

EXPLANATORY FOREWORD

1. THE ACCOUNTING STATEMENTS

The Council's accounts for the year 2009-10 consist of the following pages:

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2. Introduction

This document is prepared strictly in line with the guidance prescribed to the Council through the Statement of Recommended Practice (SORP) to enable consistent reporting across local authorities as well as aiding comparability across the public sector. Over recent years there has also been a move to make the accounts of local authorities more comparable to those of private sector organisations and this will continue next year with the full introduction of International Financial Reporting Standards (IFRS). By their very nature, sets of accounts can be difficult to read and readers may not be able to obtain information they are seeking by turning the pages of these accounts.

The accounting policies adopted by the Council comply with the relevant recommended accounting practices and are fully explained in the Statement of Accounting policies set out in pages 1 to 12. There have been a number of changes in accounting policy as a result of the 2009 SORP and changes in legislation, details of which are set out in para 1.6 of the Statement of Accounting Policies.

To help readers, I am using this foreword to highlight key issues on the overall financial performance and financial management of Barking and Dagenham Council and emphasise the importance of viewing this document alongside the financial outturn statement reported to Cabinet on 8 June 2010.

3. Our Financial Health

The overall financial position of the Council has improved over the last twelve months as a result of a sustained level of management control over expenditure and an overall improvement in our financial controls.

Following the completion of the audit of the 2008/09 statement of accounts by our external auditors, our general fund balances dropped to £3.7m which was significantly below the then recommended level of £7.5m. During the early part of 2008/09, the Council identified significant financial risks that exceeded the amount of reserves I had available to pay for these risks. In order to manage these risks, I issued a number of stringent expenditure control measures and, with strong support from Councillors and colleagues, reduced the level of spend within the Council to an acceptable level.

In these very tough times for the public sector, it is important that the Council maintains strong financial control to ensure it is robust enough to withstand the challenges it will face over the coming years. The next few years will see significant reductions in our income streams and our finances will require a heightened level of scrutiny to ensure that we continue to be financially stable.

4. The General Fund

At 31 March 2010, the General Fund balance had increased to £8.1m as a result of a net surplus of £4.4m in 2009/10 against a net budget of £151m. This surplus is summarised in the table below. The table shows the impact of expenditure restraint during the last year with only one insignificant overspend in one Department. "General Finance" incorporates expenditure that does not fall within a Department but is spent by the Council - an example would be investment interest. General Finance also encapsulates additional cash that the Council had not originally allocated or anticipated, such as contingency and VAT refunds received during 2009/10.

Service Department	Over/ (under)spend £'000
Adult & Community Services Department	(127)
Children's Services Department	(137)
Customer Services Department	37
Resources Department	(719)
Finance & Commercial Services Department	(224)
General Finance	(3,182)
Total	(4,352)

5. The Housing Revenue Account

The Housing Revenue Account (HRA) is a specific account which shows how much the Council spends on providing, maintaining and managing Council flats and houses. Any money spent on looking after our Council housing is paid for by the rents that tenants pay. Under the 1989 Local Government Housing Act, the HRA is "ring fenced" from other accounts and its expenditure cannot be subsidised from the General Fund (or vice versa).

In 2009/10, the HRA recorded a surplus for the year of £2.6m to increase the working balance for the HRA to £2.7m. This increase is largely as a result of a lower than planned level of the subsidy payable to central government, partly as a result of a technical review of the amounts due, though this was partially offset by a reduced level of rent collected.

The HRA is currently subject to a series of proposals for its reform that the authority is considering its response to. The current financial position of the HRA means that we will be able to set rent levels for 2011/12 and remain with a surplus working balance but are likely to be looking at a deficit thereafter. This clearly means a solution to the financial viability of the HRA needs to be found.

6. Capital Programme

The Council spent £96.9m on capital projects in 2009/10 across a number of projects and service areas. The single biggest area of expenditure was on the Council's housing stock.

The programme was funded from a variety of sources including monies received from central government and the Council's own capital receipts. Over half of the programme was, however, funded through borrowing and the authority will have to give consideration to how long and to what level it is able to continue to do this in the future.

7. Pension Fund

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 2010. The balance at this date stands at £361m (£175m as at 31 March 2009), following the updated actuarial information received at the year end, amounting to approximately 33% of the Council's net worth. This deterioration is due to a sharp increase in the value of funded liabilities which has only partially been offset by an increase in the value of the Pension Fund's assets. Further details can be found in Note 38 to the Core Financial Statements.

Officers are currently compiling all of the data on the Pension Fund to return to the Council's appointed actuary to complete the triennial revaluation of the fund. The actuary will look at the investment performance of the fund, the profile of the employees within the fund and forecasts of the financial markets, amongst other factors to set the employers contribution rates for the next three years.

8. Looking Forward

During March 2010, the Council's Assembly agreed a balanced budget for 2010/11 whilst freezing Council Tax increases for the second year running. To balance the budget, significant savings plans will need to be managed and monitored to ensure that the financial position does not deteriorate during the year. As part of the approval of the annual budget, the Council also agrees the Medium Term Financial Strategy which identifies a significant resource gap for each of the next three years as a result of reducing grant levels.

The Council is also formulating its response to the emergency budget presented by the new coalition government. This will require the identification of further in year savings. The implications of the budget will result in the forecasts included in the medium term financial strategy being revisited and higher levels of savings needing to be identified.

There are a number of large projects underway that will support our financial challenges and help us to deliver our services to residents more effectively. An example of these is that we have recently agreed a preferred bidder for our Building Schools for the Future programme to commence later this year. We are also finalising negotiations with prospective partners for the creation of a joint venture company to deliver a number of the Council's services in the future, with the initial focus on transforming and generating savings from the back office support functions. Finally we are initiating work to enable the integration of the Council with the local health sector with a view to delivering better services in a more joined up way.

The next few years will be challenging for us all. Barking and Dagenham residents will begin to feel the impact of the Government's deficit reduction programme which will inevitably create demand on Council services. I will continue to spend my time ensuring that the Council spends every penny of taxpayers' money wisely and without waste.

Tracie Evans
Corporate Director of Finance and Commercial Services
30 June 2010

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 Corporate Director of Finance & Commercial Services;

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 to certify that they present a true and fair view of 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 2010.

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.

Tracie Evans

**Corporate Director of Finance &
Commercial Services**

30 June 2010

ANNUAL GOVERNANCE STATEMENT

Introduction

1. This statement explains how the London Borough of Barking and Dagenham ('the Council') delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) Regulations 2006 and the Accounts and Audit (Amendment) (England) Regulations 2009, which require the Council to publish a statement on internal control in accordance with proper practice. Proper practice has been defined as an Annual Governance Statement. This Statement relates to the financial year 2009 - 2010.
2. The Annual Governance Statement addresses the extent to which the council adheres to the six core principles set out in 'Delivering Good Governance in Local Government' was published by CIPFA/SOLACE in 2007.
3. The CIPFA/SOLACE principles are that the Council in its activities:
 - Focuses on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
 - Has Members and officers working together to achieve a common purpose with clearly defined functions and roles;
 - Promotes values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - Takes informed and transparent decisions which are subject to effective scrutiny and managing risk;
 - Develops the capacity and capability of members and officers to be effective;
 - Engages with local people and other stakeholders to ensure robust accountability.
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.

Section 1

Scope of Responsibility

5. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council has a duty under 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. The Council must also have proper arrangements in place to manage risk.

6. The Council has adopted a Local Code of Corporate Governance containing principles of good governance. A copy of the code is on the Council's website (<http://www.barking-dagenham.gov.uk>) in part E of the Constitution or can be obtained from the Council's Monitoring Officer.

The Purpose of the Governance Framework

7. The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and by which it accounts to, engages with and leads the community. It includes arrangements to monitor the achievement of its strategic objectives and to consider whether this has led to the delivery of appropriate, cost-effective services.
8. The system of internal control is a significant part of that 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 the achievement of the Council's, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently.
9. The following paragraphs summarise the Council's Governance Framework which has been in place for the year ended 31st March 2010 and up to the date of approval of this Statement and the Statement of Accounts. The framework is described to reflect the arrangements in place to meet the six core principles of effective governance.

Section 2

The Governance Framework

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

Vision and Purpose

11. The Council's plan for the area for the period 2008 – 2018 articulates that the council is working together with its partners for a better borough. The Council undertook consultation with more than 3000 local people in 2008 and agreed a plan with the priorities to make the borough with the following attributes:
 - Safe
 - Clean
 - Fair and respectful
 - Healthy
 - Prosperous
 - Inspired and successful young people
12. Alongside these priorities the Council aims to raise average household incomes in the borough to the London average by 2020. This is our contribution to achieving – and indeed bringing forward – the Olympic legacy convergence target whereby residents of the host boroughs will have the same economic and social chances as their neighbours across London within 20 years of the Olympic Games. It is envisaged that this objective will be developed more formally as part of the refresh of the Community Plan priorities by the new

Administration. To fulfil its vision and purpose the Council and its partners have agreed a set of targets contained in the Local Area Agreement which was negotiated with and signed off by central government in June 2008. The Barking and Dagenham Local Strategic Partnership develops the community strategy and tracks the activities of the Council and its partners to ensure that the vision in the Sustainable 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.

13. The new Sustainable Community Strategy for the Council was approved by the Executive (now titled 'Cabinet') on 24th March 2009. Consultation took place with over 2,500 people in a variety of ways, such as surveys in local shopping areas, major events like the Town Show, the Council website and focus groups.

Performance Management

14. The performance management framework ensures that the Council's operations are aligned with strategic priorities and objectives in the Council plan and that progress is effectively monitored. The Council's Performance Management and Policy frameworks underpin the so called 'Golden Thread' that links political leadership and strategic objectives with day to day service delivery. Council services are coordinated in accordance with the 'One Barking and Dagenham' service transformation model in which services are delivered in accordance with the Council's values of putting the customer first, taking responsibility, treating each other fairly and respectfully, working together and achieving excellence.
15. Corporate Performance is monitored monthly by the Corporate Management Team (CMT). One meeting a month is dedicated to reviewing performance, finance and risk management. At this meeting progress against targets is assessed and cross departmental challenge and support is provided. Information is then fed through to Cabinet and Scrutiny on a quarterly basis. Worst performing indicators are reported with action plans to the relevant Scrutiny Select Committee.
16. In 2009/10 the Chief Executive held challenge sessions focusing on a range of key performance issues such as value for money, national indicator performance and customer satisfaction in which progress against objectives and targets were reviewed and improvement actions identified.
17. There is also a monthly CMT Programme Board. Using the programme management principles from the Office of Government Commerce (OGC) "Managing Successful Programmes" approach, CMT reviews and challenges progress against programme objectives. There are six Programme Boards, each chaired by a Director and supported by corporate programme managers. Areas covered include change management, Building Schools for the Future, Local Area Agreement priorities (which consist of targets for the improvement of the borough agreed between the council, its partners and central government) and other priority areas for the Council being the subject of focus. This programme approach provides an efficient, comprehensive overview of progress and enables greater cross Council working, risk sharing and challenge.
18. The Public Services Board oversees delivery by the partnership sub boards of their targets in the Local Area Agreement which relate to their activities.
19. Corporate Directors review their Directorate's performance in monthly Departmental Management Team meetings and set targets for their heads of service which are regularly monitored.

20. Corporate goals are cascaded into divisional and team plans, annual appraisals and mid year appraisal reviews and team meetings and one to one supervisions.
21. Further work is taking place to build on the existing framework to improve policy led budgeting using service profiling and external benchmarking 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.

Roles and Responsibilities

22. The Council's constitution outlines the roles and responsibilities of members and officers as both individuals and members of committees. The constitution is reviewed annually. Each Directorate also maintains an internal scheme of delegation setting out who has authority to take what decisions within the Directorate on behalf of the Council.
23. Scrutiny select committees provide elected Members with the forum to challenge performance; make recommendations to the Cabinet and the Assembly on policies, the budget and delivering services; instigate and manage the work of scrutiny panels; monitor the Cabinet's decisions and Call-in decisions of Cabinet when appropriate. Members of scrutiny have power to call in a decision of Cabinet, may require officers to appear before them to answer questions, invite third parties to attend before them for a similar purpose and make recommendations on council policy to the Cabinet or Assembly.

Council Constitution

24. The Council's constitution sets out the roles and responsibilities of officers and Members. It provides details about how decisions are made and who can make them. It also contains the rules for managing our finances and resources effectively.
25. The Council now operates the new style of executive arrangement of strong Leader and Cabinet model. Local authorities were required under Local Government and Public Involvement in Health Act 2007 (LGPIH) to choose by resolution between an elected mayor and Cabinet model of a Leader and Cabinet model after consulting with its residents and stakeholders. London boroughs had until 31st December 2009 to pass the necessary resolution. Following statutory consultation in 2009 the Council resolved to adopt the model of Leader and Cabinet form of executive arrangements. This has been the choice of most Council's across the country. Under the Leader/Cabinet model the Assembly appoints the Leader from among the sitting councillors. The Leader in turn must appoint a Deputy Leader and may appoint further Cabinet members. The maximum number of the overall cabinet under LGPIH is 10. The Leader is accorded power to exercise all the executive functions or may delegate them to his/her Cabinet, a sub committee of cabinet or to an officer. In this Council cabinet decision making takes place on a collective cabinet basis and at officer level in accordance with an internal scheme of delegation. There are no decisions delegated to an individual member.
26. The Assembly sets the budgetary framework and policy framework for the Council and retains sole power to make certain decisions. The Cabinet makes decisions within the budget and policy framework. The decisions of the Cabinet are subject to scrutiny and call in by the relevant scrutiny select committee and Cabinet must also have regard to any recommendations received by scrutiny. The constitution includes provision for a petition scheme by local residents and most Council meetings are held in public enabling anyone interested to attend (save where the public need to be excluded for legal reasons pursuant to Local Government Act 1972).

27. The Monitoring Officer ensures that the constitution is reviewed at least annually.

Codes of Conduct

28. The Council has a Code of Conduct for Officers which is provided to new staff on induction. Senior officers must declare their interests and any gifts and hospitality they receive must be recorded on a published register.
29. Councillors are subject to the Code of Conduct for Members. All members sign an undertaking to abide by the Code and receive training on its provisions. Members' interests are recorded on the Register of Member Interests which appears on the Council's website. Members are required to declare or in some circumstances withdraw from a meeting where they have an interest in an item of the business of the meeting. The Council also has Codes of Conduct in relation to planning and licensing functions based on the model Code of Conduct. These Codes were reviewed by the standards committee as part of its annual review.
30. The Council's constitution also contains financial regulations which govern decisions relating to income, expenditure, internal control, risk management and partnerships. The financial regulations are kept under review throughout the year.

Audit

31. Audit functions are accountable to the Public Accounts and Audit Select Committee (PAASC). PAASC is supported in its work by an independent advisor with substantial experience of local government and audit. PAASC 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. PAASC has power to require officers to attend before it to answer questions to enable it to discharge its role and can make recommendations to Cabinet or Assembly.

Compliance with Policies, Laws and Regulations

32. The Council has three statutory officers: Chief Executive (Head of Paid Service), Divisional Director of Finance and Commercial Services (as Section 151 Officer) and the 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 is anticipated. The statutory officers provide professional advice on all key decision making reports to ensure legal, financial, risk management, procedure and equality implications are addressed.
33. The Corporate Director for Children Services has statutory responsibility for children and the Council has appointed a lead Members for Children Services on the Council's Cabinet with this portfolio. The Corporate Director of Adult and Community Services is responsible for adults and the area falls within the portfolio of a Cabinet member.

Whistle-blowing and Complaints Process

34. 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 Standards Committee on an annual basis.

35. 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.

Training and Development

36. The Council has a Member Development Programme, which is based around the key priorities identified by Members. A dedicated Member Development Officer oversees the programme. 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 Improvement and Development Agency's (IDeA) Leadership Academy which is a programme designed specifically with Councillors in mind. IDeA is a national organisation providing training and development to elected councillors.
37. 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 provided for Members of all quasi judicial boards. The Member Development Officer has also developed an extensive training program for Members in anticipation of the new intake of members at the election of 6th May 2010.

Communication and Engagement

38. The Council publishes numerous documents on its website and produces leaflets and promotional materials in line with relevant informative marketing campaigns. In May 2009 the Marketing and Communications team launched a free fortnightly community newspaper ('The News') which is distributed to over 70,000 homes, 4000 local businesses and is also available to commuters and visitors to the borough via newspaper stands in public places. The Council informs residents of stories of interest to them and provides a forum for them to write in and give their feedback through a letters page and by suggesting future story ideas.
39. The Council also launched a Community Communications project in 2009 which aims to address the communication breakdown between the Council and a significant minority of its residents who feel their feelings and opinions are not being heard or addressed. In a pilot running in 8 of the 17 borough's wards front line staff were briefed on factually correct developments in the Council to enable them to share as appropriate with residents they come into contact with and to dispel any myths they come across. Residents' views are also taken note of and fed back to the internal marketing and communications team who ensure they are taken on board in future service delivery.
40. The Council provides a wide range of opportunities for members of the community and users of services to influence the way we do business and provide services including a 'Tell Us' campaign in which residents can suggest service improvements and various consultation forums.

Partnerships

41. The most significant partnership for the Council is the Barking and Dagenham Partnership (the borough's Local Strategic Partnership). Barking & Dagenham Partnership has a well-

developed website, part of its drive to improve engagement between partners, which can be found at www.barkingdagenhampartnership.org.uk, where there are also the lists of members, details of the Governance Framework and information on the Community Plan and its performance management. The Partnership is consulting on a new governance framework setting out how it will operate. Consultation should end in September 2010, with reporting of the final product to the Partnership Conference in November 2010. The Partnership's vision ('working together for a better borough, that is safe, clean, fair and respectful, prosperous and healthy, and where our young people are inspired and successful') is shared with the Council, which supports the Council in discharging the community leadership aspects of its role as the Responsible Authority for the Local Strategic Partnership.

42. The Council is also in the process of mapping all its non statutory partnerships onto a register with lead officers identified and clear governance arrangements. This will provide clarity around roles and responsibilities.

Section 3

Review of Effectiveness

43. 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.
44. 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 will be provided to the 30th June PAASC meeting. 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 are able to provide reasonable assurance that the systems of internal control within the council were operating adequately and effectively. The opinion of the Head of Internal Audit is therefore that overall the control environment is currently adequate.
45. The Audit Commission are the Council's external auditors for the year under consideration. Where internal audit reports are received raising compliance concerns lead officers are called to attend the PAASC committee and answer how residual risk is managed and agree further actions if required.
46. Part of the review of effectiveness is for there to be a review of the system of internal audit. This year a "light-touch" follow-up peer review was requested, as there were no high risk areas identified in last year's external peer review and action has been taken to address lower areas for improvement. The Head of Audit will provide a verbal update on the outcome of the review at the meeting of PAASC on 22nd June 2010.
47. The External Auditor also produces an annual report to those charged with governance, as the Annual Audit and Inspection letter. This sets out their opinion in relation to the accounts, governance and performance of the Council. The external auditor will provide their comments at the time the Council's accounts are formally closed down. Their letter will be reported to the relevant meeting of PAASC.

Section 4

Significant Governance Issues

48. The Annual Governance Statement must include an evidence based assessment of the extent to which the council is complying with its governance framework. Questionnaires were circulated to Heads of Service seeking assurance against a raft of good governance criteria. Officers were asked to confirm a Yes, No or Partial in relation to whether they complied with specific requirements with space for comments. Tailored questionnaires were also circulated to lead officers in particular areas of significance to the governance framework namely risk management, Member Development, CMT, partnerships, major projects and health and safety. The responses from these assurance statements and other appropriate evidence informed our assessment of the state of the council's governance arrangements and of any significant issues needing to be addressed.
49. The following areas of the governance framework require further strengthening:
- Risk management
 - Project management
 - Data protection
 - Whistle blowing
 - Partnership working
 - Staff job descriptions

Risk Management

50. Whilst risk management processes are in place across the Council it is apparent that risk management practice needs to be further embedded in the day to day operation of some services. A number of services do not have any action plan to address significant unmitigated risks.

Project Management

51. A number of services do not consult the Council's procurement team or the Legal Practice when embarking on projects. Some appear not to do so because they are confident they know how to proceed. There is scope to encourage project lead officers to ensure all projects are supported by professionals with relevant expertise.

Data Protection

52. Data protection has been quite weak across the Council and as confirmed in an independent report issued in September 2008. That report noted that data protection awareness and compliance across the council was low and strongly recommended the appointment of a Data Protection Officer to implement the report's other recommendations and lead on data protection compliance across the Council. Further to these recommendations the Council appointed a Data Protection Officer in January 2010 who has commenced a comprehensive audit of data protection compliance across Council services with a view to make specific

recommendations. The audit has been well received and all services are co operating with this audit.

53. In February 2010 an incident occurred in which personal data (bank account information) of Council staff was exposed to possible hackers following a security breach. Swift remedial action was taken. As far as we know there was no compromise of any one's personal data and the Information Commissioner, to whom the matter was reported, has confirmed that no further action is required by the Council. The new Data Protection Officer was able to provide immediate support and guidance and has included a review of arrangements with external providers as part of the comprehensive audit now underway.

Whistle blowing

54. There has been a re-launch of the whistle-blowing campaign, alongside the Council's commitment to "zero-tolerance" to fraud. A briefing will be cascaded through the Council's 'Let's talk' communication tool.

Partnership working

55. As described in paragraphs 41-42, arrangements for the Council's partnerships outside of the Local Strategic Partnership are under development and, whilst the overall systems are largely in place, there is some work to do to finalise content of the register and its risk management documentation. The work being undertaken is based on Audit Commission guidance and will enable a detailed definition to be established for the range of non strategic partnerships entered into by the Council. Such partnerships include working arrangements, commercial partnerships and partnering contracts. The significance of each partnership will be evaluated against its achievement towards delivering the Council's priorities, and the level of resource commitment and financial responsibilities. The partnership work arrangements will particularly focus on improving governance and accountability, and establishing good practice measures. The partnerships entered into must comply with the Council's accounting, contracting (procurement) and standing orders. There is also a need to ensure that understanding of the importance of this approach is broadened, and compliance strengthened.

Staff Job Descriptions

56. A number of services do not have up to date job descriptions for their staff. The position has improved on what was reported in last year's Annual Governance Statement but some work still needs to be done.

Lessons learnt

57. Some of the concerns identified in this Statement have been raised in previous years. Last year the Council formed a Compliance Working Group to facilitate in year progress on required actions. There has certainly been progress from the position reported in the 2008/09 Statement. The Council will continue to work in year to ensure that the principles of good governance and required actions are enforced throughout the year. An action plan to address outstanding issues appears in the appendix to this Statement.

Opinion of the Chief Executive and Leader of the Council

58. 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.
59. We are grateful to our partners with whom we will continue to work to deliver the shared vision for our borough and its people.

Signed:

**Councillor Liam Smith
Leader of the Council**

Signed:

**David Woods
Acting Chief Executive**

APPENDIX

ACTIONS

	Action	Timescale	Lead Officer
Risk Management	Ensure action plans to manage risk in place across all services	December 2010	Sharon Roots
Project Management	Cascade reminder of support offered by central procurement and in house Legal in Let's Talk	December 2010	Legal Partner, Corporate Law
Data Protection	Concluded audit of council services and make recommendations	December 2010	Winston Brown
Whistle Blowing	Include item in "Let's Talk" cascade briefing outlining key aspects of Whistle-Blowing Policy & Procedure, with sign-posting to detailed information	September 2010	David Greenfield
Local Strategic Partnership	Conclude the review of Partnership governance and ensure systems for keeping the Governance Framework updated and publicly available	December 2010	Cheryl King-McDowell
Non Statutory Partnerships	Complete register of partnerships and implement governance framework arrangements with ongoing partnership evaluation	December 2010	John Hooton
Job Descriptions	Reminder through Let's Talk for all managers to review job descriptions as part of appraisal reviews in 2010	December 2010	Martin Rayson

STATEMENT OF ACCOUNTING POLICIES

1. Introduction

- 1.1 The Statement of Accounts summarises the Council's transactions for the 2009-10 financial year and its position at 31 March 2010. It has been prepared in accordance with the '*Code of Practice on Local Authority Accounting in the United Kingdom 2009 – 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 but, as TGLP is not a legal entity, it is considered to be outside the scope of group accounts and its results have been amalgamated into the Council's Income and Expenditure Account and Balance Sheet. Further details are set out in Note 9 to the Core Financial Statements.
- 1.6 There have been a number of changes in accounting policy as a result of the 2009 SORP and changes in legislation, details of which are set out in paras 11, 13, 14 and 20 below.

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 and 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 29 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.

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:

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

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

Assets included in the Balance Sheet are revalued on a 5-year rolling basis except where there have been material changes in value which are recognised in the year they arise. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. 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 non-operational properties (including assets surplus to requirements). Assets in the course of construction are stated at cost and are not depreciated until brought into use.

Depreciation is calculated on the following bases:

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

Depreciation is calculated on the value of assets brought forward on 1 April each year. For new assets purchased or whose construction was completed and brought into use during the year, no depreciation is charged in that year. A full year's depreciation is calculated in the following and subsequent years. Disposals and demolished assets will have a full year's depreciation calculated in the year of disposal.

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, comprising depreciation and the amortisation of capital grants and contributions, are made to service revenue accounts, central support services and trading accounts.

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 MRP on expenditure financed by borrowing under Supported Capital Expenditure is 4% of that expenditure. The MRP on expenditure financed by borrowing that is unsupported is calculated using the Equal Instalment Method, i.e. the borrowing is written down over the life of the asset that it financed. The MRP for the PFI scheme is equivalent to the capital repayment required.

This is a change of accounting policy brought about as a result of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. Previously, the Council had determined that the calculation of the Minimum Revenue Provision be based on 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. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest).

This is a modification of the existing accounting policy regarding interest payable. Previously, the interest charged to the Income and Expenditure Account was 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 (plus accrued interest) 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 (ASR) and the gain or loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the ASR. **This represents a change in accounting policy.**

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Income and Expenditure Account.

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.

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

14. Leases

Finance leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
- A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable. A similar policy applies where the Council acts as lessor.

This is a clarification of the existing accounting policy in anticipation of further changes under International Financial Reporting Standards due to come into effect for the 2010/11 financial year.

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 38 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 38 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.

Further details are contained in Note 38 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 a provision for bad and doubtful debts. All provisions are based upon the age of the debt and the likelihood of recovery subject to the overriding requirements of FRS 26 '*Financial Instruments: Recognition and Measurement*'.

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 under Section 33 of the VAT Act 1994. Any irrecoverable VAT is written off in the Income and Expenditure Account.

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 contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes and as ownership of the fixed assets will pass to the Council at the end of the contract for no additional charge, the Council carries the fixed assets used in the Balance Sheet. The fixed assets recognised in the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council. The recognition of these assets is balanced by the recognition of a liability for amounts due to the scheme operators to pay for the assets.

The amounts payable to the PFI operators each year are analysed into 5 elements:

- Fair value of the services received during the year – debited to the relevant service in the Income and Expenditure Account
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Income and Expenditure Account
- Contingent rent – increase in the amount to be paid for the property arising during the contract, debited to the Income and Expenditure Account
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- Lifecycle replacement costs – recognised as tangible fixed assets in the Balance Sheet

This represents a significant change in accounting policy introduced as a result of the 2009 SORP and is consistent with the adaptation of International Financial Reporting Instrument 12 (IFRIC 12) – Service Concession arrangements.

In previous years, PFI contracts were accounted for in accordance with Financial Reporting Standard 5 and the fixed assets were recognised on the Balance Sheet of the contractor and not the council. PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes and as ownership of the fixed assets will pass to the Council at the end of the contract for no additional charge, the Council carries the fixed assets used in the Balance Sheet. The fixed assets recognised in the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

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

2008-09 NET EXPENDITURE (Restated-Note 2) £'000	SERVICE	Notes	2009-10		
			GROSS EXPENDITURE	INCOME	NET EXPENDITURE
			£'000	£'000	£'000
	CONTINUING OPERATIONS	1			
8,281	Central Services to the Public		31,044	(25,759)	5,285
25	Court & Probation Services		3	0	3
52,005	Cultural, Environmental & Planning		54,448	(11,961)	42,487
66,583	Childrens & Education Services		320,136	(246,585)	73,551
11,912	Highways, Roads & Transport		15,466	(13,945)	1,521
5,772	Other Housing Services		140,405	(132,189)	8,216
2,017	Local Authority Housing (HRA)		86,683	(90,448)	(3,765)
59,442	Adult Social Care		68,440	(14,207)	54,233
7,932	Corporate & Democratic Core		13,022	(852)	12,170
6,114	Non Distributed Costs		1,867	0	1,867
220,083	NET COST OF SERVICES		731,514	(535,946)	195,568
(2,772)	(Surplus) on Disposal of Fixed Assets				(2,641)
81	Net Deficit/(Surplus) of Trading Undertakings	7			94
5,198	Interest payable and similar charges				5,947
1,672	Contribution to Government Pool	3			3,256
7,181	Levies	4			7,642
(4,710)	Interest on Balances				(3,486)
34,322	Pensions Interest Cost	38			33,655
(28,469)	Expected Return on Pensions Assets	38			(19,702)
0	Refund of VAT	5			(868)
232,586	NET OPERATING EXPENDITURE				219,465
	SOURCES OF FINANCE				
(51,830)	Council Tax				(51,961)
(32,350)	General Government Grants	10			(40,426)
(83,758)	Non Domestic Rate Contribution				(80,599)
(167,938)	TOTAL REVENUE FINANCING				(172,986)
64,648	NET DEFICIT FOR YEAR				46,479

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 15 to the Core Financial Statements.

	Notes	2008- 09 Restated £'000	2009-10 £'000
Deficit for the year on the Income & Expenditure A/c		64,648	46,479
Net Additional Amount required by statute and non-statutory practices to be (credited) to the General Fund Balance for the year	15	(62,699)	(50,831)
(Increase)/Decrease in General Fund Balance for the year		1,949	(4,352)
General Fund Balance brought forward		(5,660)	(3,711)
General Fund Balance carried forward		(3,711)	(8,063)
Amount of General Fund Balance held by schools under local management schemes	36	(8,316)	(9,517)
Amount of General Fund Balance generally available for new expenditure		(3,711)	(8,063)
General Fund Balance and amount held by schools under local management schemes		(12,027)	(17,580)

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.

2008-09 Restated £'000		2009-10 £'000
64,648	Deficit for the year on the Income & Expenditure Account	46,479
38,419	(Surplus)/Deficit arising on revaluation of fixed assets	(165,694)
(340)	Surplus on Collection Fund	0
390	Other adjustments	(440)
63,544	Actuarial losses on Pension Fund assets and liabilities	181,840
166,661	Total recognised losses for the year	62,185

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

The recognised loss for 2008-09 has been decreased by £1,501k as a result of the prior year adjustments referred to in Note 2 to the Core Financial Statements.

BALANCE SHEET AS AT 31 MARCH 2010

2008-09 (restated - Note 2)				Notes	2009-10		
£'000	£'000	£'000			£'000	£'000	£'000
			TANGIBLE FIXED ASSETS	22			
			OPERATIONAL ASSETS				
906,423			Council Dwellings		1,006,286		
347,081			Other Land & Buildings		393,515		
11,923			Vehicles, Plant, Furniture & Equipment		15,723		
79,293			Infrastructure Assets		95,164		
8,397			Community Assets		9,226		
	1,353,117					1,519,914	
			NON OPERATIONAL ASSETS				
42,250			Investment Properties		42,454		
4,474			Assets Surplus to Requirements		2,747		
12,653			Assets Under Construction		26,029		
	59,377					71,230	
		1,412,494	TOTAL TANGIBLE FIXED ASSETS				1,591,144
4,646			Intangible Assets	21	6,829		
25,497			Long Term Investments	42	15,018		
756			Long Term Debtors	23	744		
	30,899					22,591	
		1,443,393	TOTAL LONG TERM ASSETS				1,613,735
			CURRENT ASSETS				
125			Stock	24	157		
62,562			Debtors	25	67,188		
(13,308)			- Less: Provision for Bad Debts		(13,902)		
98,938			Short Term Investments	42	100,871		
48			Cash at Bank		36		
	148,365					154,350	
		1,591,758	TOTAL ASSETS				1,768,085
			CURRENT LIABILITIES				
(3,300)			Short Term Borrowing		0		
(44,761)			Receipts in Advance	26	(33,360)		
(67,010)			Creditors	27	(67,216)		
(2,368)			Cash Overdrawn		(4,199)		
	(117,439)					(104,775)	
		1,474,319	TOTAL ASSETS LESS CURRENT LIABILITIES				1,663,310
(50,750)			Long Term Borrowing	42	(70,750)		
(6,783)			Provisions	28	(9,760)		
(11,401)			Capital Contributions Unapplied		(39,638)		
(80,706)			Government Grants Deferred	44	(94,933)		
(26,055)			Other Long Term Liabilities	6	(25,678)		
(174,694)			Pensions Liability	38	(360,806)		
	(350,389)					(601,565)	
		1,123,930	NET ASSETS				1,061,745
			<i>Represented By:</i>				
		63,053	Revaluation Reserve	29			223,848
		1,203,779	Capital Adjustment Account	29			1,164,050
		0	Capital Receipts (Usable)	29			2,815
		31,792	Financial & Specific Reserves	29			31,838
		0	Major Repairs Reserve	29			0
		(174,694)	Pensions Reserve	38			(360,806)
		1,123,930					1,061,745

CASH FLOW STATEMENT

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. 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. The Council has opted to present its Cash Flow Statement using the indirect method.

Further information is contained in Notes 39 to 41 in the Notes to the Core Financial Statements.

	Notes	2008-09 £'000	2009-10 £'000
NET CASH INFLOW/(OUTFLOW) FROM REVENUE ACTIVITIES	39	29,414	5,151
RETURNS ON INVESTMENTS			
<i>Cash Outflows</i>			
Interest Paid		(464)	(5,947)
<i>Cash Inflows</i>			
Interest Received		1,700	5,440
NET CASH INFLOW/(OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		30,650	4,644
CAPITAL ACTIVITIES			
<i>Cash Outflows</i>			
Purchase of fixed assets		(75,963)	(89,210)
Purchase of long term investments		(25,000)	(10,000)
Other capital cash payments		(18,348)	(7,598)
<i>Cash Inflows</i>			
Sales of fixed assets		5,553	8,303
Other capital cash receipts		3,075	19,862
Capital grants received		23,269	62,221
NET CASH OUTFLOW FROM CAPITAL ACTIVITIES		(87,414)	(16,422)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		(56,764)	(11,778)
MANAGEMENT OF LIQUID RESOURCES			
Net decrease/(increase) in other liquid resources		7,096	(6,388)
FINANCING			
<i>Cash Outflows</i>			
Repayment of amounts borrowed		(62,350)	(3,677)
<i>Cash Inflows</i>			
New loans raised		50,000	20,000
New short term loans raised		65,650	0
NET CASH INFLOW FROM FINANCING		53,300	16,323
INCREASE/(DECREASE) IN CASH	40c	3,632	(1,843)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. SERVICE ANALYSIS

Income and expenditure is analysed in accordance with CIPFA's 'Best Value Accounting Code of Practice' (BVACOP) which establishes 'proper practice' in accordance with statutory requirements. This analysis is on a different basis to the Council's revenue budget (see the Explanatory Foreword) 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

2. PRIOR PERIOD ADJUSTMENT

The change in Accounting Policy 20 set out on page 11 of the Statement of Accounting Policies results in PFI Scheme assets being reflected in the Balance Sheet. The amounts involved are material (as are the associated accounting entries) and, as a consequence, are being dealt with as a prior period adjustment and restatement of the 2008-09 corresponding amounts in accordance with the provisions of the SORP.

In addition, changes have been made in respect of the Collection Fund as a result of the 2009 SORP. The 2009 SORP provides for the adoption of agency accounting for Council Tax with effect from the 2009-10 financial year. As a consequence debtors and creditors relating to the one major preceptor, the Greater London Authority, have been removed from the Balance Sheet and the Collection Fund accumulated deficit adjusted accordingly.

A similar arrangement applies to the National Non-Domestic Rate (NNDR) whereby the balances relating to arrears and prepayments have been consolidated into a single agency account with the balance on this account representing amounts due to or from the national NNDR Pool.

The 2008/09 figures for the Net Cost of Services have also been revised to provide a comparable basis as a result of certain grants now being treated as general grants. Further details are set out in Note 10 below.

	2008-09 Original	PFI Adjustments	Collection Fund	Government Grants	2008-09 Restated
	£'000s	£'000s	£'000s	£'000s	£'000s
INCOME & EXPENDITURE ACCOUNT					
Children's and Education Services	70,927	(4,374)		30	66,583
Culture Planning & Environment	51,860			145	52,005
Other Housing Services	3,561			2,211	5,772
Adult Social Care	56,382			3,060	59,442
Interest payable and similar charges	1,214	3,984			5,198
General Government Grants	(26,904)			(5,446)	(32,350)
Statement of the Movement on the General Fund Balance					
PFI transactions	(758)	751			(7)
Depreciation and impairment of fixed assets	(41,310)	(703)			(42,013)
Minimum revenue provision for capital financing	-	342			342
Net additional amount credited to the General Fund balance for the year		0		0	

	2008-09 Original £'000s	PFI Adjustments £'000s	Collection Fund £'000s	2008-09 Restated £'000s
BALANCE SHEET				
Other land and buildings	307,235	39,846		347,081
Long term debtors	12,668	(11,912)		756
Debtors	67,705	(550)	(4,593)	62,562
Bad debt provision	(16,452)		3,144	(13,308)
Receipts in advance	(45,489)		728	(44,761)
Creditors	(67,904)		894	(67,010)
Deferred liabilities	0	(26,055)		(26,055)
TOTAL ASSETS LESS LIABILITIES	257,763	1,329	173	259,265
Financed by				
Revaluation Reserve	63,053			63,053
Capital Adjustment Account	1,202,450	1,329		1,203,779
Financial & Specific Reserves	31,619		173	31,792
TOTAL NET WORTH	1,297,122	1,329	173	1,298,624

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 2009-10, the contribution to the pool totalled £3.256 million (2008-09 £3.328 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 million which reduced the payment in 2008-09 to £1.672 million. This arrangement was agreed with the Council's auditors, the Audit Commission.

4. LEVIES

	2008-09 £'000	2009-10 £'000
East London Waste Authority	6,703	7,128
Environment Agency	104	103
Lee Valley Regional Park Authority	157	159
London Pensions Fund Authority	217	252
	7,181	7,642

5. REFUND OF VAT

As a result of landmark decisions in the House of Lords, the Council successfully secured a refund of overpaid output tax in respect of previous years. The amount included in the Income & Expenditure Account is shown net of professional adviser's fees.

6. 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 disclosure requirements for PFI and related schemes have changed as a result of the 2009 SORP and emerging IFRS requirements. This has also resulted in a change in accounting policy as set out in Accounting Policy 20 in the Statement of Accounting Policies.

The required disclosures are set out below.

a) **Movement of Fixed Assets**

	Jo Richardson Community School £'000	Eastbury Comprehensive School £'000	TOTAL £'000
Gross Book Value at 1 April 2009	22,212	32,528	54,740
Accumulated Depreciation at 1 April 2009	(1,233)	(3,012)	(4,245)
Net Book Value at 1 April 2009	20,979	29,516	50,495
Movements in Year			
Revaluations	8,641	0	8,641
Impairments	0	(11,008)	(11,008)
Additions	0	403	403
Depreciation	(846)	(529)	(1,375)
Net Book Value as at 31 March 2010	28,774	18,382	47,156

These amounts have been included under Other Land and Buildings in the Balance Sheet.

b) **Movement of Liability**

	2008-09 £'000	2009-10 £'000
Balance Outstanding at 1 April	26,397	26,055
Repayment During Year	(342)	(377)
Balance outstanding at 31 March 2010	26,055	25,678

The change in the amount of liability is as a result of the 2009 SORP which requires that the assets relating to PFI schemes are reflected in the Balance Sheet. In essence, the long-term debtor has been removed from the Balance Sheet and replaced by the value of the scheme assets. Further details are contained in Accounting Policy 20.

c) **Analysis of Payment Due**

	Payment due in 2010/11	Payment due between 2011/12 and 2014/15	Payment due between 2015/16 and 2019/20	Payment due between 2020/21 and 2024/25	Payment due between 2025/26 and 2029/30	Payment due between 2030/31 and 2034/35
	£'000	£'000	£'000	£'000	£'000	£'000
Analysis of Payment Due						
Contingent Rent	1,097	4,672	6,530	7,391	8,366	(469)
Services	1,423	6,056	8,462	9,574	10,832	779
Capital Repayment	416	2,143	4,188	6,852	11,211	1,999
Interest Expense	2,774	10,619	11,765	9,101	4,742	139
Total Payment Due	5,710	23,490	30,945	32,918	35,151	2,448

7. **TRADING UNDERTAKINGS**

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

	2008-09 Net (Income)/ Expenditure £'000	Expenditure £'000	Income £'000	2009-10 Net (Income)/ Expenditure £'000
Teachers Accommodation	12	176	(242)	(66)
Barking Market	25	835	(644)	191
Land Management	(1,078)	210	(1,317)	(1,107)
Eastbury House	222	313	(73)	240
Other Catering	949	6,771	(5,940)	831
Castle Green	(49)	1,322	(1,317)	5
Total	81	9,627	(9,533)	94

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

8. **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 £457,255 in 2009-10 (£510,095 2008-09). The Council also provided services for Thames Gateway London Partnership. The value of reimbursements was £69,147 in 2009-10 (£65,724 in 2008-09).

9. **THAMES GATEWAY LONDON PARTNERSHIP (TGLP)**

The Council is the accountable body for 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 2009-10 in respect of TGLP is included below:

	2008-09 £'000	2009-10 £'000
Total Income	(1,281)	(1,041)
Total Expenditure	1,278	1,182
(Surplus)/Deficit for the year	(3)	141
Total Assets	1,096	830
Total Liabilities	(254)	(129)
Net Assets	842	701

10. **GENERAL GOVERNMENT GRANTS**

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

	2008-09 £'000	2009-10 £'000
Revenue Support Grant	11,660	18,603
Area Based Grant	14,894	16,188
Local Authority Business Growth Incentives Scheme	350	0
Housing & Planning Delivery Grant	145	217
Supporting People Grant	5,301	5,418
TOTAL	32,350	40,426

From 2008-09, Local Area Agreement (LAA) Grant has been replaced by Area Based Grant (ABG). Unlike LAA Grant, ABG is a non-ring fenced general grant and as such is accounted for as a general grant rather than being allocated to individual service revenue accounts. The revenue element of Housing & Planning Delivery Grant and the Supporting People Grant are now also accounted for as general grants.

11. **MEMBERS ALLOWANCES**

The total amount paid to councillors in 2009-10 for members' allowances was £883,142 (£858,515 in 2008-09), in accordance with the Members Allowance Scheme agreed by the Council's Assembly on 13 May 2009.

12. **REMUNERATION OF SENIOR STAFF (INCLUDING TEACHERS)**

Additional disclosure requirements have been introduced as a result of Regulation 4 of the Accounts and Audit (Amendment No.2) (England) Regulations to increase transparency and accountability for reporting the remuneration of senior employees.

The disclosure requirements now comprise the following:

- (a) An analysis of the number of employees whose remuneration is in excess of £50,000 in bands of £5,000; and
- (b) An additional requirement listing those senior employees whose salary is £50,000 or more per year but less than £150,000 by way of job title, and for those whose salary is in excess of £150,000 by name and job title.

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

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

Confidentiality agreement payments are excluded from the analysis below.

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

	2008/09		2009/10	
	Non-Teaching Employees	Teaching Employees	Non-Teaching Employees	Teaching Employees
£50,000 - £54,999	89	219	50	198
£55,000 - £59,999			36	81
£60,000 - £64,999	37	49	25	41
£65,000 - £69,999			15	23
£70,000 - £74,999	7	25	12	14
£75,000 - £79,999			3	12
£80,000 - £84,999	15	10	3	6
£85,000 - £89,999			13	4
£90,000 - £94,999	2	2	2	3
£95,000 - £99,999			0	3
£100,000 - £104,999	4	1	0	1
£105,000 - £109,999			3	1
£110,000 - £114,999	1	4	1	2
£115,000 - £119,999			1	1
£120,000 - £124,999	4	0	1	0
£130,000 - £134,999			3	0
£150,000 - £154,999	0	1	0	1
£155,000 - £159,999			0	0
£160,000 - £164,999	1	0	0	2
£165,000 - £169,999			0	0
£180,000 - £184,999	1	1	0	0
£185,000 - £189,999			1	0
Total	161	312	169	393

The figures for 2008/09 are included as previously reported.

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

Post holder information (Post title)	Notes	Salary (Including fees & allowances paid or receivable)	Bonuses (paid or receivable)	Taxable Expense allowances (paid or receivable)	Benefits in Kind received (estimate value) 2009/10 (Note 14)	Compensation for loss of employment (paid or receivable)	Total Remuneration excluding pension contributions	Employer's pension contribution	Total Remuneration including pension contributions
		2009/10 £	2009/10 £	2009/10 £	2009/10 £	2009/10 £	2009/10 £	2009/10 £	2009/10 £
Corporate Director of Adult & Community Services		131,757	0	0	390	0	132,147	23,716	155,863
Corporate Director of Children's Services	Note 1	126,389	0	0	390	0	126,779	22,750	149,529
Corporate Director of Customer Services	Note 2	133,044	0	0	396	0	133,440	23,948	157,388
Corporate Director of Finance & Commercial Services	Note 3	36,250	0	0	0	0	36,250	6,525	42,775
Corporate Director of Resources		131,757	0	0	390	0	132,147	23,716	155,863
Divisional Director of Community Safety & Neighbourhood Services		105,511	0	0	390	0	105,901	18,992	124,893
Divisional Director of Safeguarding & Rights -	Note 4	97,436	0	0	390	0	97,826	17,538	115,364
Divisional Director of Legal and Democratic Services		108,661	0	0	390	0	109,051	19,559	128,610
Divisional Director of Environmental & Enforcement Services		106,345	0	0	999	0	107,344	19,142	126,486
Divisional Director of Housing Services -		113,599	0	0	1,658	0	115,257	20,448	135,705
Divisional Director of Asset Management & Capital Delivery	Note 5	120,661	0	0	0	0	120,661	21,719	142,380
Divisional Director of Regeneration and Economic Development		89,763	0	0	390	0	90,153	16,157	106,310
Head of Adult Care Services		89,763	0	0	390	0	90,153	16,157	106,310
Head of Community Cohesion & Equalities		89,763	0	0	390	0	90,153	16,157	106,310

Post holder information (Post title)	Notes	Salary (Including fees & allowances paid or receivable)	Bonuses (paid or receivable)	Taxable Expense allowances (paid or receivable)	Benefits in Kind received (estimate value) 2009/10 (Note 14)	Compensation for loss of employment (paid or receivable)	Total Remuneration excluding pension contributions	Employer's pension contribution	Total Remuneration including pension contributions	
		2009/10	2009/10	2009/10	2009/10	2009/10	2009/10	2009/10	2009/10	
Head of Adult Commissioning	Note 6	81,251	0	0	0	0	81,251	14,625	95,876	
Head of Leisure and Arts	Note 7	89,763	0	0	3,607	0	93,370	16,157	109,527	
Head of Quality & School Improvement		89,763	0	0	390	0	90,153	16,157	106,310	
Head of Integrated Family Services		89,763	0	0	390	0	90,153	16,157	106,310	
Head of Children's Policy & Trust Commissioning		89,763	0	0	423	0	90,186	16,157	106,343	
Head of Skills, Learning & Employment		89,763	0	0	302	0	90,065	16,157	106,222	
Head of Customer Strategy & Transformation		89,763	0	0	0	0	89,763	16,157	105,920	
Head of Barking & Dagenham Direct	Note 8	84,348	0	0	439	0	84,787	14,811	99,598	
Head of Human Resources	Note 9	58,672	265	0	0	0	58,937	10,600	69,537	
Head of Strategy and Performance		89,763	0	0	116	0	89,879	16,157	106,036	
Corporate Finance Controller	Note 10	42,000	0	0	0	0	42,000	7,560	49,560	
Strategic Finance Controller	Note 11	54,977	0	0	0	0	54,977	9,896	64,873	
Audit and Risk Controller	Note 12	38,204	0	0	0	0	38,204	6,820	45,024	
Divisonal Director of Corporate Finance (former)	Note 13	49,432	0	0	415	0	49,847	8,150	57,997	
TGLP										
Chief Executive - TGLP		116,595	0	0	0	0	116,595	20,988	137,583	
Senior Development Officer - TGLP		63,791	0	0	0	0	63,791	11,482	75,273	

Notes:

Note 1: The position was held by two officers during the period. The previous director retired on 31 August 2009 and the new director joined on 14 September 2009. £54,899 of salary and £9,882 of pension contribution disclosed relate to the former director. The annual salary is £131,757

Note 2: The Corporate Director of Customer Services' salary includes an allowance of £1,287 for local knowledge. Their annual salary is £131,757.

Note 3: The position was created in November 2009. The current director joined on 1 January 2010. The salary disclosed includes a market supplement of £3,311. Their annual salary is £145,000.

Note 4: This position was held by two officers during the period. The previous officer resigned on 31 August 2009. The current annual salary is £89,763.

Note 5: The Divisional Director of Asset Management & Capital Delivery' salary includes a market supplement of £12,000.

Note 6: The Head of Adult Commissioning's annual salary is £89,763. They joined the authority on 5 May 2009.

Note 7: The benefit in kind amount relates to removal expenses paid to the current post holder.

Note 8: The Head of Barking & Dagenham Direct left the authority end of February 2010. Their annual salary was £89,763.

Note 9: This relates to an acting up arrangement for the period 1 April 2009 to 3 January 2010. The annual salary for the position is £89,763.

Note 10: The Corporate Financial Controller's salary is £93,000. He joined the authority on 19 October 2009.

Note 11: The Strategic Finance Controllers annual salary is £78,739. He took up this position on 23 July 2009.

Note 12: The Audit & Risk Controller's annual salary is £78,739. She held the role part time from August 2009 and on full time basis from 11 January 2010.

Note 13: This position was deleted and replaced with that of Director of Finance and Commercial Services. The postholder left the authority on 31 August 2009. Salary includes £4,376 holiday payment. Their annual salary was £108,661.

Note 14: These amounts mostly relate to taxable mileage allowance benefit (mileage payments net of taxfree element) disclosed on P11d returns. See note 7 for other explanation.

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

Post holder information (Post title and name)	Notes	Salary (Including fees & allowances paid or receivable)	Bonuses (paid or receivable)	Taxable Expense allowances (paid or receivable)	Benefits in Kind received (estimate value) 2009/10 (Note 5)	for loss of employment (paid or receivable)	Total Remuneration excluding pension contributions	Employer's pension contribution	Total Remuneration including pension contributions
		2009/10	2009/10	2009/10	2009/10	2009/10	2009/10	2009/10	2009/10
		£	£	£	£	£	£	£	£
Chief Executive - <i>Robert Whiteman</i>	Note 1	189,533	0	0	397	0	189,930	34,116	224,046
Head Teacher Robert Clack School - <i>Paul Grant</i>	Note 2	164,384	0	0	232	0	164,616	22,964	187,580
Head Teacher Sidney Russell School - <i>Roger Leighton</i>	Note 3	151,039	0	0	0	0	151,039	21,296	172,335
Head Teacher Barking Abbey School - <i>Mark Lloyd</i>	Note 4	164,135	0	0	0	0	164,135	23,168	187,303

Notes:

Note 1: Mr Whiteman resigned as Chief Executive on 14 May 2010. His annual salary was £189,533 (£189,536 for 2008/09). Mr Whiteman has been replaced by David Woods as Acting Chief Executive from 17 May 2010 at a salary below £150,000.

Note 2: Sir Paul Grant's salary includes a market supplement of £54,200, £1,520 mid-day supervision payment and £33 related to teachers council registration. His annual salary is £108,631

Note 3: Roger Leighton's salary includes a market supplement of £42,376 and £33 related to teachers council registration. His annual salary is £108,631.

Note 4: Mark Lloyd's salary includes an additional allowance of £25,730 paid in respect of additional responsibilities for BSF. His basic annual salary is £138,585.

Note 5: These amounts relate to taxable mileage allowance benefit (mileage payments net of taxfree element) disclosed on P11d returns.

13. **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 London Borough of Barking and Dagenham Pension Fund, and other local authorities. In particular, the Council manages cash on behalf of the Pension Fund which amounted to £28.4 million as at 31 March 2010 (2008-09, £20.4 million).

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 all elected Members, the chief executive and his corporate directors 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.

Responses were received from 46 out of the 51 Members, the Chief Executive and his 5 Corporate Directors. The 5 Members who failed to respond are Councillors J Jarvis, S Carroll, C Doncaster, S Doncaster, and R Bailey. They are no longer councillors. Of the responses received, no elected Member, senior officer or close relations or members of the same household have undertaken any declarable transactions with the Council during the year.

A number of elected Members are connected with, or represented on, local voluntary organisations in receipt of annual grants from the Council totalling £578,000 (£621,000, 2008-09), the largest of which was made to Dagenham and Redbridge Football Club for £250,000. The club also received a secured loan of £200,000. Cllr Bramley was a member of the club but declared a prejudicial interest at the time the assistance was agreed by the Council's Executive meeting in February 2009 and took no further part in proceedings. Indeed, no elected member connected with, or represented on, a local voluntary organisation is in a position to exercise undue influence over the awarding of any such grant or loan.

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. Evelyn Carpenter 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's Valarie Rush and Gerald Vincent are Council appointed members 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 served as the

Managing Director of ELWA until June 2009 when he was replaced by the David Woods, Corporate Director of Customer Services and now Acting Chief Executive.

14. **DISCLOSURE OF AUDIT COSTS**

In 2009-10 The London Borough of Barking and Dagenham incurred the following fees relating to external audit and inspection:

	2008-09 £'000	2009-10 £'000
Fees payable to the appointed auditor with regard to external audit services.	409	390
Fees payable to the Audit Commission in respect of statutory Inspection.	27	20
Fees payable to the appointed auditor for the certification of grant claims and returns.	110	110
Fees payable in respect of other services provided by the appointed auditor.	0	0
TOTAL	546	520

The Council's appointed auditor is the Audit Commission.

15. **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.

15. **STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE (cont'd)**

	Notes	2008-09	2009-10	
		Restated £'000	£'000	£'000
Amounts included in the I&E Account but required by statute to be excluded when determining the Movement on the General Fund Balance				
Amortisation of intangible fixed assets	21	(314)	(590)	
Depreciation & impairment of fixed assets	22	(42,013)	(52,561)	
Government Grants deferred amortisation		3,489	3,825	
Adjustment re deferred government grants written off		0	13,157	
Revenue expenditure funded from capital under statute	17	(13,217)	(7,398)	
Surplus on disposal of fixed assets		2,772	2,641	
PFI transactions		(7)	0	
Capital expenditure funded by HRA		255	500	
Interest transferred to other statutory funds		0	1,943	
Net charges made for retirement benefits in accordance with FRS17	38	(23,745)	(26,077)	
		(72,780)		(64,560)
Amounts not included in the I&E Account but required to be included when determining the Movement on the General Fund Balance				
Minimum Revenue Provision		342	1,201	
Employers contribution payable to LBBB Pension Fund	38	16,526	20,138	
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	3	(1,672)	(3,256)	
		15,196		18,083
Transfers to/from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance				
Housing Revenue Account (deficit)/surplus		(2,830)	2,638	
Transfer to schools balance		924	1,201	
Net transfer to or from earmarked reserve	29	(3,209)	(8,193)	
		(5,115)		(4,354)
Net additional amounts as per summary		(62,699)		(50,831)

16. CAPITAL EXPENDITURE AND FINANCING

The Capital Programme expenditure for 2009-10 amounted to £96.9 million (£97.1m in 2008-09). The breakdown of this expenditure and its financing are set out below.

	2008-09 £'000	2009-10 £'000
Capital Investments		
<i>Operational assets</i>		
Council Dwellings	32,369	21,827
Other Land & Buildings	18,336	17,762
Vehicles, Plant & Equipment	2,974	7,926
Infrastructure Assets	14,180	19,813
Community Assets	639	833
<i>Non-Operational assets</i>		
Investment Properties	303	0
Assets Under Construction	6,745	15,947
Intangible assets	3,243	2,773
Revenue Expenditure financed from Capital under Statute	18,348	10,058
	97,137	96,939
Sources of Finance		
Prudential Borrowing	33,334	48,372
Major Repairs Reserve	17,529	14,339
Usable Capital Receipts	20,078	2,153
Government Grants	25,457	28,537
Other Contributions	739	3,538
	97,137	96,939

17. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

	Expenditure £'000	Related Income £'000	Net Expenditure £'000
Improvement Grants	1,376	0	1,376
Disabled Facilities Grants	774	464	310
Demolition Costs & Site Clearance	1,580	275	1,305
Contaminated Land	289	200	89
Barking Town Centre Redevelopment	774	115	659
Business Centres	385	385	0
Capitalisation of Redundancy Costs	3,285	0	3,285
Other Expenditure	1,595	1,221	374
	10,058	2,660	7,398

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.

18. **CAPITAL COMMITMENTS**

Significant contractual commitments (i.e. over £1m in value) at the 31 March 2010 amounted to £29.9 million as follows:

Project Name	£'000
Valance Site	1,260
Becontree Heath Leisure Centre	16,460
Highways Structural Repairs	1,024
External Enveloping Work	1,706
Council Dwellings	2,682
King William Street Quarter	3,460
Decent Homes Framework Contracts	3,357
TOTAL	29,949

19. **INFORMATION ON ASSETS HELD**

Fixed Assets owned by the Council include the following:-	Number as at 31 March 2010
Council Dwellings	19,202
Operational Buildings	
• Youth Service	5
• Conveniences	7
• Community Halls	17
• Office Buildings	20
• 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
Infrastructure Assets	
• Highways (kilometres)	322
Community Assets	
• Parks and Open Spaces (hectares)	486
• Allotments	15
Investment Properties	
• Commercial Properties	141

20. FINANCE AND OPERATING LEASES

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

In 2009-10 payments of £1.924m (2008-09, £1.617m) 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 2010-11	61	121	182
Leases expiring between 2011-12 to 2014-15	96	130	226
Leases expiring after 2014-15	412	0	412
Total	569	251	820

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 £3.154 million on assets with a net book value of £42.5million, an effective gross yield of 7.42%. (In accordance with the Council's accounting policy, there is no depreciation on investment properties).

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

21. INTANGIBLE ASSETS

	Computer Software £'000
Gross Book Value 1 April 2009	5,679
Additions	2,773
Gross Book Value 31 March 2010	8,452
Amortisation 1 April 2009	(1,033)
In year amortisation	(590)
Amortisation 31 March 2010	(1,623)
Net Book Value 1 April 2009	4,646
Net Book Value 31 March 2010	6,829

Intangible assets comprise purchased software licences.

22. **FIXED ASSETS**

a) **Movement of fixed assets**

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Investment Properties £'000	Assets Surplus to Requirements £'000	Assets Under Construction £'000	TOTAL £'000
Gross Book Value at 1 April 2009	919,671	370,301	26,728	98,803	8,832	42,250	4,520	12,653	1,483,758
Accumulated Depreciation & Impairment at 1 April 2009	(13,248)	(23,220)	(14,805)	(19,510)	(435)	0	(46)	0	(71,264)
Net Book Value at 1 April 2009	906,423	347,081	11,923	79,293	8,397	42,250	4,474	12,653	1,412,494
Movements in Year									
Reclassifications	0	1,582	2	987	0	0	0	(2,571)	0
Additions	21,827	17,762	7,926	19,813	833	0	0	15,947	84,108
Disposals	(2,860)	(1,879)	0	0	(4)	(13)	(945)	0	(5,701)
Revaluations	68,941	64,276	0	0	0	1,684	297	0	135,198
Impairments	(1,294)	(40,194)	0	0	0	(1,467)	(1,100)	0	(44,055)
Depreciation for year	(12,638)	(10,169)	(4,128)	(4,929)	0	0	0	0	(31,864)
Depreciation written back	25,887	15,056	0	0	0	0	21	0	40,964
Net Book Value as at 31 March 2010	1,006,286	393,515	15,723	95,164	9,226	42,454	2,747	26,029	1,591,144

b) Impairment

The Council's valuers, Wilks Head & Eve, carried out a revaluation of approximately 25% of the Council's building assets as at 1 April 2009. Arising from that revaluation, certain assets were valued at a lower value than the amount being carried in the Balance Sheet. The impairment charged to the Income & Expenditure Account as a result of this exercise was £32.140m. Further impairment of £1.684m arose from capital expenditure deemed not to have added value to assets.

An impairment review of all the Council's building assets was also carried out by Wilkes, Head & Eve at 31 March 2010 but, due to the recovery in building values, their recommendation was that no further impairment was required.

23. 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.

	2008-09 £'000	2009-10 £'000
Mortgages Outstanding 1 April	947	717
Principal Repayments During Year	(230)	(200)
New Advances during Year	0	0
Mortgages Outstanding 31 March	717	517

b) Other Mortgage Advances

Mortgages advanced for the purchase of Private Dwellings

	2008-09 £'000	2009-10 £'000
Mortgages Outstanding 1 April	44	39
Principal Repayments During Year	(5)	(1)
New Advances during Year	0	0
Mortgages Outstanding 31 March	39	38

c) Other Loans

Secured loan advanced to Dagenham & Redbridge Football Club.

	2008-09 £'000	2009-10 £'000
Loans Outstanding 1 April	0	0
New Advances During Year	0	200
Principal Repayments During Year	0	(11)
Loans Outstanding 31 March	0	189

The Council made a capital contribution with a value of £13.04 million in respect of a PFI scheme for Jo Richardson School, Eastbury Comprehensive School and the Jo Richardson Children's Centre when the scheme was set up in February 2004. The capital contribution was previously classified as a long term debtor but as a result of the 2009 SORP the value of the asset is now reflected in the Balance Sheet.

Further details are contained in Accounting Policy 20 and Note 5 to the Core Financial Statements.

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 2010 was £NIL (£28,640 in 2008-09)

24. STOCK

	31st March 2009 £'000	31st March 2010 £'000
Fuel	8	53
Grounds Maintenance	21	12
Leisure Centre Stores	27	16
School Meals Stores	69	76
TOTAL	125	157

25. DEBTORS

	31 March 2009 £'000	31 March 2010 £'000
Debtors Less Bad Debt Provision	62,562 (13,308)	67,188 (13,902)
TOTAL	49,254	53,286

	31 March 2009 £'000	31 March 2010 £'000
Analysis:		
Government Departments	8,100	19,185
Other Local Authorities & Organisations	2,346	2,429
Council Tax Payers	2,422	2,408
Housing Rents	2,425	2,661
Employee Loans	423	386
Prepayments	3,423	2,652
Capital Debtors	6,452	1,797
Housing Benefit Overpayments	3,833	4,954
Sundry Debtors	19,830	16,814
TOTAL	49,254	53,286

26. RECEIPTS IN ADVANCE

	31 March 2009 £'000	31 March 2010 £'000
Government Departments	35,846	22,184
Other Local Authorities	557	1,562
Council Tax	929	1,035
Housing Rents	749	703
Section 106 Planning Agreements	3,420	5,317
Other	3,260	2,559
TOTAL	44,761	33,360

27. CREDITORS

	31 March 2009 £'000	31 March 2010 £'000
Government Departments	6,940	7,695
Other Local Authorities	3,282	4,057
Capital	13,795	11,466
Deposits held on behalf of		
Pension Fund	20,416	28,376
Private School Balances	1,031	1,080
Trust Funds	113	116
Sundry Creditors	21,433	14,426
TOTAL	67,010	67,216

28. PROVISIONS

	31 March 2009 £'000	31 March 2010 £'000
Insurance Provisions		
Balance Brought Forward	5,428	6,783
Claims Made	(3,340)	(4,061)
Contributions to (from) Provisions	4,695	6,778
Balance Carried Forward	6,783	9,500
Other Provisions		
Balance Brought Forward	50	0
Claims Made	(25)	0
Contributions to (from) Provisions	(25)	260
Balance Carried Forward	0	260
TOTAL BALANCE CARRIED FORWARD	6,783	9,760

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.

29. **MOVEMENTS IN RESERVES**

Reserve	Opening Balance 01-Apr-09 (Restated) £'000	Transfers In £'000	Transfers Out £'000	Closing Balance 31-Mar-10 £'000
Revaluation Reserve	63,053	169,723	(8,928)	223,848
Capital Adjustment Account	1,203,779	50,359	(90,088)	1,164,050
Capital Receipts (Usable)	0	8,224	(5,409)	2,815
Financial & Specific Reserves	31,792	9,850	(9,804)	31,838
Major Repairs Reserve	0	14,339	(14,339)	0
Pensions Reserve	(174,694)	0	(186,112)	(360,806)
Total Reserves	1,123,930	252,495	(314,680)	1,061,745
<i>Financial & Specific Reserves consist of:</i>				
Repair & Renewals Reserve	726	0	(239)	487
Spend to Save Reserve	1,673	0	(1,040)	633
Service Reconfiguration Reserve	256	0	(256)	0
IFRS Reserve	0	100	0	100
Barking Adult College Reserve	701	1	0	702
Dedicated Schools Grant Reserve	3,225	0	(234)	2,991
LMS Reserve (Note 36)	8,316	2,158	(957)	9,517
Schools Absence Reserve	211	22	0	233
Insurance Fund Reserve	4,988	0	(4,988)	0
Area Based Grant Reserve	308	0	(308)	0
General Fund Balance	3,713	4,352	0	8,065
Thames Gateway London Partnership	842	0	(141)	701
Leasehold Repairs Reserve	5,533	531	(534)	5,530
HRA Insurance Fund Reserve	892	0	(892)	0
HRA Rent Reserve	859	0	(215)	644
HRA Working Balance	118	2,638	0	2,756
Collection Fund Balance	(569)	48	0	(521)
Total Financial & Specific Reserves	31,792	9,850	(9,804)	31,838

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

RESERVE	PURPOSE
Revaluation Reserve	A new reserve established as a result of the 2007 SORP to record unrealised net gains on the Council's fixed assets arising from revaluations made on or after 1 April 2007. An accounting reserve which is not cash-backed.
Capital Adjustment Account	A capital reserve which reflects the difference between the costs of fixed assets consumed and the capital financing set aside to pay for them. It is an accounting reserve which is not backed by cash and therefore does not represent resources available to fund future capital expenditure.
Usable Capital Receipts	Used to meet the cost of capital expenditure for the current and future financial years. It is funded primarily from the sale of Council assets.
Major Repairs Reserve	A statutory reserve representing resources available to fund capital investment in council housing. Is primarily funded by the Major Repairs Allowance.
Pensions Reserve	The present value based on actuarial assumptions of pension scheme assets less liabilities. The reserve identifies the current estimated surplus/deficit of the pension scheme.
Repairs and Renewals	Used to meet the cost of replacement of specific assets at the end of their useful life.
Spend to Save Activities & Service Reconfigurations	Used to meet the cost of changes in future service provision or spend to save initiatives.
Dedicated Schools Grant (DSG)	DSG is a ring-fenced grant. Any unutilised balance remaining at the end of the financial year is carried forward for use in the following year. The Schools Absence Reserve forms part of these funds.
LMS Reserve	Accumulated balances on Local Management of Schools in accordance with Education Reform Act 1988.
Insurance	An amount set aside to finance potential unquantified insurance losses.
HRA Working Balance	Used to meet the cost of unexpected variations on the Council's spending plans that cannot be accommodated within the overall approved budget. As the HRA is a ring-fenced account the amounts can only be used for HRA purposes.
HRA Rent Reserve	An equalisation account representing the value of rent due in a 53-week year which is then reduced by transferring 1/6 th to the HRA in each of the following 6 years.

30. **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 £5,317,000 (£3,420,000 in 2008-09) are held by the Council pending investment in line with the individual Section 106 agreements.

31. NET ASSETS EMPLOYED

Net assets employed are analysed as follows:

	31 March 2009 £'000	31 March 2010 £'000
General Fund & HRA	1,123,657	1,061,565
Collection Fund	(569)	(521)
Thames Gateway London Partnership	842	701
	1,123,930	1,061,745

32. CONTINGENT LIABILITIES

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

33. DATE OF AUTHORISATION

The Statement of Accounts was authorised for issue by Tracie Evans, Corporate Director of Finance & Commercial Services and Section 151 Officer, on 30 June 2009.

34. EVENTS AFTER THE BALANCE SHEET DATE

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of FRS 21 '*Events after the Balance Sheet Date*', this change is deemed to be a non-adjusting post balance sheet event. At present, it is unclear what the impact might be on the value of the FRS17 liabilities and pending further clarification no attempt has been made at quantification.

On 5 July 2010, the Government announced the abolition of a number of Building Schools for the Future (BSF) projects. It is expected that at least two major projects within the Borough will continue, but the future of a number of other smaller projects are still under consideration pending the outcome of the Comprehensive Spending Review.

35. 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.

	2008-09 £'000	2009-10 £'000
Trust Fund balances at 1 April	107	113
Payments from funds during year	0	0
Income received by funds in the year	6	3
Balance at 31 March	113	116

The Council also holds balances on behalf of schools totalling £1,080,000 (£1,031,000 in 2008-09), custody accounts to the value of £1,157,000 (£1,028,000 in 2008-09) and amenity funds of £31,000 (nil in 2008-9).

36. RESERVES & BALANCES HELD BY SCHOOLS UNDER DELEGATED SCHEMES

	2008-09		2009-10	
	No of Schools	£'000	No of Schools	£'000
Schools in Surplus	55	10,170	56	11,414
Schools in Deficit	4	(1,854)	3	(1,897)
TOTAL	59	8,316	59	9,517

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 practically 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.

Balances held by 5 schools whose records are maintained outside of the Council's financial systems have previously been excluded from the Council's accounts. A total of £2,158,304 has been included for 2009-10 and the other related balance sheet elements (cash, debtors, creditors and receipts in advance) adjusted accordingly. No comparable figures are available for 2008-09.

37. 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 2009-10 are as follows:

	Central Expenditure	ISB	Total
	£'000	£'000	£'000
Final DSG for 2009-10			144,030
Brought forward from 2008-09			3,225
Carry forward to 2010-11 agreed in advance			0
Agreed budgeted distribution in 2009-10	16,339	130,916	147,255
Actual central expenditure	13,114		
Actual ISB deployed to schools		130,916	
Local authority contribution for 2009-10	0	0	0
Carry forward to 2010-11	3,225	0	3,225

38. PENSION SCHEMES

a) Teachers Pensions

In 2009-10 the Council paid £10.321 million (£9.849 million in 2008-09) to the Department for Children Schools and Families in respect of employer's contributions representing 14.1% (2008-09, 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) 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 Reporting 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:

	2008-09 £'000	2009-10 £'000
Net Cost of Services		
Current Service Costs	11,778	10,257
Past Service Costs	4,734	728
Curtailments & Settlements	1,380	1,139
Net Operating Expenditure:		
Interest Cost	34,322	33,655
Expected Return on Assets in the Scheme	(28,469)	(19,702)
Net Charge to the Income & Expenditure Account:	23,745	26,077
Statement of Movement on the General Fund Balance:		
Reversal of Net Charges made for Retirement Benefits in Accordance with FRS17	(23,745)	(26,077)
Actual Amount Charged Against the General Fund Balance for Pensions in the Year:		
Employers Contributions	16,526	20,138
Retirement Benefits to Pensioners	18,032	19,175

d) Assets and Liabilities in Relation to Retirement Benefits

The reconciliation of present value of the scheme liabilities attributable to the Council at 31 March 2010 are as follows:

	2008-09	2009-10
	£'000	£'000
Opening Balance	495,110	488,680
Current Service Cost	11,778	10,257
Interest Cost	34,322	33,655
Contributions from Members	6,441	6,836
Actuarial Losses / (Gains)	(45,459)	265,033
Losses / (Gains) on Curtailments	1,380	1,139
Benefits Paid	(18,032)	(19,175)
Estimated Unfunded Benefits Paid	(1,594)	(1,666)
Past Service Cost	4,734	728
Closing Balance	488,680	785,487

e) Reconciliation of the Fair Value of the Scheme Assets Attributable to the Council

	2008-09	2009-10
	£'000	£'000
Opening Fair Value of Employer Assets	391,281	313,987
Expected Return on Assets	28,469	19,702
Contribution by Members	6,441	6,836
Contributions by the Employer	16,526	20,138
Contribution in Respect of Unfunded Benefits	1,594	1,666
Actuarial Gains / (Losses)	(110,698)	83,193
Unfunded Benefits Paid	(1,594)	(1,666)
Benefits Paid	(18,032)	(19,175)
Closing Value	313,987	424,681

The LBBP Pension Fund funding level as at the 2007 Actuarial valuation (the latest available) was 88%.

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

	2005-06	2006-07	2007-08	2008-09	2009-10
	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	363,953	385,420	391,281	313,987	424,681
Present Value of Defined Benefit Obligation	(507,110)	(509,920)	(495,110)	(488,680)	(785,487)
Surplus / (Deficit)	(143,157)	(124,500)	(103,829)	(174,693)	(360,806)
Experience Gains / (Losses) on Assets	39,250	(6,163)	(22,966)	(110,698)	83,193
Experience Gains / (Losses) on Liabilities	(2,622)	710	(30,284)	62	(979)

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

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

	2008-09	2009-10
	£'000	£'000
Fair Value of Employer Assets	313,987	424,681
Present Value of Funded Liabilities	(466,340)	(759,205)
Net (Under) / Overfunding in Funded Plans	(152,353)	(334,524)
Present Value of Unfunded Liabilities	(22,341)	(26,282)
Net Asset / (Liability) as per Balance Sheet	(174,694)	(360,806)

h) **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 £360.8million is a significant item, representing approximately 33.2% of the Council's net worth as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit on the 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:

Band	Pay Range	Contribution Rate
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 2010 valuation is currently in progress.

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

	2008-09 % p.a.	2009-10 % p.a.
Inflation / Pension Increase Rate	3.1%	3.8%
Salary Increase Rate	4.6%	5.3%
Expected Return on Assets	6.2%	6.8%
Discount Rate	6.9%	5.5%

LBBB Pension Fund assets consist of the following categories, by proportion of total assets held:

	2008-09 % p.a.	2009-10 % p.a.
Equity	7.0%	7.8%
Bonds	5.4%	5.0%
Property	4.9%	5.8%
Cash	4.0%	4.8%

Mortality Assumptions

	Males	Females
Longevity at 65 for Current Pensioners	20.8 years	24.1 years
Longevity at 65 for Future Pensioners	22.8 years	26.2 years

Commutation Assumptions

An allowance is included for future life expectancy to elect to take 30% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 report for historic average future life expectancies at age 65.

i) Return on Assets

The fund assets and long-term rate of return for the LBBB Pension Fund were valued at £424.7m as at 31 March 2010 (£314.0m as at 31 March 2009).

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

	31 March 2009			31 March 2010		
	Long Term Return %	Assets £'000	Proportion %	Long Term Return %	Assets £'000	Proportion %
Equities	7.00%	178,973	57%	7.8	259,055	61%
Bonds	5.40%	97,336	31%	5	106,170	25%
Property	4.90%	28,259	9%	5.8	29,728	7%
Cash	4.00%	9,420	3%	4.8	29,728	7%
Total		313,988	100%		424,681	100%

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole. This valuation differs from the value of assets in the Pension Fund account. The reason for this is that the FRS 17 valuation takes into account assumptions around the long term returns on equities, bonds and property,

projecting forward. It is therefore not possible to draw a direct link between these values and those in the pension fund account.

j) Actuarial Gains and Losses

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

	2005-06 £'000	2006-07 £'000	2007-08 £'000	2008-09 £'000	2009-10 £'000
Actuarial Gains & Losses	(19,052)	24,140	22,332	(63,544)	(181,840)
Increase/(Decrease) in Irrecoverable Surplus from Membership	0	0	0	0	0
Actuarial Gains/(Losses) Recognised in STRGL	(19,052)	24,140	22,332	(63,544)	(181,840)
Cumulative Actuarial Gains & Losses	(72,192)	(48,052)	(25,720)	(89,264)	(271,104)

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

	2008-09 £'000	2009-10 £'000
(Deficit) for the year as per Income & Expenditure Account	(65,038)	(46,479)
Surplus on Collection Fund	165	63
NET DEFICIT FOR THE YEAR	(64,873)	(46,416)
Non-Cash Transactions		
Depreciation	19,040	32,454
Revaluation decreases written off to Income & Expenditure	35,218	33,825
Amortisation of Deferred Government Grants	(3,488)	(17,023)
Grants funding Revenue Funded from Capital under Statute	(7,707)	(2,660)
Net PFI debtor adjustments	758	0
Pension Fund adjustments	7,219	5,939
Contributions to/from provisions	1,305	2,977
Other Non-cash transactions	0	782
	52,345	56,294
Adjustment for items reported separately on cash flow		
Interest and investment income	(4,710)	(3,486)
Interest payable	1,214	5,947
Revenue Expenditure Funded from Capital Under Statute	18,348	10,058
(Surplus)/Loss on disposal of fixed assets	(2,772)	(2,641)
	12,080	9,878
Items on an accruals basis		
(Increase)/Decrease in Stock	22	(32)
(Increase)/Decrease in Debtors	14,724	(5,707)
Increase/(Decrease) in Creditors	15,116	(8,866)
	29,862	(14,605)
Net Cash Inflow/(Outflow) from Revenue Activities	29,414	5,151

40. 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	Loans due after one year £'000	Deferred Liabilities £'000	Net Debt £'000
Balance at 1 April	(2,320)	98,938	96,618	(3,300)	(50,750)	(27,186)	15,382
Cashflows in year	(1,843)	895	(948)	3,300	(20,000)	377	(17,271)
Other non-cash changes	0	1,038	1,038	0	0	0	1,038
Net Cash Outflow	(4,163)	100,871	96,708	0	(70,750)	(26,809)	(851)

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

	2008-09 £'000	2009-10 £'000
Increase/(Decrease) in cash in year	3,632	(1,843)
Cash (Outflow) from Management of Liquid Resources	(7,096)	895
Cash inflow from:		
New loans raised	(115,650)	(20,000)
Cash outflow from:		
Loans repaid	62,350	3,677
Change in net debt resulting from cash flows	(56,764)	(17,271)
Other non-cash changes:		
Adjustments following re-measurement of loans	0	0
Accrued interest	1,763	1,038
Transfers to/from Long Term Investments	0	0
	1,763	1,038
Net debt brought forward	29,246	15,382
Net debt carried forward	(25,755)	(851)

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

	2008-09 £'000	2009-10 £'000	Change in year £'000
Short term investments	98,938	100,871	1,933
Cash	48	36	(12)
Bank overdraft	(2,368)	(4,199)	(1,831)
Increase in year	96,618	96,708	90

41. **ANALYSIS OF GOVERNMENT REVENUE GRANTS**

	2008-09 £'000	2009-10 £'000
Revenue Support Grant	11,660	18,603
DWP Grants for Housing Benefit:		
- Tenants' Rent Allowance	44,947	51,301
- Tenants Rent Rebates	51,878	51,958
- Council Tax Benefit subsidy	19,132	19,748
- Housing Benefit Administration	1,323	1,497
- Council Tax Benefit Administration	958	1,084
	118,238	125,588
Other Revenue Grants:		
- Education & Libraries	190,834	194,578
- General Purposes	1,370	1,558
- Social Services	5,720	7,235
- Housing & Health	2,755	3,195
- Regeneration	10,790	3,996
	211,469	210,562
Total of Revenue Grants	341,367	354,753

42. 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 2010.

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	
	2008/09 £'000	2009/10 £'000	2008/09 £'000	2009/10 £'000
Borrowing:				
Financial Liabilities at Amortised Cost	50,000	70,000	4,050	750
Total Borrowing	50,000	70,000	4,050	750
Investments:				
Loans and receivables	25,497	15,018	38,381	54,080
Fair value through Profit and Loss	0	0	60,557	46,791
Total Investments	25,497	15,018	98,938	100,871

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 2010 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	(2,015)	0	0	0	(2,015)
Interest income	0	2,163	0	1,303	3,466
Net gain/(loss) for year	(2,015)	2,163	0	1,303	1,451

Interest covering all Council Funds (such as the HRA) is included above

FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

The table below shows the Council's long-term borrowing as at 31 March 2010. The Council had no short term borrowing or finance leases as at 31 March 2010:

	Carrying Amount £'000	Fair Value £'000
PWLB – maturity	30,517	32,569
LOBO's	40,233	43,477
Total Financial Liabilities	70,750	76,046

The calculations are made using the following assumptions:

- i) Information provided by the Public Works Loans Board (PWLB) on the value of the loans outstanding at 31 March 2010
- ii) Information provided by Sector Treasury Services Ltd regarding the LOBO

FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	2008-09		2009-10	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	132	132	22,704	22,704
Deposits with banks and building societies	48,619	102,681	35,704	35,443
Callable deposits and money market deposits	75,684	23,012	57,481	57,481
Total Financial Assets	124,435	125,825	115,889	115,628

The calculations are made using the following assumptions:

- i) Information provided by Royal Bank of Scotland in relation to callable range accruals investments
- ii) Information provided by Sector Treasury Services Ltd regarding other assets
- iii) Information provided by Investec and Scottish Widows

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 43 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 25.

43. 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:

- o Credit risk – this could arise if other parties fail to pay money due to the Council
- o Liquidity risk – the possibility that the Council will not have enough funds available to make payments towards its commitments
- o Re-financing risk
- o 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 *Revised CIPFA Prudential Code for Capital Finance 2009*, the *Revised CIPFA Treasury Management in the Public Services Code of Practice* and investment guidance issued through the Act. In addition the Council complies a number of Treasury

Management Practices (TMPs) prepared in accordance with the Code of Practice and Cross-Sectoral Guidance Notes.

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 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 2009/10 this was 25%.
- Prepare an annual investment strategy for each following year which its Assembly will approve along with the Council tax report. This will state the Council's criteria for:
 - Investing
 - Its criteria for selecting investment counter parties and the limits applicable.
 - The Council's compliance with government guidance
- Report annually on its performance to the Assembly
- 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, Moody's credit ratings and cds data which it receives from its advisers Sector Treasury Services as a basis for assessing credit risk as well as other market information. The Council's money market investments comply with the Institutional Money Market Funds Association (IMMFA)

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 default has been experienced over the 5 last years on its investments. 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:

	Criteria	Amount invested at 31 March 2010 £'000
Deposits with Banks	'AAA' rated	1,903,394
	'AA' rated	81,874,394
	'A' rated	24,322
Deposits with Building Societies	'AA' rated	13,303,388
Deposits with Money Market Funds	'AAA' rated	18,783,961
Total Investments		115,889,459

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 2009-10 this was £90 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.

Maturity analysis of financial liabilities

The table below shows the maturity analysis of all loans outstanding at 31 March 2010:

Period	Number of Loans Outstanding at 31 March 2010	£'000
Less than one year and short term		
market loans	0	0
PWLB	0	0
Between 2 and 5 years		
market loans	2	20,002
PWLB	3	31,217
More than 10 years		
market loans	2	20,796
PWLB		
Total	7	72,015

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.

44. 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:

	2008-09 £'000	2009-10 £'000
Balance brought forward	68,157	80,706
Net additions during year	16,037	31,250
Amounts released to revenue to offset depreciation	(3,488)	(3,825)
Amounts written off	0	(13,198)
Balance carried forward	80,706	94,933

HOUSING REVENUE ACCOUNT

2008-09			Notes	2009-10	
£'000	£'000			£'000	£'000
		INCOME			
(73,334)		Dwelling Rent		(71,433)	
(2,750)		Non Dwelling Rents		(2,446)	
(4,106)		Service Charges		(8,958)	
(2,198)		Other Income		(1,970)	
(265)		Contributions towards Expenditure		(5,067)	
	(82,653)	TOTAL INCOME			(89,874)
		EXPENDITURE			
22,680		Repairs & Maintenance		25,157	
28,270		Supervision & Management		28,452	
709		Rent, Rates, Taxes & Other Charges		611	
17,052		Negative HRA Subsidy Payable	5	18,111	
		Negative HRA Subsidy Transferable to General Fund under Transitional Arrangements		31	
3,217		Depreciation of Fixed Assets	8	13,127	
13,724		Increase in Bad Debt Provision		620	
300		TOTAL EXPENDITURE			86,109
	85,952				
		NET COST OF HRA SERVICES PER AUTHORITY INCOME & EXPENDITURE ACCOUNT			(3,765)
	3,299				
		HRA Services Share of Corporate & Democratic Core		811	811
	792				
	4,091	NET COST OF HRA SERVICES			(2,954)
(2,527)		Gain on sale of HRA assets		(1,595)	
(2,018)		Interest & Investment Income		(928)	
0		Pensions Interest Cost and expected return on Pensions Assets		537	
	(4,545)				(1,986)
	(454)	(SURPLUS) FOR THE YEAR ON HRA SERVICES			(4,940)

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

2008-09 £'000		2009-10 £'000
(454)	(Surplus) for the year on the HRA Income & Expenditure Account	(4,940)
3,284	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year (Note 11)	2,302
2,830	(Increase)/decrease in the Housing Revenue Account Balance	(2,638)
(2,948)	Housing Revenue Account Surplus b/fwd	(118)
(118)	Housing Revenue Account Surplus C/F	(2,756)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. COUNCIL HOUSING STOCK

	31 March 2009 Total	Houses	Flats	31 March 2010 Total
One Bedroom	4,891	252	4,628	4,880
Two Bedroom	8,131	5,107	2,967	8,074
Three Bedroom	6,111	4,231	1,840	6,071
More than Three Bedrooms	167	154	23	177
TOTAL	19,300	9,744	9,458	19,202

During the year 51 properties were sold under the Right to Buy legislation.

2. RENT ARREARS

	31 March 2009 £'000	31 March 2010 £'000
Current Tenants	2,379	2,918
Past Tenants	1,740	2,104
Total Housing Tenants	4,119	5,022
Commercial Rents	245	450
Total Rent Arrears	4,364	5,472
Provision for Bad Debts	2,444	3,064

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 2009 £'000	31 March 2010 £'000
Operational Fixed Assets		
Council Dwellings	906,423	1,006,286
Other Land & Buildings	8,811	6,831
Non Operational Fixed Assets		
Investment Properties	20,611	20,565
Assets surplus to requirements	35	35
	935,880	1,033,717

The vacant possession value of dwellings at 31 March 2010 was £2.73 billion (31 March 2009, £2.45 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:

	2008-09 £'000	2009-10 £'000
Opening Balance 1st April	4,600	0
Contributions During Year	795	0
Major Repairs Allowance	12,929	13,489
Expenditure Incurred During Year	(17,529)	(14,339)
Contribution towards Depreciation Charge	(795)	850
Closing Balance 31 March	0	0

5. HOUSING SUBSIDY

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

2008-09 £'000			2009-10 £'000	
£'000	£'000		£'000	£'000
(39,861)	(52,790)	Notional Management & Maintenance	(39,620)	(53,109)
(12,929)		Major Repairs Allowance	(13,489)	
68,767	69,842	Notional Rent	71,763	71,220
(185)		Rental Constraint Allowance	0	
1,260		Caps & Limits Adjustment	(972)	
		Interest on Credit Ceiling	429	
	17,052	Subsidy Payable		18,111

6. CAPITAL RECEIPTS GENERATED

The capital receipts generated are as follows:

	2008-09 £'000	2009-10 £'000
Right to Buy receipts	5,211	4,554
Mortgage principal repayments	231	202
Amounts paid to the Capital Receipts Pool	(3,328)	(3,256)
	2,114	1,500

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 2009-10, the contribution to the pool totalled £3.256 million (2008-09, £3.328 million) subject to the recovery of unclaimed eligible expenditure of £1.656 million. Further information is also shown at Note 3 to the Core Financial Statements.

7. SUMMARY OF HRA CAPITAL EXPENDITURE

2008-09 £'000		2009-10 £'000
	Expenditure	
30,208	Housing Futures	20,532
2,161	Disabled Adaptations	1,295
32,369	Total Capital Expenditure	21,827
	Financed By	
14,840	Usable Capital Receipts	0
17,529	Major Repairs Reserve	14,339
0	Other Contributions	7,488
32,369	Total	21,827

8. DEPRECIATION AND AMORTISATION

2008-09 £'000		2009-10 £'000
13,283	Council Dwellings	12,639
441	Other Land & Buildings	102
0	Vehicles, Plant & Equipment	0
0	Intangible Assets	386
13,724	TOTAL	13,127

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%.

9. IMPAIRMENT

The Council commissioned an impairment review from its valuers, Wilks Head & Eve. The conclusion of the valuers was that for all council dwellings the average increase in value amounted to 7.5% or £68.9 million, as at the valuation date of 1 April 2009, compared to a reduction in value of 20.1% or £182.8 million for the previous year. Consequently no impairment arose and the increase in value was added to the Revaluation Reserve for the HRA in accordance with recommended practice.

10. PENSION CONTRIBUTIONS

In order to ensure full compliance with the requirements of FRS 17 'Retirement Benefits' with effect from 2009/10, the Council commissioned a separate report from the actuaries, Hymans Robertson, to provide the necessary information. However, the information disclosed in the HRA has been prepared on an approximate basis as the HRA is not recognised as an employer distinct from the London Borough of Barking & Dagenham so there is no membership data on which to base the necessary calculations. In previous years, the accounting entries were restricted to current service cost only. There is therefore no comparative data in respect of pensions interest cost and expected return on assets.

The amount included in the Net Cost of Services is compensated for 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.

2008-09 £'000		2009-10 £'000
	<i>Items included in the HRA Income & Expenditure Account but excluded from the movement on the HRA Balance for the year</i>	
255	Capital expenditure funded by the HRA	500
2,527	Surplus on disposal of assets	1,595
(1,253)	Net charges made for retirement benefits in accordance with FRS 17 (Note 10)	(1,580)
1,529		515
	<i>Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the year</i>	
389	Transfer to/(from) Insurance Reserve	(892)
(795)	Transfer to/(from) Major Repairs Reserve (Note 4)	850
(214)	Transfer to/(from) Rental Income Reserve	(215)
826	Transfer to/(from) Leasehold Repairs Reserve	(3)
1,549	Employer's pension contributions payable to LBBB Pension Fund (Note 10)	2,047
1,755		1,787
3,284	Net additional amount as per summary	2,302

THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

2008-09			Notes	2009-10	
£'000	£'000			£'000	£'000
		Income			
(50,811)		Net Income receivable from Council Tax		(50,385)	
(18,743)		Transfer from General Fund: - Council Tax Benefits		(19,611)	
(48,254)		Income Collectable from Business Rate Payers		(49,126)	
(120)		Transfers from General Fund: - Discretionary Relief		(130)	
(581)		Contribution to Previous Year Deficit	4	(539)	
	(118,509)	Total Income			(119,791)
		Expenditure			
68,207		Precepts	3	68,337	
47,092		Business Rate: - Payment to National Pool	5	48,023	
282		- Costs of Collection		277	
592		Bad & Doubtful Debts/Appeals: - Write Offs		1,353	
2,171		- Provisions		1,738	
	118,344	Total Expenditure			119,728
	(165)	DEFICIT / (SURPLUS)			(63)
	907	Balance at 1 April 2009			742
	742	Balance at 31 March 2010			679
	569	LBB Share of Deficit/ (Surplus)			521
	173	GLA Share of Deficit/ (Surplus)			158
	742				679

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 2009-10 (2008-09, £1,326.22) comprising:-

	2008-09	2009-10
London Borough of Barking and Dagenham	1,016.40	1,016.40
Greater London Authority	309.82	309.82
	1,326.22	1,326.22

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	5,566.95	3,710.8
B	8,725.95	6,786.9
C	37,172.50	33,042.1
D	7,375.95	7,376.0
E	1,522.40	1,860.7
F	306.45	442.7
G	38.90	64.8
H	6.70	13.4
	60,715.80	53,297.4

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 **51,527.5** Band 'D' equivalent properties (2008-09, 51,429.50).

3. PRECEPTING AUTHORITIES

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

	2008-09 £'000	2009-10 £'000
London Borough of Barking and Dagenham	52,273	52,373
Greater London Authority	15,934	15,964
	68,207	68,337

4. **SURPLUS / DEFICIT TRANSFERRED**

This figure represents the transfer of the estimated deficit on the Council Tax Collection Fund account as at 31 March 2010 to the London Borough of Barking and Dagenham's General Fund and to the Greater London Authority in 2009-10.

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:

	2008-09 £'000	2009-10 £'000
Surplus/(Deficit)	(742)	(679)
Provisions made in: - 2009-10 budget - 2010-11 budget	(539)	(640)
Additional provision to be made in: - 2010-11 - 2011-12	(203)	(39)
Total Surplus/(Deficit) to be provided for in future budget setting process	(742)	(679)

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:-

	2008-09 £'000	2008-09 £'000	2009-10 £'000	2009-10 £'000
Amount due from ratepayers net of transitional, mandatory and empty property relief		48,424		49,319
Less Amount of additional discretionary relief granted chargeable to pool	(49)		(63)	
Less Cost of Collection Including Interest Provision for Bad Debts And Write-offs	(282) (1,001)		(277) (956)	
		(1,332)		(1,296)
Contribution to Pool		47,092		48,023

The contribution received from the pool in 2009-10 was £80.60m and this was credited direct to the Council's General Fund.

	2008-09	2009-10
The Rateable Value at 31 March was	£115,692,009	£115,795,374
The Uniform rate in the pound (or multiplier) for premises with rateable values below £21,500 was	45.8	48.1
The Uniform rate in the pound (or multiplier) for premises with rateable values above £21,501 was	46.2	48.5

PENSION FUND ACCOUNTS 2009-10

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 in respect of these accounts is as an Administering Body to the London Borough of Barking and Dagenham Pension Fund.

The 2009/10 pension fund accounts report two separate accounts:

- Fund Account; and
- Net Assets Statement

The accounts were authorised for issue by the Corporate Director of Finance and Commercial Services on 30 June 2010

2. Review of the Statements

Pension Fund Account

The net assets of the pension fund have increased by £136m to £549m (£413m in 2008-09) 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:

- Net Return on Investments was £136m;
- Investment income decreased by £2.2m;
- Employer contribution rate remained the same as last year;
- Employee contributions continues to be paid on a tiered basis; and
- Net income on the fund increased by £1.8m

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 Corporate Director of Finance and Commercial Services who is responsible for presenting fairly the financial position of the pension fund as at 31 March 2010.

In preparing these accounts the Corporate Director of Finance and Commercial Services 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 a true and fair view of the financial position of the London Borough of Barking and Dagenham Pension Fund at 31 March 2010 and its income and expenditure for the period.

Tracie Evans
Corporate Director of Finance & Commercial Services

30 June 2010

PENSION FUND ACCOUNT

2008-09			Note	2009-10	
£'000	£'000			£'000	£'000
		Contributions & Benefits			
		Contributions receivable:	3		
19,483		- from employers (administering body)		20,124	
3,361		(scheduled bodies)		5,102	
1,842		(admitted bodies)		902	
	24,686				26,128
6,700		- from employees (administering body)		6,831	
1,357		(scheduled bodies)		1,701	
658		(admitted bodies)		300	
	8,715				8,832
	3,797	Transfers In - Individuals	5		7,773
	37,198	Total Contributions (A)			42,733
		Benefits payable:	4		
16,098		- Pensions (administering body)		17,660	
2,038		(scheduled bodies)		2,686	
690		(admitted bodies)		498	
	18,826				20,844
6,173		- Lump sums (administering body)		5,908	
242		(scheduled bodies)		608	
406		(admitted bodies)		77	
	6,821				6,593
		Payments to & on account of leavers			
4		- Refunds of contributions		6	
3,327		- Transfers out	5	5,353	
	3,331				5,359
678		- Administrative & other expenses	11	573	
	678				573
	29,656	Total Benefits & Expenses (B)			33,369
	7,542	Net Income (withdrawals) (A less B)			9,364
		Returns on Investments			
15,303		- Investment income	13	13,045	
(116,064)		- Change in market value of investments (realised & unrealised)		116,006	
(2,298)		- Investment management expenses	12	(2,215)	
	(103,059)	Net Returns on Investments			126,836
	(95,517)				136,200
20,547		Net new money invested		20,194	
(69,939)		Change in market value of investments:			
(46,125)		Net realised profits/(losses)		22,463	
		Net unrealised profits/(losses)		93,543	
	(95,517)	Net increase/(decrease) in the fund during the year			136,200
	508,603	Opening net assets at 1 April 2009			413,086
	413,086	Closing Net Assets at 31 March 2010			549,286

PENSION FUND NET ASSETS STATEMENT

31 March 2009			Notes	31 March 2010	
£'000	£'000			£'000	£'000
		INVESTMENTS ASSETS	10		
70,900		Fixed Interest Securities - Public Sector		76,101	
83,232		U.K. Equities - quoted		115,358	
125,177		Foreign Equities		218,864	
1,255		Foreign Fixed Interest Securities		200	
34,211		Pooled Investments - Property		36,624	
69,725		Pooled Investments - Other		65,034	
1,280		Short Term Investments		0	
7,668		Cash held by Investment Managers		9,064	
20,416		Internal Investments		28,376	
	413,864				549,621
1,969		Other Investment Balances (note)		1,836	
9,479	11,448	Outstanding trades		6,617	8,453
	(11,507)	INVESTMENT LIABILITIES			
		Outstanding Trades			(8,369)
		CURRENT ASSETS	14		
281		Debtors - Contributions due from Employers		137	
	281				137
		CURRENT LIABILITIES	14		
(503)		Unpaid Benefits		(21)	
(497)	(1,000)	Creditors		(537)	(558)
	413,086	TOTAL NET ASSETS			549,284

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.

Included in Aberdeen Asset Management is an option with a market value £239k

NOTES TO THE PENSION FUND

1. ACCOUNTING POLICIES

(i) **Investment Valuation**

- Quoted investments are valued at bid price at 31 March 2010 where there is an active market rather than mid-market value 31 March 2010.
- 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.
- 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 2010. All foreign currency transactions are translated into sterling at exchange rates ruling at closing rate of exchange.
- Options and Futures where used are valued on a fair value, mark to market basis.
- Industrial and commercial properties are valued at open market prices as at 31 December 2009 and then indexed in line with the Investment Property Databank Monthly Index movement to 31 March 2010.

(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 2010 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) **Taxation**

- a) UK Income Tax – The Fund is an exempt approved fund and therefore not liable to UK income tax on interest, dividends and property income, or to capital gains tax;
- b) Value Added Tax – VAT input tax is recoverable on all fund activities by LBBB as the administering authority;

c) Overseas Tax – Income from the USA is exempt from US taxes. Taxation agreements exist between Britain and certain EC and other countries whereby a proportion of the tax deducted locally from investment income may be reclaimed. The proportion reclaimable and the timescales involved vary from country to country. Non-recoverable deductions are classified as withholding tax.

(ix) **Going Concern** – The Pension Fund Accounts have been prepared on a going concern basis

2. OPERATIONS AND MEMBERSHIP

The Fund is established under the provisions of the Superannuation Act of 1972 to provide pensions and other retirement benefits for the Council's employees other than teachers, and the Scheduled and Admitted Bodies detailed below. The 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 2nd March 2009.

The table below shows the employer contribution rates:

EMPLOYER	Minimum Contribution for the Year					
	31/03/09	Additional Monetary Deficit Payment £'000	31/03/10	Additional Monetary Deficit Payment £'000	31/03/11	Additional Monetary Deficit Payment £'000
Administering Body:						
London Borough of Barking & Dagenham	17.00%	0	18.00%	0	19.00%	0
Scheduled Body:						
University of East London	17.00%	0	19.20%	0	19.20%	0
Barking College	14.50%	0	15.80%	0	17.10%	0
Admitted Bodies:						
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 2010:

Membership Numbers	Active	Pensioners	Deferred	Undecided	Frozen
Administering Body:					
London Borough of Barking & Dagenham	4,452	3,709	2,872	77	246
Scheduled Bodies:					
University of East London	668	541	575	12	67
Magistrates Court	0	11	11	0	2
Barking College	229	94	140	2	12
Admitted Bodies:					
Barking Council for Voluntary Services	0	0	2	1	0
Age Concern	22	42	14	0	2
Abbeyfield Barking Society	0	4	1	0	1
Barking & Dagenham Citizens Advice Bureau	2	0	3	0	0
London Riverside	0	2	5	0	0
Enterprise (Thames Accord)	117	54	41	4	1
East London E-Learning	4	0	5	0	0
Disablement Association of Barking & Dagenham	1	0	0	0	0
TOTAL	5,495	4,457	3,669	96	331

3. CONTRIBUTIONS RECEIVABLE

3a) The table below shows the employers contribution receivable at 31 March 2010:

EMPLOYER	2008-09				2009-10			
	Normal	Addn Retirement costs	Deficit Funding	Total	Normal	Addn Retirement costs	Deficit Funding	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Administering Body London Borough of Barking & Dagenham	16,637	2846	0	19,483	17,918	2,206	0	20,124
Scheduled Body University of East London	3,336	25	0	3,361	4,207	28	0	4,235
Barking College	639	73	0	712	809	57	0	866
Admitted Bodies:								0
Age Concern	105	0	106	211	77	0	0	77
Abbeyfield Barking Society	8	0	0	8	14	0	0	14
Barking & Dagenham Citizens Advice Bureau	8	0	0	8	8	0	0	8
London Riverside	0	0	0	0	0	0	0	0
Enterprise (Thames Accord)	733	146	0	879	707	73	0	780
East London E-Learning	21	0	0	21	14	0	0	14
Disablement Association of Barking & Dagenham	3	0	0	3	9	0	0	9
	21,490	3,090	106	24,686	23,763	2,364	0	26,127

3b) The table below shows the employees contributions receivable at 31 March 2010:

	Normal	Addn Retirement costs	Total	Normal	Addn Retirement costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Administering Body London Borough of Barking & Dagenham	6,492	208	6,700	6,727	104	6,831
Scheduled Body University of East London	1,354	3	1,357	1,353	0	1,353
Barking College	290	0	290	334	13	347
Admitted Bodies:						
Age Concern	32	0	32	23	0	23
Abbeyfield Barking Society	2	0	2	1	0	1
Barking & Dagenham Citizens Advice Bureau	4	0	4	4	0	4
London Riverside	0	0	0	0	0	0
Enterprise (Thames Accord)	305	11	316	261	0	261
East London E-Learning	12	0	12	9	0	9
Disablement Association of Barking & Dagenham	2	0	2	2	0	2
	8,493	222	8,715	8,714	117	8,831

4. BENEFITS PAYABLE

The table below shows the benefits payable at 31 March 2010:

EMPLOYER	2008-09 £'000	2009-10 £'000	2008-09 £'000	2009-10 £'000	2008-09 £'000	2009-10 £'000
	Pensions	Pensions	Lump Sum	Lump Sum	Death Grant	Death Grant
Administering Body: London Borough of Barking & Dagenham	16,098	17,661	5,286	5487	887	421
Scheduled Bodies: University of East London	1,999	2,179	229	537	8	63
Barking College	225	465	136	0	121	8
Magistrates Court	39	41	5	0	0	
Admitted Bodies: Age Concern	45	60	10	21	0	0
Abbeyfield Barking Society	2	4	0	10	0	0
London Riverside	11	11	0	0	0	0
Enterprise (Thames Accord)	393	409	139	40	0	5
East London E-Learning	14	14	0	0	0	0
Disablement Association of Barking and Dagenham	0	0	0	0	0	0
	18,826	20,844	5,805	6,095	1,016	497

5. TRANSFER VALUES

EMPLOYER	2008-09 £'000	2009-10 £'000	2008-09	2009-10
	Transfer In	Transfer In	Transfer Out	Transfer Out
Administering Body: London Borough of Barking & Dagenham	2,432	6,995	2,130	3703
Scheduled Bodies: University of East London	1,066	676	657	1183
Barking College	262	102	114	346
Magistrates Court	0	0	0	0
Admitted Bodies: Age Concern	0	0	0	0
Abbeyfield Barking Society	0	0	0	0
London Riverside	0	0	0	29
Enterprise (Thames Accord)	0	0	368	92
East London E-Learning	37	0	0	0
Disablement Association of Barking and Dagenham	0	0	58	0
	3,797	7,773	3,327	5,353

6. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Addition Voluntary Contributions administered by the Prudential, made by London Borough of Barking & Dagenham employees during the year amounted to £351k (2008-09 £338k). AVC is 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).

AVC was valued by Prudential at a market value of £4.63m (2008/09 £4.63m). The above figure includes employees of London Borough of Barking and Dagenham, Scheduled and Admitted Bodies.

7. 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 which began on 31 March 2010 is in progress.

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%
Total Contribution Rate	18.70%

(c) Funding Position

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

Funding Position	31/03/2007 £'000 p.a.
A. Value of assets	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. Total assessed cost of past service benefits	605,171
Funding surplus/ (shortfall) (A minus B)	(75,160)
Funding level (A as a percentage of B)	88%

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 2009-10 accounts:

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

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.

8. EARLY RETIREMENT CAPITAL CONTRIBUTIONS

The table below shows the split of early retirement capital contributions made by employer at 31 March 2010;

EMPLOYER	31/03/2009 £'000	31/03/2010 £'000
London Borough of Barking & Dagenham	2,846	2,206
University of East London	24	28
Barking College	73	57
Age Concern	0	0
Enterprise (Thames Accord)	146	73
Total	3,089	2,364

9. PURCHASE AND SALE OF INVESTMENTS

(a) The table below shows the purchases and sales on investments in 2009-10:

Investment Type	Sales £'000	Purchases £'000
Fixed Interest Securities - Public sector	42,364	48,413
UK Equities - quoted	121,743	112,272
Foreign Equities	241,799	263,075
Foreign fixed interest securities	512	278
Pooled Investments - Property	346	950
Pooled investments - other	7,818	1,209
Short term investments	267,145	265,865
Total	681,727	692,062

10. DETAILED ANALYSIS OF INVESTMENTS

The Council is required to disclose further details relating to investments

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

Manager	Value of Fund £'000	%
Aberdeen Asset Management	140,767	25.61%
Alliance Bernstein	162,816	29.62%
Goldman Sachs	177,508	32.30%
RREEF	40,154	7.31%
Internal	28,376	5.16%
Total	549,621	100.00%

Prior to the year-end, the Pension Fund approved indirect investments in M&G Investment Management Limited and Schroders. However, as at 31 March 2010, no transfer of cash had taken place.

(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 31st March 2010.

Asset Class	Aberdeen £'000	Alliance Bernstein £'000	Goldmans Sachs £'000	RREEF £'000	Total £'000
Fixed Interest Securities					
Public Sector	58,402	0	0	0	58,402
Index Linked	17,699	0	0	0	17,699
UK Equities - Quoted	3,600	49,998	61,760	0	115,358
Foreign Equities					0
Equities	0	109,275	109,186	0	218,461
Futures	0		402	0	402
Foreign Fixed Interest Securities	0	200	0	0	200
Pooled Investment –					
Property	0	0	0	36,624	36,624
Others	60,132	0	4,902	0	65,034
Cash					0
Cash	1,172	3,037	1,087	3,531	8,828
Options	-239	305	170	0	236
Total	140,766	162,815	177,507	40,155	521,244

11. ADMINISTRATIVE AND OTHER EXPENSES

The table below shows the administrative and other expenses in 2009-10:

Expense	2008-09 £'000	2009-10 £'000
Administrative and Processing	501	387
Audit Fee	38	35
Actuarial Fees	34	56
Legal and other Professional Fees	108	95
Total	681	573

Pension Fund legislative changes in 2009-10 now require the Pension Fund audit fees of £35,000 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

12. FUND MANAGER AND CUSTODIAN EXPENSES

The table below shows the split of fund manager and custodian expenses at 31 March 2010:

Fund Manager	2008-09 £'000	2009-10 £'000
Aberdeen Asset Management	338	234
Alliance Bernstein Asset Management	737	796
Goldmans Sachs Asset Management	638	678
RREEF	334	262
State Street (Custodian)	251	245
Total	2,298	2,215

13. INVESTMENT INCOME

The table below shows the split of investment income in 2009-10 by type:

Income	£'000
Fixed Interest income	3,132
Dividends	8,131
Property income	1,259
Interest – Managers cash balances	17
Interest LBBB internal cash	589
Currency gain / Losses	(105)
Stock Lending	19
Commission recapture	3
Total	13,045

14. DEBTORS AND CREDITORS

(a) The table below shows the split of debtors and creditors

Debtors	2008-09 £'000	2009-10 £'000
Investments		
Outstanding Divdends	1,967	1,834
Stocklending	2	2
Outstanding trades	9,479	6,617
	11,448	8,453
Others		
Pension contributions due	281	137
Tax reclaims	0	0
	281	137
Total	11,729	8,590

Creditors	2008-09 £'000	2009-10 £'000
Investments		
Outstanding trades	11,507	8,369
	11,507	8,369
Others		
Unpaid Benefits	503	21
Investment managers fees	360	477
Custodian fees	83	32
Advisors fees	16	20
Audit fee	38	8
	1000	558
Total	12,507	8,927

(b) STOCK RELEASED TO THIRD PARTIES

The fund is involved with a stock lending agreement via its custodians State Street bank as at 31 March 2010. £31.1m of stock was lent to counterparties with 104.69% collateral exposure.

15. RELATED PARTY TRANSACTIONS

The Pension Fund is a related party of the Council. All of the above transactions which includes £28.376m (2008/09 £20.416m) cash investments managed by the Council on behalf of the Fund, and pension administration costs of £370,676 (2008/09 £430,707) are related party transactions between the Council and Pension Fund

16. EMPLOYERS

AbbeyField Barking Society as at 31 March 2010 had no contributing member.

17. POST BALANCE SHEET EVENTS AND CONTRACTUAL COMMITMENTS

- (a) LBBD contract with Age Concern Barking & Dagenham ceased as at 31 March 2010. The charity went into administration on 1st April 2010. The claim for cessation liability has been submitted by the Council to the administrators of the charity. However the cessation claim may be subject to an adjustment for interest or fund returns between the date of cessation and the date of payment.
- (b) The contract for the Supply of Fleet Vehicles, Plant and Associated Services has been awarded to Translinc Limited. The Cabinet on 8 June 2010 approved Translinc's application seeking admission to the Council's Pension Fund as an admitted body thereby allowing Council staff transferred to its employ to remain as members of the Local Government Pension Scheme.

18 STATEMENT OF INVESTMENT PRINCIPLES

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

19 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

Audit of Accounts 2009/10

Issue of audit opinion

In my audit report for the year ended 31 March 2010 issued on 15 November 2010 I reported that, in my opinion, the financial statements gave a true and fair view, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

Issue of conclusion

As stated in my audit report for the year ended 31 March 2010 issued on 15 November 2010, I reported that in my opinion, in all significant respects, the London Borough of Barking and Dagenham made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

In my report dated 15 November 2010 I explained that the audit could not be formally concluded on that date until the Authority had prepared the Pension Fund Annual Report and made it available for me to review and consider whether it is consistent with the audited pension fund accounting statements. This work has now been completed. No other matters have come to my attention since the 15 November that would have a material impact on the financial statements on which I gave an unqualified opinion and value for money conclusion.

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
1st Floor
Millbank Tower
Millbank
London
SW1P 4HQ

7 December 2010

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2010. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes on pages 19 to 31. The pension fund 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 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 published by the Audit Commission in April 2008.

Respective responsibilities of the Corporate Director of Finance and Commercial Services and auditor

The Corporate Director of Finance and Commercial Services is responsible for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice. In preparing this pension fund accounting statements, the Interim Director of Finance is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgments and estimates that were reasonable and prudent;
- keeping proper accounting records which were up to date;
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

My responsibility is to audit the pension fund 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 pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, 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 also report to you whether, in my opinion, the information which comprises the commentary on the financial performance included within the Pension Fund Annual Report, is consistent with the pension fund accounting statements. That information comprises the information in the Management and Financial Performance Review and Investment Policy and Performance Report sections of the Annual Report.

I review whether the governance compliance statement referred to in the Pension Fund Annual Report reflects compliance with the requirements of the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. I report if it does not meet the requirements specified by the Department of Communities and Local Government or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting 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 pension fund accounting statements and related notes and consider whether it is consistent with the audited pension fund accounting statements. This other information comprises the remaining sections of the Pension Fund Annual Report.

I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund 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 pension fund 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 pension fund 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 pension fund 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 pension fund accounting statements and related notes.

Opinion

In my opinion:

- the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- the information given in the commentary on financial performance included within the Pension Fund Annual Report is consistent with the pension fund accounting statements.

Jon Hayes

District Auditor

Audit Commission

1st Floor Millbank Tower, Millbank, London SW1P 4HQ

7 December 2010

**SIGNATURE OF THE CHAIRMAN OF THE PUBLIC
ACCOUNTS AND AUDIT SELECT COMMITTEE TO THE
APPROVAL OF THE 2009-10 STATEMENT OF ACCOUNTS**

This Statement of Accounts for 2009-10 was approved by the Council's Public Accounts and Audit Select Committee on 30 June 2010 in accordance with delegated powers.

Councillor

**CHAIRMAN OF THE PUBLIC ACCOUNTS
AND AUDIT SELECT COMMITTEE**

30 JUNE 2010

Glossary of Terms

<u>Term</u>	<u>Definition</u>
Accounting Policies	The rules and practices adopted by the Council that dictate how transactions and events are shown or costed.
Accruals	Amounts included in the accounts to cover income and expenditure attributable to the financial year, but for which payment had not been received or made as at 31 March.
Actuarial Valuation	A review carried out every three years, by the actuary, on the assets and liabilities of the Pension Fund. The actuary reports to the Fund's trustees on the financial position and recommended employer's contribution rates.
Balance Sheet	A statement showing the position of the Council's assets and liabilities as at 31 March in each year.
Beacon Properties	The Council's housing stock is grouped into similar types and a sample from each type, known as beacon properties, are valued with the results being multiplied up to give a total value for each type.
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"> • A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control (e.g. the outcome of a court case) • A present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured.
Council Tax	Introduced in 1993 as a replacement for the community charge (Poll Tax). It is set by both the billing authority and precepting authority. The level is determined by the revenue expenditure requirement for each authority, divided by the council tax base for the year.
Council Tax Base	An amount calculated for each billing authority from which the grant entitlement of its area is derived. The number of properties in each band is multiplied by the relevant band proportion in order to calculate the number of band D equivalent properties in the area. The calculation allows for exemptions and discounts, appeals and a provision for non-collection.

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. In essence, all leases that do not meet the definition of a finance lease are accounted for as operating leases.
Operational Assets	Are fixed assets held and occupied, used or consumed by a local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.
Past Service Cost	For a defined benefit scheme, the increase in the value of benefits payable that was earned in prior years arising because of improvements to retirement benefits.

Post Balance Sheet Events	These events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the statement of accounts is signed.
Precept	A charge made on the collection fund by non-billing authorities such as the Greater London Authority, to finance its net expenditure.
Prior Year Adjustment	A material adjustment applicable to prior years arising from changes in accounting policies or from changes the correction of fundamental errors.
Private Finance Initiative (PFI)	Started in 1997/98, PFI offers a form of Private-Public Partnership in which local authorities do not buy assets but rather pay for the use of assets held by the private sector. As a result of changes in accounting conventions, assets acquired under a PFI scheme are now shown on the Balance Sheet.
Provision	An amount set aside for liabilities and losses which are likely to be incurred but where the exact amount and date on which it will arise is uncertain.
Rateable Value	The Valuation Office, (part of the Inland Revenue), assesses the rateable value of individual non-domestic properties. Business rate bills are set by multiplying the rateable value by the NNDR poundage set by the government for the year. (Domestic properties no longer have individual rateable values but are assigned to one of the eight valuation bands for council tax.
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	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.
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. The band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992 as A-6, B-7, C-8, D-9, E-11, F-13, G-15, and H-18 with band D acting as the 'standard' band. This means that Band A is 6/9ths of Band D, and so on.