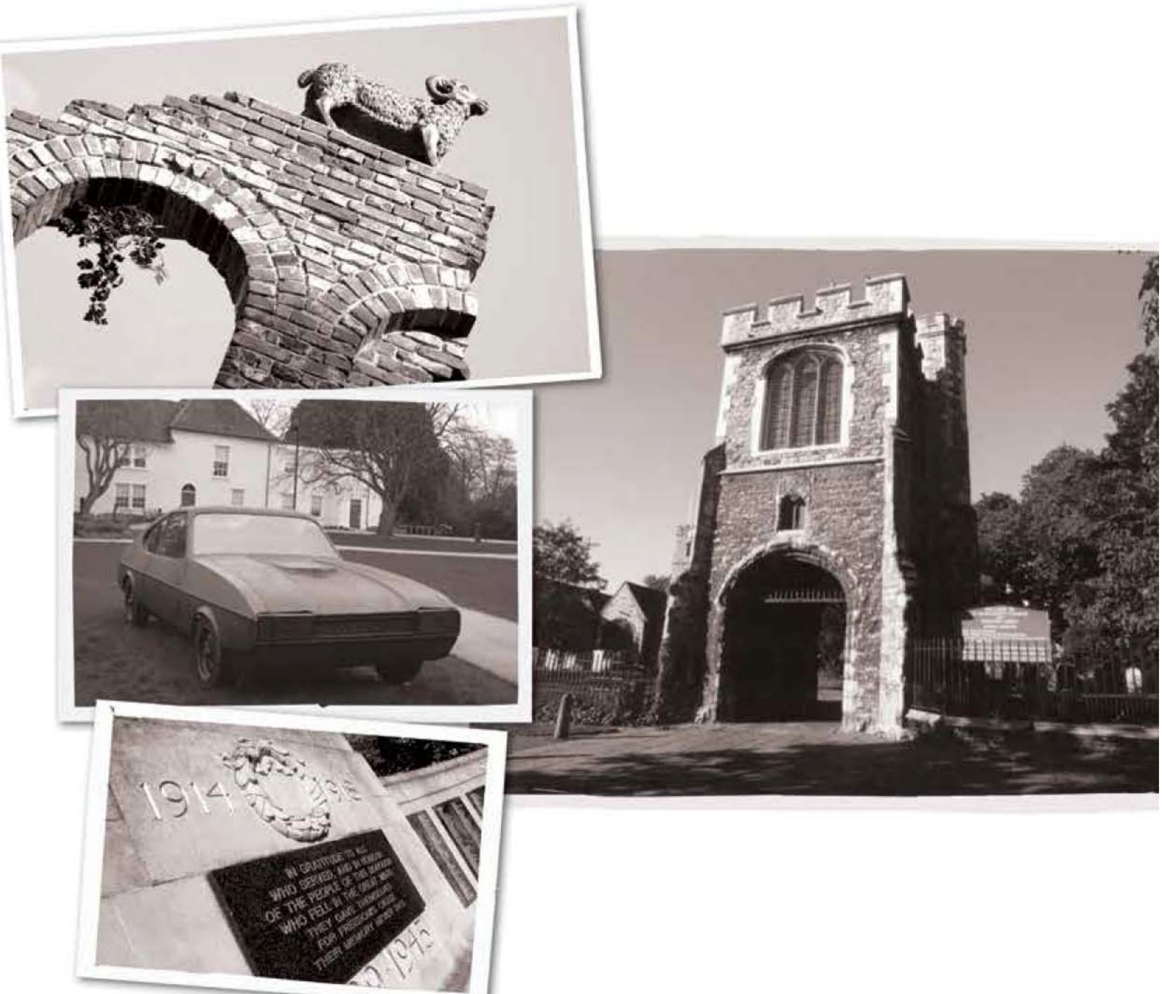
Statement of Accounts
2011-2012



London Borough of
Barking & Dagenham

Explanatory Foreword

The Council's audited accounts for the year 2011/12 consist of the following pages:

Introduction and Overview of the year 2011/12

This foreword has been prepared to provide a summary of the overall financial performance and financial management of the Council and to emphasise the importance of viewing these accounts alongside the financial outturn statement, reported to Cabinet on 26 June 2012. The accounts have been prepared in line with the guidance prescribed to the Council under International Financial Reporting Standards (**IFRS**) to enable consistent reporting across local authorities, the wider public sector and private sector organisations.

Impact of International Financial Reporting Standards

This is the second year that the Council has been required to produce accounts using IFRS and the accounts provide four core financial statements:

- The Movement in Reserves Statement; showing usable and unusable reserves
- The Comprehensive Income and Expenditure Statement; summarising all of the Council's income and expenditure
- The Balance Sheet; reflecting what the Council owns and owes
- The Cash Flow Statement; summarising where cash was generated or spent

Each core statement includes a short summary describing its purpose within the Statement of Accounts with references to additional notes; which provide further information and explanation. The main impact of the change to IFRS reporting is in the additional information provided and the layout of the accounts.

During the year the Council further refined its accounts to comply with the requirements of IFRS by adopting the guidance for Component Accounting and Heritage Assets. The accounting policies adopted by the Council are more fully explained in Notes 1 to 3 of the Financial Statements (pages 28 to 44) and reflect the changed requirements of reporting under **IFRS**.

Our Financial Health

The overall financial position of the Council during these very tough economic times has continued to improve over the last twelve months. The Council has made some difficult savings decisions but most importantly the main objective was to try to protect front line services as much as possible by making our support service even more efficient. The changes we have made in this last year will ensure that the Council is able to manage the significant reductions in our income streams and remain financially stable.

Following the completion of the audit of 2010/11 Statement of Accounts by our external auditors, the general fund balances increased to the recommended minimum level of £10.8m. The increasing uncertainty in the Council's key income sources (following the Comprehensive Spending Review in the autumn of 2010) and the Council's continuing commitment to nil increases in Council Tax in the near future resulted in a recommended level of reserves of £10.0m. This target has been maintained at the end of March 2012 with the General Fund balance rising to £14.3m as a result of effective spending control. This is an important tool to cushion some of the extreme fluctuations in the certainty of our income streams.

In the challenging economic climate and continuing funding reductions, the Council is committed to maintaining stringent expenditure control measures and reducing the level of expenditure within the Council to both manage the growing financial and operational risks and to provide the right level of services to its residents. Actions taken so far have included the continued development of our joint venture through Elevate to generate savings.

The General Fund (pages 23 to 104)

At 31 March 2012, the overall General Fund Reserve balance had increased to £14.3m as a result of a net surplus of £3.5m in 2011/12 against a net budget of £183.4m; the table below shows the impact of expenditure control during the year and reflects the commitment of the Council to meet the needs of the community. Some areas did spend slightly more than planned, specifically in safeguarding our children and in our customer services but these were more than offset by savings in the back office cost base.

Service Directorate net expenditure and under/(over) spend	**Over/(under) spend 2010/11 £'000's**	**Total Net Expenditure 2011/12 £000's**	**Over/(under) spend 2011/12 £'000's**
Adult & Community Services	(200)	64,366	(93)
Children's Services	484	69,729	0
Housing Environment	399	23,579	100
Finance & Resources	(977)	25,523	(508)
Chief Executive's	0	122	(603)
General Finance	(2,482)	(1,941)	(2,400)
Total	**(2,776)**	**181,378**	**(3,504)**
Non operational expenditure		1,941	
Net Departmental Expenditure	See note 30	**183,319**	

Further information on the Council's overall expenditure is set out in Note 30 and the following charts show where the Council's income came from and how it was spent during the year:

Chart 1 - Where our money came from:

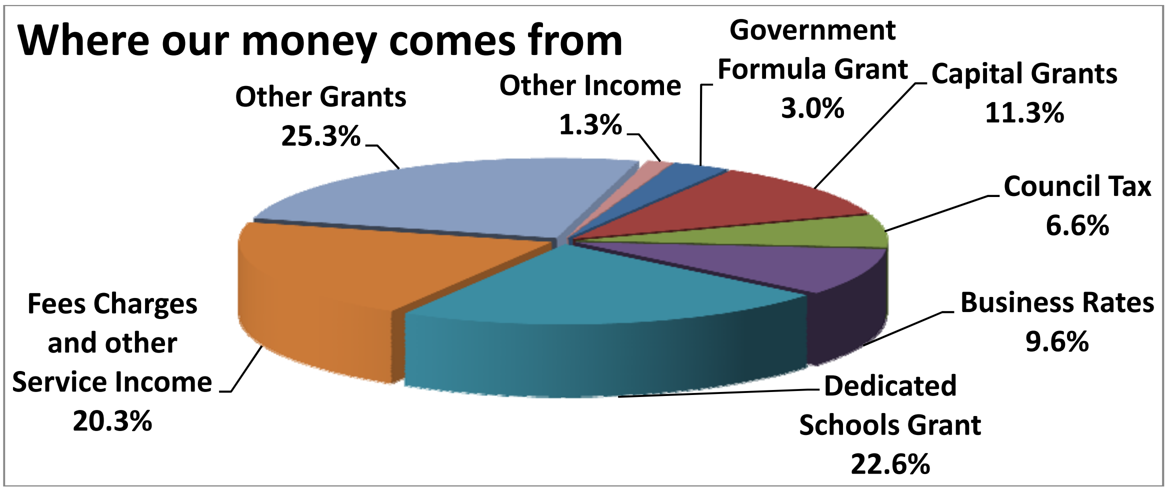
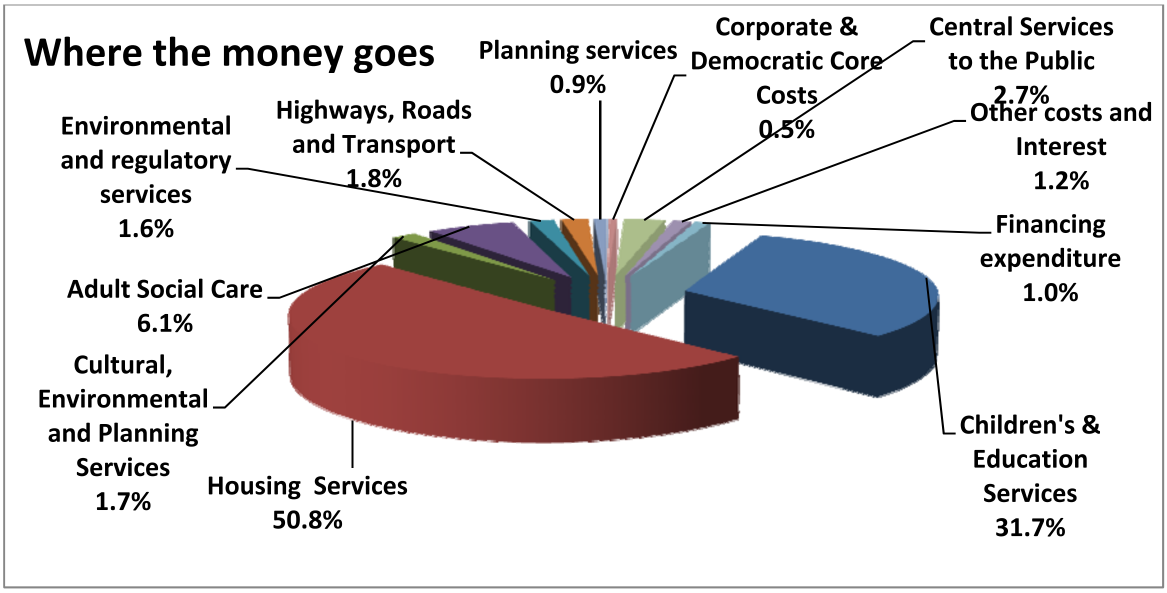


Chart 2 - Where the money was spent:



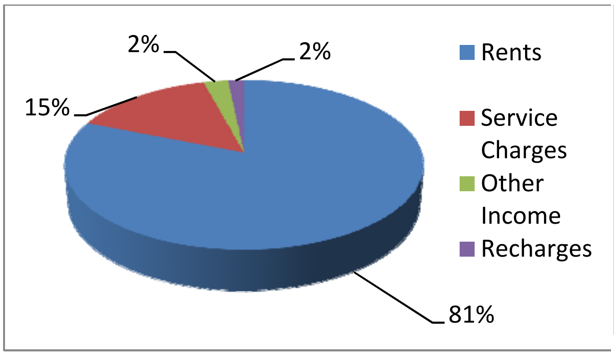
***Housing Services includes the HRA Self Financing payment of £265.912m.**

The Housing Revenue Account (pages 105 to 111)

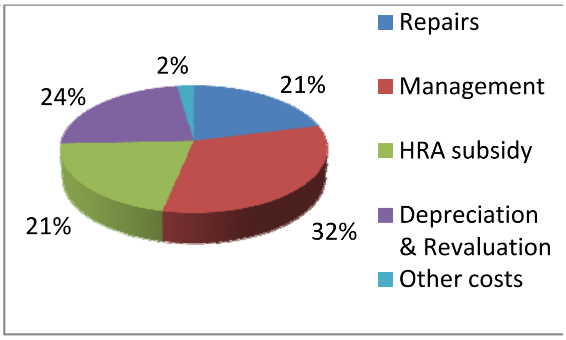
The Housing Revenue Account (HRA) is a specific account which shows how much the Council spends on providing, maintaining and managing Council flats and houses. Any money spent on looking after our Council housing is paid for by the rents that tenants pay. Under the 1989 Local Government Housing Act, the HRA is "ring fenced" from other accounts and its expenditure cannot be subsidised from the General Fund (or vice versa) although recharges for services are allowed. From 1st April 2012, the HRA became "self-financed" following the abolition of the HRA Subsidy system. This means that Councils will be expected to run Housing Services more like a commercial business.

The HRA recorded a surplus for the year 2011/12 of £3.8m raising the working balance for the HRA to £8.2m. The primary reason for the increased surplus is through the negotiation and reduction of repairs and maintenance costs.

HRA INCOME



HRA EXPENDITURE



Capital Programme

The Council spent £127.7m on capital projects in 2011/12 as summarised in the following table and the biggest projects set out below:

Summary of Capital Expenditure by Directorate	Budget 2011/12 £'000's	Actual 2011/12 £000's	Under spend £'000's
Adult & Community Services	13,531	12,757	(774)
Children's Services	77,381	61,376	(16,005)
Housing and Environment	52,786	35,206	(17,580)
Finance & Resources	23,868	18,340	(5,528)
Total	**167,566**	**127,679**	**(39,887)**

- Building and expanding schools £41.8m;
- Maintaining and constructing council homes £31m;

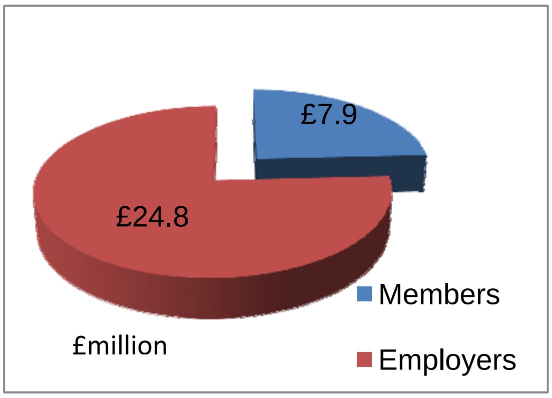
The programme was partly funded by grants received from central government and borrowing. The authority will need to give consideration as to how long and to what level it is able to continue to borrow in the future.

Pension Fund

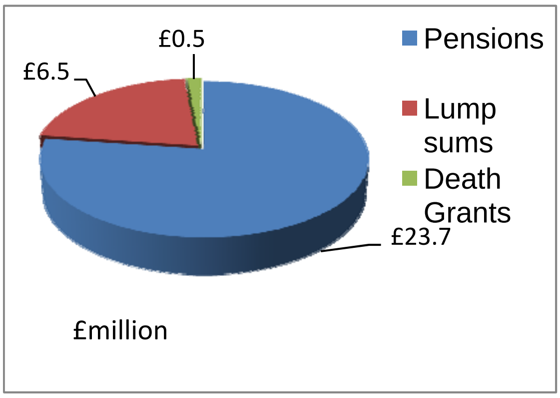
The Council prepares its Statement of Accounts to comply with the requirements of IAS 19 *"Accounting for Employee Benefits*". A Pension Fund Reserve is shown on the Balance Sheet, representing the net funding deficit as at the 31 March 2012. The balance at 31 March 2012 stands at £259.8m (2011; £193.4m) following the updated actuarial information received at the year end, amounting to approximately 30% of the Council's net worth. This change is due to the return from investment performance being lower than expected, and other financial assumptions being less favourable at 31st March 2012, than those at 31st March 2011. Further details can be found in Note 47 to the Core Financial Statements.

The results of the London Borough of Barking and Dagenham Pension Fund are set out on pages 127 to 150 and show that the value of the fund has decreased by £8k to £584.815m (2011: £584.823m). The contributions from, and payments to, members are summarised below:

Pension Contributions received



Pensions paid



The triennial revaluation of the fund was completed on 31 March 2010 by the Scheme actuary, Hymans Robertson LLP, when they looked 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.

Looking Forward

During February 2012, the Council's Assembly agreed a balanced budget for 2012/13 whilst freezing Council Tax increases for the fourth year running. To balance the budget, significant savings plans have been identified to ensure that the financial position does not deteriorate during the year. As part of the approval of the annual budget, the Council also agreed the Medium Term Financial Strategy which identified a potential funding gap for each of the next three years as a result of reducing grant levels.

The next few years will be challenging for us all as our residents feel the impact of the Government's deficit reduction programme which will place further demand on the Council's resources and services.

I will continue to focus my time to ensure that the Council maintains its services to the community it serves and to improve the way we work to deliver real value for money and to eliminate waste.

Tracie Evans

Corporate Director of Finance and Resources
27 September 2012

Annual Governance Statement

Introduction

The Accounts and Audit Regulations (England) 2011 require the Council to be responsible for ensuring that its financial management and internal audit systems are adequate and effective. In addition, the Council is required to have a sound system of internal control which facilitates both the effective exercise of its functions and arrangements for the management of risk.

Coupled with these requirements has been the need for a wider statement which indicates the degree to which the council's governance arrangements follow the six core principles set out in 'Delivering Good Governance in Local Government' which was published by CIPFA/SOLACE in 2007. This statement explains how Barking and Dagenham Council currently complies with the Code and meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2011 in relation to the publication of a statement of internal control.

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.

This Statement should enable stakeholders to have an assurance that decisions are properly made and public money is being properly spent on citizens' behalf.

This Statement is based on evidence obtained across the council about the robustness of the Council's governance arrangements and its systems of internal control. This evidence builds upon the assurance gathering process that has been in place since the requirement to produce a Statement on Internal Control began and the comments of Directors in relation to statements provided by their Divisional Directors. This Annual Governance Statement:

- Sets out in Section 1 the scope of responsibility and the purpose of the governance framework;
- Describes in section 2 the key elements of the systems and processes that comprise the Council's governance arrangements;
- Presents in Section 3 the review of effectiveness of the Council's governance arrangements;
- Sets out in Section 4 any significant governance issues that need to be addressed.

Section 1

Scope of Responsibility

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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

For 2011/12, the Council had in place a Local Code of Corporate Governance which is consistent with the principles of governance set out in the CIPFA/SOLACE Framework *'Delivering Good Governance in Local Government'*. A copy of the code is on the Council's website in part E of the Constitution or can be obtained from the Council's Monitoring Officer.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. Its purpose is to enable the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

The governance framework has been in place at Barking and Dagenham Council for the year ended 31 March 2012 and up to the date of approval of the audited Statement of Accounts.

Section 2

The Governance Framework

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

Vision and Purpose

The Statement of Priorities sets out the Council's aims for the coming year, and what we will achieve within our budget. We are leading the community and tackling the challenges we face in a range of ways, despite the challenging economic climate, and are determined to continue to focus on our aims for the Borough, which are:

- Raising household incomes
- Improving standards in school and post-16 education
- Housing and estate renewal

The Policy House sets out the three overall aims above and the outcomes we want to achieve under each of the four priority themes (better homes, better together, better health and wellbeing and better future), and provides the overall policy framework for the Council.

The aims are underpinned by the theme, a well-run organisation. We will continue to provide a range of day to day services and effective behind the scenes support to ensure we meet both our legal responsibilities and the needs of the community.

To track how we are doing towards achieving these aims we monitor a range of performance measures. These are set out in the Performance House. We are also working hard with other host Olympic boroughs to close the gap between our performance, particularly economic, and the average across London.

Performance Management

The performance management framework (the Performance House) is part of the process of demonstrating how effective the actions being taken are and assists in monitoring how the Council's strategies are being translated into action plans and outcomes. It also helps to identify if any risks are materialising when indicators do not show the level of progression anticipated. The performance management framework is therefore instrumental in identifying and mapping continuous improvement of services across the Council.

The actions required to deliver service plan objectives are reflected in team and individual plans forming the basis for annual and interim appraisals.

Appraisals are scored to reflect individual performance and contribution towards the delivery of the Council's priorities. Regular team meetings and one-to-ones support the monitoring of delivery. Corporate quarterly monitoring provides senior managers and Members with an overview of the Council's direction of travel. The format of reporting is currently being reviewed to reflect changes at national government level in performance reporting requirements.

There are a number of Programme Boards, each chaired by a Director and supported by programme managers, which meet monthly and an escalation process associated with issues and risk management. Each Programme Board provides a highlight report to the Corporate Management Team (CMT). We are currently examining whether this process can be streamlined.

Both the Cabinet and CMT monitor performance information on a quarterly basis. Performance is considered at least monthly by Directors at directorate management team meetings and by Members through portfolio meetings and partnership theme boards.

The Council operates an overview and scrutiny function, which allows Members to challenge decision makers, scrutinise performance, review important policies and advocate on behalf of the community. The Council delivers its overview and scrutiny function through five Select Committees:

Children Services Select Committee;

Health and Adult Services Select Committee;

Living and Working Select Committee;

Public Accounts and Audit Select Committee;

Safer and Stronger Communities Select Committee.

Select Committees choose topics for scrutiny that support the delivery of Council priorities. They exercise Members' statutory right to "Call In" formal decisions of the Cabinet; they contribute to Council policies during their development stage; and they hold key partners such as the health and police services to account for their local performance. Select Committees produce reports on their findings, submitting them to the appropriate committee or body for action.

To support these committees, the Council commissions and uses research to test the customer and stakeholder experience of services that the Council provides. It uses this feedback to drive the services forward to deliver what the public wants and to focus resources on the public's priority areas.

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

Council Constitution & Rules and Regulations

The 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. The Strong Leader and Cabinet model provides clear accountability and effective leadership and decision making driving forward service delivery. The Assembly retains some strategic decision-making powers such as the budget framework.

Where a key decision is due to be made the Council publishes details in the forward plan prior to the decision making meeting. These meetings are open to the public unless exclusion is necessary for reasons of confidentiality under the Local Government Act 1972.The Monitoring Officer ensures that the Constitution is reviewed at least annually. In the coming year a more extensive review will be conducted for the purposes of:

- Updating financial procedure rules
- Introducing a budget setting framework
- Reviewing overview and scrutiny report procedures
- Updating general meeting procedures
- Responding to legislative changes to the ethical governance and standards frameworks
- Addressing concerns about the clarity and robustness of the scheme of delegation
- Clarifying Members' roles in representing the Council on outside bodies
- Making the structure clearer and simpler to use

The Council's rules and regulations form part of the Constitution. There is a scheme of delegation for officers. They state who is authorised to make decisions in particular areas. Alongside this, the Council has financial regulations which provide details of officers' responsibilities relating to income, expenditure, internal control, risk management and partnerships. To support officers when they are making purchases the Council has developed a code of procurement practice. These are all kept under review with a number of mechanisms in place to ensure compliance.

The Council has the following statutory officers: Chief Executive (Head of Paid Service), Corporate Director of Finance and Resources (as Section 151 Officer) and Divisional Director of Legal and Democratic Services (Monitoring Officer), each of whom has the power to refer matters to Assembly if a breach of any regulation has occurred or anticipated. The Council must also appoint a Director of Education role and a Director of Adult Social Services which are currently filled by the Corporate Director of Children's Services and Corporate Director of Adult and Community Services respectively.

The Council's financial arrangements fully conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). As Chief Financial Officer (CFO), the Corporate Director of Finance and Resources is a key member of the Corporate Management Team and is responsible for the proper administration of the Council's financial arrangements and leads a fully resourced and suitably qualified finance function. The CFO is actively involved in and able to bring influence to bear on all material business decisions to ensure immediate and long term implications, opportunities and risks, are fully considered and in alignment with the Medium Term Financial Strategy

Risk management

Delivering services in an increasingly litigious and risk averse society, risk management is a tool for exploiting opportunities as well as safeguarding against potential threats. Risk management promotes innovation in support of strategic objectives, to take an innovative approach to service delivery – opening the door to the possibility of taking risks to achieve positive outcomes. Proper risk assessment enables us to make informed decisions about the challenges and risks that we want to take on, and can help us to target our resources to achieve the best possible results.

Bad decision making can result in significant losses which can force us to re-prioritise the way we intend to use our resources and can jeopardise targets and objectives, not only for the affected service, but for the whole Council.

The management of risk is woven throughout the Council's key governance frameworks in such areas as;

- Key decision making

- Planning processes
- Programme and Project management
- Procurement processes
- Partnership working arrangements
- Change management processes.

In January 2012, the Risk Management Policy, Strategy and Framework was revised to be more explicit about Cabinet responsibilities.

The strategy states that the Council will maintain a culture of risk awareness across the organisation driven by a 'top down and bottom up' approach, and raise the awareness of the need for risk management by all those connected with the delivery of services.

It strengthened the Risk Management Framework, with the explicit appointment of a Lead Portfolio Holder for Risk. This role is being undertaken by the Cabinet Member for Finance and Education, with Portfolio Holders taking political responsibility for risk in their portfolios as they had previously been doing.

The Public Accounts and Audit Select Committee (PAASC) is responsible for 'monitoring the effective development and operation of risk management', as defined in the Council's Scheme of Delegation. This is undertaken via a quarterly Corporate Risk report from Corporate Management Team (CMT).

The Chief Executive is designated the risk management champion, signalling the importance of risk management, underpinning good governance.

CMT provides strategic leadership of corporate risk management, setting the tone for the whole risk management framework. This supports the expectation that effective management of risk becomes “part of the day job” underpinning day to day decision making, service delivery and ultimately delivery of outcomes and benefits for the community.

The Corporate Risk Board (CRB) at Divisional Director level has contained within its Terms of Reference a requirement to champion and embed risk management across the Council. The CRB oversees the Corporate Risk Register (CRR) on behalf of CMT. This is discharged quarterly, via both the review of the key risks and progress in their mitigation via action plans. The CRR forms a key driver in the “golden-thread” of the annual planning cycle - informing Directorate Risk and Business Plans, the Annual Governance Statement and Audit Programme.

As part of the business planning process, each Directorate must produce a plan that outlines both the major impacts and risks associated with their proposals. These should contain sufficient information to enable decisions to be made on areas for investment. Each divisional business plan must provide an assessment of the risks or a reference to the divisional risk register associated with each of the set divisional objectives (including the corporate risks as appropriate).

Directorate Management Teams (DMTs) monitor and oversee their service risks and individually and collectively act as an escalation channel up to CRB and CMT and from below. Risks are assessed in terms of likelihood and impact, with ratings from 1 to 4 being used to measure both values; this methodology is consistently used across the Council registers.
This solid foundation of Risk Management principles helps to protect staff, the Council’s reputation and enables delivery in a way that allows the Council to move forward.

Codes of Conduct

The Council has a code of conduct for officers supported by a requirement to make declarations of interest and to declare gifts and hospitality. Interests must be declared by officers above a certain grade and those in certain decision making and procurement positions. Officers are generally recommended to decline gifts and hospitality to ensure that officers are not inappropriately influenced. These codes and processes are made available to staff at their induction, they are on the intranet and online training is available to ensure every staff member understands their responsibilities. The Council's Standards Committee oversees adherence to the Code of Conduct for Members, handles complaints under the same and also monitors compliance with employee related Codes of Conduct. All policies and protocols relating to Members and officers as well as members of the public who volunteer to undertake Council activities are reviewed on an annual basis. Members review and monitor compliance with the Council's Whistle Blowing Policy, Anti-Fraud and Corruption Policy and Strategy, Benefits Fraud Policies and the Code of Corporate Governance.

The Localism Act 2011 has abolished the current standards regime, but until the implementation of the new regime on 1 July 2012, the work of the Standards Committee will continue in its current form. The Council along with other authorities is required to maintain a local Code of Conduct and have in place arrangements to deal with complaints of breach of that Code.

Whistle-blowing and Members Complaints Process

The Council has a robust whistle blowing procedure which is actively promoted within the Council. The whistle blowing policy was reviewed and updated during the course of the year. Complaints against Members are handled in confidence and according to a strict time table and procedure. Where complaints are upheld, appropriate action is undertaken. The Standards Committee reviews complaints made, patterns and outcomes on an annual basis.

Training and Development

The Council has a Member Development Programme, which is based around the key priorities identified by Members and senior officers. The programme is overseen by the Member Development Group which is comprised of Members from Cabinet and a range of different boards and committees.

Formal monthly training sessions and briefings are arranged for all Members as well as one to one coaching if requested. There is a mix of skills-based and knowledge based sessions. There is a detailed process for inducting the newly- elected mayor and any new members of the Cabinet. This includes the opportunity to develop a personal development plan.

Members in key positions are offered the opportunity to attend the Local Government Improvement and Development (LGID) Leadership Academy which is a programme designed specifically with councillors in mind. In addition, Peer Mentoring is being introduced for Cabinet Members and Lead Members on Select Committees.

There is a designated officer who co-ordinates the development programme and assesses training needs. Training is supplemented through written briefings from London Councils and senior officers and access to the Council's suite of e-learning programmes will be available to Members when it is launched in April 2012. All Select Committees have training as part of their induction agendas and agree specific training during the year in order to remain current. Training is provided for Members of all quasi judicial boards, some of which is assessed.

Finally, the London Member Development Charter achieved by the Council in February 2009, is to be re-assessed in June 2012.

Communication and Engagement

The Council publishes numerous documents on its website as well as providing a fortnightly community newspaper to engage with and inform members of the public. Consultation exercises are publicised and enabled via the website, as well as through more traditional routes such as surveys and focus groups.

Partnerships

The Council is involved in a range of partnerships for different services. Corporately a significant partnership for the Council is the Barking and Dagenham Local Strategic Partnership. This has its own governance framework. Members are also subject to a code of conduct and make declarations of interest at meetings.

Its five theme boards, who develop strategy, monitor performance and outcomes in key areas identified as priorities for the Partnership, are:

- Skills, Jobs and Enterprise Board;
- Clean, Green and Sustainable Board;
- Children's Trust;
- Shadow Health and Wellbeing Board;
- Community Safety Partnership.

The Council has entered into a formal partnering arrangement with Agilysis in 2010 to form the Elevate joint venture to run a number of key council services, promote jobs and be a hub for further services, after a full European Union procurement process. Additional services were transferred to Elevate in December 2011. Robust governance arrangements are in place for the partnering agreement involving; a Strategic Partner Board influencing the strategic direction of the partnership, a Limited Liability Partnership Board which agrees the annual Business Plan of Elevate and receives regular performance and business development reports, and a Commercial Services Clienting Function responsible for managing the performance of the contract for each of the services being delivered by Elevate to the Council.

The Council also has important partnership arrangements with the local NHS, in particular building relationships with the new Clinical Commissioning Groups. There are also partnership arrangements with the Police, Probation and Youth Justice Services to help to meet the targets for reducing crime and making Barking and Dagenham a safer and stronger community.

The Council has developed robust measures to prepare for the challenges and opportunities as a host borough for the Olympics in 2012. Work with key partners is on going on key areas such as policing, transport, maintaining council services and business continuity planning, health and voluntary services.

Council officers have been working for some time now with partners to ensure that critical and important services function for local residents during the Games time. This has been through a focus on:

- Transport and Parking
- Staffing and key critical services
- Assessing Business Continuity plans
- Working with the voluntary Sector
- Community Safety
- Local Businesses
- Working with partners in the local police and health service

<u>Section 3</u>

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. Assurance on the review of effectiveness is informed by a range of evidence, both internal and external, including the work of relevant Corporate and Divisional Directors, whom have responsibility for the development and maintenance of the governance environment, the Head of Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. Divisional Directors were invited to complete standard questionnaires addressing governance issues in their areas. The results were then communicated to the relevant Corporate Director who used these and other sources of assurance to complete a statement in relation to governance within their Department.

As part of the Head of Audit's annual report, an opinion is given on the Council's internal control framework. The Head of Audit draws upon a wide range of assurance sources to help inform this opinion, including testing of the key controls in the Council's major financial systems and the wider programme of audit & corporate anti-fraud work. Based on the work undertaken during the year and the implementation by management of the recommendations made, internal audit were able to provide reasonable assurance that the systems of internal control were operating adequately and effectively. The opinion of the Head of Audit is therefore that overall the control environment is currently adequate.

A consolidated Quarterly Internal Audit Composite Report goes quarterly to the Public Accounts and Audit Select Committee in its role as Audit Committee. This has assisted PAASC in undertaking its governance and risk scrutiny duties. The outcomes from PAASC are reported annually to the Assembly.

It is a statutory requirement that the Council undertakes a review of the effectiveness of Internal Audit at least annually. To this end a self assessment was undertaken against best practice which was considered and agreed by PAASC in October 2011.

Certification of Claims and Returns – Annual Report

Funding from Government grant-paying departments is an important income stream for the Council. In 2011/12 the Audit Commission had to certify 5 claims with a total auditable value of c£230million. These claims are currently in the process of being certified.

Section 4

Significant Governance Issues

In the light of evidence reviewed in relation to 2011/12 we can confirm that the Council's governance arrangements are robust, that the Council's values, ethical standards, laws and regulations are being complied with, that financial statements and other published performance information are accurate & reliable and that human, financial, environmental and other resources are managed efficiently and effectively. At the same time the following areas are in the process of being strengthened to provide even greater assurance:

Contracts (Corporate Risk 5) Progress has been made in procurement and management of contracts with the centralisation of the procurement processes, the introduction of I-Procurement, and an improved contracts register. The Corporate Risk Register action plan provides details of the new contract monitoring arrangements that are being developed thus strengthening the overall arrangements.

Compliance (Corporate Risk 6) Members and officers are assessing the potential options following a report to PAASC in December 2011 on the best approach to scrutinise this issue and further promote compliance.

Efficiency / Savings (Corporate Risk 7) Mechanisms for budgetary monitoring are in place and operating well, which recognise that the significant spending reductions required, involving re-structuring and the streamlining of management layers, must be continually effectively managed to maintain good governance; The report on budget reductions on management capacity to PAASC on 25th April recognised the issues and outlined the current arrangements in place to address them.

Information Governance (Corporate Risk 10) Work is in progress to improve Information Governance including the re launch of the Information Governance Board with an enhanced mandate from the Corporate Management Team, the 6 monthly reporting to PAASC on Information Governance issues and the future rollout of a training programme focusing on specific areas. The risk register action plan is being amended as potential improvements are identified.

In accordance with the Council's Risk Management Strategy and processes, action plans are in place, and periodically reviewed and updated, to address these areas in conjunction with the relevant Cabinet Member Portfolio Holder. Progress is reported to and scrutinised by CMT and Members of PAASC on a quarterly basis.

Opinion of the Chief Executive and Leader of the Council

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Management Team and the Public Accounts and Audit Select Committee, and the ongoing work to ensure continuous improvement of the system is in place.

We look forward to working more closely with all organisations in the community, public, private and voluntary sectors to strengthen our local communities and increase prosperity.

Signed:

Councillor Liam Smith
Leader

Signed:

Graham Farrant
Chief Executive

27 September 2012

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the chief financial officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The chief financial officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code). In preparing this Statement of Accounts, the chief financial officer has:

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

The chief financial officer has also:

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

Statement of the Chief Financial Officer

I certify that the Council's Statement of Accounts represents a true and fair view of the financial position of the Council at the accounting date and of its income and expenditure for the year ended 31 March 2012.

Signed:

Tracie Evans
Corporate Director of Finance and Resources

27 September 2012

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

Opinion on the financial statements

I have audited the financial statements the London Borough of Barking and Dagenham for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework applied to their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of the London Borough of Barking and Dagenham in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Corporate Director of Finance and Resources auditor

As explained more fully in the Statement of the Corporate Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporate Director of Finance and Resources and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of the London Borough of Barking and Dagenham as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Opinion on the pension fund financial statements

I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of the London Borough of Barking and Dagenham] in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Corporate Director of Finance and Resources and auditor

As explained more fully in the Statement of the Corporate Director of Finance and Resources' Responsibilities, the Corporate Director of Finance and Resources is responsible for the preparation of the Authority and Group's Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporate Director of Finance and Resources and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Respective responsibilities of the Authority and the auditor

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, London Borough of Barking and Dagenham put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of the London Borough of Barking and Dagenham 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

28 September 2012

Core Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and council dwellings rent setting purposes. The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. It should be noted that the figures for 2010-11 have been restated for the recognition of heritage assets in the accounts and for the reclassification of the Leasehold Repairs Reserve as an HRA reserve.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	**£000's**	£000's	**£000's**
Balance at 31 March 2010	8,065	15,366	2,756	6,174	2,815	39,640	-	**74,816**	1,123,357	**1,198,173**
Movement in reserves during 2010/11										
Surplus /(deficit) on the provision of services (*)	111,375	-	(235,546)	-	-	-	-	**(124,171)**	-	**(124,171)**
Other Comprehensive Income and Expenditure	53,627	-	-	-	-	-	-	**53,627**	-	**53,627**
Total Comprehensive Income and Expenditure	165,002	-	(235,546)	-	-	-	-	**(70,544)**	-	**(70,544)**
Adjustments between accounting basis & funding basis under regulations	(152,882)	1	236,594	-	2,408	3,377	2,853	**92,351**	(92,351)	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	12,120	1	1,048	-	2,408	3,377	2,853	**21,807**	(92,351)	**(70,544)**
Transfers to/(from) Earmarked Reserves	(9,344)	9,271	644	(105)	-	12,411	-	**12,877**	-	**12,877**
Increase/(Decrease) in 2010/11	2,776	9,272	1,692	(105)	2,408	15,788	2,853	**34,684**	(92,351)	**(57,667)**
Balance at 31 March 2011	10,841	24,638	4,448	6,069	5,223	55,428	2,853	**109,500**	1,031,006	**1,140,506**

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	**£000's**	£000's	**£000's**
Balance at 31 March 2011	10,841	24,638	4,448	6,069	5,223	55,428	2,853	**109,500**	1,031,006	**1,140,506**
Movement in reserves during 2011/12										
Surplus /(deficit) on the provision of services (*)	65,282	-	(265,215)	-	-	-	-	**(199,933)**	-	**(199,933)**
Other Comprehensive Income and Expenditure	(68,614)	-	-	-	-	-	-	**(68,614)**	-	**(68,614)**
Total Comprehensive Income and Expenditure	(3,332)	-	(265,215)	-	-	-	-	**(268,547)**	-	**(268,547)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	28,084	-	269,583	-	1,716	17,321	7,756	**324,460**	(324,460)	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	24,752	-	4,368	-	1,716	17,321	7,756	55,913	(324,460)	**(268,547)**
Transfers to/(from) Earmarked Reserves	(21,247)	21,247	(547)	(151)	-	-	-	**(698)**	697	**(1)**
Increase/(Decrease) in 2011/12	3,505	21,247	3,821	(151)	1,716	17,321	7,756	**55,215**	(323,763)	**(268,548)**
Balance at 31 March 2012	14,346	45,885	8,269	5,918	6,939	72,749	10,609	**164,715**	707,243	**871,958**

*as per the Comprehensive Income and Expenditure Statement

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2010/11 Gross Expenditure £000's	2010/11 Gross Income £000's	2010/11 Net Expenditure £000's		2011/12 Gross Expenditure £000's	2011/12 Gross Income £000's	**2011/12 Net Expenditure £000's**
26,082	(23,235)	2,847	Central Services to the Public	28,390	(23,853)	**4,537**
20,341	(3,994)	16,347	Cultural and Related Services	18,055	(4,980)	**13,075**
13,420	(1,670)	11,750	Environmental and Regulatory Services	17,305	(2,542)	**14,763**
6,838	(1,565)	5,273	Planning Services	8,862	(1,705)	**7,157**
314,773	(252,953)	61,820	Education and Children's Services	328,930	(260,730)	**68,200**
20,219	(6,536)	13,683	Highways and Transport Services	19,228	(6,160)	**13,068**
239,323	-	239,323	Local Authority Housing – Revaluation Losses on Dwellings	-	-	**-**
-	-	-	Local Authority Housing – Payment for Self-Financing (note 5)	265,912	-	**265,912**
87,285	(89,282)	(1,997)	Local Authority Housing	99,774	(97,175)	**2,599**
147,876	(140,836)	7,040	Other Housing Services	161,505	(153,226)	**8,279**
66,872	(15,255)	51,617	Adult Social Care	62,777	(11,350)	**51,427**
6,781	(63)	6,718	Corporate and Democratic Core	5,032	(21)	**5,011**
(77,757)	-	(77,757)	Non Distributed Costs	431	-	**431**
872,053	(535,389)	336,664	**Cost of Services (note 30)**	**1,016,201**	**(561,742)**	**454,459**
		7,567	Other Operating Expenditure (Note 9)			**11,819**
		15,463	Financing and Investment Income and Expenditure (Note 10)			**10,544**
		(235,523)	Taxation and Non-specific Grant Income (Note 11)			**(276,889)**
		124,171	**(Surplus) / Deficit on Provision of Services**			**199,933**
		45,532	(Surplus) / Deficit on Revaluation of Property, Plant and Equipment Assets			**6,174**
		(99,159)	Actuarial (Gains) / Losses on Pension Assets / Liabilities (note 47)			**62,440**
		(53,627)	**Other Comprehensive Income and Expenditure**			**68,614**
		70,544	**Total Comprehensive Income and Expenditure (note 30)**			**268,547**

Balance Sheet

The Balance sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council and the net assets (assets less liabilities) are matched by the Council's reserves. Reserves are reported in two categories, usable reserves (note 24) and unusable reserves (note 25). Usable reserves are reserves which can be used to provide services, subject to maintaining a prudent level of reserves. Unusable reserves cannot be used to provide services and reflect accounting transactions (such as those arising from asset revaluations) which could only be used to fund services when the revaluation gain is realised through the sale of the assets. The comparative figures for 2010/11 and 2009/10 have been restated following the recognition of heritage assets in the balance sheet.

Restated 1 April 2010 £000's	Restated 31 March 2011 £000's		Note	**31 March 2012 £000's**
1,548,636	1,319,366	Property, Plant and Equipment	12	1,393,662
6,748	6,698	Heritage Assets	13	7,097
38,906	44,883	Investment Property	14	45,346
6,966	5,735	Intangible Assets	15	5,339
15,018	0	Long Term Investments		0
744	891	Long Term Debtors	16	782
1,617,018	1,377,573	**Long Term Assets**		**1,452,226**
21,399	28,000	Short term Investments	16	0
157	227	Inventories	17	252
52,591	57,616	Short term Debtors	19	50,982
79,508	65,539	Cash and Cash Equivalents	20	104,904
153,655	151,382	**Current Assets**		**156,138**
(4,958)	(1,459)	Short Term Borrowing	16	(10,000)
0	0	Grants Received in Advance - Capital	39	(1,614)
(101,299)	(89,209)	Short Term Creditors	22	(68,568)
(106,257)	(90,668)	**Current Liabilities**		**(80,182)**
(25,677)	(25,534)	Long Term Creditors	16	(59,735)
(9,760)	(8,888)	Provisions	23	(10,798)
(70,000)	(70,000)	Long Term Borrowing	16	(325,912)
(360,806)	(193,359)	Pensions Liability	47	(259,779)
(466,243)	(297,781)	**Long Term Liabilities**		**(656,224)**
1,198,173	1,140,506	**Net Assets**		**871,958**
74,816	109,500	Usable Reserves	24	164,715
1,123,357	1,031,006	Unusable Reserves	25	707,243
1,198,173	1,140,506	**Total Reserves**		**871,958**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2010/11 £000's		Note	**2011/12 £000's**
(124,171)	Net Surplus or (Deficit) on the Provision of Services		(199,933)
212,146	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements	26	60,735
(67,075)	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	26	(101,181)
20,900	**Net Cash Flows from Operating Activities**		**(240,379)**
(29,443)	Investing Activities	28	9,390
(1,928)	Financing Activities	29	271,064
(10,471)	**Net Increase or Decrease in Cash and Cash Equivalents**		**40,075**
75,300	Cash and Cash Equivalents at the beginning of the Reporting Period		64,829
64,829	**Cash and Cash Equivalents at the end of the Reporting Period**		**104,904**

Notes to the Accounts

1. Accounting Policies

1.1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its financial position at the year end of 31 March 2012. The Council is required to prepare its annual Statement of Accounts by the Accounts and Audit Regulations 2011 which require the accounts to be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice for Local Authorities 2011/12 (SeRCOP), supported by International Financial Reporting Standards (**IFRS**).

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

1.2. Accruals of Income and Expenditure

The activities of the Council are accounted for in the year in which they take place not simply when cash payments are made or received. Specifically:

- Revenue for the sale of goods is recognised when the rewards and risks of ownership are transferred to the purchaser and it is probable that the economic benefit or service associated with the transaction will flow to the Council
- Revenue from the provision of services is recognised when the percentage of completion of the transaction can be reliably measured and it is probable that economic benefits or service associated with the transaction will flow to the Council
- Supplies are recorded as expenditure when they are used, where there is a delay between the date supplies are received and the time they are used, they are held as inventories on the Balance Sheet
- Expenses in relation to services received (including those provided by employees) are recorded as expenditure when the service is received rather when payment is made
- Interest receivable from investments or payable on borrowings is accounted for as income or expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows determined by the contract
- Where revenue or expenditure has been recognised but cash has not been received or paid a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is reduced and a charge made to revenue for the income which might not be collected
- The above policies are applied in an appropriate manner to avoid material misstatement in the financial statements. For the financial year 2011/12 a de minimis of £10,000 was applied to both debtors and creditors.

1.3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than twenty four hours. Cash equivalents are investments that mature within 3 months from the date of acquisition

and that are readily convertible to known amounts of cash with insignificant risk of change in value.
In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.4. Exceptional Items

When items of income or expenditure are material, their nature and value is disclosed separately on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for in the current year (and future years affected by the change) and do not give rise to a prior period adjustment.
Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the policy had always been applied.
Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.6. Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to assets used by the service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be offset
- Amortisation of intangible fixed assets attributable to the service

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

1.7. Employee benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post Employment Benefits
Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by London Borough of Barking and Dagenham Pension Fund.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees of the Council. However, the arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

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

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

- Liabilities are discounted to their value at current prices, using a discount rate of 4.8% based on the indicative rate of return on high quality corporate bond (rated AA or above)

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

- The change in the net pensions liability is analysed into seven components:
  - current service cost: the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - past service cost: the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - interest cost: the expected increase in the present value of liabilities during the year as they move one year closer to being charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
  - expected return on assets: the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
  - gains or losses on settlements and curtailments: the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees received or charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement;
  - actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions- charged to the Pensions Reserve;
  - contributions paid to the London Borough of Barking and Dagenham pension fund: cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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.

1.8. Events after the Balance Sheet Date

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

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

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

1.9. Financial Instruments

Financial Liabilities
Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges included within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement, for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts the estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The Council’s borrowings are stated in the balance sheet at the outstanding principal repayable, including accrued interest, and the amount charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the relevant loan agreement.

Gains and losses on the repurchase or early settlement of borrowings are credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement.

Financial Assets
Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in and 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 recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the assets multiplied by the effective rate of interest for the instrument. For loans made by the Council the amount presented in the Balance Sheet is the outstanding principal receivable, including accrued interest, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year according to the relevant 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 reflected in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement or to the relevant service. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains or losses that arise on the de-recognition of an asset are credited or debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Available for Sale Assets
Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement for interest receivable are based on amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value based on the following principles:

- Instruments with quoted market prices: the market price;
- Other instruments with fixed determinable payments: discounted cash flow analysis;
- Equity shares with no quoted market prices: independent analysis of company valuations.

Changes in fair value are balanced by an entry in the Available for Sale reserve and the gain/loss recognised in the Surplus or deficit in Revaluation of Available for Sale Financial Assets. Where impairment losses are incurred, these are debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available for Sale Reserve.

1.10 Government Grants and contributions

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

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

1.11 Heritage Assets

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's policies on property, plant and equipment.

Where assets are deemed to have indeterminate lives and a high residual value the Council does not consider it appropriate to charge depreciation. However, heritage assets with an estimated useful life will be depreciated.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. Any disposals of heritage assets are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts. The measurement rules in relation to the various categories of heritage assets are detailed below:

<u>Art Collections</u>
The Fanshawe art collection at Valence House was valued by an external valuer /auctioneer in 2008 for insurance purposes.

Museum Exhibits
Other less valuable exhibits at Valence House are valued using the insurance valuation.

Public Art Displays
There are a number of open air art displays that are valued at historic cost.

Civic Regalia
Mayoral regalia have been valued using the insurance valuation for these assets.

Historic Sites
Valence House is a listed building of historic interest to the area and is valued by the Council's appointed surveyors at fair value based on existing use. Other sites such as Barking Abbey ruins are impracticable to value and so are not recognised on the Balance Sheet.

Statues & Monuments
Statues for which there is historic cost information available have been valued at historic cost. Monuments such as three war memorials in the Borough's parks are not recognised on the Balance Sheet because it is impracticable to obtain a valuation for these items.

1.12 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves

Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.13 Interest in Companies and Other Entities

The Council entered into a joint venture with Agilysis in December 2010 to form the Elevate Partnership and Group Accounts are included in the Financial statements.
In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

1.14 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using consistent costing calculations.

1.15 Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

1.16 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other parties that involve the use of the assets and resources of the parties rather than the establishment of a separate entity. The Council recognises on its Balance Sheet any assets that it controls and liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure incurred together with any share of income it earns from the activity of the operation.

1.17 Leases

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

The Council as Lessee

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

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

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

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

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

The Council as Lessor

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

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

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

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

Operating Leases
Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

1.18 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice for Local Authorities 2011/12. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core: costs relating to the Council's status as a multifunctional, democratic organisation;
- Non Distributed Costs: the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.19 Property, Plant and Equipment

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

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

Measurement
Assets are initially measured at cost, comprising:

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

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

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

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement. Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – fair value, determined using the basis of existing use value for social housing;
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value).

Assets included in the Balance Sheet at fair value are re-valued on a five year rolling programme to ensure that their carrying amount is not materially different from their fair value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).
Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset – between 5 and 20 years;
- infrastructure – straight-line allocation over 20 years;
- No depreciation is charged in the year of purchase or construction of an asset and assets demolished in the year will have a full year's depreciation charge.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. As the Council charges depreciation in the year following addition or

revaluation there was no impact in 2010/11. The policy has been fully applied to cover all components in 2011/12.
Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

This authority will recognise standard component types and lives provided by the Council's valuers. On a case by case basis, it may also recognise components more specific to individual assets.

Materiality, and what constitutes a significant component, will be determined by reference to the following de minimis thresholds:

1) Assets with a Current Net Book Value (excluding land element) of less than £2 million will not be considered for componentisation and no components valued below £250,000 will be componentised.

2) Components will be deemed not significant where their Gross Replacement Cost (GRC) is less than 20% of the GRC of the building, or less than £250,000.

Where the remaining useful life for a prospective component is within two years of, or greater than that of the existing asset, the component will not be recognised separately on grounds of materiality; unless in exceptional cases the useful lives are so short or the value so high as to render the effect material.

Assets must be considered for componentisation when:
1) New assets are acquired;
2) Revaluation is carried out; or
3) Enhancement expenditure is incurred

Disposals and Non-current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services.

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

1.20 Private Finance Initiative (PFI) and Similar Contracts

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

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

Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Council.
The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year : debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost: an interest charge of 10.35% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent: increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- payment towards liability: applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease);
- life-cycle replacement costs: proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

1.21 Provisions, Contingent Liabilities and Contingent Assets

Provisions
Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities
A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets
A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.22 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

1.23 Revenue Expenditure Funded from Capital under Statute

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

1.24 Value Added Tax (VAT)

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

1.25 Carbon Reduction Commitment Allowances

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

2. Accounting Standards that have been issued but have not yet been Adopted

In accordance with CIPFA's Code of Practice on Local Authority Accounting, the Council has not adopted the amendments to IFRS 7 *Financial Instruments: Disclosures (transfers of financial assets, issued October 2010)*. CIPFA is of the view that the transfers described by the standard do not occur frequently in local authorities and there have been no such transactions at this authority. The standard relates to circumstances whereby an authority might retain ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The key critical judgement made in the Statement of Accounts is:

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment	**Effect if actual results differ from assumptions**
Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £426k for every year that useful lives had to be reduced. Should this adjustment arise it would not impact Council Tax charges.
Pensions Liability	
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £64.2m. However, the assumptions interact in complex ways. During 2011/12, the Council's actuaries advised that the net pensions liability has increased by £66.4m as a result a change in actuarial assumptions and also from underperformance of investment returns.
Arrears	
At 31 March 2012, the Council had a significant balance of debtors against which appropriate provisions had been made. However due to the uncertain economic landscape and changes to the national benefit framework it is not certain that such an allowance would be sufficient.	In order to mitigate the uncertainty in prevailing debt recovery rates a general contingency amounting to £0.5m has been created to manage the risk associated with the non collection of debt.

The list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

5. Material Items of Income and Expense

During the year, the value of the council's liability to meet the future cost of pensions increased as a result of both changes in actuarial assumptions regarding the fund's liabilities and lower than expected returns on fund assets. The impact of these changes was to increase the long term liability of the Pension fund by £66.4m the effect of which is reflected in part in the Cost of Services and in part in the Actuarial Gains on Pensions Assets and Liabilities; further information is provided in note 47.

Under the self-financing reforms that have been introduced for the HRA, councils have to take on a proportion of the overall HRA debt outstanding in exchange for taking full control of the rental income from their properties. The Government has determined that Barking and Dagenham's share of this debt was £265.9m. This has been financed by means of a loan from the Public Works Loan Board.

It should be noted that these two material items have no impact on the General Fund or Housing Revenue Account balances, as they are reversed out via the Movement in Reserves Statement. However, both the above items have a corresponding impact on the Net Worth of the Council on the Balance Sheet.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for publication by the Corporate Director of Finance and Resources on 28 September 2012. Events taking place after this date are not reflected in the financial statements or notes.

7. Adjustments between accounting basis and funding basis under regulations

2011/12	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Movement in Unusable Reserves
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Adjustments primarily involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	23,867	-	-	-	-	9,835	(33,702)
Revaluation losses on Property Plant and Equipment	27,070	-	14,831	-	-	-	(41,901)
Movements in the market value of Investment Properties		-	-	-	-	-	-
Amortisation of intangible assets	1,657	-	-	-	-	-	(1,657)
Capital grants and contributions applied	(4,106)	-	-	-	-	-	4,106
Revenue expenditure funded from capital under statute	5,730	-	265,912	-	-	-	(271,642)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,000	-	2,353	-	-	-	(5,353)
Revaluation gains	(15,489)	-	(1,244)	-	-	-	16,733
Revaluation losses (chargeable to revaluation reserve)	16,389	-	-	-	-	-	(16,389)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	(5,288)	-	(1,195)	-	-	-	6,483
Capital expenditure charged against the General Fund and HRA balances	(1,440)	-	-	-	-	-	1,440
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(92,943)	-	-	-	92,943	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(75,622)	-	75,622

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Movement in Unusable Reserves
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(140)	-	(6,388)	6,528	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure		-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	4,811	-	-	(4,811)	-	-	-
Adjustments primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA	-	-	(4,862)	-	-	4,862	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	(6,940)	6,940
Adjustments primarily involving the Pensions Reserve:							
Movement in Pensions Reserve	62,440	-	-	-	-	-	(62,440)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 47)	20,471	-	1,282	-	-	-	(21,753)
Employer's pensions contributions and direct payments to pensioners payable in the year	(16,704)	-	(1,069)	-	-	-	17,773
Adjustments involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,147)	-	-	-	-	-	1,147
Adjustment involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(94)	-	(38)	-	-	-	132
Other Adjustments	-	-	1	(1)	-	(1)	1
Total Adjustments	28,084	-	269,583	1,716	17,321	7,756	(324,460)

2010/11 Comparative Figures

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Movement in Unusable Reserves
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Adjustments primarily involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	22,429	-	-	-	-	14,390	(36,819)
Revaluation losses on Property Plant and Equipment	1,328	-	239,323	-	-	-	(240,651)
Movements in the market value of Investment Properties	-	-	-	-	-	-	-
Amortisation of intangible assets	1,616	-	-	-	-	-	(1,616)
Capital grants and contributions applied	-	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	4,536	-	-	-	-	-	(4,536)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	14	-	2,238	-	-	-	(2,252)
Revaluation gains	(70,315)	-	-	-	-	-	70,315
Revaluation losses (chargeable to revaluation reserve)	115,846	-	-	-	-	-	(115,846)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	(3,454)	-	(567)	-	-	-	4,021
Capital expenditure charged against the General Fund and HRA balances	(226)	-	-	-	-	-	226
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(60,351)	-	-	-	60,351	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(55,557)	-	55,557

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Movement in Unusable Reserves
	£'000's	**£'000's**	**£'000's**	**£'000's**	**£'000's**	**£'000's**	**£'000's**
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,140)	-	(5,584)	6,724	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	(227)	-	-	227
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	4,163	-	-	(4,163)	-	-	-
Adjustments primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA	-	-	421	-	-	(421)	-
Use of the Major Repairs Reserve to finance new capital expenditure	-		-	-	-	(10,628)	10,628
Adjustments primarily involving the Pensions Reserve:							
Movement in Pensions Reserve	(99,159)	-	-	-	-	-	99,159
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 47)	(51,195)	-	1,617	-	-	-	49,578
Employer's pensions contributions and direct payments to pensioners payable in the year	(17,734)	-	(976)	-	-	-	18,710
Adjustments involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(760)	-	-	-	-	-	760
Adjustment involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,175	-	122	-	-	-	(1,297)
Other Adjustments	345	1	-	74	(1,417)	(488)	1,485
Total Adjustments	**(152,882)**	**1**	**236,594**	**2,408**	**3,377**	**2,853**	**(92,351)**

8. Transfers to / (from) Earmarked Reserves

This note sets out the amounts set aside from the General Fund (GF) and Housing Revenue Account (HRA) balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet GF and HRA expenditure in 2011/12. It should be noted that the Leasehold Repairs Reserve has been reclassified as an HRA reserve and the 10/11 figures have been restated accordingly.

	Restated balance at 1/4/2010	Transfers in during 2010/11	Transfers out during 2010/11	Restated balance at 31/3/2011	Transfers in during 2011/12	Transfers out during 2011/12	**Balance at 31/3/2012**
General Fund	£000's	£000's	£000's	£000's	£000's	£000's	**£000's**
Balances held by schools under a scheme of delegation:							
Dedicated Schools Grant	3,224	4,466	(3,224)	4,466	9,074	(4,466)	**9,074**
Local Management of Schools	9,517	10,730	(10,289)	9,958	14,188	(9,958)	**14,188**
PFI reserve	-	-	-	-	6,919	-	**6,919**
Departmental Reserves	-	-	-	-	4,548	-	**4,548**
Corporate Restructuring	-	2,505	-	2,505	-	-	**2,505**
Spend to Save	635	2,088	(640)	2,083	1,054	(498)	**2,639**
Insurance	-	1,000	-	1,000	-	-	**1,000**
Budget Support	-	1,000	-	1,000	2,722	-	**3,722**
Barking Adult College	702	1,068	(702)	1,068	731	(1,068)	**731**
Other	1,288	571	(1,051)	808	757	(1,006)	**559**
Operational Delivery Risk	-	1,750	-	1,750	-	(1,750)	**-**
Total General Fund	15,366	25,178	(15,906)	24,638	39,993	(18,746)	**45,885**
HRA	£000's	£000's	£000's	£000's	£000's	£000's	**£000's**
Leasehold Repairs	5,530	539	-	6,069	547	(698)	**5,918**
Rent Reserve	644	-	(644)	-	-	-	-
Total HRA	6,174	539	(644)	6,069	547	(698)	**5,918**
Total Earmarked reserves	21,540	25,717	(16,550)	30,707	40,540	(19,444)	**51,803**

9. Other Operating Expenditure

	2010/11 £000's	**2011/12 £000's**
Levies	7,935	**8,586**
Payments to the Government Housing Capital Receipts Pool	4,163	**4,811**
Gains/losses on the disposal of non-current assets	(4,473)	**(1,175)**
VAT Refund	(58)	**(403)**
Total	7,567	**11,819**

10. Financing and Investment Income and Expenditure

	2010/11 £000's	**2011/12 £000's**
Interest payable and similar charges	6,241	**6,694**
Pensions interest cost and expected return on pensions assets	11,051	**5,864**
Interest receivable and similar income	(1,452)	**(1,230)**
Income and expenditure in relation to investment properties and changes in their fair value	(1,098)	**(1,152)**
Losses on Trading Accounts	721	**368**
Total	15,463	**10,544**

11. Taxation and Non Specific Grant Income

	2010/11 £000's	**2011/12 £000's**
Council tax income	(52,745)	**(54,938)**
Non domestic rates	(89,752)	**(80,384)**
Non-ring fenced government grants	(32,675)	**(46,913)**
Capital grants and contributions	(60,351)	**(94,654)**
Total	(235,523)	**(276,889)**

12. Property Plant and Equipment (PPE)

The movements in the Council's Property, Plant and Equipment for the year 2011/12 are set out in the table below. Estimated asset lives and depreciation rates are set out in the Accounting Policies.

The Council re-values its Property, Plant and Equipment on a five year basis (25% each of the last four years of the programme and an impairment review at the end of the financial year) using its valuers, Wilks, Head & Eve. In 2010 the basis of valuation for Council Dwellings was changed by the Treasury and as a result a significant reduction in value has been accounted for and reflected in the comparative table below for 2010/11.

The Council's social housing stock has been valued in line with the Department of Communities and Local Government's (CLG) "Stock Valuation for Resource Accounting Guidance for Valuers" which is based on the existing use value for social housing (EUV-SH). This methodology is a departure from International Accounting Standards but is in accordance with current CIPFA and Treasury guidance.

12. Property Plant and Equipment (PPE)

2011/12 **Cost or Valuation**	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	**Total PPE**	PFI Included in PPE
	£000's	£000's	£000's	£000's	£000's	£000's	**£000's**	£000's
Cost or Valuation at 1 April 2011	**651,956**	**513,167**	**39,908**	**132,319**	**11,182**	**34,894**	**1,383,426**	**56,862**
Additions	33,936	67,325	3,201	4,764	745	44,209	**154,179**	32,072
Revaluations recognised in the Revaluation Reserve	437	(6,692)			299		**(5,956)**	
Revaluations recognised in the Provision of Services	(23,264)	(28,422)			372		**(51,314)**	
De-recognition - disposals	(2,352)	(3,000)					**(5,352)**	
Other movements		68,308				(67,177)	**1,131**	1,131
Cost or Valuation at 31 March 2012	**660,713**	**610,686**	**43,109**	**137,083**	**12,597**	**11,926**	**1,476,115**	**90,065**
Accumulated Depreciation b/fwd 1 April 2011	**1**	**(8,966)**	**(24,333)**	**(30,408)**	**(354)**	**-**	**(64,060)**	(2,588)
Depreciation charge	(8,929)	(13,178)	(4,890)	(6,652)			**(33,649)**	(1,411)
Depreciation written out to the Revaluation Reserve							**-**	
Depreciation written out to the Provision of Services	8,929	6,328					**15,257**	
Impairments recognised in the Revaluation Reserve							**-**	
De-recognition - disposals							**-**	
Other movements	(1)						**(1)**	
Accumulated Depreciation at 31 March 2012	**-**	**(15,816)**	**(29,223)**	**(37,060)**	**(354)**	**-**	**(82,453)**	**(3,999)**
Net Book Value at: -31 March 2012	**660,713**	**594,870**	**13,886**	**100,023**	**12,243**	**11,926**	**1,393,662**	**86,066**

Property Plant and Equipment (PPE) (continued)

<u>**2010/11**</u> **Cost or Valuation**	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	**Total PPE**	PFI Included in PPE
	£000's	£000's	£000's	£000's	£000's	£000's	**£000's**	£000's
Cost or Valuation at 1 April 2010	**1,006,285**	**415,083**	**34,656**	**119,603**	**8,960**	**26,029**	**1,610,616**	**48,532**
Additions	15,794	36,528	4,763	12,716	2,222	22,246	**94,269**	4,287
Revaluations recognised in the Revaluation Reserve	(114,701)	49,878					**(64,823)**	4,043
Revaluations recognised in the Provision of Services	(253,227)	(1,646)					**(254,873)**	
De-recognition – disposals	(2,195)	(57)	(149)				**(2,401)**	
De-recognition – other		(1,023)					**(1,023)**	
Other movements		14,404	638			(13,381)	**1,661**	
Cost or Valuation at 31 March 2011	**651,956**	**513,167**	**39,908**	**132,319**	**11,182**	**34,894**	**1,383,426**	**56,862**
Accumulated Depreciation b/fwd 1 April 2010	**1**	**(18,254)**	**(18,932)**	**(24,441)**	**(354)**	**-**	**(61,980)**	**(1,375)**
Depreciation charge	(13,904)	(10,321)	(5,422)	(5,967)			**(35,614)**	(1,213)
Depreciation written out to the Revaluation Reserve		18,694					**18,694**	
Depreciation written out to the Provision of Services	13,904						**13,904**	
Impairments recognised in the Revaluation Reserve		597					**597**	
Impairments recognised in the Provision of Services		318					**318**	
De-recognition - disposals			149				**149**	
Other movements			(128)				**(128)**	
Accumulated Depreciation at 31 March 2011	**1**	**(8,966)**	**(24,333)**	**(30,408)**	**(354)**	**-**	**(64,060)**	**(2,588)**
Net Book Value at: -31 March 2011	**651,957**	**504,201**	**15,575**	**101,911**	**10,828**	**34,894**	*** 1,319,366**	**54,274**

*The brought forward values as at 31 March 2010 have been amended to reflect the removal of heritage assets, which are now disclosed separately on the balance sheet.

At 31 March 2012 the Council had entered into the following contracts amounting to £75.6m (2010/11 £73.6m) for the construction or enhancement of its Property, Plant and Equipment in 2012/13 and future years. The major commitments are:

Schemes Over £2.5m	**£'000**
Barking Leisure Centre	12,594
Sydney Russell School	10,383
Housing Buyback	4,224
Council Housing schemes	7,490
Technical Skills Academy	3,366
External enveloping and fire proofing projects	2,532
Modernisation & Improvement Capital Fund	2,524
Total commitments over £2.5m	**43,113**

13. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets held by the Authority

	Works of Art £'000	Historic Sites £'000	Museum Exhibits £'000	Statues & Monuments £'000	Civic Regalia £'000	Total Assets £'000
Net Book Value 01-Apr-10	3,752	1,812	264	390	530	6,748
Additions		1				1
Disposals						
Revaluations						
Impairment Losses/(reversals) in Revaluation Reserve						
Impairment Losses/(reversals)						
Depreciation		(51)				(51)
31-Mar-11	**3,752**	**1,762**	**264**	**390**	**530**	**6,698**
Net Book Value 01-Apr-11	3,752	1,762	264	390	530	6,698
Additions	27	424				451
Disposals						
Revaluations						
Impairment Losses/(reversals) recognised in Revaluation Reserve						
Impairment Losses/(reversals)						
Depreciation		(52)				(52)
31-Mar-12	**3,779**	**2,134**	**264**	**390**	**530**	**7,097**

Works of Art

The Council holds a significant collection of art works. The Fanshawe Art collection is a collection of 53 portraits relating to the Fanshawe family. The earliest painting dated from 1560 and with the last painting commissioned in 1940. The artists included some of the most famous in the country for the time period, such as William Dobson, Sir Peter Lily and Marcus Gheeraedts.

The Council has also holds other modern art works such as the Secret Garden in Barking and the A13 Artscape project, The Secret Garden is a 7 metre high facade which has been constructed from reclaimed bricks and architectural salvage, incorporating a public art element into the design of the main square. The A13 Artscape is one of the most ambitious and innovative public arts projects in the United Kingdom. It has been one of the highest profile and most challenging arts projects to date, for the borough. The A13 Artscape project was delivered through a partnership with Transport for London, which led to the involvement of some 17 artists and organisations to improve the environmental impact of the A13 on the surrounding areas.

Historic Sites

Valence House is a grade II listed medieval building. Its earliest parts are over 600 years old. Valence House been a museum since 1937 and became a dedicated museum in 1976. It is the local history museum for Barking and Dagenham, displaying history and objects from the Borough.

Barking Abbey was founded in 666 A.D. by St Erkenwald. The ruins that remain today are a rebuild from the 13th Century. The Abbey was one of the first and wealthiest in the country but was dissolved by King Henry VIII after 1539. The Barking Abbey Ruins was excavated a hundred years ago in 1911. It has not been possible to provide a financial value of the Barking Abbey Ruins due to the nature of what they are.

Museum Exhibits

Current museum exhibits include the original coat of arms from the Elizabethan town hall and a large painting of Kings Charles II.

Other exhibits include a bronze Ford Capri sculpture on display outside Valence House Museum.

Statues & Monuments

There are several statues and monuments in Barking and Dagenham;

A statue of Job Henry Charles Drain V.C. was erected in autumn 2009 on Broadway, Barking in memory his heroism. There are also three war memorials in Barking Park, Rippleside cemetery and Chadwell Heath cemetery. The Rippleside cemetery war memorial has recently been listed by English Heritage. It has not been possible to place a financial value on these memorials.

Barking and Dagenham have produced some of the most famous and successful sportsmen and women in the country. A number of statues were erected in 2008 to celebrate these individuals in the form of a large dynamic sculptural installation. The artwork includes silhouettes of Bobby Moore OBE, Beverley Gull MBE, Sir Alf Ramsey and Jason Leonard OBE, all of whom were champions and success stories of their time. These statues are situated on the A13, by Castle Green.

Civic Regalia

The Council holds items of Civic Regalia, such as the Mayor's robe and the Chain of Office, with the Insignia pendant. The Mayor's robe was first used in 1931 when Barking received the Charter of Incorporation, which meant that Barking had the power to elect a Mayor for the first time in history. The robe is part of Valence House Museum collection and was last used in 1993. The chain of office with the Insignia pendant, this is usually located at Barking Town Hall, but is currently on display at Valence House Museum.

Preservation and Management

Each of the collections at the Valence House museum is managed by a curator and the policy for documentation, collections, disposals, loans, conservation and storage are contained within the museum's Collection Management Plan.

Additions of Heritage Assets

There were additions and enhancements of £0.451m to heritage assets in 2011/12.

Disposals in 2011/12:

There were no heritage assets sold in 2011/12

14. Investment Properties

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

	2010/11 £000's	**2011/12** **£000's**
Rental income from investment property	2,564	**2,992**
Direct operating expenses arising from investment property	(626)	**(1,001)**
Net gain	1,938	**1,991**

The net gain includes an HRA surplus of £839k (2010/11 £842k) which has been adjusted for in arriving at the net income in relation to Investment Properties as set out in note 10.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

Investment Properties are shown at fair value at the balance sheet date and are subject to revaluation as part of the Council's five-year rolling revaluation process and any changes in valuation are reflected in the fair value of the assets. The following table summarises the movement in the fair value of investment properties over the year:

	2010/11 £000's	**2011/12 £000's**
Balance at start of the year	38,906	**44,883**
Additions:		
Subsequent expenditure	7,000	**8**
Disposals	-	**-**
Net gains/losses from fair value adjustments/revaluations	-	**455**
Transfers:		
to/from Property, Plant and Equipment	(1,023)	
Balance at end of the year	44,883	**45,346**

15. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life assigned to all intangible assets is 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1.657m charged to revenue in 2011/12 was to the relevant SeRCOP categories, on the basis of software type.

The movement on Intangible Asset balances during the year is as follows:

	2010/11 £000's	**2011/12 £000's**
Balance at Start of Year		
Gross Carrying Amount	8,589	**8,974**
Accumulated Depreciation	(1,623)	**(3,239)**
Net Carrying Amount at Start of Year	6,966	**5,735**
Additions		
Internal Development	-	
Purchases	384	**1,261**
Amortisation for the period	(1,615)	**(1,657)**
Net Carrying Amount at the End of the Year	5,735	**5,339**

16. Financial Instruments

Borrowing - The Council is able to borrow to finance capital expenditure, and to meet day-to-day cash flow needs, as long as the total debt outstanding does not exceed the Authorised Limit set by the Council under the requirements of the Prudential Code. The Council has recourse to a wide range of borrowing facilities, although in practice most of its debt is with the Public Works Loans Board. Total external borrowing at 31 March 2012 was £335.9m of principal (£70.7m at 31 March 2011), which was well within the Council's approved borrowing limit.

The Council has borrowed monies to fund the Council's Capital Programme. Loans are shown at amortised cost on the Balance Sheet in accordance with financial reporting standards.

Cash and Cash Equivalents - The Council had cash and cash equivalents of £99.5 million (principal) as at 31 March 2012 (£65.5 million at 31 March 2011). Further information on cash and investments is within notes 20 and 50 of the Accounts.

Investments - Long-term investments are intended to be held for use on a continuing basis in the activities of the authority. Investments that do not meet this criterion are classified as current assets. The Authority's investments fall into this latter category and are therefore shown within current assets. Investments are split between Call Accounts and Cash deposits. One external cash manager, Investec, is employed.

Housing Revenue Account – Self-Financing Reforms

The Department for Communities and Local Government (DCLG) abolished the HRA subsidy system in March 2012 with Local Authorities, under the Localism Act, taking control of the housing expenditure and income. This will enable the effective long term planning of the housing stock.

The Council was required to borrow £265.912m on 28 March 2012, with the annual subsidy payments being used to cover the annual interest charges of the debt. Further details can be found in the HRA accounts (pages 105 – 111).

Categories of Financial Instruments

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

	Long Term		Current	
	2010/11 £000's	**2011/12 £000's**	2010/11 £000's	**2011/12 £000's**
<u>**Financial Assets**</u>				
Cash and Cash Equivalents				
Financial assets at fair value through profit and loss	-	**-**	65,539	104,904
Total Cash and Cash Equivalents	-	**-**	65,539	**104,904**
Investments				
Loans and Receivables	-	**-**	28,113	**-**
Total Investments	-	**-**	28,113	**-**
Debtors				
Loans and Receivables	891	**782**	-	**-**
Financial assets carried at contract amounts	-	**-**	47,119	**20,688**
Total Debtors	891	**782**	47,119	**20,688**
<u>**Financial Liabilities**</u>				
Borrowings				
Financial Liabilities at amortised cost	70,000	325,912	1,459	10,000
Accrued interest	749	871	-	**-**
Total financial Liabilities at amortised cost	70,749	**326,783**	1,459	10,000
Financial Liabilities at fair value through profit and loss	-	**-**	-	**-**
Total Borrowings	70,749	**326,783**	1,459	**10,000**
Other Long Term Liabilities				
PFI and Finance Lease Liabilities	25,534	59,735		
Total Long Term Liabilities	25,534	59,735		
Creditors				
Financial Liabilities at amortised cost	-	-	-	-
Financial liabilities carried at contract amount	-	-	74,421	59,651
Total Creditors	-		**74,421**	**59,651**

Reclassifications

No financial instruments have been reclassified within the 2011-12 financial year.

Income, Expense, Gains and Losses

	2010/11				**2011/12**			
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Assets and Liabilities at Fair Value through Profit and Loss	Total	**Financial Liabilities measured at amortised cost**	**Financial Assets: Loans and Receivables**	**Assets and Liabilities at Fair Value through Profit and Loss**	**Total**
	£000's	£000's	£000's	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Interest Expense	(2,157)	-	-	(2,157)	(6,546)	-	-	(6,546)
Losses on de-recognition	-	-	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Fee Expense	-	-	(75)	(75)	-	-	(77)	(77)
Total expense in Surplus or Deficit on the Provision of Services	(2,157)	-	(75)	(2,232)	(6,546)	-	(77)	(6,623)
Interest income	-	823	611	1,434	-	196	1,006	1,202
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-
Increases in fair value	-	-	-	-	-	-	-	-
Gains on de-recognition	-	-	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	823	611	1,434	-	196	1,006	1,202
Gains on revaluation	-	-	-	-	-	-	-	-
Losses on revaluation	-	-	-	-	-	-	-	-
Amounts recycled to the Surplus or Deficit on Provision of Services after impairment	-	-	-	-	-	-	-	-
Surplus/Deficit arising on revaluation of financial assets in Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-
Net gain (loss) for the year	(2,157)	823	536	(798)	(6,546)	196	929	(5,421)

Fair Values of Assets and Liabilities

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

- estimated ranges of interest rates at 31 March 2012 of 1.28% to 4.41% for loans from the PWLB and 0.39% to 4.31% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount. The fair values calculated are as follows:

	2010/11		**2011/12**	
	Carrying Amount £000's	Fair Value	**Carrying Amount £000's**	**Fair Value**
	£000's	£000's	**£000's**	**£000's**
Financial Assets – short term investments	28,113	28,181	**142,938**	**143,033**
Financial Liabilities	(70,749)	(73,829)	**(455,298)**	**(409,685)**
Long-term creditors	(74,421)	(74,421)	**(59,735)**	**(59,735)**

The rates quoted in the above valuation were obtained by the Council's treasury management consultants, Sector, from the market on 31 March 2012 using bid prices where applicable. The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2012) arising from a commitment to pay interest to lenders above current market rates.

In the case of Long Term Creditors, Council takes the position that the carrying value of the liabilities fully reflects their fair value. The total reported above reflects creditors balances deemed to be financial liabilities (i.e. expected to be settled in cash or cash equivalents).

17. Inventories

	Consumable Stores		**Total**	
	2010/11 £000's	**2011/12 £000s**	2010/11 £000's	**2011/12 £000s**
Balance outstanding at start of year	157	**227**	157	**227**
Purchases	944	**3,421**	944	**3,421**
Recognised as an expense in the year	(879)	**(3,373)**	(879)	**(3,373)**
Written off balances	5	**(23)**	5	**(23)**
Balance outstanding at year-end	227	**252**	227	**252**

18. Construction Contracts

At 31 March 2012 the Council had no construction contracts in operation for which it was responsible for the delivery of the project. Construction contracts provided by third party contractors are disclosed in Property Plant and Equipment as assets under construction.

19. Debtors

	2010/11 £000's	**2011/12 £000s**
Central Government Bodies	16,777	**8,061**
Other Local Authorities	1,875	**1,632**
NHS Bodies	703	**1,689**
Other Entities and Individuals	38,261	**39,600**
Total	57,616	**50,982**

20. Cash and Cash Equivalents

	2010/11 £000s	**2011/12 £000s**
Cash held by the Authority	37	**38**
Bank current accounts	-	**5,387**
Short-term deposits (less than 3 months to maturity at Balance Sheet date)	7,500	**59,500**
Deposits at Call	58,002	**39,979**
Total Cash and Cash Equivalents	65,539	**104,904**

21. Assets Held for Resale

The Council did not have any Assets held for resale at the 31 March 2012 (31 March 2011; none)

22. Creditors

	2010/11 £000's	**2011/12 £000s**
Central Government Bodies	27,962	**11,495**
Other Local Authorities	5,026	**4,636**
NHS Bodies	2,912	**3,778**
LBBD Pension Fund	15,338	**7,969**
Other Entities and Individuals	37,971	**40,690**
Total	89,209	**68,568**

23. Provisions

	2010/11	Transfers in	Transfers out	**2011/12**
	£'000	£'000	£'000	**£'000**
Insurance	(8,649)	(2,315)	2,108	**(8,856)**
Redundancy	0	(1,703)	0	**(1,703)**
Other	(239)	0	0	**(239)**
	(8,888)	(4,018)	2,108	**(10,798)**

Insurance Claims

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

Redundancy Provision

A provision of £1.703m was established to meet the cost of redundancies agreed but not paid out during 2011/12.

24. Usable Reserves

The Council has the following reserves, as detailed in the Movement in Reserves Statement and note 8:

2010/11 £'000	Reserve	2011/12 £'000
10,841	General Fund (GF) balance	**14,346**
24,638	Earmarked GF reserves	**45,885**
4,448	Housing Revenue Account (HRA)	**8,269**
6,069	Earmarked HRA reserves	**5,918**
5,223	Capital receipts reserve	**6,939**
55,428	Capital Grants unapplied	**72,749**
2,853	Major Repairs reserve	**10,609**
109,500	**Total**	**164,715**

25. Unusable Reserves

2010/11 £000's	**Unusable Reserves**	**2011/12 £000's**
176,978	Revaluation Reserve	**165,477**
-	Available for Sale Financial Instruments Reserve	**-**
1,048,445	Capital Adjustment Account	**801,325**
-	Financial Instruments Adjustment Account	
(193,359)	Pensions Reserve	**(259,779)**
239	Collection Fund Adjustment Account	**1,385**
(1,297)	Accumulated Absences Account	**(1,165)**
1,031,006	**Total Unusable Reserves**	**707,243**

Revaluation Reserve

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

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

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

The Reserve has been restated to reflect the £3.15m valuation of heritage assets which previously were not recognised in the accounts.

2010/11 £000's	Revaluation Reserve	2011/12 £000's
224,521	**Balance at 1 April**	**176,978**
70,315	Upward revaluation of assets	**10,215**
(115,846)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**(16,389)**
(54)	Accumulated gains on assets sold or scrapped	**-**
(1,958)	Difference between fair value depreciation and historical cost depreciation	**(4,440)**
-	Other Adjustments	**(887)**
176,978	**Balance at 31 March**	**165,477**

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.
The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010/11 £000's	Capital Adjustment Account	2011/12 £000's
1,261,593	**Balance at 1 April**	**1,048,445**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(36,819)	- Charges for depreciation and impairment of noncurrent assets	**(33,702)**
(240,651)	- Revaluation losses on Property, Plant and Equipment	**(35,382)**
(1,616)	Amortisation of intangible assets	**(1,657)**
(4,536)	Revenue expenditure funded from capital under statute	**(5,729)**
	HRA Debt settlement payment	**(265,912)**
(2,252)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**(5,353)**
2,010	Adjusting amounts written out of the Revaluation Reserve	**4,439**
	Capital financing applied in the year;	
227	- Use of the Capital Receipts Reserve to finance new capital expenditure	
10,628	- Use of the Major Repairs Reserve to finance new capital expenditure	**6,940**
	- Capital grants and other contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**1,058**
55,557	- Application of grants to capital financing from the Capital Grants Unapplied Account	**79,368**
4,021	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	**6,483**
226	- Capital expenditure charged against the General Fund and HRA balances	**1,440**
57	Other Adjustments	**887**
1,048,445	**Balance at 31 March**	**801,325**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements require benefits earned to be financed as the Council makes the employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them.

The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2010/11	Pension Reserve	2011/12
£000's		**£000's**
(360,806)	**Balance at 1 April**	**(193,359)**
99,159	Actuarial gains or losses on pensions assets and liabilities	**(62,440)**
49,578	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**(21,753)**
18,710	Employer's pensions contributions and direct payments to pensioners payable in the year	**17,773**
(193,359)	**Balance at 31 March**	**(259,779)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2010/11	Collection Fund Adjustment Account	2011/12
£000's		**£000's**
(521)	**Balance at 1 April**	**239**
760	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	**1,146**
239	**Balance at 31 March**	**1,385**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2012. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2010/11	Accumulated Absences Account	2011/12
£000's		**£000's**
1,430	**Balance at 1 April**	**1,297**
(1,430)	Settlement or cancellation of accrual made at the end of the preceding year	**(1,297)**
1,297	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**1,165**
1,297	**Balance at 31 March**	**1,165**

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

2010/11 £000's		**2011/12 £000's**
(124,171)	**Net Surplus or (Deficit) on the Provision of Services**	**(199,933)**
	Adjust net surplus or deficit on the provision of services for non cash movements	
36,819	Depreciation	33,702
240,650	Impairment and downward valuations	35,382
1,616	Amortisation	1,657
(1)	Increase/Decrease in Interest Creditors	125
(89)	Increase/Decrease in Creditors	(22,354)
794	Increase/Decrease in Interest and Dividend Debtors	46
(3,371)	Increase/Decrease in Debtors	959
(70)	Increase/Decrease in Inventories	(25)
(66,581)	Movement in Pension Liability	3,980
127	Contributions to/(from) Provisions	1,910
2,252	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	5,353
212,146		**60,735**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(60,351)	Capital Grants credited to surplus or deficit on the provision of services	(94,654)
(6,724)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(6,527)
(67,075)		**(101,181)**
20,900	**Net Cash Flows from Operating Activities**	**(240,379)**

27. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2010/11 £000's		**2011/12 £000's**
2,246	Interest received (cash based)	**1,276**
(6,242)	Interest paid (cash based)	**(6,569)**

28. Cash Flow Statement – Investing Activities

2010/11 £000's		**2011/12 £000's**
(103,622)	Purchase of property, plant and equipment, investment property and intangible assets	**(122,156)**
(13,000)	Purchase of short-term and long-term investments	**-**
20,500	Proceeds from short-term and long-term investments	**28,000**
(304)	Other payments for investing activities	**-**
6,869	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**6,527**
60,114	Other receipts from investing activities	**97,019**
(29,443)	**Net Cash Flows from Investing Activities**	**9,390**

29. Cash Flow Statement – Financing Activities

2010/11 £000's		**2011/12 £000's**
-	Cash receipts of short- and long-term borrowing	**265,912**
266	Other receipts from financing activities	**5,984**
(681)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	**(832)**
(1,513)	Other payments for financing activities	**-**
(1,928)	**Net Cash Flows from Financing Activities**	**271,064**

30. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice for Local Authorities 2011/12 (SeRCOP). However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- expenditure on some support services is budgeted for centrally and not charged to departments.

The income and expenditure of the Council's principal departments, as recorded in the budget monitoring reports for the year, is as follows:

Departmental Income and Expenditure 2011/12	**Adults Services £000's**	**Children's Services £000's**	**Housing & Environment £000's**	**Finance & Resources £000's**	**Total £000's**
Fees, charges & other service income	(14,272)	(6,571)	(20,523)	(12,839)	(54,205)
Government grants	(2,760)	(8,823)	(1,848)	(156,612)	(170,043)
Total Income	**(17,032)**	**(15,394)**	**(22,371)**	**(169,451)**	**(224,248)**
Employee expenses	24,823	29,878	19,084	26,396	100,181
Other service expenses	51,790	54,206	35,540	205,539	347,075
Support service recharges	4,785	1,039	(8,674)	(36,839)	(39,689)
Total Expenditure	**81,398**	**85,123**	**45,950**	**195,096**	**407,567**
Net Expenditure	**64,366**	**69,729**	**23,579**	**25,645**	**183,319**

Departmental Income and Expenditure 2010/11	**Adults Services £000's**	**Children's Services £000's**	**Housing & Environment £000's**	**Finance & Resources £000's**	**Total £000's**
Fees, charges & other service income	(18,337)	(14,350)	(26,880)	(6,852)	(66,419)
Government grants	(3,056)	(19,646)	(144,813)	-	(167,515)
Total Income	(21,393)	(33,996)	(171,693)	(6,852)	(233,934)
Employee expenses	26,717	34,414	30,042	32,567	123,740
Other service expenses	59,291	58,269	190,156	17,849	325,565
Support service recharges	5,336	3,226	(20,302)	(32,152)	(43,892)
Total Expenditure	91,344	95,909	199,896	18,264	405,413
Net Expenditure	69,951	61,913	28,203	11,412	171,479

Reconciliation of Departmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2010/11 £000's	**2011/12** **£000's**
Net expenditure in the Departmental Analysis	171,479	**183,319**
Net expenditure of services and support services not included in the Analysis	(14,380)	**(23,268)**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	180,737	**296,386**
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(1,172)	**(1,978)**
Cost of Services in Comprehensive Income and Expenditure Statement	336,664	**454,459**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2011/12	Departmental Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	**Cost of Services**	Corporate Amounts	**Total**
	£000's	£000's	£000's	£000's	**£000's**	£000's	**£000's**
Fees, charges & other service income	(54,205)	(107,730)	(9,492)	8,930	**(162,497)**	(8,931)	(171,428)
Interest and investment income		(600)	524		**(76)**	(1,230)	(1,306)
Income from council tax					-	(54,938)	(54,938)
Government grants and contributions	(170,043)	(225,181)	(3,945)		**(399,169)**	(221,951)	(621,120)
Total Income	**(224,248)**	**(333,511)**	**(12,913)**	**8,930**	**(561,742)**	**(287,050)**	**(848,792)**
Employee expenses	100,182	168,188	(2,022)		**266,348**		266,348
Other service expenses	323,207	115,471	16,022	(10,908)	**443,792**	7,743	451,535
Support Service recharges	(39,690)	11,887	-		**(27,803)**		(27,803)
Depreciation, amortisation and impairment	23,868	14,697	14,349		**52,914**		52,914
Interest Payments			(6,009)		**(6,009)**	12,558	6,549
Precepts & Levies			-		**-**	8,586	8,586
Payments to Housing Capital Receipts Pool			-		**-**	4,811	4,811
Deficit on Revaluation of Property ,Plant and Equipment			21,047		**21,047**	6,175	27,222
Actuarial gain on Pension assets			-		**-**	62,440	62,440
(Gain) / Loss on Disposal of Fixed Assets			-		**-**	(1,175)	(1,175)
Cost of HRA debt			265,912		**265,912**		265,912
Total Expenditure	**407,567**	**310,243**	**309,299**	**(10,908)**	**1,016,201**	**101,138**	**1,117,339**
(Surplus) / Deficit	**183,319**	**(23,268)**	**296,386**	**(1,978)**	**454,459**	**(185,912)**	**268,547**

2010/11	Departmental Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees, charges & other service income	(66,419)	(129,018)	12,176	8,910	(174,351)	(8,968)	(183,319)
Interest and investment income	-	-	-	-	-	(1,452)	(1,452)
Income from council tax	-	-	-	-	-	(52,745)	(52,745)
Government grants and contributions	(167,515)	(193,523)	-	-	(361,038)	(182,778)	(543,816)
Total Income	(233,934)	(322,541)	12,176	8,910	(535,389)	(245,943)	(781,332)
Employee expenses	123,740	148,271	(76,108)	-	195,903	-	195,903
Other service expenses	297,945	146,954	1,104	(10,082)	435,921	8,725	444,646
Support Service recharges	(43,892)	12,936			(30,956)	-	(30,956)
Depreciation, amortisation and impairment	27,620	-	8,045	-	35,665	-	35,665
Interest Payments	-	-	(3,993)	-	(3,993)	17,292	13,299
Precepts & Levies	-	-	-	-	-	7,935	7,935
Payments to Housing Capital Receipts Pool	-	-	-	-	-	4,163	4,163
Deficit on Revaluation of Property ,Plant and Equipment	-	-	239,513	-	239,513	45,340	284,853
Actuarial gain on Pension assets	-	-	-	-	-	(99,159)	(99,159)
(Gain) / Loss on Disposal of Fixed Assets	-	-	-	-	-	(4,473)	(4,473)
Total Expenditure	405,413	308,161	168,561	(10,082)	872,053	(20,177)	851,876
(Surplus) / Deficit	171,479	(14,380)	180,737	(1,172)	336,664	(266,120)	70,544

31. Acquired and Discontinued Operations

In December 2010 the Council entered into a joint venture arrangement with Agilysis to create "Elevate" in which the parties each hold a 50% share in the equity of the joint venture company. The contract is for a period of seven years, with the option to extend for a further three years, at an average annual cost of £18m.

Elevate are now incorporated into Barking and Dagenham's Group Accounts. Please refer to page 118 for further information.

32. Trading Operations

The Council has established a number of trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the council or other organisations.

- **Teachers Accommodation:** The Council provides an accommodation block for teachers new to the borough;

- **Barking Market**: The Council operates an open air street market in the centre of Barking generating rental income from stall holders. Management of the market is the responsibility of a third party organisation under a 15 year contract (from April 2000). The Council operates the market as a trading activity and is permitted to make a surplus. The (surplus)/deficit amounts reported below include the Council's full costs of operating the market;

- **Eastbury Manor:** This is an Elizabethan Manor House, owned by the National Trust and managed by Barking and Dagenham. It acts as a venue for civil weddings and partnerships and rooms can also be hired for meetings and conferences;

- **Catering:** An internally operated catering operation provides catering for both schools and council offices;

- **Castle Green:** This is a centre for the community that incorporates the Jo Richardson School. There are both sporting and conference facilities that can be hired.

Details of those trading units with a turnover greater than £50k in 2010/11 are as follows:

	2010/11 £000's	**2011/12 £000's**
1. Teachers Accommodation		
Turnover	(233)	**(267)**
Expenditure	116	**224**
(Surplus)/Deficit	(117)	**(43)**
2. Barking Market		
Turnover	(869)	**(1,031)**
Expenditure	859	**965**
(**Surplus)/Deficit**	(10)	**(66)**
3. Eastbury Manor		
Turnover	(69)	**(46)**
Expenditure	310	**272**
(Surplus)/Deficit	241	**226**
4. Catering		
Turnover	(6,206)	**(5,852)**
Expenditure	6,825	**6,215**
(**Surplus)/Deficit**	619	**363**
5. Castle Green		
Turnover	(1,414)	**(1,510)**
Expenditure	1,402	**1,398**
(**Surplus)/Deficit**	(12)	**(112)**
Total (Surplus)/Deficit from Trading Operations	721	**368**

The financial results of the trading operations are incorporated into the Comprehensive Income and Expenditure Statement, with a net deficit of £368k (2010/11, £721k) being included within net cost of services.

33. Agency Services

The Council carries out certain work for the East London Waste Authority (ELWA) on an agency basis for which it is reimbursed by way of a management fee. The areas of work relate to its role as Clerk to ELWA, carrying out administrative and legal work on their behalf. The financial position is shown below:

Agency Services	2010/11 £000's	**2011/12 £000's**
Expenditure incurred in providing services to ELWA	563	**584**
Management fee payable by ELWA	(636)	**(522)**
Net deficit/(surplus) arising on the agency arrangement	(73)	**62**

34. Pooled Budgets

On 1st November 2011 the Council entered into a pooled budget arrangement with North East London NHS Foundation Trust for the provision of mental health and social services to meet the needs of people living in the Barking and Dagenham area. The Council and the Trust have an agreement in place for funding these services that will run until 31st March 2013, with the partners reviewing contributing funds annually.

The pooled budget is hosted by the Trust on behalf of the two partners to the agreement.

	2010/11 £000's		**2011/12 £000's**	
Funding provided to the pooled budget:				
the Authority	-		**1,394**	
the Trust	-		**2,704**	
		-		**4,098**
Expenditure met from the pooled budget:				
the Authority	-		**(1,433)**	
the Trust	-		**(2,598)**	
		-		**(4,031)**
Total Net Surplus of the pooled budget		-		**67**
Net deficit for the Authority		-		**(39)**
Net surplus for the Trust		-		**106**

35. Members Allowances

The Authority paid the following amounts to members of the council during the year.

	Restated 2010/11 £000's	**2011/12 £000's**
Salaries	510	**509**
Allowances	232	**237**
Expenses	23	**26**
Employers NI	52	**49**
Employers Pension	66	**69**
Total	883	**890**

36. Senior Officers' Remuneration (including Teachers)

Additional disclosure requirements have been introduced as a result of Regulation 4 of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 to increase transparency and accountability for reporting the remuneration of senior employees (those who have executive decision making power). The disclosure requirements now comprise the following:

(a) an analysis of the number of employees whose remuneration is in excess of £50k in bands of £5k:
(b) an additional requirement listing those senior employees whose salary is £50k or more per year but less than £150k by way of job title:
(c) a list of those employees whose salary is in excess of £150k by name and job title.

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

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

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

	2010/11		2011/12	
	Non-Teaching Employees	Teaching Employees	Non-Teaching Employees	Teaching Employees
£50,000 - £54,999	45	204	**58**	**200**
£55,000 - £59,999	27	117	**24**	**102**
£60,000 - £64,999	24	39	**18**	**38**
£65,000 - £69,999	11	24	**15**	**28**
£70,000 - £74,999	10	19	**10**	**17**
£75,000 - £79,999	2	8	**3**	**15**
£80,000 - £84,999	2	13	**2**	**10**
£85,000 - £89,999	12	4	**9**	**4**
£90,000 - £94,999	3	2	**2**	**2**
£95,000 - £99,999	1	3	**0**	**3**
£100,000 - £104,999	0	1	**0**	**2**
£105,000 - £109,999	1	3	**4**	**1**
£110,000 - £114,999	1	0	**1**	**3**
£115,000 - £119,999	0	0	**0**	**0**
£120,000 - £124,999	1	0	**0**	**0**
£125,000 - £129,999	1	0	**0**	**0**
£130,000 - £134,999	2	1	**3**	**0**
£135,000 - £139,999	0	1	**0**	**1**
£140,000 - £144,999	2	1	**0**	**0**
£145,000 - £149,999	0	0	**1**	**1**
£150,000 - £154,999	0	0	**1**	**1**
£155,000 - £159,999	0	1	**0**	**0**
£160,000 - £164,999	0	0	**0**	**0**
£165,000 - £169,999	0	0	**0**	**0**
£170,000 - £174,999	0	1	**0**	**0**
£175,000 - £179,999	0	0	**0**	**1**
£180,000 - £184,999	0	0	**0**	**0**
£185,000 - £189,999	0	0	**0**	**0**
£240,000 - £249,999	1	0	**0**	**0**
Total	146	442	**151**	**429**

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

Post Held	Year	Notes	Salary, Fees & Allowances	Bonuses	Expense Allowances	Compensation for Loss of Employment	Total (excluding pension contributions)	Employer's Pension Contribution	Total (including pension contributions)
			£'s	£'s	£'s	£'s	£'s	£'s	£'s
Corporate Director Adult & Community Services	**2011/12**		**131,757**				**131,757**	**25,693**	**157,450**
	2010/11		131,252	-	-	-	131,252	25,034	156,286
Corporate Director Children's Services	**2011/12**		**131,757**				**131,757**	**25,693**	**157,450**
	2010/11		132,171	-	-	-	132,171	25,150	157,321
Corporate Director Housing & Environment	**2011/12**		**131,757**				**131,757**	**26,693**	**157,450**
	2010/11		130,358	-	-	-	130,358	24,955	155,313
Corporate Director of Finance and Resources	**2011/12**	**1**	**145,000**				**145,000**	**28,195**	**173,195**
	2010/11		145,000	-	-	-	145,000	27,550	172,550

Note 1 The annual salary is £145,000, including a market supplement of £3,112.

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

Post Held	Year	Notes	Salary, Fees & Allowances £'s	Bonuses £'s	Expense Allowances £'s	Compensation for Loss of Employment £'s	Total (excluding pension contributions) £'s	Employer's Pension Contribution £'s	Total (including pension contributions) £'s
Chief Executive ***Stella Manzie***	**2011/12**		**150,000**				**150,000**	**29,250**	**179,250**
	2010/11	1	162,075	-	12	-	162,087	30,745	192,832
Head Teacher, Sydney Russell Comprehensive School ***Roger Leighton***	**2011/12**	**2**	**151,871**				**151,871**	**21,414**	**173,285**
	2010/11		156,497	-	-	-	156,497	22,066	178,563
Head Teacher, Robert Clack Comprehensive School ***Sir Paul Grant***	**2011/12**	**3**	**178,998**		**343**		**179,341**	**25,016**	**204,357**
	2010/11		173,209	-	1,159	-	174,368	24,198	198,566

Note 1 During 2010/11 the post of Chief Executive was occupied by Robert Whiteman (left May 2010), David Woods (acting Chief Executive – left March 2011) and Stella Manzie (commenced March 2011). The annual salary for the post is £150,000.

Note 2 Roger Leighton's salary includes a market supplement of £39,690. His annual salary is £112,181.

Note 3 Sir Paul Grant's salary includes a market supplement of £65,367, and £1,450 mid-day supervision payment. His annual salary is £112,181.

d) Exit packages

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

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band (£)	
	2010/11	**2011/12**	2010/11	**2011/12**	2010/11	**2011/12**	2010/11	**2011/12**
£0 – £20,000	5	**56**	63	**98**	68	**154**	747,367	**1,453,162**
£20,001 – £40,000	1	**27**	56	**76**	57	**103**	1,682,199	**3,001,671**
£40,001 – £60,000	1	**8**	15	**15**	16	**23**	740,855	**1,094,354**
£60,001 – £80,000	1	**7**	4	**7**	5	**14**	356,990	**983,435**
£80,001 – £100,000	0	**3**	0	**0**	0	**3**	-	**280,988**
£100,001 – £150,000	0	**2**	1	**0**	1	**2**	110,175	**258,645**
£150,001 – £200,000	0	**1**	0	**0**	0	**1**	-	**175,043**
£200,001 – £250,000	0	**0**	0	**1**	0	**1**	-	**229,578**
Total	8	**104**	**139**	**197**	147	**301**	**3,637,586**	**7,476,876**

37. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, statutory inspections and the certification of grant claims and to non-audit services provided by the Council's appointed external auditors, the Audit Commission.

	2010/11 £000's	**2011/12 £000's**
Fees payable to the Audit Commission with regard to external audit services carried out in the year.	375	**335**
Fees payable to the Audit Commission in respect of Statutory Inspections.	44	**0**
Fees payable to the Audit Commission for the certification of grant claims and returns for the year.	120	**105**
TOTAL	539	**440**

38. 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 2011/12 are as follows:

Total 2010/11 £000's		Central Costs £000's	ISB £000's	**Total 2011/12 £000's**
154,312	Final DSG for year			**189,334**
3,225	Brought forward from previous year			**4,466**
(1,992)	Carry forward to future years agreed in advance			**(6,775)**
155,545	Agreed budgeted distribution in the year	21,762	165,263	**187,025**
(11,784)	Actual central expenditure	(19,464)		**(19,464)**
(139,295)	Actual ISB deployed to schools		(165,263)	**(165,263)**
4,466	Carry forward to future years	2,298	0	**2,298**

39. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

	2010/11 £000's	**2011/12 £000's**
Amounts credited to Taxation and Non Specific grant Income		
Formula Grant RSG	13,033	**25,040**
Early Years Intervention Grant	0	**13,391**
Learning Disability & Health Reform Grant	0	**4,125**
Housing & Council Tax Benefits Admin Grant	2,158	**2,041**
Council Tax Freeze Grant	0	**1,340**
New Homes Grant	0	**838**
Local Services Support Grant	0	**137**
Area Based Grant (ABG)	19,642	**0**
	34,833	**46,912**
Capital Grants	60,351	**98,066**

Amounts Credited to Services		
Dedicated Schools Grant (DSG)	154,312	**189,334**
Department of Work and Pensions	144,416	**155,576**
Young People's Learning Agency	336	**15,343**
Department for Education	27,195	**9,041**
Skills Funding Agency	2,982	**2,391**
Communities and Local Government	640	**1,609**
Standards Fund	26,864	**809**
Youth Justice Board	869	**709**
Home Office	1,068	**644**
Department of Health	1,939	**317**
London Development Agency	317	**0**
Teacher's Development Agency	210	**0**
Other	267	**3,469**
	361,415	**379,242**

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

Long term liabilities	2010/11	**2011/12**
	£000's	**£000's**
Capital Grants Received in Advance	0	**(1,614)**

40. Related Parties

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

Central Government
Central government has effective control over the general operations of the Council and is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 30 on reporting for resources allocation decisions. Grant received during the year are further analysed in Note 39.

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

The total of members' allowances paid in 2011/12 is shown in Note 35. During 2011/12, no works or services were commissioned from companies in which members had an interest.

Officers
During 2011/12 the Senior Officers of the Council held no pecuniary interests in accordance with section 117 of the Local Government Act 1972 in contracts entered into by the Council.

Other Public Bodies [subject to common control by central government]
The Council has a pooled budget arrangement with North East London NHS Foundation Trust for the provision of mental health and social services. Transactions and balances are detailed in Note 34.

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

Entities Controlled or Significantly Influenced by the Council
The Council participates in a joint venture the details of which are set out in the Group Accounts.

A number of elected members are either Directors or Trustees of a number of bodies that deliver services to the community or work in partnership with the Council, the most significant of which are set out below:

- Councillor Evelyn Carpenter is a member of the Corporation of Barking and Dagenham College for which no remuneration is received and is a Council appointed member of the Elevate Limited Liability Partnership Board for which no remuneration is received;
- Councillor JR White is a Council appointed member of the Elevate Limited Liability Partnership Board for which no remuneration is received;
- Councillors G M Vincent and G Letchford are Council appointed members of the East London Waste Authority (ELWA) the statutory body responsible for the disposal of waste in the London boroughs of Barking and Dagenham, Havering Newham and Redbridge;
- A number of elected members are connected with, or represented on, local voluntary organisations in receipt of transactions from the Council totalling £441k (£756k 2010/11). None of these members are in a position to exercise undue influence over the awarding of any of these transactions.

41. Capital Expenditure and Capital Financing

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

Capital Financing Requirement	2010/11 £000's	**2011/12** **£000's**
Opening Capital Financing Requirement	115,886	**152,054**
Capital investment		
- Property, Plant and Equipment	94,269	**120,697**
- Investment Properties	7,000	**8**
- Intangible Assets	384	**1,261**
- Heritage Assets	1	**451**
- Revenue Expenditure Funded from Capital under Statute	4,536	**5,729**
- HRA Self Financing Debt Settlement payment		**265,912**
- Finance Lease additions	638	**1,878**
- PFI Additions		**32,737**
Sources of Finance		
Capital receipts	(227)	**-**
Government grants and other contributions	(54,925)	**(79,728)**
Other contributions	(633)	**(698)**
Sums set aside from revenue:	-	**-**
- Direct revenue contributions	(226)	**(1,440)**
- MRP/loans fund principal	(4,021)	**(6,483)**
Other	(10,628)	**(6,940)**
Closing Capital Financing Requirement	152,054	**485,438**
Explanation of Movements in Year		
Increase in underlying need to borrowing (supported by government financial assistance)	8,327	
Increase in underlying need to borrowing (unsupported by government financial assistance)	27,841	**32,857**
HRA Self Financing		**265,912**
Assets acquired under finance leases		**1,878**
Assets acquired under PFI/PPP contracts		**32,737**
Increase in Capital Financing Requirement	36,168	**333,384**

42. Leases

Council as Lessee

Finance Leases
The Robert Clack School has acquired IT equipment under a finance lease. The Council has also acquired vehicles under finance leases. These assets are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

Assets acquired under a finance lease	31 March 2011 £000's	**31 March 2012 £000's**
Property, Plant and Equipment	510	**2,286**

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

Minimum Lease Payments	31 March 2011 £000's	**31 March 2012 £000's**
Finance Lease Liabilities (net present value of minimum lease payments)		
- Current	101	**430**
- Non-current	272	**1,634**
	373	**2,064**
Finance Costs Payable in Future Years	170	**784**
Minimum Lease Payments	543	**2,848**

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

Finance Lease Payment profile	**Minimum Lease Payments**		**Finance Lease Liabilities**	
	31 March 2011 £000's	**31 March 2012 £000's**	31 March 2011 £000's	**31 March 2012 £000's**
Not later than one year	181	**698**	101	**430**
Later than one year and not later than five years	362	**1,740**	272	**1,265**
Later than five years	-	**410**	-	**369**
	543	**2,848**	373	**2,064**

Operating Leases

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

Operating Lease Payment profile	31 March 2011 £000's	**31 March 2012 £000's**
Not later than one year	488	**467**
Later than one year and not later than five years	1,433	**1,176**
Later than five years	3,940	**3,740**
	5,861	**5,383**

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

Operating Lease costs	2010/11 £000's	**2011/12 £000's**
Operating Lease payments	4,107	**3,774**

There were no contingent rents or sublease payments.

Council as Lessor

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

Future Minimum Lease Payments Receivable	31 March 2011 £000's	**31 March 2012 £000's**
Not later than one year	2,639	**3,053**
Later than one year and not later than five years	8,955	**10,227**
Later than five years	49,180	**50,419**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into. In 2011/12 £35k contingent rents were receivable by the Authority (£117k in 2010/11), these related to rents that are based on the Lessee's turnover.

43. Private Finance Initiatives and Similar Contracts

PFI Schemes – Eastbury and Jo Richardson Schools

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

Changes in the arrangements during the year (Property, Plant and Equipment)
The assets used to provide services at the schools are recognised on the Council's Balance Sheet and movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.

Payments
The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2012 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

PFI Payments	**Payment for Services**	**Reimbursement of Capital Expenditure**	**Interest**	**Total**
	£000's	£000's	£000's	**£000's**
Payable in 2012/13	1,495	507	3,837	**5,839**
Payable within two to five years	6,363	2,610	15,062	**24,034**
Payable within six to ten years	8,890	5,099	17,716	**31,705**
Payable within eleven to fifteen years	10,058	8,343	15,376	**33,778**
Payable within sixteen to twenty years	7,438	9,374	7,009	**23,821**
Total	**34,244**	**25,933**	**59,000**	**119,177**

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

The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

Contractor Liability	**2010/11**	**2011/12**
	£000's	**£000's**
Balance outstanding at 1 April	25,678	**25,261**
Payments during the year	(417)	**(459)**
Fair value liability adjustment	-	**1,131**
Balance outstanding at 31 March	25,261	**25,933**

PFI Scheme – Dagenham Park School

On 28th October 2010, the Council signed an agreement for the Local Educational partnership (LEP) to deliver two new school buildings and ICT provision at Dagenham Park and Sydney Russell School. Dagenham Park School is a PFI scheme. The school opened on the 9th March 2012 and the contract will be in place for 25 years, after which time the school will be owned by the Council. The value of the addition to the fixed assets held within Property, Plant and Equipment is £32.07M

Changes in the arrangements during the year (Property Plant and Equipment)
The assets used to provide services at the schools are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.

Payments

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2012 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

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	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000's	£000's	£000's	**£000's**
Payable in 2012/13	465	486	2,903	**3,854**
Payable within two to five years	1,860	2,416	11,138	**15,414**
Payable within six to ten years	2,325	4,335	12,608	**19,268**
Payable within eleven to fifteen years	2,325	6,296	10,647	**19,268**
Payable within sixteen to twenty years	2,325	9,164	7,778	**19,268**
Payable within twenty-one to twenty-five years	2,325	13,265	3,445	**19,035**
Total	**11,625**	**35,962**	**48,519**	**96,106**

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

Contractor Liability	**2010/11** £000's	**2011/12** **£000's**
Balance outstanding at start of year	-	**-**
Payments during the year	-	**(185)**
Capital expenditure incurred in the year		**31,606**
Balance outstanding at year-end	-	**31,421**

44. Impairment Losses

During 2011/12 the Council's valuers, Wilks, Head and Eve have reviewed the Council's properties for any downward revaluations that may have occurred for reasons other than changes in market values. They have confirmed that there have been no such impairment losses relating to the Council's properties

45. Termination Benefits

As a result of the reorganisation of its service delivery, a number of employees were made redundant by the Council during 2011/12. Liabilities incurred during 2011/12, including the strain on the Pension Fund, totalled £7.5m (2010/11 £3.6m) – see Note 36

for the number of exit packages and total cost per band. Of this total £230k related to the Divisional Director for Legal and Democratic Services, £175k related to the City Learning Centre Manager, £148k related to the Head of Skills & Learning and £110k related to the Divisional Director for Assurance and Risk. The remaining £6.8m related to 297 officers across the Council who were made redundant, in part through the Council's Voluntary Severance Scheme and its overall service transformation programme.

46. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

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

In 2011/12, the Council paid £10.8m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £10.7m and 14.1%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 47.

47. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered by the Council: this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets;
- Arrangements for the award of discretionary post retirement benefits upon early retirement: this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	**Local Government Pension Scheme**	
	2010/11 £000's	**2011/12 £000's**
Net Cost Of Services		
• Current Service Cost	17,128	**15,458**
• Past Service Costs	(73,079)	**23**
• Gains and Losses on Settlements and Curtailments	(4,678)	**408**
Financing and Investment Income and Expenditure		
• Interest Cost	39,499	**34,195**
• Expected Return on Scheme Assets	(28,448)	**(28,331)**
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(49,578)	**21,753**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
• Actuarial (gains)/losses	(99,159)	**(62,440)**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(148,737)	**(40,687)**
Movement in Reserves Statement		
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	49,578	**(21,753)**
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to the scheme	(17,003)	**(16,020)**
Discretionary Benefits Arrangements		
• Retirement benefits payable to pensioners	(1,707)	**(1,753)**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011/12 is a loss of £236.1m (2010/11 £173.6m).

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):	**Local Government Pension Scheme**	
	2010/11	**2011/12**
	£000's	**£000's**
Opening Balance at 1 April	785,487	**623,490**
Current Service Cost	17,128	**15,458**
Interest Cost	39,499	**34,195**
Contributions by Members	6,040	**5,604**
Actuarial Losses/(Gains)	(104,246)	**29,807**
Estimated Benefits Paid	(24,357)	**(23,311)**
Discretionary Benefits Paid	(1,707)	**(1,753)**
Past Service Costs/(Gains)	(73,079)	**23**
Losses/(Gains) on Curtailments	309	**408**
Liabilities Extinguished on Settlements	(21,584)	**-**
Closing Balance at 31 March	623,490	**683,921**

Reconciliation of fair value of the scheme (plan) assets:	**Local Government Pension Scheme**	
	2010/11	**2011/12**
	£000's	**£000's**
Opening Balance at 1 April	424,681	**430,131**
Expected Rate of Return	28,448	**28,331**
Actuarial Gains and Losses	(5,087)	**(32,633)**
Contributions by Employer	17,003	**16,020**
Contributions by Members	6,040	**5,604**
Benefits Paid	(24,357)	**(23,311)**
Assets Distributed on Settlements	(16,597)	**-**
Closing Balance at 31 March	430,131	**424,142**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a loss of £4.2m (2010/11; £26.2m).

Scheme History	2007/08 £000's	2008/09 £000's	2009/10 £000's	2010/11 £000's	**2011/12 £000's**
Present Value of liabilities:					
Local Government Pension Scheme	(495,110)	(488,681)	(785,487)	(623,490)	**(683,921)**
Discretionary Benefits	-	-	-	-	**-**
	(495,110)	(488,681)	(785,487)	(623,490)	**(683,921)**
Fair value of assets in the Local Government Pension Scheme	391,281	313,987	424,681	430,131	**424,142**
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(103,829)	(174,694)	(360,806)	(193,359)	**(259,779)**
Discretionary Benefits	-	-	-	-	**-**
Total	(103,829)	(174,694)	(360,806)	(193,359)	**(259,779)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £683.9m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet resulting in a negative overall balance of £259.8m (see note 5 for further information).

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary;

- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

It is important to recognise that the IAS19 is based on the assumptions that are set as part of the accounting standard and do not reflect the funding strategy of the fund nor the payments made for the employers in 2010/11.

The more important Triennial Valuation is the statutory basis for assessing the Fund's liabilities and for setting the employer's contribution rate. The last triennial valuation took place in March 2010 and showed a funding level of 75.4% for the whole fund. The pension fund investment strategy is seeking a fully funded position within 19 years. This long-term strategy allows for short-term market volatility.

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

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2013 is £15.8m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government

Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of Actuaries, estimates for the Pension Fund being based on the latest full valuation of the scheme as at 1 April 2010.

No allowance has been made for administration expenses in the present value of the defined benefit obligation, or the balance sheet. Expenses are allowed for by way of increase in the current service cost.

Whilst the liabilities calculated under the Accounting Standard include an allowance for some premature retirements on grounds of ill-health, there is no allowance for early retirement on grounds of redundancy or efficiency.

The principal assumptions used by the Actuary have been:

Actuarial Assumptions	**Local Government Pension Scheme**	
	2010/11	**2011/12**
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.5%	**6.2%**
Bonds	4.9%	**3.3%**
Property	5.5%	**4.4%**
Cash	4.6%	**3.5%**
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
• Men	21.2 yrs	**21.2 yrs**
• Women	23.1 yrs	**23.1 yrs**
Longevity at 65 for future pensioners		
• Men	22.7 yrs	**22.7 yrs**
• Women	25.0 yrs	**25.0 yrs**
Rate of Inflation (Consumer Price Index)	2.8%	**2.5%**
Rate of Increase in Salaries*	5.1%	**4.8%**
Rate of Increase in Pensions	2.8%	**2.5%**
Rate of Discounting Scheme Liabilities	5.5%	**4.8%**
Take-up Option to Convert Annual Pension into Retirement Lump Sum	50.0%	**50%****

* Salary increases are assumed to be 1% p.a. until 31 March 2015, reverting to 4.8% thereafter.
** An allowance is included for future retirement to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-fee cash for post-April 2008 service.

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Proportion of investment assets held	31 March 2011 %	31 March 2012 %
Equity Instruments	64.0	**61.0%**
Debt Instruments	25.0	**26.0%**
Property	7.0	**9%**
Cash	4.0	**4%**
	100.0	**100.0**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	**2011/12 %**
Experience Gains (Losses) on Plan Assets	(5.87)	(35.26)	19.59	(1.18)	**(7.69)**
Experience Gains (Losses) on Plan Liabilities	(6.12)	0.01	(0.12)	7.88	**(1.41)**

Sensitivity Analysis

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

Change in assumptions at year ended 31 March 2012	**Approximate % increase to Employer**	**Appropriate monetary amount (£000)**
0.5% Decrease in Real Discount Rate	9%	64,153
1 yr Increase in Member Life Expectancy	3%	20,518
0.5% Increase in the Salary Increase Rate	2%	15,119
0.5% Increase in the Pension Increase Rate	7%	48,797

48. Contingent Liabilities

In association with a number of other local authorities, the Council is currently involved in litigation regarding claims for reimbursement of fees for local land charge services. This stems from the Government's decision to remove from local authorities the power to charge for personal searches of the Local Land Charges Register. The maximum potential liability for the Council is approximately £1.9m, plus interest if the court case is lost.

49. Contingent Assets

At 31 March 2012, the Council had no material contingent assets.

50. Nature and Extent of Risks Arising for Financial Instruments

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

- **Credit risk** – the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments;
- **Re-financing and Maturity risk** – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- **Market risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting the Council's overall borrowing;
  Its maximum and minimum exposures to fixed and variable rates;
  Its maximum and minimum exposures to the maturity structure of its debt;
  Its maximum annual exposures to investments maturing beyond a year;
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by the Assembly on 30 March 2011, in respect of 2011/12, and is available on the Council website. The key issues within the strategy were:

- To set the Authorised Limit for 2011/12 at £257m. This is the maximum limit of external borrowings or other long term liabilities;
- To approve the Operational Boundary, calculated for 2011/12 at £227m; this is the expected level of debt and other long term liabilities during the year;
- To set the maximum amount of fixed rate exposure at 100% of the Council's net debt; maximum amount of 70% for variable interest exposure;

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

The Treasury Management Strategy Statement for 2012/13, approved by Cabinet on 14 February 2012 raised the authorised limit for 2011/12 to £465m to accommodate the anticipated additional borrowing requirement from the Housing Revenue Account Reform, which came into effect on 28 March 2012.

Credit Risk

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

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

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

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

The full Investment Strategy for 2011/12 was approved by Assembly on 30 March 2011, in respect of 2011/12 and is available on the Council's website:
(http://moderngov.barking-agenham.gov.uk/ieListDocuments.aspx)

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £104.9m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise.

In the past five years the Council has not experienced any exposure to credit risk, based on the levels of default assessed by the ratings agencies and its advisors. The Council

does not allow credit for its trade debtors further reducing its exposure to credit risk and has not experienced any defaults in the last five years on its investments.
The carrying value of the exposure by financial instrument is summarised below:

	Criteria	Amount Invested at 31 March 2012 £'000
Deposits with Banks		
	'AAA' rated	715
	'AA' rated	28,241
	'A' rated	41,426
Deposits with Building Societies		-
	'A' rated	17,533
Deposits with Money Market Funds		-
	'AAA' rated	
Government Bonds		-
	'AAA' rated	1,951
UK Government Risk		-
	Local Authority	15,000
		-
Total Investments		**104,866**

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

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

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

Aged Debtor Analysis	31 March 2011 £000's	**31 March 2012 £000's**
Less than three months	2,214	**2,069**
Three to six months	223	**113**
Six months to one year	216	**132**
More than one year	589	**357**

Liquidity Risk

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

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

Refinancing and Maturity Risk

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

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

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

	Actual 2010/11 £000s	**Actual 2011/12 £000s**
Less Than One Year	1,459	**10,000**
Between 1 and 2 years	10,000	**10,000**
Between 2 and 5 years	20,000	**10,000**
Between 5 and 10 years	-	**-**
More than 10 years	40,000	**305,912**
Total	71,459	**335,912**

Market Risk

Interest Rate Risk

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

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

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

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

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

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable. According to this assessment strategy, at 31 March 2012 if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	322
Increase in interest receivable on variable rate investments	(810)
Impact on Surplus or Deficit on the Provision of Services	(488)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

Excluding the Pension Fund, the Council does not generally hold equity shares or marketable bonds as investments and is therefore not exposed to risk arising from share price movements.

Foreign exchange risk

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

51. Heritage Assets: Summary of Transactions

	2009/10 £'000	2010/11 £'000	2011/12 £'000
Cost of acquisitions of heritage assets			
Public Art	4		
Statues and Monuments	120		
Historic Sites		1	451
Total Cost of Purchases	**124**	**1**	**451**
Value of heritage assets by donation	-	-	-
Total Donations	-	-	-
Disposals of works of art	-	-	-
Carrying Value	-	-	-
Proceeds	-	-	-

There is insufficient information held on the Council's Asset register regarding Heritage Assets which has meant that it has not been possible to restate the historical transactions for the last five years.

52. Heritage Assets: Further Information on the Museum's collections

Please refer to note 13.

53. Heritage Assets: Change in accounting policy required by the Code of Practice for Local Authority Accounting in the United Kingdom

The *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in our summary of significant accounting policies, the Authority now requires heritage assets to be carried in the balance sheet at valuation.

Heritage Assets

For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) or land and buildings (fair value in existing use) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as heritage assets) that were donated to the authority were held at valuation as a proxy for historical cost. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies.

In applying the new accounting policy, the Authority has identified that the assets that were previously held as community assets or land and buildings within property, plant and equipment at £3.6 million should now be recognised as heritage assets. These assets relate to the Valence House museum and various works of art which were previously recognised as other land & buildings and community assets respectively within property, plant and equipment. The Authority will also recognise an additional £3.15 million for the recognition of heritage assets that were not previously recognised in the Balance Sheet. Again, this increase is also recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £6.75 million. The element that was previously recognised in property, plant and equipment has been reclassified and written down by £3.6 million. The revaluation reserve has increased by £3.15 million.

The fully restated 1 April 2010 Balance Sheet is provided on page 26. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Opening Balance Sheet 1 April 2010

	Opening Balances as at 1 April 2010 £000	Restatement £000	Restatement required to opening balances as at 1 April 2010 £000
Property, Plant and Equipment	1,552,238	(3,602)	1,548,636
Heritage Assets	0	6,748	6,748
Long-term Assets	**1,613,872**	**3,146**	**1,617,018**
Total Net Assets	**1,195,027**	**3,146**	**1,198,173**
Unusable Reserves	1,120,211	**3,146**	1,123,357
Net Worth/Total Reserves	**1,195,027**	**3,146**	**1,198,173**

Movement in Reserves Statement – Unusable Reserves 2010/11

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below.

	Original 31 March 2011 £000	As Restated 31 March 2011 £000	Restatement 2011 £000
Balance as at the end of the previous reporting period – 31 March 2010	**1,120,211**	**3,146**	**1,123,357**
Surplus or Deficit on the Provision of Services	-	-	-
Other Comprehensive Income & Expenditure	-	-	-
Adjustments between accounting basis & funding basis under regulations	(92,351)	-	(92,351)
Increase/(decrease) in the year	**(92,351)**	**-**	**(92,351)**
Balance at 31 March 2011	**1,027,860**	**3,146**	**1,031,006**

The resulting restated Balance Sheet for 31 March 2011 is provided on page 26. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Balance Sheet 31 March 2011

	Original 31 March 2011 £000	As Restated 31 March 2011 £000	Restatement 2011 £000
Property, Plant and Equipment	1,322,918	(3,552)	1,319,366
Heritage Assets	0	6,698	6,698
Long-term Assets	**1,374,427**	**3,146**	**1,377,573**
Total Net Assets	**1,137,360**	**3,146**	**1,140,506**
Unusable Reserves	1,027,860	3,146	1,031,006
Net Worth/Reserves	**1,137,360**	**3,146**	**1,140,506**

54. Trust Funds

The Council acts as a trustee for a number of small trust funds. These funds provide education prizes and assistance for local residents.

	2010-11	**2011-12**
	£'000	£'000
Trust Fund balances at 1 April	(116)	(89)
Payments from funds during year	29	17
Income received by funds in the year	(2)	(1)
Balance at 31 March	**(89)**	**(73)**

These balances do not form part of the Authority's consolidated balance sheet.

The council also holds balances on behalf of schools totalling £261,003 (£607,416 in 2010-11), custody accounts to the value of £1,288,277 (£1,289,753 in 2010-11), a residents' amenity fund of £43,269 (£42,880 in 2010-11) and an education bursaries fund of £342,560 (£329,647 in 2010-11) .

London Borough of Barking & Dagenham

Housing Revenue Account

for the year ended

31 March 2012

Housing Revenue Account (HRA) Income and Expenditure Statement

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

2010/11 £000's	Expenditure	2011/12 £000's
22,872	Repairs & Maintenance	**21,108**
31,662	Supervision & Management	**32,383**
-	HRA Settlement	**265,912**
990	Rent, Rates, Taxes & Other Charges	**1,341**
13,904	Depreciation and re-valuation of non-current assets (note 4)	**23,421**
239,323	Impairment of non-current assets	**-**
658	Movement in the allowance for bad debts	**1,001**
18,048	HRA subsidy payable (note 6)	**21,057**
-	Sums directed by the Secretary of State that are expenditure in accordance with the code (note 5)	**-**
327,457	**Total Expenditure**	**366,223**
	Income	
(73,118)	Dwelling rents	**(79,227)**
(2,367)	Non-dwelling rents	**(2,484)**
(11,504)	Charges for services and facilities	**(14,376)**
(3,142)	Contributions towards expenditure	**(1,625)**
(90,131)	**Total Income**	**(97,712)**
237,326	**Net cost of HRA Services as included in the Council's Comprehensive Income & Expenditure Statement**	**268,511**
811	HRA Services Share Of Corporate & Democratic Core	**811**
238,137	**Net Cost for HRA**	**269,322**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
(3,346)	(Gain)/Loss on sale of HRA non-current assets	**(4,035)**
606	Interest Payable and similar charges	**101**
	Adjustment for HRA Borrowing	
(485)	Interest & Investment Income	**(525)**
634	Pensions interest cost and expected return on Pension assets	**352**
235,546	**(Surplus) / Deficit for the year of HRA Services**	**265,215**

MOVEMENT ON THE HRA STATEMENT

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

2010/11 £000's		**2011/12 £000's**
(2,756)	Balance on the HRA at the end of the previous year	**(4,448)**
235,546	(Surplus)/Deficit for the year on the HRA Income & Expenditure Statement	**265,215**
(236,594)	Adjustments between accounting basis and funding basis under statute	**(269,036)**
(3,804)	**Net (increase)/decrease before transfers to/from reserves**	**(8,269)**
(644)	Transfers from Rental Income Reserve	**-**
(4,448)	**Balance on the HRA at the end of the current year**	**(8,269)**

	ADJUSTMENTS BETWEEN THE ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE	
567	Contribution to Minimum Revenue Provision (MRP)	**1,195**
3,346	Reversal of gain on sale of HRA assets	**4,035**
(239,323)	Reversal of re-valuation losses	**(13,586)**
(122)	Holiday pay accruals	**37**
-	Reversal of revenue expenditure funded from capital under statute	**(265,912)**
(1,617)	Net charges made for retirement benefits in accordance with IAS 19 (note 8)	**(1,284)**
(421)	Transfer to Major Repairs Reserve (note 2)	**4,862**
-	Transfer from Leasehold Repairs Reserve	**548**
976	Employer's pension contributions	**1,069**
(236,594)		**(269,036)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Council Housing Stock
The Council was responsible for managing an average of 19,114 dwellings during 2011/12.

At 31st March 2012, the stock was made up as follows:

Dwelling type	units	**Year of construction**	units
Low rise flats	2,471	Pre 1919	290
Medium rise flats	4,399	1919 - 1944	9,368
High rise flats	2,504	1945 - 1964	4,003
Houses and bungalows	9,738	Post 1964	5,453
Multi Occupied	2		
	19,114		**19,114**

The change in stock can be summarised as follows:

	2010/11 units	**2011/12** units
Stock at 1 April	19,202	19,133
Sales - Right to Buy	(69)	(71)
Additions		54
Adjustment to opening stock (2009-10 Stock Base adj)		(3)
Transfer from commercial portfolio (shops)		1
Stock at 31 March	19,133	**19,114**

The net book value of the HRA's non-current assets is as follows:

	2010/11 £000's	2010/11 £000's Re-Stated	**2011/12 £000's**
Property, Plant & Equipment			
- Council Dwellings	651,957	651,957	**660,713**
- Other land & buildings	9,094	8,392	**8,311**
- Vehicle, Plant & Equipment	29	1,053	**512**
- Community Assets	267	267	**267**
- Infrastructure		5,389	**5,109**
Investment Property	24,900	25,642	**25,642**
Total non-current assets	686,247	692,700	**700,554**

1 cont'd - Vacant possession value

The vacant possession value of dwellings as at 31 March 2012 was £2.52 billion (31 March 2011, £2.61 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 25% in accordance with Government guidelines. The difference between the two values is a measure of the economic cost to the Government of providing council housing at less than open market rents.

2 Major Repairs Reserve

The following is an analysis of the Major Repairs Reserve (MRR) for 2011/12:

Major Repairs Reserve	2010/11 £000's	**2011/12** **£000's**
Opening Balance 1st April	**-**	**2,853**
Amount transferred to MRR	**14,389**	**9,834**
Debits to the MRR in respect of capital expenditure on HRA land and buildings	**(10,627)**	**(6,940)**
Transfers from HRA to MRR	**(909)**	**4,862**
Closing Balance 31 March	**2,853**	**10,609**

3 Capital expenditure and receipts

The following analyses HRA capital expenditure and the sources of funding used:

	Borrowing Approvals	Major Repairs Reserve	Other Income	Total
	£000's	£000's	£000's	£000's
Houses	15,174	6,940	11,821	33,935
Total	**15,174**	**6,940**	**11,821**	**33,935**

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

	2010/11	**2011/12**
	£000's	**£000's**
Houses	**5,739**	**6,527**
Other property	**145**	**0**
Total	**5,884**	**6,527**

4 Depreciation and impairment

The total charge for depreciation to the HRA was £8.9m (2010/11 £13.4m) for dwellings and £0.9m (2010/11 £0.5m) for other property. £13.5m relates to losses on impairment of assets.

The Council commissioned a valuation review of all its assets from its valuers, Wilks Head & Eve. The conclusion of the valuers was that for all council dwellings the average decrease in value amounted to 3.5% or £22.8m as at the valuation date of 1 April 2011.

5 Sums directed by the Secretary of State – Rent rebates transferred to General Fund

From 1 April 2004, HRA tenant rent rebates and the subsidy received from the Department for Work and Pensions (DWP) are accounted for in the General Fund. The exception to this is the subsidy withheld by the DWP because the rent levels set for the tenants are above the DWP guideline rent. This element, known as the 'rent rebate subsidy limitation', is charged to the HRA as a reimbursement to the General Fund for its loss of subsidy income. The reimbursement that is required from the Barking and Dagenham HRA in 2011/12 was nil (2010/11, nil).

6 Housing Subsidy

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

	2010/11 £000's	**2011/12** **£000's**
Management & Maintenance	**(40,206)**	**(43,492)**
Major Repairs Allowance	**(13,969)**	**(14,697)**
	(54,175)	**(58,189)**
Dwelling Rents	**73,203**	**76,966**
Caps and Limits Adjustment	**(1,121)**	**2,094**
Interest	**141**	**186**
	72,223	**79,246**
Subsidy Payable	**18,048**	**21,057**

7 Rent Arrears

The following is an analysis of the arrears on individual tenant accounts at 31 March 2012:

	2010/11 £000's	**2011/12** **£000's**
HRA arrears	6,812	**6,962**
HRA arrears were made up of:		
Dwelling rents	4,984	**5,584**
Other charges/adjustments	1,828	**1,378**
	6,812	**6,962**

During 2011/12 arrears have increased to 2.2% of net rent income, compared with 1.24% in 2010/11. The total provision for rent arrears at 31 March 2012 was £3.166m (2010/11 £3.022m).

8 IAS 19 – Retirement Benefits

The Authority considers it to be proper accounting practice to allow the HRA to be charged with an attributable share of current and past service costs. From 2005/06, the HRA has also been charged with an attributable share of pension interest costs, less expected return on pension assets. However, as local authorities can only charge actual employer contributions and payments against the HRA, the IAS 19 entries are reversed out in the Movement on the HRA statement and replaced by actual employers' contributions payable to the scheme. The Core Statement note 47 gives further details.

London Borough of
Barking & Dagenham

The Collection Fund

for the year ended

31 March 2012

Collection Fund Income and Expenditure Account

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2010/11 £000's		Note	**2011/12 £000's**
	Income		
(51,186)	Net Income receivable from Council Tax		**(51,137)**
	Transfers from General Fund:		
(20,104)	Council Tax Benefits		**(20,457)**
(168)	Discretionary Relief		**(182)**
	Income Collectable from Business Rate Payers:		
(48,043)	Business Rates		**(52,304)**
(1,897)	Business Rate Supplements		**(1,900)**
(640)	Contribution to Previous Year's Deficit	3	**-**
(122,038)	**Total Income**		**(125,980)**
	Expenditure		
68,473	Precepts	2	**69,923**
	Business Rates:		
47,602	Payment to National Pool	4	**49,712**
320	Costs of Collection		**232**
	Business Rate Supplements:		
1,866	Payment to Greater London Authority	4	**1,890**
30	Administrative Costs		**10**
	Bad & Doubtful Debts:		
1,048	Write Offs		**994**
1,709	Provisions		**1,460**
-	Contribution towards Previous Year's Estimated Surplus	3	**264**
121,048	**Total Expenditure**		**124,485**
(990)	**(Surplus) for the year**		**(1,495)**
679	Balance at 1 April		**(311)**
(311)	**Balance at 31 March**		**(1,806)**
	Deficit/(Surplus) Balance attributable to:		
(238)	London Borough of Barking and Dagenham		**(1,385)**
(73)	Greater London Authority		**(421)**

1. Council Tax

The Council levied a Council Tax of £1,326.22 for a Band 'D' property in 2011/12 (2010/11; £1,326.22) comprising:

	2010/11 £	**2011/12** **£**
London Borough of Barking and Dagenham	1,016.40	**1,016.40**
Greater London Authority	309.82	**309.82**
Total Band 'D' Council Tax	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 after Discounts and Exemptions	Band 'D' Equivalent Properties
A (Disabled)	4.50	2.5
A	5,715.85	3,810.6
B	8,945.50	6,957.6
C	37,954.80	33,737.6
D	7,444.30	7,444.3
E	1,497.40	1,830.2
F	309.05	446.4
G	39.65	66.1
H	6.40	12.8

Total Band 'D' equivalents as at 01/12/2010	**54,308.1**
Add estimated new properties	390.7
Less estimated demolitions	(72.9)
Less changes to discounts and exemptions	(271.6)
Estimated Band 'D' equivalents for 2011/12	**54,354.3**
Less 3% non-collection rate	(1,630.6)
Council Tax Base for 2011/12	**52,723.7**
Council Tax Base for 2010/11	51,630.5

2. Precepting Authorities

The precepts levied on the Collection Fund were as follows:

	2010/11 £000's	**2011/12 £000's**
London Borough of Barking and Dagenham	52,477	**53,588**
Greater London Authority	15,996	**16,335**
	68,473	**69,923**

3. (Surplus) / Deficit Transferred

This figure represents the transfer of the surplus on the Council Tax Collection Fund account as at 31 March 2012 to the London Borough of Barking and Dagenham's General Fund and to the Greater London Authority in future years.

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:

Impact on Council Tax setting	2010/11 £000's	**2011/12 £000's**
Provisions made in:		
2011/12 budget	264	
2012/13 budget		**1,541**
Additional provision to be made in:		
2012/13	47	
2013/14		**265**
Total Surplus/(Deficit) to be provided for in future budget setting process	311	**1,806**

4. 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.

From 1 April 2010, those ratepayers with a Rateable Value in excess of £55k are subject to an additional levy from the Greater London Authority on their Business Rates to fund the Crossrail project.

National Non Domestic Rates	2010/11	**2011/12**
Rateable Value at 31 March	£146,762,406	**£145,298,862**
Small business non-domestic rating multiplier, for premises with rateable values below £25,500 (£25,500 in 2010/11)	40.7p	**42.6p**
Non-domestic rating multiplier, for premises with rateable values of £25,500 and above (£25,500 in 2010/11)	41.4p	**43.3p**
Additional Crossrail Business Rate Supplement multiplier, levied on premises with a rateable value above £55,000 (£55,000 in 2010/11)	2.0p	**2.0p**

The total non-domestic rateable value at 31 March 2012 was £145.3m; the non-domestic rating multiplier for the year was 43.3p. The product of this is £62.9m. This represents potential income at the year end, and thus differs from bills issued during the year due to relief for empty properties, transitional relief, partial relief and small business rate reliefs.

Group Accounts

for the year ended

31 March 2012

Introduction to the Group Accounts

On 10th December 2010 the Council entered into a joint venture arrangement with Agilysis Ltd to create “Elevate” in which the parties each hold a 50% share in the equity of the joint venture company. The contract is for a period of seven years, with the option to extend for a further three years.

Elevate has provided services to the Council in respect of ICT, Customer Services, Revenues and Benefits, Procurement Outsourcing. From 1st March 2012 Elevate also provided services in respect of Human Resources and payroll.

The Council’s interest in Elevate has been classed as a Joint Venture. This is due to the 50/50 ownership between the Council and Agilysis Ltd and the makeup of the Elevate board, which consisting of 1 independent chair, 3 Council representatives and 3 Agilysis Ltd representatives. A unanimous vote is required for a decision to be approved by the board.

In accordance with International Accounting Standard (IAS) 31 Elevate is consolidated using the Equity Method.

The financial statements in the Group Accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies. Both the Council and Elevate prepare their accounts based on International Accounting Standards there is no material difference in accounting policies between the entities.

Agilisys Ltd is a company incorporated and registered in England. Their ultimate parent company is Agilisys Group Limited, a company incorporated in Guernsey.

Second Floor
26-28 Hammersmith Grove
London
W6 7AW

The appointed auditors for Elevate are:

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the group's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and council dwellings rent setting purposes. The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Group.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Council's Share of Elevate's Reserves	**Total Usable Reserves**	Unusable Reserves	**Total Group Reserves**
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	**£000's**	£000's	**£000's**
Balance at 31 March 2010 carried forward	8,065	15,366	2,756	6,174	2,815	39,640	-	-	**74,816**	1,123,357	**1,198,173**
Movement in Reserves during 2010/11											
Group Surplus or (Deficit)	111,375	-	(235,546)	-	-	-	-	1	**(124,170)**	-	**(124,170)**
Other Comprehensive Income and Expenditure	53,627	-	-	-	-	-	-	-	**53,627**	-	**53,627**
Total Comprehensive Income and Expenditure	165,002	-	(235,546)	-	-	-	-	1	**(70,543)**	-	**(70,543)**
Adjustments between accounting basis & funding basis under regulations	(152,882)	1	236,594	-	2,408	3,377	2,853	-	**92,351**	(92,351)	**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	12,120	1	1,048	-	2,408	3,377	2,853	1	**21,808**	(92,351)	**(70,543)**
Transfers to/from Earmarked Reserves	(9,344)	9,271	644	(105)	-	12,411	-	-	**12,877**	-	**12,877**
Increase/(Decrease) in Year	2,776	9,272	1,692	(105)	2,408	15,788	2,853	1	**34,685**	(92,351)	**(57,666)**
Balance at 31 March 2011	10,841	24,638	4,448	6,069	5,223	55,428	2,853	1	**109,501**	1,031,006	**1,140,507**

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Council's Share of Elevate's Reserves	**Total Usable Reserves**	Unusable Reserves	**Total Group Reserves**
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	**£000's**	£000's	**£000's**
Balance at 31 March 2011 carried forward	10,841	24,638	4,448	6,069	5,223	55,428	2,853	1	**109,501**	1,031,006	**1,140,507**
Movement in Reserves during 2011/12											
Group Surplus or (Deficit)	65,282	-	(265,215)	-	-	-	-	7	**(199,926)**	-	**(199,926)**
Other Comprehensive Income and Expenditure	(68,614)	-	-	-	-	-	-	-	**(68,614)**	-	**(68,614)**
Total Comprehensive Income and Expenditure	(3,332)	-	(265,215)	-	-	-	-	7	**(268,540)**	-	**(268,540)**
Adjustments between accounting basis & funding basis under regulations	28,084	-	269,583	-	1,716	17,321	7,756	-	**324,460**	(324,460)	**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	24,752	-	4,368	-	1,716	17,321	7,756	7	55,920	(324,460)	**(268,540)**
Transfers to/from Earmarked Reserves	(21,247)	21,248	(547)	(152)	-	-	-	-	**(698)**	697	**(1)**
Increase/(Decrease) in Year	3,505	21,248	3,821	(152)	1,716	17,321	7,756	7	**55,222**	(323,763)	**(268,541)**
Balance at 31 March 2012	14,346	45,886	8,269	5,917	6,939	72,749	10,609	**8**	**164,723**	707,243	**871,966**

Group Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2010/11 Gross Expenditure £000's	2010/11 Gross Income £000's	2010/11 Net Expenditure £000's		2011/12 Gross Expenditure £000's	2011/12 Gross Income £000's	**2011/12 Net Expenditure £000's**
26,082	(23,235)	2,847	Central Services to the Public	28,390	(23,853)	**4,537**
20,341	(3,994)	16,347	Cultural and Related Services	18,055	(4,980)	**13,075**
13,420	(1,670)	11,750	Environmental and Regulatory Services	17,305	(2,542)	**14,763**
6,838	(1,565)	5,273	Planning Services	8,862	(1,705)	**7,157**
314,773	(252,953)	61,820	Education and Children's Services	328,930	(260,730)	**68,200**
20,219	(6,536)	13,683	Highways and Transport Services	19,228	(6,160)	**13,068**
239,323	-	239,323	Local Authority Housing – Revaluation Losses on Dwellings	-	-	**-**
-	-	-	Local Authority Housing – Payment for Self-Financing	265,912	-	**265,912**
87,285	(89,282)	(1,997)	Local Authority Housing	99,774	(97,175)	**2,599**
147,876	(140,836)	7,040	Other Housing Services	161,505	(153,226)	**8,279**
66,872	(15,255)	51,617	Adult Social Care	62,777	(11,350)	**51,427**
6,781	(63)	6,718	Corporate and Democratic Core	5,032	(21)	**5,011**
(77,757)	-	(77,757)	Non Distributed Costs	431	-	**431**
872,053	(535,389)	336,664	**Cost of Services**	**1,016,201**	**(561,742)**	**454,459**
		7,567	Other Operating Expenditure			**11,819**
		15,463	Financing and Investment Income and Expenditure			**10,544**
		(235,523)	Taxation and Non-specific Grant Income			**(276,889)**
		124,171	**(Surplus) / Deficit on Provision of Services**			**199,933**
		(1)	Joint Venture Accounted for on an Equity Basis			**(7)**
		124,170	**Group (Surplus) / Deficit**			**199,926**
		45,532	(Surplus) / Deficit on Revaluation of Property, Plant and Equipment Assets			**6,174**
		(99,159)	Actuarial (Gains) / Losses on Pension Assets / Liabilities			**62,440**
		(53,627)	**Other Comprehensive Income and Expenditure**			**68,614**
		70,543	**Total Comprehensive Income and Expenditure**			**268,540**

Group Balance Sheet

The Balance sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group and the net assets (assets less liabilities) are matched by the Group's reserves. Reserves are reported in two categories usable reserves and unusable reserves. Usable reserves are reserves which can be used to provide services, subject to maintaining a prudent level of reserves. Unusable reserves cannot be used to provide services and reflect accounting transactions (such as those arising from asset revaluations) and which could only be used to fund services when the revaluation gain is realised through the sale of the assets.

31 March 2011 £000's		**31 March 2012 £000's**
1,319,366	Property, Plant and Equipment	1,393,662
6,698	Heritage Assets	7,097
44,883	Investment Property	45,346
5,735	Intangible Assets	5,339
891	Long Term Debtors	782
1	Investment in Joint Venture	8
1,377,574	**Long Term Assets**	**1,452,234**
28,000	Short term Investments	-
227	Inventories	252
57,616	Short term Debtors	50,982
65,539	Cash and Cash Equivalents	104,904
151,382	**Current Assets**	**156,138**
(1,459)	Short Term Borrowing	(10,000)
-	Grants Received in Advance - Capital	(1,614)
(89,209)	Short Term Creditors	(68,568)
(90,668)	**Current Liabilities**	**(80,182)**
(25,534)	Long Term Creditors	(59,735)
(8,888)	Provisions	(10,798)
(70,000)	Long Term Borrowing	(325,912)
(193,359)	Pensions Liability	(259,779)
(297,781)	**Long Term Liabilities**	**(656,224)**
1,140,507	**Net Assets**	**871,966**
109,501	Usable Reserves	164,723
1,031,006	Unusable Reserves	707,243
1,140,507	**Total Reserves**	**871,966**

Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

2010/11 £000's		Note	**2011/12 £000's**
(124,170)	Net Surplus or (Deficit) on the Provision of Services		(199,926)
212,146	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements	26*	60,735
(67,075)	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	26*	(101,181)
(1)	(Surplus) / Deficit attributable to joint venture		(7)
20,900	**Net Cash Flows from Operating Activities**		**(240,379)**
(29,443)	Investing Activities	28*	9,390
(1,928)	Financing Activities	29*	271,064
(10,471)	**Net Increase or Decrease in Cash and Cash Equivalents**		**40,075**
75,300	Cash and Cash Equivalents at the beginning of the Reporting Period		64,829
64,829	**Cash and Cash Equivalents at the end of the Reporting Period**		**104,904**

* Notes refer to the Council's main accounts.

1. External Audit Costs

The Group has incurred the following costs in relation to the audit of the Statement of Accounts, statutory inspections and the certification of grant claims and to non-audit services provided by the Council's appointed external auditors, the Audit Commission and Elevate's appointed external auditors, PricewaterhouseCoopers LLP (PWC).

31 March 2011 £000's		**31 March 2012 £000's**
385	Fees payable to the Audit Commission and PWC with regard to external audit services carried out in the year	**345**
44	Fees payable to the Audit Commission in respect of statutory Inspections	**-**
120	Fees payable to the Audit Commission for the certification of grant claims and returns for the year	**105**
549	**Total**	**450**

2. Nature and Extent of Risks Arising for Financial Instruments

Elevate holds surplus cash in its current account with Barclays Bank PLC. The interest earned consolidated into the Group Accounts on balances held in 2011/12 was £8k (£1k in 2010/11).

3. Pension Scheme Arrangements

Elevate participates in a defined benefit pension scheme on behalf of certain employees. Elevate's involvement in the scheme arises from contracts with the Council involving the TUPE (Transfer of Undertakings (Protection of Employment) Regulations) transfer of staff to Elevate at the commencement of the agreement. Elevate is only responsible to make contributions during the contracts. At the end of the contracts the obligations in relation to these pension schemes will cease and will transfer to the following supplier. As a result Elevate has accounted for these schemes as defined contribution pension schemes with the contributions being charged to the profit and loss account in the period to which they relate. In addition, certain employees of Elevate participate in a defined contribution pension scheme with contributions being charged to the profit and loss account in the period to which they relate. The assets of the defined benefit scheme are held separately from those of Elevate in an independently administered fund.

4. Related Parties

Related parties are disclosed at note 40 of the Council's accounts. The amount due from the Council to Elevate at 31 March 2012 is £687k. The amount due from Elevate to the Council at 31 March 2012 is £2k.

5. Termination Benefits

Elevate terminated the contracts of a number of employees in 2011/12, incurring liabilities of £145k (none in 2010/11) – see Note 4 for the number of exit packages and total cost per band.

6. Senior Officers' Remuneration

The remuneration paid to Elevate's senior employees is as follows:

Post Held	Year	Notes	Salary, Fees & Allowances	Bonuses	Expense Allowances	Compensation for Loss of Employment	Employer's Pension Contribution	Total (including pension contributions)
			£'s	£'s	£'s	£'s	£'s	£'s
Chief Executive	**2011/12**	**1**	**9,972**	**-**	**-**	**-**	**1,944**	**11,916**
	2010/11		-	-	-	-	-	-

Note 1 The Chief Executive was appointed on 1 March 2012. The annualised salary was £119,661.

The Elevate's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

	31 March 2011 Employees	**31 March 2012 Employees**
£50,000 - £54,999	1	**1**
£55,000 - £59,999	-	**3**
£60,000 - £64,999	3	**2**
£65,000 - £69,999	-	**1**
£70,000 - £74,999	1	**1**
£75,000 - £79,999	2	**3**
£140,000 - £144,999	-	**1**
Total	7	**12**

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies for 2011/12 for Elevate employees are set out in the table below. There were no costs for 2010/11:

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band (£)
£0 – £20,000	-	1	1	18,691
£20,001 – £40,000	-	1	1	23,163
£40,001 – £60,000	1	1	2	102,941
Total	**1**	**3**	**4**	**144,795**

London Borough of Barking & Dagenham

Pension Fund Accounts

for the year ended

31 March 2012

London Borough of Barking and Dagenham
Pension Fund Account

	Note	2010/11 £000's	**2011/12 £000's**
Dealings with members, employers and others directly involved in the scheme			
Contributions	**3**	32,691	32,747
Transfers in from other pension funds	**4**	4,752	2,562
		37,443	35,309
Benefits	**5**	(28,057)	(30,632)
Payments to and on account of leavers	**6**	(6,741)	(5,528)
Administrative expenses	**7**	(672)	(726)
		(35,470)	(36,886)
Net additions for dealings with members		1,973	(1,577)
Returns on Investments			
Investment Income	**8**	13,724	**13,150**
Taxes on income			
Profit (losses) on disposal of investments and changes in the market value of investments	**10**	22,284	**(9,318)**
Investment management expenses	**9**	(2,444)	**(2,365)**
Net returns on investments		33,564	**1,467**
Net increase (decrease) in the net assets available for benefits during the year		35,537	**(110)**

Net Assets Statement as at 31 March 2012

	Note	2010/11 £000's Restated	**2011/12** **£000's**
Investment Assets			
Fixed interest securities			
UK public sector	**10**	84,923	**86,998**
Overseas		-	**11,015**
Equities			
UK equities	**10**	134,593	**151,732**
Overseas equities	**10**	201,215	**175,363**
Pooled investment vehicles			
Property	**10**	47,968	**51,877**
Other	**10**	91,329	**90,681**
Other investment balances		3,419	**7,698**
Cash	**12**	9,274	**11,290**
Total Investment Assets		572,721	**586,654**
Investment Liabilities	**11**	(2,317)	**(9,057)**
Current Assets			
Debtors	**11**	15,622	**8,298**
Current Liabilities	**11**	(1,203)	**(1,182)**
Total Net Assets		584,823	**584,713**

Notes to the Pension Fund Accounts for the year ended 31 March 2012

Accounting Policies

1. Format of the Pension Fund Statement of Accounts

The London Borough of Barking and Dagenham Pension Fund ("the Fund") is part of the Local Government Pension Scheme ("LGPS") and is administered by the London Borough of Barking and Dagenham ("LBBD"). The Council is the reporting entity for this Fund.

The day to day administration of the Fund and the operation of the management arrangements and investment portfolio are delegated to the Corporate Director of Finance and Resources.

The following description of the Fund is a summary only. For more details, reference should be made to the Fund's Annual Report for 2011/12 and the Superannuation Act 1972 and the LGPS regulations, which are the underlying statutory powers underpinning the scheme.

a) General

The Fund is operated as a funded, defined benefit scheme which provides for the payment of benefits to former employees of LBBD and those bodies admitted to the Fund, referred to as "members". The benefits include not only retirement pensions, but also widow's pensions, death grants and lump sum payments in certain circumstances. The Fund is financed by contributions from members, employers and from interest and dividends on the Fund's investments.

The objective of the Fund's financial statements is to provide information about the financial position, performance and financial adaptability of the Fund and show the results of the Council's stewardship in managing the resources entrusted to it and for the assets at the period end.

The Fund is overseen by the Fund's Pension Panel, which is a Committee of LBBD.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside of the scheme.

Organisations participating in the Fund include:

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

- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 15 employer organisations within the Fund as detailed below:

	2010/11	**2011/12**
London Borough of Barking and Dagenham		
Active members	**3,735**	**3,786**
Pensioners	**3,855**	**3,985**
Deferred pensioners	**3,213**	**3,453**
Undecided and other members	**293**	**261**
	11,096	**11,485**
Admitted and Scheduled Bodies		
Active members	**1,163**	**1,172**
Pensioners	**781**	**850**
Deferred pensioners	**841**	**967**
Undecided and other members	**91**	**87**
	2,876	**3,076**

Scheduled bodies

University of East London
Magistrates Court
Barking College

Admitted Bodies

Age UK (previously known as Age Concern)
Abbeyfield Barking Society
Barking and Dagenham Citizen's Advice Bureau
Council for Voluntary Service
Disablement Association of Barking and Dagenham
East London E-Learning
Elevate
Enterprise (Thames Accord)
Translinc Ltd
London Riverside
Laing O'Rourke

c) Benefits

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

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

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. Benefits are index-linked to keep pace with inflation. The consumer price index (CPI) is the method of indexation used from 1 April 2011.

2. Basis of preparation

The accounts summarise the transactions and net assets for the Fund's transactions for the 2011/12 financial year and its position as at 31 March 2012. The accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2011/12.

The financial statements do not reflect any liabilities to pay pension or other benefits occurring after 31 March 2012; such items are reported separately in the Actuary's Report provided in **note 14** to the Fund's accounts.

The accounts have been prepared on an accruals basis (that is income and expenditure are recognised as earned or incurred, not as received and paid) except in the case of transfer values which are included in the accounts on a cash basis.

2.1 Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations.

Transfer Values to/from other funds, for individuals, are included in the accounts on the basis of the actual amounts received and paid in the year.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see **note 4).**

2.2 Investments are shown in the Net Assets Statement at market value on the following bases:

- **I.** Quoted investments are valued at bid price at the close of business on 31 March 2012.
- **II.** Unquoted investments are based on market value by the fund managers at year end in accordance with accepted guidelines.
- **III.** Pooled Investment Vehicles are valued at the closing bid price where both bid and mid prices are quoted.
- **IV.** Investments held in foreign currencies have been valued in sterling at the closing rate ruling on 31 March 2012. All foreign currency transactions are translated into sterling at exchange rates ruling at the closing rate of exchange.

2.3 Administration

All administration expenses are accounted for on an accrual basis. All staff costs of the Fund are charged to the Fund. Management, accommodation and other overheads are apportioned to the Fund in accordance with LBBD's policy.

2.4 Taxation

The Fund is a registered public sector service scheme under section 1(1) of schedule 36 of the Finance act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceed of investments sold.

Taxation agreements exist between Britain and other countries whereby all or a proportion of the tax deducted locally from investment income may be reclaimed. Non-recoverable deductions are classified as withholding tax.
Value Added Tax is recoverable on all Fund activities by the administering authority.

2.5 Investment management expenses

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

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

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

2.6 Foreign currency transactions

Dividends, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting year.

2.7 Derivatives

The Fund has a limited use of derivatives financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the value of derivative contracts are included in change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

2.8 Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

2.9 Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Fund's Balance Sheet but are disclosed as a note to the accounts. They arise as a result of past events but are only confirmed by the occurrence of one or more uncertain future events which are not entirely within the Fund's control.

Contingent liabilities arise from a present obligation arising from past events but only where it is not probable that a transfer of economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured with sufficient reliability.

2.10 Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The purpose of this to establish that employers within the Fund are able to meet their liabilities to past and present contributors and to review employer contribution rates. The methodology used is in line with accepted guidance and in accordance with IAS 26. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 14. This estimate is subject to significant variances based on changes to the underlying assumptions.

2.11 Prior Period Adjustments

Comparative amounts for Pooled Investment Vehicles have been restated as the assets were incorrectly classified in the 2010/11 accounts. The reclassification was required as assets classified as Pooled Investment Other were incorrectly reported as Pooled Investment Property.

The reason for the reclassification is to enable a more accurate comparison between movements in assets for this year and the comparative year. The amount of each reclassified asset is provided below:

Pooled Investment Vehicles	**2010/11**	**2010/11 Restated Figure**
	£000's	**£000's**
Property	91,007	47,968
Other	48,290	91,329
Total Restated	139,297	139,297

3 Contributions

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007, ranging from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2012. Employee contributions are matched by employers' contributions which are based on triennial actuarial funding valuation. The last valuation was at 31 March 2010. Currently employer contribution rates range from 14.5% to 23.6%.

Following a separate modelling exercise carried out by the Fund's actuary, Hymans Robertson, the LBBD have had their contribution rates stabilised. The primary contribution rate used during the financial year ending 31 March 2012 was 19.0%. Contributions shown in the revenue statement may be categorised as follows:

Contributions	2010/11	**2011/12**
	£000's	**£000's**
Members normal contributions		
Council	6,246	**5,449**
Admitted bodies	469	**762**
Scheduled bodies	1,862	**1,712**
Total contributions from members	8,577	**7,923**
Employers normal contributions		
Council	17,501	**15,936**
Admitted bodies	1,138	**2,187**
Scheduled bodies	5,159	**5,718**
Lump sum deficit contribution	0	**113**
Capitalised Redundancy costs	316	**870**
Total contributions from employers	24,114	**24,824**
Total Contributions	32,691	**32,747**

Additional Voluntary Contributions

Additional Voluntary Contributions (AVCs) administered by the Prudential, made by LBBD employees during the year amounted to £301k (2010/11 £429k). In accordance with Regulation 4(2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 the contributions paid and the assets of these investments are not included in the Pension Fund Accounts.

AVCs were valued by Prudential at a market value of £4.8m (2010/11 £5.0m). The above figure includes employees of LBBD, Scheduled and Admitted Bodies.

4 Transfers in from other pension funds

	2010/11	**2011/12**
	£000's	**£000's**
Individual Transfers	4,752	**2,562**
Group Transfers	-	**-**
	4,752	**2,562**

5 Benefits

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

	2010/11				**2011/12**			
	Council	Admitted Bodies	Scheduled Bodies	Total	**Council**	**Admitted Bodies**	**Scheduled Bodies**	**Total**
	£000's	£000's	£000's	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Pensions	18,434	803	2,383	21,620	**19,789**	**690**	**3,175**	**23,654**
Lump sums	4,763	612	800	6,175	**4,268**	**658**	**1,578**	**6,504**
Death grants	262	-	-	262	**328**	**-**	**146**	**474**
	23,459	1,415	3,183	28,057	**24,385**	**1,348**	**4,899**	**30,632**

6 Payments to and on account of leavers

	2010/11 £000's	**2011/12** **£000's**
Individual Transfers	6,741	**5,528**
Group Transfers	-	**-**
	6,741	**5,528**

7 Administrative expenses

	2010/11 £000's	**2011/12** **£000's**
Administration and Processing	447	**489**
Audit Fee	35	**27**
Actuarial Fees	86	**91**
Legal and Other Professional Fees	104	**119**
	672	**726**

8 Investment Income

	2010/11 £000's	**2011/12** **£000's**
Fixed Interest Securities	2,691	**2,794**
Equity Dividends	8,957	**10,912**
Pooled Property Income	1,768	**1,997**
Interest - Manager's Cash	3	**121**
Interest - LBBD balance*	318	**142**
Currency Gain/(Loss)	(293)	**(2,956)**
Stock Lending fees	62	**137**
Commission Recapture	218	**3**
	13,724	**13,150**

***The income earned from the cash held with LBBD is an apportionment of the total interest generated by LBBD investments based on the average balance for the year.

9 Investment management expenses

	2010/11 £000's	**2011/12** **£000's**
Aberdeen Asset Management	295	**188**
Alliance Bernstein Asset Management	863	**802**
Goldman Sachs Asset Management	789	**815**
RREEF	290	**294**
State Street (Custodian)	193	**201**
Prudential M&G	8	**32**
Schroders	6	**33**
	2,444	**2,365**

10 Investments

The Fund employs a number of specialist investment managers with mandates corresponding to the principle asset classes:

Investment Manager	**Investment Area**
Aberdeen	Bonds
Alliance Bernstein	Global and UK Equities
Goldman Sachs	Overseas Equities
RREEF	Property Investments (UK)
Prudential/M&G	Alternatives - UK Companies Financing Fund
Schroders	Property Investments (UK Fund of Funds)

Fund Value

The value of the Fund, by manager, as at 31 March 2012 was as follows:

Fund by Investment Manager	2010/11		**2011/12**	
	£000's	%	**£000's**	**%**
Aberdeen Asset Management	148,315	26.1	**163,654**	**28.3**
Alliance Bernstein	171,664	30.1	**165,112**	**28.5**
Goldman Sachs	193,356	34.0	**187,410**	**32.4**
RREEF	42,005	7.4	**40,184**	**6.9**
Prudential/M&G	4,039	0.7	**8,558**	**1.5**
Schroders	9,923	1.7	**14,038**	**2.4**
	569,302	100	**578,956**	**100**

The movement in the opening and closing value of investments during the year, together with related direct transaction costs were as follows:

	Market Value 01/04/2011	**Purchases**	**Sales**	**Change in Market Value**	**Market Value 31/03/2012**
UK Investment Assets					
	£000's	£000's	£000's	£000's	**£000's**
Quoted	219,516	234,522	(216,112)	6,218	**244,144**
Unquoted	91,006	17,272	(5,870)	2,215	**104,623**
	310,522	251,794	(221,982)	8,433	**348,767**
Overseas Investment Assets					
Quoted	201,215	248,806	(258,884)	(15,774)	**175,363**
Unquoted	48,290	1,725	(4,503)	(1,977)	**43,535**
	249,505	250,531	(263,387)	(17,751)	**218,898**
Cash Deposits	9,275				**11,290**
Total Investments	569,302	502,325	(485,369)	(9,318)	**578,955**

Securities

	2010/11 £000's	**2011/12 £000's**
Unlisted	188,623	**168,976**
Listed	384,098	**417,678**
Total Investments	572,721	**586,654**
Working Capital	12,102	**(1,941)**
Total Net Assets	584,823	**584,713**

11 Debtors and Creditors

The following amounts were debtors or creditors for the Fund at 31 March 2012:

	2010/11 £000's	**2011/12 £000's**
Other Investment Balances		
Investment sales	1,053	**4,912**
Dividends receivable	1,670	**2,019**
Stock lending	2	**15**
Tax recoverable	694	**841**
Other Debtors	-	**8**
	3,419	**7,795**
Current Assets		
Central Government bodies	-	**-**
Other local authorities	15,337	**7,969**
NHS Bodies	-	**-**
Public corporations and trading funds	-	**-**
Bodies external to general government	285	**329**
	15,622	**8,298**
Total Debtors	19,041	**16,093**

Included in Debtors is an amount due from LBBD which reflects cash held and invested by the Council on behalf of the Fund.

Creditor	2010/11 £000's	**2011/12 £000's**
Other Investment balances		
Investment purchases	2,317	**9,057**
Current Liabilities		
Central Government bodies	-	**3**
Other local authorities	-	**-**
NHS Bodies	-	**-**
Public corporations and trading funds	-	**-**
Bodies external to general government	1,203	**1,179**
	1,203	**1,182**
Total Creditors	3,520	**10,239**
Net Debtors	15,521	**5,854**

12 Cash

The cash balance held at 31 March 2012 is made up as follows:

Cash balances held by Investment Managers	2010/11 £000's	**2011/12 £000's**
Aberdeen	1,322	**4,501**
Alliance Bernstein	2,935	**2,655**
Goldman Sachs	1,030	**1,548**
RREEF	3,818	**1,845**
Prudential / M&G	26	**241**
Schroders	143	**500**
Total Cash	9,274	**11,290**

13 Statement of Investment Principle

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 Fund manages those risks is included in the Statement of Investment Principles. Copies can be obtained from the Council's website www.lbbd.gov.uk together with the Annual Report of the Fund which provides additional information on the Fund.

14 Actuarial position

Actuarial assumptions

The triennial review of the Fund took place as at 31 March 2010 and the salient features of that review were as follows:

- The funding target remains unchanged to achieve a funding level of at least 100% over a specific period
- The key financial assumptions adopted at this valuation are:
- Future levels of price inflation are based on the Consumer Price Index (CPI); previously Retail Price Inflation.
- Future levels of real pay increases - assumed to be 2.0% p.a. in excess of price inflation - based on CPI;
- Funding basis discount rate - is based on an Asset Outperformance target of 1.6% p.a. above the yield on fixed interest (nominal) and index-linked (real) Government bonds;
- The market value of the pension scheme's assets at the date of the valuation, were £549million.
- The use of an appropriate Asset Outperformance Assumption is based on available evidence and is a measure of the degree of prudence assumed in the funding strategy.

The key financial assumptions adopted by the actuary for the valuation of members' benefits at the 2010 valuation are set out below:

Financial Assumptions	**Derivation**	**Rate at 31 March 2010**	
Price Inflation (CPI)	Market expectation of long term future inflation as measured by the difference between yields of fixed and index linked Government bonds at the valuation date less 0.5% per annum	3.30%	-
Pay Increases	Assumed to be 1.5% in excess of price inflation	5.30%	2.00%
Gilt based discount rate	The yield on fixed interest (nominal) and index linked (real) Government bonds	4.50%	1.20%
Funding basis discount rate	Assumed to be 1.6% above the yield on fixed interest Government bonds	6.10%	2.80%

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

Longevity Assumptions	2007	2007	**2010**	**2010**
at 31 March	Males	Females	**Males**	**Females**
Average future life expectancy (in years for a pensioner)	20.7	23.6	**19.1**	**20.9**
Average future life expectancy (in years) at age 65 for a non-pensioner assumed to be aged 45 at the valuation date	20.7	23.6	**21.2**	**23.1**

Funding level

The table below shows the detail funding level for the 2010 valuation:

Employer contribution rates	As at 31 March	
	2007	**2010**
Net Employer Future Service Cost	14.2%	**16.1%**
Past Service Adjustment – 20 year spread	4.5%	**8.3%**
Total Contribution Rate	18.7%	**24.4%**

Funding position

The table below shows the funding position for the 2010 valuation and illustrates how the funding objective has been met in the form of a funding level:

Past Service Funding Position at 31 March	2007	**2010**
Past Service Liabilities	£m	**£m**
Employees	(285)	**(298)**
Deferred Pensioners	(81)	**(117)**
Pensioners	(239)	**(314)**
	(605)	**(729)**
Market Value of Assets	530	**549**
Funding Deficit	(75)	**(180)**
Funding Level	87.6%	**75.3%**

Total contribution rate

The Common Rate of Contribution payable by each employer from 1 April 2014 is 24.4% of pensionable pay. The table below shows the Minimum Total Contribution Rates, expressed as a percentage of pensionable pay, which applied to the 2011/12 accounting period:

London Borough of Barking and Dagenham	19.5%
University of East London	23.6%
Barking College	18.2%
Disablement Association of Barking and Dagenham	22.9%
Barking and Dagenham Citizen's Advice Bureau	17.2%
Elevate	19.0%
Enterprise	21.1%
E-Learning Cross River	14.5%

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

Funding assumptions

The table below shows the assumptions used by the actuary to arrive at the 2010 actuarial funding position:

	As at 31 March		
	2007 Funding Basis (% p.a.)	**2010 Funding Basis (% p.a.)**	**2010 Gilts Basis (% p.a.)**
Discount Rate	6.1%	**6.1%**	**4.5%**
Price Inflation	3.2%	**3.3%**	**3.3%**
Pay Increases	4.7%	**5.3%**	**5.3%**
Pension Increases			
- Pension in excess of GMP	3.2%	**3.3%**	**3.3%**
- Post 1988 GMP	2.8%	**2.8%**	**2.8%**
- Pre 1988 GMP	0.0%	**0.0%**	**0.0%**
Revaluation of deferred pensions	3.2%	**3.3%**	**3.3%**
Expenses	0.5%	**0.5%**	**0.5%**

Present value of funded obligation for the Council

The net liability of the Fund in relation to the actuarial present value of promised retirement benefits and the net assets available to fund these benefits is as follows:

	31 March 2011 £000's	**31 March 2012 £000's**
Total present value of funded obligation	(623,490)	**(683,921)**
Fair value of scheme assets	430,131	**424,142**
Net Liability	(193,359)	**(259,779)**

The above calculations are based upon IAS 19 information as at 31st March 2012 and represent the Council's obligation.

Present value of funded obligation for the Fund

The present value of promised retirement benefits for the Fund equates to £892m as at 31 March 2012 (£806m as at 31 March 2011). The financial assumptions used are below:

Year ended	31 March 2011	**31 March 2012**
Inflation/pensions increase rate	2.8%	2.5%
Salary Increase Rate	5.1%**	4.8%*
Discount Rate	4.8%	5.5%

* Salary increases are 1% p.a. nominal for the three years to 31 March 2015, reverting to the long term rate thereafter

** Salary increases are 1% p.a. nominal for the period to 31 march 2012, reverting to the long term rate thereafter.

Longevity assumptions are based on the Fund's club VitaCurves with improvements from 2007 in line with the Medium Cohort and a 1% p.a. underpin. Based on the assumptions the average future life expectancies at age 65 are summarised below:

	Males	**Females**
Current pensioners	21.2 years	23.1 years
Salary Increase Rate	22.7 years	25.0 years

15 Related parties

The Fund is a related party of the Council as the following transactions are controlled by the Council:

- Cash investments of £8.0m (2010/11: £15.3m) are managed on behalf of the Fund; and
- Pension administration costs of £489k (2010/11: £447k) are charged by the Council.

Compensation of key management personnel, which includes members of the Pension Panel, the Corporate Director of Finance and Resources, the Divisional Director of Finance and the Pension and Treasury Manager and that are charged to the Fund, are provided below:

	2010/11	2011/12
	£000's	**£000's**
Short Term employee benefits	122.5	**122.5***
Post-employment benefits	-	**-**
Other Long-term benefits	-	**-**
Termination benefits	-	**-**
Share-based benefits	-	**-**
Total	122.5	**122.5***

* figures includes are costs charged to the Fund and are based on the time each officer and Councillors is involved with the Fund.

16 Contingent liabilities

The Fund has set aside a provision of £247k for the Fund's liability in respect of the Lehman's Brothers collapse. The liability has been set aside to cover any potential payment owed on a foreign currency trade and is subject to a United State court ruling.

17 Contingent assets

A contingent asset arises where an event has taken place that gives the Fund a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund.

The Fund hold bonds with two admitted bodies, including a £321k bond with Enterprise (Thames Accord) and £31.2k bond with East London E-Learning. These bonds will be paid if either organisation were to go into administration.

In 2010/11 Age Concern went into administration. It is possible that £219k out of a total remaining claim of £583k for pension fund liabilities could be paid in final settlement to the Fund but this is subject to final confirmation from the liquidator.

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18 Holdings

The following investments represent more than 5% of the net assets of the scheme:

Security	Market Value as at 31 March 2012 £000's	% of total Fund %
RREEF Ltd UK Core Property Fund A	36,420	6.22
Aberdeen Global II STERLING CRD FD Z2	35,992	6.15

19 Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1
Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown as bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

The total financial instruments held by the Fund at Level 1 were £427.6m.

Level 2
Financial instruments at Level 2 are those where quoted market prices are not available, for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques use inputs that are based significantly on observable market data.

The total financial instruments held by the Fund at Level 2 were £159.5m.

Level 3
Financial instruments at Level 3 are those where at least Financial instruments at Level 3 are those where at least one input could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge fund or funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The Fund did not hold any financial instruments at Level 3 in 2011/12.

20 Post balance sheet events

There are no adjusting or non-adjusting events which have occurred after the Fund Statement date.

21 Security Lending

The Fund's investment strategy statements set the parameters for the Fund's stock lending programme. At the year end, the value of assets on loan was £178.2m (2010/11: £89.6m).

22 Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Financial assets	Fair Value through profit and loss	Loan and receivables	Financial liabilities at amortised cost	Designated as fair value through profit and loss	Loan and receivables	Financial liabilities at amortised cost
	2010/11		2011/12			
	£000	£000	£000	**£000**	**£000**	**£000**
Fixed interest securities	84,923	-	-	**98,013**	**-**	**-**
Equities	335,808	-	-	**327,095**	**-**	**-**
Pooled property investments	47,968	-	-	**51,877**	**-**	**-**
Cash		9,274	-		**11,290**	**-**
Other investment balances	94,748	-	-	**98,379**	**-**	**-**
Total Financial Assets	563,447	9,274	-	**575,364**	**11,290**	**-**
Financial Assets						
Debtors		15,622			**8,298**	
Financial liabilities						
Creditors	-	-	(3,520)	**-**	**-**	**(10,239)**
Borrowings	-	-		**-**	**-**	
	-	-	(3,520)	**-**	**-**	**(10,239)**
Total Net Assets	563,447	24,896	(3,520)	**575,364**	**19,588**	**(10,239)**

23 Nature and extent of risks arising from Financial Instruments

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

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

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of

investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level.
In additions, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Fund's Panel. Risk management policies have been established to identify and analyse the risks faced by the Council's pensions operations. Policies will be reviewed regularly to reflect changes in activity and in market conditions.

Risk and risk management

Market risk

Market risk is the risk of loss from fluctuations in equity prices, from interest and foreign exchange rates and from credit spreads. The Fund is exposed to market risk from its investment activities, predominantly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.
In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. The Fund manages these risks in two ways:

- The exposure of the Fund to market risk is monitored through regular reviews of the Fund's asset allocation.

- Specific risk exposure is limited by applying maximum exposures to individual investments.

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

Other price risk

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

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

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

Other price risk- sensitivity analysis

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

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix. The Council has determined that the following movements in market price risk are reasonably possible for the 2012/13 reporting period.

Asset Class	1 Year Expected Volatility (%)
Total Equities	16.3
UK Bonds	4.9
Overseas Bonds	7.2
Property and other	6.1
Cash	0.0

The sum of the monetary impact for each asset class will equal the total Fund impact as no allowance has been made for diversification of the one year standard deviation for a single currency.

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below):

Asset Type	Value as at 31 March 2012 £000's	% Change	Value on Increase £000's	Value on Decrease £000's
Total Equities	327,095	16.3	380,411	273,779
UK Fixed Interest	86,998	4.9	91,261	82,735
Overseas Bonds	11,015	7.2	11,808	10,222
Property and other	150,256	6.1	159,422	141,090
Cash	11,290	0.0	11,290	11,290
Total Assets	**586,654**		**654,192**	**519,116**

Asset Type	Value as at 31 March 2011 £000's	% Change	Value on Increase £000's	Value on Decrease £000's
Total Equities	335,808	16.3	390,545	281,071
UK Fixed Interest	84,923	4.9	89,084	80,762
Overseas Bonds	-	7.2	-	-
Property and other	142,716	6.1	151,422	134,010
Cash	9,274	0.0	9,274	9,274
Total Assets	**572,721**		**640,325**	**505,117**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest movements as at 31 March 2012 and 31 March 2011 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value and includes Fund cash held with the Council with a value of £7.97m (2010/11: £15.34m):

Asset type	As at 31 March 2011 £000's	**As at 31 March 2012 £000's**
Cash and cash equivalent	24,611	**19,259**
Fixed interest securities	84,923	**98,013**
Total change in assets available	109,534	**117,272**

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates in consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The Fund's investment advisor has advised that long-term average rates are expected to move less than 100 basis points from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates:

Asset type	Carrying amount as at 31 March 2012	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000's	£000's	£000's
Cash and cash equivalent	19,259	193	(193)
Fixed interest securities	98,013	980	(980)
Total change in assets available	**117,272**	**1,173**	**(1,173)**

Asset type	Carrying amount as at 31 March 2011	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000's	£000's	£000's
Cash and cash equivalent	24,611	246	(246)
Fixed interest securities	84,923	849	(849)
Total change in assets available	**109,534**	**1,095**	**(1,095)**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

All financial liabilities at 31 March 2012 are due within one year.

Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of the Fund's financial instruments at a time of unfavourable interest rates. The Council does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

Cash Flow Risk

The Pension Panel Members are aware of the cash flow pressures that are affecting the Fund, with a reduction in Fund current members and an increase in pension payments due to increased pensioner numbers and as a result of the pricing index exceeding salary increases.

Where there is a long term shortfall in net income into the Fund, investment income will be used to cover the shortfall.

London Borough of Barking and Dagenham

The Fund is administrated by LBBD. Consequently there is a strong relationship between the Council and the Fund.

The Council incurred costs of **£0.49m** in 2011/12 (2010/11: £0.45m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Fund and contributed **£15.9m** to the Fund in 2011/12 (2010/11:£17.5m). All monies owing to and due from the Fund were paid in year.

Glossary of Terms

Term	**Definition**
Accounting Policies	The rules and practices adopted by the Council that dictate how transactions and events are shown or costed.
Accruals	Amounts included in the accounts to cover income and expenditure attributable to the financial year, but for which payment had not been received or made as at 31 March.
Actuarial Valuation	A review carried out every three years, by the actuary, on the assets and liabilities of the Pension Fund. The actuary reports to the Fund's trustees on the financial position and recommended employer's contribution rates.
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.
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, IT, 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.
Comprehensive 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 in Reserves.
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.
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.
Heritage Assets	Assets retained for educational, historical and cultural purposes.
Historic Cost	The actual cost of an asset in terms of past consideration as opposed to its current value.
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.
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
Inventories	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.
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.
Movement in Reserves Statement	Shows the movement in reserves held by the Council during the year.
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-Current Assets	Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.
Surplus 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.
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.