finance its net expenditure. Known as 'preceptors'
Prior Year Adjustment	A material adjustment applicable to prior years arising from changes in accounting policies or from changes the correction of fundamental errors.
Private Finance Initiative	Started in 1997/98, PFI offers a form of Private-Public Partnership in which local authorities do not buy assets but rather pay for the use of assets held by the private sector.
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 district valuer, (an Inland Revenue official), assesses the rateable value of individual non-domestic properties. Business rate bills are set by multiplying the rateable value by the NNDR poundage set by the government for the year. (Domestic properties no longer have individual rateable values but are assigned to one of the eight valuation bands for council tax.
Related Party Transaction	A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made, members are required to declare if they have entered into any such transactions and any relationships of influence with any organisations associated with the council.

Reserves	An amount set-aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.
Revenue Balances	These reserves represent surplus balance, which can be used in the future. Some reserves are set up to meet expenditure included in a particular account, such as the housing revenue account.
Revenue Expenditure	Day-to-day payments on the running of council services such as salaries and wages, heating and lighting transport and charges for the use of assets.
Revenue Support Grant	The main grant paid by central government to a local authority towards the cost of all its services.
Service Level Agreements	Service level agreements are written agreements between council support service users and providers. Each service level agreement specifies the support service to be provided its timing and frequency, the charge to be made for it and the period for which the agreement will run.
Stocks	<p>The amount of unused or un-consumed goods held in expectation of future use within one year. Stocks are valued at the end of each financial year and carried forward to be matched to the use or consumption when it arises. Stock comprise the following categories:</p> <ul style="list-style-type: none"> • Goods or other assets purchased for resale. • Raw materials and other components purchased for the incorporation into products for resale • Products and services partially or fully completed
Support Services	These services are provided by the administrative and professional service groups that support all the council's services. They include financial, legal, personnel, computer, property and general administrative support.

Trading Accounts	The accounts, which summarise the revenue transactions of those services operating on a “trading” basis which, are financed by charges made to recipients of the services.
Transfer Value	A payment made by one pension scheme to another when a member changes employment to enable the receiving pension scheme to give benefits for service in the paying pension scheme.
Valuation Band	The eight bands for Council Tax as specified in the Local Government Finance Act 1992. Domestic properties are assigned to one of these bands, depending upon the valuation of the property set by the district valuer (an Inland Revenue employee)



INVESTOR IN PEOPLE