

# 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 2009.

## 1. THE ACCOUNTING STATEMENTS

The Council's accounts for the year 2008-09 consist of:

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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.

	<b>Original Estimate £'000</b>	<b>Revised Estimate £'000</b>	<b>Actual £'000</b>	<b>Variation £'000</b>
<b>Service Departments:</b>				
<b>ADULT &amp; COMMUNITY SERVICES</b>	62,556	64,434	64,164	(270)
<b>CHILDREN'S SERVICES</b>	182,028	181,230	182,959	1,729
<b>CUSTOMER SERVICES</b>	26,450	25,287	25,476	189
<b>REGENERATION</b>	11,925	12,529	12,293	(236)
<b>RESOURCES &amp; CORPORATE MANAGEMENT</b>	6,655	7,649	7,170	(479)
<b>GENERAL FINANCE</b>	(15,668)	(16,122)	(16,162)	(40)
<b>CONTINGENCY</b>	1,200	139	0	(139)
<b>LEVIES</b>	7,182	7,182	7,182	0
<b>Total</b>	<b>282,328</b>	<b>282,328</b>	<b>283,082</b>	<b>754</b>
<b><u>Financed by:</u></b>				
<b>DEDICATED SCHOOLS GRANT</b>	135,080	135,080	135,080	0
<b>GENERAL GOVERNMENT GRANT</b>	95,418	95,418	95,418	0
<b>COUNCIL TAX</b>	51,830	51,830	51,830	0
<b>GENERAL FUND RESERVES</b>	0	0	754	754
<b>Total</b>	<b>282,328</b>	<b>282,328</b>	<b>283,082</b>	<b>754</b>

## **Revenue Services - Financial Performance**

At the end of 2008-09 the Council had a net overspend of £754,000 on its General Fund Revenue services against a profiled budget for the year of £282.3 million (less than 0.3% over budget).

In summary, the overall departmental performance is as follows:

<b>Service Department</b>	<b>Over/(under)spend £'000</b>
Adult & Community Services	(270)
Children's Services	1,729
Customer Services	189
Regeneration	(236)
Corporate Resources	(658)
<b>Total</b>	<b>754</b>

## **Service Position**

The 2008-09 financial year proved a demanding period for the Council with a number of significant financial pressures arising including:

- Financial pressure in respect of Looked after Children Placements and in meeting the Councils' Leaving Care responsibilities
- Increased Energy Costs;
- Increased costs in Adult Services arising from clients in transition from Children's placements i.e. when turning age 18;
- Delivery of the Homecare Modernisation programme;
- Reduction in Income Collection e.g. Land charges, Building control, Commercial property and Trade waste;
- Reduced investment income receipts due to lower interest rates;
- Reduced in-year collection of Council tax due to changes in the national economic climate;
- Cost pressures in front line services particularly within the Environmental & Enforcement Service.

Given the size of the financial pressures, the end-of-year position demonstrates a successful year of financial control and the ability to implement and deliver action plans. A number of the on-going pressures that arose in 2008-09 have been resolved in the longer term through the 2009-10 budget process. The Council's full position on its 2008-09 revenue outturn was reported to its Executive meeting on the 16 June 2009.

The Council's General and Schools reserves position as at 31 March 2009 totalled £12,027,000 (2007-08, £13,052,000) as follows:

	<b>31 March 2008 £'000(restated)</b>	<b>31 March 2009 £'000</b>
General Reserves	5,660	3,711
School Balances	<u>7,392</u>	<u>8,316</u>
	13,052	12,027
DSG Reserve	1,199	3,225

The Housing Revenue Account recorded a deficit for the year of £2.83 million, reducing its working balances to £118k. The Council has acknowledged the deteriorating position and has in place robust plans to increase working balances to a more acceptable level.

### **Income for Service Expenditure**

For 2008-09, Barking and Dagenham received formula grant of £95.418m. The like for like increase in formula grant for Barking and Dagenham for 2008-09 was 3.9%. 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 2008-09 of £1,016.40 (excluding the Greater London Authority (GLA) precept) and is summarised as follows:

	<b>2007-08</b> £	<b>2008-09</b> £	<b>Increase</b> %
LBBD	974.36	1,016.40	4.30
GLA	303.88	309.82	2.00
<b>Total</b>	<b>1,278.24</b>	<b>1,326.22</b>	<b>3.75</b>

The Council's 2008-09 Council tax represented the 3<sup>rd</sup> lowest Council tax in Outer London and the overall increase of 3.75% 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 £448m of income from specific grants and fees and charges.

### **3. CAPITAL BUDGET**

The total capital expenditure for 2008-09 was £97.1m out of a total budget of £97.2m, an underspend of £0.1m on budget. These figures indicate that 99% of the capital programme was spent in 2008-09. This demonstrates the sound financial management principles that are applied across the capital programme.

The capital outturn position can be summarised as follows:

	<b>£m</b>
Revised Budget 2008-09	90.5
Less:	
Actual Expenditure 2008-09	(97.1)
Overspend	6.6
Budget increases for external funding	(6.6)
Budgets Rolled Forward into 2009-10	7.8
Budgets brought back from 2009-10	(7.9)
Net underspend after roll-forwards	(0.1)

Projects totalling £7.9m were spent in advance of their original programme timetables. This expenditure has been met by bringing budgets of this amount, originally approved for 2009-10, back into 2008-09

The Council's full position on its 2008-09 capital outturn was reported to its Executive meeting on the 16 June 2009.

### **4. BALANCE SHEET**

Key movements on the balance sheet are as follows:

- The usable capital receipts reserve was fully utilised to fund the 2008-09 capital programme;
- The funding of the capital programme required recourse to prudential borrowing which stood at £51 million at the end of the financial year;

- The carrying value of fixed assets decreased by £24 million to £1.37 billion largely as a result of the revaluation of council dwellings – further details are contained Note 25 to the Core Financial Statements;
- The value of Government Grants Deferred increased by £12 million to £92 million (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 decreased by £12 million to £67 million mainly due a reduction in the amounts due from Government departments;
- Creditors and Receipts in Advance increased by £17 million to £113 million due to a general increase in creditors and amounts due to Government departments;
- The Pension Fund net deficit at 31 March 2009 increased from £104m to £175m, further details of which are set out below; and
- General Fund Reserves fell to £3.7m principally as a result of the prior year adjustment referred to in Note 1 to the Core Financial Statements and increased bad debt provisions. This level of uncommitted reserves is below the Council's desired level having regard for potential risk areas and plans are in place to restore the reserves to a more acceptable level.
- The above factors contributed to an overall decline of £168 million (or 13%) in the Council's net worth to £1.12 billion

## 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 2009. The balance at this date stands at £174.7m (£103.8m as restated at 31 March 2008), following the updated actuarial information received at the year end, amounting to approximately 15% of the Council's net worth. This deterioration is almost entirely due to a fall of £77.3 million in the fair value of the Fund's assets as a result of the economic downturn. Further details are contained in Note 41 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. There have been two minor changes in accounting policy as a result of the 2008 SORP details of which are set out in para 1.6 of the Statement of Accounting Policies.

## 7. **LOOKING FORWARD**

The Council is projecting a balanced budget for the year end, however, there are various indications of early potential pressures across individual departments, which will need appropriate managing in 2009-10. The latest budget for the Council's Capital Programme, approved by the Council's Executive Committee on 8 September 2009, is £117 million. Reviews are being carried out to ensure the maximum spend is achieved by 31 March 2010 on the individual capital schemes.

## 8. **FURTHER INFORMATION**

Further information about the accounts is available from:

Corporate Financial Controller  
 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 Divisional Director of Finance;

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 2009.

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.

Joe Chesterton

**CHIEF FINANCIAL OFFICER**

30 June 2009

# 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 wider statement which indicates the degree to which the council's governance arrangements follow the six core principles set out in 'Delivering Good Governance in Local Government' was published by CIPFA/SOLACE in 2007. This statement explains how the Barking and Dagenham Council currently complies with the Code and meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement of internal control.

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

- a) Focuses on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- b) Has Members and officers working together to achieve a common purpose with clearly defined functions and roles
- c) Promotes values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- d) Takes informed and transparent decisions which are subject to effective scrutiny and managing risk
- e) Develops the capacity and capability of members and officers to be effective
- f) 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. Barking and Dagenham Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Barking and Dagenham Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, Barking and Dagenham Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
3. Barking and Dagenham Council'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. 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. The governance framework is regularly reviewed. Standards Committees members are working with officers to assess the current arrangements and to suggest any areas of improvement processes for the Council's governance arrangements.
5. 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 Barking and Dagenham Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
6. The governance framework has been in place at Barking and Dagenham Council for the year ended 31 March 2009 and up to the date of approval of the annual report and statement of accounts.

## **Section 2**

### **The Governance Framework**

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

#### **Vision and Purpose**

8. The Council's vision and purpose is to improve the skills base of our community, reduce health inequalities, make the borough a cleaner and safer place to live, work or visit and improve the life chances of all people, young and old. We also seek to continue to regenerate the area including the provision of sustainable development and affordable housing.

9. The council's vision is further defined and delivered through the Barking and Dagenham 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 new Sustainable Community Strategy for Barking and Dagenham was approved by the Executive on 24<sup>th</sup> March 2009. Consultation took place with over 2,500 people in a variety of ways, such as surveyed in local shopping areas, major events like the Town Show, the council website and focus groups. The Annual Governance Statement describes how the council's governance framework is performing in order to help the council fulfil its vision. The overall conclusion is that the governance framework is working well in this regard.

#### **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. 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 service planning framework. The service planning process focuses primarily on how services will transform / improve the council's operations so as to continually delivery high quality services that offer value for money.

15. Performance is directly challenged by the Chief Executive on a twice yearly basis; focusing on a range of key performance issues such as value for money, national indicator performance and customer satisfaction. Action plans are developed which are closely monitored. Directors and Heads of Service performance is assessed through Personal Performance Management (PPMs), enabling strategic direction and focus to influence service priorities and outcomes. The Chief Executive meets with each Corporate Director on a regular basis to assess performance against set targets. There are also regular 'challenge sessions' where service heads attend a meeting with the Chief Executive who probes and challenges them to demonstrate how they are improving the delivery of their services.

16. The actions required to deliver service plan objectives are cascaded to inform team and individual staff work plans. In turn the staff are subject to annual and interim appraisals to assess and support their delivery against their work plans.

17. Staff appraisals are scored to reflect individual performance and contribution towards the delivery of the Council's priorities. Regular team meetings and one-to-ones further support the monitoring of service delivery. Corporate quarterly monitoring of service delivery provides senior managers and Members with an overview of the Council's direction of travel through the Achieving Excellence report.

18. The council has five 'Programme Boards' which are forums of senior officers with oversight of key strategic activity for the council. Each board is chaired by a Director and supported by programme managers. The boards meet monthly. The areas of oversight by the boards include change management, Building Schools for the Future, LAA priorities and One Barking and Dagenham. The strategic approach helps ensure that actions on key issues are not constrained within departments but a cross cutting and overarching approach can be taken where necessary. Each Programme Board reports to the Corporate Management Team, 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.

20 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.

21. Throughout 2008-09, 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. In 2009/10 portfolio members will be meeting with the relevant Heads of Service on a bi weekly basis to monitor and assess service delivery performance.

22. The Council maintained oversight of the .governance framework through its Audit Committee which further began requiring the attendance of heads of service to explain in person any performance issues in their service areas.

23. 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. At the Assembly of May 2009 the council reconstituted scrutiny arrangements into the following standing select committees:

- Children Services Select Committee
- Health and Adult Select Committee
- Living and Working Select Committee
- Public Accounts and Audit Select Committee
- Safer Stronger Communities Select Committee

24. The Overview and Scrutiny function reviews decisions made by the Council's Executive. The focus of their role is to provide an independent challenge to executive decision making 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.

25. 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.

26. 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**

27. 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 (consisting of a Leader and 9 councillors makes decisions) in line with the policy and budgetary framework laid down by the full council. The Leader and executive 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 Barking and Dagenham Council 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 meeting. These meetings

are open to the public unless exclusion is necessary for reasons of confidentiality under Local Government Act 1972.

28. The Monitoring officer ensures that the constitution is reviewed at least annually.

29. 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

## **Codes of Conduct**

30. 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.

31. A revised Code of Conduct for members came into force on 3<sup>rd</sup> May 2007. Local authorities were required to adopt the Code. Barking and Dagenham Council 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.

32. As part of the adoption of the new Members Code of Conduct a number of protocols were reviewed including the one concerning member and officer relationships. The council also has Codes of Conduct in relation to planning and licensing functions based on the model Code of Conduct. The operation of these Codes is also reviewed annually by the Standards Committee. The Standards Committee provided advice and guidance on the revisions that were recommended to the various Codes of Conduct.

## **Rules and Regulations**

33. 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. The scheme of delegation and financial regulations are kept under review throughout the year. There is also an ongoing review of the procurement code of practice to enable the document to be more user friendly in future. A copy of the constitution can be found on the council website or collected in person from Barking Town Hall, Barking, London IG11 7LU or the Civic Center, Rainham Road North, Rainham RM10 7BN.

## **Audit Committee**

34. The Council had until May 2009 an Audit Committee that carried out the functions of audit in compliance with the CIPFA guidance on Audit Committees. The Audit Committee provided 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 had the authority to make appropriate recommendations to the Assembly and/or the Executive. From May 2009 the functions of the Audit Committee will be exercised by the new Public Accounts and Audit Select Committee (PAASC).

35. Under the former regime of the Audit Committee the membership consisted of two Members drawn from the Executive, two Members from the Scrutiny Management Board, and one further Member. The PAASC will not have any members of the executive sitting on it. There will also be an independent advisor to support the work of the PAASC in relation to testing risk management systems and controls of the Council. The role of PAASC 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 process. 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 former Audit Committee called officers to its meetings to explain how they were progressing with internal and external audit recommendations especially where there were concerns as to progress. It also received 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. These activities will be picked up by the new PAASC.

## **Compliance with Policies, Laws and Regulations**

36. 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 new Select Committees have the power to call in and challenge any key decisions. They are continuing the work of the former Scrutiny Management Board by actively scrutinising 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.

37. 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 any regulation has occurred or anticipated. 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.

38. 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 Corporate

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**

39. 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.

40. 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 also implemented local assessment of complaints against Members with the establishment of two Standards Sub-committees and Member training under a separate regime overseen by the standards committee.

## **Training and Development**

41. Barking and Dagenham Council 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 planned approach to their development. Formal monthly sessions are arranged for all Members as well as one to one coaching in key areas such as media and IT. There is 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.

42. Members have a dedicated full time member development 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. All Select Committees have training as part of their agendas and agree specific training in order to remain current. Training is also provided for Members of all quasi judicial boards.

43. Finally, The London Member Development Charter was achieved by Barking and Dagenham Council in February 2009.

## **Communication and Engagement**

44. The Council publishes numerous documents on its website as well as providing a new fortnightly community newspaper launched at the end of May 2009 to engage with and

inform members of the public. In 2008 the Town Show included a range of events to enable the public to participate more fully in the life of Barking and Dagenham Council and to make the most of Council services. Emphasis was placed on sport, healthy living, dance, music, learning and development.

45. As part of 'Summer's Sorted' 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.

46. In addition, 'Get Wet, Swim for Free' was launched in the borough last summer to encourage under 18s to use the public pools and has now been extended to include the over 60s.

47. 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 fitness 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 and subsidised exercise programmes.

48. This year, Marketing and Communications has developed four key campaigns around issues which residents identified as being of most concern to them:

- Being safe, feeling safe
- Things for young people to do
- Smartening up the Borough
- Supporting people through tough times

49. These campaigns, which are being individually funded, will run over a 12 month period and will encapsulate all the avenues of marketing and communications provided by the council including online, media, face-to-face engagement, marketing, The News and internal communications.

50. The team has also worked with the rest of the council departments to develop a 12-month forward plan for all corporate marketing and communications work.

51. Internal communications is under development to include the One B&D programme and improve engagement and awareness with staff. A programme has also begun to actively raise the profile of the Chief Executive, Leader and senior management team among the staff with a series of walkabouts, blogs, newsletters and updates.

52. A new team of community communicators has been established (to be expanded to include internal communications by August 2009) to improve face-to-face trust building communications with residents and staff focussing especially on the harder-to-reach employees who work mainly on the front line.

53. 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. The Council funds equality forums for race, faith, disability and Lesbian Gay Bisexual and Transgender (LGBT) communities and works with a local forum for older people, and uses these forums to consult with equality theme groups when developing new policies and services. Targeted engagement with other groups also takes place, such as with carers and BME social care service users in addition to a Borough wide Parents Board and active LDD sub-group.

54. 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.

55. This year (2009) the corporate marketing and communications team has undergone substantial redevelopment including the introduction of a forward planning approach to the council's work in this area including the introduction of four key campaigns around areas which research has shown are of most concern to residents.

56. In addition, the team of community communications officers has been tasked to raise face-to-face engagement and build confidence and trust with residents; a fortnightly community newspaper has been launched; the website is undergoing redevelopment; internal communications mechanisms are being expanded to better include staff in communications and the press team has re launched as the media and PR team to better reflect the wider brief it now delivers on including digital, broadcast and trade media.

57. 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

58. 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.

59. 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.

60. 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. The Urban Question Time enables children and young people to give their opinions, including a Citizens Panel for 5-17 year olds. There is a regular page allocated to young people's issues in the new fortnightly newspaper and a youth area on the Barking and Dagenham Council website has been developed to encourage interactivity and raise awareness.

61. 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**

62. The most significant partnership for the Council is the Barking and Dagenham 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 with and monitored by central government.

63. The Council also has important partnership arrangements with the local primary care trusts. These cover a range of services and are aimed at delivering a seamless service to the public.

64. There are also partnership arrangements with the Police, Probation and Youth Justice services to help to meet the targets for reducing crime and making Barking and Dagenham a safer and stronger community.

## **Section 3**

### **Review of Effectiveness**

65. 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 that 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.

66. 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.

67. 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 was provided as a paper to the April 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.

68. The opinion of the Head of Internal Audit is therefore that overall the control environment is currently adequate.

69. The Council's external auditors have been rotated from the 2008/09 financial year from PricewaterhouseCoopers to the Audit Commission. An effective working relationship with both sets of auditors has been maintained to manage the handover. Joint planning has ensured the most effective use of resources and avoided duplication of effort.

70. Part of the review of effectiveness is for there to be a review of the system of internal audit. As in previous years, this has been undertaken via a peer review with another Council. Peer reviews are shared between Barking and Dagenham, Havering, Redbridge, Tower Hamlets, Kensington and Chelsea, Waltham Forest, Haringey and Newham. The council changed its peer reviewer in 2008/09 to Kensington and Chelsea. The peer review tests adherence to the CIPFA Code of Practice on Internal Audit.

71. The peer review opinion was that substantial assurance could be provided and that the recommendations made in the 2007-08 peer review by the London Borough of Redbridge have been implemented. There are two management actions which the Head of Audit will implement by September 2009. The peer review report will be considered by the Public Accounts and Audit Select Committee at its meeting of 10<sup>th</sup> February 2010.

72. The Standards Committee has oversight of the member code of conduct and overall responsibility of promoting high ethical standards. It reviews a number of policies bearing on the governance framework including whistle blowing, fraud and member interests. The standards committee also identifies and ensures that training is provided to members where needed. The recently appointed Public Accounts and Audit Select Committee has taken over the role of its predecessor (the Audit Committee) and receives regular reports in relation to the systems of internal control and how risk is being managed within the organisation. The scrutiny select committees themselves also scrutinise decisions of the executive within their terms of reference and can make recommendations to the executive and Assembly to improve any aspect of how the council runs or discharges its functions. The council's Monitoring Officer maintains oversight of the various committees referred to and is able to draw on lessons and messages emerging from these committees in drawing the Annual Governance Statement together.

73. Annually the External Auditor produces a report to those charged with governance as well as the Annual Audit and Inspection Letter. This sets out their opinion in relation to the accounts, governance and performance of the Council. This letter was reported to the Audit Committee in April 2009. The key messages from the letter were:

- The Council is a four star authority and is improving strongly;
- The auditor issued an unqualified opinion on the Council's 2007/08 accounts, and a conclusion on value for money arrangements to say that these arrangements were adequate on 30 September 2008;
- Front line services have been significantly improved since the opening of the Barking and Dagenham One Stop Shop in June 2008. There has been further innovation in our service delivery including 'benefits while you wait' where speedier processing of claims has resulted in a better service to residents and savings to the council;
- The council has seen a significant uptake of free swimming by your people in the borough

- The first phase of a £20 million investment programme to improve roads and footways across the borough has commenced and the first phase of the East London Transit is under construction;
- The council in the last financial year also successfully piloted. There was a 15% reduction in waste produced and there was a doubling of recycling through the use of orange bags. The council now intends to roll out wheelie bins across the borough;
- The council retained its Investor in People status; achieved Beacon Status for its work on tackling climate change and has been short listed in the Supporting Independent Living for Disabled Adults category.

Action needed by the Council includes the need to:

- Take steps to minimise the errors within the draft statement of accounts;
- Ensure that the accounts meet the requirements of the Statement of Recommended Practice (SORP) and identify council dwellings separately within the Fixed Asset Register; and
- Continue to show real and sustained improvement in the arrangements for embedding a value for money culture across the Council.

Action plans are in place to address these issues for the 2009/10 financial year.

## Section 4

### Significant Governance Issues

74. Executive Directors as well as 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.

75. 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 Legal Partner and Deputy Monitoring Officer for corporate law, Divisional Director Legal and Democratic Services and Divisional Director of Corporate Finance.

76. There are some governance issues arising from the assurance statements. However, there are some issues for further strengthening the governance and control framework which will be actioned during 2009-10. These are:

Issue	Commentary
Risk Management	Significant progress has been achieved to embed the risk management culture across the Authority but further works required to ensure timely update and review of risk registers to reflect changing council priorities

Partnerships	Robust arrangements exist for our Local Strategic Partnership incorporating our key partners, but further work on our relationships with other partners is on going. In particular the governance framework including how decisions are taken and monitored are to be finalised.
Code of Governance/Internal Schemes of Delegation	Corporate arrangements are robust but local schemes of delegation have been identified as requiring further support in some areas
Performance Management	The overall Performance Management framework has been recently revised and now incorporates robust forward planning and monitoring arrangements through Chief Executive challenges. However, it has been acknowledged that further work on Key performance indicators is required in a few areas. In particular some service heads need to identify and update their performance indicators and ensure their staff are working towards them.
Health and Safety	Overall corporate arrangements for compliance with health and safety legislation/best practice are robust, but further support at a local level in some areas is on going.
Human Resources	In the light of significant organisational change further work is required to ensure all staff have clear and up to date job descriptions.
Data Protection	Key areas which hold personal/sensitive data have sound practices in place. However, the need has been identified to further re-enforce, through awareness raising and training, the requirements of the Data Protection Act 1998 in some areas.
Whistle blowing	The Council has a policy in place available to all staff, contractors and members of the public which has been recently updated but which it has been identified needs to be publicised more widely and through further channels.
Project Management (Procurement)	Significant investment in project management training has been undertaken but further opportunity has been identified to enhance the support role and profile of Legal Services and Corporate Procurement.

77. It was noted that some of these concerns were raised in the Annual Governance Statement issued for 2007/08. To ensure that outstanding areas of compliance are effectively addressed going forward a 'Compliance Working Group' has been constituted to identify and report upon action plans to address the identified issues. The group is co-ordinated by the Legal Partner for corporate law and the interim Head of Audit and further consists of Heads of Service and lead officers of the identified areas. The Group will meet periodically to identify actions to be taken to address outstanding compliance issues and report to CMT, PAASC and the Executive as appropriate.

## **Opinion of the Chief Executive and Leader of the Council**

78. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Public Accounts and Audit Select Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place. We look forward to the ongoing reviews of the governance framework by all of the new select committees and standards committee as well as from our own internal audit function and will be monitoring the results of their work in this regard.

79. 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 our 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 standard of life experience and economic regeneration.

**Councillor Liam Smith**  
**Leader**

**Rob Whiteman**  
**Chief Executive**

# STATEMENT OF ACCOUNTING POLICIES

## 1. Introduction

- 1.1 The Statement of Accounts summarises the Council's transactions for the 2008-09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2008 – 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 12 to the Core Financial Statements.
- 1.6 There have been two changes in accounting policy as a result of the 2008 SORP, details of which are set out in paras 8 and 16 below, affecting revenue expenditure funded from capital under statute and the basis for valuing assets held with the London Borough of Barking and Dagenham Pension Fund.

## 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 32 to the Core Financial Statements.

## **8. Revenue Expenditure Funded from Capital under Statute**

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

Previously such expenditure was classified as deferred charges and charged to the Balance Sheet in the first instance. An amount, representing the consumption of economic benefits during the year, was then written off to relevant service revenue account. Although strictly speaking this represents a change in accounting policy, the 2008 SORP has effectively replaced deferred charges with a new category of expenditure. There are no financial implications arising from this change in policy.

## **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 is written off at that time in accordance with the accounting policy on impairment set out in para 10.3 below.

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:

<b>Class of Asset</b>	<b>Valuation Method</b>
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.

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.

### 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.

### 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.

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:

<b>Asset Type</b>	<b>Depreciation Method</b>
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.

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. **Minimum Revenue Provision (MRP)**

With effect from 1 April 2008, local authorities are required to make a 'prudent provision' for repayment of debt having regard to the statutory guidance issued by the Department for Communities and Local Government.

The Council has determined that the calculation of the Minimum Revenue Provision shall be in accordance with 'Option 2', i.e. equal to 4% of the non-housing Capital Financing Requirement at the end of the preceding financial year.

## 12. **Government Grants**

12.1 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.

12.2 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.

12.3 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.

## 13. **Financial Instruments**

### 13.1 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.

### 13.2 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.

#### **14. 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.

#### **15. Costs of Support Services**

15.1 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.

15.2 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.

15.3 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.

#### **16. 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.

## 16.1 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 41 to the Core Financial Statements.

## 16.2 The Local Government Pension Scheme

The Council participates in the Local Government Pension Scheme, a defined benefits 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.

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 save that quoted securities held as assets are now valued at bid price rather than mid-market value. This represents a change in accounting policy, the financial implications of which are set out in Note 41 to the Core Financial Statements.
- Liabilities are measured on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirements earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- The discount rate used to place a value on the liabilities is the gross redemption yield on the iBoxx Sterling Corporate Index, AA over 15 years, at the FRS17 valuation date.
- The change in the net pensions liability is analysed into seven separate components:
  - Current service costs based on the actuarial valuation at the end of the financial year which reflects current conditions.
  - Past service costs calculated on a straight line basis over the period in which the increase in benefits rest.
  - The interest cost on pension scheme liabilities based on the discount rate set out above and the present value of liabilities at the end of the financial year.
  - The expected return on assets based on the long-term future expected investment return for each asset class.
  - Gains/losses on settlements and curtailments as a result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees.
  - 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.
  - Contributions paid to the London Borough of Barking & Dagenham Pension Fund.

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 41 to the Core Financial Statements.

### 16.3 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.

## 17. 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.

## 18. 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.

## 19. 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.

## 20. 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.

**21. 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

2007-08 (Restated) NET EXPENDITURE £'000	SERVICE	2008-09			
		NOTES	GROSS EXPENDITURE £'000	INCOME £'000	NET EXPENDITURE £'000
	<b>CONTINUING OPERATIONS</b>	2			
8,934	Central Services to the Public		32,114	(23,833)	8,281
116	Court & Probation Services		25	0	25
35,264	Cultural, Environmental & Planning		72,002	(20,142)	51,860
51,814	Childrens & Education Services		282,860	(211,933)	70,927
15,984	Highways, Roads & Transport		18,686	(6,774)	11,912
5,570	Other Housing Services		119,284	(115,723)	3,561
(407)	Local Authority Housing (HRA)		86,688	(84,671)	2,017
55,883	Adult Social Care		73,294	(16,912)	56,382
3,176	Corporate & Democratic Core		7,932	0	7,932
660	Non Distributed Costs		6,114	0	6,114
<b>176,994</b>	<b>NET COST OF SERVICES</b>		<b>698,999</b>	<b>(479,988)</b>	<b>219,011</b>
346	(Surplus)/Loss on Disposal of Fixed Assets				(2,772)
427	Net Deficit/(Surplus) of Trading Undertakings	6			81
0	Interest payable and similar charges				1,214
14,132	Contribution to Government Pool	3			1,672
6,580	Levies	4			7,181
(6,530)	Interest on Balances				(4,710)
27,611	Pensions Interest Cost	41			34,322
(26,835)	Expected Return on Pensions Assets	41			(28,469)
<b>192,725</b>	<b>NET OPERATING EXPENDITURE</b>				<b>227,530</b>
(48,392)	<b>SOURCES OF FINANCE</b>				(51,830)
(15,767)	Income from Collection Fund				(26,904)
(73,825)	General Government Grants	13			(83,758)
(73,825)	Non Domestic Rate Income				(83,758)
<b>(137,984)</b>	<b>TOTAL REVENUE FINANCING</b>				<b>(162,492)</b>
<b>54,741</b>	<b>NET DEFICIT FOR YEAR</b>				<b>65,038</b>

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.

## 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 18 to the Core Financial Statements.

	Notes	2007-08 (Restated) £'000	2008-09 £'000
<b>Deficit for the year on the Income &amp; Expenditure A/c</b>		<b>54,741</b>	<b>65,038</b>
Net additional amount required by statute and non-statutory practices to be (credited) to the General Fund Balance for the year	18	(48,473)	(63,089)
<b>Decrease in General Fund Balance for the year</b>		<b>6,268</b>	<b>1,949</b>
General Fund Balance brought forward		(11,928)	(5,660)
<b>General Fund Balance carried forward</b>		<b>(5,660)</b>	<b>(3,711)</b>
Amount of General Fund Balance held by schools under local management schemes	39	(7,392)	(8,316)
Amount of General Fund Balance generally available for new expenditure		(5,660)	(3,711)
<b>General Fund Balance and amount held by schools under local management schemes</b>		<b>(13,052)</b>	<b>(12,027)</b>

## 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.

2007-08 (Restated) £'000		2008-09 £'000
54,741	Deficit for the year on the Income & Expenditure Account	65,038
(102,800)	(Surplus)/Deficit arising on revaluation of fixed assets	39,747
(312)	Surplus on Collection Fund	(167)
(22,333)	Actuarial (gains)/losses on Pension Fund assets and liabilities	63,544
<b>(70,704)</b>	<b>Total recognised (gains)/losses for the year</b>	<b>168,162</b>

The total losses equate to the decrease in net worth shown in the Balance Sheet that follows.

The recognised gain for 2007-08 has been reduced by £2.646 million as a result of the prior year adjustment referred to in Note 1 to the Core Financial Statements which increased the net deficit for the year and reduced the level of the Council's General Fund Balance.

# BALANCE SHEET AS AT 31 MARCH 2009

2007-08 (Restated)				Notes	2008-09		
£'000	£'000	£'000			£'000	£'000	£'000
			<b>TANGIBLE FIXED ASSETS</b>	25			
			OPERATIONAL ASSETS				
940,080			Council Dwellings		906,423		
296,263			Other Land & Buildings		307,235		
10,510			Vehicles, Plant, Furniture & Equipment		11,923		
57,889			Infrastructure Assets		79,293		
7,531			Community Assets		8,397		
	1,312,273					1,313,271	
			NON OPERATIONAL ASSETS				
45,647			Investment Properties		42,250		
5,145			Assets Surplus to Requirements		4,474		
33,273			Assets Under Construction		12,653		
	84,065					59,377	
		<b>1,396,338</b>	<b>TOTAL TANGIBLE FIXED ASSETS</b>				<b>1,372,648</b>
1,716			Intangible Assets	24	4,646		
0			Long Term Investments	45	25,497		
13,634			Long Term Debtors	26	12,668		
	15,350					42,811	
		<b>1,411,688</b>	<b>TOTAL LONG TERM ASSETS</b>				<b>1,415,459</b>
			<b>CURRENT ASSETS</b>				
147			Stock	27	125		
79,614			Debtors	28	67,705		
(14,112)			- Less: Provision for Bad Debts		(16,452)		
103,521			Short Term Investments	45	98,938		
48			Cash at Bank		48		
	169,218					150,364	
		<b>1,580,906</b>	<b>TOTAL ASSETS</b>				<b>1,565,823</b>
			<b>CURRENT LIABILITIES</b>				
0			Short Term Borrowing		(3,300)		
(43,640)			Receipts in Advance	29	(45,489)		
(51,810)			Creditors	30	(67,904)		
(6,000)			Cash Overdrawn		(2,368)		
	(101,450)					(119,061)	
		<b>1,479,456</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				<b>1,446,762</b>
0			Long Term Borrowing		(50,750)		
(5,478)			Provisions	31	(6,783)		
(79,558)			Government Grants Deferred	47	(92,107)		
(103,829)			Pensions Liability	41	(174,693)		
	(188,865)					(324,333)	
		<b>1,290,591</b>	<b>NET ASSETS</b>				<b>1,122,429</b>
			<i>Represented By:</i>				
		102,800	Revaluation Reserve	32			63,053
		1,232,307	Capital Adjustment Account	32			1,202,450
		16,196	Capital Receipts (Usable)	32			0
		38,517	Financial & Specific Reserves	32			31,619
		4,600	Major Repairs Reserve	32			0
		(103,829)	Pensions Reserve	41			(174,693)
		<b>1,290,591</b>					<b>1,122,429</b>

## CASH FLOW STATEMENT

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. From 2008-09 the SORP permits the presentation of the Cash Flow Statement by either the direct method showing gross cash flows, or by the indirect method, whereby cash flow is derived by adjusting the overall Income & Expenditure Account surplus or deficit to a cash basis. Under the latter method, gross cash flow categories are not presented in the Statement and non-cash items, returns on investment and servicing of finance are removed from the surplus or deficit to calculate a single overall figure for revenue cash flow. From 2008-09, the Council's Cash Flow Statement is presented by the indirect method whereas in previous years it was presented by the direct method.

Further information is contained in Notes 42 to 44 in the Notes to the Core Financial Statements.

	Notes	2007-08 £'000	2008-09 £'000
<b>NET CASH INFLOW/(OUTFLOW) FROM REVENUE ACTIVITIES</b>	42	(20,135)	29,414
<b>RETURNS ON INVESTMENTS</b>			
<i><b>Cash Outflows</b></i>			
Interest Paid		0	(464)
<i><b>Cash Inflows</b></i>			
Interest Received		7,161	1,700
<b>NET CASH INFLOW/(OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<b>(12,974)</b>	<b>30,650</b>
<b>CAPITAL ACTIVITIES</b>			
<i><b>Cash Outflows</b></i>			
Purchase of fixed assets		(55,071)	(75,963)
Purchase of long term investments		30,000	(25,000)
Other capital cash payments		(7,947)	(18,348)
<i><b>Cash Inflows</b></i>			
Sales of fixed assets		20,998	5,553
Other capital cash receipts		0	3,075
Capital grants received		36,313	23,269
<b>NET CASH OUTFLOW FROM CAPITAL ACTIVITIES</b>		<b>24,293</b>	<b>(87,414)</b>
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>	43b	<b>11,319</b>	<b>(56,764)</b>
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
Net decrease/(increase) in other liquid resources	43c	(16,207)	7,096
<b>FINANCING</b>			
<i><b>Cash Outflows</b></i>			
Repayment of amounts borrowed		0	(62,350)
<i><b>Cash Inflows</b></i>			
New loans raised		0	50,000
New short term loans raised		0	65,650
<b>NET CASH INFLOW FROM FINANCING</b>		<b>0</b>	<b>53,300</b>
<b>INCREASE/(DECREASE) IN CASH</b>	43c	<b>(4,888)</b>	<b>3,632</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 1. PRIOR YEAR ADJUSTMENT:

The balance on the Council's general reserves reflects a standard review of the Council's outstanding debt levels around income relating to Housing Benefit overpayments. As a result of this review it has been necessary to adjust the level of income the Council is likely to receive from these overpayments and this adjustment has been reflected in both the opening debtor balances and the General Fund Balance as a prior year adjustment.

The effect of the adjustment is as follows:

	<b>31/3/2008 £'000</b>	<b>31/3/2008 £'000 Restated</b>
Housing Benefit Overpayment Debtors	7,993	5,347
General Fund Balance	(8,305)	(5,660)

## 2. 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 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**

- Certain FRS17 related costs such as past service costs, settlements and curtailments
- Costs associated with unused shares of certain assets

### **3. 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 payable 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 within the Income and Expenditure Account. The deficit is made good by an equivalent transfer from Usable Capital Receipts.

During 2008-09, the contribution to the pool totalled £3.328 million (2007-08 £14.132 million). This information is also shown at Note 6 to the HRA Income and Expenditure Account. However, the Council believes that excess capital receipts have been paid over in prior years as a result of unclaimed expenditure which the Council is entitled to offset against receipts. The amount of unclaimed expenditure is estimated at £1,656,000, leaving a net payment due of £1,672,000.

### **4. LEVIES**

	<b>2007-08 £'000</b>	<b>2008-09 £'000</b>
East London Waste Authority	6,182	6,703
Environment Agency	93	104
Lee Valley Regional Park Authority	154	157
London Pensions Fund Authority	151	217
	<b>6,580</b>	<b>7,181</b>

## 5. 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	5,680
Amortisation of PFI deferred asset	576
Build up of residual value of scheme	182
The contract is scheduled to end on 31 August 2030	

## 6. 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. Following a review of the Council's trading undertakings, it has been determined that Building Cleaning and Grounds Maintenance no longer meet this definition and have been excluded accordingly.

	2007-08 Net (Income)/ Expenditure £'000	Expenditure £'000	Income £'000	2008-09 Net (Income)/ Expenditure £'000
Teachers Accommodation	11	215	(203)	12
Barking Market	0	784	(759)	25
Land Management	(1,039)	95	(1,173)	(1,078)
Eastbury House	224	285	(63)	222
Building Cleaning	2	0	0	0
Grounds Maintenance	200	0	0	0
Other Catering	897	6,857	(5,908)	949
Castle Green	132	1,388	(1,437)	(49)
<b>Total</b>	<b>427</b>	<b>9,624</b>	<b>(9,543)</b>	<b>81</b>

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

## 7. 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 £908,000 mainly on donations to voluntary bodies working in the local area (2007-08, £925,000).

## 8. 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 at large or to a section of the public". A detailed account of this expenditure is available for inspection from:-

Jonathan Bunt,  
Corporate Financial Controller,  
London Borough of Barking and Dagenham,  
Civic Centre,  
Dagenham,  
Essex. RM10 7BY

	2007-08 £'000	2008-09 £'000
Staff Advertising	1,420	1,474
Non Staff Advertising	417	391
Printing	146	154
Publicity & Publications	904	858
<b>TOTAL</b>	<b>2,887</b>	<b>2,877</b>

## 9. 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	2007-08 Total £'000	Chargeable £'000	Non Chargeable £'000	2008-09 Total £'000
Employee Expenses	334	169	80	249
Transport	14	8	4	12
Supplies & Services	11	20	10	30
Agency	20	25	0	25
Support	70	24	12	36
Recharges	12	0	0	0
<b>Total Expenditure</b>	<b>461</b>	<b>246</b>	<b>106</b>	<b>352</b>
Income from Building Regulations	(255)	(194)	0	(194)
<b>Total Income</b>	<b>(255)</b>	<b>(194)</b>	<b>0</b>	<b>(194)</b>
<b>(Surplus) / Deficit</b>	<b>206</b>	<b>52</b>	<b>106</b>	<b>158</b>

## 10. 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 amount charged for these works was £510,095 in 2008-09 (£423,408 2007-08). The Council also provided services for Thames Gateway London Partnership. The value of reimbursements was £65,724 in 2008-09 (£65,480 in 2007-08).

## 11. 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 2007-08).

## 12. 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 2008-09 in respect of TGLP is included below:

	2007-08 £'000	2008-09 £'000
Total Income	(2,775)	(1,281)
Total Expenditure	2,507	1,278
<b>(Surplus)/Deficit for the year</b>	<b>(268)</b>	<b>(3)</b>
Total Assets	1,178	1,096
Total Liabilities	(319)	(234)
<b>Net Asset</b>	<b>859</b>	<b>862</b>

## 13. GENERAL GOVERNMENT GRANTS

The amount shown in General Government Grants is made up as follows:

	2007-08 £'000	2008-09 £'000
Revenue Support Grant	12,389	11,660
Local Authority Business Growth Incentives Scheme Grant (LABGI)	-	350
Area Based Grant (ABG)	-	14,894
Adjustment re Deferred Government Grants	3,378	-
<b>TOTAL</b>	<b>15,767</b>	<b>26,904</b>

From 2008-09, Local Area Agreement (LAA) Grant has been replaced by Area Based Grant (ABG). Unlike LAA Grant, ABG is a non-ringfenced general grant and as such is accounted for as a general grant rather than allocated to individual service revenue accounts. The introduction of ABG, however, does not amount to a change in accounting policy as it is a new grant. Although there is no requirement to restate comparative figures, the amount of LAA Grant included in the Net Cost of Services for 2007-08 was £13,779,720.

#### 14. **MEMBERS ALLOWANCES**

The total amount paid to councillors in 2008-09 for members' allowances was £858,515 (£834,361 in 2007-08), in accordance with the Members Allowance Scheme agreed by the Council's Assembly on 14 May 2008.

#### 15. **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:

2007-08		Value Of Remuneration	2008-09	
Teaching staff	Non-teaching staff		Teaching Staff	Non-teaching staff
156	87	£50,000 to £59,999	219	89
46	20	£60,000 to £69,999	49	37
26	6	£70,000 to £79,999	25	7
4	17	£80,000 to £89,999	10	15
3	3	£90,000 to £99,999	2	2
5	3	£100,000 to £109,999	1	4
0	0	£110,000 to £119,999	4	1
1	4	£120,000 to £129,999	0	0
0	1	£130,000 to £139,999	0	4
1	0	£140,000 to £149,999	0	0
0	0	£150,000 to £159,999	1	0
0	0	£160,000 to £169,999	0	1
0	1	£180,000 to £189,999	1	1
0	1	£260,000 to £269,999	0	0
242	143		312	161

#### 16. **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 £621,100 (£397,650, 2007-08). No elected Member, however, was in a position to exercise undue influence over the awarding of any such grant.

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 Theatre Company Ltd, 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.

## 17. **DISCLOSURE OF AUDIT COSTS**

In 2008-09 The London Borough of Barking and Dagenham incurred the following fees relating to external audit and inspection:

	2007-08 £'000	2008-09 £'000
• Fees payable to the appointed auditor with regard to external audit services.	423	406
• Fees payable to the Audit Commission in respect of statutory Inspection.	61	27
• Fees payable to the appointed auditor for the certification of grant claims and returns.	166	110
• Fees payable in respect of other services provided by the appointed auditor.	46	3
• <b>TOTAL</b>	<b>696</b>	<b>546</b>

The Council's appointed auditor is the Audit Commission.

## 18. **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 also serves as a reconciliation between the Income & Expenditure Account and the General Fund Balance.

The following table sets out the additional items required by statute and non-statutory proper practices to be taken into account in determining the movement on the General Fund Balance.

	Notes	2007-08	2008-09	
		£'000	£'000	£'000
<b>Amounts included in the I&amp;E Account but required by statute to be excluded when determining the Movement on the General Fund Balance</b>				
Amortisation of intangible fixed assets	24	(319)	(314)	
Depreciation & impairment of fixed assets	25	(37,344)	(41,310)	
Government Grants deferred amortisation		6,103	3,489	
Write down of deferred charges to be financed from capital resources expenditure	20	(1,186)	(13,217)	
Surplus/(Loss) on disposal of fixed assets		(346)	2,772	
PFI transactions		(117)	(758)	
Capital expenditure funded by HRA		700	255	
Net charges made for retirement benefits in accordance with FRS17	41	(16,961)	(23,745)	
		<b>(49,470)</b>		<b>(72,828)</b>
<b>Amounts not included in the I&amp;E Account but required to be included when determining the Movement on the General Fund Balance</b>				
Employers contribution payable to LBBD Pension Fund	41	15,325	16,526	
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	3	(14,132)	(1,672)	
		<b>1,193</b>		<b>14,854</b>
<b>Transfers to/from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance</b>				
Housing Revenue Account (deficit)/surplus		1,283	(2,830)	
Transfer to schools balance		(570)	924	
Net transfer to or from earmarked reserve	32	(909)	(3,209)	
		<b>(196)</b>		<b>(5,115)</b>
<b>Net additional amounts as per summary</b>		<b>(48,473)</b>		<b>(63,089)</b>

## 19. CAPITAL EXPENDITURE AND FINANCING

The Capital Programme expenditure for 2008-09 amounted to £97.1 million (£63.4m in 2007-08). The breakdown of this expenditure and its financing are set out below.

	2007-08 £'000	2008-09 £'000
<b>Capital Investments</b>		
<i>Operational assets</i>		
Council Dwellings	7,552	32,369
Other Land & Buildings	6,333	18,336
Vehicles, Plant & Equipment	3,063	2,974
Infrastructure Assets	6,402	14,180
Community Assets	327	639
<i>Non-Operational assets</i>		
Investment Properties	14	303
Assets Under Construction	22,993	6,745
Intangible assets	840	3,243
Enhancing expenditure not adding value	7,470	0
Revenue Expenditure financed from Capital under Statute	8,448	18,348
	<b>63,442</b>	<b>97,137</b>
<b>Sources of Finance</b>		
Prudential Borrowing	0	33,334
Major Repairs Reserve	13,569	17,529
Usable Capital Receipts	26,933	20,078
Government Grants	22,240	25,457
Other Contributions	700	739
	<b>63,442</b>	<b>97,137</b>

**20. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

	<b>Expenditure £'000</b>	<b>Related Income £'000</b>	<b>Net Expenditure £'000</b>
Improvement Grants	1,425	-	1,425
Disabled Facilities Grants	957	514	443
Demolition Costs & Site Clearance	2,926	1,536	1,390
Contaminated Land	265	265	-
Barking Town Centre Redevelopment	2,629	1,131	1,498
Barking Child & Family Health Centre	6,471	1,909	4,562
Business Centres	963	963	-
Capitalisation of Redundancy Costs	3,187	-	3,187
Other Expenditure	2,101	1,389	712
	<b>20,924</b>	<b>7,707</b>	<b>13,217</b>

A total of £18.348 million was included in the Council's Capital Programme expenditure for 2008-09 as set out in Note 19. An additional £2.576 million was charged as expenditure as a result of the reclassification of Assets Under Construction referred to in Note 25.

Redundancy costs arising from a restructuring of the Council's services have been capitalised in accordance with a Capitalisation Direction issued by the Secretary of State

As set out in the Statement of Accounting Policies, expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a Council asset is charged as expenditure to the relevant service revenue account. The net expenditure (which is financed from capital resources) is reflected by a transfer to the Capital Adjustment Account in the Statement of Movement on the General Fund Balance so there is no impact on the level of Council Tax.

**21. CAPITAL COMMITMENTS**

Significant contractual commitments (i.e. over £1m in value) at the 31 March 2009 amounted to £33.208 million as follows:

<b>Project Name</b>	<b>£'000</b>
Valance Site	3,413
Eastbury – Exceptional Basic Needs	7,126
Becontree Heath Leisure Centre	1,021
Decent Homes Framework Contracts	17,519
Highways Structural Repairs	4,129
<b>TOTAL</b>	<b>33,208</b>

## 22. INFORMATION ON ASSETS HELD

Fixed Assets owned by the Council include the following:-	Number as at 31 March 2009
<b>Council Dwellings</b>	19,300
<b>Operational Buildings</b>	
• Youth Service	6
• Conveniences	8
• Community Halls	18
• Office Buildings	22
• School Sites	95
• Libraries	7
• Sports and Other Leisure Centres	4
• Residential Homes, Day Centres & Children's Centres	21
• Museums and Galleries	3
• Depots and Workshops	4
• Cemeteries	3
<b>Infrastructure Assets</b>	
• Highways (kilometres)	322
<b>Community Assets</b>	
• Parks and Open Spaces (hectares)	486
• Allotments	16
<b>Investment Properties</b>	
• Commercial Properties	142

## 23. FINANCE AND OPERATING LEASES

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

In 2008-09 payments of £1.617m (2007-08 £2.273m) 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 2009-10	13	621	634
Leases expiring between 2010-11 to 2013-14	56	544	600
Leases expiring after 2014-15	383	0	383
<b>Total</b>	<b>452</b>	<b>1,165</b>	<b>1,617</b>

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 £3.105 million on assets valued at £42.2 million, an effective gross yield of 7.35%.

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

**24. INTANGIBLE ASSETS**

	<b>Computer Software £'000</b>
Gross Book Value 1 April 2008	2,435
Additions	3,244
Gross Book Value 31 March 2009	5,679
Amortisation 1 April 2008	(719)
In year amortisation	(314)
Amortisation 31 March 2009	(1,033)
Net Book Value 1 April 2008	1,716
<b>Net Book Value 31 March 2009</b>	<b>4,646</b>

Intangible assets comprise purchased software licences.

25. **FIXED ASSETS**

a) **Movement of fixed assets**

	<b>Council Dwellings £'000</b>	<b>Other Land &amp; Buildings £'000</b>	<b>Vehicles, Plant &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Investment Properties £'000</b>	<b>Assets Surplus to Requirements £'000</b>	<b>Assets Under Construction £'000</b>	<b>TOTAL £'000</b>
Gross Book Value at 1 April 2008	953,842	318,861	24,146	74,504	7,966	45,647	5,145	33,273	1,463,384
Accumulated Depreciation & Impairment at 1 April 2008	(13,761)	(22,598)	(13,636)	(16,615)	(435)	0	0	0	(67,045)
<b>Net Book Value at 1 April 2008</b>	<b>940,081</b>	<b>296,263</b>	<b>10,510</b>	<b>57,889</b>	<b>7,531</b>	<b>45,647</b>	<b>5,145</b>	<b>33,273</b>	<b>1,396,339</b>
<b>Movements in Year</b>									
Reclassifications	0	14,828	0	10,119	229	236	(623)	(27,365)	(2,576)
Additions	32,369	18,336	2,974	14,180	639	303	0	6,745	75,546
Disposals	(2,507)	0	(392)	0	0	0	0	0	(2,899)
Revaluations	118,745	11,046	0	0	48	414	0	0	130,253
Impairments	(182,778)	(34,957)	0	0	(50)	(4,350)	(2)	0	(222,137)
Depreciation for year	(13,283)	(7,389)	(1,561)	(2,895)	0	0	(46)	0	(25,174)
Depreciation written back	13,796	9,108	392	0	0	0	0	0	23,296
<b>Net Book Value as at 31 March 2009</b>	<b>906,423</b>	<b>307,235</b>	<b>11,923</b>	<b>79,293</b>	<b>8,397</b>	<b>42,250</b>	<b>4,474</b>	<b>12,653</b>	<b>1,372,648</b>

The figures for reclassifications do not net off to zero as a result of assets included in Assets Under Construction to the value of £2.576 million being reclassified as Revenue Expenditure Financed from Capital Under Statute.

**b) Impairment**

In the light of the economic downturn, the council commissioned an impairment review of all its assets from its valuers, Wilks Head & Eve. This resulted in a total impairment allowance of £222.1 million the majority of which was in respect of council dwellings which were deemed to have fallen in value by an average of 20.1%.

Regarding the Council's other non-specialised assets, the valuers concluded that, for those properties valued between 2004 and 2007, tender prices and location factors indicated a net gain to 31 March 2009. No impairment allowance was therefore required in respect of non-specialised assets. For specialised properties (i.e. those properties where value is determined by depreciated replacement cost), an impairment allowance of 2% was applied.

**26. 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.

	2007-08 £'000	2008-09 £'000
Mortgages Outstanding 1 April	1,261	947
Principal Repayments During Year	(314)	(230)
New Advances during Year	0	0
<b>Mortgages Outstanding 31 March</b>	<b>947</b>	<b>717</b>

**b) Other Mortgage Advances**

Mortgages advanced for the purchase of Private Dwellings

	2007-08 £'000	2008-09 £'000
Mortgages Outstanding 1 April	46	44
Principal Repayments During Year	(2)	(5)
New Advances during Year	0	0
<b>Mortgages Outstanding 31 March</b>	<b>44</b>	<b>39</b>

**c) Private Finance Initiative:-**

	2007-08 £'000	2008-09 £'000
Outstanding 1 April	12,857	12,643
Adjustment long term to short term	(570)	(550)
Residual value of asset	356	(181)
New Advances during year	0	0
<b>PFI Outstanding 31 March</b>	<b>12,643</b>	<b>11,912</b>
<b>TOTAL LONG TERM DEBTORS</b>	<b>13,634</b>	<b>12,668</b>

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 2009 was £28,640 (£107,897 in 2007-08)

**27. STOCK**

	<b>31st March 2008 £'000</b>	<b>31st March 2009 £'000</b>
Fuel	28	8
Grounds Maintenance	24	21
Leisure Centre Stores	22	27
School Meals Stores	63	69
Stationary	10	0
<b>TOTAL</b>	<b>147</b>	<b>125</b>

28. **DEBTORS**

	<b>31 March 2008 £'000</b>	<b>31 March 2009 £'000</b>
Debtors Less Bad Debt Provision	79,614 (14,112)	67,705 (16,452)
<b>TOTAL</b>	<b>65,502</b>	<b>51,253</b>

	<b>31 March 2008 £'000</b>	<b>31 March 2009 £'000</b>
<b>Analysis:</b>		
Government Departments	15,102	7,079
Other Local Authorities & Organisations	2,049	1,717
Council Tax Payers	3,972	4,694
National Non Domestic Rates	3,817	827
Housing Rents	1,121	2,425
Employee Loans	443	423
Prepayments	5,812	3,423
Capital Debtors	5,977	6,452
Housing Benefit Overpayments	5,347	3,833
Sundry Debtors	21,862	20,380
<b>TOTAL</b>	<b>65,502</b>	<b>51,253</b>

29. **RECEIPTS IN ADVANCE**

	<b>31 March 2008 £'000</b>	<b>31 March 2009 £'000</b>
Government Departments	33,460	35,846
Other Local Authorities	680	557
NNDR	198	0
Council Tax	1,282	1,657
Housing Rents	0	749
Section 106 Planning Agreements	3,802	3,420
Other	4,218	3,260
<b>TOTAL</b>	<b>43,640</b>	<b>45,489</b>

30. **CREDITORS**

	<b>31 March 2008 £'000</b>	<b>31 March 2009 £'000</b>
Government Departments	7,320	6,940
Other Local Authorities	2,390	3,282
Capital	10,968	13,795
Deposits held on behalf of Pension Fund	13,445	20,416
Private School Balances	1,706	1,031
Sundry Creditors	15,981	22,440
<b>TOTAL</b>	<b>51,810</b>	<b>67,904</b>

31. **PROVISIONS**

	<b>31 March 2008 £'000</b>	<b>31 March 2009 £'000</b>
<b>Insurance Provisions</b>		
Balance Brought Forward	8,656	5,428
Claims Made	(2,514)	(3,340)
Contributions to (from) Provisions	(714)	4,695
<b><i>Balance Carried Forward</i></b>	<b>5,428</b>	<b>6,783</b>
<b>Other Provisions</b>		
Balance Brought Forward	0	50
Claims Made	0	(25)
Contributions to (from) Provisions	50	(25)
<b><i>Balance Carried Forward</i></b>	<b>50</b>	<b>0</b>

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. MOVEMENTS IN RESERVES

<b>Reserve</b>	<b>Opening Balance 01-Apr-08 (As Restated) £'000</b>	<b>Transfers In £'000</b>	<b>Transfers Out £'000</b>	<b>Closing Balance 31-Mar-09 £'000</b>
Revaluation Reserve	102,800	0	(39,747)	63,053
Capital Adjustment Account	1,232,307	0	(29,857)	1,202,450
Capital Receipts (Usable)	16,196	0	(16,196)	0
Financial & Specific Reserves	38,517	5,516	(12,414)	31,619
Major Repairs Reserve	4,600	0	(4,600)	0
Pensions Reserve	(103,829)	0	(70,864)	(174,693)
<b>Total Reserves</b>	<b>1,290,591</b>	<b>5,516</b>	<b>(173,678)</b>	<b>1,122,429</b>
<b><i>Financial &amp; Specific Reserves consist of:</i></b>				
Repair & Renewals Reserve	1,777	0	(1,051)	726
Spend to Save Reserve	1,746	0	(73)	1,673
Service Reconfiguration Reserve	(63)	319	0	256
Interest Equalisation Reserve	300	0	(300)	0
Barking Adult College Reserve	355	346	0	701
Dedicated Schools Grant Reserve	1,199	2,026	0	3,225
LMS Reserve (Note 39)	7,392	924	0	8,316
Schools Absence Reserve	0	211	0	211
Insurance Fund Reserve	10,311	0	(5,323)	4,988
Area Based grant reserve	0	308	0	308
Amending Report Reserve	237	0	(237)	0
Capital & Revenue Support Fund Reserve	438	0	(438)	0
General Fund Balance	5,660	0	(1,947)	3,713
Thames Gateway London Partnership	839	3	0	842
Leasehold Repairs Reserve	4,708	825	0	5,533
HRA Insurance Fund Reserve	503	389	0	892
HRA Rent Reserve	1,074	0	(215)	859
HRA Working Balance	2,948	0	(2,830)	118
Collection Fund Reserve	(907)	165	0	(742)
<b>TOTAL</b>	<b>38,517</b>	<b>5,516</b>	<b>(12,414)</b>	<b>31,619</b>

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

RESERVE	PURPOSE
<b>Fixed Asset Restatement Account</b>	As a result of the 2007 SORP this account has been superseded and the balance transferred to the Capital Adjustment Account.
<b>Capital Financing Account</b>	As a result of the 2007 SORP this account has been superseded and the balance transferred to the Capital Adjustment Account.
<b>Revaluation Reserve</b>	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.
<b>Capital Adjustment Account</b>	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.
<b>Usable Capital Receipts</b>	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.
<b>Major Repairs Reserve</b>	A statutory reserve representing resources available to fund capital investment in council housing. Is primarily funded by the Major Repairs Allowance.
<b>Pensions Reserve</b>	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.
<b>Repairs and Renewals</b>	Used to meet the cost of replacement of specific assets at the end of their useful life.
<b>Spend to Save Activities &amp; Service Reconfigurations</b>	Used to meet the cost of changes in future service provision or spend to save initiatives.
<b>Interest Equalisation Reserve</b>	Used to smooth changes in interest rates on the recurring revenue budget.
<b>LMS Reserve</b>	Accumulated balances on Local Management of Schools in accordance with Education Reform Act 1988.
<b>Insurance</b>	An amount set aside to provide a contingency sum to finance potential unquantified insurance losses.
<b>General Fund Reserve</b>	Used to meet the cost of unexpected variations on the Council's spending plans that cannot be accommodated within the overall approved budget.
<b>HRA Working Balance</b>	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.
<b>HRA Rent Reserve</b>	An equalisation account representing the value of rent due in a 53-week year which is then reduced by transferring 1/6 <sup>th</sup> to the HRA in each of the following 6 years.

### 33. **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 £3,420,000 (£3,802,000 in 2007-08) are held by the Council pending investment in line with the individual Section 106 agreements.

#### 34. **NET ASSETS EMPLOYED**

Net assets employed are analysed as follows:

	<b>31 March 2008</b> <b>(As Restated)</b> <b>£'000</b>	<b>31 March 2009</b> <b>£'000</b>
General Fund & HRA	1,290,659	1,122,329
Collection Fund	(907)	(742)
Thames Gateway London Partnership	839	842
	<b>1,290,591</b>	<b>1,122,429</b>

#### 35. **CONTINGENT LIABILITIES**

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

#### 36. **DATE OF AUTHORISATION**

The Statement of Accounts was authorised for issue by Joe Chesterton, Divisional Director of Finance and Section 151 Officer, on 30 June 2009.

#### 37. **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.

#### 38. **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.

	<b>2007-08</b> <b>£'000</b>	<b>2008-09</b> <b>£'000</b>
Trust Fund balances at 1 April	102	107
Payments from funds during year	0	0
Income received by funds in the year	5	6
<b>Balance at 31 March</b>	<b>107</b>	<b>113</b>

The Council also holds balances on behalf of schools totalling £1,031,000 (£1,706,000 in 2007-08) and custody accounts to the value of £1,028,000.

#### 39. **RESERVES & BALANCES HELD BY SCHOOLS UNDER DELEGATED SCHEMES**

	<b>2007-08</b>		<b>2008-09</b>	
	<b>No of Schools</b>	<b>£'000</b>	<b>No of Schools</b>	<b>£'000</b>
Schools in Surplus	53	8,721	55	10,170
Schools in Deficit	7	(1,329)	4	(1,854)
<b>TOTAL</b>	<b>60</b>	<b>7,392</b>	<b>59</b>	<b>8,316</b>

The table above reflects the aggregate capital and revenue balances held by schools at each year-end, with a net increase in balances between years of £924k (i.e. £667k increase in revenue balances and £257k in capital balances). The table in Note 40 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.

#### 40. **DEDICATED SCHOOLS GRANT (DSG)**

The Council's expenditure on schools is funded primarily 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, as defined in the Schools Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual School Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2008-09 are as follows:

	<b>Central Expenditure</b>	<b>ISB</b>	<b>Total</b>
	£'000	£'000	£'000
Final DSG for 2008/09			135,318
Brought forward from 2007/08			1,119
Carry forward to 2009/10 agreed in advance			0
Agreed budgeted distribution in 2008/09	14,707	121,730	136,437
Actual central expenditure	11,482		
Actual ISB deployed to schools		121,730	
Local authority contribution for 2008/09	0	0	0
Carry forward to 2009/10	3,225	0	3,225

#### 41. **PENSION SCHEMES**

##### a) **Teachers Pensions**

In 2008-09 the Council paid £9.849 million (£9.335 million in 2007-08) to the Department for Children Schools and Families in respect of employer's contributions representing 14.1% (2007-08, 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.

##### c) **Change of Accounting Policy**

As set out in the Statement of Accounting Policies, there is a change of accounting policy arising from the adoption of the revised FRS 17 'Retirement Benefits'. Quoted securities held as assets are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets as at 31 March 2009 has been restated from £315.2m to £313.9m, a decrease of £1.3m. The equivalent for the previous year was a decrease of £1.7m. Current and prior year surpluses have been unaffected by this change.

**d) Transactions Relating to Retirement Benefits**

The Council recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the General Fund Balance.

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 on the General Fund Balance.

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

	<b>2007-08 As Restated £'000</b>	<b>2008-09 £'000</b>
<b>Net Cost of Services</b>		
Current Service Costs	17,179	11,778
Past Service Costs	196	4,734
Curtailments & Settlements	464	1,380
<b>Net Operating Expenditure:</b>		
Interest Cost	27,611	34,322
Expected Return on Assets in the Scheme	(26,835)	(28,469)
<b>Net Charge to the Income &amp; Expenditure Account:</b>	<b>18,615</b>	<b>23,745</b>
<b>Statement of Movement on the General Fund Balance:</b>		
Reversal of Net Charges made for Retirement Benefits in Accordance with FRS17	(18,615)	(23,745)
<b>Actual Amount Charged Against the General Fund Balance for Pensions in the Year:</b>		
Employers Contributions	15,398	16,526
Retirement Benefits to Pensioners	19,143	18,032

The basis used to allocate current service costs in the Income & Expenditure Account in 2007-08 did not fully reflect the basis determined by the Actuary. The total FRS17 charges allocated in the Income & Expenditure Account in 2007-08 were £16.961m compared to the figure of £18.615m shown above. The basis of allocation was corrected in 2008-09.

In addition to the recognised gains and losses included in the Income and Expenditure Account, an actuarial loss of £65,239,000 was included in the Statement of Total Recognised Gains and Losses. The equivalent for 2007-08 was a gain of £22,332,000 (as restated).

**e) Assets and Liabilities in Relation to Retirement Benefits**

The reconciliation of present value of the scheme liabilities attributable to the Council at 31 March 2009 are as follows:

	<b>2007-08 As Restated £'000</b>	<b>2008-09 £'000</b>
<b>Opening Balance</b>	<b>509,920</b>	<b>495,110</b>
Current Service Cost	17,179	11,778
Interest Cost	27,611	34,322
Contributions from Members	5,736	6,441
Actuarial Losses / (Gains)	(45,272)	(45,459)
Losses / (Gains) on Curtailments	464	1,380
Benefits Paid	(19,143)	(18,032)
Estimated Unfunded Benefits Paid	(1,581)	(1,594)
Past Service Cost	196	4,734
<b>Closing Balance</b>	<b>495,110</b>	<b>488,680</b>

**f) Reconciliation of the Fair Value of the Scheme Assets Attributable to the Council**

	<b>2007-08 As Restated £'000</b>	<b>2008-09 £'000</b>
<b>Opening Fair Value of Employer Assets</b>	<b>385,420</b>	<b>391,281</b>
Expected Return on Assets	26,835	28,469
Contribution by Members	5,736	6,441
Contributions by the Employer	15,398	16,526
Contribution in Respect of Unfunded Benefits	1,581	1,594
Actuarial Gains / (Losses)	(22,966)	(110,698)
Unfunded Benefits Paid	(1,581)	(1,594)
Benefits Paid	(19,143)	(18,032)
<b>Closing Value</b>	<b>391,280</b>	<b>313,987</b>

The Pension Fund funding level as at 2007 Actuarial valuation was 88%.

**g) Scheme history showing the Amounts for the Current and Previous Accounting Periods**

	2004-05	2005-06	2006-07	2007-08 As Restated	2008-09
	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	304,769	363,953	385,420	391,281	313,987
Present Value of Defined Benefit Obligation	(424,067)	(507,110)	(509,920)	(495,110)	(488,680)
Surplus / (Deficit)	(119,298)	(143,157)	(124,500)	(103,829)	(174,693)
Experience Gains / (Losses) on Assets	9,487	39,250	(6,163)	(22,966)	(110,698)
Experience Gains / (Losses) on Liabilities	(4,855)	(2,622)	710	(30,284)	62

The Council has elected on the advice of its actuary not to reinstate the fair value of scheme assets for 2006/07, 2005/06 and 2004/05 as permitted by FRS17.

**h) Movements in Surplus /Deficits during the year**

LGPS Pension Fund	2007-08 As Restated £'000	2008-09 £'000
Fair Value of Employer Assets	391,281	313,987
Present Value of Funded Liabilities	(471,409)	(466,340)
Net (Under) / Overfunding in Funded Plans	(80,128)	(152,353)
Present Value of Unfunded Liabilities	(23,701)	(22,341)
<b>Net Asset / (Liability) as per Balance Sheet</b>	<b>(103,829)</b>	<b>(174,694)</b>

**i) 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 £174.7million is a significant item, representing approximately 15.5% 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 18.7% of pensionable pay comprising a future service funding rate of 14.2% and a past service adjustment of 4.5%.

The table below shows the tiered rate for employee contribution rates:

<b>Band</b>	<b>Pay Range</b>	<b>Contribution Rate</b>
1	£0 - £12,000	5.50%
2	£12,001 - £14,000	5.80%
3	£14,001 - £18,000	5.90%
4	£18,001 - £30,000	6.50%
5	£30,001 - £40,000	6.80%
6	£40,001 - £75,000	7.20%
7	£75,001 +	7.50%

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 principal assumptions used by the actuary Hymans Robertson in the FRS 17 report have been:

	<b>2007-08</b> <b>% p.a.</b>	<b>2008-09</b> <b>% p.a.</b>
Inflation / Pension Increase Rate	3.60%	3.10%
Salary Increase Rate	5.10%	4.60%
Expected Return on Assets	7.20%	6.20%
Discount Rate	6.90%	6.90%

The London Borough of Barking and Dagenham Pension Fund assets consist of the following categories, by proportion of total assets held:

	<b>2007-08 % p.a.</b>	<b>2008-09 % p.a.</b>
Equity	7.70%	7.00%
Bonds	5.70%	5.40%
Property	5.70%	4.90%
Cash	4.80%	4.00%

### ***Mortality Assumptions***

	<b>Males</b>	<b>Females</b>
Longevity at 65 for Current Pensioners	20.7 years	23.6 years
Longevity at 65 for Future Pensioners	20.7 years	23.6 years

### ***Commutation Assumptions***

An allowance is included for 30% of future retirements to elect to take additional tax-free additional tax-free cash up to HMRC limits.

### **j) Return on Assets**

The fund assets and long-term rate of return for the LBBB Pension Fund were valued at £314.0m as at 31 March 2009 (£391.3m as at 31 March 2008 but restated at bid prices).

The Fund's assets held on behalf of the Council comprise the following categories, by value and proportion:

	<b>Long Term Return %</b>	<b>31 March 2008 Assets £'000</b>	<b>Proportion %</b>	<b>Long Term Return %</b>	<b>31 March 2009 Assets £'000</b>	<b>Proportion %</b>
Equities	7.70%	298,877	76%	7.00%	178,973	57%
Bonds	5.70%	84,614	22%	5.40%	97,336	31%
Property	5.70%	7,107	2%	4.90%	28,259	9%
Cash	4.80%	682	0%	4.00%	9,420	3%
<b>Total</b>		<b>391,280</b>	<b>100%</b>		<b>313,988</b>	<b>100%</b>

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.

**k) Actuarial Gains and Losses**

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

	2004-05 £'000	2005-06 £'000	2006-07 £'000	2007-08 £'000	2008-09 £'000
Actuarial Gains & Losses	(53,140)	(19,052)	24,140	22,332	(65,239)
Increase/(Decrease) in Irrecoverable Surplus from Membership	0	0	0	0	0
Actuarial Gains/(Losses) Recognised in STRGL	(53,140)	(19,052)	24,140	22,332	(65,239)
<b>Cumulative Actuarial Gains &amp; Losses</b>	<b>(53,140)</b>	<b>(72,192)</b>	<b>(48,052)</b>	<b>(25,720)</b>	<b>(90,959)</b>

**42. RECONCILIATION OF DEFICIT TO NET CASH INFLOW/(OUTFLOW) FROM REVENUE ACTIVITIES**

	2007-08 £'000	2008-09 £'000
(Deficit) for the year as per Income & Expenditure Account	(54,741)	(65,038)
Surplus on Collection Fund	326	165
<b>NET DEFICIT FOR THE YEAR</b>	<b>(54,415)</b>	<b>(64,873)</b>
<b>Non-Cash Transactions</b>		
Depreciation and impairment	37,663	19,040
Revaluation decreases written off to Income & Expenditure	1,185	35,218
Amortisation of Deferred Government Grants	(6,103)	(3,488)
Grants funding Revenue Funded from Capital under Statute	(7,262)	(7,707)
Net PFI debtor adjustments	117	758
Pension Fund adjustments	1,636	7,219
Contributions to/from provisions	(3,178)	1,305
	24,058	52,345
<b>Adjustment for items reported separately on cash flow</b>		
Interest and investment income	(6,530)	(4,710)
Interest payable	0	1,214
Revenue Expenditure Funded from Capital Under Statute	8,448	18,348
(Surplus)/Loss on disposal of fixed assets	346	(2,772)
	2,264	12,080
<b>Items on an accruals basis</b>		
(Increase)/Decrease in Stock	241	22
(Increase)/Decrease in Debtors	(10,992)	14,724
Increase/(Decrease) in Creditors	18,709	15,116
	7,958	29,862
<b>Net Cash Inflow/(Outflow) from Revenue Activities</b>	<b>(20,135)</b>	<b>29,414</b>

43. **ANALYSIS OF MOVEMENTS IN NET DEBT AND CHANGES IN CASH AND LIQUID RESOURCES**

(a) Analysis of Net Debt:

	Cash £'000	Short-term investments £'000	Total £'000	Loans due within one year £'000	Loan due after on year £'000	Net Debt £'000
<b>Balance at 1 April</b>	<b>(5,952)</b>	<b>103,521</b>	<b>97,569</b>	<b>0</b>	<b>0</b>	<b>97,569</b>
Cashflows in year	3,632	0	3,632	(3,300)	(50,000)	(49,668)
Other non-cash changes	0	(4,583)	(4,583)	0	(750)	(5,333)
<b>Net Cash Outflow</b>	<b>(2,320)</b>	<b>98,938</b>	<b>96,618</b>	<b>(3,300)</b>	<b>(50,750)</b>	<b>42,568</b>

(b) Reconciliation of changes in cash to movement in net debt:

	2007-08 £'000	2008-09 £'000
<b>Increase/(Decrease) in cash in year</b>	<b>(4,888)</b>	<b>3,632</b>
<b>Cash (Outflow from Management of Liquid Resources</b>	<b>0</b>	<b>(7,096)</b>
<b>Cash inflow from:</b>		
New loans raised	0	(115,650)
<b>Cash outflow from:</b>		
Loans repaid	0	62,350
<b>Change in net debt resulting from cash flows</b>	<b>(4,888)</b>	<b>(56,764)</b>
<b>Other non-cash changes:</b>		
Adjustments following re-measurement of loans	0	0
Accrued interest	2,003	1,763
Transfers to/from Long Term Investments	16,207	0
	<b>18,210</b>	<b>1,763</b>
<b>Net debt brought forward</b>	<b>84,247</b>	<b>97,569</b>
<b>Net debt carried forward</b>	<b>97,569</b>	<b>42,568</b>

(c) Analysis of changes in cash and liquid resources during the year:

	2007-08 £'000	2008-09 £'000	Change in year £'000
Short Term Investments	103,521	96,425	(7,096)
Cash	48	48	0
Bank Overdraft	(6,000)	(2,368)	3,632
<b>Increase/(Decrease) in year</b>	<b>97,569</b>	<b>94,105</b>	<b>(3,464)</b>

44. **ANALYSIS OF GOVERNMENT REVENUE GRANTS**

	<b>2007-08 £'000</b>	<b>2008-09 £'000</b>
Revenue Support Grant	<b>12,389</b>	<b>11,660</b>
DWP Grants for Housing Benefit:		
- Tenants' Rent Allowance	35,602	44,947
- Tenants Rent Rebates	49,771	51,878
- Council Tax Benefit subsidy	18,090	19,132
- Housing Benefit Administration	1,315	1,323
- Council Tax Benefit Administration	952	958
	<b>105,730</b>	<b>118,238</b>
Other Revenue Grants:		
- Education & Libraries	179,281	190,834
- General Purposes	1,177	1,370
- Social Services	10,601	5,720
- Housing & Health	2,940	2,755
- Regeneration	16,095	10,790
	<b>210,094</b>	<b>211,469</b>
<b>Total of Revenue Grants</b>	<b>328,213</b>	<b>341,367</b>

#### 45. FINANCIAL INSTRUMENTS

##### a) Capital Instruments

The council has not issued any capital instruments (generally loan debt) listed or publicly traded on a stock exchange as at 31 March 2009.

##### b) Disclosure of Financial Instrument Balances

The borrowings and investments disclosed in the balance sheet at amortised cost (include accrued interest) are made up of the following categories of financial instruments:

	Long Term		Current	
	2007/08 £'000	2008/09 £'000	2007/08 £'000	2008/09 £'000
<b>Borrowing:</b>				
Financial Liabilities at Amortised Cost	0	50,000	0	4,050
<b>Total Borrowing</b>	<b>0</b>	<b>50,000</b>	<b>0</b>	<b>4,050</b>
<b>Investments:</b>				
Loans and receivables	0	25,497	47,574	38,381
Fair value through Profit and Loss	0	0	55,947	60,557
<b>Total Investments</b>		<b>25,497</b>	<b>103,521</b>	<b>98,938</b>

Lender Option Borrowers Option (LOBO) of £10m which have a call date in the next 12 months have been included in the long term borrowing but have a call date in the next 12 months.

##### c) Gains and Losses on Financial Instruments

The table below shows the gains and losses recognised in the Income and Expenditure Account and Statement of Realised Gains and Losses in relation to financial instruments at 31 March 2009 as follows:

	Liabilities measured at amortised cost £'000	Loans and Receivables £'000	Available- for-sale assets £'000	Fair value through P&L £'000	£'000
Interest expense	(398)	0	0	0	(398)
Interest income	0	3,656	0	3,861	7,517
<b>Net gain/(loss) for year</b>	<b>(398)</b>	<b>3,656</b>	<b>0</b>	<b>3,861</b>	<b>7,119</b>

## FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

The table below shows the borrowing as at 31 March 2009. The council had no long or short term borrowing at 31 March 2008:

	<b>Carrying Amount £'000</b>	<b>Fair Value £'000</b>
PWLB – maturity	30,517	32,896
LOBO's	20,233	20,233
Finance Lease	0	0
Bank overdraft	0	0
Short term borrowing	3,300	3,300
<b>Total Financial Liabilities</b>	<b>54,050</b>	<b>56,429</b>

The calculations are made using the following assumptions:

- Information provided by the Public Works Loans Board (PWLB) on the value of the loans outstanding at 31 March 2009
- Information provided by Sector Treasury Services Ltd regarding the LOBO

## FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	<b>2007-08</b>		<b>2008-09</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
Cash	10,101	10,101	132	132
Deposits with banks and building societies	37,500	36,181	48,619	102,681
Other	55,920	56,731	75,684	23,012
<b>Total Financial Assets</b>	<b>103,521</b>	<b>103,013</b>	<b>124,435</b>	<b>125,825</b>

The calculations are made using the following assumptions:

- Information provided by Royal Bank of Scotland in relation to callable range accruals investments
- Information provided by Sector Treasury Services Ltd regarding other assets

## OTHER ASSETS AND LIABILITIES

With regard to trade debtors and trade creditors, the Council believes the carrying value fully reflects the fair value of these assets and liabilities in accordance with the risk analysis set out in Note 46 below.

In the case of trade debtors, the carrying value is adjusted by the establishment of a bad debt provision based upon the Council's assessment of the risk of non-payment. Further details are set out in Note 28.

## 46. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### a) Key Risks

The Council borrowed this financial year but is not exposed to refinancing risk this financial year, 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 2008/09 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 was not exposed to any default on Icelandic banks.

The carrying value of the exposure by financial instrument can be summarised as follows:

<b>Financial Asset Category</b>	<b>Criteria</b>	<b>Amount Invested at 31 March 2009 £'000</b>
<b>Deposits with Banks</b>	'AAA' rated	1,929
	'AA' rated	67,737
	'A' rated	3,677
<b>Deposits with Building Societies</b>	'AA' rated	10,248
	'A' rated	15,768
Active in Sterling Money Markets	Active in Sterling Money Markets	2,063
<b>Deposits with Money Market Funds</b>		
	'AAA' rated	23,013
<b>Total Investments</b>		<b>124,435</b>

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.

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 2008-09 this was £50 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 risk that it will be unable to raise finance to meet its commitments under financial instruments.

The risk the council may be exposed to is the risk that the council borrows at period of unfavourable interest rates. In mitigating this risk the council has set limits on the proportion of its fixed rate borrowing during specified periods. On the advise of its treasury management advisers no more than 10% of loans are due to mature each year.

### Maturity analysis of financial liabilities

The table below shows the maturity analysis of all loans outstanding at 31 March 2009:

Period	Number of Loans Outstanding at 31 March 2009	£'000
<b>Less than one year and short term</b> market loans PWLB	1	3,300
<b>Between 2 and 5 years</b> market loans PWLB	0 3	30,000
<b>More than 10 years</b> market loans PWLB	2	20,000
<b>Total</b>	6	<b>53,300</b>

All trade and other payables are due to be paid in less than one year.

### e) 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.  
The council's borrowings are not carried at fair value, nominal gains and losses do not impact the Income and Expenditure account or STRGL. The council has no variable interest rate loans or investments.  
The council as part of its treasury management activities has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loan will be repaid early to limit exposure to losses.  
  
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.
- **Price risk** – 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.

#### 47. GOVERNMENT GRANTS DEFERRED

Government Grants Deferred is an account that is credited with grants (and other contributions) that are used to support capital investment. The grants are treated as deferred income and are released to revenue to offset depreciation charges over the lifetime of the relevant assets. The amount shown in the Balance Sheet represents the unamortised balance of these grants/contributions.

As with depreciation, the amount released is reversed out in the Statement of Movement on the General Fund Balance to ensure there is no impact on the local taxpayer.

The movements that took place during the year were as follows:

	2007-08 £'000	2008-09 £'000
<b>Balance brought forward</b>	<b>66,219</b>	<b>79,558</b>
Net additions during year	22,820	16,037
Amounts released to revenue to offset depreciation	(6,103)	(3,488)
Amounts written off	(3,378)	0
<b>Balance carried forward</b>	<b>79,558</b>	<b>92,107</b>

## HOUSING REVENUE ACCOUNT

2007-08			Notes	2008-09	
£'000	£'000			£'000	£'000
		<b>INCOME</b>			
(71,365)		Dwelling Rent		(73,334)	
(2,473)		Non Dwelling Rents		(2,750)	
(3,860)		Service Charges		(4,106)	
(2,731)		Other Income		(2,198)	
(793)		Contributions towards Expenditure		(265)	
	<b>(81,222)</b>	<b>TOTAL INCOME</b>			<b>(82,653)</b>
		<b>EXPENDITURE</b>			
21,769		Repairs & Maintenance		22,680	
27,162		Supervision & Management		28,270	
474		Rent, Rates, Taxes & Other Charges		709	
13,414		Negative HRA Subsidy Payable	5	17,052	
		Negative HRA Subsidy Transferable to General Fund under Transitional Arrangements		3,217	
2,585		Depreciation of Fixed Assets	8	13,724	
14,330		Increase in Bad Debt Provision		300	
304		<b>TOTAL EXPENDITURE</b>			<b>85,952</b>
	<b>80,038</b>				
		<b>NET COST OF HRA SERVICES PER AUTHORITY INCOME &amp; EXPENDITURE ACCOUNT</b>			<b>3,299</b>
	<b>(1,184)</b>				
		HRA Services Share of Corporate & Democratic Core			792
	775				
	<b>(409)</b>	<b>NET COST OF HRA SERVICES</b>			<b>4,091</b>
(1,793)		Surplus on Disposal of Assets		(2,527)	
(1,953)		Interest & Investment Income		(2,018)	
	(3,746)				(4,545)
	<b>(4,155)</b>	<b>(SURPLUS) FOR THE YEAR ON HRA SERVICES</b>			<b>(454)</b>

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

2007-08 £'000		2008-09 £'000
(4,155)	(Surplus) for the year on the HRA Income & Expenditure Account	(454)
2,872	Net additional amount required by statute to be debited to the HRA balance for the year (Note 11)	3,284
(1,283)	<b>(Increase)/decrease in the Housing Revenue Account Balance</b>	2,830
<b>(1,665)</b>	Housing Revenue Account Surplus b/fwd	<b>(2,948)</b>
<b>(2,948)</b>	<b>Housing Revenue Account Surplus C/F</b>	<b>(118)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. COUNCIL HOUSING STOCK

	31 March 2008 Total	Houses	Flats	31 March 2009 Total
One Bedroom	4,943	563	4,328	4,891
Two Bedroom	8,220	5,060	3,071	8,131
Three Bedroom	6,148	4,023	2,088	6,111
More than Three Bedrooms	167	128	39	167
<b>TOTAL</b>	<b>19,478</b>	<b>9,774</b>	<b>9,526</b>	<b>19,300</b>

During the year 54 properties were sold under the Right to Buy legislation.

### 2. RENT ARREARS

	31 March 2008 £'000	31 March 2009 £'000
Current Tenants	2,371	2,379
Past Tenants	1,460	1,740
<b>Total Housing Tenants</b>	<b>3,831</b>	<b>4,119</b>
Commercial Rents	261	245
<b>Total Rent Arrears</b>	<b>4,092</b>	<b>4,364</b>
<b>Provision for Bad Debts</b>	<b>2,710</b>	<b>2,444</b>

These arrears are net of prepayments and 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 2008 £'000	31 March 2009 £'000
<b>Operational Fixed Assets</b>		
Council Dwellings	940,081	906,423
Other Land & Buildings	8,420	8,811
<b>Non Operational Fixed Assets</b>		
Investment Properties	21,306	20,611
Assets surplus to requirements	33	35
<b>Total Housing Tenants</b>	<b>969,840</b>	<b>935,880</b>

The vacant possession value of dwellings at 31 March 2009 was £2.45 billion (31 March 2008 £2.54 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:

	2007-08 £'000	2008-09 £'000
Opening Balance 1st April	4,955	4,600
Contributions During Year	1,116	795
Major Repairs Allowance	13,214	12,929
Expenditure Incurred During Year	(13,569)	(17,529)
Contribution towards Depreciation Charge	(1,116)	(795)
<b>Closing Balance 31 March</b>	<b>4,600</b>	<b>0</b>

#### 5. HOUSING SUBSIDY

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

2007-08 £'000			2008-09 £'000	
£'000	£'000		£'000	£'000
39,983	53,197	Notional Management & Maintenance	39,861	52,790
13,214		Major Repairs Allowance	12,929	
(66,269)	(66,611)	Notional Rent	(68,767)	(69,842)
711		Rental Constraint Allowance	185	
(1,053)		Interest on Credit Ceiling	(1,260)	
	<b>(13,414)</b>	<b>Subsidy Payable</b>		<b>(17,052)</b>

#### 6. CAPITAL RECEIPTS GENERATED

The capital receipts generated are as follows:

	2007-08 £'000	2008-09 £'000
Right to Buy receipts	18,965	5,211
Mortgage principal repayments	316	231
Expenditure incurred during year	(14,132)	(3,328)
	<b>5,149</b>	<b>2,114</b>

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 2008-09, the contribution to the pool totalled £3.328 million (2007-08, £14.132 million) subject to the recovery of unclaimed eligible expenditure of £1,656,000. Further information is also shown at Note 3 to the Core Financial Statements.

## 7. SUMMARY OF HRA CAPITAL EXPENDITURE

2007-08 £'000		2008-09 £'000
	<b>Expenditure</b>	
13,651	Housing Futures	30,208
1,372	Disabled Adaptations	2,161
<b>15,023</b>	<b>Total Capital Expenditure</b>	<b>32,369</b>
	<b>Financed By</b>	
754	Usable Capital Receipts	14,840
13,569	Major Repairs Reserve	17,529
700	Other Contributions	0
<b>15,023</b>	<b>Total</b>	<b>32,369</b>

## 8. DEPRECIATION AND AMORTISATION

2007-08 £'000		2008-09 £'000
13,761	Council Dwellings	13,283
451	Other Land & Buildings	441
94	Vehicles, Plant & Equipment	0
24	Intangible Assets	0
<b>14,330</b>	<b>TOTAL</b>	<b>13,724</b>

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.

## 9. IMPAIRMENT

The Council commissioned an impairment review of all its assets from its valuers, Wilks Head & Eve in the light of the economic downturn. The conclusion of the valuers was that for all council dwellings the average fall in value amounted to 20.1% or £182.8 million, as at the valuation date of 1 April 2008. This amount was written off against the Revaluation Reserve for the HRA in accordance with recommended practice.

## 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.

## 11. STATEMENT OF MOVEMENT ON THE HRA BALANCE

The following table sets out the additional items required by statute and non-statutory proper practices to be taken into account in determining the movement on the Housing Revenue Account balance.

2007-08 £'000		2008-09 £'000
	<i>Items included in the HRA Income &amp; Expenditure Account but excluded from the movement on the HRA Balance for the year</i>	
700	Capital expenditure funded by the HRA	255
1,793	Surplus on disposal of assets	2,527
(1,534)	Net charges made for retirement benefits in accordance with FRS 17 (Note 10)	(1,253)
959		1,529
	<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>	
290	Transfer to Insurance Reserve	389
(1,116)	Transfer (from) Major Repairs Reserve (Note 4)	(795)
1,074	Transfer to/(from) Rental Income Reserve	(214)
150	Transfer to Leaseholders' Reserve	826
1,515	Employer's pension contributions payable to LBBB Pension Fund (Note 10)	1,549
1,913		1,755
<b>2,872</b>	<b>Net additional amount as per summary</b>	<b>3,284</b>

## THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

2007-08			Notes	2008-09	
£'000	£'000			£'000	£'000
		<b><u>Income</u></b>			
(48,318)		Net Income receivable from Council Tax		(50,811)	
(17,586)		Transfer from General Fund: - Council Tax Benefits		(18,743)	
(43,027)		Income Collectable from Business Rate Payers		(48,254)	
(126)		Transfers from General Fund: - Discretionary Relief		(120)	
(1,265)		Contribution to Previous Year Deficit	4	(581)	
	<b>(110,322)</b>	<b>Total Income</b>			<b>(118,509)</b>
		<b><u>Expenditure</u></b>			
64,757		Precepts	3	68,207	
42,416		Business Rate:			
267		- Payment to National Pool	5	47,092	
		- Costs of Collection		282	
1,607		Bad & Doubtful Debts/Appeals:			
949		- Write Offs		592	
		- Provisions		2,171	
	<b>109,996</b>	<b>Total Expenditure</b>			<b>118,344</b>
	<b>(326)</b>	<b>DEFICIT / (SURPLUS)</b>			<b>(165)</b>
	1,233	<b>Balance at 1 April 2008</b>			907
	<b>907</b>	<b>Balance at 31 March 2009</b>			<b>742</b>

## 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 £1,326.22 for a Band 'D' property in 2008-09 (2007-08, £1,278.24) comprising:-

	2007-08	2008-09
London Borough of Barking and Dagenham	974.36	1,016.40
Greater London Authority	303.88	309.82
	<b>1,278.24</b>	<b>1,326.22</b>

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	5,714.50	3,809.20
B	8,555.20	6,654.00
C	36,600.15	32,533.50
D	7,316.35	7,316.40
E	1,534.25	1,875.20
F	304.80	440.30
G	40.80	68.00
H	6.05	12.10
	<b>60,072.10</b>	<b>52,708.70</b>

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 **51,429.50** Band 'D' equivalent properties (2007-08, 50,660.80).

### 3. PRECEPTING AUTHORITIES

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

	2007-08 £'000	2008-09 £'000
London Borough of Barking and Dagenham	49,362	52,273
Greater London Authority	15,395	15,934
	<b>64,757</b>	<b>68,207</b>

#### 4. **SURPLUS / DEFICIT TRANSFERRED**

This figure represents the transfer of the estimated deficit on the Council Tax Collection Fund account as at 31 March 2009 to the London Borough of Barking and Dagenham's General Fund and to the Greater London Authority in 2008-09.

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:

	2007-08 £'000	2008-09 £'000
Surplus/(Deficit)	(907)	(742)
Provisions made in:		
- 2008-09 budget	(581)	
- 2009-10 budget		(539)
Additional provision to be made in:		
- 2009-10	(326)	
- 2010-11		(203)
<b>Total Surplus/(Deficit) to be provided for in future budget setting process</b>	<b>(907)</b>	<b>(742)</b>

#### 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:-

	2007-08 £'000	2007-08 £'000	2008-09 £'000	2008-09 £'000
Amount due from ratepayers net of transitional, mandatory and empty property relief		43,205		48,424
<b>Less</b> Amount of additional discretionary relief granted chargeable to pool	(51)		(49)	
<b>Less</b> Cost of Collection Including Interest	(267)		(282)	
Provision for Bad Debts And Write-offs	(471)		(1,001)	
		(789)		(1,332)
<b>Contribution to Pool</b>		<b>42,416</b>		<b>47,092</b>

The contribution received from the pool in 2008-09 was £83.76m and this was credited direct to the Council's General Fund.

	<b>2007-08</b>	<b>2008-09</b>
The Rateable Value at 31 March was	£117,262,989	£115,692,009
The Uniform rate in the pound (or multiplier) for premises with rateable values below £21,500 was	44.1	45.8
The Uniform rate in the pound (or multiplier) for premises with rateable values above £21,501 was	44.4	46.2

# **PENSION FUND ACCOUNTS 2008-09**

**Explanatory Foreword**

**Statement of Responsibilities for the Statement of Accounts**

**Pension Fund Account**

**Statement of Accounting Policies**

**Extract from Actuarial Report**

**Notes to the Statement of Accounts**

**Audit Report to the Pension Fund**

## **Explanatory Foreword**

### **1. Format of the Pension Fund Statement of Accounts**

The primary function of the London Borough of Barking and Dagenham Pension Fund is as an Administering Body.

The 2008/09 pension fund accounts report two separate accounts;

- Fund Account; and
- Net Assets Statement

The accounts, subject to audit, were authorised for issue by the Assembly on 30 June 2009

### **2. Review of the Statements**

Pension Fund Account

The net assets of the pension fund have reduced by £95m to £413m (£508m in 2007-08) largely as a result of the change in market value of the assets.

The other main factors affecting the Pension Fund Accounts are set out below:

- Investment income increased by £903k;
- Employer contribution rate increased from last year;
- Employee contributions is now paid on a tiered basis; and
- Net income on the fund increased by £1.5m

### **3. Accounting for retirement benefits (FRS 17)**

The financial statements disclose the cost of providing retirement benefits and related gains and losses, assets and liabilities under FRS 17 for the whole fund.

## **Statement of Responsibilities for the Pension Fund Statement of Accounts**

The Administering authority's responsibilities:

The London Borough of Barking and Dagenham Pension Fund is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In the London Borough of Barking and Dagenham Pension Fund this is the Divisional Director of Finance who is responsible for presenting fairly the financial position of the pension fund as at 31 March 2009.

In preparing these accounts the Divisional Director of Finance has:

- Selected suitable accounting policies and applied them consistently in addition to the policies which apply to the council's statement of accounts;
- Kept proper accounting records which are up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the statement of accounts presents fairly the financial position of the London Borough of Barking and Dagenham Pension Fund at 31 March 2009 and its income and expenditure for the period.

Joe Chesterton  
Divisional Director of Finance

30 June 2009

## PENSION FUND ACCOUNT

2007-08			Note	2008-09	
£'000	£'000			£'000	£'000
		<b>Contributions &amp; Benefits</b>			
		Contributions receivable:	3		
16,416		- from employers (administering body)		19,483	
2,423		(scheduled bodies)		3,361	
1,640		(admitted bodies)		1,842	
	20,479				24,686
6,099		- from employees (administering body)		6,700	
1,170		(scheduled bodies)		1,357	
603		(admitted bodies)		658	
	7,872				8,715
	5,072	Transfers In - Individuals			3,797
	33,423	Total Contributions (A)			37,198
		Benefits payable:	4		
14,877		- Pensions (administering body)		16,098	
1,943		(scheduled bodies)		2,038	
618		(admitted bodies)		690	
	17,438				18,826
4,497		- Lump sums (administering body)		6,173	
237		(scheduled bodies)		242	
210		(admitted bodies)		406	
	4,944				6,821
22		Payments to & on account of leavers			
4,414		- Refunds of contributions		4	
	4,436	- Transfers out		3,327	
617		- Administrative & other expenses	10	678	
	617				678
	27,435	Total Benefits & Expenses (B)			29,656
	5,988	<b>Net Income (withdrawals) (A less B)</b>			7,542
		<b>Returns on Investments</b>			
14,400		- Investment income	12	15,303	
(39,447)		- Change in market value of investments		(116,064)	
		(realised & unrealised)			
(2,774)		- Investment management expenses	11	(2,298)	
	(27,821)	<b>Net Returns on Investments</b>			(103,059)
	(21,833)				(95,517)
16,951		Net new money invested		20,547	
19,355		<b>Change in market value of investments:</b>			
(58,139)		Net realised profits/(losses)		(69,939)	
		Net unrealised profits/(losses)		(46,125)	
	(21,833)	<b>Net increase/(decrease) in the fund during the year</b>			(95,517)
	530,436	<b>Opening net assets at 1 April 2008</b>			508,603
	508,603	<b>Closing Net Assets at 31 March 2009</b>			413,086

## PENSION FUND NET ASSETS STATEMENT

31 March 2008			Notes	31 March 2009	
£'000	£'000			£'000	£'000
		<b>INVESTMENTS ASSETS</b>	<b>9</b>		
38,417		Fixed Interest Securities - Public Sector		70,900	
111,240		U.K. Equities - quoted		83,232	
191,807		Foreign Equities		125,177	
4,358		Foreign Fixed Interest Securities		1,255	
51,927		Pooled Investments - Property		34,211	
87,252		Pooled Investments - Other		69,725	
0		Short Term Investments		1,280	
6,355		Cash held by Investment Managers		7,668	
	491,356				393,448
2,508		Other Investment Balances (note)		1,969	
4,157	6,665	Outstanding trades		9,479	11,448
		<b>INVESTMENT LIABILITIES</b>			
	(2,506)	Outstanding Trades			(11,507)
		<b>CURRENT ASSETS</b>			
359		Debtors - Contributions due from Employers		281	
13,445		Internal Investments		20,416	
	13,804				20,697
		<b>CURRENT LIABILITIES</b>			
	(716)	Unpaid Benefits		(503)	
		Creditors		(497)	(1,000)
	<b>508,603</b>	<b>TOTAL NET ASSETS</b>			<b>413,086</b>

The account summarises the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year.

# NOTES TO THE PENSION FUND

## 1. ACCOUNTING POLICIES

### (i) **Investment Valuation**

- Quoted investments are valued at bid price at 31 March 2009 where there is an active market rather than mid-market value 31 March 2009. This represents a change in accounting policy from 2007-08.
- Unquoted investments are based on market value by the fund managers at year end in accordance with accepted guidelines.
- Unit trusts and managed funds are valued at the closing bid price where both bid and mid prices are quoted. This represents a change in accounting policy from 2007-08.
- Property is valued at market value or other basis determined in accordance with the RICS Appraisal and Valuation Manual and practice statements
- Insurance policies matching the amount and timing of benefits payable under the scheme have been valued at the amount of the related obligations
- Other insurance policies have been valued using a method giving the best estimate of fair value given under the circumstance of the scheme
- 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 closing rate ruling on 31 March 2009. 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 2008 and then indexed in line with the Investment Property Databank Monthly Index movement to 31 March 2009.

(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. Additional Voluntary Contributions have been excluded from consolidation into the final accounts.

(iii) **Transfer Values** - are included in the accounts on a cash basis.

(iv) **Foreign Currency Translation** – Prices in foreign currency is translated at closing exchange rate at 31 March 2009 for the appropriate currency 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 pension fund financial statements have been prepared in accordance with the provisions of Chapter 2 Recommended Accounting Practice of the Pensions SORP.

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

(viii) **Transitional Provisions on Changes in Accounting Policy** – The 2007-08 investment valuation has not been restated to bid prices due to the immateriality of the difference between mid and bid prices in the 2007-08 accounts.

<b>Investment Asset</b>	<b>Base Market Value at 31 March 08</b>	<b>Bid Value Holding at 31 March 08</b>	<b>Valuation Difference</b>
Fixed Interest Public Sector	38,417	38,374	43
UK Equities - quoted	111,240	110,605	635
Foreign Equities	191,807	190,680	1,127
Foreign Fixed Interest Securities	4,358	4,358	0
Pooled Investments - Property	51,927	51,927	0
Pooled Investments - Other	87,252	87,248	4
Cash Held by Investment Managers	6,355	6,355	0
<b>Total</b>	<b>491,356</b>	<b>489,547</b>	<b>1,809</b>

## 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 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. A revised Rate and Adjustment Certificate was issued on 2<sup>nd</sup> March 2009.

The table below shows the employer contribution rates:

<b>EMPLOYER</b>	<b>Minimum Contribution for the Year</b>					
	<b>31/03/09</b>	<b>Additional Monetary Deficit Payment £'000</b>	<b>31/03/10</b>	<b>Additional Monetary Deficit Payment £'000</b>	<b>31/03/11</b>	<b>Additional Monetary Deficit Payment £'000</b>
<b>Administering Body:</b>						
London Borough of Barking & Dagenham	17.00%	0	18.00%	0	19.00%	0
<b>Scheduled Body:</b>						
University of East London	17.00%	0	19.20%	0	19.20%	0
<b>Admitted Bodies:</b>						
Barking College	14.50%	0	15.80%	0	17.10%	0
Age Concern	19.50%	106	19.50%	111	19.50%	116
Abbeyfield Barking Society	21.50%	0	21.50%	0	21.50%	0
Barking & Dagenham						
Citizens Advice Bureau	12.50%	0	12.50%	0	12.50%	0
Enterprise (Thames Accord)	16.40%	0	16.40%	0	16.40%	0
East London E-Learning	11.50%	0	11.50%	0	11.50%	0
Disablement Association	24.30%	0	24.30%	0	24.30%	0

The table below shows the membership of the fund at 31 March 2009:

<b>Membership Numbers</b>	<b>Active</b>	<b>Pensioners</b>	<b>Deferred</b>	<b>Undecided</b>	<b>Frozen</b>
<b>Administering Body:</b> London Borough of Barking & Dagenham	4,390	3,618	2,748	21	241
<b>Scheduled Bodies:</b> University of East London	628	524	565	11	67
Magistrates Court	0	11	11	0	2
<b>Admitted Bodies:</b> Barking College	230	86	131	2	14
Barking Council for Voluntary Services	0	0	2	1	0
Age Concern	30	39	14	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	0
Enterprise (Thames Accord)	125	52	41	0	1
East London E-Learning	6	0	2	0	0
Disablement Association of Barking & Dagenham	1	0	0	0	0
<b>TOTAL</b>	<b>5,414</b>	<b>4,335</b>	<b>3,524</b>	<b>35</b>	<b>328</b>

### 3. CONTRIBUTIONS RECEIVABLE

3a) The table below shows the employers contribution receivable at 31 March 2009:

<b>EMPLOYER</b>	<b>2007-08</b>			<b>2008-09</b>			
	<b>Normal £'000</b>	<b>Addn Retirement costs £'000</b>	<b>Total</b>	<b>Normal £'000</b>	<b>Addn Retirement costs £'000</b>	<b>Deficit Funding</b>	<b>Total</b>
<b>Administering Body</b> London Borough of Barking & Dagenham	15,434	982	16,416	16,637	2,846	0	19,483
<b>Scheduled Body</b> University of East London	2,423	0	2,423	3,336	25	0	3,361
<b>Admitted Bodies:</b> Barking College	636	0	636	639	73	0	712
Age Concern	196	8	204	105		106	211
Abbeyfield Barking Society	4	0	4	8	0	0	8
Barking & Dagenham Citizens Advice Bureau	7	0	7	8	0	0	8
London Riverside	0	0	0	0	0	0	0
Enterprise (Thames Accord)	765	0	765	733	146	0	879
East London E-Learning	24	0	24	21	0	0	21
Disablement Association of Barking & Dagenham	0	0	0	3	0	0	3
	<b>19,489</b>	<b>990</b>	<b>20,479</b>	<b>21,490</b>	<b>3,090</b>	<b>106</b>	<b>24,686</b>

3b) The table below shows the employees contributions receivable at 31 March 2009:

EMPLOYER	2007-08			2008-09		
	Normal £'000	Addn Retirement costs £'000	Total	Normal £'000	Addn Retirement costs £'000	Total
<b>Administering Body</b> London Borough of Barking & Dagenham	5,747	352	6,099	6,492	208	6,700
<b>Scheduled Body</b> University of East London	1,096	74	1,170	1,354	3	1,357
<b>Admitted Bodies:</b>						
Barking College	276	2	278	290	0	290
Age Concern	32	14	46	32	0	32
Abbeyfield Barking Society	2	0	2	2	0	2
Barking & Dagenham Citizens Advice Bureau	4	0	4	4	0	4
London Riverside	0	0	0	0	0	0
Enterprise (Thames Accord)	261	0	261	305	11	316
East London E-Learning	12	0	12	12	0	12
Disablement Association of Barking & Dagenham	0	0	0	2	0	2
	<b>7,430</b>	<b>442</b>	<b>7,872</b>	<b>8,493</b>	<b>222</b>	<b>8,715</b>

#### 4. BENEFITS PAYABLE

The table below shows the benefits payable at 31 March 2009:

EMPLOYER	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Administering Body:</b>	<b>Pensions</b>	<b>Pensions</b>	<b>Lump Sum</b>	<b>Lump Sum</b>	<b>Death Benefit</b>	<b>Death Grant</b>
London Borough of Barking & Dagenham	14,877	16,098	4,116	5,286	381	887
<b>Scheduled Bodies:</b>						
Magistrates Court	37	39	1	5	0	0
University of East London	1,906	1,999	181	229	55	8
<b>Admitted Bodies:</b>						
Barking College	192	225	102	136	0	121
Age Concern	42	45	31	10	0	0
Abbeyfield Barking Society	2	2	0	0	0	0
London Riverside	11	11	0	0	0	0
Enterprise (Thames Accord)	357	393	77	139	0	0
East London E-Learning	14	14	0	0	0	0
Disablement Association of Barking and Dagenham	0	0	0	0	0	0
	<b>17,438</b>	<b>18,826</b>	<b>4,508</b>	<b>5,805</b>	<b>436</b>	<b>1,016</b>

## 5. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Addition Voluntary Contributions administered by the Prudential, made by London Borough of Barking & Dagenham employees during the year amounted to £338k (2007-08 £295k). AVCs are not included in the pension fund accounts in accordance with regulation 5(2) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831)

## 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; and
  - 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 next actuarial valuation is due on 31 March 2010.

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:

The table below shows the longevity assumptions at the 2007 valuation:

	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	37.2	40.2

The key financial assumptions adopted by the actuary for the valuation of members' benefits at the 2007 valuation are set out below:

Assumptions	Derivation	Rate at 31 March 2007	
		Nominal	Real
Price Inflation (RPI)	Market expectation of long term future inflation as measured by the geometric difference between yields on fixed and index-linked Government bonds as at the valuation date	3.2%	-
Pay Increases *	Assumed to be 1.5% p.a. in excess of price inflation	4.7%	1.5%
Gilt-based' discount rate	The yield on fixed -interest Government bonds	4.5%	1.3%
Funding basis discount rate	Assumed to be 1.6% p.a. above the yield on fixed interest Government bonds	6.1%	2.9%

**(b) Funding Level**

The table below shows the detail funding level for the 2007 valuation:

Employer Contribution Rates	% of payroll
Net Employer Future Service Cost	14.20%
Past Service Adjustment – 20 year spread	4.50%
<b>Total Contribution Rate</b>	<b>18.70%</b>

**(c) Funding Position**

The table below shows the detail funding positions for the 2007 valuation:

Funding Position	31/03/2007 £'000 p.a.
<b>A. Value of assets</b>	530,011
Assessed cost of past service benefits in respect of:	
Employee members	284,971
Pensioner members	239,403
Deferred pensioner members	80,797
<b>B. Total assessed cost of past service benefits</b>	605,171
<b>Funding surplus/ (shortfall) (A minus B)</b>	<b>(75,160)</b>
<b>Funding level (A as a percentage of B)</b>	<b>88%</b>

The table below shows the assumptions used by the actuary to arrive at the 2007 actuarial funding position:

	Assumptions to assess funding position at 31 March 2004	Assumptions to assess funding position at 31 March 2004	Assumptions to assess 'gilt based' position at 31 March 2007
Annual rate of price inflation	2.9%	3.2%	3.2%
Annual rate of pension increases			
- on pensions in excess of GMPs	2.9%	3.2%	3.2%
- on pensions accrued after April 1997	2.9%	3.2%	3.2%
- on post-88 GMPs in payment	2.0%	2.8%	2.8%
- on pre-88 GMPs in payment	0.0%	0.0%	0.0%
Annual rate of increase of deferred pensions	2.9%	3.2%	3.2%
Annual rate of pay increases	4.4%	4.7%	4.7%
Discount rate			
	6.3%	6.1%	4.5%
Expenses	0.4%	0.5%	0.5%

**d) Total Contribution Rate**

The table below shows the total contribution rates which apply to the 2008-09 accounts:

Employer Contribution Rates	% of payroll
Net Employer Future Service Cost	14.20%
Past Service Adjustment – 20 year spread	4.50%
<b>Total Contribution Rate</b>	<b>18.70%</b>

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

**e) FRS 17 disclosures for the whole fund**

The financial statements do not take account of liabilities to pay pensions and other benefits after the period end. FRS 17 disclosures which apply to Administering Authority can be found in the council's accounts.

**7. EARLY RETIREMENT CAPITAL CONTRIBUTIONS**

The table below shows the split of early retirement capital contributions made by employer at 31 March 2009;

EMPLOYER	31/03/2008 £'000	31/03/2009 £'000
London Borough of Barking & Dagenham	983	2,846
University of East London	0	24
Barking College	0	73
Age Concern	8	0
Enterprise (Thames Accord)		146
<b>Total</b>	<b>991</b>	<b>3,089</b>

## 8. PURCHASE AND SALE OF INVESTMENTS

The table below shows the purchases and sales on investments in 2008-09:

Investment Type	Sales £'000	Purchases £'000
Equities	113,511	116,952
Fixed Income Securities	234,690	235,970
<b>Total</b>	<b>348,201</b>	<b>352,922</b>

## 9. DETAILED ANALYSIS OF INVESTMENTS

The Council is required to disclose further details relating to investments

The table below shows the split of investments by Fund Managers:

Manager	Value of Fund £'000	%
Aberdeen Asset Management	126,962	30.68%
Alliance Bernstein	109,576	26.48%
Goldman Sachs	119,723	28.93%
RREEF	37,187	8.99%
Internal	20,416	4.93%
<b>Total</b>	<b>413,864</b>	<b>100.00%</b>

### (b) Summary of Investment Categories

The majority of the fund is represented by investments. The statement below shows the market value of main categories of investments held by the Fund Managers in £000's as at 31<sup>st</sup> March 2009.

	Aberdeen £'000	Alliance Bernstein	Goldmans Sachs	RREEF £'000	Total £'000
Fixed Interest Securities	72,131	425	52		72,608
UK Equities - Quoted		33,090	50,141		83,232
Foreign Equities		58,399	66,778		125,177
Foreign Fixed Interest Securities		576	251		827
Pooled Investment – Property				34,211	34,211
Others	54,781	14,521	423		69,725
Cash	49	2,566	2,077	2,976	7,668
<b>Total</b>	<b>126,961</b>	<b>109,576</b>	<b>119,723</b>	<b>37,187</b>	<b>393,448</b>

## 10. ADMINISTRATIVE AND OTHER EXPENSES

The table below shows the administrative and other expenses in 2008-09:

<b>Expense</b>	<b>2007-08 £'000</b>	<b>2008-09 £'000</b>
Administrative and Processing	482	501
Actuarial Fees	37	34
Legal and other Professional Fees	98	143
<b>Total</b>	<b>617</b>	<b>678</b>

Pension Fund legislative changes in 2008-09 now require the Pension Fund audit fees of £38,000 to be shown separately from the Council's total audit fee. This sum is included in the figure for Legal and other Professional Fees shown above.

## 11. FUND MANAGER AND CUSTODIAN EXPENSES

The table below shows the split of fund manager and custodian expenses at 31 March 2009:

<b>Fund Manager</b>	<b>2007-08 £'000</b>	<b>2008-09 £'000</b>
Aberdeen Asset Management	198	338
Alliance Bernstein Asset Management	1,174	737
Goldmans Sachs Asset Management	769	638
RREEF	470	334
State Street (Custodian)	163	251
<b>Total</b>	<b>2,774</b>	<b>2,298</b>

## 12. INVESTMENT INCOME

The table below shows the split of investment income in 2008-09 by type:

<b>Income</b>	<b>£'000</b>
Fixed Interest income	2,229
Dividends UK	4,074
Dividends O/Seas	5,457
Property income	2,195
Interest – Managers cash balances	5
Interest LBBB internal cash	805
Currency gain / Losses	502
Stock Lending	30
Commission recapture	6
<b>Total</b>	<b>15,303</b>

### 13. DEBTORS AND CREDITORS

The table below shows the split of debtors and creditors

<b>Debtors</b>	<b>2007-08 £'000</b>	<b>2008-09 £'000</b>
<b>Investments</b>		
Outstanding Divdends	2,508	1,967
Stocklending	0	2
Outstanding trades	4,157	9,479
	<b>6,665</b>	<b>11,448</b>
<b>Others</b>		
Pension contributions due	207	281
Tax reclaims	152	0
	<b>359</b>	<b>281</b>
<b>Total</b>	<b>7,024</b>	<b>11,729</b>

<b>Creditors</b>	<b>2007-08 £'000</b>	<b>2008-09 £'000</b>
<b>Investments</b>		
Outstanding trades	2,506	11,507
	<b>2,506</b>	<b>11,507</b>
<b>Others</b>		
Unpaid Benefits	548	503
Investment managers fees	146	360
Custodian fees	10	83
Advisors fees	12	16
Audit fee	0	38
	<b>716</b>	<b>1000</b>
<b>Total</b>	<b>3,222</b>	<b>12,507</b>

### 14. STOCK RELEASED TO THIRD PARTIES

The fund is involved with a stock lending agreement via its custodians State Street bank as at 31 March 2009. £4.960m of stock was lent to counterparties with 102.5% collateral exposure. The securities on loan are fixed income.

### 15. 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 £430,707 (2007-08, £435,738).

## **16. STATEMENT OF INVESTMENT PRINCIPLES**

A Statement of Investment Principles has been agreed by the Council's Investment panel and is updated periodically to reflect changes made in Investment Management arrangements. The nature and extent of risk arising from financial instruments and how the pension fund manages those risks is included in the Statement of Investment Principles. Copies can be obtained from the Authority's website: [www.lbbd.gov.uk](http://www.lbbd.gov.uk)

## **17. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The pension fund activities expose it to a variety of financial risks in respect of financial instruments:

- Credit risk - the risk that other parties may fail to pay amounts due;
- Liquidity risk – the risk that the pension fund may not have funds available to meet its commitments to make payment;
- Refinancing risk – the risk that the pension fund might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms; and
- Market risk – the possibility that financial loss might arise from the fund's as a result of changes in such measures as interest rates or stock market movements.

The procedures for risk management in relation to key financial instruments is set out through the legal framework detailed within the Local Government Act 2003 and other associated regulations. These require compliance to all CIPFA treasury Management practices, CIPFA Prudential Code and Investment Guidance as applicable to the Council. The Pension Fund holds some pension fund assets in cash which are held with the Council's investments in line with treasury management strategy and guidelines.

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

## **Opinion on the Authority accounting statements**

I have audited the accounting statements and related notes of the London Borough of Barking and Dagenham for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the London Borough of Barking and Dagenham in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

## **Respective responsibilities of the Chief Financial Officer and auditor**

The Chief Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts. My responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. My responsibilities do not extend to any other information.

## **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK 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 accounting statements and related notes. It also

includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

## **Opinion**

In my opinion, the Authority 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 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

## **Opinion on the pension fund accounts**

I have audited the pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the London Borough of Barking and Dagenham in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

## **Respective responsibilities of the Chief Financial Officer and auditor**

The Chief Financial Officer's responsibilities for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, are set out in the Statement of Responsibilities for the Statement of Accounts. My responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, 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.

I read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword and the Pension Fund Annual Governance Statement published in the financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. My responsibilities do not extend to any other information.

## **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK 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 pension fund accounts and related notes.

It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the pension fund accounts and related notes.

### **Opinion**

In my opinion, the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transaction of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

### **Authority's responsibilities**

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

### **Auditor's responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009. I am satisfied that, 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 ending 31 March 2009.

### **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

**Jon Hayes**  
**District Auditor**

Audit Commission  
1<sup>st</sup> Floor, Millbank Tower  
Millbank  
London  
SW1P 4HQ

**13 November 2009**

**SIGNATURE OF THE CHAIRMAN OF THE ASSEMBLY TO  
THE APPROVAL OF THE 2008-09 STATEMENT OF  
ACCOUNTS**

This Statement of the Council's accounts for 2008-09 was approved by the Council's Assembly on 30 June 2009

Councillor W F L Barns

**CHAIRMAN OF THE ASSEMBLY**

**30 JUNE 2009**

## Glossary of Terms

<b><u>Term</u></b>	<b><u>Definition</u></b>
Accounting Policies	The rules and practices adopted by the Council that dictate how transactions and events are shown or costed.
Accruals	Amounts included in the accounts to cover income and expenditure attributable to the financial year, but for which payment had not been received or made as at 31 March.
Actuarial Valuation	A review carried out every three years, by the actuary, on the assets and liabilities of the Pension Fund. The actuary reports to the Fund's trustees on the financial position and recommended employer's contribution rates.
Balance Sheet	A statement showing the position of the Council's assets and liabilities as at 31 March in each year.
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.
Beacon Properties	The Council's housing stock is grouped into similar types and a sample from each type, known as beacon properties, are valued with the results being multiplied up to give a total value for each type.
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 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 National Non Domestic Rates (NNDR).
Community Assets	A class of fixed assets that are expected to be held by the Council in perpetuity. Examples include parks, historic buildings and works of art.
Contingent Liability	A contingent liability is either: <ul style="list-style-type: none"> <li>• 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)</li> <li>• 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.</li> </ul>
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 Local Government Finance 1988 Act to be transferred from the Collection Fund to the General Fund (except where the amount calculated is negative, in which case it is the amount to be transferred from the General Fund to the Collection Fund)
Creditors	Amounts owed by the Council for goods received or services provided before the end of the accounting period but for which payments have not been made by the end of that accounting period.
Debtors	Amounts due to the Council before the end of the accounting period but for which payments have not yet received by the end of that accounting period.
Deferred Liabilities	These are creditor balances repayable after one year.
Defined Benefit Scheme	A pension or retirement benefit scheme into which an employee pays regular contributions fixed as an amount or as a percentage of pay. There are no legal obligations to pay further contributions if the scheme does not have sufficient assets to pay all employees benefits relating to employee service in 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.
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 Cost	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 income still to be received where sales of assets have taken place and deferred receipts, such as mortgages.
Minimum Revenue Provision	An amount, calculated in accordance with statutory guidance, charged to revenue for the repayment of debt.
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-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.
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 Valuation Office, (part of the Inland Revenue), assesses the rateable value of individual non-domestic properties. Business rate bills are set by multiplying the rateable value by the NNDR poundage set by the government for the year. (Domestic properties no longer have individual rateable values but are assigned to one of the eight valuation bands for council tax.
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"> <li>• Goods or other assets purchased for resale.</li> <li>• Raw materials and other components purchased for the incorporation into products for resale</li> <li>• Products and services partially or fully completed</li> </ul>
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 Valuation Office.