
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 31 March 2008.

1. THE ACCOUNTING STATEMENTS

The Council's accounts for the year 2007-08 consist of:

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The Income and Expenditure Account - which sets out income and expenditure on all services.	12
• Statement of Movement on the General Fund Balance - which summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.	13
• Statement of Total Recognised Gains and Losses - which sets out the movement in net assets on the balance sheet from prior year to the current balance sheet date.	14
The Balance Sheet - which sets out the assets and liabilities of the Council on the 31 March 2008, excluding the Pension Fund (which is shown separately).	15
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2. REVENUE BUDGET

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

Service Department	Original Estimate £'000	Revised Estimate £'000	Actual £'000	Variation £'000
Adult & Community Services	58,647	62,165	62,212	47
Childrens Services	172,129	177,289	178,248	959
Customer Services	28,439	28,849	28,485	(364)
Regeneration	9,847	10,093	10,329	236
Resources & Corporate Management	6,014	6,926	6,426	(500)
General Finance	(16,644)	(25,356)	(25,271)	85
Contingency	1,200	24	0	(24)
Levies	6,581	6,581	6,580	(1)
TOTAL	266,213	266,571	267,009	438
<u>Financed By:</u>				
Dedicated Schools Grant	128,772	128,772	128,772	0
General Government Grant	86,215	86,215	86,215	0
Council Tax	48,400	48,400	48,400	0
General Fund Reserves	2,826	3,184	3,622	438
TOTAL	266,213	266,571	267,009	438

Revenue Services - Financial Performance

At the end of 2007-08 the Council had a net overspend of £438,000 on its General Fund Revenue services against a profiled budget for the year of £266.6 million (less than 0.2% over budget).

	Revised Budget £'000	Outturn £'000	Overall Variance £'000
General Fund Services	266,571	267,009	438

In summary, the overall departmental performance is as follows:

Service Department	Over/(under)spend £'000
Adult & Community Services	47
Children's Services	959
Customer Services	(364)
Regeneration	236
Corporate Resources	(440)
Total	438

Service Position

The 2007-08 financial year proved a demanding period for the Council with a number of significant financial pressures arising including:

- Delivery of the Residential and Homecare Modernisation programme;
- Cost pressures within the Libraries and Community Safety services;
- Increased demand for Children's Out of Borough Placements and Care leavers;
- Cost pressures in Environmental & Enforcement Services;
- Income and Cost pressures within Parks & open spaces;
- Income pressures in Property services, on Commercial property and in the Local Land Charges service; and
- Cost pressures in the Skills, Learning & Enterprise service.

Given the size of the financial pressures, the end-of-year position demonstrates a successful year of financial control, accurate forecasting, good systems/processes and the ability to implement and deliver action plans. A number of the on-going pressures that arose in 2007-08 have been resolved in the longer term through the 2008-09 budget process. The Council's full position on its 2007-08 revenue outturn was reported to its Executive meeting on the 3 June 2008.

The Council's General and School reserves position as at 31 March 2008 totalled £15,698,000 as follows:

	31 March 2007 £'000	31 March 2008 £'000
General Reserves	11,928	8,306
School Balances	7,962	7,392

Income for Service Expenditure

For 2007-08, Barking and Dagenham received formula grant of £86.215m. The like for like increase in formula grant for Barking and Dagenham for 2007-08 was 4.4%.

Formula grant is the main channel of Government funding which includes redistributed business rates and Revenue Support Grant. The latter is determined by a number of factors such as population and is adjusted for each local authority's ability to raise Council tax.

The Council set a Band 'D' Council tax in 2007-08 of £974.36 (excluding the Greater London Authority (GLA) precept) and is summarised as follows:

	2006-07 £	2007-08 £	Increase %
LBBD	930.15	974.36	4.75
GLA	288.61	303.88	5.29
Total	1,218.76	1,278.24	4.88

The Council's 2007-08 Council tax represented the 3rd lowest Council tax in Outer London and the overall increase of 4.88% 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 £455.8m of income from specific grants and fees and charges.

3. **CAPITAL BUDGET**

The total capital expenditure for 2007-08 was £63.4m out of a total budget of £65.7m, an underspend of £2.3m on budget.

These figures indicate that 96.5% of the capital programme was spent in 2007-08. This demonstrates the sound financial management principles that are applied across the capital programme.

The capital outturn position can be summarised as follows:

	£m
Revised Budget 2007-08	65.7
Less:	
Actual Expenditure 2007-08	63.4
Underspend	(2.3)
Budgets Rolled Forward into 2008-09	8.5
Budgets Brought Forward from 2008-09	(6.2)
Net underspend after roll-forwards	(0.0)

The budgets brought forward from 2008-09 of £6.2m are as a result of projects that have spent in advance of their 2007-08 budget, as a result of being ahead of their original programme timetables, so can be funded from resources currently included in the 2008-09 programme.

The Council's full position on its 2007-08 capital outturn was reported to its Executive meeting on the 3 June 2008.

4. **BALANCE SHEET**

Key movements on the balance sheet are as follows:

- The usable capital receipts reserve has reduced in 2007-08 by £20.8m due to its usage to fund the 2007-08 capital programme;
- The value of fixed assets has increased by £84 million to £1.40bn largely as a result of the revaluation of council dwellings – further details are contained Note 24 to the Core Financial Statements;
- The value of Government Grants Deferred increased by £13.3 million to £79.6 million. This included a number of adjustments, details of which are contained in Note 32 to the Core Financial Statements. (Capital accounting rules require that Government grants

and other asset-related contributions are credited to the balance sheet and transferred to revenue over the life of the assets concerned);

- Debtors increased by £15.6 million mainly due to an increase of £4.6 million due from Transport for London and £4.5 million in overpaid housing benefit;
- Receipts in advance increased by £16.6 million to £43.6 million as a result of significant Government grants for capital expenditure scheduled for 2008-09;
- The Pension Fund net deficit at 31 March 2008 had reduced from £123m to £102m, further details of which are set out below; and
- The General Fund Reserve fell by £3.6m to £8.3m, of which £7.3m was uncommitted at 31 March 2008. This level of uncommitted reserves is in line with the Council's targeted reserves having regard for potential risk areas.

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 31 March 2008. The balance at this date stands at £102.1m (£122.8m at 31 March 2007), following the updated actuarial information received at the year end, amounting to approximately 8% of the Council's net worth. Further details are contained in Note 42 to the Core Financial Statements.

6. ACCOUNTING POLICIES

The accounting policies adopted by the Council comply with the relevant recommended accounting practices. The Council's policies are fully explained in the Statement of Accounting policies set out in pages 1 to 11. A number of changes in accounting policy have been made primarily as a result of the 2007 SORP affecting the basis of capital accounting.

7. LOOKING FORWARD

There are currently difficulties in respect of revenue budgets with a number of departments projecting pressures in 2008-09. The most significant is in Children's Services where pressures continue to arise from Looked after Children placements and in meeting the Council's Leaving Care responsibilities. Action plans have been developed to deal with these pressures and all departments will be expected to deliver balanced budgets by the year end.

The current budget for the Council's Capital Programme is £101.4 million. Reviews are being carried out to ensure the maximum spend is achieved by 31 March 2009 on the individual capital schemes.

8. FURTHER INFORMATION

Further information about the accounts is available from:

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

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 31 March 2008.

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, as amended, I certify that the accounts of the Council set out on pages 1 to 53 and its Pension Fund on pages 54 to 62 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 31 March 2008, and their income and expenditure for the year then ended.



CHIEF FINANCIAL OFFICER

24/9/08

ANNUAL GOVERNANCE STATEMENT

Introduction

1. The Accounts and Audit Regulations (England) 2003 (amended 2006) require the Council to be responsible for ensuring that its financial management and internal audit systems are adequate and effective. In addition, the Council is required to have a sound system of internal control which facilitates both the effective exercise of its functions and arrangements for the management of risk.
2. Coupled with these requirements has been the need for a Statement on Internal Control (SIC), prepared in accordance with proper practices, to be included with the Council's published accounts. From this year the remit of the SIC has been subsumed into a wider statement which indicates the degree to which the councils governance arrangements follow the six core principles set out in 'Delivering Good Governance in Local Government' was published by CIPFA/SOLACE in 2007. These principles are that the Council in its activities:
 1. Focuses on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
 2. Has Members and officers working together to achieve a common purpose with clearly defined functions and roles
 3. Promotes values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
 4. Takes informed and transparent decisions which are subject to effective scrutiny and managing risk
 5. Develops the capacity and capability of members and officers to be effective
 6. Engages with local people and other stakeholders to ensure robust accountability
3. This Statement should enable stakeholders to have an assurance that decisions are properly made and public money is being properly spent on citizens' behalf.
4. This Statement is based on evidence obtained across the council about the robustness of the Council's governance arrangements and its systems of internal control. This evidence builds upon the assurance gathering process that has been in place since the requirement to produce a Statement on Internal Control began. This Annual Governance Statement:
 - Sets out in Section 1 the scope of responsibility and the purpose of the governance framework;
 - Describes in section 2 the key elements of the systems and processes that comprise the Council's governance arrangements
 - Presents in Section 3 the review of effectiveness of the Council's governance arrangements
 - Sets out in Section 4 any significant governance issues that need to be addressed

Section 1

Scope of Responsibility

1. LBBB is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. LBBB also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, LBBB is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
3. LBBB's Local Code of Corporate Governance is consistent with the principles of governance set out in the introduction. A copy of the code is on the Council's website in part E of the Constitution or can be obtained from the Council's Monitoring Officer.

The Purpose of the Governance Framework

4. LBBB's governance framework is established through its systems, processes, cultures and values. These are regularly reviewed. Standards Committee Members are working with officers to assess the current arrangements and to suggest any areas of improvement as part of the continuous improvement processes for the Council's governance arrangements.
5. The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
6. The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and 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 achievement of LBBB'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.
7. The governance framework has been in place at LBBB for the year ended 31 March 2008 and up to the date of approval of the annual report and statement of accounts.

Section 2

The Governance Framework

8. The key elements of the systems and processes that comprise the Council's governance arrangements are described in more detail below:

Vision and Purpose

9. The Council's vision and purpose is defined and delivered through the LBBD Partnership Board (Barking and Dagenham Strategic Partnership). The Board develops the community strategy and tracks the activities of the Council and its partners to ensure that the vision in the Community Strategy is being realised. It does this through a Public Service Board and a series of Partnership Sub-Groups who develop strategy, monitor performance and outcomes for the Community Strategy. A recent review of the operation of the Local Strategic Partnership has led to closer links being made with the Council's formal decision making process.
10. The structure of the BDSP comprises:
 - Barking and Dagenham Strategic Partnership (BDSP)
 - Public Service Board (PSB)
 - Partnership Sub-Groups
 - Children's Trust
 - Adult Trust
 - Safer and Stronger Communities
 - Economic Development, Enterprise and Environment
 - Inclusion, Equalities and Diversity
11. The Community Strategy for Barking and Dagenham is currently being reviewed and will be finalised later in 2008.

Performance Management

12. The performance management framework demonstrates how effective the actions being taken are and assists in monitoring progress in the way in which the Council's strategies are translated into action plans. It also helps to identify if any risks are materialising when indicators do not show the level of progression anticipated. The performance management framework is therefore instrumental in identifying and mapping continuous improvement of services across the Council.
13. To support the delivery of the Community and Council Priorities, the Council annually outlines its arrangements for performance management, service planning, reporting successes and outcomes in the Council's Corporate Plan.
14. The Corporate Plan is the overarching strategy of the Council and is supported by a robust service and performance planning framework, which translates strategy into action, primarily through the use of the Balanced Scorecard approach. The Balanced Scorecard encompasses the delivery of key strategic targets in relation to community/corporate and service priorities as well as corporate health drivers such as performance measures, cohesion and equality outcomes, projects and programmes, value for money, financial and efficiency priorities and risk management.

15. Balanced Scorecards are directly challenged by the Chief Executive on a twice yearly basis; firstly to ensure the correct focus (forward planning) and secondly to assess progress towards delivery (monitoring). Directors and Heads of Service performance is assessed through Personal Performance Management (PPMs), enabling strategic direction and focus to influence service priorities and outcomes.
16. The actions required to deliver Balanced Scorecard objectives are cascaded into team and individual plans forming the basis for annual and interim appraisals.
17. Appraisals are scored to reflect individual performance and contribution towards the delivery of the Council's priorities. Regular team meetings and one-to-ones support the monitoring of delivery. Corporate quarterly monitoring of Balanced Scorecard delivery provides senior managers and Members with an overview of the Council's direction of travel through the Achieving Excellence report.
18. There are five Programme Boards, each chaired by a Director and supported by programme managers, which meet monthly. The Council has established a governance framework to support this approach which includes an escalation process associated with issues and risk management. A series of programme and projects associated with delivery are overseen by each Board, with areas such as change management, Building Schools for the Future, LAA priorities and other priority areas for the Council being the subject of focus. Each Programme Board reports to the Corporate Management Team – Programme Board, on a quarterly basis.
19. Both the Executive and the Corporate Management Team (CMT) monitor performance information on a 3 monthly basis. Key performance information is reported at the 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 CMT Executive. Worst performing indicators are reported with action plans to the Scrutiny Management Board. Throughout 2007-08, the Council has produced an 'Achieving Excellence' report which identifies the progress on each of the key business themes of performance, projects, pounds and people as well as complaints and the balanced scorecards.
20. The Council will be reviewing its performance management arrangements during 2008-09 including embedding these with partners.
21. The Council's Overview and Scrutiny function provides elected Members with the forum to challenge performance; make recommendations to the Executive and the Assembly on policies, the budget and delivering services, instigating and managing the work of scrutiny panels; monitoring the Executive's decisions and using "Call-ins" to challenge decisions
22. The Overview and Scrutiny function reviews decisions made by the Council's Executive. The focus of their role is to provide a challenge and to support the development of policies. At their meetings they consider performance information. They also have a key role in reviewing and challenging the Executive's budget framework prior to consideration at full Council.
23. To support these internal performance indicators the Council commissions and uses research to test the customer and stakeholder experience of services that the Council provides. It uses this feedback to drive the services forward to deliver what the public want and to focus resources on the public's priority areas.

24. External benchmarking is also used extensively to compare the services delivered by the Council with others both in the private and public sector. This is used as a tool to assess the cost effectiveness and value for money of services provided by the Council.

Council Constitution

25. This sets out the roles and responsibilities of officers and Members. It provides details about how decisions are made and who can make them. It also contains the rules for managing our finances and resources effectively. Under the Council's constitution, the Executive has the powers necessary to implement the wishes of the community and to improve the services provided. The Leader and Cabinet model provides clear accountability and effective leadership and decision making. The Assembly retains some strategic decision-making powers such as the budget framework and setting of the Council Tax. Officers in each Service have schemes of delegation to enable them to handle day to day matters. The LBB Executive drives forward the delivery of services. Where a key decision is due to be made the Council publishes details in the forward plan prior to the decision-making meetings. These meetings are open to the public unless exclusion is necessary for reasons of confidentiality.
26. The Monitoring officer ensures that the constitution is reviewed at least annually.

Codes of Conduct

27. The Council has a code of conduct for officers supported by a requirement to make declarations of interest and to declare gifts and hospitality. Interests must be declared by officers above a certain grade and those in certain decision making and procurement positions. Officers are required to generally decline gifts and hospitality to ensure that officers are not inappropriately influenced. These codes and processes are made available to staff at their induction, they are on the intranet and online training is available to ensure every staff member understands their responsibilities.
28. During the year the government issued a revised code of conduct for Members. LBB adopted this in August 2007 ahead of the October 2007 deadline. Training has been provided to Members on the new code and the compulsory online training modules have also been updated. Members are required to make declarations of interest when elected and to consider their interests and make appropriate declarations at each meeting they attend. Members must also declare any gifts and hospitality. Member's declarations and gifts and hospitality records are made public through the Council's website.
29. As part of the adoption of the new Members code a number of protocols were reviewed including the one concerning member and officer relationships. The Standards Committee provided advice and guidance on the revisions that were recommended

Council Constitution

30. During the year the Constitution was reviewed to ensure that it kept abreast of changes within the Council. As part of the review the Council scheme of delegation was also comprehensively reviewed

Rules and Regulations

31. The Council's rules and regulations form part of the Constitution. There is a scheme of delegation for officers. These documents are published on the Council's website. They state who is authorised to make decisions in particular areas. Alongside this the Council has financial regulations which provide details of officers' responsibilities for the Council's control environment relating to income, expenditure, internal control, risk management and partnerships. To support officers when they are making purchases the Council has developed a code of procurement practice. During the year the scheme of delegation and financial regulations were reviewed. There is an ongoing review of the procurement code of practice to enable the document to be more user friendly in future.

Audit Committee

32. The Council has an Audit Committee that carries out the functions of an Audit Committee in compliance with the CIPFA guidance on Audit Committees. The Audit Committee provides an independent assurance of the adequacy of the risk management framework, independent scrutiny of the Council's financial performance and related major finance and non- financial systems and controls, as well as overseeing the financial reporting progress. The Audit Committee has the authority to make appropriate recommendations to the Assembly and/or the Executive.
33. The Audit Committee comprises of two Members drawn from the Executive, two Members from the Scrutiny Management Board, and one further Member. There is also an independent advisor to support the work of the Committee in relation to testing risk management systems and controls of the Council. They met four times in 2007/8. Their role is to provide an independent assurance of the adequacy of the risk management framework, independent scrutiny of the Council's financial performance and related major finance and non- financial systems and controls, as well as overseeing the financial reporting progress. Committee Members receive regular training and briefings on matters relating to their terms of reference to keep them up to date. During the year the Audit Committee has called officers to its meetings to explain how they are progressing with internal and external audit recommendations. The Committee have received a range of reports from the internal and external auditors to assist them in considering the effectiveness of the Council's control framework. The Committee also receives regular reports on internal audit, risk management and counter fraud performance. These reports contribute to the Committee's review of the effectiveness of the Council's system of internal audit.

Compliance with Policies, Laws and Regulations

34. The Constitution sets out the legal framework for making decisions and publishing them. There is a robust scrutiny system in place to ensure that the work of the Council complies with all appropriate policies, laws and regulations. The Overview and Scrutiny committee has the power to call in and challenge any key decisions. They actively scrutinise the budget proposals made by the Executive and can refer any matters to the Assembly. Most of their work relates to reviewing and developing policies and services.

35. The Council has three statutory officers; Chief Executive (Head of Paid Service), Divisional Director of Corporate Finance (as Section 151 Officer) and Divisional Director of Legal and Democratic Services (Monitoring Officer), each of whom has the power to refer matters to Assembly if a breach of regulation has occurred or anticipated. These officers meet monthly to discuss issues arising. None of these officers have been required to use their powers during the year. The statutory officers provide professional advice on all key decision-making reports to ensure legal, financial, risk management, procedure and equality implications are addressed.
36. In addition, under the provisions of the Children Act 2004, the Council must appoint a Statutory Officer with responsibility for children. This role is carried out by the Executive Director for Children. Likewise the Council has appointed a lead Members for Children Services on the Council's Executive with this portfolio. The Council is aware of the proposals for similar provisions in relation to adults and will implement those when the legislative framework is in place; currently the Council has an Executive Director with responsibility for Adults (the Executive Director for Adults and Community Services) and an elected Member with this portfolio.

Whistle-blowing and Complaints Process

37. Within the Council the whistle-blowing policy is actively promoted. The effectiveness of the policy and the type of issues raised are reviewed and monitored by the Council's Standard and Audit Committees on an annual basis.
38. The Council has a recognised complaints process. This takes the form of a three stage process enabling the public to escalate their complaints if they are unsatisfied with the answer they receive. Details of complaints are monitored by Members. The Leader and Members also receive enquiries and complaints via their surgeries, walkabouts and question time activities. The Council has a team of staff supporting Members in addressing these queries to ensure that the public receive an appropriate answer. The Council has now implemented local assessment of complaints against Members with the establishment of two Standards Sub-committees and Member training.

Training and Development

39. LBBD has a Member Development Programme, which is based around the key priorities identified by Members. The programme offers Personal Development Plans for those Members who want to develop a more tailored approach to their development. Formal monthly sessions are arranged and are repeated twice, once during the day and once during the evening to take account of Members' individual life commitments. These sessions are a mix of skills based sessions (e.g. dealing with difficult constituents) and knowledge based sessions (e.g. Code of Conduct training). The programme includes access to "Modern Councillor" a new service for elected Members to develop their skills through e-learning. In addition, all Members are offered the opportunity to attend the IDeA's Leadership Academy which is a programme designed specifically with Councillors in mind.
40. Members have a support officer and a development programme to keep them up to date with changes and to support training needs. Training is supplemented by information through briefings, conferences and ward bulletins. Both the Audit and Standards Committees have training as part of their agendas and agree specific training plans for themselves annually. For some aspects of Council work Members are required to undertake a period of study and pass a test to ensure they can demonstrate appropriate competence (for example, Licensing appeals).
41. Finally, Members are in the process of formally signing up to the Members' Charter for Development with a view to obtaining the full charter later this year.

Communication and Engagement

42. The Council publishes numerous documents on its website as well as providing a fortnightly LBBB magazine and community forum newsletters to keep members of the public up to date with what is going on. In 2007 the Town Show included a range of events to enable the public to participate more fully in the life of LBBB and to make the most of Council services. Emphasis was placed on sport, healthy living, dance, music, learning and development. As part of live life all households received a booklet detailing a range of summer activities for children to engage them with learning, creativity and sport to help ensure that children had plenty to do in the holidays. During the school holidays the Council also runs a range of sporting activities for children. Alongside this, and to promote health and wellbeing, the Council runs a fit club for citizens to assist in tackling health and obesity issues within the local population. There is advice and support on diet and access to free or subsidised exercise programmes.
43. The Council also engages with citizens through surveys and various engagement techniques. It has a Citizen's Panel that are regularly consulted and carries out an annual resident's survey and a tenant's survey. The council uses 'Tell Us' as a focus for suggestions and comments. These help to inform the Council of the population's opinion on the services provided, their experience of services and to influence the Council's priorities for the future. This year the Council has also carried out work to determine how the different communities get their information to ensure that the Council is effective in its communication methods.
44. The Council also engages with citizens through surveys. It carries out an annual resident's survey and a tenant's survey. These help to inform the Council of the population's opinion on the services provided, their experience of services and to influence the Council's priorities for the future. This year the Council has also carried out work to determine how the different communities get their information to ensure that the Council is effective in its communication methods.
45. The Council has established a borough-wide Neighbourhood Management service which is designed to:
- Enable local people to identify the priorities for action in their local area, which are translated into a Neighbourhood Action Plan
 - Give them an opportunity to monitor progress in achieving those plans and hold service providers to account where necessary
 - Support local people to get involved in activities to address those priorities and build stronger communities
46. The borough launched its first Engagement Strategy for Children and Young People in June 2007. 'Seen and Heard' sets out how the Council and its partners will involve children and young people in the planning, delivery and evaluation of services which are delivered to them or impact on their lives.
47. The Council regularly engages with children and young people through a number of different mechanisms. These include the Barking and Dagenham Youth Forum for 13-19 year olds, the 5-12 Children's Forum, School Councils and Disabled Children's Parliament. Extensive engagement structures are also in place for looked after children and teenage parents. In addition to formal structures there is also a range of initiatives to allow children and young people to give their opinions, including a Citizens Panel for 5-17 year olds.
48. The Council is also committed to improving its engagement with other parts of the community by holding specific days for carers and reaching out to the older community and those with disabilities.

Partnerships

49. The most significant partnership for the Council is the LBBB Local Strategic Partnership. This is governed by its own constitution. Members are also subject to a code of conduct and make declaration of interest at meetings. The partnership identifies the shared outcomes for the community partnership and is approving a new sustainable community strategy which sets out the vision and aspirations for the community in the medium and long term. This strategy, vision and aspirations for the community are also linked to the local area agreement and targets agreed and monitored by central government.
50. The Council also has important partnership arrangements with the local primary care trusts. These cover a range services and are aimed at delivering a seamless service to the public.
51. There are also partnership arrangements with the Police, Probation and Youth Justice services to help to meet the targets for reducing crime and making LBBB a safer and stronger community.

Section 3

Review of Effectiveness

52. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of relevant Directors and Heads of Service within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
53. 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.
54. Annually the Head of Internal Audit is required to give an opinion on the Council's internal control framework based upon the work carried out during the year. The Head of Internal Audit's annual report is provided as a paper to the 23 June Audit Committee. Internal Audit review and test the key controls in the Council's major financial systems on an annual basis. Based on the work undertaken during the year and the implementation by management of the recommendations made, internal audit were able to provide reasonable assurance that the systems of internal control within the council were operating adequately and effectively.
55. The opinion of the Head of Internal Audit is therefore that overall the control environment is currently adequate.
56. An effective working relationship with the Council's external auditors, PricewaterhouseCoopers (PwC) has been maintained. Joint planning has ensured the most effective use of resources and avoided duplication of effort. This liaison and the work undertaken have enabled the Council's external auditors to adopt the Managed Audit Approach outlined by the Audit Commission. 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.
57. Part of the review of effectiveness is for there to be a review of the system of internal audit. As with last year's Statement on Internal Control, this has been undertaken via a peer review with another Council (peer arrangements are changed every year to ensure

independence) as agreed by the Financial Directors of Barking & Dagenham, Havering, Redbridge, Tower Hamlets and Newham. The peer review tests adherence to the CIPFA Code of Practice on Internal Audit. For 2007-08, the internal audit section was peer reviewed by the London Borough of Redbridge.

58. The peer review opinion was that substantial assurance could be provided and that the recommendations made in the 2006-07 peer review by the London Borough of Tower Hamlets have been implemented. There are two management actions which the Head of Audit will implement by September 2008. The peer review report is being considered by the Audit Committee on the 23 June.
59. Executive Directors and Heads of Service have responsibility for the development and maintenance of the internal control environment. In addition to the work of internal audit therefore, the review of the effectiveness of the system of internal control is evidenced by obtaining annual assurance statements from Heads of Service, Executive Directors and Statutory Officers commenting upon compliance with the Council's control framework. These assurance statements identify and evaluate the key controls in place to manage the principal risks facing the services. The assurances received have been evaluated by an officer group consisting of the Divisional Director Legal & Democratic Services, Divisional Director of Corporate Finance, and Head of Strategic Finance and Audit.
60. There are no significant control issues arising from the assurance statements. However, there are some issues for further strengthening the governance framework which will be actioned during 2008-09, these are:
 - Risk management – based on comments by the Heads of Service and the Risk Manager that there is further work to ensure risk management is embedded at all areas, for example updating and reviewing risk registers;
 - Human Resources - the need for up to date job descriptions arising from reorganisations and corporate initiatives. Also still to be completed diversity impact assessments.
 - Business Continuity - the need to update business continuity plans following test checks or exercises
 - Partnerships – for example, undertaking a partnership audit, developing risk assessments, reviewing performance management across partnerships, and developing partnership constitutions
61. An action plan is being completed for all these issues and progress on this will be monitored via monthly Heads of Service meetings.

62. Annually the Audit Commission and the External Auditor produce a report to those charged with Governance, as the Annual Audit and Inspection letter. This sets out their opinions in relation to accounts and governance and performance. This letter is reported to Audit Committee in June 2008. The main messages for the Council included in this report are:

- the Council is a three star authority and continues to improve well;
- the auditor issued an unqualified opinion on the Council's 2006-07 accounts and an unqualified value for money conclusion;
- the corporate assessment concluded that the Council was performing well; and
- improvements in the quality of services for children and young people and for housing are happening at a slower rate than in other services

The letter indicated that the following action was needed by the Council;

- ensure appropriate investment is made in services for children and young people and in housing to secure the improvements needed;
- implement the recommendations included in the corporate assessment report; and
- continue to strengthen its arrangements for the effective use of resources.

Again, an action plan has been developed for the specific issues raised in the above and will be monitored during the year.

Section 4

Significant Governance Issues 2007-08

63. There were a number of issues raised as part of the 2006-07 Statement on Internal Control. These were:

External Inspections

64. There have been numerous recent external inspections of the Council, with regards to:-

- Supporting People
- Use of Resources (CPA)
- Fostering Services
- Waste Services
- Mental Health
- Revenue and Benefits (BVI)
- Adult Placements

65. Further the following best value reviews have also occurred:
- Anti-Social Behaviour
 - Information and Record Keeping
 - Child Adolescent Mental Health Services (CAHMS)
 - High Cost Placements
66. In addition to these service specific inspections, the Council has also undergone a Corporate Assessment (CA), a Joint Area Review (JAR) and an inspection of Housing Advice services.
67. Areas of strength and weakness in the delivery of these services were identified and full monitoring of the resultant action plans and their progress on delivery were reported regularly to Council Boards, the Executive (where appropriate) and Corporate Management Team.

Business Continuity Planning


68. During 2007-08 all relevant Heads of Service have completed a Business Continuity Plan. All plans provided have been checked and a test regime started at the beginning of April 07
69. There are no significant Governance issues for 2007-08.

Opinion of the Chief Executive and Leader of the Council

70. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the audit committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Preparation for the Future

71. We propose over the coming year to take steps to further enhance our governance arrangements.
72. We look ahead to the new Comprehensive Area Assessment (CAA) regime. We have commenced engineering in the necessary framework to take particular care to ensure that the experiences of people who use or services and local taxpayers are of excellence services and value for money of the first assessment in 2009. We look forward to working more closely with other agencies both public and not-for-profit to strengthen and place-shape the communities to be stronger healthier with an increased stand of life experience and economic regeneration.



On behalf of the Leader of Council



Robert Whiteman, Chief Executive

25 June 2008

STATEMENT OF ACCOUNTING POLICIES

1. Introduction

- 1.1 The Statement of Accounts summarises the Council's transactions for the 2007-08 financial year and its position at the year-end of 31 March 2008. It has been prepared in accordance with the '*Code of Practice on Local Authority Accounting in the United Kingdom 2007 – A Statement of Recommended Practice*' (the SORP) and the '*Best Value Accounting Code of Practice*' (BVACOP). Both these documents represent 'proper practices' in accordance with statutory requirements.
- 1.2 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.
- 1.3 As set out in further detail below, the Statement of Accounts (with the exception of the Cash Flow Statement) is prepared on an accruals basis. This 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.
- 1.4 The Statement of Accounts is also prepared on a going concern basis and assumes that the Council will continue in existence for the foreseeable future. There is no intention to curtail the scale of operations significantly.
- 1.5 The SORP requires that full disclosure regarding external interests and group accounts be included in the financial statements. The Council examines its external interests on an annual basis and has determined that there are no material interests that would require the production of group accounts. In performing this exercise, the Council identified Thames Gateway London Partnership (TGLP) as a potential group entity. TGLP's results have been amalgamated into the Council's Income and Expenditure Account and Balance Sheet on the basis of 'substance over form'. Further details are set out in Note 11 to the Core Financial Statements.
- 1.6 There have been a number of enforced changes in accounting policy as a result of the 2007 SORP, details of which are set out in paras. 10 and 12 below, affecting the valuation of fixed assets and financial instruments generally. These are largely of a presentational nature and do not affect the results either for the current period or prior periods requiring a prior period adjustment.

2. Accounting Concepts

The accounting convention adopted is historical cost modified by the revaluation of land, buildings, vehicles, plant and equipment subject to and in accordance with the fundamental accounting concepts set out below:

Relevance

The accounts are prepared so as to provide readers with information about the Council's financial performance and position that is useful for assessing the stewardship of public funds.

Reliability

The accounts are prepared on the basis that the financial information contained within them is reliable, i.e. they are free from material error, deliberate or systematic bias, complete within the bounds of materiality and represent faithfully what they intend to represent. Where there is uncertainty in measuring or recognising the existence of assets, liabilities, income and expenditure then caution or prudence has been used as a basis to inform the selection an application of accounting policies and estimation techniques.

Comparability

The accounts are prepared so as to enable comparison between financial periods. To aid comparability the Council has applied its accounting policies consistently both during the year and between years.

Understandability

Every effort has been made to make the accounts as easy to understand as possible. Nevertheless, an assumption has been made that the reader will have a reasonable knowledge of accounting and local government. Where the use of technical terms has been unavoidable, an explanation has been provided in the Glossary of Terms.

Materiality

Certain information may be excluded from the accounts on the basis that the amounts involved are not material either to the fair presentation of the financial position and transactions of the Council or to the understanding of the accounts.

3. Estimation Techniques

Estimation techniques are the methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Details of where these have been used are contained in the relevant Note to the Core Financial Statements. Where a change in an estimation technique is material, an explanation is also provided of the change and its effect on the results for the current period.

4. Accruals of Income and Expenditure

4.1 Customer and Client Receipts

Customer and client receipts for sales, fees, charges and rents that relate to the financial year are 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.

4.2 Employee Costs

The full cost of employees is 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.

4.3 Interest

Interest income is accrued and accounted for in the financial year. This income is credited to the Income and Expenditure Account, the Housing Revenue Account and certain other funds held by or on the Council's behalf based on the level of their respective cash balances. Amounts are calculated using the average rate of return across the Council's investments for the year.

4.4 Supplies and Services

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

5. Provisions

The Council sets aside provisions for future liabilities and losses in accordance with FRS 12 '*Provisions, Contingent Liabilities and Contingent Assets*'.

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by transfer of economic benefits and where a reliable estimate is available, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. in the case of an insurance claim), this is only recognised as income if it is virtually certain that reimbursement will be received if the obligation is settled.

6. Contingent Assets and Liabilities

Contingent assets are not recognised in the Statement of Accounts. They are disclosed by way of a note to the accounts 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.

7. 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. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. Where expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account with the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against Council Tax for that expenditure.

Further details regarding the Council's reserves are set out in Note 33 to the Core Financial Statements.

8. 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 housing renovation grants. Deferred charges are amortised to revenue over an appropriate period, normally in the year of recognition, in a manner consistent with the consumption of economic benefits controlled by the Council.

9. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council is capitalised when it will bring benefits to the Council of more than one year. Intangible fixed assets currently comprise computer software and are valued at cost and amortised over a 5 year period.

10. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

10.1 Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council for more than one year.

Expenditure on enhancing assets is added in full pending a revaluation of the asset concerned. Each asset is revalued within a 5-year rolling programme. Any expenditure not deemed to have added value will be written off at that time in accordance with the accounting policy on impairment set out in para 10.3 below. Previously, any non-enhancing expenditure was reviewed on an annual basis and written off against the Fixed Asset Restatement Account. This represents a change in accounting policy and represents the best value available pending the outcome of the 5-year rolling programme.

Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

10.2 Measurement & Revaluation

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 is used for the majority of asset valuations, with £6,000 used for vehicles.

Fixed asset valuations are made in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors (RICS) by the Council's valuers, Wilks, Head & Eve.

Assets are classified in accordance with the SORP and are carried in the Balance Sheet on the following measurement bases:

Class of Asset	Valuation Method
Council Dwellings	Existing Use Value for Social Housing
Other Land & Buildings	Lower of Net Current Replacement Cost or Net Realisable Value in Existing Use
Vehicles, Plant & Equipment	Lower of Net Current Replacement Cost or Net Realisable Value in Existing Use
Infrastructure and Community Assets	Historic Cost net of depreciation
Investment Properties and Assets Surplus to Requirements	Lower of Net Current Replacement Cost or Net Realisable Value in Existing Use, normally Open Market Value
Assets Under Construction	Historic Cost

Specialised operational properties, i.e. those for which there is no recognised market (such as schools), are valued on the basis of Depreciated Replacement Cost. Current replacement cost, where applicable, is derived from valuations provided by the Council's valuers, Wilks Head & Eve.

Assets included in the Balance Sheet are revalued on a 5-year rolling basis except where there have been material changes in value which are recognised in the year they arise. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

This represents a change in accounting policy arising from the requirements of the 2007 SORP.

10.3 Impairment

The valuer also performs an annual impairment review to ensure that the Council's assets are not materially over-valued as at the balance sheet date.

Where impairment is identified as part of this review, this is now accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- Otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account

Where an impairment loss is charged to the Income & Expenditure Account but there were accumulated gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

This represents a change in accounting policy arising from the requirements of the 2007 SORP.

10.4 Disposals

When an asset is disposed of or decommissioned, any gain or loss arising after netting off the carrying amount of the relevant asset against the net sale proceeds is recognised in the Income & Expenditure Account and any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

This represents a change in accounting policy arising from the requirements of the 2007 SORP.

A proportion of the receipts relating to the disposal of HRA assets is payable to the Government in accordance with statutory pooling arrangements. The balance of receipts is credited to the Usable Capital Receipts Reserve and can only be used to finance new capital investment or set aside to reduce the Council's underlying borrowing requirement.

The loss or gain on the disposal of an asset is not a charge against Council Tax as the cost of fixed assets is fully provided for under separate arrangements for capital financing. The relevant loss or gain is therefore appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

10.5 Depreciation

Depreciation is provided for all fixed assets with a finite useful life (determined at the time of acquisition or revaluation) other than freehold land and investment properties (including assets surplus to requirements). Assets in the course of construction are stated at cost and are not depreciated until brought into use.

Depreciation is calculated on the following bases:

Asset Type	Depreciation Method
Buildings	Straight line basis over their useful economic life as determined by the valuer. This is generally between 35 and 60 years.
Vehicles, Plant & Equipment	Straight line basis on an individual asset basis. This is generally between 5 and 10 years.
Infrastructure and Community Assets	Straight line over 20 years

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

This represents a change in accounting policy arising from the requirements of the 2007 SORP.

Capital charges are made to service revenue accounts, central support services and trading accounts. This equates to depreciation based on the amount that the asset is included in the balance sheet.

11. **Government Grants**

11.1 All service specific revenue grants are matched with their related service expenditure. Grants provided to finance the general activities of a local authority (e.g. Revenue Support Grant) are credited to the foot of the Income & Expenditure Account after Net Operating Expenditure.

11.2 Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, this amount is credited initially to the Government Grants Deferred Account. Amounts are then credited annually to the relevant service revenue account in the Income & Expenditure Account over the useful life of the asset in order to offset the depreciation of the asset to which it relates.

11.3 Government grants or other third party contributions are 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.

12. **Financial Instruments**

12.1 Financial Liabilities

Financial liabilities are initially measured at their fair value and carried at their amortised cost. The amount recognised in the Balance Sheet is the outstanding principal repayable and the interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement or pro-rata where taken mid-year.

12.2 Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are initially measured at their fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The amount recognised in the Balance Sheet is the outstanding principal receivable and the interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Income and Expenditure Account as appropriate.

Available-for-sale Assets

Investments managed internally or on behalf of the Council by external fund managers are initially measured and carried in the Balance Sheet at their fair value.

Other available-for-sale assets are also initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain or loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). Any gains or losses that arise on the derecognition of the asset are credited or debited as appropriate to the Income & Expenditure Account, along with any accumulated gains or losses previously recognised in STRGL.

The accounting arrangements for financial instruments outlined above represent a change in accounting policy due to the requirements of the 2007 SORP following the issue by the Accounting Standards Board of:

- FRS 25 '*Financial Instruments: Presentation and Disclosure*';
- FRS 26 '*Financial Instruments: Recognition and Measurement*'; and'
- FRS 29 '*Financial Instruments Disclosures*'.

13. Leases

Leases are accounted for on the basis set out in Statement of Standard Accounting Practice (SSAP) 21 '*Accounting for Leases and Hire Purchase Contracts*'. In general terms, this means that a lease meeting the SSAP 21 definition of an operating lease will be a revenue transaction but a lease qualifying as a finance lease under SSAP21 will result in the recognition of the asset in the Balance Sheet (with matching liabilities for rentals).

Rental payments on operating leases are charged to the relevant service revenue account on a straight-line basis over the term of the lease. The same policy applies where the Council acts as lessor.

14. Costs of Support Services

- 14.1 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 in accordance with the principles set out in BVACOP. The costs of service management have been apportioned to the accounts in the same way, representing the activities managed.
- 14.2 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.

14.3 BVACOP requires the full cost of overheads and support services to be shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation
- Non-Distributed Costs – these are FRS 17-defined pension costs relating to past service, settlements and curtailments; depreciation and impairment losses chargeable on certain non-operational properties; and costs associated with the unused shares of IT facilities

These two categories are defined in BVACOP and accounted for as separate headings in the Income & Expenditure Account as part of the Net Cost of Services.

15. **Retirement Benefits**

Employees of the Council, as appropriate, are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF)
- The Local Government Pensions Scheme administered by the London Borough of Barking & Dagenham

Both schemes provide defined benefits to members by way of retirement lump sums and annual pensions, earned as employees worked for the Council.

15.1 The Teachers' Pension Scheme

The arrangements for the teachers' scheme mean that the liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Education Services revenue account is charged with the employer's contributions payable to the Scheme in the year.

Further details are contained in Note 42 to the Core Financial Statements.

15.2 The Local Government Pension Scheme

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 London Borough of Barking & Dagenham Pension Fund, administered by the Council. The amount of contributions is in line with actuarial advice provided by the Council's actuary, Hymans Robertson, and the pension costs included in the accounts have been determined in accordance with relevant government regulations, principally the Local Government Pension Scheme Regulations 1997. The Fund is valued every three years; the most recent full actuarial valuation was carried out as at 31 March 2007.

In accordance with the SORP and FRS 17 '*Retirement Benefits*', pension costs are reflected in the Statement of Accounts as follows:

- 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 2007-08 is 6.3% 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 the end of the financial year which reflects current conditions;
- The interest cost on pension scheme liabilities is based on a discount rate assessed by the actuary (6.9% 2007-08) and the present value of liabilities at the end of the financial year;
- 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.

Statutory provisions limit the Council to raising Council Tax to cover the amounts payable by the Council to the Pension Fund in the year. In the Statement of Movement on the General Fund Balance this means there are appropriations to and from the Pensions Reserve to remove the FRS 17 entries for retirements benefits and replace them with the amount of cash paid to the Fund together with any amounts due but unpaid at the year-end.

With respect to the Housing Revenue Account, the Council has restricted the FRS 17 entries to current service cost only with a compensating adjustment in the Statement of Movement on the HRA Balance to ensure a neutral impact on the charges made to tenants. Although this is not fully in accordance with the SORP, the Council considers that there is no actuarial basis supporting the appropriation of the Pension Fund's assets and liabilities between the HRA and the General Fund to enable it to fully comply with the SORP requirements.

Further details are contained in Note 42 to the Core Financial Statements.

15.3 Discretionary Benefits

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

16. Provision for Bad and Doubtful Debts

The amount carried forward for debtors has been reduced by the provision for bad and doubtful debts. All provisions are based upon the age of the debt and the likelihood of recovery.

17. Value Added Tax (VAT)

VAT is accounted for separately and is not included in the Council's income and expenditure, whether of a capital or revenue nature. Input tax that is not recoverable from HM Revenue & Customs is charged to service revenue accounts or added to capital expenditure as appropriate.

The Council's partial exemption status is reviewed on an annual basis to establish the amount, if any, of irrecoverable VAT.

18. Stocks and Work in Progress

Stocks are included in the Balance Sheet at the lower of cost or net realisable value. Work in progress and long-term contracts are subject to interim valuations at the year-end and recorded in the Balance Sheet at cost.

19. Private Finance Initiative (PFI)

PFI schemes are accounted for in accordance with:

- 'Application Note F – *Private Finance Initiative and similar contracts*' issued by the Accounting Standards Board as an amendment to FRS 5 '*Reporting the Substance of Transactions*'; and
- The principles set out in PFI Technical Note 1 (revised) issued by HM Treasury.

20. Events after the Balance Sheet date

Events arising after the Balance Sheet date are reflected in the Statement of Accounts if they provide evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included. These are classified as 'adjusting events'.

Events which arise after the Balance Sheet date and concern conditions which did not exist at that time are detailed in the Notes to the Core Financial Statements if they are of such materiality that their disclosure is required for the fair presentation of the financial statements. These are classified as 'non-adjusting events'.

INCOME AND EXPENDITURE ACCOUNT

2006-07 (Restated) NET EXPENDITURE £'000	SERVICE	2007-08			
		NOTES	GROSS EXPENDITURE £'000	INCOME £'000	NET EXPENDITURE £'000
	CONTINUING OPERATIONS	1			
5,841	Central Services to the Public		30,336	(21,402)	8,934
118	Court & Probation Services		120	(4)	116
29,857	Cultural, Environmental & Planning		52,221	(16,957)	35,264
41,498	Childrens & Education Services		262,043	(210,229)	51,814
11,960	Highways, Roads & Transport		20,030	(4,046)	15,984
3,058	Other Housing Services		108,991	(106,067)	2,924
8,041	Local Authority Housing (HRA)		81,404	(81,811)	(407)
45,949	Adult Social Care		76,050	(20,167)	55,883
5,528	Corporate & Democratic Core		3,769	(593)	3,176
4,347	Non Distributed Costs		660		660
156,197	NET COST OF SERVICES		635,624	(461,276)	174,348
0	Loss on Disposal of Fixed Assets				346
(721)	Net Deficit/(Surplus) of Trading Undertakings	5			427
11,177	Contribution to Government Pool	2			14,132
14,617	Amounts Due to: Precepting Authority				15,395
6,079	Levying Authorities	3			6,580
(6,404)	Interest on Balances				(6,530)
25,030	Pensions Interest Cost	42			27,611
(24,360)	Expected Return on Pensions Assets	42			(26,835)
181,615	NET OPERATING EXPENDITURE				205,474
	SOURCES OF FINANCE				
(13,209)	General Government Grants				(15,767)
(69,179)	Non Domestic Rate Income				(73,825)
(60,772)	Council Taxpayers				(63,787)
(143,160)	TOTAL REVENUE FINANCING				(153,379)
38,455	NET DEFICIT FOR YEAR				52,095

The Income and Expenditure Account discloses all the income receivable and all the expenditure incurred in operating the Council for the year. Both income and expenditure are measured using broadly the same accounting conventions (i.e. UK Generally Accepted Accounting Practice or UK GAAP) adopted by the private sector in preparing its accounts. However, the income and expenditure that is taken into account in establishing the level of Council tax is determined by statute and non-statutory proper practices rather than UK GAAP. These differences are set out in the following Statement of Movement on the General Fund Balance.

The Income and Expenditure Account comparatives for 2006-07 have been restated as a result of enforced changes to the BVACOP analysis. See Note 1 for details.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Statement of Movement in General Fund Balance reconciles the Income and Expenditure Account back to the surplus or deficit on the General Fund that impacts on Council Tax payers. Further details as to the purpose of the Statement of Movement on the General Fund Balance are set out in Note 17 to the Core Financial Statements.

	Notes	2006-07	2007-08	
		£'000	£'000	£'000
Deficit for the year on the Income & Expenditure A/c		38,455		52,095
Amounts included in the I&E Account but required by statute to be excluded when determining the Movement on the General Fund Balance				
Amortisation of intangible fixed assets	23	(231)	(319)	
Depreciation & impairment of fixed assets	24	(13,476)	(37,344)	
Government Grants deferred amortisation	32	7,031	6,103	
Write down of deferred charges to be financed from capital resources	19	(1,158)	(1,186)	
Loss on disposal of fixed assets		0	(346)	
PFI transactions		(107)	(117)	
Prior year adjustment		(160)	0	
Insurance fund		(744)	0	
Capital expenditure funded by HRA		0	700	
Net charges made for retirement benefits in accordance with FRS17	42	(5,390)	(16,961)	
		(14,235)		(49,470)
Amounts not included in the I&E Account but required to be included when determining the Movement on the General Fund Balance				
Capital expenditure charged in year to the General Fund Balance		111	0	
Employers contribution payable to LBBD Pension Fund	42	0	15,325	
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	2	(11,177)	(14,132)	
		(11,066)		1,193
Transfers to/from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance				
Housing Revenue Account		(725)	1,283	
Transfer to schools balance		4,524	(570)	
Net transfer to or from earmarked reserve	33	(11,962)	(909)	
		(8,163)		(196)
Decrease in General Fund Balance for the year		4,991	3,622	
General Fund Balance brought forward		(16,919)	(11,928)	
General Fund Balance carried forward		(11,928)		(8,306)
Amount of General Fund Balance held by schools under local management schemes	40	(7,962)	(7,392)	
Amount of General Fund Balance generally available for new expenditure		(11,928)	(8,306)	
General Fund Balance and amount held by schools under local management schemes		(19,890)		(15,698)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and reconciles to the aggregate change in net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2006-07 £'000		2007-08 £'000
38,455	(Surplus) / Deficit for the year on the Income & Expenditure Account	52,095
71,002	(Surplus) / Deficit arising on revaluation of fixed assets	(102,800)
(272)	Other Movements	(312)
(24,140)	Actuarial (gains) / losses on Pension Fund assets and liabilities	(22,333)
85,045	Total recognised (gains) / losses for the year	(73,350)

The total gain equates to the increase in net worth shown in the Balance Sheet that follows.

BALANCE SHEET AS AT 31 MARCH 2008

2006-07 (Restated)				Notes	2007-08		
£'000	£'000	£'000			£'000	£'000	£'000
			TANGIBLE FIXED ASSETS	24			
			OPERATIONAL ASSETS				
891,603			Council Dwellings		940,080		
277,693			Other Land & Buildings		296,263		
10,204			Vehicles, Plant, Furniture & Equipment		10,510		
54,849			Infrastructure Assets		57,889		
7,324			Community Assets		7,531		
	1,241,673					1,312,273	
			NON OPERATIONAL ASSETS				
44,662			Investment Properties		45,647		
1,383			Assets Surplus to Requirements		5,145		
24,536			Assets Under Construction		33,273		
	70,581					84,065	
		1,312,254	TOTAL TANGIBLE FIXED ASSETS				1,396,338
1,195			Intangible Assets	23	1,716		
30,000			Long Term Investments	26	0		
14,164			Long Term Debtors	25	13,634		
	45,359					15,350	
		1,357,613	TOTAL LONG TERM ASSETS				1,411,688
			CURRENT ASSETS				
388			Stock	27	147		
66,691			Debtors	28	82,260		
(11,446)			- Less: Provision for Bad Debts		(14,112)		
87,314			Short Term Investments	26	103,521		
53			Cash at Bank		48		
	143,000					171,864	
		1,500,613	TOTAL ASSETS				1,583,552
			CURRENT LIABILITIES				
(27,059)			Receipts in Advance	29	(43,640)		
(37,336)			Creditors	30	(36,659)		
(16,268)			Cash Overdrawn		(21,151)		
	(80,663)					(101,450)	
		1,419,950	TOTAL ASSETS LESS CURRENT LIABILITIES				1,482,102
(8,656)			Provisions	31	(5,478)		
(663)			Deferred Liabilities		0		
(66,219)			Government Grants Deferred	32	(79,558)		
(122,830)			Pensions Liability	42	(102,134)		
	(198,368)					(187,170)	
		1,221,582	NET ASSETS				1,294,932
			REPRESENTED BY:				
		864,494	Fixed Asset Restatement Account	33			0
		394,997	Capital Financing Account	33			0
		0	Revaluation Reserve	33			102,800
		0	Capital Adjustment Account	33			1,232,307
		36,425	Capital Receipts (Usable)	33			16,196
		43,541	Financial & Specific Reserves	33			41,163
		4,955	Major Repairs Reserve	33			4,600
		(122,830)	Pensions Reserve	42			(102,134)
		1,221,582					1,294,932

CASH FLOW STATEMENT

	2006-07 £'000	2007-08 £'000
<u>REVENUE ACTIVITIES</u>		
<u>Cash Outflows</u>		
Cash paid to and on behalf of employees	209,523	242,124
Other Operating Cash Payments	224,367	230,234
Housing Benefit Paid Out	39,872	40,402
Non Domestic Rate Payments to National Pool	49,985	46,448
DCLG Pooling of Capital Receipts	11,177	12,934
Precepts Paid to Other Authorities	14,618	15,395
Total Cash Outflows (A)	549,542	587,537
<u>Cash Inflows</u>		
Council Tax Income (Net of Rebates)	(45,434)	(48,427)
Non Domestic Rates Received from National Pool	(69,179)	(73,826)
Non-Domestic Rate Receipts	(41,720)	(46,620)
Revenue Support Grant	(13,209)	(12,389)
Other Government Grants	(198,321)	(210,094)
Rents (Net of Rebates)	(26,164)	(27,891)
DWP Grants for Rebates	(94,950)	(105,730)
Cash Received for Goods & Services	(33,952)	(42,425)
Total Cash Inflows (B)	(522,929)	(567,402)
Revenue Activities Net Cash Flow (A less B)	26,613	20,135
<u>RETURNS ON INVESTMENTS</u>		
<u>Cash Inflows</u>		
Interest Received	(6,493)	(7,161)
Returns on Investments Net Cash Flow (C)	(6,493)	(7,161)
<u>Management of Liquid Resources (D)</u>		
Purchase/(sales) of investments	(38,432)	(13,793)
<u>CAPITAL ACTIVITIES</u>		
<u>Cash Outflows</u>		
Purchase of Fixed Assets	71,679	55,071
Purchase of Non LBBB Assets	1,811	7,947
PFI Expenditure	751	0
	74,241	63,018
<u>Cash Inflows</u>		
Sale of Fixed Assets	(22,994)	(20,998)
Capital Grants & Development Grants Received	(30,939)	(36,313)
	(53,933)	(57,311)
Capital Activities Net Cash Flow (E)	20,308	5,707
Net Decrease in Cash (A+B+C+D+E)	1,996	4,888

NOTES TO THE CORE FINANCIAL STATEMENTS

1. SERVICE ANALYSIS

Expenditure is analysed in accordance with CIPFA's Best Value Accounting Code of Practice (BVACOP) which aims to provide a consistent analysis across all local authorities. This analysis is on a different basis to the Council's revenue budget, which is analysed by department. Details of the main services (which became effective from 1 April 2007) are shown below:

Adult Social Care

Central Services to the Public

- Local Tax Collection
- Registration of Births Deaths and Marriages
- Elections
- Emergency Planning
- Local Land Charges

Court & Probation Services

- Coroners Court

Children's and Education Services

- Education Services
- Children's Social Care

Cultural, Environmental and Planning Services

- Culture and Heritage
- Recreation and Sport
- Open Spaces
- Tourism
- Library Services
- Cemeteries
- Environmental Health
- Community Safety
- Flood Defences
- Waste Collection
- Street Cleansing
- Building Control
- Development Control
- Planning Policy
- Economic Development

Highways, Roads and Transport Services

- Transport Planning Policy and Strategy
- Parking Services

Other Housing Services (General Fund)

- Housing Strategy
- Private Sector Housing Renewal
- Homelessness
- Housing Benefits

Housing Revenue Account

Corporate and Democratic Core

- Democratic Representation and Management
- Corporate Management

Non-distributed Costs

2. HOUSING POOLED CAPITAL RECEIPTS

In accordance with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, any housing capital receipts in excess of £10,000 are subject to Government pooling. For sales of 'right to buy' dwellings, 75% of the receipt is pooled and for sales of other HRA assets (e.g. land) 50% is pooled, unless used to fund expenditure on affordable housing or regeneration.

The SORP requires the amount paid to the pool to be disclosed as expenditure in the Income and Expenditure Account, although the capital receipts will not have been recognised as income terms with the Income and Expenditure Account. The deficit is made good by an equivalent transfer from Usable Capital Receipts.

During 2007-08, the contribution to the pool totalled £14.132 million (2006-07 £11.177 million). This information is also shown at Note 6 to the HRA Income and Expenditure Account.

3. LEVIES

	2006-07 £'000	2007-08 £'000
East London Waste Authority	5,732	6,182
Environment Agency	59	93
Lee Valley Regional Park Authority	150	154
London Pensions Fund Authority	138	151
	6,079	6,580

4. PRIVATE FINANCE INITIATIVE (PFI)

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

The Council has classified the scheme as "off-balance sheet". A capital contribution of £12.9m has been made which reduces the annual unitary charge payable, and is released over the life of the contract. This has been treated as a long term debtor, and is written down over the life of the scheme. The following transactions have been charged to the income and expenditure account:

	£'000
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet	5,624
Amortisation of PFI deferred asset	526
Build up of residual value of scheme	(356)
The contract is scheduled to end on 31 August 2030	

5. 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 9 trading units meet this definition:

	2006-07 Net (Income)/ Expenditure £'000	Expenditure £'000	Income £'000	2007-08 Net (Income)/ Expenditure £'000
Teachers Accommodation	(11)	215	(204)	11
Barking Market	0	759	(759)	0
Land Management	(983)	124	(1,163)	(1,039)
Eastbury House	227	334	(110)	224
Building Cleaning	(175)	3,457	(3,455)	2
Grounds Maintenance	(23)	3,468	(3,268)	200
Other Catering	87	6,401	(5,504)	897
Castle Green	280	249	(117)	132
Security	(123)	0	0	0
Total	(721)	15,007	(14,580)	427

The final net expenditure of these trading accounts is included within the Income and Expenditure Account.

6. SECTION 137 EXPENDITURE

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council's expenditure under this power was £925,000 mainly on donations to voluntary bodies working in the local area (2006-07, £755,703).

7. 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:-

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

	2006-07 £'000	2007-08 £'000
Staff Advertising	1,182	1,420
Non Staff Advertising	311	417
Printing	123	146
Publicity & Publications	700	904
TOTAL	2,316	2,887

8. **BUILDING CONTROL SERVICES**

The Building Control (Local Authority Charges) Regulations 1998 gave Local Authorities powers to set their own charges for building control activities where a charge is imposed. The charging regime became operative from 1 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.

Expenditure	2006-07 Total £'000	Chargeable £'000	Non Chargeable £'000	2007-08 Total £'000
Employee Expenses	288	215	119	334
Transport	13	9	5	14
Supplies & Services	11	7	4	11
Agency	16	20	0	20
Support	110	45	25	70
Recharges	12	0	12	12
Total Expenditure	450	296	165	461
Income from Building Regulations	(215)	(255)	0	(255)
Total Income	(215)	(255)	0	(255)
(Surplus) / Deficit	235	41	165	206

9. **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 £423,408 in 2007-08 (£223,000 in 2006-07). The Council also provided services for Thames Gateway London Partnership. The value of reimbursements was £65,480 in 2007-08 (£65,470 in 2006-07).

10. **LOCAL AUTHORITIES (GOODS & SERVICES) ACT 1970**

The Council is empowered under this Act to supply goods and materials and certain services to other public bodies under conditions specified by the Act. No income was received or expenditure incurred during the year in relation to the powers contained within the Act (£Nil in 2006-07).

11. THAMES GATEWAY LONDON PARTNERSHIP (TGLP)

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 2007-08 in respect of TGLP is included below:

	2006-07 £'000	2007-08 £'000
Total Income	(2,855)	(2,775)
Total Expenditure	2,852	2,507
(Surplus)/Deficit for the year	(3)	(268)
Total Assets	963	1,178
Total Liabilities	(371)	(319)
Net Asset	592	859

12. LOCAL AREA AGREEMENT (LAA)

The Council is a participant in an LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007-08, the LAA has completed the second year of its three-year agreement.

The purpose of the LAA is:

- To form an agreement between London Borough of Barking & Dagenham and other external agencies
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement
- To improve the effectiveness and efficiency of public services in the London Borough of Barking & Dagenham by pooling and aligning funding streams.

The LAA partners are:

- Local government bodies – the London Borough of Barking and Dagenham, the London Development Agency, Thames Gateway Urban Development
- Community protection authorities – the Metropolitan Police, Metropolitan Police Authority, London Fire Brigade, London Probation Service, Barking Magistrates Courts Service
- Health bodies – Barking and Dagenham Primary Care Trust, Barking, Havering and Redbridge Hospitals, NHS Acute Trust, North East London Mental Health Trust
- Learning bodies – Barking College, University of East London, East London Learning and Skills Agency
- Voluntary organisations – Barking and Dagenham Council for Voluntary Services, Voluntary sector organisations nominated by the Community Empowerment Network (Barking and Dagenham Victim Support, B&D Volunteer Bureau, Somali Women's Association, B&D Citizen's Advice Bureau, CIIL, CARESS, Ethnic Minority Partnership Agency, Faith Forum, SOAR, Groundwork East London, Widows and Orphans International, B&D Carers, African Youth League, BADAWA, East Street Youth Shop, The Axe Street Project, Barking and Dagenham Crossroads, Barking and Dagenham Racial Equality Council
- Private Sector Organisations – Barking and Dagenham Chamber of Commerce, Barking and Dagenham Enterprises, Thames Gateway Southern Housing Association

The Council acts as the accountable body for the LAA. This means that it is responsible for managing the distribution of grant paid by the Government Office – London to the partners involved, but the Council does not determine which bodies are due payments – this is determined either by the Government Office or the partnership. In this context, the Council acts as an agent to the partnership and has therefore not recognised the full amount of LAA Grant in its financial statements, but only that part to be spent by the Council in providing services.

The total amount of LAA Grant received by the Local Strategic Partnership in 2007-08 is £20,214,876 (£13,779,720 in 2006-07).

13. **MEMBERS ALLOWANCES**

The total amount paid to councillors in 2007-08 for members' allowances was £834,361 (£801,290 in 2006-07), in accordance with the Members Allowance Scheme agreed by the Council's Assembly on 4 April 2007.

14. **RENUMERATION 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:-

2006-07 Number of staff	Value Of Remuneration	2007-08 Number of staff
105	£50,000 to £59,999	138
35	£60,000 to £69,999	36
24	£70,000 to £79,999	14
7	£80,000 to £89,999	16
6	£90,000 to £99,999	10
2	£100,000 to £109,999	1
2	£110,000 to £119,999	0
1	£120,000 to £129,999	5
0	£130,000 to £139,999	1
1	£160,000 to £169,999	0
0	£170,000 to £179,999	1
0	£250,000 to £259,999	1

15. **RELATED PARTY TRANSACTIONS**

Financial Reporting Standard (FRS) 8 '*Related Party Disclosures*' requires that the financial statements contain the necessary disclosures to draw attention to the possibility that the reported financial position and results have been affected by the existence of related parties and by material transactions with them. The disclosure information is intended to permit readers to judge the extent of any effect.

The Statement of Accounts already includes appropriate references to related parties such as central government, the Pension Fund, and other local authorities. However it does not include anything in relation to elected Members and senior management.

The key data sources used in identifying material related party transactions are:

- The Register of Members' Interests (as maintained in accordance with the Local Authorities (Members' Interests) Regulations 1992); and
- Disclosure of direct or indirect pecuniary interests made in accordance with Section 94 of the Local Government Act of 1972.

This has been supplemented by an approach to elected Members and senior management seeking from them a declaration that neither they, nor close family nor anyone in the same household have been involved in any material transactions with the Council.

During the year no elected Member, senior officer or close relations or members of the same household have undertaken any declarable transactions with the Council. A number of elected Members are connected with, or represented on, local voluntary organisations in receipt of annual grants from the Council totalling £397,650 (£312,878, 2006-07). No elected Member, however, was in a position to exercise undue influence over the awarding of any such grant. The largest grant paid was £172,500 (£133,000 2006-07) to the Citizens Advice Bureau.

A number of elected Members and senior officers are either directors or trustees of a number of bodies either delivering services to the community or working in partnership with the Council, the most significant of which are set out below.

Cllr. Graham Bramley is a Member of the Barking College Corporation for which no remuneration is received.

Cllr. Robert Little is a trustee of the Broadway Trust, a registered charity, which oversees the management of the Broadway complex including the Dudley Moore Theatre. No remuneration is received in his capacity as trustee.

Cllr. Milton McKenzie is Chairman, and Cllr. Mrs Pat Twomey a Member, of the East London Waste Authority (ELWA). ELWA is the statutory body responsible for the disposal of waste arising in the area covered by the London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge. The Chief Executive, Rob Whiteman, also serves as the Managing Director of ELWA.

16. DISCLOSURE OF AUDIT COSTS

In 2007-08 The London Borough of Barking and Dagenham incurred the following fees relating to external audit and inspection:

	2006-07 £'000	2007-08 £'000
• Fees payable to the appointed auditor with regard to external audit services.	404	423
• Fees payable to the Audit Commission in respect of statutory Inspection.	160	61
• Fees payable to the appointed auditor for the certification of grant claims and returns.	156	166
• Fees payable in respect of other services provided by the appointed auditor.	53	46
• TOTAL	773	696

The Council's appointed auditor is PricewaterhouseCoopers LLP.

17. STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year measured in terms of the resources consumed and generated over the last 12 months. However, the Council is required to raise council tax on a difference basis, the main differences being:

- Capital investment is accounted for as it is financed, not when the fixed assets are consumed
- The payment to the Housing Capital Receipts Pool is treated as expenditure but is financed from Usable Capital Receipts rather than council tax
- Retirement benefits are charged as amounts to the Pension Fund become payable rather than as future benefits are earned

The General Fund Balance compares the Council's spending against the council tax it has raised, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The Statement of Movement on the General Fund Balance serves as a reconciliation between the Income & Expenditure Account and the General Fund Balance.

18. CAPITAL EXPENDITURE AND FINANCING

The Capital Programme expenditure for 2007-08 amounted to £63.4 million (£70.7m in 2006-2007). The breakdown of this expenditure and its financing are set out below.

	2006-07 £'000	2007-08 £'000
<i>Capital Investments</i>		
<i>Operational assets</i>		
Council Dwellings	28,589	7,552
Other Land & Buildings	10,679	6,333
Vehicles, Plant & Equipment	4,263	3,063
Infrastructure Assets	6,385	6,402
Community Assets	638	327
<i>Non-Operational assets</i>		
Investment Properties	0	14
Assets Under Construction	17,070	22,993
Intangible assets	442	840
Enhancing expenditure not adding value	0	7,470
Deferred Charges	2,609	8,448
	70,675	63,442
<i>Sources of Finance</i>		
Major Repairs Reserve	9,893	13,569
Usable Capital Receipts	40,276	26,933
Government Grants	20,325	22,240
Other Contributions	181	700
	70,675	63,442

19. **DEFERRED CHARGES**

	Expenditure £'000	Related Income £'000	Net Expenditure £'000
Improvement Grants	771	0	771
Disabled Facilities Grants	637	382	255
Demolition costs	5,861	5,869	(8)
Flood defence contributions	163	0	163
Business Centres	970	965	5
Other Expenditure	46	46	0
	8,448	7,262	1,186

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 or is incurred on an asset not in the Council's ownership. Such items include improvement grants and non-repayable loans to housing associations.

The expenditure, less any related income, is written off to the relevant service area in accordance with the Accounting Policy on Deferred Charges. As the balance is financed from capital receipts there is no impact on the Council tax payer.

20. **CAPITAL COMMITMENTS**

The only significant contractual commitment (i.e. over £1m in value) at the 31 March 2008 was in respect of Northbury Infants and Junior School under the Exceptional Basic Needs Programme amounting to £4.332 million.

21. **INFORMATION ON ASSETS HELD**

Fixed Assets owned by the Council include the following:-	Number as at 31 March 2008
Council Dwellings	19,478
Operational Buildings	
• Youth Service	6
• Conveniences	7
• Community Halls	16
• Registrars	1
• Office Buildings	13
• School Sites	43
• Libraries	6
• Sports and Other Leisure Centres	14
• Residential Homes, Day Centres & Children's Centres	27
• Museums and Galleries	2
• Depots and Workshops	3
• Cemeteries	3
Infrastructure Assets	
• Highways (kilometres)	320
Community Assets	
• Parks and Open Spaces (hectares)	486
• Allotments	16
Investment Properties	
• Commercial Properties	112

22. FINANCE AND OPERATING LEASES

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

In 2007-08 payments of £2.273m (2006-07 £2.486m) were made in respect of operating leases for property, vehicles and plant.

The table below analyses the payments that the Council is committed to make during the next year analysed between the year of expiry of the lease:

	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Total £'000
Leases expiring in 2008-09	426	1,125	1,551
Leases expiring between 2009-10 to 2012-13	1,728	864	2,592
Leases expiring after 2013-14	2,639	58	2,697
Total	4,793	2,047	6,840

The Council has granted a number of long-term leases with regard to its portfolio of investment properties which are accounted for as operating leases. The amount of rental income generated was £3.025 million on assets valued at £41.85 million, an effective gross yield of 7.2%.

There were no finance leases either in the Council's capacity as lessor or lessee.

23. INTANGIBLE ASSETS

	Computer Software £'000
Gross Book Value 1 April 2007	1,595
Additions	840
Disposals	0
Gross Book Value 31 March 2008	2,435
Amortisation 1 April 2007	(400)
In year amortisation	(319)
Amortisation 31 March 2008	(719)
Net Book Value 1 April 2007	1,195
Net Book Value 31 March 2008	1,716

Intangible assets comprise purchased software licences.

24. FIXED ASSETS

a) Movement of fixed assets

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Investment Properties £'000	Assets Surplus to Requirements £'000	Assets Under Construction £'000	TOTAL £'000
Gross Book Value at 1 April 2007	928,839	298,669	22,969	68,103	7,639	44,662	1,383	24,536	1,396,800
Accumulated Depreciation & Impairment at 1 April 2007	(37,236)	(20,976)	(12,765)	(13,254)	(315)	0	0	0	(84,546)
Net Book Value at 1 April 2007	891,603	277,693	10,204	54,849	7,324	44,662	1,383	24,536	1,312,254
Movements in Year									
Reclassifications	0	11,314	0	0	0	(820)	3,762	(14,256)	0
Additions	15,023	6,333	3,063	6,402	327	14	0	22,993	54,155
Disposals	(19,719)	(1,324)	(1,886)	(1)	0	(207)	0	0	(23,137)
Revaluations	37,170	24,531	0	0	0	4,568	0	0	66,269
Impairments	(7,471)	(20,662)	0	0	0	(2,570)	0	0	(30,703)
Depreciation for year	(13,761)	(8,445)	(2,755)	(3,361)	(120)	0	0	0	(28,442)
Depreciation written back	37,236	6,823	1,884	0	0	0	0	0	45,943
Net Book Value as at 31 March 2008	940,081	296,263	10,510	57,889	7,531	45,647	5,145	33,273	1,396,339

b) Revaluation of fixed assets

The following statement shows the progress with the Council's rolling programme of the valuation of fixed assets. The valuations have been carried out during the year by Simon Layfield, FRICS, IRRV on behalf of the Council's external valuers – Wilks, Head & Eve, Chartered Surveyors – using the bases set out in the Accounting Policy for Tangible Fixed Assets.

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Investment Properties £'000	Total £'000
Valued at current value in:					
2003-04	0	0	0	0	0
2004-05	0	135,270	10,188	11,504	156,962
2005-06	0	0	0	10,697	10,697
2006-07	0	76,200	0	12,253	88,453
2007-08	946,290	73,007	0	11,179	1,030,476
Total	946,290	284,477	10,188	45,633	1,286,588

The above figures differ from those shown in Note 24(a) above as they are based on the asset values prior to in-year adjustments such as depreciation.

c) Impairment

The 2007 SORP has introduced fundamental changes to the accounting for fixed assets. One of these changes is the accounting treatment of impairment which is now fully in line with FRS 11 '*Impairment of Fixed Assets and Goodwill*'.

As a result, impairment of £23.232 million due to a general fall in prices has been charged to the relevant service headings in the Income & Expenditure Account. It is reversed out in the Statement of Movement on the General Fund Balance so that there is no impact on the Council Tax payer.

The remaining impairment of £7.471 million in respect of council dwellings has been written off against the Revaluation Reserve as set out in Note 9 to the Housing Revenue Account.

25. LONG TERM DEBTORS

a) Deferred Capital Receipts

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

	2006-07 £'000	2007-08 £'000
Mortgages Outstanding 1 April	1,843	1,261
Principal Repayments During Year	(582)	(314)
New Advances during Year	0	0
Mortgages Outstanding 31 March	1,261	947

b) Other Mortgage Advances

Mortgages advanced for the purchase of Private Dwellings

	2006-07 £'000	2007-08 £'000
Mortgages Outstanding 1 April	66	46
Principal Repayments During Year	(20)	(2)
New Advances during Year	0	0
Mortgages Outstanding 31 March	46	44

c) Private Finance Initiative:-

	2006-07 £'000	2007-08 £'000
Outstanding 1 April	12,277	12,857
Adjustment long term to short term	(507)	(570)
Residual value of asset	336	356
New Advances during year	751	0
PFI Outstanding 31 March	12,857	12,643
TOTAL LONG TERM DEBTORS	14,164	13,634

The Council has made a capital contribution with a value of £12.9m in respect of the PFI scheme for Jo Richardson School, Eastbury Comprehensive School and the Jo Richardson Children's Centre. These capital contributions are classified as long term debtors and are 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.

d) Deferred Payment Agreements:-

The Council allows clients to defer payments on a voluntary basis for services provided under Section 55 of the Health and Social Care Act 2001 against a legal charge on the client's property. With effect from 1 April 2007, the SORP requires that such arrangements be disclosed as soft loans in accordance with the financial instruments standards, FRS25, FRS26 and FRS29.

The value of such arrangements as at 31 March 2008 was £107,897.

26. INVESTMENTS

The Council has total investments of £103.5m (£117.3 in 2006-07) as at 31 March 2008 of which £55.9m (£76.8m in 2006-07) is managed by two external fund managers. The remaining funds are managed in-house. The fair value of the internal fund has been valued as £48.7 million.

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.

27. **STOCK**

	31 March 2007 £'000	31 March 2008 £'000
General Supplies	231	0
Fuel	34	28
Grounds Maintenance	22	24
Leisure Centre Stores	25	22
School Meals Stores	61	63
Stationery	15	10
TOTAL	388	147

28. **DEBTORS**

	31 March 2007 £'000	31 March 2008 £'000
Debtors	66,691	82,260
Less Bad Debt Provision	(11,446)	(14,112)
TOTAL	55,245	68,148

	31 March 2007 £'000	31 March 2008 £'000
Analysis:		
Government Departments	16,776	15,102
Other Local Authorities & Organisations	2,958	2,049
Council Tax Payers	3,439	3,972
National Non Domestic Rates	5,624	3,817
Housing Rents	793	1,121
Employee Loans	440	443
Prepayments	1,949	5,812
Capital Debtors	4,066	5,977
Housing Benefit Overpayments	3,473	7,993
Sundry Debtors	15,727	21,862
TOTAL	55,245	68,148

29. **RECEIPTS IN ADVANCE**

	31 March 2007 £'000	31 March 2008 £'000
Government Departments	18,980	33,460
Other Local Authorities	0	680
NNDR	911	198
Council Tax	1,033	1,282
Section 106 Planning Agreements	3,676	3,802
Other	2,459	4,218
TOTAL	27,059	43,640

The increase in receipts in advance from Government Departments is mainly due to the receipt of significant capital grants for schemes scheduled for implementation in 2008-09.

30. **CREDITORS**

	31 March 2007 £'000	31 March 2008 £'000
Government Departments	8,894	7,320
Other Local Authorities	1,662	2,390
Housing Rents	691	0
Capital	10,814	10,968
Sundry Creditors	15,275	15,981
TOTAL	37,336	36,659

31. **PROVISIONS**

	31 March 2007 £'000	31 March 2008 £'000
Insurance Provisions		
Balance Brought Forward	7,912	8,656
Claims Made	(2,154)	(2,514)
Contributions to (from) Provisions	2,898	(714)
<i>Balance Carried Forward</i>	8,656	5,428
Other Provisions		
Balance Brought Forward	0	0
Claims Made	0	0
Contributions to (from) Provisions	0	50
<i>Balance Carried Forward</i>	0	50
TOTAL BALANCE CARRIED FORWARD	8,656	5,478

Provisions mainly relate to outstanding self insurance claims as determined by Zurich Insurance, the Council's insurer. The expected timing of the transfers of economic benefits cannot be determined with any certainty.

32. **DEFERRED GOVERNMENT GRANTS**

A detailed review of Deferred Government Grants has identified a total of £2.612 million which has not been amortised in accordance with the Council's accounting policy. This included a grant of £1.911 million which should have been written off against deferred charges in 2002-03.

As the transactions affect a number of earlier financial years, additional amortisation of £2.612 million has been written off against the Capital Financing Account and the figures for 2006-07 restated accordingly.

In addition, it has not been possible to attribute a number of grants and contributions to specific assets in accordance with the 2007 SORP. Accordingly, grants totalling £3.378 million not capable of attribution have been credited to the Income & Expenditure Account before being transferred to the Capital Adjustment Account in the Statement of Movement on the General Fund Balance as permitted by the SORP.

33. **MOVEMENTS IN RESERVES**

Reserve	Opening Balance 01-Apr-07 (As Restated) £'000	Transfers In £'000	Transfers Out £'000	Closing Balance 31-Mar-08 £'000
Fixed Asset Restatement Account	864,494		(864,494)	0
Capital Financing Account	394,432		(394,432)	0
Revaluation Reserve	0	102,800		102,800
Capital Adjustment Account	0	1,232,307		1,232,307
Capital Receipts (Usable)	36,425	20,848	(41,077)	16,196
Financial & Specific Reserves	43,541	8,981	(11,359)	41,163
Major Repairs Reserve	4,955		(355)	4,600
Pensions Reserve	(122,830)	20,696		(102,134)
Total Reserves	1,221,017	1,385,632	(1,311,717)	1,294,932
<i>Financial & Specific Reserves consist of:</i>				
Repair & Renewals Reserve	1,862	27	(112)	1,777
Spend to Save Reserve	2,152		(406)	1,746
Service Reconfiguration Reserve	1,783		(1,846)	(63)
Interest Equalisation Reserve	300			300
Barking Adult College Reserve	235	120		355
Dedicated Schools Grant Reserve	0	1,199		1,199
LMS Reserve	7,962		(570)	7,392
Insurance Fund Reserve	6,865	3,446		10,311
Amending Report Reserve	118	119		237
Capital & Revenue Support Fund Reserve	4,541		(4,103)	438
General Fund Reserve	11,928		(3,622)	8,306
Thames Gateway London Partnership	592	247		839
Leasehold Repairs Reserve	4,558	850	(700)	4,708
HRA Insurance Fund Reserve	213	290		503
HRA Rent Reserve	0	1,074		1,074
HRA Working Balance	1,665	1,283		2,948
Collection Fund Reserve	(1,233)	326		(907)
TOTAL	43,541	8,981	(11,359)	41,163

The purpose of the principal reserves set out above is as follows:

RESERVE	PURPOSE
Fixed Asset Restatement Account	As a result of the 2007 SORP this account has been superseded and the balance transferred to the Capital Adjustment Account.
Capital Financing Account	As a result of the 2007 SORP this account has been superseded and the balance transferred to the Capital Adjustment Account.
Revaluation Reserve	A new reserve established as a result of the 2007 SORP to record unrealised net gains on the Council's fixed assets arising from revaluations made on or after 1 April 2007.
Capital Adjustment Account	A capital reserve which reflects the difference between the costs of fixed assets consumed and the capital financing set aside to pay for them. It is an accounting reserve which is not backed by cash and therefore does not represent resources available to fund future capital expenditure.
Usable Capital Receipts	Used to meet the cost of capital expenditure for the current and future financial years. It is funded primarily from the sale of Council assets.
Major Repairs Reserve	A statutory reserve representing resources available to fund capital investment in council housing. Is primarily funded by the Major Repairs Allowance.
Pensions Reserve	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.
Repairs and Renewals	Used to meet the cost of replacement of specific assets at the end of their useful life.
Spend to Save Activities & Service Reconfigurations	Used to meet the cost of changes in future service provision or spend to save initiatives.
Interest Equalisation Reserve	Used to smooth changes in interest rates on the recurring revenue budget.
LMS Reserve	Accumulated balances on Local Management of Schools in accordance with Education Reform Act 1988.
Insurance	An amount set aside to provide a contingency sum to finance potential unquantified insurance losses.
General Fund Reserve	Used to meet the cost of unexpected variations on the Council's spending plans that cannot be accommodated within the overall approved budget.
HRA Working Balance	Used to meet the cost of unexpected variations on the Council's spending plans that cannot be accommodated within the overall approved budget. As the HRA is a ring-fenced account the amounts can only be used for HRA purposes.
HRA Rent Reserve	An equalisation account representing the value of rent due in a 53-week year which is then reduced by transferring 1/6 th to the HRA in each of the following 6 years.

34. DEVELOPERS CONTRIBUTIONS

Under Section 106 of the Town and Country Planning Act 1990, local planning authorities may enter into enforceable 'planning obligations' with landowners and/or developers which secure community infrastructure to meet the needs of residents in new developments or mitigate the impact of new developments upon existing community facilities.

There are normally two types of agreement:

- Those for providing some form of service by way of a commuted sum, e.g. for the future maintenance of an open space or play area
- Those to assist undertaking some form of capital project, e.g. the provision of a new leisure facility or community centre

Contributions totalling £3,802,000 (£3,804,000 in 2006-07) are held by the Council pending investment in line with the individual Section 106 agreements.

35. NET ASSETS EMPLOYED

Net assets employed are analysed as follows:-

	31 March 2007 (As Restated) £'000	31 March 2008 £'000
General Fund & HRA	1,221,658	1,295,000
Collection Fund	(1,233)	(907)
Thames Gateway London Partnership	592	839
	1,221,017	1,294,932

36. CONTINGENT LIABILITIES

There are no known material contingent liabilities at the balance sheet date.

37. DATE OF AUTHORISATION

The Statement of Accounts was authorised for issue by Joe Chesterton, Divisional Director of Corporate Finance and Section 151 Officer, on 25 June 2008.

38. EVENTS AFTER THE BALANCE SHEET DATE

There are no events up to the date the accounts were authorised for issue that have a material impact on the financial results for the year.

39. 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.

	2006-07 £'000	2007-08 £'000
Trust Fund balances at 1 April	97	102
Payments from funds during year	0	0
Income received by funds in the year	5	5
Balance at 31 March	102	107

The Council also holds balances on behalf of schools totalling £1,706,000 (£1,513,000 in 2006-07)

40. RESERVES & BALANCES HELD BY SCHOOLS UNDER DELEGATED SCHEMES

	2006-2007		2007-2008	
	No of Schools	£'000	No of Schools	£'000
Schools in Surplus	50	8,483	53	8,721
Schools in Deficit	9	(521)	7	(1,329)
TOTAL	59	7,962	60	7,392

The table above reflects the aggregate capital and revenue balances held by schools at each year-end, with a net reduction in balances between years of £570k (i.e. £145k reduction in revenue balances and £425k in capital balances). The table in Note 41 on the Dedicated Schools Grant below shows the movement in revenue balances only.

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 3 years.

41. **DEDICATED SCHOOLS GRANT (DSG)**

The Council's expenditure on schools is funded by grant monies provided by the Department for Children Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over- and underspends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2007-08 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Original grant allocation to Schools Budget for the current year in the authority's budget	12,780	116,000	128,780
Adjustment to finalised grant allocation	0	308	308
DSG receivable for the year	12,780	116,308	129,088
Actual expenditure for the year	(11,661)	(115,544)	(127,205)
(Over)/underspend for the year	1,119	764	1,883
Planned top-up funding of ISB from Council resources	0	0	0
Use of schools balances brought forward	0	(909)	(909)
(Over)/underspend from the year	1,119	(145)	974
(Over)/underspend carried forward to 2008-09	1,119	(145)	974

The table above reflects the movement in revenue balances between years and does not include capital balances.

42. **PENSION SCHEMES**

a) **Teachers Pensions**

In 2007/08 the Council paid £9.335 million (£8.521 million in 2006-07) to the Department for Children Schools and Families in respect of teachers' pension costs representing 14.1% of pensionable pay

The Scheme is a defined benefit scheme, administered by the Teachers Pensions Agency (TPA). Although the scheme is unfunded, the TPA uses a notional fund as a basis for calculating the employers' contribution rate paid by Local Education Authorities (LEAs). However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

b) **LGPS Pension Scheme**

The Council offers defined retirement benefits to its officers and other employees as a member of the London Borough of Barking & Dagenham (LBBDD) Pension Fund. This is a funded scheme, meaning that the Council and employees pay contributions into the Fund calculated at a level estimated to balance its pension liabilities with investment assets.

Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments based upon an employee's future entitlement. Financial Report Standard (FRS) 17 '*Retirement Benefits*' requires that these are recognised at the time the employees earn their future entitlement. These commitments, rather than the cash contributions paid, are thus included in the Net Cost of Services based on actuarial advice provided by Hymans Robertson, the Council's actuary. Interest on the Fund's liabilities and the expected return on its assets, again based on actuarial advice, are also included within Net Operating Expenditure. These three elements represent the 'real' cost of retirement benefits. However, to ensure that there is no impact on the local taxpayer, the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

c) Transactions Relating to Retirement Benefits

The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year.

	2006-07 £'000	2007-08 £'000
<u>Net Cost of Services</u>		
• Current service cost	18,560	17,179
• Past service costs	220	196
• Curtailments and Settlements	1,690	464
<u>Net Operating Expenditure:</u>		
• Interest cost	25,030	27,611
• Expected return on assets in the scheme	(24,360)	(26,835)
<u>Amounts to be met from Government Grants and Local Taxation:</u>		
• Movement on pensions reserve	(7,870)	(3,217)
<u>Actual amount charged against council tax for pensions in the year:</u>		
• Employers' contributions payable to scheme	13,270	15,398

d) Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attribute to the Council at 31 March are as follows:

LGPS Pension Fund	2006-07 £'000	2007-08 £'000
Estimated assets in scheme	387,090	392,976
Estimated liabilities in scheme	(509,920)	(495,110)
Net asset/(liability)	(122,830)	(102,134)

e) Basis of Estimating Assets & Liabilities

The liabilities show the underlying commitment the Council has in the long run to pay retirement benefits. The net liability of £102.1 million remains a significant item, representing approximately 8.0% of the Council's net worth as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit on the LBBP Pension Fund mean that the financial position of the Council remains healthy. In particular, the deficit will be made good by increased contributions over the remaining working life of the employees, as assessed by the Fund's actuary, Hymans Robertson, an independent firm of actuaries. The current agreed contribution rate for employers is 16.2% of pensionable pay comprising

a future service funding rate of 12.2% and a past service adjustment of 3.6%. The basic contribution rate for employees is 6.0%.

Liabilities have been assessed on an actuarial basis using the projected unit method, i.e. an estimate of the pensions that will be payable in future years dependant on the assumptions of mortality rates, salary levels etc. The liabilities have been assessed by Hymans Robertson with estimates for the Pension Fund being based on the last full valuation of the scheme as at 1 April 2007. The main assumptions used in the actuary's calculations have been:

Liability increases:	31 March 2007	31 March 2008
Discount rate	5.4% pa	6.9%
Rate of increase in salaries	4.7% pa	5.1%
Rate of increase in pensions	3.2% pa	3.6%
Rate of inflation	3.2% pa	3.6%

The fund assets and expected rate of return for the LBBD Pension Fund are valued at fair value, principally market value for investments, and totalled £392.97m at 31 March 2008 (£387.09m at 31 March 2007). The Fund's assets held on behalf of the Council comprise the following categories, by value and proportion:

	Long Term Return (%)	31 March 2007 Assets (£'000)	Proportion %	Long Term Return (%)	31 March 2008 Assets (£'000)	Proportion %
Equities	7.8%	255,570	66.0%	7.7%	300,172	76.4%
Bonds	4.9%	79,360	20.5%	5.7%	84,981	21.6%
Property	5.8%	43,180	11.2%	5.7%	7,138	1.8%
Cash	4.9%	8,980	2.3%	4.8%	685	0.2%
Average	6.9%	387,090	100%	7.2%	392,976	100%

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole. 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.

f) Actuarial Gains and Losses

The actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses can be analysed as follows:

	31 March 2007 £'000	31 March 2008 £'000
Actual return less expected return on pension scheme assets	(6,190)	(48,658)
Experience gains and losses arising on the scheme liabilities	710	(4,566)
Changes in financial assumptions underlying the present value of the scheme liabilities	29,620	75,556
Actuarial Gain / (Loss) in Pension Plan	24,140	22,332
Increase / (decrease) in irrecoverable surplus from membership fall and other factors	0	0
Actuarial Gain / Loss in STRGL	24,140	22,332

The SORP requires an historical analysis of actuarial gains and losses over a 5-year period as actuarial estimates, particularly in relation to the return on investments, can fluctuate significantly over time. The analysis is as follows:

	Year to 31 March				
	2004 £'000	2005 £'000	2006 £'000	2007 £'000	2008 £'000
Difference between the expected and actual return on assets	41,143	9,528	39,420	(6,190)	(48,658)
Value of Assets	298,529	306,089	365,530	387,090	392,976
Percentage of Assets	13.8%	3.1%	10.8%	(1.6%)	(12.4%)
Experience gains/(losses) on liabilities	(549)	(4,855)	(2,622)	710	(4,566)
Present Value of Liabilities	359,019	(424,067)	(507,110)	(509,920)	(495,110)
Percentage of Present Value of Liabilities	(0.2%)	(1.1%)	(0.5%)	0.1%	(0.95%)
Actuarial gains/(losses) recognised in the Statement of Total Recognised Gains and Losses	40,594	(53,140)	(19,052)	24,140	22,332
Present Value of Liabilities	(359,019)	(424,067)	(507,110)	(509,920)	(495,110)
Percentage of Present Value of Liabilities	(11.3%)	(12.5%)	(3.8%)	4.7%	4.5%

43. **RECONCILIATION OF NET DEFICIT TO CASH INFLOW FROM REVENUE ACTIVITIES**

	2006-07 £'000	2007-08 £'000
Deficit on General Fund	4,991	3,622
(Surplus) on Housing Revenue A/c	725	(1,283)
(Surplus) on Collection Fund	(272)	(326)
Net Deficit for year	5,444	2,013
Interest	6,493	7,161
Non Cash Transactions:		
Contribution (to) from Provisions	(744)	3,178
Contribution (to) from Reserves	(1,069)	365
Contribution to Capital	(111)	(700)
(Increase) / Decrease in Creditors	(2,381)	(15,750)
(Increase) / (Decrease) in Debtors	6,499	10,950
Pooling of Housing Capital Receipts	11,177	12,934
Other Movements	1,305	(16)
Revenue Activities Net Cash Flow	26,613	20,135

44. **MOVEMENT IN CASH & CASH EQUIVALENTS**

	As at 31 March 2007 £'000	As at 31 March 2008 £'000	Movement £'000
Cash at Bank	53	48	5
Cash Overdrawn	(16,268)	(21,151)	4,883
Net Cash Outflow	(16,215)	(21,103)	4,888

45. **ANALYSIS OF GOVERNMENT GRANTS**

	2006-07 £'000	2007-08 £'000
Revenue Support Grant	13,209	12,389
DWP Grants for Rebates:		
- Tenants' Rent Allowance	31,006	35,602
- Tenants Rent Rebates	44,815	49,771
- Council Tax Benefit subsidy	17,092	18,090
- Housing Benefit Administration	1,182	1,315
- Council Tax Benefit Administration	855	952
	94,950	105,730
Other Revenue Grants:		
- Education & Libraries	172,413	179,281
- General Purposes	931	1,177
- Social Services	9,033	10,601
- Housing & Health	2,606	2,940
- Regeneration	13,338	16,095
	198,321	210,094
Capital Grants:		
- Transport for London	2,820	3,379
- Dept of Communities & Local Govt	2,055	6,358
- Dept of Work & Pensions	587	382
- Local Performance Service Agreement	1,670	0
- Office of the Deputy Prime Minister	192	0
- Dept for Schools, Childrens & Families	3,766	2,342
- London Development Agency	440	39
- Lottery Grants	2,880	956
- Childrens Centre Capital Grant	0	2,775
- Developer Contribution	671	2,286
- Sure Start	2,229	0
- MRA	13,288	13,569
- Thames Gateway Development Council	1,199	2,994
- Enterprise Training & Skills Council	0	0
- DEFRA	570	208
- Local Enterprise Growth Initiative	149	965
- PCT	340	0
- Other	57	60
	32,913	36,313
Total of Government Grants	339,393	364,526

46. FINANCIAL INSTRUMENTS

a) **Key Risks**

The Council does not currently have any borrowing however its investments and day to day activities are exposed to a number of financial risks:

- Credit risk – this could arise if other parties fail to pay money due to the Council
- Liquidity risk – the possibility that the Council will not have enough funds available to make payments towards its commitments
- Re-financing risk
- Market risk – the possibility that the Council might suffer losses due to interest rate and foreign exchange movements which might occur

b) **Council's Procedures for Mitigating Risks**

The Council has prepared its treasury management strategy in accordance with the Local Government Act 2003 and its associated regulations. The Council is also required to comply with the *CIPFA Prudential Code*, the *CIPFA Treasury Management in the Public Services Code of Practice* and investment guidance issued through the Act. In addition the Council operates a number of Treasury Management Practices (TMPs) prepared in accordance with the Code of Practice.

In summary these acts and principles require the Council to manage its risks in the following ways:-

- Adopt formally the requirements of the CIPFA Code of Practice
- Annually approve, in advance:
 - The prudential indicators for the a three year period which states its limits on:
 - Authorised and operational borrowing limits
 - Maximum and minimum exposures to fixed and variable interest rates
 - Maximum and minimum exposures to its proposed debt maturity structure
 - Maximum annual exposure to investments maturing beyond one year. In 2007/08 this was 25%.
- Prepare an annual investment strategy for each following year which its Executive will approve along with the Council tax report. This will state the Council's criteria for:
 - Investing
 - Its criteria for selecting investment counter parties
 - The Council's compliance with government guidance
- Report annually on its performance to the Executive
- Maintain written TMPs which will cover the Council's procedure on treasury risk management, best value and performance management, decision-making analysis, approved instruments, methods and techniques, organisation clarity, segregation of duties and dealing arrangements, reporting requirements, budgeting, accounting and audit arrangements, cash and cash flow management, money laundering, staff training and qualifications, use of external service providers and corporate governance.

c) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council's policy is not to lend to banks and building societies which do not meet the minimum requirements set out in its investment criteria outlined above. The Council uses the Fitch credit ratings which it receives from its advisers Sector Treasury Services as a basis for assessing credit risk.

It should be noted that the choice of percentages to use in calculating the experience of default for banks and building societies has taken into consideration the Government's new directive to assist banks and building societies with short term cash where need be, in addition the defaults in questions is due to the banks or building societies having financial difficulties rather than due to their administrative errors.

However, in the past 5 years the Council has not experienced any exposure to credit risk, based on the experiences of default assessed by the ratings agencies and its advisers. Furthermore, the Council does not allow credit for its trade debtors. As a consequence, its exposure is necessarily limited and again no material default has been experienced over the 5 last years.

The Council's exposure by financial instrument can be summarised as follows:

Deposit to Banks and Building Societies	Amount as at 31 March 2008	Historical experience of default	Adjusted for Market Conditions as at 31 March 2008	Maximum Exposure to Default
	(a)	(b)	(c)	(a x c)
	£'000			£'000
'AAA' rated counter parties	21,798	0.000%	0.000%	0
'AA' rated counterparties	38,674	0.000%	0.000%	0
'A' rated counterparties	34,149	0.000%	0.000%	0
P1	8,900	0.000%	0.000%	0
Total Investments	103,521			
Trade debtors	9,900	See text		
Total	113,421			

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

Against the debtors' balance of £9.900 million, the Council has established a bad debt provision of £1.372 million, or 14%, on the basis set out in the Statement of Accounting Policies.

During the year the Council neither gave, nor received, any collateral as security for a financial instrument.

d) **Liquidity Risk**

The Council's liquidity position is managed through the procedures mentioned in b) above, as well as through its cash flow management procedures as required by the CIPFA Code of Practice.

In the event of unexpected cash requirement on a day to day basis, the Council will borrow from the money market to cover its cash flow need. The Council sets its operational boundary for this purpose in its annual treasury management strategy. In 2007/08 this was £10 million.

The Council also prepares annually a balanced budget in compliance to the Local Government Finance Act 1992.

In addition the Council has funds which are managed by external investment managers and the Council is able to call on these funds should it require them.

There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

e) **Refinancing and Maturity Risk**

Whilst the Council has no borrowings as at 31 March 2008, the Council is exposed to risk which will occur with replacing financial instruments as they mature.

The Council monitors the maturity profile of its investments to ensure that sufficient liquidity is available for the Council's day to day cash flow needs, whilst long term investments are spread in a way that reflect the Council's long terms cash flow needs.

f) **Market Risks**

The Council is exposed to the following risks which are as a result of changing market conditions:

- **Interest rate risk** – the exposure the Council faces as a result of changing fixed and variable interest rates movements in the market.

Where investments are at variable interest rates, favourable movements in interest rates mean the council would receive more investment income in the Income and expenditure account, however were interest rates fall then the interest attributable to the council will fall. Where investments held are at fixed rates then the income earned from investments will not be affected, however the fair value of the investments will fall. The investments internally managed by the Council are fixed deposits hence will not be affected by changing interest rates, however investments managed by fund managers on behalf of the Council will be affected by interest rate changes.

The Council does not hold equities as investments for treasury management purposes. It is not affected by equity share price movements.

- **Foreign Exchange risk** – the Council has no financial assets or liabilities denominated in foreign currencies. It is therefore not directly affected by movements in exchange rates. However, the Council has a Euro account held for regeneration purposes.

HOUSING REVENUE ACCOUNT

2006-07			Notes	2007-08	
£'000	£'000			£'000	£'000
		INCOME			
(67,263)		Dwelling Rent		(71,365)	
(2,669)		Non Dwelling Rents		(2,473)	
(2,841)		Service Charges		(3,860)	
(1,299)		Other Income		(2,731)	
(1,005)		Contributions towards Expenditure		(793)	
	(75,077)	TOTAL INCOME			(81,222)
		EXPENDITURE			
22,175		Repairs & Maintenance		21,769	
26,105		Supervision & Management		27,162	
155		Rent, Rates, Taxes & Other Charges		474	
10,932		Negative HRA Subsidy Payable	5	13,414	
		Negative HRA Subsidy Transferable to General Fund under Transitional Arrangements		2,585	
3,283		Depreciation of Fixed Assets	8	14,330	
19,185		Increase in Bad Debt Provision		304	
533		TOTAL EXPENDITURE			80,038
	82,368	NET COST OF HRA SERVICES PER AUTHORITY INCOME & EXPENDITURE ACCOUNT			(1,184)
	7,291	HRA Services Share of Corporate & Democratic Core			775
	8,041	NET COST OF HRA SERVICES			(409)
	(1,588)	Interest & Investment Income			(1,953)
	6,453	(SURPLUS) / DEFICIT FOR THE YEAR ON HRA SERVICES			(2,362)

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

The HRA and the supporting Notes are drawn up in accordance with the Housing Revenue Account (Accounting Practices) Directions 1996.

STATEMENT OF MOVEMENT ON THE HRA BALANCE

2006-07 £'000		2007-08 £'000
6,453	(Surplus)/Deficit for the year on the HRA Income & Expenditure Account	(2,362)
	Additional items required by statute and non-statutory proper practices to be taken into account in determining the movement in the Housing Revenue Account Balance	
	<i>Items included in the HRA Income & Expenditure Account but excluded from the movement on the HRA Balance for the year</i>	
17	Capital expenditure funded by the HRA	700
0	Net charges made for retirement benefits in accordance with FRS 17 (Note 10)	(1,534)
17		(834)
	<i>Items not included in the HRA Income and Expenditure Account but not included in the movement on the HRA Balance for the year</i>	
0	Transfer to Insurance Reserve	290
(5,745)	Transfer from Major Repairs Reserve (Note 4)	(1,116)
0	Transfer to Rental Income Reserve	1,074
0	Transfer to Leaseholders' Reserve	150
0	Employer's pension contributions payable to LBBB Pension Fund (Note 10)	1,515
(5,745)		1,913
725	(Increase)/decrease in the Housing Revenue Account Balance	(1,283)
(2,390)	Housing Revenue Account Surplus b/fwd	(1,665)
(1,665)	Housing Revenue Account Surplus C/F	(2,948)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. COUNCIL HOUSING STOCK

	31 March 2007 Total	Houses	Flats	31 March 2008 Total
One Bedroom	5,004	215	4,728	4,943
Two Bedroom	8,306	5,124	3,096	8,220
Three Bedroom	6,195	4,265	1,883	6,148
More than Three Bedrooms	170	148	19	167
TOTAL	19,675	9,752	9,726	19,478

During the year 197 properties were sold under the Right to Buy legislation. The above figures exclude the hostel at Thompson Road which provides 7 units and the Council's proportion of shared ownership properties.

2. RENT ARREARS

	31 March 2007 £'000	31 March 2008 £'000
Current Tenants	2,506	1,460
Past Tenants	1,069	2,371
Total Housing Tenants	3,575	3,831
Commercial Rents	1,498	261
Total Rent Arrears	5,073	4,092
Provision for Bad Debts	2,624	2,710

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

3. ASSET VALUATIONS

The balance sheet value of the HRA's fixed assets is as follows:

	31 March 2007 £'000	31 March 2008 £'000
Operational Fixed Assets		
Council Dwellings	891,603	940,081
Other Land & Buildings	8,035	8,420
Non Operational Fixed Assets		
Investment Properties	21,530	21,306
Assets surplus to requirements	33	33
Total Housing Tenants	921,201	969,840

The vacant possession value of dwellings at 31 March 2008 was £2.54 billion (31 March 2007 £2.48 billion).

As set out in the statement of Accounting Policies, council dwellings are valued on the basis of Existing Use Value for Social Housing (EUV-SH). This value is less than the Vacant Possession Value to reflect the fact that local authority housing is let at sub-market rents and is arrived at after applying a regional adjustment factor of 37% in accordance with Government guidelines. The difference between the two values is a measure of the economic cost to Government of providing Council housing at less than open market rents.

4. MAJOR REPAIRS RESERVE (MRR)

The movements in the MRR are as follows:

	2006-07 £'000	2007-08 £'000
Opening Balance 1 April	1,449	4,955
Contributions During Year	5,822	1,116
Major Repairs Allowance	13,288	13,214
Expenditure Incurred During Year	(9,782)	(13,569)
Contribution towards Depreciation Charge	(5,822)	(1,116)
Closing Balance 31 March	4,955	4,600

5. HOUSING SUBSIDY

The negative subsidy payable to the Government from the HRA can be broken down as follows:

2006-07 £'000			2007-08 £'000	
£'000	£'000		£'000	£'000
39,923	53,211	Notional Management & Maintenance	39,983	53,197
13,288		Major Repairs Allowance	13,214	
(63,153)	(64,143)	Notional Rent	(66,269)	(66,611)
0		Rental Constraint Allowance	711	
(990)		Interest on Credit Ceiling	(1,053)	
	(10,932)	Subsidy Payable to DCLG		(13,414)

6. CAPITAL RECEIPTS GENERATED

The capital receipts generated are as follows:

	2006-07 £'000	2007-08 £'000
Right to Buy receipts	19,694	18,965
Mortgage principal repayments	580	316
Expenditure incurred during year	(11,177)	(14,132)
Net receipts generated	9,097	5,149

In accordance with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, any housing capital receipts in excess of £10,000 are subject to Government pooling. For sales of 'right to buy' dwellings, 75% of the receipt is pooled and for sales of other HRA assets (e.g. land) 50% is pooled, unless used to fund expenditure on affordable housing or regeneration.

The SORP requires the amount paid to the pool to be disclosed as expenditure in the Income and Expenditure Account, although the capital receipts will not have been recognised as income terms with the Income and Expenditure Account. The deficit is made good by an equivalent transfer from Usable Capital Receipts.

During 2007-08, the contribution to the pool totalled £14.132 million (2006-07, £11.177 million). This information is also shown at Note 2 to the Core Financial Statements.

7. SUMMARY OF HRA CAPITAL EXPENDITURE

2006-07 £'000		2007-08 £'000
	Expenditure	
0	Housing Futures	13,651
27,689	Major Repairs Programme	0
17	Padnall Green	0
900	Disabled Adaptations	1,372
28,606	Total Capital Expenditure	15,023
	Financed By	
18,626	Usable Capital Receipts	754
17	Revenue Contributions	0
9,782	Major Repairs Reserve	13,569
181	Other Contributions	700
28,606	Total	15,023

8. DEPRECIATION AND AMORTISATION

2006-07 £'000		2007-08 £'000
18,645	Council Dwellings	13,761
449	Other Land & Buildings	451
73	Vehicles, Plant & Equipment	94
18	Intangible Assets	24
19,185	TOTAL	14,330

The Council's valuers, Wilks, Head & Eve, have determined that, with effect from 1 April 2007, the residual element of the housing stock valuation (i.e. land) is 15%. In previous years no allowance has been made. This, taken together with an increase in remaining useful life from 50 to 60 years, has resulted in a significant reduction in the depreciation charged for the year in respect of council dwellings.

9. IMPAIRMENT

The Council's valuers, Wilks Head & Eve, have judged that 50% of the expenditure incurred on enhancing the housing stock should be reflected in an uplift in value of the properties concerned. The remaining 50%, amounting to £7.470 million, has been written off against the Revaluation Reserve created as a result of an uplift of 4% and 5% in the value of flats and houses respectively.

The amount has not been reflected in the HRA Income and Expenditure Account as it does not involve a consumption of economic benefits or a general fall in prices.

10. PENSION CONTRIBUTIONS

As set out in the Statement of Accounting Policies, the Council has restricted the accounting entries for the purposes of FRS 17 '*Retirement Benefits*' to current service cost only for the HRA. This is reflected in the Net Cost of Services and a compensating adjustment is made in the Statement of Movement on the Housing Revenue Account Balance in order that there is no impact on either the surplus for the year or subsequent rent levels.

THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT 2007-08

2006-07			Notes	2007-08	
£'000	£'000			£'000	£'000
		<u>Income</u>			
(45,431)		Net Income receivable from Council Tax	2	(48,318)	
(17,110)		Transfer from General Fund: - Council Tax Benefits		(17,586)	
(44,510)		Income Collectable from Business Rate Payers		(43,027)	
(118)		Transfers from General Fund: - Discretionary Relief		(126)	
(1,226)		Contribution to Previous Year Deficit	4	(1,265)	
	(108,395)	Total Income			(110,322)
		<u>Expenditure</u>			
61,729		Precepts	3	64,757	
44,167		Business Rate:			
224		- Payment to National Pool	5	42,416	
		- Costs of Collection		267	
1,460		Bad & Doubtful Debts/Appeals:			
543		- Write Offs		1,607	
		- Provisions		949	
	108,123	Total Expenditure			109,996
	(272)	DEFICIT / (SURPLUS)			(326)
	1,505	Balance at 1st April 2007			1,233
	1,233				907

NOTES TO THE COLLECTION FUND

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 £1,278.24 for a Band 'D' property in 2007-2008 comprising:-

	£ p
London Borough of Barking and Dagenham	974.36
Greater London Authority	303.88
	1,278.24

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

BAND	NUMBER OF PROPERTIES IN BANDS	BAND 'D' EQUIVALENT PROPERTIES
A	5,568.00	3,711.40
B	8,415.50	6,545.40
C	36,235.25	32,209.10
D	7,193.75	7,193.80
E	1,528.50	1,868.20
F	294.75	425.80
G	42.50	70.80
H	4.50	9.00
	59,282.75	52,033.50

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 **50,660.80** Band 'D' equivalent properties.

3. PRECEPTING AUTHORITIES

The precepts levied on the Collection Fund in 2007-08 were as follows:-

	2006-07 £'000	2007-08 £'000
London Borough of Barking and Dagenham	47,111	49,362
Greater London Authority	14,618	15,395
	61,729	64,757

4. SURPLUS / DEFICIT TRANSFERRED

This figure represents the transfer of the estimated deficit on the Council Tax Collection Fund account as at 31 March 2008 to the London Borough of Barking and Dagenham's General Fund and to the Greater London Authority in 2007-2008.

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:

	2006-07 £'000	2007-08 £'000
Surplus/(Deficit)	(1,233)	(907)
Provisions made in:		
- 2007-08 budget	(1,265)	
- 2008-09 budget		(581)
Additional provision to be made in:		
- 2008-09	32	
- 2009-10		(326)
Total Surplus/(Deficit) to be provided for in future budget setting process	(1,233)	(907)

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 relief's 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:-

	2006-07 £'000	2006-07 £'000	2007-08 £'000	2007-08 £'000
Amount due from ratepayers net of transitional, mandatory and empty property relief		44,678		43,205
Less Amount of additional discretionary relief granted chargeable to pool	(50)		(51)	
Less Cost of Collection Including Interest	(224)		(267)	
Provision for Bad Debts And Write-offs	(237)	(511)	(471)	
Contribution to Pool		44,167		42,416

The contribution received from the pool in 2007-2008 was £73.8m and this was credited direct to the Council's General Fund.

The Rateable value at 31 March 2008 was	£117,262,989
The Uniform rate in the pound (or multiplier) for 2007-08 for premises with rateable values below £21,500 was	45.8
The Uniform rate in the pound (or multiplier) for 2007-08 for premises with rateable values above £21,501 was	46.2

PENSION FUND ACCOUNT

2006-07			Note	2007-08	
£'000	£'000			£'000	£'000
		Contributions & Benefits			
		Contributions receivable:	3		
15,903		- from employers (administering body)		16,416	
2,138		(scheduled bodies)		2,423	
1,503		(admitted bodies)		1,640	
	19,544				20,479
5,621		- from employees (administering body)		6,099	
968		(scheduled bodies)		1,170	
591		(admitted bodies)		603	
	7,180				7,872
	5,182	Transfers In			5,072
	31,906	Total Contributions (A)			33,423
		Benefits payable:	4		
13,898		- Pensions (administering body)		14,877	
1,844		(scheduled bodies)		1,943	
451		(admitted bodies)		618	
	16,193				17,438
3,401		- Lump sums (administering body)		4,497	
576		(scheduled bodies)		237	
1,378		(admitted bodies)		210	
	5,355				4,944
		Payments to & on account of leavers			
15		- Refunds of contributions		22	
3,380		- Transfers out		4,414	
	3,395				4,436
542		- Administrative & other expenses	10	617	
	542				617
	25,485				27,435
	6,421	Net Income (withdrawals) (A less B)			5,988
		Returns on Investments			
		- Investment income		14,400	
13,134		- Change in market value of investments		(39,447)	
14,893		(realised & unrealised)			
(1,798)		- Investment management expenses		(2,774)	
	26,229	Net Returns on Investments			(27,821)
	32,650				(21,833)
17,757		Net new money invested		16,951	
		<i>Change in market value of investments:</i>			
15,308		Net realised profits/(losses)		19,355	
(415)		Net unrealised profits/(losses)		(58,139)	
	32,650	Net increase/(decrease) in the fund			(21,833)
	497,786	Opening net assets at 1 April 2007			530,436
	530,436	Closing Net Assets at 31 March 2008			508,603

PENSION FUND NET ASSETS STATEMENT

31 March 2007			31 March 2008	
£'000	£'000		£'000	£'000
		INVESTMENTS ASSETS (Note 9)		
40,282		Fixed Interest Securites - Public Sector	38,417	
110,897		U.K. Equities - quoted	111,240	
208,750		Foreign Equities	191,807	
589		Foreign Fixed Interest Securities	4,358	
57,413		Pooled Investments - Property	51,927	
95,413		Pooled Investments - Other	87,252	
4,930		Short Term Investments	0	
6,220		Cash held by Investment Managers	6,355	
	524,494			491,356
(4,576)	(4,576)	Outstanding trades	4,159	4,159
		CURRENT ASSETS		
167		Debtors	359	
10,679		Cash	13,445	
	10,846			13,804
	(328)	CURRENT LIABILITIES		
		Creditors		(716)
	530,436	TOTAL NET ASSETS		508,603

The figure for outstanding trades includes outstanding sales and purchases and investment income receivable.

NOTES TO THE PENSION FUND

1. ACCOUNTING POLICIES

(i) **Investment Valuation**

- Quoted equity investments are stated at market value based on the middle market quotation and quoted fixed interest investments are stated at market value based on the bid market quotation on the relevant stock exchange ruling on 31 March 2008.
- Unit trusts and managed funds are valued at the average of the bid and offer prices provided by the relevant fund managers, which reflect the market value of the underlying investment determined using independent pricing sources.
- Unquoted investments are valued by the fund managers at the year-end in accordance with generally accepted guidelines.
- Investments held in foreign currencies have been valued on the same basis and translated into sterling at the rate ruling on 31 March 2008. All foreign currency transactions are translated into sterling at exchange rates ruling at the transaction date.
- Industrial and commercial properties are valued at open market prices as at 31 December 2007 and then indexed in line with the Investment Property Databank Monthly Index movement to 31 March 2008.

(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) **The Pension Fund Accounts** – the 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.

(vii) **Contributions** - Normal contributions from members and employers are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustment certificate. Payment of pensions and pensions increases are accounted for on an accruals basis.

2. 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 1 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 31 March 2007.

EMPLOYER	Minimum Contribution for the Year			
	31/3/08	31/3/09	31/3/2010	31/3/2011
Administering Body				
• London Borough of Barking & Dagenham	16.2%	17.0%	18.0%	19.0%
Scheduled Body				
• University of East London	13.5%	17.0%	18.0%	18.5%
Admitted Bodies:				
• Barking College	13.8%	14.5%	15.8%	17.1%
• Age Concern	17.5%	19.5%	19.5%	19.5%
• Abbeyfield Barking Society	17.1%	21.5%	21.5%	21.5%
• Barking & Dagenham Citizens Advice Bureau	10.5%	12.5%	12.5%	12.5%
• Enterprise (Thames Accord)	16.4%	16.4%	16.4%	16.4%
• East London E-Learning	11.5%	11.5%	11.5%	11.5%

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

Membership Numbers	Active	Pensioners	Deferred	Undecided	Frozen
London Borough of Barking & Dagenham	4,357	3,505	2,508	14	241
University of East London	616	522	533	9	68
Magistrates Court	0	11	11	0	2
Barking College	227	78	129	4	12
Barking Council for Voluntary Services	0	0	3	1	0
Age Concern	35	37	13	0	2
Abbeyfield Barking Society	2	3	0	0	1
Barking & Dagenham Citizens Advice Bureau	2	0	3	0	0
London Riverside	0	2	7	0	1
Enterprise (Thames Accord)	134	47	39	0	0
East London E-Learning	6	0	2	0	0
TOTAL	5,379	4,205	3,248	28	327

3. CONTRIBUTIONS RECEIVABLE

EMPLOYER	Employer		Employee	
	2006-07 £'000	2007-08 £'000	2006-07 £'000	2007-08 £'000
Administering Body				
• London Borough of Barking & Dagenham	15,903	16,416	5,621	6,099
Scheduled Body				
• University of East London	2,138	2,423	968	1,170
Admitted Bodies:				
• Barking College	534	636	256	278
• Age Concern	84	204	35	46
• Abbeyfield Barking Society	3	4	1	2
• Barking & Dagenham Citizens Advice Bureau	6	7	4	4
• London Riverside	2	0	1	0

• Enterprise (Thames Accord)	865	765	288	261
• East London E-Learning	9	24	6	12

4. **BENEFITS PAYABLE**

EMPLOYER	Pensions		Lump sums			
	2006-07 £'000	2007-08 £'000	2006-07 £'000		2007-08 £'000	
Administering Body			Lump sum	Death Benefit	Lump sum	Death Benefit
• London Borough of Barking & Dagenham	13,898	14,877	2,757	644	4,116	381
Scheduled Bodies:						
• Magistrates Court	35	37	15	0	1	0
• University of East London	1,809	1,906	548	13	181	55
Admitted Bodies:						
• Barking College	181	192	145	46	102	0
• Age Concern	38	42	7	0	31	0
• Abbeyfield Barking Society	2	2	0	0	0	0
• London Riverside	10	11	11	0	0	0
• Enterprise (Thames Accord)	217	357	1,101	68	77	0
• East London E-Learning	3	14	0	0	0	0

5. **AVC CONTRIBUTIONS**

Addition Voluntary Contributions (AVC's), administered by the Prudential, made by London Borough of Barking & Dagenham employees during the year amounted to £295k (2006-07 £305k).

6. **ACTUARIAL POSITION**

(a) **Actuarial assumptions**

The triennial review of the fund took place as at 31 March 2007 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:
 - Retail Price Inflation (RPI) Future levels of price inflation.
 - Future levels of real pay increases - assumed to be 1.5% p.a. in excess of price inflation.
 - Funding basis discount rate is assumed to be 1.6% p.a. above the yield on fixed interest government bonds.
 - Funding basis discount rate assumed to be 1.6% p.a. above the yield on fixed interest Government bonds
 - The market values of the pension scheme's assets at the date of the valuation were: £530million. 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.

- Other assumptions adopted in this valuation are:
 - Future longevity is assumed to give the following average future life expectancies for pensioners aged 65 at the valuation date:

	Assumptions to assess funding position and 'gilt based' position at 31 March 2007		Assumptions to assess funding position at 31 March 2007	
	M	F	M	F
Males (M) or Females (F)				
Average future life expectancy (in years) for a pensioner aged 65 at the valuation date	20.7	23.6	18.4	21.3
Average future life expectancy (in years) at age 65 for a non-pensioner aged 45 at the valuation date	20.7	23.6	18.4	21.3
Average future life expectancy (in years) at age 45 for a non-pensioner aged 45 at the valuation date	40.1	43.0	37.2	40.2

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 1 April 2005 to 31 March 2008 which is applicable to this account is 15.8% of pensionable pay.

(b) Funding Position

Past Service Liabilities	2004	2007
	Actuarial Valuation (01/04/2005 to 31/03/2008)	Actuarial Valuation (01/04/2008 to 31/03/2011)
	£m	£m
Active Members	193	285
Deferred Pensioners	48	81
Pensioners	175	239
Total	416	605
Assets	360	530
Surplus/(Deficit)	(56)	(75)
Funding Level	87%	88%

(c) Funding Level

The 2007 valuation funding level calculated in relation to the Administering Authority's chosen funding objective was 88% and there was a funding shortfall of £75m.

The table below shows the detail funding positions for the 2004 and 2007 valuation.

Funding Position ([£000s])	31 March 2007 £(000) p.a.	31 March 2004 £(000) p.a.
A. Value of assets	530,011	360,170
Assessed cost of past service benefits in respect of:		
Employee members	284,971	192,781
Pensioner members	239,403	175,215
Deferred pensioner members	80,797	47,953
B. Total assessed cost of past service benefits	605,171	415,949
Funding surplus/ (shortfall) (A minus B)	(75,160)	(55,779)
Funding level (A as a percentage of B)	88%	87%

d) Total Contribution Rate

The table below shows the total contribution rates which apply to the 2007-08 accounts:

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.

7. EARLY RETIREMENT CAPITAL CONTRIBUTIONS

In 2007/08, London Borough of Barking and Dagenham paid a total of £982k in early Retirement capital contributions while Age Concern paid £7.8k.

8. PURCHASE AND SALE OF INVESTMENTS

During the year the Fund purchased equities investments totalling £340.9 million and sold £326.2 million worth of equities investments. Fixed deposit investments totalling £102.1 million was purchased while £107.0 million was sold. These activities resulted in a net realised profit of £15.2 million.

9. DETAILED ANALYSIS OF INVESTMENTS

The Council is required to disclose further details relating to investments:

(a) Split of investments by Fund Managers

Manager	Value of fund £'000	%
Aberdeen Asset Management	120,037	23.6%
Alliance Berstein	161,412	31.7%
Goldman Sachs	155,867	30.7%
RREEF	54,040	10.6%
Internal	17,247	3.4%
Total	508,603	100.0%

(b) Summary of Investment Categories

The majority of the fund is represented by investments. The statement below shows the market value of each type of investment held by the Fund Managers in £000s as at 31st March 2008.

	Aberdeen	Alliance Bernstein	Goldmans Sachs	RREEF	Total
Fixed Interest Securities	38,417				38,417
UK Equities - Quoted	0	46,644	64,596	0	111,240
Foreign Equities	13,367	88,815	89,625	0	191,807
Foreign Fixed Interest Securities	4,358	0	0	0	4,358
Pooled Investment – Property	0	0	0	51,927	51,927
Others	63,529	23,354	369	0	87,252
Cash	366	2,599	1,277	2,113	6,355
Total	120,037	161,412	155,867	54,040	491,356

10. ADMINISTRATIVE AND OTHER EXPENSES

	2006-07 £'000	2007-08 £'000
Administrative and Processing	432	482
Actuarial Fees	16	37
Legal and other Professional Fees	94	98
Total	542	617

11. FUND MANAGER AND CUSTODIAN EXPENSES

	2006-07 £'000	2007-08 £'000
Aberdeen Asset Management	255	198
Alliance Bernstein Asset Management	662	1,174
Goldmans Sachs Asset Management	722	769
RREEF	0	470
State Street (Custodian)	159	163
Total	1,798	2,774

12. STOCK RELEASED TO THIRD PARTIES

The fund is involved with a stock lending agreement via its custodians. As at 31 March 2008 £34.550m of stock was lent to counterparties with 102.7% collateral exposure.

13. RELATED PARTY TRANSACTIONS

Material transactions between the LBBP Pension Fund and London Borough of Barking and Dagenham, in respect of pension administration costs, investment monitoring and other services amounted to £435,738 (2006-07, £392,976).

14. POST BALANCE SHEET EVENTS

In the first two months after the year end, there were transfers out of the fund amounting to £793k.

15. 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 website: www.lbbd.gov.uk

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

We have audited the financial statements of the London Borough of Barking and Dagenham for the year ended 31 March 2008 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account Balance, the Collection Fund, 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 relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 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 Standards on Auditing (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 relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council and its income and expenditure, cashflows for the year and the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

We review whether the Governance Statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE 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, nor have we considered, whether the Governance Statement 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 of 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.

The maintenance and integrity of the London Borough of Barking and Dagenham's website is the responsibility of the council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 judgements 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 relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the London Borough of Barking and Dagenham as at 31 March 2008 and its income and expenditure and cash flows for the year then ended.

A handwritten signature in blue ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive style.

PricewaterhouseCoopers LLP
80 Strand
London
WC2R 0AF

30 September 2008

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.

Auditor's Responsibilities

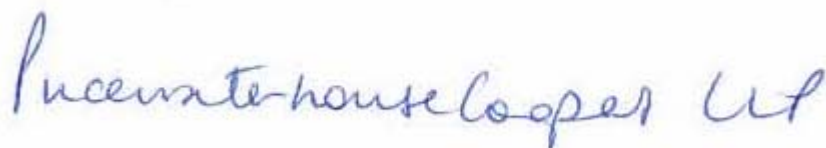
We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in 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.

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 December 2006, 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 2008.

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 blue ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP
80 Strand
London
WC2R 0AF

30 September 2008

**SIGNATURE OF THE CHAIRMAN OF THE ASSEMBLY TO
THE APPROVAL OF THE 2007-2008 STATEMENT OF
ACCOUNTS**

This Statement of the Council's accounts for 2007-2008 was approved by the Council's Assembly on 25 June 2008



CHAIRMAN OF THE ASSEMBLY

25 JUNE 2008

Glossary of Terms

<u>Term</u>	<u>Definition</u>
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 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.
Balance Sheet	A statement showing the position of the Council's assets and liabilities as at 31 March in each year.
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, and 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 Council's planned expenditure. The level of the council tax is set by reference to detailed revenue budgets. Budgets are reviewed during the course of the financial year to take account of pay and price changes, and other factors affecting the level or cost of services.
Capital Charges	A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. The charge is normally for the depreciation of the fixed asset.

Capital Expenditure	Expenditure on the acquisition or enhancement of assets that are considered to be of benefit to the authority over a period of more than one year, e.g. buildings and land. Other examples include payments of grants and financial assistance to third parties and expenditure that is classified as capital following a Ministerial direction e.g. capitalised redundancy costs.
Capital Adjustment Account	A capital reserve which reflects the difference between the costs of fixed assets consumed and the capital financing set aside to pay for them. This is an accounting reserve which is not backed by cash and does not represent resources available to fund future capital expenditure.
Capital Receipts	Income received from the sale of land, buildings and other capital assets.
Central Support Services	Services that are provided by the administrative and professional service groups that support all the council's services. They include financial, legal, personnel, 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 Council in perpetuity. Examples include parks, historic buildings and works of art.
Contingent Liability	A contingent liability is either: <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 in 1993 as a replacement for the community charge (Poll Tax). It is set by both the billing authority and precepting authority. The level is determined by the revenue expenditure requirement for each authority, divided by the council tax base for the year.

Council Tax Base	An amount calculated for each billing authority from which the grant entitlement of its area is derived. The number of properties in each band is multiplied by the relevant band proportion in order to calculate the number of band D equivalent properties in the area. The calculation allows for exemptions and discounts, appeals and a provision for non-collection. 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 before the end of the accounting period but for which payments have not been made by the end of that accounting period.
Debtors	Amounts due to the council before the end of the accounting period but for which payments have not yet received by the end of that accounting period.
Deferred 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 Assets	Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.
Formula Grant	The main channel of Government funding which includes redistributed business rates and Revenue Support Grant. The distribution is determined by the Formula Spending Shares (FSS) formulae adjusted for each local authority's relative ability to raise Council tax.
Formula Spending Shares	A complex measure of the relative cost of service provision used in establishing the distribution of Formula Grant.
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 ring-fenced account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

Housing Subsidy	This represents a government grant payable towards the cost of providing local authority housing and the management and maintenance of that housing.
Impairment	A reduction in the value of a fixed asset, below the amount it is included at on the balance sheet. Impairment can arise from either the consumption of economic benefits or a general reduction in prices.
Income and Expenditure Account	A statement which details the total income received and expenditure made by the Council in the year. It is reconciled back to the General Fund Balance through the Statement of Movement on the General Fund Balance (see below).
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.
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. historical cost or current value less the cumulative amounts provided for depreciation and impairment.
Net Expenditure	Total expenditure less any income due to the council.

Net Realisable Value	The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.
Non Distributable Costs	These are overheads for which no user benefits and are therefore not apportioned to services.
Non-operational Assets	Fixed assets that are not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets that are surplus to requirements, pending sale or redevelopment.
Operating Leases	A lease that stipulates the asset can never become the property of the lessee.
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 non-billing authorities such as the Greater London Authority, to finance its net expenditure.
Prior Year Adjustment	A material adjustment applicable to prior years arising from changes in accounting policies or from changes the correction of fundamental errors.
Private Finance Initiative (PFI)	Started in 1997/98, PFI offers a form of Private-Public Partnership in which local authorities do not buy assets but rather pay for the use of assets held by the private sector.
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 and senior Officers of the Council are required to declare if they have entered into any such transactions and any relationships of significant influence with any organisations associated with the Council.
Reserves	An amount set-aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.
Revaluation Reserve	A new reserve established to record unrealised net gains on the Council's fixed assets arising from revaluations made on or after 1 April 2007.
Revenue Balances	These reserves represent surplus balances which can be used in the future. Some reserves are set up to meet expenditure included in a particular account, such as the Housing Revenue Account.
Revenue Expenditure	Day-to-day payments on the running of council services such as salaries and wages, heating and lighting transport and charges for the use of assets.
Revenue Support Grant (RSG)	A general grant paid by central government to a local authority towards the cost of its services which is distributed as part of Formula Grant.
Service Level Agreements	Service level agreements are written agreements between council support service users and providers. Each service level agreement specifies the support service to be provided its timing and frequency, the charge to be made for it and the period for which the agreement will run.
Statement of Movement on the General Fund Balance	A statement which shows how the surplus or deficit on the Income and Expenditure accounts matches up with the movement on the General Fund Balance.

Statement of Total Recognised Gains and Losses (STRGL)	A statement analysing the major gains or losses making up the movement in net assets from the beginning of the year to the end of the year.
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)