Statement of Accounts
2020-2021 DRAFT

CONTENTS

Chair’s Approval of Statement of Accounts

This is the Annual Financial Report, incorporating the Statement of Accounts with all audit activities completed. The Audit and Standards Committee of the London Borough of Barking and Dagenham at its meeting on xxxxx authorised the Chair to approve the Statement of Accounts.

Councillor Princess Bright, Chair of Audit and Standards Committee

Date: XX Month 20XX

Barking & Dagenham

Chief Financial Officer's Narrative Report

INTRODUCTION

No-one left behind.

2020-21 has been the true test of this mission statement in the way the Council has supported our community. This financial year has been dominated by the unprecedented impact of the COVID-19 pandemic and public health emergency. For the Council, the impact has been felt throughout the Borough, supporting residents through the health, social and financial impacts of the pandemic on their lives, for businesses as they found ways to survive and pivot as the world around us changed. The partnerships that the Council has worked so hard to build over the past few years have enabled a collaborative response to support our community to provide additional services.

As well as being proud of the role the Council played in supporting our community during the pandemic, I must take the opportunity to remember those in our community whose health was affected by the virus and pay tribute to those who lost their life as a result of the virus. We have all made sacrifices during the year through lockdowns and other restrictions as progress was made in the vaccination programme which made recovery from the pandemic possible.

In February 2020, the Council Assembly agreed its 2020-21 budget. The Assembly took the decision to increase Council Tax by 1.99% plus a 2% additional precept for Adult Social Care. The Council invested an additional £11.4m in social care services during 2020-21 supporting the most vulnerable children and adults within our community.
The COVID-19 pandemic had a considerable impact on our budgetary plans for the financial year. The year began as the country was in the second week of a national lockdown. Initially, it was unclear exactly how our planned budgets would be affected but it quickly became clear that the effect would be on an unprecedented scale. Our expenditure went up as we bought PPE to support our care homes and staff and paid for extra support for the most vulnerable in the community who were shielding. Our income went down as normal activity in the community stopped and some members of the community faced financial difficulties. Where we had planned to make savings and efficiencies many of these plans were put on hold as we focused all our attention on supporting the community through the pandemic.

This report will show the actual performance against the budget that was set at the start of the year. In summary, we spent more on services by £26.1m which was mitigated by additional grant income and contingency budgets. The outturn report to Cabinet in June 2021 provides more detail on our financial position for 2020-21. The COVID-19 grants from Central Government did not continue at the same level during 2021-22 and the Council had to monitor the risk that there might have been permanent changes to the demand for services and income levels that could have affected our budget plans for many years to come.
The Council has an Investment and Acquisition Strategy (IAS) to deliver income returns and increase the pace of regeneration in the borough. For 2020-21 the financial return was £6.59m against a target of £6.64m. 261 new homes were delivered during the year, the majority of which are available at affordable rents.

The Council was able to second our Chief Executive, Chris Naylor, to Birmingham City Council to take the role of Chief Executive there between May 2020 and March 2021. This secondment was supported by the Local Government Association. The roles of some of our Chief Officers changed during this period to ensure that the Council continued to be managed effectively.

The Council faces demand and financial pressures in social care, housing, schools and other services with a £25m funding gap in our Medium-Term Financial Strategy over the next 4 years. The Council will continue to pursue savings and investment opportunities to bridge this gap. Our focus will continue to be the delivery of the Council's corporate plan priorities with no-one left behind.

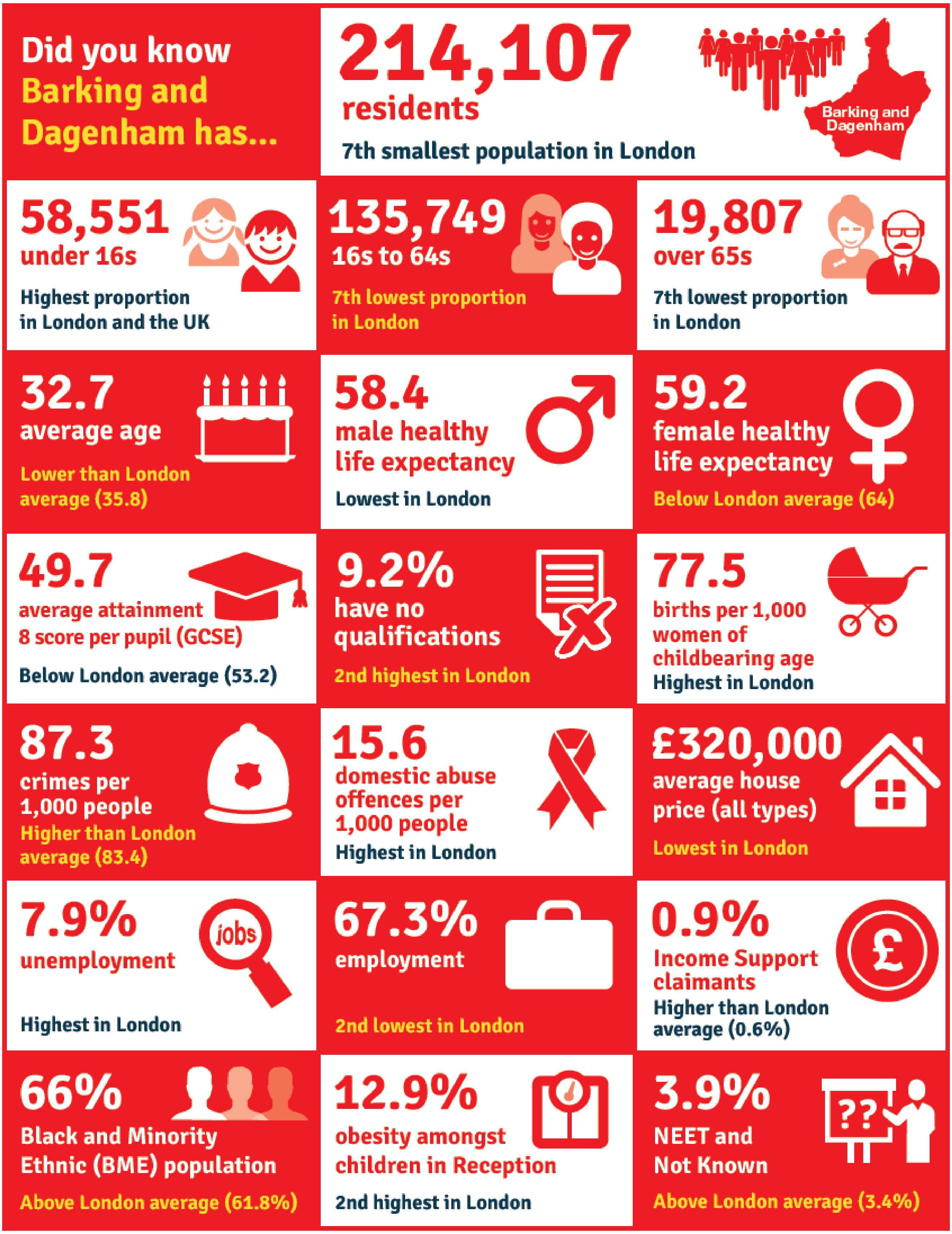
We have spent the past 4 years creating a New Kind of Council and the COVID-19 pandemic demonstrated how well this Council, and our community, is able to respond to circumstances that are truly exceptional. We will take what we have learnt, including new ways of working with our community and partners, and reflect on how we can deliver our aspirations for Barking and Dagenham.

These accounts are being published later than it should have been. This is not unique to the London Borough of Barking and Dagenham and Central Government has come up with a back stop solution that will enable the late accounts to receive an audit opinion in order for councils affected to focus on the accounts for the current year.

Jo Moore
Interim Strategic Director of Resources (S151 Officer)

NARRATIVE REPORT

ABOUT THE BOROUGH



Source: https://www.lbbd.gov.uk/about-the-borough

NARRATIVE REPORT

A NEW KIND OF COUNCIL

Since 2015 the London Borough of Barking and Dagenham has been on a long journey of transformation. This journey began with the Ambition 2020 transformation programme, which sought to redesign, from first principles, how the Council worked in order to harness 'the borough's potential for the benefit of all, where no one is left behind'. The transformation sought to: 'reach a new agreement with the local community'; to 'increase the opportunities for [residents] to have their say'; to do more 'work in partnership with the community' and civil society; and to build an approach to Inclusive Growth which captured our potential as London's growth opportunity, while ensuring nobody was left behind.

It was also spurred by the recognition that austerity meant we were unable to continue working like we had been, and only reinvention would make financial sustainability possible. Through the insight of the Growth Commission and the vision of the Borough Manifesto, co-produced with residents in 2016-17, we honed our approach to change and identified the Council we wanted to become.

In the proceeding years we have built a new kind of Council and a new way of working together and with residents. We have restructured our services, building a commissioning model which places outcomes for residents at the centre of our decision-making. We have integrated previously siloed services to create new ones, including our universal front-door Community Solutions. We have safeguarded jobs while harnessing untapped potential through Council-owned companies such as our regeneration and development vehicle, Be First, which have in turn accelerated our regeneration and development in such a way that benefits our whole community and leaves no one behind. And we have found more ways to collaborate with and empower the community, increasingly casting aside the paternalistic ways we used to work.

We must focus on unleashing the potential of our place and its people, whilst addressing the underlying poverty, deprivation and health inequalities that hold so many of our residents back. This will demand practical action across our four strategic priorities: Participation and Engagement; Inclusive Growth; Prevention, Independence and Resilience; and Well-Run Organisation (set out in our strategic framework). But it will also demand a shared, Council-wide approach to managing and facilitating change, including:

1. A shared approach to dispersed working and community hubs
2. A shared approach to service design and delivery
3. A shared approach to cross-cutting issues and outcomes

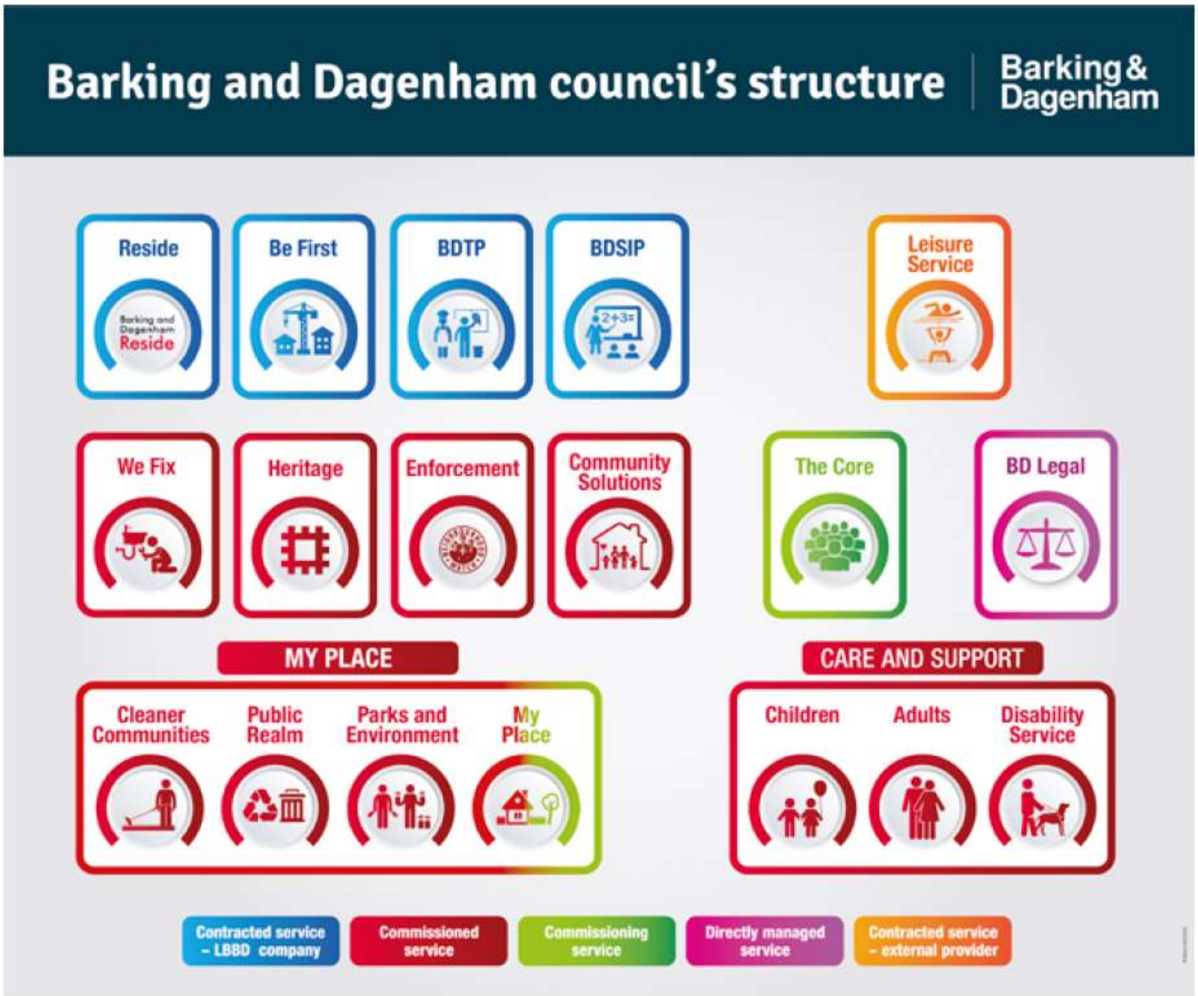
We have also learned that we are only one key partner in a complex network of those who want to and are in a position to make change in this borough. Together, we must develop the borough's social infrastructure and public services so that they are designed to enable residents to meet their potential and prevent the inequalities which get in the way.

We have continued to invest in our services by focusing our resources to meet the needs of the community and deliver the priorities set out in the Corporate Plan. Our Borough Manifesto has 11 aspirations which form the long-term vision for the Borough:

Over the course of many years the focus has been to deliver a transformed Council whilst maintaining our financial sustainability. Over £175m of savings have been delivered since 2010. We have carefully set aside money into reserves and used these when necessary. This careful and prudent approach to financial management has enabled the Council to be in a position to meet the cost to the Council of COVID-19.

Our progress towards delivering the Borough Manifesto can be viewed in the Borough Data Explorer, along with a wide range of socioeconomic data about the borough and the community, which can be viewed in this link: www.lbbd.gov.uk/boroughdataexplorer

To view the Borough Manifesto, visit this link: www.lbbd.gov.uk/borough-manifesto



THE COUNCIL
The Borough consists of 17 wards, each served by three elected Councillors. During 2020-21, all 51 Councillors were from the Labour Party.

The Council operates with a Leader and Cabinet. During 2020-21 there were 10 Cabinet members, including the Leader and two Deputy Leaders.

The Council has a statutory duty to set a balanced budget, and this underwent scrutiny via the Overview and Scrutiny Committee in January 2021. Thereafter the Council's Medium-Term Financial Plan, Capital Strategy, HRA Business Plan and Treasury Management Strategy were all approved by Full Council in March 2021.

The Council's management is led by the Strategic Leadership Team, which during 2020-21 changed as the Chief Executive was seconded to Birmingham City Council between May and March 2021:

April 2020 – May 2020	May 2020 – March 2021
Chief Executive (Head of Paid Service)	Acting Chief Executive (Head of Paid Service)
Chief Operating Officer (Section 151 Officer)	Finance Director (Section 151 Officer)
Director of Law and Governance (Monitoring Officer)	Acting Deputy Chief Executive (Monitoring Officer)
Director of People and Resilience	Director of People and Resilience
Director of Inclusive Growth	Director of Inclusive Growth
Director of Policy & Participation	Director of Policy & Participation

Following the return of the Chief Executive from secondment to Birmingham City Council a new senior leadership management arrangement was put in place with the following Senior Leadership Team from 22 March 2021:

- Chief Executive (Head of Paid Service)
- Managing Director (Deputy Chief Executive)
- Strategic Director, Law and Governance (Monitoring Officer)
- Strategic Director, Children and Adults
- Strategic Director, Inclusive Growth
- Strategic Director, Community Solutions
- Strategic Director, My Place
- Director, Strategy and Culture
- Finance Director (Section 151 Officer)

Each of these senior officers oversees the strategic management of service areas managed by commissioning directors, operational directors and heads of service. The Council employs 2,368 employees.

Performance against planned activity and budgets is reported quarterly at Corporate Performance Group (made up of the Strategic Leadership Team), and Cabinet, and to the Overview and Scrutiny Committee every six months.

FINANCIAL PERFORMANCE IN 2020-21 – REVENUE

A net budget of £156m for 2020-21 was approved by Cabinet and Assembly in February 2020. This included £13m of savings through service efficiencies, increased income and commercial activity. Members agreed a 1.99% increase in Council Tax and 2.00% increase for the Adult Social Care Precept. The 2020-21 outturn position is a £1.95m underspend. This is reflective of the impact of the pandemic on the Council's finances; the variance being considerably lower than originally anticipated due to the government's financial support that continued as the country went back into lockdown.

FINANCIAL PERFORMANCE IN 2020-21 – CAPITAL PROGRAMME

The Capital Programme budget for 2020-21 was £370m and the final outturn was £319m, with most of the spend in the Investment and Acquisition Strategy (IAS) (£258.7m), Education, Youth and Childcare (£18.8m) and Housing (HRA) (£26.1m).
The table below shows a summary of capital expenditure:

£m	Budget 2020-21	Expenditure 2020-21	Variance	% Variance
General Fund	45.252	30.587	14.665	32.4%
HRA	48.953	26.137	22.816	46.6%
IAS	271.962	258.718	12.771	4.7%
Transformation	3.999	3.999	-	-
Total	**370.167**	**319.440**	**50.524**	**13.5%**

The COVID-19 pandemic had significant impact on the delivery of the 2020-21 programme, particularly around gaining access to HRA properties, social distancing implications, supply chain issues (with staff furloughed etc) and practical arrangements around deploying contractors.

Expenditure relating to transformation is actually revenue expenditure funded from capital receipts under the Flexible Use of Capital Receipts direction, which allows transformational projects resulting in savings to be funded through capital receipts. Schemes include IT implementations and process improvements across all services.

FINANCIAL PERFORMANCE IN 2020-21 – PENSION FUND

The financial position of the Pension Fund shows strong positive returns during 2020/21. The overall investment return for the fund over the year, net of fund manager fees and custodian costs was 29.1%, which was 8.1% higher than its benchmark of 21.0%. Over three years the funds annualised return was 8.8%, which is 0.3 % below the Fund's benchmark return of 9.1%.

The most recent actuarial revaluation, as at 31 March 2019, assessed the funding level at 90%. Despite the Pension Fund's assets recovering well past their pre-pandemic highs, increasing by £289m in year from £974m to £1,263m, the overall deficit on an IAS19 basis grew. This is due to an increase in liabilities from £1,501m to £1,978m. However, calculations undertaken for funding purposes and setting contributions payable to the Fund are carried out on a triennial basis, with the next review due in 2022.

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) financial position at the end of the year was an in year overspend on revenue Income and Expenditure of £3.070m. The Council owns approximately 17,158 homes generating rental income of over £84m during the year. This income is held in a ringfenced account which can only be used for social housing purposes.

2020-21 was the first year in which the Council was able to increase rents since the government imposed the 1% rent reduction policy on all providers of social housing from April 2016 for four years. HRA rents increased by CPI + 1% from April 2020, Barking and Dagenham's HRA rents remain the second lowest in London.

DEDICATED SCHOOLS GRANT

The Dedicated Schools Grant is reporting an overall underspend of £3.843m. This comprises of an underspend on Early Years (EY) of £2.367m, an underspend on High

Needs block of £1.636m and a net overspend on the schools block of £160k. The DSG reserve position is shown in the table below:

2020/21 DSG OUTTURN	2020/21 £'000	2020/21 Out-turn	(Surplus) Deficit
Schools Block – ISB	171,254	171,414	160
Central Block	2,364	2,364	0
High Needs Block	34,015	32,379	-1,636
Early Years Block	22,933	20,566	-2,367
Total	230,566	226,561	-3,843
DSG reserves B/forward			-3,542
Estimated Outturn Position			-7,385
Early Years adjustment			2,367
Estimated DSG Reserve ex. EY			-5,018

MEDIUM TERM FINANCIAL STRATEGY: 2021/22 TO 2024/25

The Council has a four-year medium term financial strategy (MTFS) which is reviewed every year in July and Autumn. The first year of the strategy is the basis for the coming year's budget which is approved by Assembly in February.

The current MTFS is closely linked to the Council's strategic priorities and takes into account the expected financial and other pressures over the next four years. It includes demographic and demand funding for our front line services: Care and Support, Community Solutions and Public Realm and funding to meet specific member priorities such as developing Community Engagement. There is also provision made for pay and prices inflation.

There are ongoing requirements to identify savings and strategies for managing demand and reducing cost. These are developed, implemented and reviewed throughout the MTFS cycle.

The MTFS position as reported to Assembly in March 2021 is summarised below:

	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m
Budget Gap (incremental)	-	6.525	7.567	7.117
Budget Gap (cumulative)	-	6.525	14.092	21.209

A GUIDE TO THE FINANCIAL STATEMENTS

The Statement of Accounts (comprising the financial statements and notes to the accounts), is part of a wider financial report (called the Annual Financial Report) which also includes the Annual Governance Statement (AGS), the Narrative Report and the Auditor's Report. The responsible financial officer's true and fair certification in the Statement of Responsibilities covers the Financial Statements and notes as does the Auditor's report.

The main Financial Statements within this document have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), which defines proper accounting practices for local authorities.

The Code requires that the core financial statements and notes be prepared consistently with International Financial Reporting Standards (IFRS) as adopted for use in local government. IFRS accounting entries are in many cases reversed out through the Movement in Reserves Statement to reconcile back to the amount to be raised from council tax under statute. Similar adjustments are also made in respect of the Housing Revenue Account.

The accounts have been prepared on a going concern basis. This reflects the economic and statutory environment in which the council operates. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, it would not be appropriate for their financial statements to be prepared on anything other than a going concern basis.

The main Financial Statements:

- **The Comprehensive Income and Expenditure Statement** records all of the Council's income and expenditure for the year in accordance with International Financial Reporting Standards (IFRS), 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. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding.

- **The Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into two categories, usable and unusable reserves. Usable reserves can be used to provide services, subject to statutory limitations on their use and the need to maintain a prudent level of reserves for financial stability. Unusable reserves must be set aside for specific legal or accounting purposes and cannot be used to fund Council services (e.g. the Capital Adjustment Account; Revaluation Reserve; Pension Reserve).

- **The Balance Sheet** is a 'snapshot' of the Council's assets, liabilities, cash balances and reserves at the year-end date. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

- **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 activities: this is a key indicator of the extent to which the operations of the Council 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 Council's future service delivery.
  - Financing activities: are useful in predicting claims on future cash flows by providers of capital (i.e. Council borrowing).

- **The Notes** to these financial statements provide further detail about the Council's accounting policies and individual transactions. They explain the basis of the figures included in the accounts. The accounts can only be properly appreciated if the policies, accounting estimates and judgements, which have been followed in dealing with material items, are explained.

- **The Housing Revenue Account** – this separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure - maintenance, administration and capital financing costs and how these are met from rents, subsidy and other income.

- **The Collection Fund** summarises the collection and redistribution of Council Tax and business rates income. The London Borough of Barking & Dagenham acts as an agent in the collection of Council Tax and Non-Domestic Rates on behalf of other precepting authorities. As such the Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund.

- **The Pension Fund Accounts** report the contributions received, payments to pensioners and the value of net assets invested in the Local Government Pension Scheme (LGPS). The Fund is financed by contributions from members, employers and from interest and dividends on the Fund's investments.

- **Group Accounts** include the assets and liabilities of companies and similar entities, which the Council either controls or significantly influences.

Supplementary:

The Annual Governance Statement sets out the governance structure of the Council and its key internal controls. This Statement summarises the systems and processes, cultures and values by which this Council is directed and controlled and through which it accounts to, engages with and where appropriate, leads the community. It identifies any gaps or weaknesses and implements responding action plans.

A **Glossary** of key terms can be found at the end of this publication.

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, the Finance Director (Section 151 Officer), has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Finance Director (Section 151 Officer)'s responsibilities

The Finance Director (Section 151 Officer) 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 ('the Code').

In preparing this Statement of Accounts, the Finance Director (Section 151 Officer) has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I confirm that the Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31 March 2021.

JMoore

Jo Moore
Interim Strategic Director of Resources (Section 151 Officer)

Date: 28 March 2024

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the Members of the London Borough of Barking & Dagenham

To be added upon conclusion of audit

INDEPENDENT AUDITOR'S REPORT

INSERT PENSION FUND AUDIT OPINION

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000		2020/21 Gross Expenditure £000	2020/21 Gross Income £000	2020/21 Net Expenditure £000
24,657	(18,696)	**5,961**	Service Development Integration (SDI) Commissioning	28,640	(21,363)	**7,277**
10,579	(3,903)	**6,676**	Core	19,044	(16,740)	**2,304**
161,560	(114,018)	**47,542**	Central	162,395	(98,870)	**63,525**
31,597	(15,821)	**15,776**	Education, Youth & Childcare	33,770	(17,027)	**16,743**
277,155	(281,235)	**(4,080)**	Dedicated Schools Grant (DSG)	288,631	(293,611)	**(4,980)**
12,444	(14,571)	**(2,127)**	Law, Governance & HR	12,610	(17,476)	**(4,866)**
135,451	(104,835)	**30,616**	Housing Revenue Account (HRA)	90,636	(105,883)	**(15,247)**
6,771	(3,691)	**3,080**	Strategy & Participation	8,928	(4,276)	**4,652**
122,576	(42,610)	**79,966**	Care & Support	130,940	(44,848)	**86,092**
10,422	(9,280)	**1,142**	Inclusive Growth	10,571	(10,735)	**(164)**
42,886	(28,680)	**14,206**	Community Solutions	48,735	(28,638)	**20,097**
37,078	(8,060)	**29,018**	My Place	37,748	(6,572)	**31,176**
14,933	(2,116)	**12,817**	Contracted Services	44		**44**
888,109	**(647,516)**	**240,593**	**Cost of Services**	**872,692**	**(666,039)**	**206,653**
		51,832	Other Operating Expenditure (Note 5)			7,465
		25,790	Financing and Investment Income and Expenditure (Note 6)			83,035
		(190,551)	Taxation and Non-specific Grant Income (Note 7)			(229,343)
		127,664	**Deficit/ (Surplus) on Provision of Services**			**67,810**
		(78,226)	Deficit / (Surplus) on Revaluation of Property, Plant & Equipment Assets			(28,107)
		(159,325)	Re-measurement of the Net Defined Benefit Liability/(Asset) (Note 30)			79,577
		(237,551)	**Other Comprehensive Income and Expenditure**			**51,470**
		(109,887)	**Total Comprehensive Income and Expenditure**			**119,280**

Barking & Dagenham

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Council Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2019	(78,274)	(16,845)	(31,076)	(33,073)	(235)	**(159,503)**	(1,553,498)	**(1,713,001)**
Movement in reserves during 2019/20								
Total Comprehensive Income and Expenditure	73,051	54,613				**127,664**	(237,551)	**(109,887)**
Adjustments between accounting basis & funding basis under regulations (Note 3)	(77,629)	(50,163)	(13,024)	13,083	(305)	**(128,038)**	128,038	
Increase/(Decrease) in 2019/20	(4,578)	4,450	(13,024)	13,083	(305)	**(374)**	(109,513)	**(109,887)**
Balance at 31 March 2020	(82,852)	(12,395)	(44,100)	(19,990)	(540)	**(159,877)**	(1,663,011)	**(1,822,888)**
Movement in reserves during 2020/21								
Total Comprehensive Income and Expenditure	79,491	(11,681)				**67,810**	51,470	**119,280**
Adjustments between accounting basis & funding basis under regulations (Note 3)	(125,376)	6,477	(13,351)	(3,455)	539	**(135,166)**	135,166	
Increase/(Decrease) in 2020/21	(45,885)	(5,204)	(13,351)	(3,455)	539	**(67,356)**	186,636	**119,280**
Balance at 31 March 2021	(128,737)	(17,599)	(57,451)	(23,445)		**(227,233)**	(1,476,375)	**(1,703,608)**

General Fund analysed over:	
Amounts earmarked (Note 4)	(110,724)
Amounts uncommitted	(18,013)
Total GF Balance at 31 March 2021	**(128,737)**

Housing Revenue Account analysed over:	
Amounts earmarked (Note 4)	(8,178)
Amounts uncommitted	(9,421)
Total HRA Balance at 31 March 2021	**(17,599)**

Barking & Dagenham

BALANCE SHEET

31 March 2020		Note	31 March 2021
£'000			£'000
2,819,599	Property, Plant and Equipment	8	2,957,961
10,799	Heritage Assets		10,489
111,059	Investment Property	10	129,519
6,094	Intangible Assets		3,915
151,666	Long Term Investments	11	115,664
81,327	Long Term Debtors	11	133,763
3,180,544	**Long Term Assets**		**3,351,311**
195,600	Short Term Investments	11	100,020
10,200	Assets Held for Sale		7,700
163	Inventories		113
123,964	Short Term Debtors	12	136,977
6,687	Cash and Cash Equivalents	13	44,841
336,614	**Current Assets**		**289,651**
(125,910)	Short Term Borrowing	11	(67,517)
(95,236)	Short Term Creditors	14	(136,220)
(620)	Receipts in Advance - Grants		(617)
0	Provisions	15	(4,600)
(221,766)	**Current Liabilities**		**(208,954)**
(133,672)	Long Term Creditors	11	(201,572)
(42,750)	Receipts in Advance - Grants	24	(62,286)
(7,411)	Long Term Provisions	15	(7,332)
(855,588)	Long Term Borrowing	11	(896,348)
(433,083)	Pensions Liability	30	(560,862)
(1,472,504)	**Long Term Liabilities**		**(1,728,400)**
1,822,888	**Net Assets**		**1,703,608**
(159,877)	Usable Reserves		(227,233)
(1,663,011)	Unusable Reserves	17	(1,476,375)
(1,822,888)	**Total Reserves**		**(1,703,608)**

I confirm that the statement of accounts presents a true and fair view of the financial position as at 31 March 2021 and its income and expenditure for the year then ended.

Jmoore

Jo Moore
Interim Strategic Director of Resources (Section 151 Officer)
Date: 28 March 2024

CASH FLOW STATEMENT

2019/20 £000		Note	**2020/21 £000**
(127,664)	Net Surplus or (Deficit) on the Provision of Services		(69,443)
270,042	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements	17a	240,915
(75,543)	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	17a	(107,588)
66,835	**Net Cash Flows from Operating Activities**		**63,884**
(205,094)	Investing Activities	17b	14,244
129,666	Financing Activities	17c	(39,974)
(8,593)	**Net Increase or Decrease in Cash and Cash Equivalents**		**38,154**
15,280	Cash and Cash Equivalents at the beginning of the Reporting Period	12	6,687
6,687	**Cash and Cash Equivalents at the end of the Reporting Period**	12	**44,841**

Notes to the Accounts

for the year ended

31st March 2021

NOTES TO THE ACCOUNTS

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NOTES TO THE ACCOUNTS

1. Expenditure & Funding Analysis

2019/20 Net Expenditure Chargeable to the General Fund and HRA Balances	2019/20 Adjustments between the Funding and Accounting Basis	2019/20 Net Expenditure in the CIES		2020/21 Net Expenditure Chargeable to the General Fund and HRA Balances	2020/21 Adjustments between the Funding and Accounting Basis	2020/21 Net Expenditure in the CIES
£000	£000	£000		**£000**	**£000**	**£000**
5,118	843	5,961	Service Development Integration (SDI) Commissioning	7,277	-	**7,277**
6,119	557	6,676	Core	1,377	927	**2,304**
736	46,806	47,542	Central	16,086	47,437	**63,525**
1,052	14,724	15,776	Education, Youth & Childcare	2,397	14,346	**16,743**
(4,080)	-	(4,080)	Dedicated Schools Grant (DSG)	(4,980)	-	**(4,980)**
(2,474)	347	(2,127)	Law, Governance & HR	(5,245)	379	**(4,866)**
(7,750)	38,366	30,616	Housing Revenue Account (HRA)	(15,849)	602	**(15,247)**
2,861	219	3,080	Strategy & Participation	3,552	1,100	**4,652**
78,717	1,249	79,966	Care & Support	84,912	1,180	**86,092**
1,038	104	1,142	Inclusive Growth	(302)	94	**(208)**
10,380	3,826	14,206	Community Solutions	15,982	4,115	**20,097**
18,935	10,084	29,019	My Place	19,339	11,881	**31,220**
11,945	871	12,816	Contracted Services	44	-	**44**
122,597	117,996	240,593	**Net Cost of Services**	**124,590**	**82,061**	**206,653**
12,940	38,892	51,832	Other Operating Expenditure (Note 5)	12,941	(5,476)	**7,465**
15,868	9,922	25,790	Financing & Investment Income and Expenditure (Note 6)	3,161	79,874	**83,035**
(151,533)	(39,018)	(190,551)	Taxation & Non-specific Grant Income and Expenditure (Note 7)	(191,782)	(37,561)	**(229,343)**
(128)	127,792	127,664	**(Surplus) / Deficit on Provision of Services**	**(51,090)**	**118,898**	**67,810**
		(95,119)	Opening General Fund and HRA Balance	**(95,247)**		
		(128)	(Surplus) or Deficit on General Fund and HRA Balance in Year	**(51,090)**		
		(95,247)	**Closing General Fund and HRA Balance at 31 March**	**(146,337)**		

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Adjustments between Funding and Accounting Basis 2020/21

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	**Total Adjustments**
	£000	£000	£000	**£000**
SDI Commissioning				
Core	927			927
Central	10,228	36,038	1,171	47,437
Education, Youth & Childcare	14,346			14,346
Dedicated Schools Grant (DSG)				
Law, Governance & HR	379			379
Housing Revenue Account (HRA)	(2,360)	2,439	523	602
Policy & Participation	1,100			1,100
Care & Support	1,180			1,180
Inclusive Growth	94			94
Community Solutions	4,115			4,115
My Place	11,881			11,881
Contracted Services				
Net Cost of Services	**41,890**	**38,477**	**1,694**	**82,061**
Other Operating Expenditure	(5,476)			(5,476)
Financing and Investment I&E	70,149	9,725		79,874
Taxation and Non-specific Grant I&E	(37,561)			(37,561)
Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services	**69,002**	**48,202**	**1,694**	**118,898**

Adjustments between Funding and Accounting Basis 2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts	Adjustments for Capital Purposes (Note i)	Net change for the Pensions Adjustments (Note ii)	Other Differences (Note iii)	**Total Adjustments**
	£000	£000	£000	**£000**
SDI Commissioning	843			**843**
Core	557			**557**
Central	26,478	20,216	112	**46,806**
Education, Youth & Childcare	14,724			**14,724**
Dedicated Schools Grant (DSG)	0			**0**
Law, Governance & HR	347			**347**
Housing Revenue Account (HRA)	36,833	1,526	7	**38,366**
Policy & Participation	219			**219**
Care & Support	1,249			**1,249**
Inclusive Growth	104			**104**
Community Solutions	3,826			**3,826**
My Place	10,084			**10,084**
Contracted Services	871			**871**
Net Cost of Services	**96,135**	**21,742**	**119**	**117,996**
Other Operating Expenditure	38,892			**38,892**
Financing and Investment I&E	(3,734)	13,656		**9,922**
Taxation and Non-specific Grant I&E	(38,451)		(567)	**(39,018)**
Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services	**92,842**	**35,398**	**(448)**	**127,792**

Note (i) - Adjustments for Capital Purposes

Adjustments for capital purposes - this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- **Financing and investment income and expenditure** - the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivables in the year to those receivables without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note (ii) - Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For **services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the CIES.

Note (iii) - Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **services** this represents a portion of salaries that relate to unused entitlement of accumulated leave on 31 March.

- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

2. Expenditure & Income Analysed by Nature

The Council's expenditure and income are analysed as follows:

	2019-20	2020-21
	£000	£000
Expenditure		
Employee benefits expenses	324,301	363,354
Other services expenses	465,110	461,786
Depreciation, amortisation, impairment	127,124	143,259
Interest payments	34,167	30,307
Precepts and levies	12,940	12,941
Payments to Housing Capital Receipts pool	17,137	1,299
NBV of disposal of assets	21,755	72,223
Total expenditure	**1,002,534**	**1,085,169**
Income		
Fees, charges and other service income	(269,475)	(266,635)
Interest and investment income	(7,855)	(9,240)
Income from council tax and non-domestic rates	(93,468)	(79,516)
Dividend income	(2,295)	(17)
Government grants and contributions	(501,777)	(582,953)
Gross receipt on the disposal of assets	-	(78,998)
Total income	**(874,870)**	**(1,017,359)**
(Surplus) or Deficit on the Provision of Services	**127,664**	**67,810**

3. Adjustments Between Accounting and Funding Basis

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council’s landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

3. Adjustments between accounting basis and funding basis under regulations

2020/21	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total £'000
Adjustments to the Revenue Reserve						
Amounts by which income and expenditure included in the CIES are different from revenue for the year						
- Pension costs (transferred to/from the Pensions Reserve)	(45,119)	(3,083)				(48,202)
- Council tax and NDR (transfers to/from Collection Fund Adjustment Account)	(7,409)					(7,409)
- Holiday pay (transferred to the Accumulated Absences Reserve)	(1,171)	(523)				(1,694)
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(144,600)	(32,330)			(47,147)	(224,077)
Total	(198,299)	(35,936)			(47,147)	(281,382)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	62,184	16,814	(78,998)			-
Payments to the government housing receipts pool	(1,299)		1,299			-
Posting of HRA resources from revenue to the Major Repairs Reserve		17,088		(17,088)		-
Statutory provision for the repayment of debt	12,038					12,038
Capital expenditure financed from revenue balances		8,511				8,511
Total	72,923	42,413	(77,699)	(17,088)	-	20,549
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			3,998			3,998
Use of the Capital Receipts Reserve to repay debt			60,350			60,350
Use of the Major Repairs Reserve to finance capital expenditure				17,627		17,627
Application of capital grants to finance capital expenditure					43,692	43,692
Total			64,348	17,627	43,692	125,667
Total Adjustments	**(125,376)**	**6,477**	**(13,351)**	**539**	**(3,455)**	**(135,166)**

3. Adjustments between accounting basis and funding basis under regulations (con't)

2019/20	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total £'000
Adjustments to the Revenue Reserve						
Amounts by which income and expenditure included in the CIES are different from revenue for the year						
- Pension costs (transferred to/from the Pensions Reserve)	(32,902)	(2,496)				(35,398)
- Council tax and NDR (transfers to/from Collection Fund Adjustment Account	567					567
- Holiday pay (transferred to the Accumulated Absences Reserve)	(112)	(7)				(119)
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(44,930)	(104,188)			(41,190)	(190,308)
Total	(77,377)	(106,691)	-	-	(41,190)	(225,258)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	6,729	27,057	(33,786)			-
Payments to the government housing receipts pool	(17,137)		17,137			-
Posting of HRA resources from revenue to the Major Repairs Reserve		15,860		(15,860)		-
Statutory provision for the repayment of debt	10,156					10,156
Capital expenditure financed from revenue balances		13,610				13,610
Total	(252)	56,527	(16,649)	(15,860)	-	23,766
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			3,625			3,625
Use of the Major Repairs Reserve to finance capital expenditure				15,556		15,556
Application of capital grants to finance capital expenditure					54,273	54,273
Total	-	-	3,625	15,556	54,273	73,454
Total Adjustments	**(77,629)**	**(50,164)**	**(13,024)**	**(304)**	**13,083**	**(128,038)**

4. 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 2020/21.

General Fund	Balance at 31/03/2019 £000	Transfers in £000	Transfers out £000	Balance at 31/03/2020 £000	Transfers in £000	Transfers out £000	**Balance at 31/03/2021 £000**
Balances held by schools under a scheme of delegation:							
- Local Management of Schools*	(5,942)	(6,647)	1,288	(11,301)	(1,414)	120	**(12,595)**
- Dedicated Schools Grant*	(6,477)	(1,027)	3,337	(4,167)	(5,661)	-	**(9,828)**
PFI reserve*	(12,628)	(778)	-	(13,405)	(640)	-	**(14,045)**
Budget Support *	(10,165)	(3,965)	6,104	(8,026)	(5,746)	214	**(13,558)**
Collection Fund Equalisation Reserve*	(3,505)	(571)	-	(4,074)	(8,236)	-	**(12,310)**
Capital Investment Reserve	(3,575)	(1)	-	(3,576)	(203)	-	**(3,779)**
Investment Reserve*	(4,333)	(186)	1,254	(3,265)	(7,817)	-	**(11,082)**
Education, Youth and Childcare	(901)	(1,986)	-	(2,887)	(122)	1,817	**(1,192)**
Insurance	(1,639)	-	-	(1,639)	(592)	-	**(2,231)**
Service Grant C/F*	-	(1,351)	-	(1,351)	(4,127)	-	**(5,478)**
Departmental Reserves	(1,182)	-	-	(1,182)	(1,060)	-	**(2,242)**
Council's Entities	(774)	(332)	-	(1,106)	(675)	-	**(1,781)**
Corporate Infrastructure	(1,214)	-	109	(1,105)	(107)	-	**(1,212)**
Public Health	(563)	(532)	-	(1,095)	(1,360)	-	**(2,455)**
East London Housing Partnership	-	(912)	-	(912)	-	912	**-**
Corporate Restructuring	(735)	-	-	(735)	-	-	**(735)**
Legal Trading Reserve	(815)	-	375	(440)	(20)	142	**(318)**
BD Giving Endowment Fund Reserve	-	-	-	-	(300)	-	**(300)**
CR27 Hotel Deal Reserve*	-	-	-	-	(5,500)	-	**(5,500)**
Film Studios Developer Contribution	-	-	-	-	(1,000)	-	**(1,000)**
Elections Reserve	(297)	-	-	(297)	(75)	-	**(372)**
LEP Housing Rental Reserves	-	-	-	(44)	(2,598)	-	**(2,642)**
Parking Reserve	-	-	-	(254)	(2,282)	-	**(2,536)**
Trewern Outdoor Centre Reserve	-	-	-	(94)	(389)	137	**(346)**
Levy Trading Reserve	-	-	-	-	(940)	-	**(940)**
Other Misc (individual items below £250k)	(6,500)	(877)	2,825	(4,162)	(1,833)	3,748	**(2,247)**
Total General Fund	(61,245)	(19,165)	15,292	(65,118)	(52,697)	7,090	**(110,724)**
HRA							
Leasehold Repairs*	(5,546)	(1,428)		(6,974)	(1,205)		**(8,179)**
Total HRA	(5,546)	(1,428)	-	(6,974)	(1,205)	-	**(8,179)**

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*Significant Earmarked Reserves (greater than £5m in value)	Purpose
Local Management of Schools	Set up for the balances held by non-E5 schools in the Borough.
Dedicated Schools Grant (DSG)	Set up to carry forward unspent DSG funding into future years
PFI Reserve	Set up to carry forward surpluses earned in earlier years from PFI contracts to cover the losses at the end of the contracts
Budget Support	Set up to protect the General Fund budget from large in year under or overspends caused by factors outside of Managers control (such as demography.)
Investment	Set up to carry forward the proceeds from Treasury Management Activity and external Investments.
Collection Fund Equalization	Set up to protect the General Fund from surpluses and losses caused by variations in NNDR and Council Tax collection rates outside of Manager control.
Service Grant Carry Forward	Set up to carry forward unspent Service Grant funding into future years.
CR27 Hotel Deal	Set up to cover and shortfall in rental income caused by tenant default.
Leasehold Repairs	Set up to facilitate repairs to leasehold property where necessary

5. Other Operating Expenditure

	2019/20 £000	**2020/21 £000**
Levies	12,940	**12,941**
Payments to the Government Housing Capital Receipts Pool	17,137	**1,299**
(Gains)/losses on the disposal of non-current assets	21,755	**(6,775)**
Total	51,832	**7,465**

6. Financing and Investment Income and Expenditure

	2019/20 £000	**2020/21 £000**
Interest payable and similar charges	34,167	**30,307**
Net interest on the net defined benefit liability	13,656	**9,725**
Interest receivable and similar income	(10,150)	**(9,182)**
Income and expenditure in relation to investment properties	(7,408)	**(12,814)**
Changes in fair value of investment properties	(3,785)	**70,149**
(Gains)/Losses on Trading Accounts	(690)	**(5,150)**
Total	25,790	**83,035**

7. Taxation and Non-Specific Grant Income

	2019/20 £000	**2020/21 £000**
Council Tax income & Retained Business Rates	(93,468)	**(79,516)**
Non-ring fenced Government Grants (Note 24)	(58,633)	**(104,857)**
Capital Grants & Contributions (Note 24)	(38,450)	**(44,970)**
Total	(190,551)	**(229,343)**

8. Property, Plant and Equipment

The movements in the Council's Property, Plant and Equipment for the year 2020/21 are set out in the table below. Estimated asset lives and depreciation rates are set out in the Accounting Policies.

The Council revalues its Property, Plant and Equipment valued less than £3 million on a five year basis (20% each of the last five years of the programme and an impairment review at the end of the financial year) using its valuers, Wilks, Head & Eve. For Property, Plant and Equipment with a value greater than £3 million, we revalue annually.

2020/21

	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	**Total PPE (Excludes Infra-structure Assets)**	PFI Included in PPE
	£000	£000	£000	£000	£000	£000	**£000**	£000
Cost or Valuation at 1 April 2020	**1,192,783**	**1,216,445**	**41,520**	**105,064**	**164,309**	**25,750**	**2,745,870**	**154,016**
Corrections between cost and depreciation	-	519	-	-	-	-	**519**	-
Additions	22,852	18,797	1,647	591	162,404	36,392	**242,683**	644
Revaluations recognised in the Revaluation Reserve	43,297	34,835	-	(86,525)	-	1,753	**(6,640)**	5,032
Revaluations recognised in the Provision of Services	(7,684)	(4,922)	-	-	-	(10,713)	**(23,319)**	-
De-recognition due to disposals	(12,524)	(12)	-	-	(54,985)	(2,399)	**(69,920)**	-
Reclassifications to other assets	15,127	13,730	-	-	(24,170)	(4,687)	**-**	-
Cost or Valuation at 31 March 2021	**1,253,851**	**1,279,392**	**43,167**	**19,130**	**247,558**	**46,096**	**2,889,193**	**159,692**
Accumulated Depreciation at 1 April 2020	**-**	**(3,001)**	**(31,011)**	-	**(34)**	**(60)**	**(34,106)**	-
Depreciation charge	-	(519)	-	-	-	-	**(519)**	-
Depreciation written out to the Provision of Services	(18,763)	(17,372)	(2,556)	-	-	(435)	**(39,126)**	(2,686)
Depreciation written out to the Revaluation Reserve	18,633	17,328	-	-	-	421	**36,382**	2,686
Reclassifications to other assets	-	-	-	-	-	-	-	-
De-recognition due to disposals	130	1	-	-	-	74	**205**	-
Accumulated Depreciation at 31 March 2021	**-**	**(3,563)**	**(33,567)**	**-**	**(34)**	**-**	**(37,164)**	**-**
Net Book Value at: 31 March 2021	**1,253,851**	**1,275,829**	**9,600**	**19,130**	**247,524**	**46,096**	**2,852,030**	**159,692**

2019/20	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	**Total PPE (Excludes Infra-structure Assets)**
	£000	£000	£000	£000	£000	£000	**£000**
Cost or Valuation at 1 April 2019	**1,252,996**	**1,140,945**	**36,232**	**109,945**	**121,329**	**32,152**	**2,693,599**
Additions	37,341	17,203	6,453	810	86,734	9,899	**158,440**
Revaluations recognised in the Revaluation Reserve	(16,918)	57,254	-	(495)	-	(1,612)	**38,229**
Revaluations recognised in the Provision of Services	(54,034)	(29,773)	-	-	-	(2,497)	**(86,304)**
De-recognition due to disposals	(41,741)	(4,050)	(1,165)	(2,994)	(6,028)	(20)	**(55,998)**
Reclassifications to other assets	15,139	34,866	-	(2,203)	(37,726)	(12,172)	**(2,096)**
Cost or Valuation at 31 March 2020	**1,192,783**	**1,216,445**	**41,520**	**105,063**	**164,309**	**25,750**	**2,745,870**
Accumulated Depreciation at 1 April 2019	**-**	**(2,778)**	**(29,748)**	**-**	**-**	**-**	**(32,526)**
Depreciation charge	(17,751)	(17,535)	(1,496)	-	-	(326)	**(37,108)**
Depreciation written out to the Revaluation Reserve	17,160	16,800	-	-	-	222	**34,182**
Reclassifications to other assets	-	218	-	-	(34)	24	**208**
De-recognition due to disposals	591	294	233	-	-	20	**1,138**
Accumulated Depreciation at 31 March 2020	**-**	**(3,001)**	**(31,011)**	**-**	**(34)**	**(60)**	**(34,106)**
Net Book Value at: 31 March 2020	**1,192,783**	**1,213,444**	**10,509**	**105,063**	**164,275**	**25,690**	**2,711,764**

Barking & Dagenham

The valuations per category in each year of the rolling programme are shown below:

	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	**Total**	Infrastructure Assets	**Total PPE**
	£000	£000	£000	£000	£000	£000	**£000**	£000	**£000**
Value at historical cost	-	315	9,600	-	247,524	-	257,439	105,933	363,372
Value at current value in:									-
2020/21	1,253,849	1,218,135	-	12,095	-	42,977	2,527,056	-	2,527,056
2019/20	-	18,917	-	-	-	285	19,202	-	19,202
2018/19	-	10,557	-	7,035	-	2,834	20,426	-	20,426
2017/18	-	19,538	-	-	-	-	19,538	-	19,538
2016/17	-	8,367	-	-	-	-	8,367	-	8,367
	1,253,849	**1,275,829**	**9,600**	**19,130**	**247,524**	**46,096**	**2,852,028**	**105,933**	**2,957,961**

Capital Commitments

As at 31 March 2021 the Council had the following significant contractual commitments amounting to £414.6m (2019/20 £181.7m) for the construction or enhancement of its Property, Plant and Equipment in 2020/21 and future years. The major contractual commitments outstanding as at 31/3/21 are:

	£'000s
Education, Youth and Childcare	
Greatfields School Zone 2B	17,341
	17,341
Investment Strategy	
Gascoigne East Phase 2	142,205
Gascoigne East Phase 3b	1,021
Gascoigne West Phase 1	26,708
Gascoigne West Phase 2	138,231
Crown House	23,145
200 Becontree Avenue	2,926
Sacred Heart	2,363
House for Artists	2,696
Sebastian Court	4,300
Woodward Road	14,903
Oxlow Lane	17,973
Chequers Lane	9,960
	386,430
Housing Revenue Account	
Fire Doors	2,351
Decent Homes Internals - Electricals	3,000
Decent Homes Externals	5,498
	10,849
TOTAL	**414,620**

9. Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets [Local Government Circular 09/2022 Statutory Override Accounting for Infrastructure Assets] this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2019/20 £000	**2020/21 £000**
Net book value (modified historical cost) at 1 April	106,465	107,835
Additions	10,533	7,801
Derecognition	-	-
Depreciation	(9,163)	(9,702)
Impairment	-	-
Other movements in cost	-	-
Infrastructure Assets Net book value at 31 March	**107,835**	**105,934**

	2019/20 £000	2020/21 £000
Infrastructure assets	107,835	105,934
Other PPE assets	2,711,764	2,852,028
Total PPE assets	**2,819,599**	**2,957,961**

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

10. 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:

	2019/20	**2020/21**
	£000	**£000**
Rental income from investment property	(8,379)	**(16,439)**
Direct operating expenses arising from investment property	971	**3,625**
Net gain	(7,408)	**(12,814)**

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 for repairs, maintenance or enhancement.

Investment properties are shown at fair value at the balance sheet date and are subject to revaluation annually and any changes in valuation are reflected in the fair value of assets.

The following table summarises the movement in the fair value of investment properties over the year:

	2019/20	**2020/21**
	£000	**£000**
Balance at start of the year	62,057	**111,059**
Additions	45,898	**88,624**
Disposals	(681)	**(15)**
Reclassifications	-	
Net gains/(losses) from fair value adjustments/revaluations	3,785	**(70,149)**
Balance at end of the year	111,059	**129,519**

Fair Value Hierarchy
All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (See Accounting Policy for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property
The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio.

Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

There has been no change in valuation techniques used during the year for investment properties.

Highest and Best Use
In estimating the fair value of the Council's investment properties, they are valued at the higher of current use and potential alternative use (if different to current use).

Valuation Process for Investment Properties
The Council's investment properties have been valued by Wilks, Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

11. Financial Instruments

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

Long Term 2019/20 £000	Short Term 2019/20 £000		**Long Term 2020/21 £000**	**Short Term 2020/21 £000**
		Financial Assets at Amortised Cost		
151,666	195,600	**Investments**	133,763	100,020
-	6,687	**Cash and Cash Equivalents (see Note 13)**		44,841
		Debtors		
81,327	121,563	Debtors as per Balance Sheet (see Note 12)	115,664	135,544
	2,401	Accrued Interest Receivable		1,433
-	(71,010)	Adjustments for statutory debtors - not qualifying as financial assets at amortised cost		(56,295)
81,327	52,954	**Total debtors qualifying as financial liabilities at amortised cost**	**115,664**	**80,682**
232,993	255,241	**Total Financial Assets**	**249,427**	**225,543**
		Financial Liabilities at Amortised Cost		
(855,588)	(125,910)	**Borrowings**	(896,348)	(67,517)
		Creditors		
(133,672)	(2,561)	PFI and finance lease liabilities	(197,173)	(3,192)
	(98,289)	Creditors as per Balance Sheet (See Note 14)	(4,399)	(130,263)
	(3,053)	Accrued Interest Payable		(2,765)
	46,054	Adjustments for statutory short term creditors (not qualifying)		21,534
(133,672)	(57,849)	**Total creditors qualifying as financial liabilities at amortised cost**	**(201,572)**	**(114,686)**
(989,260)	(183,759)	**Total Financial Liabilities**	**(1,097,920)**	**(182,203)**

Note - Assets arising purely from statutory provisions such as council tax, NNDR and general rates are exempt from the definition of financial assets, which requires a contractual basis.

The following shows an analysis of borrowing by type of debt:

Long Term 2019/20 £000	Current 2019/20 £000	**Borrowings**	**Long Term 2020/21 £000**	**Current 2020/21 £000**
(729,410)		PWLB	(772,734)	
(10,000)		LOBO's	(10,000)	
(116,178)		Other market debt	(113,614)	
	(125,910)	Short Term Loans		(67,517)
(855,588)	(125,910)	**Total**	**(896,348)**	**(67,517)**

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2019/20 Financial Liabilities measured at amortised cost £000	2019/20 Assets and Liabilities at Fair Value through Profit and Loss £000	2019/20 Total £000		**2020/21 Financial Liabilities measured at amortised cost**	**2020/21 Assets and Liabilities at Fair Value through Profit and Loss**	**2020/21 Total £000**
34,167	-	34,167	Interest expense *	**30,063**	**-**	**30,063**
-	146	146	Fee Expense**	**-**	**223**	**223**
-	(7,836)	(7,836)	Interest Income *	**-**	**(8,816)**	**(8,816)**
34,167	(7,690)	26,477	Net (gain) / loss for the year	**30,063**	**(8,593)**	**21,470**

* Interest Income and Expenditure include HRA
** Fee Expense includes brokerage costs for longer term loans

Interest Expense

The Council may borrow to meet capital costs that are attributable to the acquisition, construction or production of a qualifying asset that has a life of more than one year. It is the Council's policy to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Borrowing costs will be deemed as interest and other costs that the Council incurs in connection with the borrowing of funds, and a qualifying asset will be that which takes in excess of three years to get ready for intended use and has forecast expenditure in excess of £10m. Cessation of capitalisation will occur at the earlier of practical completion of the qualifying asset or when it has been sold.

Fair Value of Assets and liabilities carried at Amortised Cost

Financial liabilities, financial assets, 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 2021 of 1.90% to 2.65% for loans from the PWLB
· 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 Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB certainty rate (NL rate). The Fair Value calculations in the table below are based on the NL Rate.

The fair values calculated are as follows:

31 March 2020			**31 March 2021**	
Carrying Amount	Fair Value based on New Loan Rate		**Carrying Amount**	**Fair Value based on New Loan Rate**
£000's	£000's	**Financial Assets**	**£000's**	**£000's**
347,266	341,478	- Investments	233,783	237,778
6,687	6,687	- Cash & Cash Equivalents	44,841	44,841
81,327	81,327	Long-term debtors	115,664	115,664
71,496	71,496	ST Debtors (excl Interest Receivable)	79,249	79,249
2,401	2,401	Interest Receivable Accrual	1,433	1,433
509,177	503,388	**Total**	**474,970**	**478,965**
£000's	£000's	**Financial Liabilities**	**£000's**	**£000's**
(729,410)	(789,785)	- PWLB	(772,734)	(878,974)
(126,178)	(148,154)	- Market Loans	(123,613)	(149,697)
(125,910)	(125,910)	- Temporary Loans	(67,517)	(67,517)
(128,777)	(155,947)	PFI & Finance Lease	(204,764)	(222,593)
(60,204)	(60,204)	ST Creditors (excl Interest Payable)	(108,729)	(108,729)
(3,053)	(3,053)	Interest Payable Accrual	(2,765)	(2,765)
(1,173,532)	(1,283,053)	**Total**	**(1,280,122)**	**(1,430,275)**

The rates quoted in the above valuation were obtained by the Council's treasury management consultants, Link Asset Services, from the market on 31 March 2021 using bid prices where applicable. The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

The valuation basis adopted for Fair Value calculation uses Level 2 inputs, which are inputs other than quoted prices that are observable for the financial asset / liability.

Nature and Extent of Risks Arising for Financial Instruments

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

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; and

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.

Overall Procedures for Managing Risk in Financial Markets

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; and
  - 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 and the Investment Strategy was approved by the Assembly and is available on the Council website.

The key issues within the strategy were:

- the revised authorised borrowing limit (GF and HRA) of £1.35bn for 2020/21, which includes £266m for the HRA self-financing debt settlement; and
- to approve the annual investment strategy and creditworthiness policy for 2020/21 outlining the investments that the Council may use for the prudent management of its investment balances

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 (TMPs) 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.

Credit Risk

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

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 Link Asset 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 Link Asset Services. 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 does 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; and
- sovereign ratings to select counterparties from only the most creditworthy countries.

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 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 2021 that this was likely to crystallise.

In the past five years the Council has not experienced any exposure to credit risk on its loans, 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 2021 £000
Deposits with Banks	A' rated	**15,500**
UK Government Risk	Local Authority	**194,450**
Commercial Loans	See Below	**115,664**
Total Investments		**325,614**

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:

Trade and Other Receivables

At 31 March 2021 the lifetime Expected Credit Loss Provision (ECL) for trade receivables is as

	1 to 30 days past due date	More than 30 days past due date	More than 60 days past due date	More than 90 days past due date	More than one year	Total
	£000	£000	£000	£000	£000	£000
Expected loss rate	1%	3%	10%	50%	100%	
Gross carrying Amount	6,069	294	1,004	5,858	6,063	19,288
Loss Provision	61	9	100	2,929	6,063	9,162

At 31 March 2020 the lifetime Expected Credit Loss Provision (ECL) for trade receivables is as

	1 to 30 days past due date	More than 30 days past due date	More than 60 days past due date	More than 90 days past due date	More than one year	Total
	£000	£000	£000	£000	£000	£000
Expected loss rate	1%	3%	10%	50%	100%	
Gross carrying Amount	9,543	1,322	1,156	3,435	5,419	20,875
Loss Provision	95	40	116	1,718	5,419	7,387

The changes in loss allowance for investments at amortised cost during the year are as follows:

Amounts Arising from ECL for Investments and Loans

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Under the general approach used in IFRS9, a financial asset is in one of three stages in order to determine both the amount of ECL to recognise as well as how interest income should be recognised.

Stage 1 is where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, entities are required to recognise 12 month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Stage 2 is where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2 entities are required to recognise lifetime ECL but interest income will continue to be recognised on a gross basis.

Stage 3 is where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event under the IAS 39 model. For financial assets in stage 3, entities will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. This means that interest income will be calculated based on the gross carrying amount of the financial asset less ECL. The table below summarises the general approach.

There are currently 14 loans totalling £139.9m, with most of the loans secured against an asset. The loans are predominantly loans to companies that are wholly owned by the Council and these are secured against a number of properties held with Reside, Be First and BD Trading Partnerships. The Authority undertook due diligence on the credit quality of these third parties during the awarding of the loans and there is no indication of credit impairment or default at the time these accounts were finalised. During 2020/21 none of the counterparties experienced any financial problems. There were £0.656m in loss allowance based on the 12 month ECL basis. The changes in loss allowance for investments at amortised cost during the year are as follows, with all loans currently in stage 1:

Loss allowance by Asset Class

Investments and Loans at amortised cost	**12mth Expected Credit losses £'000s**
Opening balance as at 1 April 2020	**315**
Individual financial assets transferred to 12mth ECL (Stage 1)	**-**
Amounts written off	**-**
Changes in models/risk parameters	**197**
As at 31 March 2021	**512**

A summary of the loans made by the Council, the loss allowance for each is provided below and the ratings and risk of default.

Counterparty	Loan Amount £000s	Loss Allowance £000s	Secured / Guarantee	Risk of Default	Fitch Rating Criteria *
Dagenham and Redbridge Loan	93	2	No	2.11%	B
BRL Loan	5,500	34	Yes	0.61%	BB
B&D Reside Regeneration	6,400	8	Yes	0.12%	BB
B&D Reside Weavers LLP	36,841	45	Yes	0.12%	BB
B&D Reside Abbey Roding	48	0	Yes	0.12%	BB
B&D Reside Limited	309	0	Yes	0.12%	BB
B&D Homes Limited	10,551	13	Yes	0.12%	BB
Be First	4,600	97	No	2.11%	B
B&D Energy Ltd	2,818	17	Yes	0.61%	BB
Muller Site	24,597	150	Yes	0.61%	BB
Care City Loan	30	1	No	2.11%	B
B&D Trading Partnerships	23,857	146	Yes	0.61%	BB
Total	115,644	513			

*** Fitch Ratings Criteria 2021**
BB: elevated vulnerability to default risk, more susceptible to adverse shifts in business or economic conditions; still financially flexibility

B: degrading financial situation; highly speculative

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 31 Mar 2020 £000	**Actual 31 Mar 2021 £000**
Less than one year	129,153	**70,267**
Between 1 and 2 years	-	**-**
Between 2 and 5 years	-	**-**
Between 5 and 10 years	-	**-**
More than 10 years	855,588	**896,348**
Total	984,741	**966,615**

The maturity analysis of all financial assets, including trade payables and receivables, held by the Council is under one year.

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 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 2021 if interest rates had been 1% higher with all other variables held constant, the financial effect for 2020/21 would be:

Interest Rate Risk – 1% Increase	**£000**
Increase in interest payable on variable rate borrowings*	**-**
Increase in interest receivable on variable rate investments	**1,961**
Impact on Surplus or Deficit on the Provision of Services	**1,961**

Interest Rate Risk – 1% Decrease	**£000**
Decrease in interest payable on variable rate borrowings*	
Decrease in interest receivable on variable rate investments	**1,818**
Impact on Surplus or Deficit on the Provision of Services	**1,818**

*The Council did not hold any variable rate borrowings as at 31 March 2021 and therefore the effect of an increase or decrease in the rate would be nil.

Price Risk

Excluding the Pension Fund, the Council does not generally hold equity shares. As at 31 March 2021 the Council did not hold any Certificates of Deposit.

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.

12. Debtors

	2019/20	**2020/21**
	£000	**£000**
Central Government Bodies	18,959	12,254
Other Local Authorities	2,607	9,024
NHS Bodies	-	115
Housing Benefits Overpayments (net of BDP)	3,302	2,251
Housing Rents (net of BDP)	1,670	1,375
Leaseholder Service Charge	1,489	803
Payments in Advance	27,795	22,797
Court Costs	4,560	4,332
VAT	8,294	9,620
Other Entities and Individuals	55,288	74,406
Total	123,964	**136,977**

13. Cash and Cash Equivalents

	2019/20 £000	**2020/21 £000**
Cash held by the Council	5	15
Bank current accounts	6,663	44,826
Deposits at Call	19	0
Total	6,687	**44,841**

14. Creditors

	2019/20 £000	**2020/21 £000**
Central Government Bodies	(24,571)	(38,607)
Other Local Authorities	(5,459)	(1,215)
NHS Bodies	(535)	(901)
Other Entities and Individuals	(64,671)	(95,497)
Total	(95,236)	**(136,220)**

15. Provisions

	Balance at 31 March 2020 £000	Additional provisions made during 2020/21 £000	Amount used or reversed in 2020/21 £000	**Balance at 31 March 2021 £000**
LONG TERM				
Insurance	(3,614)	(1,379)	949	**(4,044)**
NDR Appeals	(3,797)	(2,718)	3,228	**(3,287)**
SHORT TERM				
Contaminated Land		(2,500)		**(2,500)**
Client Over Charge Refund		(900)		**(900)**
Disrepair Claims and Damages		(1,200)		**(1,200)**
Total	(7,411)	(8,697)	4,177	**(11,931)**

Insurance Claims

Provision is made for those claims where it is deemed probable that the Council will have to make a settlement, based on past experience of court decisions about liability and the amount of damages payable. The Council 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.

Business Rates Appeals

The amount provided for business rates appeals is the Council's share. The provision is based on data and trends that reflect local circumstances. This is made to meet the estimated costs repayable to rate payers as a result of reductions in rateable values following successful appeals against valuation.

16. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

17. Unusable Reserves

2019/20 £000		2020/21 £000
(1,103,788)	Revaluation Reserve	**(1,117,284)**
(991,580)	Capital Adjustment Account	**(928,329)**
433,083	Pensions Reserve	**560,862**
(2,322)	Collection Fund Adjustment Account	**5,086**
1,596	Accumulated Absences Account	**3,290**
(1,663,011)		**(1,476,375)**

The breakdowns of materially significant reserves are provided below.

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.

2019/20 £000	**Revaluation Reserve**	**2020/21 £000**
(1,046,770)	**Balance at 1 April**	**(1,103,788)**
2,542	Adjustment to correct opening balance	
(161,179)	Upward revaluation of assets	(75,327)
82,953	Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	47,220
6,672	Accumulated gains or losses on assets disposed of in year	2,009
11,994	Difference between fair value depreciation and historical cost depreciation	12,602
(1,103,788)	**Balance at 31 March**	**(1,117,284)**

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 the Revaluation reserve was created to hold such gains.

2019/20 £000	**Capital Adjustment Account**	**2020/21 £000**
(1,063,461)	**Balance at 1 April**	**(991,580)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(2,542)	Adjustment to opening balance Revaluation Reserve	
46,301	Charges for depreciation and impairment of non-current assets	47,298
82,174	Revaluation gains/(losses) on Property, Plant and Equipment	23,635
2,434	Amortisation of intangible assets	2,179
7,643	Revenue expenditure funded from capital under statute	8,594
55,542	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	72,224
(18,666)	Adjusting amounts written out of the Revaluation Reserve	(14,611)
	Capital financing applied in the year:	
(3,625)	Use of the Capital Receipts Reserve to finance new capital expenditure	(3,999)
(15,556)	Use of the Major Repairs Reserve to finance new capital expenditure	(17,627)
(54,273)	Application of grants to capital financing from the Capital Grants Unapplied Account	(43,692)
(10,156)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(12,038)
(13,610)	Capital expenditure charged against the General Fund and HRA balances	(8,511)
	Repayment of The Capital Financing Requirement using Capital Receipts	(60,350)
(3,785)	Movements in market value of Investment Properties	70,149
(991,580)	**Balance at 31 March**	**(928,329)**

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 make 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.

2019/20 £000	Pension Reserve	2020/21 £000
557,010	**Balance at 1 April**	**433,083**
(159,325)	Remeasurements of the net defined benefit liability/asset	**79,577**
64,147	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	**76,995**
(28,749)	Employer pensions' contributions and direct payments to pensioners payable in the year	**(28,793)**
433,083	**Balance at 31 March**	**560,862**

18. Cash Flow Statement Notes

a) Net Cash Flows from Operating Activities

2019/20 £000		**2020/21 £000**
(127,664)	**Net (Deficit) on the Provision of Services**	**(69,443)**
	Adjust net surplus/deficit on the provision of services for non cash movements:	
46,475	Depreciation	48,932
74,356	Impairment and downward valuations	24,644
2,434	Amortisation	2,179
(1,394)	Increase/(Decrease) in Interest Creditors	(289)
48,544	Increase/(Decrease) in Creditors	14,431
(174)	(Increase)/Decrease in Interest and Dividend Debtors	334
18,319	(Increase)/Decrease in Debtors	4,505
248	(Increase)/Decrease in Inventories	49
35,398	Movement in Pension Liability	48,202
(3,644)	Contributions to/(from) Provisions	4,521
55,542	Carrying amount of non-current assets, sold or derecognised	72,224
(3,785)	Movement in Investment Property Values	70,149
(2,277)	Other non-cash items	(48,965)
270,042		**240,916**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(41,190)	Capital Grants credited to surplus or deficit on the provision of services	(47,147)
(33,786)	Proceeds from the sale of PPE, Investment property and Intangible assets	(78,998)
(567)	Any other items for which the cash effects are investing or financing cash flows	18,556
(75,543)		**(107,589)**
66,835	**Net Cash Flows from Operating Activities**	**63,884**

Barking & Dagenham

b) Net Cash Flows from Investing Activities

2019/20 £000		**2020/21 £000**
(222,412)	Purchase of property, plant and equipment, investment property and intangible assets	(180,201)
33,786	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	87,161
(674,593)	Purchase of short-term and long-term investments	(364,920)
616,935	Proceeds from short-term and long-term investments	483,441
	Other payments for investing activities	(58,384)
41,190	Capital grants received	47,147
(205,094)	**Net Cash Flows from Investing Activities**	**14,244**

c) Net Cash Flows from Financing Activities

2019/20 £000		**2020/21 £000**
(4,409)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(2,870)
(568,955)	(Repayment) of short and long-term borrowing	(471,107)
703,030	Cash receipts of short-term and long-term borrowing	453,474
-	Other payments for financing activities	(19,471)
129,666	**Net Cash Flows from Financing Activities**	**(39,974)**

19. Pooled Budgets

The Better Care Fund is a pool of NHS and Council monies intended to support an increase in the scale and pace of integration and promote joint planning for the sustainability of local health and care economies. On 4 April 2014 the Council agreed a pooled budget arrangement with the Barking and Dagenham Clinical Commissioning Group. The pooled budget is hosted by the Council on behalf of the two partners to the agreement

	2019/20	2020/21
Funding provided to the pooled budget:	£000	£000
the Council	12,029	**12,029**
the CCG	14,731	**15,607**
	26,760	**27,636**
Expenditure met from the pooled budget:		
the Council	(12,029)	**(12,029)**
the CCG	(14,731)	**(15,607)**
	(26,760)	**(27,636)**
Total Net Surplus / (Deficit) of the pooled budget	0	**0**
Net surplus / (deficit) for the Council	0	**0**
Net surplus / (deficit) for the CCG	0	**0**

20. Members Allowances

The Council paid the following amounts to members of the Council during the year.

	2019/20	2020/21
	£000	**£000**
Basic Allowances	561	**559**
Special Responsibility Allowances	320	**320**
Employer's NI	50	**61**
Total	**931**	**940**

21. Senior Officers' Remuneration (including Teachers)

The disclosure requirements 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. This includes statutory officers and non-statutory officers who report direct to the head of paid service; and

(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 and less than £150,000

	2019/20		2020/21	
	Non-Teaching Employees	Teaching Employees	Non-Teaching Employees	Teaching Employees
£50,000 - £54,999	65	254	**79**	**292**
£55,000 - £59,999	46	173	**55**	**222**
£60,000 - £64,999	23	91	**30**	**116**
£65,000 - £69,999	12	45	**15**	**63**
£70,000 - £74,999	26	43	**17**	**40**
£75,000 - £79,999	8	20	**13**	**24**
£80,000 - £84,999	19	21	**11**	**24**
£85,000 - £89,999	1	11	**8**	**15**
£90,000 - £94,999	0	6	**4**	**8**
£95,000 - £99,999	4	7	**4**	**7**
£100,000 - £104,999	0	3	**0**	**5**
£105,000 - £109,999	1	3	**0**	**3**
£110,000 - £114,999	1	4	**0**	**1**
£115,000 - £119,999	4	1	**4**	**3**
£120,000 - £124,999	1	1	**0**	**3**
£125,000 - £129,999	2	0	**0**	**2**
£130,000 - £134,999	0	1	**0**	**0**
£135,000 - £139,999	1	2	**0**	**1**
£140,000 - £144,999	0	0	**0**	**1**
£145,000 - £149,999	0	1	**0**	**1**
Total	214	687	**240**	**831**

b) Senior Officers

Post Held	Year	Notes	Salary, Fees & Allowances	Compensation for Loss of Employment	Sub-total	Employer's Pension Contribution	Total (including pension contributions)
Chief Executive of the Council							
Christopher Naylor	**2020/21**	1	**217,544**		**217,544**	**45,684**	**263,228**
Christopher Naylor	2019/20		175,117		175,117	41,152	216,269
Managing Director, Deputy Chief Executive							
Claire Symonds	**2020/21**	2	**171,174**		**171,174**	**38,613**	**209,787**
Claire Symonds	2019/20		152,367		152,367	35,806	188,173
Strategic Director, Law and Governance (Monitoring Officer)	**2020/21**	**3**	**149,013**		**149,013**	**31,293**	**180,306**
	2019/20		127,359		127,359	29,929	157,288
Strategic Director, Children and Adults	**2020/21**	**4**	**143,683**		**143,683**	**30,173**	**173,856**
	2019/20		139,837		139,837	32,862	172,699
Strategic Director, Inclusive Growth	**2020/21**	**5**	**92,800**		**92,800**	**19,800**	**112,600**
	2019/20		113,837		113,837	27,101	140,938
Strategic Director, Community Solutions	**2020/21**	**6**	**130,862**		**130,862**	**27,481**	**158,343**
	2019/20		127,359		127,359	29,929	157,288
Strategic Director, My Place	**2020/21**	**7**	**128,282**		**128,282**	**26,939**	**155,221**
	2019/20		124,848		124,848	29,339	154,187
Director of Strategy and Participation	**2020/21**	**8**	**118,497**		**118,497**	**24,884**	**143,381**
(Director of Policy and Participation)	2019/20	8	85,469		85,469	20,085	105,554
	2019/20	8	36,632		36,632	8,305	44,937
Finance Director (Section 151 Officer)	**2020/21**	**9**	**119,416**		**119,416**	**25,077**	**144,494**
	2019/20	9					
Transformation Director	**2020/21**	**10**	**56,764**	**59,716**	**116,481**	**10,714**	**127,195**
	2019/20		115,325		115,325	27,101	142,426

Note 1 The CEO was seconded to the CEO post at Birmingham City Council for the period 19 May 2020 until 8 March 2021 for which an honorarium was paid.

Note 2 The Chief Operating Officer and Deputy Chief Executive became the Acting CEO for the period May 2020 until March 2021 whilst the CEO was seconded to Birmingham City Council for which an honorarium was paid. In March 2021 the COO role was deleted and replaced by the Managing Director role. 19/20 comparison figure related to the S151 officer, ref 7, on note 20b.

Note 3 Director of Law, Governance and HR became the Acting Deputy CEO and the statutory Returning Officer and Electoral Registration Officer for the period May 2020 until March 2021 whilst the CEO was seconded to Birmingham City Council for which an honorarium was paid. The post was redesignated to Strategic Director, Law and Governance in March 2021.

Note 4 The Director of People & Resilience post was redesignated to Strategic Director, Children and Adults in March 2021.

Note 5	Director of Inclusive Growth was on Shared Parental Leave Aug'20 to Oct'20 hence the decrease in Annual Salary. Assumed the role of strategic lead for the development of the Council's performance framework and the line management of the Director of My Place for the period May 2020 until March 2021 whilst the CEO was seconded to Birmingham City Council. The post was redesignated to Strategic Director, Inclusive Growth in March 2021.
Note 6	The Strategic Director, Community Solutions is a new role created in March 2021 reporting to the Managing Director.
Note 7	The Strategic Director, My Place is a new role created in March 2021 reporting to the Managing Director.
Note 8	Job Title was changed from Director of Policy and Participation to Director of Strategy and Participation. There was a handover period in 2019/20 where the role was covered by two individuals.
Note 9	Finance Director became Acting Chief Financial Officer (Section 151 Officer) for the period May 2020 until March 2021 whilst the CEO was seconded to Birmingham City Council for which an honorarium was paid. The amounts included above are for the full financial year. During 2019/20, the role was covered by an interim employee until December 2019 when the current Finance Director joined the Council. The post was designated the permanent Section 151 Officer in March 2021. The Chief Operating Officer was the S151 Officer prior to May 2020, see note 20c for 19/20 comparison figures.
Note 10	The Transformation Director was made redundant in September 2020.

c) Exit Packages

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

Exit package cost band	Number of compulsory		Number of other		Total number of exit		Total cost of exit	
	2019/20	**2020/21**	2019/20	**2020/21**	2019/20	**2020/21**	2019/20	**2020/21**
£0 – £20,000	47	**27**	9	**10**	56	**37**	198,369	**268,692**
£20,001–£40,000	2	**4**	3	**6**	5	**10**	146,177	**307,942**
£40,001–£60,000	4	**1**	0	**1**	4	**2**	194,164	**107,871**
£60,001–£80,000	2	**1**	0	**0**	2	**1**	141,582	**65,034**
£80,001 +	4	**4**	0	**0**	4	**4**	482,815	**869,111**
Total	59	**37**	12	**17**	71	**54**	1,163,107	**1,618,651**

22. External Audit costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and the certification of grant claims.

	2019/20 £'000s	**2020/21 £'000s**
Fees payable for audit of the authority	128	128
Fees payable for audit related assurance services	7	7
Fees payable for mandatory assurance services	20	20
Non-audit services	-	-
TOTAL	155	**155**

23. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by the Dedicated Schools Grant (DSG) from the Department of Education. 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. A

Details of the deployment of DSG received for 2020/21 is below:

Total 2019/20 £000		Central Costs £000	ISB £000	**Total 2020/21 £000**
273,123	Final DSG for year before Academy recoupment			**288,907**
(51,584)	**Less:** Academy figure recouped			**(58,340)**
221,539	Total DSG after Academy recoupment			**230,567**
5,520	Brought forward from previous year			**5,983**
0	**Less:** Carry forward agreed in advance			**0**
227,059	Agreed initial budget distribution in year	**21,807**	**214,743**	**236,550**
536	In year adjustments	190		**190**
227,595	Final budget distribution for the year	**21,997**	**214,743**	**236,740**
(18,993)	**Less:** Actual central expenditure	(12,171)		**(12,171)**
(204,436)	Actual ISB deployed to schools		(214,743)	**(214,743)**
4,166	Total carry forward	**9,826**	**0**	**9,826**

24. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21:

	2019/20 £000	**2020/21** **£000**
Taxation and Non Specific Grant Income		
RSG (Includes Business Rates Retention Scheme)	(46,388)	**(57,863)**
NNDR Compensation grants	(4,765)	**(10,001)**
New Homes Grant	(3,506)	**(1,853)**
Social Care Grant	(1,560)	**(5,871)**
Sales and Fees Compensation Grant (Covid)	(1,200)	**(3,672)**
NNDR/CTAX Losses (Covid) Compensation Grant	-	**(1,701)**
Housing & Council Tax Benefits Admin Grant	-	**(912)**
Council Tax Hardship Grant (Covid)	-	**(147)**
Individual Covid Grants	-	**(22,560)**
Other grants individually less than £1 million	(1,214)	**(277)**
Total	(58,633)	**(104,857)**
Direct to Services		
Dedicated Schools Grant (DSG)	(221,539)	**(230,757)**
Education and Skills Funding Agency	(29,763)	**(34,699)**
Public Health England	(16,460)	**(17,153)**
Ministry of Housing, Communities and Local Government	(15,281)	**(18,187)**
Pupil Premium	(11,279)	**(11,058)**
Home Office	(2,407)	**(3,147)**
Department of Work and Pensions	(1,178)	**(3,385)**
Greater London Authority	(328)	**(2,259)**
Department of Health and Social Care	(141)	**(10,917)**
Other grants individually less than £1 million	(4,263)	**(6,811)**
	(302,639)	**(338,373)**
Housing Benefit		
Mandatory Rent Allowances: Subsidy	(53,761)	**(51,123)**
Rent Rebates granted to HRA tenants: Subsidy	(37,774)	**(9,439)**
Mandatory Rent Rebates outside HRA	(9,803)	**(34,192)**
	(101,338)	**(94,755)**
Capital Grant		
Department for Education	(26,017)	**(21,316)**
Greater London Authority	(8,758)	**(15,680)**
Transport for London	(1,088)	**(1,828)**
Developer contributions	(2,259)	**(5,929)**
Other capital grants	(328)	**(217)**
	(38,450)	**(44,970)**

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

Capital Grants Received in Advance (Long Term)	2019/20	**2020/21**
	£000	**£000**
Basic Need	(25,453)	(21,764)
GLA Building Council Homes	(13,790)	(26,900)
Green Homes Grant		(11,829)
Other (individually less than £1m)	(3,507)	(1,793)
	(42,750)	**(62,286)**

25. 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 during the year are further analysed in Note 24.

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

The total of Members' allowances paid in 2020/21 is shown in Note 20. During 2020/21, no works or services were commissioned from companies in which members had an interest.

Officers
During 2020/21 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. There have been no declarations by officers of personal Related Parties Transactions with the Council in 2020/21.

Other Public Bodies
The Council has a pooled budget arrangement with North East London NHS Foundation Trust for the provision of mental health and social services and a pooled Better Care Fund budget arrangement with the Barking and Dagenham Clinical Commissioning Group. Transactions and balances are detailed in Note 19.

BDSIP Ltd.
It is a company partly owned by the Council established to advance the education of pupils. It will do this by delivering consistently excellent services to educational institutions and promoting efficiency and effectiveness of the application of resources.

B&D Reside Weavers LLP
It is a company partly owned by the Council established to manage the rental of 199 affordable housing in Barking.

Wholly owned subsidiaries:

B&D Energy Ltd
B&D Energy Ltd is established to drive the Borough to become the “green capital of the capital”. It aims to do this through the delivery of low carbon and zero energy carbon projects throughout the Borough and east London area.

Barking and Dagenham Reside Ltd
This provides 477 affordable rented properties in the Barking area. The properties are based at the Eastern End of Thames View and William Street Quarter and rents range from 50% - 80% of market rent.

Barking and Dagenham Reside Roding Ltd
This was set up to build and sell 146 properties to London & Quadrant (formerly East Homes Ltd). The homes have been built on the Gascoigne Estate as part of a regeneration project for the area. The homes were completed and sold as of 31st March 2019 as planned and are being sold as Shared Ownership properties. The Company had a loan facility for the construction works, with its parent company, the London Borough of Barking & Dagenham. As of 31st March 2019 Barking and Dagenham Reside Roding Ltd has retained no interest in 146 homes and has been placed in voluntary liquidation

Barking and Dagenham Reside Regeneration Ltd
This is a partner in the letting and management of 144 affordable homes in the Barking area. The Company is a partner in Barking & Dagenham Reside Abbey Roding LLP. The Company is also a partner in B&D Reside Regeneration LLP, who have built and manage 46 shared ownership homes and have a lease for a further 27 shared ownership properties at Kingsbridge in Barking and 46 Shared ownership homes at Becontree in Dagenham.

Barking and Dagenham Reside Regeneration LLP
This is a partnership which has built and manages 46 shared ownership homes with a lease for a further 27 shared ownership properties at Kingsbridge in Barking and 46 Shared ownership homes at Becontree in Dagenham. It also managed the sale of the units at Weaver quarter Development during 2021. The council, as head lessor’s only, retained interest as to pass on the service charges of the estate. As such, Barking and Dagenham Reside Regeneration LLP shares area of the block under the terms of the long lease with L&Q. All Shared ownership homes for Reside Regeneration are held in its LLP.

Barking and Dagenham Reside Abbey Roding LLP
Barking and Dagenham Abbey Roding LLP is a partnership which is 99% owned by the Council. It provides 144 affordable rented properties in Abbey Road in Barking, at 80% of market rent.

Barking and Dagenham Homes Ltd
It acquired and manages 41 new affordable rental homes in Becontree.

TPFL Regeneration Ltd
This was set up to build 477 new homes, which were completed in May 2014, that are now managed by Barking and Dagenham Reside Ltd.

Barking and Dagenham Trading Partnership Ltd
This is the parent company of a group of five wholly owned subsidiaries summarised below, which was established to provide cleaning, catering and repairs and maintenance services. The group provides competitively priced services to the Council and to external entities with the aim of delivering dividends to the Council.

BD Management Services Ltd.
It provides repairs and maintenance services to the Council through a mixture of management of the Council's own labour force and sub-contracting.

BD Service Delivery Ltd.
It provides a full range of repairs and maintenance services to non-council owned properties through direct contracts with individual customer and carries out work for BD Management Services LTD.

BD Together Ltd.
It provides catering, cleaning and data Services to Schools and private organisations within the Borough.

BD Corporate Cleaning Ltd.
It provides cleaning services to the Council.

Londoneast-UK Ltd.
It provides serviced offices, facilities management and support services to businesses in the Borough.

All unsold share of ownerships are recorded within Property, Plant and Equipment

Be First (Regeneration) Ltd
Be First has the remit of accelerating the pace and scale of regeneration in the Borough, whilst delivering affordable housing and shaping inclusive, sustainable and healthy communities for the future.

Be First Developments (Muller) Ltd
Muller works towards achieving an acceptable planning consent on Muller Factor site secured by the council and market the site in accordance with the approved business plan.

Joint Venture

Elevate East London LLP

Established in 2010 as a partnership with Agilisys to provide core support services such as procurement, accounts payable & receivable and ICT to the council and others. The Council is entitled to up to 50% board representation, with unanimous consent required for decisions on reserved matters which amount to the 'relevant activities' of Elevate, as define by the Council's reporting framework. Profit sharing proportions are 50:50. These key factors support Elevate being treated as a joint venture for accounting purposes.

Directorships or Trusteeships

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.

Below are details of payments made to and received from the related parties with which the Council had material transactions:

NOTES TO THE ACCOUNTS

Party	Income £000	Expenditure £000	Creditors £000	Debtors £000	Loans £000
B&D Energy Ltd.	(33)				2,818
Barking & Dagenham Citizen's Advice Bureau	(21)	505			
Barking & Dagenham Trading Partnership - Ltd		249			23,857
Barking & Dagenham Management Services	(14,331)	25,231			
Barking & Dagenham Corporate Cleaning Ltd	(1,804)	2,518			
Barking & Dagenham Together Ltd	(3,693)	2,077			
TPFL Regeneration Ltd					20
B&D Reside Roding ltd				41	
Reside Regeneration LLP				591	6,400
Reside Weavers LLP				678	36,841
Reside Ltd		4	(46)		299
Reside Abbey Roding LLP		2			67
BD Muller Developments					47,920
B&D Homes					10,551
BARKING RIVERSIDE LTD					5,500
BDSIP Ltd.	(3,086)	1,316			
Be First (Regeneration) Ltd.		14,674	(488)	886	4,600
East London Waste Authority	(3,016)				
London Councils	(1,025)				
	(27,009)	**46,576**	**(534)**	**2,196**	**138,873**

26. 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 - see notes 27 and 28), 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	2019/20	**2020/21**
	£000	**£000**
Opening Capital Financing Requirement	742,629	**862,383**
Adjustment to opening balance	(5,550)	
Capital investment		
Property, Plant and Equipment	168,861	**250,341**
Property Plant and Equipment - Finance Lease additions	-	**74,333**
Property Plant and Equipment - PFI Additions	112	**144**
Investment Properties	45,898	**14,292**
Intangible Assets	-	**-**
Heritage Assets	-	**109**
Assets Held for Sale	10	**(10)**
Revenue Expenditure Funded from Capital under Statute	7,643	**8,594**
Long Term Debtors	-	**44,562**
Long Term Investments		**3,384**
Sources of Finance		
Capital receipts	(3,625)	**(3,999)**
Government grants and other contributions	(54,273)	**(43,692)**
Sums set aside from revenue:		
- Direct revenue contributions	(13,610)	**(8,511)**
- MRP	(10,156)	**(12,038)**
- Repayments of CFR from capital receipts	-	**(60,350)**
Major Repairs Reserve	(15,556)	**(17,627)**
Increase in Capital Financing Requirement	125,304	**249,532**
Closing Capital Financing Requirement	**862,383**	**1,111,915**

Explanation of Movements in Year	2019/20	**2020/21**
Increase in underlying need to borrow (unsupported by government financial assistance)	125,192	**175,055**
Assets acquired under finance leases	-	**74,333**
Assets acquired under PFI/PPP contracts (lifecycle costs)	112	**144**
Increase in Capital Financing Requirement	**125,304**	**249,532**

*Opening CFR at 1 April 2019 has been restated to match the total CFR derived from the balance sheet. There is no impact to the balance sheet.

27. Leases

a) Council as Lessee

Finance Leases

The Council has acquired vehicles under finance leases. The Council has also entered into an arrangement with Reside Ltd to provide new social housing. Both the vehicles and the Reside homes are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

Net Book Value of Assets acquired under a finance lease	2019/20	**2020/21**
	£000	**£000**
Property, Plant and Equipment	109,668	**128,142**

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	2019/20	**2020/21**
	£000	**£000**
Finance Lease Liabilities		
(net present value of minimum lease payments)		
- Current	465	**943**
- Non-current	82,441	**155,504**
	82,906	**156,446**
Finance Costs Payable in Future Years	123,810	**223,632**
Minimum Lease Payments	206,716	**380,078**

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

Finance Lease Payment profile	Minimum Lease		Finance Lease	
	2019/20	**2020/21**	2019/20	**2020/21**
	£000	**£000**	£000	**£000**
Not later than one year	3,839	**7,437**	465	**943**
Later than one year and not later than five years	15,267	**29,629**	1,995	**4,071**
Later than five years	187,610	**343,012**	80,446	**151,433**
	206,716	**380,078**	82,906	**156,446**

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

Operating Lease Payment profile	2019/20	2020/21
	£000	**£000**
Not later than one year	170	**33**
Later than one year and not later than five years	201	**120**
Later than five years	873	**869**
	1,245	**1,022**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to property operating leases was £362k in 2020/21 (£1,030k in 2019/20).

There were no contingent rents or sublease payments.

b) 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	2019/20	2020/21
	£000	**£000**
Not later than one year	3,142	**4,204**
Later than one year and not later than five years	9,416	**13,792**
Later than five years	35,268	**47,624**
	47,826	**65,620**

28. Private Finance Initiatives and similar contracts

a) 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 8.

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

2021 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Total 2019/20 £000	Payment for Services £000	ment of Capital Expenditure £000	Interest £000	Total 2020/21 £000
Payable within one year	6,261	1,867	1,230	3,164	**6,261**
Payable within two to five years	25,044	7,946	6,331	10,767	**25,044**
Payable within six to ten years	31,305	9,550	11,386	10,369	**31,305**
Payable within eleven to fifteen years	6,261	-	-	-	**-**
Total	68,872	**19,363**	**18,947**	**24,300**	**62,610**

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 contractor for capital expenditure is as follows:

Contractor Liability	2019/20 £000	**2020/21 £000**
Balance outstanding at 1 April	21,072	**20,061**
Payments during the year	(1,010)	**(1,115)**
Balance outstanding at 31 March	20,062	**18,947**

b) 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.

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 8.

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 2020 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Total 2019/20 £000	**Payment for Services £000**	**Reimburse-ment of Capital Expenditure £000**	**Interest £000**	**Total 2020/21 £000**
Payable within one year	4,193	579	1,020	2,594	**4,193**
Payable within two to five years	16,774	2,317	4,837	9,620	**16,774**
Payable within six to ten years	20,967	2,896	8,229	9,842	**20,967**
Payable within eleven to fifteen years	20,967	2,896	11,850	6,221	**20,967**
Payable within sixteen to twenty years	8,387	579	2,965	649	**4,193**
Total	71,289	**9,268**	**28,901**	**28,927**	**67,094**

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 to the contractor for capital expenditure incurred is as follows:

Contractor Liability	2019/20 £000	**2020/21 £000**
Balance outstanding at 1 April	26,635	**25,810**
Payments during the year	(937)	**(982)**
Capital expenditure incurred in the year	112	**144**
Balance outstanding at 31 March	25,810	**24,972**

29. Pensions Schemes accounted for as Defined Contribution Schemes

The Council employs teachers and public health staff who are members of the Teachers' Pension Scheme (administered by the Department for Education) and the NHS Pension Scheme respectively. These schemes provide specified benefits upon retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Schemes are technically defined benefit schemes. However, they are unfunded and use 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 the underlying financial position and performance of the Schemes 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 2020/21, the Council paid £19.5m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.7% of pensionable pay. The figures for 2019/20 were £16.6m and 16.4% respectively. There were no contributions remaining payable at the year-end. For NHS staff in 2020/21 the figures were £0.1m and 16.9% (14.3% plus an additional amount that is invoiced of 2.5%). In 2019/20 the figures were £0.1m and 14.3% respectively.

It is expected the Council will pay around £19.1m for 2021/22 in respect of teachers' retirement benefits.

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 30.

30. 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 (for those benefits) and to disclose at the time that employees earn their future entitlement.

• The Local Government Pension Scheme (LGPS), 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. There have been no new awards during the year.

• The pension scheme is operated under the regulatory framework for the LGPS and the governance of the scheme is the responsibility of the Pension Panel of the Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the Pension Panel.

• The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

* From 1 April 2014 the defined benefit final salary scheme ceased and was replaced with a defined benefit career average scheme.

Guaranteed Minimum Pension (GMP) Equalisation

On 22 January 2018, the Government published the outcome of its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age before 6 April 2021. As a result of the Government's introduction of a single-tier state pension (STP), there is currently uncertainty around who funds certain elements of increases on Guaranteed Minimum Pensions (GMP) for members reaching State Pension Age after 6 April 2016. As part of the introduction of STP, the Government confirmed that public service pension schemes, including the LGPS, will be responsible for funding all increases on GMP as an 'interim solution' so this has been factored into the liabilities.

McCloud Judgement

The LGPS benefit structure is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. Additional prudence has been built into funding plans to allow for the McCloud ruling so the gross pension liability of £1,501m takes this into account.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

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 that is required to be made against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefit is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.

LGPS Relating to the Subsidiaries
The Council has TUPE transferred staff to a number of wholly owned companies, including Be First, BD SIP, BD Corporate Cleaning Ltd, BD Together Ltd and BD Management Services Ltd. Passthrough pension arrangements have been agreed for all of these companies. Passthrough is achieved because the Council substantially retains pension risk under the arrangements, as a result it is appropriate for the Council to report each of the contracting companies' share of the pension assets/liabilities under IAS19.

The passthrough arrangements effectively mean that, for the purposes of the administration and valuation of the Scheme and the calculation of any payments due to or from the Fund under this Admission Agreement and the 2013 Regulations, all liabilities of the Fund in respect of the Eligible Employees will continue to be treated as liabilities which are attributable to the Council, and the corresponding assets held within the Fund which relate to those liabilities will continue to be treated as allocated to the Council's notional sub-fund within the Fund on and from the Commencement Date.

The companies will account for contributions through charging these to the profit and loss account in the period to which they relate. The following transactions have been made in the CIES and the General Fund Balance via the Movement in Reserves Statement during the year:

	LGPS	
	2019/20	**2020/21**
Comprehensive Income and Expenditure Statement	£'000	**£'000**
Cost of Services:		
Current Service Cost	(50,252)	**(67,270)**
Past Service Costs (including curtailments)	(239)	**-**
Interest Income on scheme assets	18,663	**-**
Interest cost on defined benefit obligation	(32,319)	**(9,725)**
Total Post-Employment Benefits charged to the Surplus or Deficit on the provison of services	(64,147)	**(76,995)**
Remeasurement of the net defined benefit liability:		
Change in demographic assumptions	41,050	11,130
Change in financial assumptions	107,750	(326,621)
Other experience	69,096	14,209
Return on assets excluding amounts included in net interest	(58,571)	221,705
Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement	159,325	**(79,577)**
Movement in Reserve Statement:		
Reversal of net charges made to the Surplus or Deficit on the provision of services for post-employment benefits in accordance with the code	64,147	**76,995**
Employer's contributions payable to scheme	(28,749)	(28,793)

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation) and fair value of the scheme (plan):

	LGPS	
	2019/20	**2020/21**
Scheme Liabilities	£'000	**£'000**
Opening balance at 1 April	1,332,492	**1,162,009**
Current Service Cost	50,252	**55,646**
Interest Cost	32,319	**21,636**
Contributions by scheme participants	7,349	**326,621**
Actuarial (gains)/losses	(225,630)	**(11,130)**
Benefits paid	(33,267)	**(14,209)**
Discretionary Benefits	(1,745)	**48,952**
Past Service Cost including curtailments	239	**(35,911)**
Business Contribution	0	**1,632**
Curtailments	0	**8,165**
Settlements	0	**(1,775)**
Closing Balance at 31 March	1,162,009	**1,561,636**

	2019/20	**2020/21**
Scheme Assets	£'000	**£'000**
Opening balance at 1 April	775,482	**728,926**
Interest Income	18,663	**11,911**
Return on assets excluding amounts included in net interest gain/(loss)	(66,305)	**221,705**
Employer contributions	27,004	**28,793**
Administration expenses	0	**(531)**
Contributions by scheme participants	7,349	**8,165**
Benefits paid	(33,267)	**(37,686)**
Unfunded benefits paid	(1,745)	
Contributions in respect of unfunded benefits	1,745	
Curtailments		
Settlements		**39,491**
Closing Balance at 31 March	728,926	**1,000,774**

Pensions Assets and Liabilities Recognised in the Balance Sheet	2019/20	**2020/21**
	£'000	**£'000**
Local Government Pension Scheme		
Fair value of plan assets	728,926	**1,000,774**
Present value of the defined benefit obligation	(1,162,009)	**(1,561,636)**
Net liability arising from defined benefit obligation	(433,083)	**(560,862)**

The liability shows the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. 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 valuation 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 2020/21.

The more important Triennial Valuation is the statutory basis for assessing the Fund's liabilities and for setting the employer's contribution rate. The valuation applicable to the 2020/21 financial year showed a funding level of 90.0% for the whole fund. The pension fund investment strategy is seeking a fully funded position within 17 years. This long-term strategy allows for short-term market volatility. The next triennial valuation will take place in 2022, (effective from April 2023).

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.

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 LGPS 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 31 March 2021.

The significant assumptions used by the actuary have been:

	LGPS	
Mortality Assumptions:	2019/20	**2020/21**
Longevity at 65 for current pensioners:		
• Men	21.3 yrs	**21.0 yrs**
• Women	23.4 yrs	**23.3 yrs**
Longevity at 65 for future pensioners		
• Men	22.3 yrs	**22.1 yrs**
• Women	24.9 yrs	**24.8 yrs**
Actuarial Assumptions:		
Rate of Increase in Salaries	2.60%	**3.55%**
Rate of Increase in Pensions	1.90%	**2.85%**
Rate of Discounting Scheme Liabilities	2.30%	**2.00%**

Sensitivity Analysis

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

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	**0.10%**	**0.00%**	**-0.10%**
Present value of total obligation	1,529,828	1,561,636	1,594,136
Projected service cost	61,637	63,740	65,908
Adjustment to long term salary increase	**0.10%**	**0.00%**	**-0.10%**
Present value of total obligation	1,563,668	1,561,636	1,559,616
Projected service cost	63,775	63,740	63,705
Adjustment to pension increases and deferred revaluation	**0.10%**	**0.00%**	**-0.10%**
Present value of total obligation	1,591,801	1,561,636	1,532,077
Projected service cost	65,885	63,740	61,657
Adjustment to life expectancy assumptions	**+1 Year**	**None**	**-1 Year**
Present value of total obligation	1,635,744	1,561,636	1,490,983
Projected service cost	66,731	63,740	60,869

Notes:

In order to quantify the impact of a change in the financial assumptions used, we have calculated and compared the value of the scheme liabilities as at 31 March 2021 on varying bases. The approach taken is consistent with that adopted to derive the IAS19 figures.

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one-year increase in life expectancy would approximately increase the Employer’s Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

Please note the above figures have been derived based on the membership profile of the Employer as at the date of the most recent actuarial valuation.

Local Government Pension Scheme assets comprised:

	2019/20 £'000	**2020/21** **£'000**
Equities	560,997	**845,682**
Bonds	112,313	**112,672**
UK Property	46,122	**46,970**
Cash and Cash Equivalents	9,494	**(4,550)**
Total Assets	728,926	**1,000,774**

The 2020/21 actuarial report has analysed in differently categories for the 2019/20 total assets.

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contribution at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 17 years. Funding levels are reviewed on an annual basis.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2022 is estimated to be £27.5m:

Projections for the year to 31 March 2022	Year to 31 March 2022 £000s
Service cost	63,740
Net interest on the defined liability (asset)	10,926
Administration expenses	729
Total loss (profit)	75,395
Employer Contributions	27,521

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2021. These projections are based on the assumptions as at 31 March 2021, as described in the main body of this report.

31. Accounting standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the 2020/21 Code.

There following new accounting changes have been introduced in the 2021/22 code but are not expected to have any significant impact on the 2020/21 accounts

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform –Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (further information below).

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2024. The Council is making an assessment for the impact.

32. Critical Judgements in Applying Accounting Policies

In applying the accounting policies outlined above, the Authority has made certain key decisions regarding complex transactions. The significant judgements are made by management which could have a material effect upon the accounts.

33. Events after the Reporting Period

The Interim Director of Resources (Section 151 Officer) authorised the Statement of Accounts on 28 March 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

It has been determined that there are no other adjusting or non-adjusting events after the Balance Sheet date.

34. Statement of Accounting Policies

i. General Principles

The Statement of Accounts provides a true and fair view of the Council's transactions for the 2020/21 financial year and its financial position at the year end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 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 2020/21, 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.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year when it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant rewards and risks of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have 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 written down and a charge made to revenue for the income that might not be collected; and

The above policies are applied in an appropriate manner to avoid material misstatement in the financial statements. For the financial year in question, a de minimis of £10,000 was applied to both debtors and creditors.

iii. 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 24 hours. Cash equivalents are highly liquid investments that mature within three months or less 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 strategy.

iv. 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 during the year:

- Depreciation attributable to the assets used by the relevant 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 written off; and
- 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. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Minimum Revenue Provision (MRP) is equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses, and amortisations are therefore replaced by the MRP contribution in the General Fund Balance. This is done by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two (MRP is one amount, with depreciation, revaluation and impairment losses, or amortisations being the other amount).

v. Council Tax and Business Rates

The Council acts as agent, collecting Council Tax and Business Rates on behalf of the preceptors and, as principal, collecting Council Tax and Business Rates for itself. The Council is required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and Business Rates. Under the legislative framework for the Collection Fund, the Council, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and Business Rates collected could be less or more than predicated.

vi. Accounting for Council Tax and Business Rates

The Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and Business Rates that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and Business Rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

vii. **Employee benefits**

a) Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and any non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render services to the Council.

An accrual is made for the cost of annual leave 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 annual leave entitlements are charged to revenue in the financial year in which the absence occurs.

b) 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 in exchange for those benefits and are charged on an accruals basis to the relevant service, or where applicable, to the Core line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructure.

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.

c) Post Employment Benefits – Teachers' and NHS Pensions

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- The NHS Pension Scheme, administered by NHS Pensions and
- The Local Government Pensions Scheme, administered by LBBD Pension Fund.

All schemes provided defined benefits to members, earned as employees of the Council.

The arrangements for the Teachers' and NHS Pension Schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they had been 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 was charged with the employer contributions payable to Teachers' Pensions in the year, while NHS pension contributions are included in the Public Health line.

d) 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, and projections of projected earnings for current employees.

Liabilities are measured on an actuarial basis discounted to present value, using the projected unit method. The discount rate to be used is determined in reference to market yields at balance sheet date of high quality corporate bonds.

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; and
- limited partnerships - fair value on net asset value.

The change in the net pension liability is analysed into the following components:

Service costs comprising:

- 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 decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years;
- net interest on the net defined benefit liability (asset), ie net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- 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 as Other Comprehensive Income and Expenditure

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 transfers 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.

e) Discretionary Benefits

The Council 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.

viii. Events after the Reporting 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 reporting period the Statement of Accounts is adjusted to reflect the impact of the event; and
- Where the event is supported by evidence of conditions that arose after the 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.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix. Financial Instruments

Financial Liabilities

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest).

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The Council's loan portfolio at year end consisted of Public Works Loan Board (PWLB), market debt and temporary borrowing. Other types of financial liabilities the Council has include service concession arrangements (PFI Schemes), finance leases and trade payables (creditors).

Financial Assets

Financial assets in the council are classified as financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.

Expected Credit Loss Model (ECL)
The ECL implications for those financial assets not treated as fair value are minimal for the majority of the treasury investment as the Council adopts strict credit quality arrangements in accordance with the CIFPA Treasury Management Code of Practice. In addition to the day to day treasury investments the Council also has outstanding loan agreements with a number of third parties, including a number of its wholly owned subsidiaries.

Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

x. 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 in the form of 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 creditors. When conditions are satisfied, the grant or contribution is credited to either 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.

xi. Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

xii. Interest in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. 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.

xiii. 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 (operational assets) or is held for sale (assets for disposal).

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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.

xiv. 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, 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 (MRP is one amount, with depreciation, revaluation and impairment losses, or amortisations being the other amount).

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 start 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, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xv. 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

2020/21 (SeRCOP). 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.

xvi. 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 that Voluntary-aided schools are not recorded in the Council's balance sheet. For information on assumptions made about PPE current value and valuing method please refer to Note 8.

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. The de minimis level for capitalisation of assets, in line with councils financial rules and legislation, is set at:

- £2,000 for expenditure by schools;
- £6,000 for vehicles;
- £20,000 for all other expenditure.

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; and
- 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, Assets Under Construction	Depreciated Historical Cost
Community Assets	Depreciated Histocial Cost or Valuation
Council Dwellings	Existing use value - social housing (EUV - SH)
Other Land & Buildings, Vehicles Plant & Equipment	Existing use value (EUV) or depreciated replacement cost (DRC) using the 'instant build' approach if EUV cannot be determined
Surplus Assets	Fair value applying the same assumptions relating to the level of usage etc, as those of the most recent revaluation as an operational asset

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.
Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services 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 inception, 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 (ie freehold land and certain community assets) and assets that are not yet available for use (ie assets under construction).

- Deprecation 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 – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 20 years.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. 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.

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 revalued 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 recognised losses in the Surplus or Deficit on the 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 and 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 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government [England only]. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment [or set aside to reduce the authority’s underlying need to borrow (the capital financing requirement) (England and Wales)]. 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 non-current 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.

Highway Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (eg bridges), street lighting, street furniture (eg illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition
Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

Measurement
Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost.
Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation
Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis. Annual depreciation is the depreciation amount allocated each year

Useful lives of the various parts of the highways network are assessed by the Chief Highways Engineer using industry standards where applicable as follows:

Part of the highways network	Useful life
Carriageways	20 years
Footways and cycle tracks	20 years
Street lighting	20 years
Street furniture	20 years
Traffic management systems	20 years

Disposals and derecognition
When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet 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 (ie netted off against the carrying value of the asset at the time of disposal).
The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves

xvii. Private Finance Initiatives (PFI)

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 authority 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 authority at the end of the contracts for no additional charge, the authority 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 revalued 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 four 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 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)

xviii. Reserves

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. 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 transferred back into the General Fund Balance 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, local taxation, retirement and employee benefits and do not represent usable resources for the authority – these reserves are explained in the relevant policies.

xix. 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 authority 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.

xx. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (ie those categories of school identified in the School

Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

xxi. 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.

xxii. Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

Lifecycle 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.

xxiii. Heritage Assets

Heritage Assets are assets with historical, artistic, scientific, technological, geophysical, or environmental qualities that make it important to ensure that they are preserved for future generations. They may be any kind of asset including buildings, works of art, furniture, exhibits, artefacts, etc. or intangible assets such as recordings of significant historical events.

As such, assets in this category are held principally for their contribution to knowledge and/or culture.

Heritage assets are measured at valuation in accordance with FRS102 but where it is not possible to obtain a valuation at a cost which is commensurate with the benefit to the users of the financial statements, heritage assets are measured at historical cost (less any depreciation, amortisation, and impairment). Depreciation or amortisation is not required on assets with indefinite lives.

Housing Revenue Account

for the year ended

31st March 2021

Housing Revenue Account 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.

2019/20 £000		2020/21 £000
	Expenditure	
24,308	Repairs & Maintenance	17,178
43,068	Supervision & Management	48,093
1,108	Rent, Rates, Taxes & Other Charges	119
66,303	Depreciation and revaluation of non-current assets (note 5)	23,239
871	Movement in the allowance for bad debts	1,322
135,658	**Total Expenditure**	89,951
	Income	
(80,647)	Dwelling rents	(83,680)
(736)	Non-dwelling rents	(733)
(24,343)	Charges for services and facilities	(21,470)
(105,726)	**Total Income**	(105,883)
29,932	**Net cost of HRA Services as included in the Council's Comprehensive Income & Expenditure Statement**	(15,932)
685	HRA services' share of Corporate & Democratic Core	685
30,617	**Net Cost/(Surplus) for HRA**	(15,247)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
11,008	(Gain) / Loss on sale of HRA non-current assets	(7,910)
12,244	Interest Payable and similar charges	10,943
(45)	Interest & Investment Income	(299)
(180)	Movement in fair value of Investment Property	188
969	Net interest on the net defined benefit liability	644
54,613	**(Surplus) / Deficit for the year on HRA Services**	(11,681)

HOUSING REVENUE ACCOUNT

Movement on the Housing Revenue Account 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.

2019/20 £'000		2020/21 £'000
(11,463)	**Balance at 1 April**	(5,421)
54,613	(Surplus)Deficit for the year on the HRA Income & Expenditure Statement	(11,681)
(50,164)	Adjustments between accounting basis and funding basis under statute	6,476
4,449	Net increase before transfers to/from reserves	(5,205)
1,593	Transfers to / (from) reserves	1,205
6,042	(Increase) / decrease in year on the HRA	(4,000)
(5,421)	**Balance at 31 March**	(9,421)

2019/20 £'000	**Adjustments between accounting basis and funding basis under statute**	2020/21 £'000
(11,008)	Gain/(loss) on HRA - Non Current Assets	7,910
(50,443)	Revaluation/Impairment of Housing Assets	(6,151)
180	Movement in fair value of Investment Property	(188)
(7)	Holiday pay accruals and other accumulating compensated absences	(523)
(2,496)	IAS 19 Pension costs adjustment	(3,083)
0	Transfer to the Major Repairs Reserve	
13,610	Capital expenditure funded by the HRA	8,511
(50,164)		6,476

Notes to the Housing Revenue Account

1. Council Housing Stock

The Council was responsible for managing an average of 17,452 dwellings units during 2020/21.

Dwelling type	Units	Year of construction	Units
Low rise flats	1,982	Pre 1919	353
Medium rise flats	4,292	1919 – 1944	8,459
High rise flats	1,709	1945 – 1964	3,569
Houses and Bungalows	9,169	Post 1964	4,777
Multi Occupied	6		
	17,158		**17,158**

The change in stock can be summarised as follows:

	2019/20 Units	2020/21 Units
Stock at 1 April	17,662	17,242
Sales – Right to Buy	(181)	(110)
Additions	131	35
Adjustment (Review of Stock)	3	(8)
Demolitions (Decant Programme)	(372)	(1)
Stock at 31 March	**17,242**	**17,158**

The balance sheet value of land, houses and other property within the HRA is as follows:

	2019/20 £'000	**2020/21 £'000**
Dwellings	1,038,623	**1,084,359**
Other Land and Buildings	11,299	**11,319**
Vehicles Plant and Equipme	1,074	**806**
Infrastructure Assets	2,998	**2,728**
Assets Under Construction	1,192	**-**
Investment Property	2,552	**2,350**
	1,057,738	**1,101,562**

2. Vacant Possession Value

The vacant possession value of dwellings within the HRA at 31 March 2021 was £4.3 billion (£4.1 billion 31 March 2020).

The balance sheet value of dwellings, which is stated at Existing Use Value - Social Housing (EUV - SH), is lower than the vacant possession value. This shows the economic cost to the government in providing council housing at less than the open market rental value.

3. Major Repairs Reserve

The following is an analysis of the Major Repairs Reserve (MRR):

	2019/20	**2020/21**
	£000	**£000**
Balance at 1 April	(233)	**(537)**
Amount transferred to MRR (Depreciation)	(15,860)	**(17,088)**
Debits to the MRR in respect of capital expenditure on HRA land and buildings	15,556	**17,625**
Balance at 31 March	(537)	**-**

4. Capital Expenditure and Receipts

The following analyses HRA capital expenditure and the source of funding used.

2020/21 HRA capital expenditure and funding:	Major Repairs Reserve	Direct Revenue Funding	Capital Receipts	Prudential Borrowing	**Total**
	£000	£000	£000	£000	£000
Houses	17,627	8,511	-	(3,726)	**22,412**
Infrastructure Assets	-	-	-	2,928	**2,928**
Assets Under Construction	-	-	-	806	**806**
Total Financing Applied	**17,627**	**8,511**	**-**	**8**	**26,146**

2019/20 HRA capital expenditure and funding:	Major Repairs Reserve	Direct Revenue Funding	Capital Receipts	Prudential Borrowing	**Total**
	£000	£000	£000	£000	£000
Houses	15,556	13,610	-	8,947	**38,113**
Infrastructure Assets	-	-	-	3,023	**3,023**
Assets Under Construction	-	-	-	-	**-**
Total Financing Applied	**15,556**	**13,610**	**-**	**11,970**	**41,136**

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

	2019/20	**2020/21**
	£000	**£000**
Houses	27,057	**16,814**
Other property	-	**-**
Total HRA capital receipts	27,057	**16,814**

5. Depreciation and Impairment

The total charge for depreciation and revaluation loss charged to the HRA was as follows:

	2019/20			2020/21		
	Houses	Other Property	**Total**	Houses	Other Property	**Total**
	£000	£000	**£000**	£000	£000	**£000**
Depreciation	15,196	664	**15,860**	16,337	751	**17,088**
Revaluation Loss	50,443	0	**50,443**	6,151	188	**6,339**
	65,639	664	**66,303**	22,488	939	**23,427**

All HRA assets subject to revaluation have been valued as at 31st March 2021.

6. Rent Arrears

	2019/20	**2020/21**
	£000	**£000**
Dwelling rents	7,053	**10,270**
Other charges/adjustments	1,489	**803**
	8,542	**11,073**

7. 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 pensions interest costs, less expected return on pensions 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.

Collection Fund Account

for the year ended

31st March 2021

COLLECTION FUND ACCOUNT

	2020/21				2019/20			
	NNDR Supplement	NNDR	Council Tax	Total	NNDR Supplement	NNDR	Council Tax	Total
Income	£000	£000	£000	£000	£000	£000	£000	£000
Council Tax Receivable			(83,960)	(83,960)			(81,722)	(81,722)
Business Rates Receivable		(41,620)		(41,620)		(60,194)		(60,194)
Business Rate Supplement	(896)			(896)	(1,551)			(1,551)
Transitional Protection Payments		(97)		(97)		(446)		(446)
	(896)	**(41,717)**	**(83,960)**	**(126,573)**	**(1,551)**	**(60,640)**	**(81,722)**	**(143,913)**
Expenditure - Precepts, Demands and Shares								
Central Government		21,332		21,332		15,272		15,272
Greater London Authority	890	23,918	17,003	41,811	1,545	16,493	16,028	34,066
London Borough of Barking & Dagenham		19,393	65,787	85,180		29,321	61,786	91,107
	890	**64,643**	**82,790**	**148,323**	**1,545**	**61,086**	**77,814**	**140,445**
Apportionment of Previous Year Surplus/(Deficit)								
Central Government		(106)		(106)		(931)		(931)
Greater London Authority		1,094	(20)	1,074		(2,133)	1,129	(1,004)
Billing Authority		1,945	(200)	1,745		(2,783)	4,576	1,793
	0	**2,933**	**(220)**	**2,713**	**0**	**(5,847)**	**5,705**	**(142)**
Charges to Collection Fund								
Write Offs of uncollectable amounts		(3)	236	233		25	254	279
Inc/(Dec) in Bad Debt Provision		2,186	(2,671)	(485)		415	866	1,281
Inc/(Dec) in Provision for Appeals		3,048		3,048		(1,409)		(1,409)
Cost of Collection	6	199		205	6	203		209
	6	**5,430**	**(2,435)**	**3,001**	**6**	**(766)**	**1,120**	**360**
(Surplus)/Deficit arising during the year	**0**	**31,289**	**(3,825)**	**27,464**	**0**	**(6,167)**	**2,917**	**(3,250)**
(Surplus)/Deficit at 1st April	0	(3,678)	(24)	(3,702)	0	2,489	(2,941)	(452)
(Surplus)/Deficit at 31st March	0	27,611	(3,849)	23,762	0	(3,678)	(24)	(3,702)
(Surplus)/Deficit Balance Attributable to:								
London Borough of Barking & Dagenham		8,149	(3,065)	5,084		(2,303)	(19)	(2,322)
Greater London Authority		10,295	(784)	9,511		(1,291)	(5)	(1,296)
Central Government		9,167		9,167		(84)		(84)

Barking & Dagenham

COLLECTION FUND ACCOUNT

1. Council Tax Base

The tax base used to determine this figure was Band 'D' equivalent.

Band	Number of Properties after Discounts and Exemptions	Band 'D' Equivalent Properties
A (Disabled)	0.57	0.30
A	3,898.25	2,598.80
B	8,282.45	6,441.90
C	37,025.02	32,911.10
D	8,416.38	8,416.40
E	1,546.47	1,890.10
F	315.02	455.00
G	39.67	66.10
H	4.00	8.00
Total Band 'D' equivalents for 2020/21		52,787.70
Less in year non-collection allowance		(1,583.63)
Council Tax Base for 2020/21		**51,204.07**
Council Tax Base for 2019/20		50,008.54

2. National Non-Domestic Rates (NNDR)

Under the arrangements for NNDR, the Council collected rates in the Borough are based on rateable values assessed by the District Valuer, and multiplied by a uniform rate in the pound set each year by the government.

From 1 April 2010, those ratepayers with a Rateable Value in excess of £55k were subject to an additional levy from the Greater London Authority on their Business Rates to fund the Crossrail project. In 2017/18 the Rateable Value was increased to £70,000.

	2019/20 £'000s	**2020/21 £'000s**
Rateable Value at 31 March	154,348	154,656
Business rates multiplier for premises with rateable values (RV) of £25,500 and above	50.4p	51.2p
Small business rates multiplier for premises with RV below £25,500	49.1p	49.9p
Additional Crossrail NNDR Supplement multiplier for premises with a RV above £70,000	2.0p	2.0p

Pension Fund Accounts

for the year ended 31st March 2021

London Borough of Barking and Dagenham
Pension Fund Account

	Note	2019/20 £000	**2020/21** **£000**
Dealings with members, employers and others directly involved in the scheme			
Contributions	**8**	45,653	**46,161**
Transfers in from other pension funds	**9**	4,588	**3,521**
		50,241	**49,682**
Benefits	**10**	(41,307)	**(42,074)**
Payments to and on account of leavers	**11**	(6,589)	**(7,668)**
		(47,896)	**(49,742)**
Net additions from dealings with members		2,345	**(60)**
Management expenses	**12**	(6,355)	**(6,719)**
Net Additions/(Withdrawals) including Fund Management Expenses		(4,010)	**(6,779)**
Returns on Investments			
Investment Income	**13**	14,691	**12,600**
Profit (losses) on disposal of investments and changes in the market value of investments	**14**	(58,921)	**283,609**
Net returns on investments		(44,230)	**296,209**
Net increase (decrease) in the net assets available for benefits during the year		(48,240)	**289,430**

Net Assets Statement as at 31 March 2021

The accounts summarise the transactions and net assets of the Fund. They do not take account of liabilities to pay pensions and other benefits in the future.

	Note	2019/20 £000	**2020/21** **£000**
Investment Assets	**16**	1,004,546	**1,311,990**
Investment Liabilities	**16**	(652)	
Current Assets	**17**	1,052	**1,067**
Current Liabilities	**17**	(31,283)	**(49,962)**
Net asset of the fund available to fund benefits at the end of the reporting period		973,663	**1,263,095**

Notes to the Pension Fund Accounts for the year ended 31 March 2021

1. Introduction

The 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 Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

i. The LGPS Regulations 2013 (as amended)
ii. The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
iii. The LGPS (Management and Investment of Funds) Regulations 2016.

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 financial statements is to provide information about the fund's financial position and performance 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 Committee, which is a Committee of LBBD. 2020/21 had strong positive returns for all four quarters. The overall investment return for the fund over the year, net of fund manager fees and custodian costs was 29.1%, which was 8.1% higher than its benchmark of 21.0%. Over three years the funds annualised return was 8.8%, which is 0.3 % below the Fund's benchmark return of 9.1%. Equities were the main contributors of performance for the year, with UBS Equities, Kempen and Baillie Gifford providing a return of 41.2%, 39.1% and 48.8% respectively for the year. Passive bonds were the main detractors of performance providing a negative return of 5.4%. The remaining managers provided a small positive return ranging from nil for Hermes Infrastructure to 20.2% for the Aberdeen Standard.

Four new employers were admitted to the Fund in 2020/21, including, Caterlink 2,3, 4 and Pantry Catering. During the year, the total number of active employers within the Fund was 41.

2. Format of the Pension Fund Statement of Accounts

The day-to-day administration of the Fund and the operation of the management arrangements and investment portfolio are delegated to the Chief Operating Officer.

The following description of the Fund is a summary only. For more details, reference should be made to the Fund's Annual Report for 2019/20, which can be obtained from the Council's website: http://www.lbbdpensionfund.org.

The statutory powers that underpin the scheme are the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) regulations, which can be found at: www.legislation.gov.uk.

Membership

All local government employees (except casual employees and teachers) are automatically enrolled into the Scheme. However, membership of the LGPS is voluntary and employees are free to choose whether to opt out, remain in the Scheme or make their own personal arrangements outside 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; and
- 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.

A list of the Fund's scheduled and admitted employers is provided below. Not Active employers do not have any current members but have either deferred or pensioners. The obligations and assets for these employers have been absorbed by the Council.

Scheduled Bodies	Admitted Bodies
LBBD	Aspens
Barking College	Aspens 2
Dorothy Barley Academy	B&D Citizen's Advice Bureau
Eastbury Academy	BD Corporate Cleaning
Elutec	BD Schools Improvement Partnership
Goresbrook Free School	BD Together
Greatfields Free School	Be First
James Campbell Primary	BD Trading Partnerships
Partnerships Learning	BD Management Services
Pathways	Caterlink
Riverside Bridge	Caterlink 2
Riverside Free School	Caterlink 3
Riverside School	Caterlink 4
St Margarets	Cleantech
St Joseph's Dagenham	Lewis and Graves
St Joseph's Barking	Pantry Catering
St Theresa's Dagenham	Schools Offices Services Ltd
Sydney Russell Academy	Sports Leisure Management
Thames View Infants Academy	The Broadway Theatre
Thames View Junior Academy	Town and Country Cleaners
University of East London	
Warren Academy	
	Not Active
Not Active	Abbeyfield Barking Society (not active)
Magistrates Court (not active)	Age UK (not active)
	Council for Voluntary Service (not active)
	Disablement Assoc. of B&D (not active)
	East London E-Learning (not active)
	London Riverside (not active)
	Laing O'Rourke
	May Gurney (not active)
	RM Education (not active)

A breakdown of the Fund's members by employer type and by member type is included in the table below:

	2019/20	**2020/21**
Number of Employers with active members	39	**41**
Number of Employees in scheme		
London Borough of Barking and Dagenham		
Active members	4,288	**4,670**
Pensioners	4,669	**4,627**
Deferred pensioners	4,841	**4,898**
Undecided and other members	218	**252**
	14,016	**14,447**
Admitted and Scheduled Bodies		
Active members	1,693	**1,629**
Pensioners	1,014	**1,003**
Deferred pensioners	1,620	**1,605**
Undecided and other members	187	**105**
	4,514	**4,342**

a) Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service as 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.

The benefits payable in respect of service from 1 April 2014 are based on career average devalued earnings and the number of years of eligible service. The accrual rate is 1/49 and the benefits are index-linked to keep pace with inflation. From 1 April 2011, the method of indexation changed from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI).

3. Basis of preparation

The accounts summarise the transactions and net assets for the Fund's transactions for the 2020/21 financial year and its position as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2020/21. The financial statements do not reflect any liabilities to pay pension or other benefits occurring after 31 March 2021. Such items are reported separately in the Actuary's Report provided in Note 20 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. The Pension Fund Accounts have been prepared on a going concern basis.

3.1 Contributions (see Note 8)

Primary contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate.

Secondary contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

Employer's augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset.

3.2 Transfers to and from other schemes (see Note 9)

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 based on 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.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

3.3 Investment income (see Note 13)

i) Interest income - Interest income is recognised in the Fund account as it accrues. Interest from financial assets that are not carried at fair value through profit and loss, i.e. loans and receivables, are calculated using the effective interest basis.

ii) Dividend income - Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Movement in the net market value of investments - Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/loss during the year.

3.4 Net Assets Statement at market value is produced on the following basis (see note 14)

i) Quoted investments are valued at bid price at the close of business on 31 March 2021;

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 closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax;

iv) Investments held in foreign currencies have been valued in sterling at the closing rate ruling on 31 March 2021. All foreign currency transactions are translated into sterling at exchange rates ruling at the closing rate of exchange; and

v) Limited partnerships are valued at fair value on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

3.5 Management expenses (see note 12)

Administration Expenses

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

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 include a performance related fees element in any of its 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.

Most of the Fund's holdings are invested in pooled funds which include investment management expenses, including actuarial, trading costs and fund manager fees, within the pricing mechanism.

The Council has made a prepayment of employer pension contributions to the Fund for two years totalling £40m. The interest costs associated with this prepayment are included as an investment management expense.

3.6 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.

3.7 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.

3.8 Cash and cash equivalents

Cash comprises cash in-hand and on-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.

3.9 Present Value of Liabilities

These accounts do not include the Fund's liabilities to pay pensions and other benefits, in the future, to all the present contributors to the Fund. These liabilities are taken account of in the periodic actuarial valuations of the Fund and are reflected in the levels of employers' contributions determined at these valuations.

3.10 Actuarial present value of promised retirement benefits (see note 20)

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement

3.11 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.

4. Critical Judgements in applying accounting policies

In applying the accounting policies set out in Note 3, the Fund has had to make certain judgements about complex transactions or those involving uncertainty about future events.

A critical judgement made within the accounts is for the Pension Fund liability, which is calculated every three years by the appointed Actuary and is included in Note 20 but is not included in the net asset statement. The methodology used is in line with accepted guidelines. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in Note 20. This estimate is subject to significant variances based on changes to the underlying assumptions.

Unquoted investments

Determining the fair value of unquoted investments (unquoted equity investments and hedge fund or funds) can be subjective. They are inherently based on forward-looking estimates and judgements involving many factors including the impact of market volatility following the COVID-19 outbreak. Unquoted investments are valued by the investment managers. The total financial instruments held by the Fund at **Level 3 were £243.1m.**

5. 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 Fund about the future or that are otherwise uncertain. Estimates are made taking into consideration historical experience, current trends and other relevant factors. However, as balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. There were no items in the Statement of Accounts 2020/21 for which there is a significant risk of material adjustment in the forthcoming financial years.

All investments are measured at fair value and by necessity, unquoted investments involve a degree of estimation. Notes 14 and 21 provide information about valuation methodology and the assumptions made in deriving the estimates.

6. Additional Voluntary Contributions (AVC)

Additional Voluntary Contributions (AVCs) administered by the Prudential were made by LBBD employees during the year. 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 **£3.7m** (2019/20 £3.9m).

7. Recharges from the General Fund

The LGPS (Management and Investment of Funds) Regulations 2016 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs have been charged to the Fund on the basis of actual time spent on Pension Fund business. Costs incurred in the administration and the oversight and governance of the Fund are included in Note 12.

8. 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 12.5% of pensionable pay for the financial year ending 31 March 2021. Employee contributions are matched by employer contributions, which are set based on triennial actuarial funding valuations.

Currently employer contribution rates range from 18.1% to 43.0%.

Pension strain contributions are accounted for in the period in which the liability arises. Any amounts due in year but unpaid will be classed as a current financial asset.

The Council uses a mechanism to stabilise the contribution rates. This was agreed following the actuary, Hymans Robertson, completing a stochastic modelling of the long-term funding position. Eligibility for stabilisation is dependent on reasonable consistency in an employer's membership profile. The primary contribution rate for the financial year ending 31 March 2021 was 21%.

Contributions shown in the revenue statement may be categorised as follows:

PENSION FUND ACCOUNTS

Contributions	2019/20	**2020/21**
Members normal contributions	£000	**£000**
Council	6,829	**7,831**
Admitted bodies	924	**539**
Scheduled bodies	1,909	**1,938**
Total contributions from members	9,662	**10,308**
Employers contributions		
Council - Normal	18,511	**21,601**
Council - Deficit Recovery	5,928	**3,052**
Admitted bodies - Normal	3,535	**2,193**
Admitted bodies- Deficit Recovery	30	**107**
Scheduled bodies - Normal	5,203	**5,851**
Scheduled bodies- Deficit Recovery	1,845	**1,805**
Pension Strain	939	**1,244**
Total contributions from employers	35,991	**35,853**
Total Contributions	45,653	**46,161**

9. Transfers in from other pension funds

	2019/20	**2020/21**
	£000	**£000**
Individual Transfers	4,588	**3,521**
	4,588	**3,521**

10. Benefits

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

	2019/20				**2020/21**			
		Admitted	Scheduled			**Admitted**	**Scheduled**	
	Council	Bodies	Bodies	Total	**Council**	**Bodies**	**Bodies**	**Total**
	£000	£000	£000	£000	**£000**	**£000**	**£000**	**£000**
Pensions	28,200	538	6,061	34,799	**29,129**	**188**	**6,434**	**35,751**
Lump sums	4,996	244	776	6,016	**3,715**	**372**	**1,056**	**5,143**
Death grants	437	19	36	492	**888**	**-**	**292**	**1,180**
	33,633	801	6,873	41,307	**33,732**	**560**	**7,782**	**42,074**

11. Payments to and on account of leavers

	2019/20	**2020/21**
	£000	**£000**
Individual Transfers	6,007	**7,544**
Refunds	582	**124**
	6,589	**7,668**

12. **Management Expenses**

	2019/20 £000	**2020/21 £000**
Administration and Processing	721	**710**
Management Fees	3,991	**4,305**
Custody Fees	58	**58**
Oversight and Governance Fees	237	**243**
Other Costs	1,348	**1,403**
	6,355	**6,719**

13. Investment Income

	2019/20 £000	**2020/21 £000**
Fixed Interest Securities	438	**428**
Equity Dividends	11,226	**9,192**
Pooled Property Income	2,952	**2,522**
Interest - Manager's Cash	49	**136**
Interest - LBBD balance	23	**22**
Other Income	3	**300**
	14,691	**12,600**

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

	Value 31/03/2020 £000	**Purchases £000**	**Sales £000**	**Change in Fair Value £000**	**Cash Movement £000**	**Value 31/03/2021 £000**
Pooled Unit Trusts	**768,107**	**5,803**		**267,636**		**1,041,546**
Property Unit Trusts	**59,985**			**265**		**60,250**
Pooled Alternatives	**64,969**	**38,059**	**(19,453)**	**12,617**		**96,192**
Infrastructure	**92,913**	**9,435**		**(3,158)**		**99,190**
Other Investments	**150**					**150**
Derivative Contracts						
Futures	**(652)**	**1,158**	**(6,634)**	**6,415**		**287**
Cash Deposits						
Custodian	**8,986**	**32,032**	**(33,642)**	**(153)**	**7,104**	**14,327**
In-House	**126**				**(87)**	**39**
Short Term Loan	**(10,713)**				**(18,487)**	**(29,200)**
Pending Trade Sales	**9,303**		**(9,290)**	**(13)**		**-**
Other Investments	**9**					**9**
Total	**993,183**	**86,487**	**(69,019)**	**283,609**	**(11,470)**	**1,282,790**

	Value 31/03/2019 £000	Purchases £000	Sales £000	Change in Fair Value £000	Cash Movement £000	Value 31/03/2020 £000
Pooled Unit Trusts	825,298	6,477	-	(63,667)	-	768,108
Property Unit Trusts	64,151	-	-	(4,166)	-	59,985
Pooled Alternatives	68,781	36,187	(44,827)	4,828	-	64,969
Infrastructure	74,419	10,557		7,937	-	92,913
Other Investments	647	-	(492)	(5)	-	150
Derivative Contracts						
Futures	(226)	3,728	(896)	(3,258)	-	(652)
Cash Deposits						
Custodian	4,089	(23,449)	16,950	(590)	11,985	8,985
In-House	5,094				(4,968)	126
Short Term Loan	(562)				(10,151)	(10,713)
Pending Trade Sales	-				9,303	9,303
Other Investments	10				(1)	9
Total	1,041,701	33,500	(29,265)	(58,921)	6,168	993,183

The change in fair value of investments during the year comprises all increases and decreases in the value of investments held at any time during the year, including profits and losses realised on sales of investment and changes in the sterling value of assets caused by changes in exchange rates. In the case of pooled investment vehicles changes in market value also includes income, net of withholding tax, which is reinvested in the Fund.

The cost of purchases and the sales proceeds are inclusive of transaction costs, such as broker fees and taxes. In addition to transaction costs, indirect costs are incurred through the bid offer spread on investments within pooled investment vehicles. The amount of indirect cost is not separately provided to the Fund. The Fund employs specialist investment managers with mandates corresponding to the principal asset classes. A list of the Fund’s Fund Manager, their mandate and the asset type are outlined in the table below:

Investment Manager	Mandate	Asset Type
Aberdeen Asset Management	Active	Diversified Alternatives
Mellon Corporation	Active	Global Credit
London CIV: Baillie Gifford	Active	Global Equity (Pooled)
London CIV: Pyrford	Active	Absolute Return
London CIV: Newton	Active	Absolute Return
London CIV: Other	Passive	None
BlackRock	Active	Property Investments (UK)
Hermes	Active	Infrastructure (LLP)
Kempen	Active	Global Equity (Pooled)
Prudential/M&G	Active	Alternatives - UK Companies Financing
RREEF	Active	Property Investments (UK)
Schroders	Active	Property Investments (UK Fund of Funds)
UBS	Passive	Global Equity (Pooled)
UBS	Passive	All Share Fixed Income (Pooled)

The value of the Fund, by manager, as at 31 March 2021 was as follows:

Fund by Investment Manager	2019/20		**2020/21**	
	£'000	%	**£'000**	**%**
Aberdeen Asset Management	64,317	6.5%	**96,479**	**7.5%**
BlackRock	37,066	3.7%	**37,352**	**2.9%**
Hermes	92,913	9.4%	**99,190**	**7.7%**
Kempen	129,412	13.0%	**186,303**	**14.5%**
Other Cash Balances	9,112	0.9%	**14,365**	**1.1%**
Short Term Investment	(10,713)	-1.1%	**(29,200)**	**-2.3%**
Prudential/M&G	0	0.0%	**0**	**0.0%**
RREEF	343	0.0%	**50**	**0.0%**
Schroders	22,576	2.3%	**22,848**	**1.8%**
Mellon Corporation	62,544	6.3%	**68,089**	**5.3%**
UBS Passive Bonds	41,043	4.1%	**38,766**	**3.0%**
UBS Passive Equity	166,591	16.8%	**245,525**	**19.1%**
London CIV	150	0.0%	**150**	**0.0%**
London CIV - Baillie Gifford	199,910	20.1%	**312,413**	**24.4%**
London CIV - Pyrford	100,852	10.2%	**109,680**	**8.6%**
London CIV - Newton	67,755	6.8%	**80,770**	**6.3%**
Pending Trade Sales	9,303	0.9%	**0**	**0.0%**
Other – Tax Recoverable	9	0.0%	**9**	**0.0%**
Total	993,183	100.0%	**1,282,790**	**100.0%**

15. **Cash**

The cash balance held at 31 March 2021 is made up as follows:

Cash balances held by Investment Managers	2019/20 £000	**2020/21 £000**
Aberdeen Asset Management	7,778	**14,204**
Prudential / M&G	505	**-**
Schroders	240	**31**
BlackRock	463	**91**
Other balances	-	**-**
In-house Cash	126	**39**
Total Cash	9,112	**14,365**

16. Securities

Investment Assets	2019/20 £000's	**2020/21 £000's**
Pooled funds - UK		
UK fixed Income Unit Trust	41,043	**38,766**
UK Equity Unit Trust	366,650	**558,089**
UK Absolute Return	168,606	**190,450**
UK Property Unit Trust	22,919	**22,898**
Pooled funds - Overseas		
Overseas Fixed Income Unit Trust	62,544	**71,878**
Overseas Equity Unit Trust	129,412	**195,000**
Overseas Property Unit Trust	37,066	**37,352**

Other Investment - Infrastructure	92,913	**99,190**
Other Investment - Private Equity	34,436	**50,645**
Other Investment - Hedge Funds	30,533	**33,061**
Other Investment – Tax Recoverable	9	**9**
Cash	9,112	**14,365**
Pending Trade Sales	9,303	**-**
Futures		**287**
Total Investment Assets	1,004,546	**1,311,990**
Investment Liabilities		
Futures	(652)	**-**
Total Investment Liabilities	(652)	**-**
Current Assets: Debtors	1,052	**1,067**
Current Liabilities: Creditors	(31,283)	**(49,962)**
Total Net Assets	973,666	**1,263,095**

17. **Debtors and Creditors**

The following amounts were debtors or creditors for the Fund at 31 March 2021:

	2019/20	**2020/21**
Debtors	£000	**£000**
Other Investment Balances		
Pending Trade Sales	9,313	**-**
Current Assets		
Other local authorities	584	**191**
Other entities and individuals	468	**876**
Total Current Assets	1,052	**1,067**
Total Debtors	10,365	**1,067**
Creditors: Investment Liabilities		
Futures	652	**-**
Current Liabilities		
Other local authorities	376	**424**
LBBD Prepayment	20,000	**20,000**
Other entities and individuals	193	**338**
Short Term Loan from LBBD	10,713	**29,200**
Total Current Liabilities	31,283	**49,962**
Total Creditors	31,935	**49,962**

18. Holdings

All holdings within the Fund at 31 March 2021 were in pooled funds or Limited Liability Partnerships (LLP), with no direct holdings over 5% of the net assets of the scheme. At 31 March 2021 the following pooled funds and LLPs were over 5% of the scheme's net assets:

Security	Market Value as at 31 March 2021	% of Total Fund
	£000	%
London CIV - Baillie Gifford	312,413	24.4
UBS Passive Equity	245,525	19.1
Kempen	186,303	14.5
London CIV - Pyrford	109,680	8.6
Hermes	99,190	7.7
London CIV - Newton	80,770	6.3
Mellon Corporation	68,089	5.3

19. Investment Strategy Statement

An Investment Strategy Statement was agreed by the Council's Investment Committee on 16 December 2020 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 Investment Strategy Statement. Copies can be obtained from the Council's Pension website: http://www.lbbdpensionfund.org

20. Actuarial position

Actuarial assumptions

The 2019 triennial review of the Fund took place as at 31 March 2019 and the salient features of that review were as follows:

- The funding target is to achieve a funding level of at least 100% over a specific period;
- Deficit recovery period remained 17 years in 2019;
- The key financial assumptions adopted at this valuation are:
  - Future levels of price inflation are based on the Consumer Price Index (CPI);
  - The resulting discount rate of 4.0% (4.1% as at 31 March 2016).
- Market value of the scheme's assets at the date of the valuation were £1,022 million;
- The past service liabilities at the rate of the valuation were £1,141 Million;
- The resulting funding level was 90% (77% as at 31 March 2016); and
- 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 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	2016	2016	**2019**	**2019**
at 31 March	Male	Female	**Male**	**Female**
Ave. future life expectancy (in years for a pensioner)	22.0	24.7	**21.3**	**23.4**
Ave. future life expectancy (in years) at age 65 for non -pensioner assumed to be aged 45 at valuation date	24.0	26.4	**22.3**	**24.9**

Some of the key financial assumptions adopted by the actuary for the valuation of members' benefits at the 2019 valuation are set out below:

Financial Assumptions (p.a.)	31 March 2016	31 March 2019
Benefit increases and CARE revaluation (CPI)	2.1%	2.3%
Salary increases	2.6%**	3.0%**

*CPI plus 0.4%
**CPI plus 0.7%

Present value of funded obligation

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standard 19 Employee Benefits (IAS 19) assumptions, is estimated to be **£1,978m** as at 31 March 2021 (31 March 2020: £1,501m). This figure is used for statutory accounting purposes by the Pension Fund and complies with the requirements of IAS 26 Accounting and Reporting by Retirement Benefit Plans. The assumptions underlying the figure are as per the IAS 19 assumptions above.

The figure is prepared for the purposes of IAS 26 and has no validity in other circumstances. It is not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund, which is carried out on a triennial basis.

The LGPS benefit structure is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. Additional prudence has built into funding plans to allow for the McCloud ruling so the gross pension liability of £1,978m takes this into account.

As a result of the Government's introduction of a single-tier state pension (STP), there is currently uncertainty around who funds certain elements of increases on Guaranteed Minimum Pensions (GMP) for members reaching State Pension Age after 6 April 2016. As part of the introduction of STP, the Government confirmed that public service pension schemes, including the LGPS, will be responsible for funding all increases on GMP as an 'interim solution' so this has been factored into the liabilities.

Total contribution rate

The table below shows the minimum total contribution rates, expressed as a percentage of pensionable pay, which was applied to the 2020/21 accounting period:

Scheduled Bodies	Rate %	Admitted Bodies	Rate %
Barking College	22.3	Aspens	31.5
Dorothy Barely Academy	19.8	Aspens 2	29.6
Eastbury Academy	20.1	B&D Citizen's Advice Bureau	43.0
Elutec	20.8	BD Corporate Cleaning	27.8
Goresbrook Free School	18.1	BD Schools Improvement P'ship	27.7
Greatfields Free School	19.0	BD Together	27.8
James Cambell Academy	22.2	BD Management Services	27.8
LBBD	21.0	BD Trading Partnership	27.8
Partnership Learning	19.9	Be First	27.0
Pathways	23.7	Cleantech	29.8
Riverside Bridge	19.4	Caterlink	34.0
Riverside Free School	19.3	Caterlink 2	26.4
Riverside Primary School	19.4	Caterlink 3	26.9
St Joseph's Dagenham	26.0	Caterlink 4	28.9
St Joseph's Barking	24.6	Lewis and Graves	34.5
St Margarets Academy	20.8	Pantry Catering	31.5
St Theresa's Dagenham	28.7	Schools Offices Services Ltd	26.9
Sydney Russell	20.1	Sports Leisure Management	21.0
Thames View Infants Acad.	20.5	The Broadway Theatre	29.5
Thames View Junior Acad.	20.7	Town and Country Cleaners	27.7
University of East London	34.4		
Warren Academy	20.1		

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

Funding level and position

The table below shows the detailed funding level for the 2019 valuation:

Employer contribution rates	As at 31 March	
	2016	**2019**
Primary Rate (net Employer Future Service Cost)	18.2%	**19.8%**
Secondary Rate (Past Service Adjustment – 17-year spread)	6.8%	**3.0%**
Total Contribution Rate	25.0%	**22.8%**

The Primary rate above includes an allowance for administration expenses of 0.5% of pay. The employee average contribution rate is 6.6% of pay. The table below shows the funding position as at 31 March 2019.

Past Service Funding Position at 31 March	As at 31 March 2016	**As at 31 March 2019**
Past Service Liabilities	£m	**£m**
Employees	(324)	**(323)**
Deferred Pensioners	(221)	**(287)**
Pensioners	(456)	**(531)**
	(1,001)	**(1,141)**
Market Value of Assets	772	**1,022**
Funding Deficit	(228)	**(119)**
Funding Level	77%	**90%**

21. 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. There were no transfers between levels during 2020/21.

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 £1,068.6m**

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. Pending trade sales from the funds pooled alternative manager has been classified as Level 2. The total financial instruments held by the fund at **Level 2 was £0.3m.**

Level 3
Financial instruments at Level 3 are those where at least one input that 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's infrastructure manager has been classified as level 3 as valuations are based on a variety of assumptions and the assets held do not have a readily identifiable market.

The values of the investment in infrastructure is based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value. The total financial instruments held by the Fund at **Level 3 were £243.1m.**

Asset Valuation Hierarchy and Basis of Valuation

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs
Fixed Income Unit Trusts	Level 1	Published bid market price ruling on the final day of the accounting period	Not required
Equity Unit Trust	Level 1	Market value based on current yields	Not required
Absolute Return Funds	Level 1	Closing bid value on published exchanges	Not required
Property Unit Trust	Level 3	Closing single price where single price published	NAV-based pricing set on a forward pricing basis
Other Investment - Infrastructure	Level 3	Enterprise value (EV) / Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA) as their valuation methodology, using a basket of public and transaction comparables.	EV / EBITDA
Other Investment - Private Equity	Level 3	EV / EBITDA as their valuation methodology, using a basket of public and transaction comparables.	EV / EBITDA
Other Investment - Hedge Funds	Level 3	Underlying assets publicly traded securities (equities, bonds) where pricing is readily available from providers i.e. Bloomberg or Reuters.	Valuations affected by any changes to value of the financial instrument being hedged against.

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021.

Description of asset	Assessed valuation range	Value at 31 March 2021	Value on Increase	Value on Decrease
	%	£000s	£000s	£000s
Property Unit Trust	10	60,250	66,275	54,225
Other Investment - Infrastructure	15	99,190	114,069	84,312
Other Investment - Private Equity	15	50,645	58,242	43,048
Other Investment - Hedge Funds	15	33,061	38,020	28,102
		243,147	276,606	209,687

The potential movement of 10% for Property Unit Trusts represents a combination of the following factors, which could all move independently in different directions:

- Rental increases +/- 4%
- Vacancy levels +/- 2%
- Market prices +/- 3%
- Discount rates +/-1%

All movements in the assessed valuation range derive from changes in the underlying profitability of component companies, the range in the potential movement of 15% is caused by how this profitability is measured since different methods (listed in the first table of Note 21 above) produce different price results

22. Events after the Reporting Period

None

23. Related parties

The Fund is a related party of the Council as the following transactions are controlled by the Council. Pension administration and investment management costs of **£715.4k** (2019/20: £642.3k) are charged by the Council.

24. Contingent Asset and liabilities

As at 31 March 2021 there were no contingent assets or liabilities.

25. Compensation of key management personnel

Compensation of key management personnel, including members of the Pension Committee, the Managing Director, the Director of Finance, the Investment Fund Manager, Pension Fund Accountant and Senior Treasury Accountant, charged to the Fund are provided below:

	2019/20 £000	**2020/21** **£000**
Short Term employee benefits	189.1	**195.8**
Total	189.1	**195.8**

26. 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	Designated as fair value through profit and loss	Loans and receivables 2019/20	Financial liabilities at amortised cost	**Designated as fair value through profit and loss**	**Loans and receivables 2020/21**	**Financial liabilities at amortised cost**
	£000	£000	£000	**£000**	**£000**	**£000**
Pooled Fixed Income Unit Trusts	103,587	-	-	**110,643**	**-**	**-**
Equities	496,062	-	-	**753,089**	**-**	**-**
Property Unit Trusts	59,985	-	-	**60,250**	**14,365**	**-**
Cash		9,112	-		**-**	**-**
Other investments	325,845	-	-	**373,642**	**-**	**-**
Pending Trade Sales		9,303	-		**-**	**-**
Total Financial Assets	985,479	18,415	-	**1,297,624**	**14,365**	**-**
Financial Assets - Debtors			1,052			**1,067**
Financial liabilities - Creditors			(31,283)			**(49,962)**
Total Net Assets	985,479	18,415	(30,231)	**1,297,624**	**14,365**	**(48,895)**

27. Nature and extent of risks arising from Financial Instruments.

The Fund activities expose it to a variety of financial risks, 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 addition, 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 Committee. Risk management policies have been established to identify and analyse the risks faced by the Council's pensions operations. Policies are 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 predominantly from 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:

- Fund's exposure to market risk monitored by reviewing the Fund's asset allocation.
- Specific risk exposure limited by applying maximum exposure to individual 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. Risk assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome depends 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 2020/21 reporting period.

Asset Class	One Year Expected Volatility (%)	Asset Class	One Year Expected Volatility (%)
Global Pooled Inc UK	15.8	Alternatives	4.4
Total Bonds	5.0	Cash	0.8
Property	2.5		

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 or 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 2021 £000	% Change	Value on Increase £000	Value on Decrease £000
Pooled Fixed Interest Securities	**110,643**	**5.0**	**116,164**	**105,122**
Pooled Equity Investments	**753,089**	**15.8**	**872,303**	**633,875**
Pooled Property	**60,250**	**2.5**	**61,757**	**58,744**
Pooled Absolute Return	**190,449**	**4.4**	**198,848**	**182,051**
Infrastructure	**99,190**	**4.4**	**103,565**	**94,816**
Other Investments	**84,002**	**4.4**	**87,707**	**80,298**
Cash	**14,365**	**0.8**	**14,485**	**14,246**
Total	**1,311,990**		**1,454,828**	**1,169,151**

Asset Type	Value as at 31 March 2020 £000	% Change	Value on Increase £000	Value on Decrease £000
Pooled Fixed Interest Securities	103,588	5.2	108,956	98,220
Pooled Equity Investments	496,063	13.1	560,951	431,174
Pooled Property	59,985	2.3	61,342	58,628
Pooled Absolute Return	168,606	6.6	179,671	157,542
Infrastructure	92,913	6.6	99,011	86,816
Other Investments	64,326	6.6	68,547	60,105
Cash	9,112	1.0	9,199	9,025
Pending Trade Sales	9,303	6.6	9,913	8,693
Total	1,003,896		1,097,589	910,203

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 2020 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March 2020 £000	**As at 31 March 2021 £000**
Cash and cash equivalent	9,112	**14,365**
Fixed interest securities	103,587	**110,643**
Total	112,699	**125,008**

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 BPS 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 2021**	**Change in year in the net assets available to pay benefits**	
		+100 BPS	**-100 BPS**
	£000	**£000**	**£000**
Cash and cash equivalent	**14,365**	**144**	**(144)**
Fixed interest securities	**110,643**	**1,106**	**(1,106)**
Total	**125,009**	**1,250**	**(1,250)**

Asset type	Carrying amount as at 31 March 2020	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
Cash and cash equivalent	9,112	91	(91)
Fixed interest securities	103,587	1,036	(1,036)
Total	112,699	1,127	(1,127)

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 (sterling). The Fund holds both monetary and non-monetary assets denominated in currencies other than sterling.

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.

The Pension Committee Members are aware of the cash flow pressures that are affecting the Fund. These include the potential for a reduction in Fund current members from the significant savings the LBBD needs to make in the coming years and from an increase in pension payments due to increased pensioner numbers and as a result of the pricing index exceeding salary increases. Members receive a quarterly report on the Fund's cash flow and have agreed to utilise distributions from property and infrastructure to fund future investments and to cover any cash flow shortfalls.

Where there is a long-term shortfall in net income into the Fund, investment income will be used to cover the shortfall. All financial liabilities at 31 March 2020 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.

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The Fund's internally managed cash is invested by the Council's treasury team. Deposits are not made with banks and financial institutions unless they meet the council's credit criteria. The council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, the council invests an agreed percentage of its funds in the money markets to provide diversification. Money market funds chosen all have AAA rating from a leading ratings agency.

28. London Borough of Barking and Dagenham (LBBD)

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

The Council incurred administration and investment management costs of **£715.4k** (2019/20 £642.3k) 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 **£24.7m** to the Fund in 2020/21 (2019/20 £24.4m). All monies owing to and due from the Fund were paid in year.

In 2020 the Council prepaid two-years' worth of employer contributions, totalling **£40.0m**. As at 31 March 2021 one-year worth of prepaid employer's contribution remained, totalling **£20.0m,** with the Fund and this has been include

Group Accounts

for the year ended 31st March 2021

GROUP ACCOUNTS

INTRODUCTION

The Code of Practice requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their own single entity financial statements, unless their interest is not considered material.

The Council has interests in a number of companies that are wholly owned. Details of the companies considered for consolidation are summarised below.

These Group Accounts have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The accounting policies of its subsidiaries have been aligned with the policies of the Council, for the purposes of Group Accounts, where materially different.

The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with the Companies. Notes to the group accounts have been included where the relevant values and/or impact on the group statements are material.

The following pages show:

- Basis of Identification of the Group Boundary
- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Cash Flow Statement
- Group Movement in Reserves Statement
- Notes to the Group Accounts

BASIS OF IDENTIFICATION OF THE GROUP BOUNDARY

In its preparation of these Group Accounts, the Council has considered its relationship with entities that fall into the following categories:

- **Subsidiaries** – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.

- **Associates** – where the Council still exercises significant influence but does not hold a majority proportion of shares.

- **Other entities**– where the Council does not have significant influence or control in an entity, that entity is not consolidated in the group accounts.

<u>**Subsidiaries**</u>

The following wholly-owned subsidiaries have been consolidated within the Group Accounts:

B&D Energy Ltd

B&D Energy Ltd is established to drive the Borough to become the "green capital of the capital". It aims to do this through the delivery of low carbon and zero energy carbon projects throughout the Borough and east London area.

Barking and Dagenham Reside Ltd
This provides 477 affordable rented properties in the Barking area. The properties are based at the Eastern End of Thames View and William Street Quarter and rents range from 50% - 80% of market rent.

Barking and Dagenham Reside Roding Ltd
This was set up to build and sell 146 properties to London & Quadrant (formerly East Homes Ltd). The homes have been built on the Gascoigne Estate as part of a regeneration project for the area. The homes were completed and sold during 2019 as planned and are being sold as Shared Ownership properties. The Company had a loan facility for the construction works, with its parent company, the London Borough of Barking & Dagenham

Barking and Dagenham Reside Regeneration Ltd
This is a partner in the letting and management of 144 affordable homes in the Barking area. The Company is a partner in Barking & Dagenham Reside Abbey Roding LLP. The Company is also a partner in B&D Reside Regeneration LLP, who have built and manage 45 shared ownership homes and have a lease for a further 27 shared ownership properties at Kingsbridge in Barking.

Barking and Dagenham Reside Regeneration LLP
This is a partnership which has built and manages 46 shared ownership homes with a lease for a further 27 shared ownership properties at Kingsbridge in Barking.

Barking and Dagenham Reside Abbey Roding LLP
Barking and Dagenham Abbey Roding LLP is a partnership which is 99% owned by the Council. It provides 144 affordable rented properties in Abbey Road in Barking, at 80% of market rent.

TPFL Regeneration Ltd
This was set up to build 477 new homes, which were completed in May 2014, that are now managed by Barking and Dagenham Reside Ltd.

Barking and Dagenham Trading Partnership Ltd
This is the parent company of a group of five wholly owned subsidiaries summarised below, which was established to provide cleaning, catering and repairs and maintenance services. The group provides competitively priced services to the Council and to external entities with the aim of delivering dividends to the Council

BD Management Services Ltd.
It provides repairs and maintenance services to the Council through a mixture of management of the Council's own labour force and sub-contracting.

BD Service Delivery Ltd.
It delivers repairs and maintenance services to the Council and external clients.

BD Together Ltd.
It provides catering, cleaning and data Services to Schools and private organisations within the Borough.

BD Corporate Cleaning Ltd.
It provides cleaning services to the Council.

Londoneast-UK Ltd.
It provides serviced offices, facilities management and support services to businesses in the Borough.

Be First (Regeneration) Ltd
Be First has the remit of accelerating the pace and scale of regeneration in the Borough, whilst delivering affordable housing and shaping inclusive, sustainable and healthy communities for the future.

Be First Developments (Muller) Ltd
The purpose of this company is to purchase a key strategic site within the future masterplan area known as the former Muller factory (the site), a 12.95-acre site that lies at the eastern end of the future Chadwell Heath masterplan.

<u>Joint Venture</u>

Elevate East London LLP
Established in 2010 as a partnership with Agilisys to provide core support services such as procurement, accounts payable & receivable and ICT to the council and others. The Council is entitled to up to 50% board representation, with unanimous consent required for decisions on reserved matters which amount to the 'relevant activities' of Elevate, as define by the Council's reporting framework. Profit sharing proportions are 50:50. These key factors support Elevate being treated as a joint venture for accounting purposes.

GROUP ACCOUNTS – COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2019/20 Gross Expenditure £'000	2019/20 Gross Income £'000	2019/20 Net Expenditure £'000		2020/21 Gross Expenditure £'000	2020/21 Gross Income £'000	2020/21 Net Expenditure £'000
24,657	(18,696)	5,961	SDI COMMISSIONING	28,640	(21,363)	7,277
10,579	(3,903)	6,676	CORE	19,044	(16,740)	2,303
150,882	(113,353)	37,529	CENTRAL	171,714	(115,022)	56,692
31,597	(15,821)	15,776	EDUCATION, YOUTH & CHILDCARE	33,770	(17,027)	16,743
277,155	(281,235)	(4,080)	DEDICATED SCHOOLS GRANT	288,631	(293,611)	(4,980)
12,444	(14,571)	(2,127)	LAW, GOVERNANCE & HR	12,610	(17,476)	(4,867)
135,451	(104,835)	30,616	HOUSING REVENUE ACCOUNT - HRA	90,636	(105,883)	(15,247)
6,771	(3,691)	3,080	POLICY & PARTICIPATION	8,928	(4,276)	4,652
122,576	(42,610)	79,966	CARE & SUPPORT	130,940	(44,848)	86,092
10,422	(9,280)	1,142	INCLUSIVE GROWTH	10,571	(10,735)	(163)
42,886	(28,680)	14,206	COMMUNITY SOLUTIONS	48,735	(28,638)	20,098
37,078	(8,060)	29,018	MY PLACE	37,748	(6,572)	31,176
14,933	(2,116)	12,817	CONTRACTED SERVICES	44	0	44
877,431	**(646,851)**	**230,580**	**COST OF SERVICES**	**882,012**	**(682,191)**	**199,822**
		51,832	Other Operating Expenditure			7,465
		21,353	Financing and Investment Income and Expenditure			85,407
		(190,551)	Taxation and Non-Specific Grant Income			(229,343)
		113,214	(Surplus)/Deficit on Provision of Services			**63,351**
		1,757	Corporation Tax on Group Trading Activity			(198)
		114,971	Group (Surplus)/Deficit			**63,153**
		(78,226)	Surplus on Revaluation of PPE and Heritage Assets			(29,219)
		(159,325)	Remeasurements of the Net Pensions Defined Benefit Liability			79,577
		(122,580)	Total Comprehensive Income and Expenditure			**113,511**

GROUP ACCOUNTS – MOVEMENT IN RESERVES

This statement shows the movement in the year on the different reserves held, analysed into 'usable reserves' (that is, those that can be applied to fund expenditure or reduce local taxation) and other reserves. The adjustments are made in the Group's Movement in Reserves Statement in order to reconcile the General Fund balance back to its Council position prior to funding basis adjustments being made.

	Council's GF	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Council's Usable Reserves	Council's Unusable Reserves	**Total Council's Reserves**	Council's Share of Reserves of Subsidiaries	**Total Group Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2019	**(74,233)**	**(16,845)**	**(31,075)**	**(33,073)**	**(234)**	**(155,460)**	**(1,553,499)**	**(1,708,959)**	**4,775**	**(1,704,183)**
Movement in reserves during 2019/20										
Total Comprehensive Income and Expenditure	73,051	54,613	-	-	-	127,664	(237,551)	**(109,887)**	(12,693)	**(122,580)**
Adjustments between council accounts and group accounts (Note G6)	(5,412)	-	-	-	-	(5,412)	(5,841)	**(11,253)**	11,253	**-**
Increase/(Decrease) in 2019/20 before Transfers	67,639	54,613	-	-	-	122,252	(243,392)	**(121,140)**	(1,440)	**(122,580)**
Adjustments between accounting basis & funding basis under regulations	(77,628)	(50,164)	(13,024)	13,083	(304)	(128,037)	128,037	**-**	-	**-**
Increase/Decrease (movement) in Year	(9,989)	4,449	(13,024)	13,083	(304)	(5,785)	(115,355)	**(121,140)**	(1,440)	**(122,580)**
Balance at 31 March 2020	**(84,222)**	**(12,396)**	**(44,099)**	**(19,990)**	**(538)**	**(161,245)**	**(1,668,854)**	**(1,830,099)**	**3,335**	**(1,826,763)**
Movement in reserves during 2020/21										
Total Comprehensive Income and Expenditure	79,491	(11,681)	-	-	-	67,810	51,470	**119,280**	(5,769)	**113,511**
Adjustments between council accounts and group accounts (Note G6)	(4,973)	-	-	-	-	(4,973)	5,292	**319**	(319)	**-**
Increase/(Decrease) in 2020/21 before Transfers	74,518	(11,681)	-	-	-	62,837	56,762	**119,599**	(6,088)	**113,511**
Adjustments between accounting basis & funding basis under regulations	(125,376)	6,477	(13,351)	(3,455)	538	(135,167)	135,167	**-**	-	**-**
Increase/Decrease (movement) in Year	(50,858)	(5,204)	(13,351)	(3,455)	538	(72,330)	191,929	**119,599**	(6,088)	**113,511**
Balance at 31 March 2021	**(135,080)**	**(17,600)**	**(57,450)**	**(23,445)**	**-**	**(233,575)**	**(1,476,925)**	**(1,710,500)**	**(2,753)**	**(1,713,252)**

GROUP ACCOUNTS – BALANCE SHEET

31 March 2020 £'000		Note	31 March 2021 £'000
2,826,960	Property, Plant and Equipment	G3	2,966,229
10,799	Heritage Assets		10,489
142,559	Investment Properties	G4	157,719
6,689	Intangible Assets		5,290
151,666	Long Term Investments	G5	133,763
46,601	Long Term Receivables	G5	41,805
3,185,273	**Long Term Assets**		**3,315,295**
195,600	Short Term Investments	G5	100,020
10,200	Assets Held for Sale		7,700
163	Inventories		47,817
129,019	Short Term Receivables	G5	140,902
15,717	Cash and Cash Equivalents	G5	61,842
350,699	**Current Assets**		**358,281**
(126,619)	Short Term Borrowing	G5	(67,517)
(102,008)	Short Term Payables	G5	(145,236)
(620)	Receipts in Advance - Grants		(617)
-	Short-Term Provisions		(4,736)
(229,247)	**Current Liabilities**		**(218,106)**
(11,990)	Long Term Provisions		(19,571)
(855,602)	Long Term Borrowing	G5	(897,298)
(435,030)	Pensions Liability		(560,862)
(134,590)	Long Term Creditors	G5	(202,201)
(42,750)	Receipts in Advance - Grants		(62,286)
(1,479,962)	**Long Term Liabilities**		**(1,742,218)**
1,826,763	**Net Assets**		**1,713,252**
(157,910)	Usable Reserves		(236,328)
(1,668,853)	Unusable Reserves		(1,476,924)
(1,826,763)	**Total Reserves**		**(1,713,252)**

2019/20 £000		Note	2020/21 £000
(113,057)	Net Surplus or (Deficit) on the Provision of Services		(64,984)
257,254	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements	G7	197,531
(75,543)	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	G7	(107,589)
68,654	**Net Cash Flows from Operating Activities**		**24,958**
(201,381)	Investing Activities	G8	21,850
129,306	Financing Activities	G9	(683)
(3,421)	**Net Increase or Decrease in Cash and Cash Equivalents**		**46,125**
19,138	Cash and Cash Equivalents at the beginning of the Reporting Period		15,717
15,717	**Cash and Cash Equivalents at the end of the Reporting Period**		**61,842**

G1. ACCOUNTING POLICIES OF CONSOLIDATED SUBSIDIARIES

The Group Financial Statements summarise the Council's and its Group's transactions for the 2020/21 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Notes to the Group Financial Statements have been presented where the figures are materially different from those of the Council entity accounts. Where there are no material differences, the Notes to the Council entity accounts provide the required disclosures.

Accounting policies of the individual members of the Group have been aligned to the Council's accounting policies. The accounting policies applied to the Group Financial Statements are consistent with those set out in Note 35 to the Council entity accounts, with additional policies specific to the Group set out below.

Revenue
Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the conditions are satisfied:

- the amount of revenue can be measured reliably
- it is probable that the Company will receive the consideration due under the contract
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably

Taxation
Tax on the profit or loss for the year comprising current and deferred tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs, which comprise direct production costs, are based on the method most appropriate to the type of inventory class. Net realisable value is based on the estimated selling price less any estimated completion or selling costs. When inventories are sold, the carrying amount of those inventories are recognised as an expense (and cost of sales) in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs.

Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty
Details of the nature of assumptions and material estimates are disclosed in the single entity Note 32. The carrying values of estimates are disclosed in the Group PPE Note G3 and Group Investment Property in Note G4.

G2. CONSOLIDATION METHOD

In preparing Group Accounts, like items of assets, liabilities, reserves, income and expenses are added together line by line to combine the financial statements of the reporting authority and its subsidiaries.

G3. GROUP PROPERTY, PLANT & EQUIPMENT (PPE)

Financial Year 2020/21

Cost or Valuation	Council Dwellings £000	Other Land & Buildings £000	Vehicles Plant & Equipment £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £000	Total PPE (Excludes Infrastructure Assets) £000	PFI Included in PPE £000
Cost or Valuation at 1 April 2020	**1,201,781**	**1,216,444**	**41,520**	**105,064**	**167,155**	**25,750**	**2,757,714**	**154,016**
Adjustment between cost and depreciation	-	519	-	-	-	-	519	-
Additions	22,877	19,611	1,647	591	157,926	36,392	239,043	644
Revaluations recognised in the Revaluation Reserve - RR	43,709	34,835	-	(86,525)	-	1,753	(6,228)	5,032
Revaluations recognised in the Provision of Services - CAA	(7,684)	(4,922)	-	-	-	(10,713)	(23,319)	-
De-recognition due to disposals	(12,761)	(12)	-	-	(54,985)	(2,399)	(70,157)	-
Transfer to subsidiary	-	-	-	-	-	-	-	-
Reclassifications to other assets	15,127	13,730	2,846	-	(27,016)	(4,687)	-	-
Cost or Valuation at 31 March 2021	**1,263,049**	**1,280,205**	**46,013**	**19,130**	**243,080**	**46,096**	**2,897,572**	**159,692**
Accumulated Depreciation at 1 April 2020	**-**	**(3,000)**	**(31,011)**	**-**	**(34)**	**(60)**	**(34,105)**	**-**
Adjustment between cost and depreciation	-	(519)	-	-	-	-	(519)	(2,686)
Depreciation charge	(18,763)	(17,372)	(2,668)	-	-	(435)	(39,238)	-
Depreciation written out to the Revaluation Reserve - RR	18,633	17,328	-	-	-	421	36,382	2,686
Reclassifications to other assets	-	-	-	-	-	-	-	-
De-recognition due to disposals	130	1	-	-	-	74	205	-
Accumulated Depreciation at 31 March 2021	**-**	**(3,562)**	**(33,679)**	**-**	**(34)**	**-**	**(37,275)**	**-**
Net Book Value at: 31 March 2021	**1,263,049**	**1,276,643**	**12,334**	**19,130**	**243,046**	**46,096**	**2,860,297**	**159,692**

Cost or Valuation	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total PPE (Excludes Infrastructure Assets)	PFI Included in PPE
	Financial Year 2019/20							
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2019	**1,264,657**	**1,140,945**	**36,232**	**109,946**	**123,824**	**32,152**	**2,707,757**	**140,841**
Additions	37,361	18,133	6,453	810	81,670	9,899	154,326	409
Donations	-	-	-	-	-	-	-	-
Revaluations recognised in the Revaluation Reserve	(16,487)	57,253	-	(495)	-	(1,612)	38,659	12,695
Revaluations recognised in the Provision of Services	(54,034)	(29,773)	-	-	-	(2,497)	(86,304)	71
De-recognition due to disposals	(44,855)	(4,050)	(1,165)	(2,994)	(6,028)	(20)	(59,112)	-
Transfer to subsidiary	-	-	-	-	-	-	-	-
Reclassifications to other assets	15,139	34,866	-	(2,203)	(37,726)	(12,172)	(2,096)	-
Cost or Valuation at 31 March 2020	**1,201,781**	**1,217,374**	**41,520**	**105,064**	**161,741**	**25,750**	**2,753,229**	**154,016**
Accumulated Depreciation at 1 April 2019	**-**	**(2,778)**	**(29,748)**	**-**	**-**	**-**	**(32,526)**	**-**
Depreciation charge	(17,751)	(17,534)	(1,496)	-	-	(326)	(37,107)	(2,634)
Depreciation written out to the Revaluation Reserve	17,160	16,800	-	-	-	222	34,182	2,634
Reclassifications to other assets	-	218	-	-	(34)	24	208	-
De-recognition due to disposals	591	294	233	-	-	20	1,138	-
Accumulated Depreciation at 31 March 2020	**-**	**(3,000)**	**(31,011)**	**-**	**(34)**	**(60)**	**(34,105)**	**-**
Net Book Value at: 31 March 2020	**1,201,781**	**1,214,374**	**10,509**	**105,064**	**161,707**	**25,690**	**2,719,124**	**154,016**

G4. GROUP INVESTMENT PROPERTIES

The Council and the BDTP Ltd which is consolidated have non-current assets that meet the criteria for treatment as investment properties. Details of the financial impact of Investment Properties are set out below.

2019/20 £000		2020/21 £000
86,810	**Balance at start of the year**	142,559
46,803	Additions	89,124
(681)	Disposals	(4,365)
-	Reclassifications	-
9,627	Net gains/(losses) from fair value adjustments/revaluations	(69,599)
142,559	**Balance at end of the year**	**157,719**

2019/20 £000	**Analysis of FV adjustment of Investment Properties**	2020/21 £000
3,785	Councils - FV Adjustment based on Level 2 hierarchy	(70,149)
5,842	BDTP - FV Adjustment based on Level 2 hierarchy	550
9,627		**(69,599)**

The fair value of the Group's investment properties at 31 March 2021 was determined by the following valuers:

a) Council's investment properties have been valued by Wilks, Head & Eve Chartered Surveyors.
b) BDTP's investment properties have been valued by Coverwood Chartered Surveyors & Property Agents.

The valuations conform to the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards.

G5. GROUP FINANCIAL INSTRUMENTS

Financial instruments are recognised on the Balance Sheet when they are becomes contractually binding. They are classified based on the business model for holding the instruments and their expected cash flow characteristics. Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise. Most of the subsidiaries financial instruments (financial liabilities or assets) are with the Council and eliminated on consolidation, and there are no interest rate risk or credit risk linked to these instruments within the Group level. The only material external instrument in the group is £82.0m in 2020/21 (£82.4m in 2019/20) as long-term liability attributable to Reside Ltd. All other material financial instruments associated with the subsidiaries disclosed in the single entity accounts.

Group			Group	
Long Term 2019/20 £000	**Short Term 2019/20 £000**		**Long Term 2020/21 £000**	**Short Term 2020/21 £000**
		Financial Assets at Amortised Cost		
151,666	195,600	Investments	133,763	100,020
-	15,717	Cash and Cash Equivalents	-	61,842
		Debtors		
46,601	126,618	Debtors as per Balance Sheet	41,805	139,470
-	2,401	Accrued Interest Receivable	-	1,433
-	(71,010)	Adjustments for statutory debtors - not qualifying as financial assets at amortised cost	-	(56,295)
46,601	**58,009**	**Total debtors qualifying as Financial Assets at Amortised Cost**	**41,805**	**84,608**
198,267	**269,326**	**Total Financial Assets**	**175,568**	**246,470**
		Financial Liabilities at Amortised Cost		
(855,602)	(126,619)	Borrowings	(897,298)	(67,517)
		Creditors		
(133,672)	(2,561)	PFI and finance lease liabilities	(197,173)	(3,192)
(918)	(115,740)	Creditors as per Balance Sheet	(5,028)	(139,279)
-	(3,053)	Accrued Interest Payable	-	(2,765)
-	46,054	Adjustments for statutory short term creditors (not qualifying)	-	21,534
(134,590)	**(75,300)**	**Total creditors qualifying as financial liabilities at amortised cost**	**(202,201)**	**(123,702)**
(990,192)	**(201,919)**	**Total Financial Liabilities**	**(1,099,499)**	**(191,219)**

Further details on the Council's policies for valuations of financial instruments are provided in Note 11 of the single entity accounts.

Analysis of Group Finance Lease Liabilities

The analysis below includes long term lease liability of Reside Ltd which is shown in the table below. Details of the council's lease payments and liabilities are provided in the note 27 of the single entity accounts.

Long Term 2019/20 £000	Short Term 2019/20 £000		Long Term 2020/21 £000	Short Term 2020/21 £000
43,800	2,115	PFI Liabilities	115,221	2,728
82,416	446	Finance Lease Liabilities*	81,952	464
126,216	**2,561**		**197,173**	**3,192**

*£82.0m in 2020/21 (£82.4m in 2019/20) long term liability attributable to Reside Ltd are included in the group figure.

G6. ADJUSTMENT BETWEEN GROUP ACCOUNTS AND COUNCIL ACCOUNTS

The following adjustments are made in the Group's Movement in Reserves Statement in order to reconcile the General Fund balance back to its Council position prior to funding basis adjustments being made.

2020/21	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	**Total Council Reserves**	Council's Share of Reserves of Subsidiaries	**Total Group Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Provision of Goods and Services to Subs	41,925	-	-	-	-	41,925	-	**41,925**	(41,925)	**-**
Purchases of goods and services from subsidiaries	(46,898)	-	-	-	-	(46,898)	5,292	**(41,606)**	41,606	**-**
	(4,973)	**-**	**-**	**-**	**-**	**(4,973)**	**5,292**	**319**	**(319)**	**-**

2019/20	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	**Total Council Reserves**	Council's Share of Reserves of Subsidiaries	**Total Group Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Provision of Goods and Services to Subs	62,112	-	-	-	-	62,112	-	**62,112**	(62,112)	**-**
Purchases of goods and services from subsidiaries	(67,524)	-	-	-	-	(67,524)	(5,841)	**(73,365)**	73,365	**-**
	(5,412)	**-**	**-**	**-**	**-**	**(5,412)**	**(5,841)**	**(11,253)**	**11,253**	**-**

G7. NET CASH FLOW FROM OPERATING ACTIVITIES

2019/20 £000		2020/21 £000
(113,057)	**Net (Deficit) on the Provision of Services**	**(64,984)**
	Adjust net surplus or deficit on the provision of services for non cash movements	
46,260	Depreciation	49,249
81,946	Impairment and downward valuations	22,701
2,434	Amortisation	2,179
(10,961)	Increase/(Decrease) in Interest Creditors	742
62,872	Increase/(Decrease) in Creditors	9,374
4,633	(Increase)/Decrease in Interest and Dividend Debtors	1,403
(6,831)	(Increase)/Decrease in Debtors	8,079
248	(Increase)/Decrease in Inventories	(47,655)
44,699	Movement in Pension Liability	48,334
(3,644)	Contributions to/(from) Provisions	4,614
55,542	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	72,224
(25,142)	Other non-cash items	28,156
5,197	Taxation	(1,869)
257,253	**Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities**	**197,531**
(41,190)	Capital Grants credited to surplus or deficit on the provision of servic	(47,147)
(33,786)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(78,998)
(567)	Council tax and NNDR adjustments	18,556
(75,543)		**(107,589)**
68,653	**Net Cash Flows from Operating Activities**	**24,958**

2019/20 £000		2020/21 £000
10,167	Interest received	9,193
(35,564)	Interest paid	(31,548)
(25,397)	**Net Interest**	**(22,355)**

G8. NET CASH FLOW FROM INVESTING ACTIVITIES

2019/20 £000		2020/21 £000
(218,136)	Purchase of property, plant and equipment, investment property and intangible assets	(175,804)
36,900	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	91,748
(675,362)	Purchase of short-term and long-term investments	(366,298)
614,119	Proceeds from short-term and long-term investments	483,441
41,190	Other payments for investing activities	(11,237)
(201,289)	**Net Cash Flows from Investing Activities**	**21,850**

G9. NET CASH FLOW FROM FINANCING ACTIVITIES

2019/20 £000		2020/21 £000
(4,409)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(2,870)
(568,825)	(Repayment) of short and long-term borrowing	(472,064)
702,527	Cash receipts of short-term and long-term borrowing	493,722
-	Other payments for financing activities	(19,471)
129,293	**Net Cash Flows from Financing Activities**	**(683)**

G10. GROUP EXPENDITURE AND INCOME ANALYSED BY NATURE

	2019-20 £000	2020-21 £000
Expenditure		
Employee benefits expenses	324,301	363,354
Other services expenses	454,431	471,107
Depreciation, amortisation, impairment	127,124	143,259
Interest payments	34,174	31,457
Precepts and levies	12,940	12,941
Payments to Housing Capital Receipts pool	17,137	1,299
Loss on the disposal of assets	21,755	72,223
Total expenditure	**991,862**	**1,095,640**
Income		
Fees, charges and other service income	(268,810)	(282,787)
Interest and investment income	(12,298)	(8,018)
Income from council tax and non-domestic rates	(93,468)	(79,516)
Dividend income	(2,295)	(17)
Gain on the disposal of assets	-	(78,998)
Government grants and contributions	(501,777)	(582,953)
Total income	**(878,648)**	**(1,032,289)**
Surplus or Deficit on the Provision of Services	**113,214**	**63,351**

Annual Governance Statement 2020-21

Local Audit and Accountability Act 2014 & Accounts and Audit Regulation 2015

Annual Governance Statement for 2020-21
Introduction

This document is a review of our governance framework and of the effectiveness of our systems of internal control and risk management. It enables the Council to monitor whether these have led to the delivery of appropriate, cost effective services producing best value and the achievement of its objectives. In doing this, it also considers the legal framework and responsibilities of the Council.

Part of this statement therefore explains how the London Borough of Barking and Dagenham (LBBD) currently meets the requirements of regulation 6(1) (a) and (b) of the Accounts and Audit Regulations 2015 in relation to the review of effectiveness of its systems of internal control and the production of an *Annual Governance Statement* (AGS).

Coupled with these requirements is the need for a wider statement which indicates the degree to which the Council's governance arrangements follow the proper practices in relation to accounts as set out in the revised document *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace, 2016) ('the Framework') these are:

<u>Principle A</u> - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

<u>Principle B</u> - Ensuring openness and comprehensive stakeholder engagement.

<u>Principle C</u> - Defining outcomes in terms of sustainable economic, social, and environmental benefits.

<u>Principle D</u> - Determining the interventions necessary to optimise the achievement of the intended outcomes.

<u>Principle E</u> - Developing the Authorities' capacity, including the capability of its leadership and the individuals within it.

<u>Principle F</u> - Managing risks and performance through robust internal control and strong public financial management.

<u>Principle G</u> - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

This AGS enables stakeholders to be assured that decisions are properly made and public money is being properly spent on citizens' behalf. It 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 on the assurance gathering process that has been in place since the requirement to produce a Statement on Internal Control began and the comments of the Council's Senior Leadership Team (SLT) in relation to statements provided by their Senior Managers.

There are five Sections in this AGS:

Section1	Sets out the scope of responsibility and the purpose of the governance framework;
Section 2	Describes and assesses the effectiveness of the key elements of the systems and processes that comprise the Council's governance arrangements;
Section 3	Presents an opinion of the level of assurance of the Council's governance arrangements and the effectiveness of the Council's governance arrangements;
Section 4	Sets out any significant governance issues that need to be addressed and how any issues from the previous year's governance statement have been resolved;
Section 5	The Conclusion – a commitment to monitoring implementation for the next AGS review.

Section 1

The scope of responsibility and the purpose of the Council's governance framework.

Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper public-sector 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 which includes arrangements for the management of risk.

The Purpose of the Governance Framework

The governance framework comprises the culture and values, coupled with its systems, processes and controls that the authority uses to engage with and lead the community. Its purpose is to enable the Council to monitor the achievement of its strategic objectives and 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 or a failure to achieve policies, aims and objectives (without a significant increase in resources and control functions) and so achieves a reasonable rather than an absolute assurance of effectiveness.

It is based on an ongoing process designed to identify and prioritise the risks to achievement of LBBD's policies, aims and objectives; to evaluate the likelihood of those risks being realised; the impact should they be realised; and then to manage them efficiently, effectively and economically.

The Council has a local Code of Corporate Governance revised in spring 2017 to take account of the revised and new *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace, 2016).

The governance framework has been in place for the year ended 31 March 2021 and up to the date of approval of the audited Statement of Accounts.

Section 2

Key elements of the Council's systems and processes and their effectiveness - these are described in more detail below.

The Council's Governance mission is to ensure the business of the Council is carried out within the law and to proper standards ensuring that public funds and resources are used to the best effect economically, effectively and efficiently with the goal of continuous improvement.

a) The Council's Vision and Priorities

The understanding that everyone has a part to play in the future of the borough fuelled the creation of Barking and Dagenham Together - the Borough Manifesto, the Council's aspirational, community-led and community-owned vision for the future of the borough over the next twenty years. The Manifesto will be delivered by strengthened local partnerships and new relationships to collaborate and take a place-based approach to overcome our biggest challenges.

The Borough Manifesto lists a set of 11 aspirations, co-produced with over 3,000 residents in 2016-17, which collectively form the long-term vision for the Borough. This vision is underpinned by the belief that the Borough, and residents, can and should aspire to more. Everyone wants something different out of life, but no one should have to accept high levels of unemployment and low pay, low levels of educational attainment and lower life expectancy than almost anywhere else. The Council's mission, to realise this vision, is to raise aspiration.

Since 2015 the London Borough of Barking and Dagenham has been on a long journey of transformation. This journey began with the Ambition 2020 transformation programme, which sought to redesign, from first principles, how the Council worked in order to harness 'the borough's potential for the benefit of all, where no one is left behind'. The transformation sought to: 'reach a new agreement with the local community'; to 'increase the opportunities for [residents] to have their say'; to do more 'work in partnership with the community' and civil society; and to build an approach to Inclusive Growth which captured our potential as London's growth opportunity, while ensuring nobody was left behind. Since then a new kind of Council has been built and a new way of working together and with residents. Services have been restructured, building a commissioning model which places outcomes for residents at the centre of decision-making. We have integrated previously siloed services to create new ones, including a universal front-door Community Solutions.

The Council's long-term vision for the borough is:

A place people are proud of and want to live, work, study and stay.

With the priorities being set-out as follows:

Priority 1: Participation & Engagement
Empowering residents by enabling greater participation in the community and in public services.

Priority 2: Prevention, Independence and Resilience
Children, families and adults in Barking & Dagenham live safe, happy, healthy and independent lives.

Priority 3: Inclusive Growth
Harness the growth opportunity that arises from our people, our land and our location in ways that protect the environment and enhance prosperity, wellbeing and participation for all Barking & Dagenham residents.

Priority 4: Well Run Organisation
Focusing on the efficient and effective operation of the Council itself.

More detail on the vision and priorities is set out on the Council's website

www.lbbd.gov.uk/vision-and-priorities.

At the launch of the Borough Manifesto in July 2017, it was agreed that the Barking and Dagenham Delivery Partnership would report on progress towards targets and aspirations on an annual basis. The third annual State of the Borough Conference 2020, was held virtually on 4 November. Over 90 partners came together online to reflect on Barking and Dagenham's partnership response to the unprecedented challenges faced in 2020 and shared many of the exciting projects that will be happening in 2021. There were a number of discussions about the opportunities for further partnership working over the coming year, focusing on areas that will have the biggest impact on the borough's residents. There was also the opportunity for the council's Insight Team to present the annual data results which show our progress against the Borough Manifesto targets.

The current Corporate Plan was agreed by Assembly in May 2020 and revised in November 2020 to reflect the impacts of Covid-19 on the Council's strategic and operating context. It sets the agenda for the Council for the remainder of this political administration up to Spring 2022 when the next local elections take place. The Corporate Plan is developed to bring urgency, focus and direction to all activities of the Council in pursuit of the long-term ambitions of the Borough Manifesto. It is organised into four strategic themes reflecting the priorities of the Council, these are: Inclusive Growth; Participation and Engagement; Prevention, Independence and Resilience; and Well Run Organisation.

A comprehensive performance framework underpins the Corporate Plan. The framework is a tool to drive continuous improvement and appraise progress to outcomes. There are two key elements to the performance framework which are brought together to give a holistic and strategic overview of performance and delivery.

- **Deliverables** are the projects, programmes, and initiatives that will develop and transform local public services and Barking and Dagenham as a place and community of people, enabling the Council, in collaboration with its partners, to achieve the outcomes/priorities of the Corporate Plan.

- **Metrics** are a mix of contextual data, business intelligence, operational performance indicators and outcome measures that give an empirical, quantitative view of performance. This data is key to identifying where performance is behind targets and expectations and gives an objective view as to whether improvement activity and transformation is making a tangible impact. More practically, this data shows that LBBD services are meeting the needs of residents in the 'here and now' and directs attention to where improvement plans are needed for services or to tackle broader issues.

This approach to performance management, which more closely views key performance data sets alongside the status of programme delivery, paints a rich picture of the Council's areas of strength, weakness, risk and improvement.

b) Our Values

In the delivery of the Council's business, it has developed values which continue to be embedded across the organisation and underpin all Council activity. These values have been developed by staff and represent how the Council aims to conduct its business. The values are called '**DRIVE**' and they expect everyone to:

- **D**eliver our best every day – and do what we have promised
- **R**espond in a prompt, positive way to our community's needs
- **I**nspire others with our attitudes and actions
- **V**alue people for who they are and what they can do
- **E**ngage with others to improve our resilience and flexibility

c) Performance Management

A rigorous performance management process underpins the Corporate Plan performance framework and ensures good governance and accountability.

Performance information is scrutinised at all levels of the organisation with clear escalation paths to ensure performance and delivery issues are responded to effectively and efficiently. Target-setting and benchmarking is used (where appropriate) to set clear expectations about levels of performance. Monthly exception reporting to the Senior Leadership Team (via Corporate Performance Group) is in place to investigate and intervene in areas that are behind target/expectations. Similarly, programme delivery milestones are monitored closely with the same monthly exception reporting process.

Delivery of the Corporate Plan is closely monitored by Cabinet Members as part of the discharge of their executive functions, roles and responsibilities. Peer challenge and oversight is provided by the Cabinet Member for Finance, Performance and Core Services for added rigour and accountability. This portfolio holder receives regular performance information in support of this. Cabinet receives a comprehensive performance and delivery report twice a year.

The reporting processes and governance structures which underpin the Corporate Plan ensure that the organisation is focussed on the right things at the right time, has an overview of all areas of performance and delivery, is driving continuous improvement, and is managing risks and issues effectively.

The Corporate Plan is the keystone of the Council's strategic framework. As such it guides all of what we do and sets the direction and goals for all services and staff. It is a key resource which drives strategic and business planning at all levels of the organisation. The objectives and priorities of the Corporate Plan inform individual employee appraisals ensuring day-to-day operations are working towards the long-term vision and goals for the borough. We call this the 'golden thread' as it brings alignment and connects strategic planning with operational delivery. Having a robust ‘golden thread’ is an important requirement as an accredited Investor in People organisation.

Although the Corporate Plan performance framework is very comprehensive it does not cover all performance. Several other important performance frameworks exist to review performance in specific areas and across partnership agendas. For example, health and wellbeing outcomes are monitored through the Health and Wellbeing Board, crime and disorder through the Community Safety Partnership, and safeguarding through the Safeguarding Boards for Adults and Children. There are also service specific performance frameworks which are used for performance management at an operational level between commissioners and operational leads, or in some cases external contractors. Importantly the Corporate Plan gives a summary of performance and delivery across all areas and is therefore the primary performance framework the organisation uses for performance management purposes.

In addition to the Corporate Plan, exists a suite of Commissioning Mandates for each area of commissioned services/activities. The Mandates are aligned to the Borough Manifesto and Corporate Plan and set out plans for system change, service improvement and development to meet the Council’s key outcomes/priorities. These are more detailed and service specific providing an important framework for productive and successful working between commissioners and operational service providers with a focus on performance, quality, and improvement.

To further ensure effective performance delivery and value for money, Internal Audit assessments are carried out as a third line of defence using a combination of in-house and externally sourced professionals.

There are a number of Corporate Groups/Boards, each chaired by the Chief Executive or a member of the Council’s Senior Leadership Team, they are:

- Corporate Strategy Group
- Corporate Performance Group
- Corporate Assurance Group
- Leadership Group

In addition, the Council has the following boards to deliver on operational, strategic and performance matters:

- Workforce Board
- Procurement Board
- Customer and Information Board
- Investment Panel (see below)

The Council operates an overview and scrutiny function, which allows Councillors to challenge decision makers, scrutinise performance, review important policies and advocate on behalf of the community.

Following changes to the Council’s governance arrangements in May 2018, the Council's Overview and Scrutiny functions are fulfilled by the Overview and Scrutiny Committee, except for health-related matters which are the responsibility of the Health Scrutiny Committee. The Overview and Scrutiny Committee supports the work of the Cabinet and the Council as a whole by considering and making recommendations through the scrutiny review process; scrutinising key decisions made by the Cabinet and other decisionmakers;

and holding them to account and reviewing matters relating to a wide range of partner organisations.

d) Council Constitution & Rules and Regulations

The Council's Constitution sets out the roles and responsibilities of officers and Councillors. It provides details about how decisions are made and who can make them. It also contains the rules for managing the finances and resources effectively. The Council has adopted the strengthened Leader model and, under this model, the Council's executive functions are discharged by the Cabinet as a collective body, by the Leader of the Council or delegated to officers. It provides clear accountability, effective leadership and decision making to drive forward service delivery. The Assembly retains strategic decision-making powers such as the budget framework.

In addition, the Council has a Health and Wellbeing Board established under the Health and Social Care Act 2012. It is an executive committee with a specific primary duty to encourage those who arrange for the provision of health or social care to work in an integrated manner. Membership is a combination of Cabinet Members and prescribed appointees. The board is a forum where key leaders from the Barking and Dagenham health and social care system work to improve the health and wellbeing of local residents and reduce health inequalities. It has an agreed set of priorities – these are outlined in the borough's Health and Wellbeing Strategy.

The Council has recently created five arm's-length companies. These are:

- BeFirst - a council-owned regeneration company, to work with the flexibility of the private sector and the ethos of the public sector to accelerate the pace and scale of our regeneration while ensuring it remains inclusive established to deliver the real estate development of Social Housing and Regeneration Schemes in a faster timeline than the Council was able to;
- Reside - a council-owned municipal housing company, providing genuinely affordable homes to local working people, catering for those on a range of different incomes.
- B&D Energy – a council-owned green energy company, has been established to offer sustainable heat and power to new housing developments within the borough and surrounding areas.
- B&D Trading Partnership (BDTP) - a council-owned company that manages the workforce for Facilities Management and Catering and offers maintenance and catering services to business and government bodies with the area; and
- B&D Schools Improvement Partnership (BDSIP) – a company owned by the Council and a number of schools, with the aim of providing services to schools to improve outcomes for pupils.

Each company has signed a shareholders' agreement. This sets out the responsibilities of the company in areas such as operating parameters and required output. Additionally, company directors have signed a Members' Agreement between themselves and the Council that sets out the code of conduct for directors.

The Council has created a Shareholder Panel as an advisory board to support Cabinet decision making around the Council's role as Shareholder in any Company, wholly or partly owned by the Council. The Panel has the primary aim of managing the Council's shareholder interests in its commercial entities and to ensure the performance of the Companies against agreed Business Plans are satisfactory. The Shareholder Panel provides assurance that all legal Shareholder requirements are fulfilled and through its governance and reporting framework seeks to protect the delivery of the Council's strategic objectives.

Membership of the Shareholder Panel includes Councillors and Chief Officers and receives quarterly input and performance reports from each of the commercial entities. The Shareholder Panel will periodically report Company performance to Cabinet, with a minimum of one report per Company per annum or as otherwise requested by Cabinet.

The Council also has an Investment Panel made up of Council officers that evaluates the case for investments. The Investment Panel advise the Chief Operating Officer with regards to authorising the release of funds for lending to the companies.

Where key decisions are due to be made the Council publishes details in the Forward Plan prior to the decision-making meeting. Those meetings are open to the public unless exclusion is necessary for reasons of confidentiality under the Local Government Act 1972.

The Council Constitution continues to be kept under constant review. During 2020/21 a number of minor amendments, updates to reflect decisions made by the Council and other updates to reflect new statutory guidance and/or legislation were made to the Constitution. In line with the review arrangements as set out in Part 7 of the Council's Constitution, these changes were implemented by the Monitoring Officer and did not require Assembly approval. A schedule of all the changes made was circulated to all Councillors for their information.

Alongside the Council's Contract Rules and Officer Scheme of Delegation, 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 made purchases, the Council developed a code of procurement practice. These were all kept under review with a number of independently reviews mechanisms in place to ensure compliance.

The Council had the following statutory officers during 2020/21: the Chief Executive (Head of Paid Service), Finance Director (Section 151 Officer) and Strategic Director of Law and Governance (Monitoring Officer), each of whom has the power to refer matters to Assembly if a breach of any regulation has occurred or is anticipated. By law the Council must also appoint a Director of Children's Services and a Director of Adult Services and both roles are served by the Strategic Director of Children and Adults. A Director of Public Health is in post and this has been a statutory position since April 2013 with the transfer of the Public Health function to the Council.

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). The Finance Director was responsible for the proper administration of the Council's financial arrangements during 2020/21 and leads a suitably qualified finance team of officers. The Finance Director was 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, were fully considered and in alignment with the Council's Medium Term Financial Strategy.

e) Covid-19 Response

Following the announcement of the lockdown by Government on 23 March 2020, the Council's Emergency Planning arrangements were invoked, and the structures set out in the Emergency Plan came into operation. Specifically, Gold (Strategic) and Silver (Tactical) meetings were initially taking place on a daily basis from mid-March. Regular meetings of Leadership Team were also taking place throughout the period. All information flowed through the Borough Emergency Control Centre (BECC), which was responsible for co-ordinating information management, supporting the structure and reporting to all sources. The capital's emergency response was overseen by London Gold through the London Resilience Forum. The Council published its Local Outbreak Control Plan in July 2020 and this has been continually updated based on learning and new guidance. Gold and Silver meetings continued on a weekly basis throughout the year, with tactical groups responsible for a range of activities, including outbreak management, community testing and vaccination support also meeting on a regular basis. The Council's governance framework has not been materially impacted by the Covid-19 pandemic and following the introduction of remote meetings in April 2020 under regulations pursuant to the Coronavirus Act 2020, officer and Councillor groups began meeting and taking decisions remotely.

f) Risk Management

Risk Management is essential for the Council to be effective in realising its priorities and was well embedded within the Council in 2020/21. It continues to promote innovation in support of strategic objectives - opening the door to the possibility of taking risks to achieve positive outcomes. Proper risk assessment enabled informed decisions about the challenges and risks to be taken and the mitigation of any impacts. It also helped the Council to target its resources to achieve the best possible results with value for money in resources used. Corporate Risk Management was further strengthened in 2020/21 with the assignment of risk management responsibilities to the former Counter Fraud Manager who became the Counter Fraud and Risk Manager.

The management of risk was embedded 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;
- Capital Programme management;
- Change management processes.

In September 2019 a new Risk Management Strategy was approved by Cabinet. The strategy states that 'the LBBD Risk Management vision is that the Council will have a robust system of risk management in place to identify, assess and manage the key risks in the Borough that may prevent it achieving the priorities identified in the Corporate Plan. Effective risk management will be a key management tool for LBBD, that is used to understand and optimise the benefits it can generate from calculated risk taking, as well as helping to avoid and manage 'unwanted surprises'.

Under the Financial Regulations (Section 5.4.3) Chief Officers are responsible for: 'maintaining risk registers in accordance with the Risk Management policy and framework, issued by the Council's Risk Manager. Chief Officers will regularly review the risks and advise the Council's Risk Manager appropriately of any material changes as they arise'. The Audit and Standards Committee is responsible for 'receiving reports and making appropriate recommendations concerning…risk management', as defined in the Council's Scheme of Delegation.

When the Council-owned companies were established, business cases were presented to Cabinet for the approval and these contained risk registers that looked at the risk around their establishment and operation. The Council now has a risk register that includes risks relating to the ownership of the companies including any defined reputational risks and this is now reviewed before each quarterly meeting to update it for changes in the risk profile that occur as business plans are updated and quarterly reports are received. This process is also incorporated into the wider risk management process.

g) Codes of Conduct

Corporate and Organisation

The Council developed a major revised *Local Code of Corporate Governance* to take account of the CIPFA/ SOLACE 2016 Framework. The Council has an Employees' Code of Conduct supported by a requirement to make declarations of interest and to declare gifts and hospitality. Interests have to 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 were not inappropriately influenced. These codes and processes were made available to staff at their induction, they are on the intranet and online training was available to ensure every staff member understood their responsibilities.

Councillors' Codes of Conduct

The Council, within the timescales, duly adopted a local code of conduct which is drafted in accordance with the Nolan Committee's recommendations for standards in public life and revised codes for Planning and Licensing committees have also been introduced to take account of the changes. These have been incorporated into the Constitution and the Register of Members' Disclosable Pecuniary Interests successfully established and completed. This has been supported by a Dispensation regime which enables Councillors to seek Dispensations to take part in meetings where they may have a declarable interest. The Councillors' Code has specific guidance on the issues of gifts and hospitality.

The Localism Act 2011 required that the Council must have in place 'arrangements' under which allegations that a Councillor or co-opted member of the Authority or of a committee or sub-committee of the Authority who has failed to comply with the Code of Conduct can be investigated and decisions made on such allegations. The arrangements required the Council to appoint at least one Independent Person whose views must be sought by the Council before it takes a decision on an allegation which it has decided shall be investigated, and whose views can be sought by the Authority at any other stage, or by a Councillor against whom an allegation has been made.

The Council furthers the arrangements required under the Localism Act by its Audit and Standards Committee chaired by an elected Councillor and composed of elected Councillors. Complaints are managed by the Monitoring Officer who determines according to the Complaints Procedure whether matters should be reported to the Audit and Standards Committee for full investigation. Complaints are then considered by a Hearing Sub-committee established by the Audit and Standards Committee for that purpose.

The Council's Audit and Standards Committee continued to oversee adherence to the Councillors' Code of Conduct, handled any complaints under this and also monitored compliance with employee related Codes of Conduct. The Audit and Standards Committee receives annually a report from the Monitoring Officer setting out the declarations of gifts and hospitality received by both Councillors and Officers. All policies and protocols relating to Councillors and officers as well as members of the public who volunteer to undertake Council activities were reviewed on an annual basis.

h) Whistleblowing and Councillors' Complaints Process

The Council has a robust whistle blowing procedure which is actively promoted within the Council. The whistleblowing policy was last reviewed and updated in September 2020. Complaints against Councillors were handled in confidence and according to the strict timetable and procedure set out in the Code of Conduct and Complaints Procedure. During the period of this AGS there were three complaints against individual Councillors, one wase dismissed at the first stage by the Monitoring Officer by reason of no evidence of a breach. The second was resolved by an informal resolution following consultation with an Independent Person under the Localism Act 2011 finally the third complaint is following due process.

The Audit and Standards Committee maintains an ongoing review of complaints made, patterns and outcomes which are considered as a regular business item during the Committee cycle.

i) Training and Development

Councillor Induction

The Council has an Induction Programme, based around the key priorities identified by Councillors and senior officers. This includes a pre-election event for prospective candidates to ensure they understood in advance, the role and responsibilities of being a councillor and the training support they can expect.

Extensive Induction handbooks are produced for all Councillors, and there is a tailored version for Cabinet Members. There is training for Planning, Licensing and Personnel Boards and members of Scrutiny Committees at the beginning of each municipal year with update sessions as required. Bespoke training for members of the Pensions Committee is also arranged.

There are all-Councillor training programmes for internal events. External learning events and mentoring is supported particularly for holders of key positions such as Cabinet and Chairs of Boards and Select Committees. The Induction programme for the new Councillors includes an intensive training programme and written information on a range of topics including standards and promoting democracy.

The Member Development Programme

The Council has a Member Development Programme based around the key priorities identified by Councillors and senior officers. In addition, the Member Development Group (which includes nine Councillors) meets quarterly with specified officers to review Councillors' training needs and requirements. The Members' Role Profiles list the knowledge and skill requirements for different positions and expected areas of learning and development.

The Member Development Programme is overseen by the Member Development Group. This is comprised of Members from Cabinet and a range of back bench Councillors from different committees to ensure any new learning needs are quickly noted and addressed including the Council's Monitoring Officer. A full programme of Induction and follow-up training and briefings are arranged for all Councillors. There are a mix of skills-based and knowledge-based sessions. There is a detailed process for inducting the newly-elected Cabinet Members. This includes the use of Peer Mentors for the Cabinet and the opportunity for all members to develop a bespoke personal development plan.

Cabinet Members, Committee Chairs and Deputies are offered the opportunity to attend the full Local Government Association (LGA) Leadership Academy Programmes which are designed specifically for councillors. Newly-elected councillors are offered the opportunity to attend introductory Leadership Academy residential weekends. There is a designated officer who co-ordinates the development programme and assesses training needs. Training is supplemented through weekly electronic Member Briefings, information from London Councils as well as the Council and LGA's suites of e-learning programmes.

All Scrutiny Committee members have training as part of their induction agendas and agreed specific training during the year to remain current and to address identified needs. Induction training was provided for newly appointed Councillors of all quasi-judicial boards, some of which was assessed.

The Council was re-accredited with the London Charter Plus for Member Development in September 2020. Charter Plus is a nationally recognised structured quality framework which assesses the processes, impact and effectiveness of member development. Following extensive desktop and interview assessments with councillors and chief officers, the Council were shown to have met Charter Plus criteria: commitment to councillor development and support, strategic approach to councillor development and that learning and development is effective in building councillor capacity.

An on-line Members' handbook (Members App) was introduced in February 2018. This is uploaded onto their iPads and provides easily updateable information on the councillor role, the Council and Borough, media and communications, Member learning, support and ward resources.

j) Communication and Engagement

The Council is committed to changing the way it consults and engage with residents. We want to ensure local communities are more involved in shaping the places in which they live and provide them with the opportunity to engage during all stages of service design and delivery.

In response to that commitment, in Summer 2020 a new consultation and engagement website, One Borough Voice, was launched. The new platform features a number of innovative tools beyond the conventional method of conducting surveys. These tools allow us to engage with residents in an interactive and creative way, encourage them to share their stories, experiences and maintain ongoing conversations about the issues that really matter to them, enabling shaping of services and policies and in some instances leading to local neighbourhood action.

The Council launched a new resident engagement and action initiative, the Citizens' Alliance Network in June 2020. Initially an online platform, this will grow into an online and face to face network operating across the borough, supporting residents to have more of a say in the things that matter to them, and supporting them to take action in their communities.

The Council have developed a great opportunity for local community groups to access grant funding for projects that will benefit their local area through NCIL (Neighbourhood Community Infrastructure Levy). This is an exciting and rare form of community funding which is genuinely participative, placing residents at the heart of the decision-making process with decisions on which of the applications receive funding being made by a panel made up of local residents who are identified via sortition.

k) Partnerships

In addition to the executive functions of the Health and Wellbeing Board, the Council utilises partnership boards, which are aligned to the borough manifesto targets and the priorities set out in the corporate plan. The partnership boards each have their own plans, identifying their aims to deliver these priorities and contribute to delivering the vision for the borough. They are responsible for monitoring performance, ensuring appropriate partnership representation and where relevant meeting legislative requirements. These boards are:

Health and Wellbeing Board – The Health Wellbeing Board brings together key health partners in order to deliver the priorities set out in the Health and Wellbeing strategy. It is chaired by the portfolio holder for Social Care and Health Integration and plays a driving role in ensuring residents lead healthy, independent lives and have choice over the care they receive.

The Council has worked with a range of NHS partners, including the Clinical Commissioning Group (CCG) to develop proposals to integrate further health and social care services. Key to this was work through our Integrated Care Partnership which brings together 3 neighbouring local authorities, 3 Clinical commissioning Groups and 2 NHS provider Trusts. As part of the devolution “ask” for London a proposal for an accountable care system has been put forward.

Community Safety Partnership - Together the partners address complex issues and have worked openly to develop and implement solutions to create a safer, stronger and more cohesive borough with reduced levels of crime.

Through the Community Safety Partnership the Council together with the other ‘responsible authorities’ (NHS, Police, Probation, LFCDA, MOPAC) discharged its responsibilities for reducing crime and disorder and making Barking and Dagenham a safer and stronger community.

Elevate Joint Venture - The Council had operated a joint venture with Agilisys called Elevate East London since 2010. This joint venture covered a variety of core services including ICT, Revenues and Benefits, Customer Services, and Procurement and Accounts Payable.

The contract was originally let for seven years but was extended in 2015 for a further three years. With the contract ending on 9 December 2020 the decision was made to bring all core services in-house under a phased return of services approach, with the first of three key transition activities occurring in February 2020 and concluding in December 2020. Service delivery remained the responsibility of the joint venture until each transition date, from when Agilisys were no longer jointly responsible.

Once the decision was made, a number of activities commenced to ensure the smooth transition of the services back to the Council. A Deed of Variation was signed with Agilisys in April 2019 to put into effect an Exit Plan and to agree the terms of the phased transition, including confirming final payment arrangements and one-off payments to be made in relation to the transition. A dedicated Programme Manager was also appointed, and contract transition plans were developed for each key service area. To support the Exit Plan outlined in the Deed of Variation, a resource plan and contract transition plan specific to human resource activities were also developed, as the transition involved the transfer of approximately 300 staff to the Council. Work was also undertaken by the Council to ensure all contracts that needed to be novated or re-procured were identified. All services are now run directly by the Council.

l) The Borough Manifesto and the Barking and Dagenham Delivery Partnership

Borough Manifesto

In February 2016, the Council's Independent Growth Commission published its final report, it included 109 recommendations to ensure improvements of outcomes for residents and to capitalise on the borough's growth opportunities. One such recommendation was to develop 'a borough manifesto setting out a shared vision for the borough and owned by residents, partners and key stakeholders in the borough'.

Consequently, Council officers began work in partnership with all local stakeholders on the development of '*Barking and Dagenham Together: The Borough Manifesto'*; a shared, place-based, 20-year vision for the borough, owned and delivered collectively and collaboratively by the Barking and Dagenham Delivery Partnership (BDDP). The Borough Manifesto sets the roadmap of what collectively the Council and partners need to deliver. Progress against the targets will be monitored by the BDDP.

The Manifesto was agreed by Cabinet in July 2017 and launched in the same month at an event hosted by Coventry University London. The launch was well attended by partners and other stakeholders. Partners fully supported the vision and targets set out in the manifesto and spoke about the need for everyone to play their part. The manifesto forms the top layer of the Council's strategic framework which informs all other strategies.

Barking and Dagenham Delivery Partnership

In parallel with the development of the Manifesto's vision, the Cabinet approved the establishment of the Barking and Dagenham Delivery Partnership (BDDP) in November 2016. The BDDP is comprised of local partners from across the public, private and third sectors, and will collectively be responsible for providing oversight, direction, and leadership in order to achieve the aspirations for the borough. BDDP meets on a quarterly basis and part of its role is to monitor and analyse progress towards delivering the Manifesto vision. Progress towards achieving the targets will be publicly reported on an annual basis.

Work is also underway to develop the partnership in order to enable it to deliver effectively. *Lankelly Chase Foundation* have funded Collaborate CIC to work with LBBD and in particular explore effective partnership working in Barking and Dagenham. The initial focus is on supporting the development of the delivery partnership with the aim of ensuring partners are working towards shared aims, that those aims are clearly articulated and understood, and that the relationships and infrastructure are ready for new forms of collaboration and place-based working. Developing effective 'place' based collaboration.

m) Schools

The governance of maintained Schools is the responsibility of appointed Governing Bodies. The Governing Body role involves setting, monitoring and evaluating progress toward achievement of strategic aims and objectives, whilst optimising their use of financial and other resources.

The Council's role is to champion children and intervene where necessary or alert the regional schools commissioner for academy schools e.g. where there are concerns about performance or safeguarding.

The November 2014 Ofsted inspection of the local authority confirmed that the Council knows the strengths and weaknesses of governing bodies well.

The quality and performance of schools and governance has improved year on year in the borough and, as of March 2021, nearly 90% of schools are judged 'Good' or 'Outstanding' by Ofsted. This is above the national average. Governance and leadership arrangements are a key part of this judgment.

n) Counter Fraud

The Authority has a dedicated Counter Fraud team that follows the latest best practice including implementing the national counter fraud standards. Their work is underpinned by Council policies to promote and enforce fraud prevention and ensuring robust mechanisms are in place to acknowledge the risks of fraud, prevent its occurrence and pursue cases, apply appropriate sanctions and recover any losses through proceeds of crime legislation.

o) Audit and Standards Committee

One function of the Audit and Standards Committee is to oversee and improve the Council's governance and regulation, assurance and risk management, fraud and corruption prevention, performance and compliance, sound financial management to achieve value for money and transparency and open government. The Audit and Standards Committee took over this function from the Public Accounts and Audit Select Committee in June 2018 and functions with broader terms of reference including standards and governance.

The Audit and Standards Committee has an annual work programme and during 2020/21 received reports on internal audit, counter fraud, risk management, external audit and the annual accounts, complaints against Councillors, information security and information governance.

p) Information Governance

Annually each spring an Information Governance Report is produced for the Audit and Standards Committee by the Chief Operating Officer. Training in information handling is a key priority with professional development of Councillors and officers an essential requirement, not least as a control mechanism to help prevent data breaches. A revised i-learn 'Data Protection' course has been developed that is mandatory for all staff and managers. The mandatory course must be completed annually and it incorporates changes brought about by the GDPR legislation. Completion rates are be monitored and will form part of the staff annual appraisal process and staff are also provided with a link to a number of information governance policies that they must read as this was a recommendation required by the ICO following the audit.

The past year has been challenging due to the pandemic with Council staff having to quickly adapt to new working arrangements and home working being a ‘new normal’. 2020/21 saw a rise in data breaches over the previous period. This could be in part due to the impact of the pandemic and the change in the way staff work, but there also appears to be an increased awareness and staff are recognising data breaches and reporting these promptly and dealing with them appropriately.

Council staff have to undertake the annual mandatory data protection training. The updated training consists of 2 parts - Data Protection and ICT & Cyber Security training. As part of the training all staff must confirm that they have read the information governance policies.

There were 3 breaches self-reported to the Information Commissioner’s Office (down from 5 for 2019/20). In all cases the ICO was satisfied with the steps taken by the Council and as such no action was taken against the Council.

Section 3

Presents an opinion of the level of effectiveness and assurance of the Council's governance arrangements.

In the light of evidence reviewed in relation to 2020/21 it is confirmed that the Council's governance arrangements are fit for purpose, that the Council's values, ethical standards, laws and regulations are being complied with, that financial statements and other published performance information are accurate and reliable, and that human, financial, environmental and other resources are managed efficiently and effectively.

The Council continues the programme to transform the Borough and how the Council works. To achieve this, the Council will need to be innovative and efficient in-service delivery, adopting commercial practices where the business case supports this approach. The Council recognises that robust governance and embedded risk management processes will be fundamental to underpin the successful delivery of the programme. In addition, workforce policies are an essential element to bring about the cultural change required over the next four years. Accordingly, comprehensive programme management arrangements are operating, ensuring that risk management and governance structures continue to be fit for purpose, as part of the organisational change that is proposed and has been implemented. The Council was awarded the Gold Investors in People accreditation in March 2021 demonstrating our investment in and commitment to our staff.

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. The opinion is informed by a range of evidence, both internal and external, including: the work of the Senior Leadership Team and Senior Managers responsible for the development and maintenance of the governance environment; the Head of Assurance's annual IA report; comments made by the external auditors; and comments by other review agencies and inspectorates.

For this Governance Statement, the Strategic, Operational/Commissioning Directors and senior managers were invited to complete standard statements addressing governance issues in their areas. These were collated, with observations and recommendations and presented to the Corporate Assurance Group, for their comments and feedback. This ensured that the full span of the Council's management team was consulted.

One of the functions of the Audit and Standards Committee to oversee and improve the Council's governance and regulation, assurance and risk management, fraud and corruption prevention, performance and compliance, sound financial management to achieve value for money; and transparency and open government.

Audit and Counter Fraud Reports are presented to Audit and Standards Committee periodically to assist it in undertaking these functions.

As part of the Head of Assurance's annual report, an opinion was given on the Council's internal control framework. The Head of Assurance drew 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 and corporate counter fraud work. The Head of Assurance reported the opinion that based on the audit work undertaken their conclusion was that the organisation's control framework is operating generally satisfactory with some improvements required.

It is a statutory requirement that the Council must "undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

The 2020/21 Internal Audit Plan, approved by the Audit and Standards Committee in April 2020, included 50 audits consisting of 39 risk and compliance audits, 10 schools and a follow-up project of prior-year school work. 44 audits were delivered, consisting of 33 risk and compliance audits and 11 audits of schools, with reasons for variations in the plan being reported quarterly to the Audit and Standards Committee. Some of the audits delivered had extended scopes and therefore time allocated to the work.

Internal Audit work was performed in accordance with the Council's Internal Audit Charter and Strategy in accordance with the Public Sector Internal Audit Standards.

One review was issued in 2020/21 with a 'No Assurance' opinion and 8 audits whereby a 'Limited Assurance' audit opinion was given, these are listed below and all high risk findings were reported to the Audit and Standards Committee during the year:

- Early Help Review – No Assurance
- Imperial Parking System – Limited Assurance
- Overtime Payments – Limited Assurance
- Tenant & Leaseholder Act (S.20) Requirements – Limited Assurance
- Open Housing System (post implementation review) – Limited Assurance
- Tenancy Data – Limited Assurance
- Special Guardianship Orders – Limited Assurance
- Information Security – Limited Assurance
- Data Privacy – Limited Assurance

All of these audits are subject to robust follow-up of the high-risk findings with corroborating evidence of control improvements required. Updates are reported to the Audit and Standards Committee periodically.

The Council's Monitoring Officer has a responsibility under the Local Government and Housing Act 1989 to maintain and ensure consistent lawful processes and decision making and that arrangements secure effective and efficient working of the Council, its meetings, committees and working groups with the required officer support. They report that they are not aware of any specific governance concerns for the period.

Complaints

Ombudsman

During the period there were 15 complaints referred to the Council by the Ombudsman with 13 that were upheld. Comparative figures for 2019/20 and 2018/19 are 16 complaints (11 upheld) and 20 complaints (16 upheld) respectively.

Complaints by the Public

Complaints are recorded and reported on a calendar year basis. During 2020 there were 2,962 complaints received with 1,428 of these being upheld. Comparative figures for 2019 and 2018 are 3,566 complaints (2,066 upheld) and 3,826 (2,193 upheld) respectively.

Section 4

Sets out any significant governance issues that need to be addressed and how any issues from the previous years' governance statement have been resolved.

Previous Year 2019-20

The 2019-20 AGS had identified the following themes:

- Impact of Covid-19;
- Brexit;
- Core Transformation Programme
- Staffing; and
- Statement of Accounts

Progress against these challenges is detailed below:

Impact of Covid-19

This remains a headline governance challenge – see below.

Brexit

The Council continues to have a key role to play on behalf of the residents and businesses of the borough in terms of Brexit, which is likely to have wide ranging impacts on public services, communities and business.

The UK left the European Union on 31 January 2020 under a negotiated deal and the transition period during which the UK remained a member of the Single Market and Customs Union ended on 31 December. Throughout the process of preparing for the UK's exit from the European Union, the legal and political dynamic of the situation was such that at any one time a range of scenarios could have been possible including a 'no deal' arrangement.

LBBD continues to take a pro-active approach, the key elements of which remain:

- Supporting Councillors, and the organisation more generally, in its policy and communications.
- Providing reassurance and effective advice to support to our communities, especially the most vulnerable.

Senior officers will continue to monitor the situation to ensure the Council is making the necessary adjustments and supporting affected residents in applying for EU Settled Status. The present arrangements are that the Director of Policy and Participation is taking the corporate lead.

Core Transformation Programme

The council's Core Transformation Programme, which had been running for approximately two years, came to an end in March 2021. This was the final part of Ambition 2020 and the programme set out to design a Core function for the Council to support the delivery of the Council's vision, corporate plan and strategic priorities and enable delivery of significant income and savings. This included the return to the Council of the Customer Service, Procurement & Accounts Payable, ICT and Revenues & Benefits services from Elevate East London.

Highlights of the programme included:

- new operating models for the Commercial, Customer, Finance, Human Resources and Organisational Development and IT functions, reflecting officer feedback
- transformation of the Finance service including improved support for budget managers and for decision-making
- continuing transformation of HR&OD including an improved learning management system and new recruitment and onboarding systems
- bringing Procurement, Accounts Payable and the Film Office into a single commercial team, creating a professional and modernised service designed to enable Council services to get the maximum return and benefit from their own procurement and commercialisation activities
- a new IT management structure, delivery and charging model, better aligned with service needs
- bringing a number of teams into a single Customer Contact area to provide a continually improving, digitally-enabled customer experience with streamlined processes and using technology to drive self-service, allowing staff to spend more time on complex issues
- reviewing options for improving Oracle, leading to the announcement of replacement core business (Finance and HR) systems
- an improved approach to collecting debt including setting up an ethical enforcement service.

Ongoing transformation of Core services has enabled the Council to deliver substantial savings and income during 2020/21 which will increase in future years. Despite the programme coming to an end in March 2021, Core services continue to be improved in response to ongoing feedback.

Staffing

This remains a headline governance challenge – see below.

Statement of Accounts

This remains a headline governance challenge – see below.

Headline Governance Challenges from 2020/21

Impact of Covid-19

During 2020/21 the COVID-19 pandemic has affected us all; our residents, communities, public institutions, businesses, and voluntary and community organisations.

Over the last 12 months, the Council has been on the front line in the fight against the virus, delivering Government backed support as well as developing and delivering locally funded support for residents. Meanwhile the Council has strived to continue to deliver core services where possible and all staff have been involved in enabling vital service delivery in this difficult period.

The scale and extent of the pandemic's impact in the longer term is unknown but is very much part of the financial planning over the next few years. This may include long term changes in behaviour for travelling around the borough and London, increased use of online services reducing footfall on our high streets, long term impact on those forced into financial hardship, and the lasting impacts on our children and young people for their education and emotional wellbeing.

Further details of the Council's approach to Covid recovery is set out in the Corporate Plan and Medium Term Financial Strategy.

Financial Management Code

A key goal of the FM Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. The impact of COVID-19 has tested that financial resilience in 2020/21 and will continue to do so in coming years. A new CIPFA Code that sets out six underlying principles by which local authorities should be guided in managing their finances and the specific standards that we should, as a minimum, seek to achieve.

- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- Adherence to professional standards is promoted by the leadership team and is evidenced.
- Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

The Head of Assurance's assessment of compliance with the FM Code during the 2020/21 shadow year is that it is only partially compliant with several of the principles of the FM Code and partially compliant against some of the standards recommended. The Finance Director will be undertaking a full review in 2021/22.

Staffing

As in previous years there again appears to be pressure in terms of recruitment and retention of specialised staff particularly social care staff. This challenge is not exclusive to the Borough and illustrates the point that unless the overall employment proposition is competitive and attractive, the churn inevitably leads to valuable technical skills and organisational knowledge being lost to the organisation. Periods of radical change can be unsettling, and leadership is more essential than ever. The ongoing Covid-19 pandemic and associated impact on ways of life have vastly reduced mobility and made recruitment into specialist positions more difficult.

The Council has however achieved Gold accreditation from 'Investors in People' during the year and was recognised in 2018 by the LGC as 'Council of the Year' in relation to the ambitious change programme particularly its design and implementation. Such recognition ensures the council's reputation is evidenced across the sector and should also attract employees. The Council also undertakes regular staff 'temperature checks' These regular staff surveys are a really important way of finding out how staff are feeling about working for LBBD, what we are doing well and what we could do better. They give us invaluable feedback to help us improve how we manage, support and engage with all our employees.

The issue of having sufficient competent well performing staff is key to sound governance. Once experienced staff have left, they may prove to be difficult to replace in times of upheaval and financial uncertainty.

Statement of Accounts

The preparation of timely, high quality accounts is a key component of a system of good governance. The Council's external auditors, BDO, reported in their Audit Completion Report for 2018/19 that there had been significant challenges to the completion of their work, particularly with regard to the completeness and quality of the draft financial statements and supporting working papers. This resulted in additional audit testing being necessary and significant changes to the draft financial statements. BDO highlighted significant deficiencies in internal control relevant to the preparation of the statement of accounts and a high volume of errors was identified through multiple iterations of group consolidation working papers. A number of the misstatements were in relation to the previously audited prior year (2017/18) some of which resulted in a prior period adjustment.

There are a number of lessons that the Council can learn from the delays experienced in completing the external audits. With this in mind, the Council agreed to commission jointly with BDO a Root Cause Analysis (RCA) investigation to work through the issues that occurred during the 2018/19 audit, with the aim to narrow down the issues that can be corrected in future years. The analysis was facilitated by an external consultant and there were 90 solutions that were identified during the RCA process. Following discussion 22 of these solutions were rejected and 68 were taken forward to implement. Council Officers and the BDO Audit Team have already implemented 42 of the solutions and in doing so have identified some further interventions and solutions. An Action Plan has been put in place with associated timescales and is monitored at the regular liaison meetings that take place between Council officers and BDO.

The learning taken from the results of the 2018/19 Group Accounts audit has put the Council on a better footing for future years' work and progress against the action plan will improve associated systems of governance.

Section 5

The Conclusion – a commitment to monitoring implementation for the next review by the Leader of the Council and the Chief Executive

This statement is intended to provide reasonable assurance. It is based on the evidence available. It is stressed that no system of control can provide absolute assurance, and in a period of transformation and transition to a new delivery model, items may be misstated or be of varying accuracy. As a result, the processes operate to carry out reviews and the forums of Audit and Standards Committee and the Assurance Group receive and monitor performance of the Council's Governance Framework. Looking forward the Council's new Scrutiny arrangements will focus on key risks which will dovetail with the AGS.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and the ongoing work to ensure continuous improvement of the systems is in place.

We look forward to working more closely with our partners and all organisations in the community, public, private and voluntary sectors to strengthen our local communities and increase prosperity. This year sees a period of transition to the Council's traded companies.

Where issues have been identified in preparation of this report we will ensure that they are effectively addressed and we will monitor their improvement as part of the next annual review.

Signed:	Signed:
Councillor Darren Rodwell	**Fiona Taylor**
Council Leader	**Interim Chief Executive**
XXX 2024	**XXX 2024**

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. The next actuarial review will be carried out at the end of financial year 2018/19 and the new rates will be applied from April 2020.
Balance Sheet	The Council's balance sheet presents the authority's financial position, i.e., its net resources, at 31 March. The balance sheet is composed of two main balancing parts: its net assets and its total reserves.
Beacon Properties	A sampling technique for valuing the Council's social housing based on the value of properties assuming vacant possession. The Beacon method is used for no other purpose except the special circumstances of the HRA valuation but is an efficient method of arriving at a representative valuation which enables values to be attributed to the whole of the Council's housing stock.
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 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 of benefit to the Council 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., redundancy costs. (See also REFCUS below).
Capital Adjustment Account	A capital reserve that 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.

GLOSSARY OF TERMS

Collection Fund	A separate account that discloses the income and expenditure relating to Council Tax and National Non-Domestic Rates. The Fund and the taxes that form its basis have a significant impact on the level of resources available to both the Council and its preceptors (e.g., The Greater London Authority).
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 & Expenditure Statement	A statement showing 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. The Council raises 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.
Council Tax	A local taxation system used in England, Scotland and Wales. It is a tax on domestic property which was introduced in 1993. Each property is assigned one of eight bands (A to H) based on property value, and the tax is set as a fixed amount for each band. Council Tax is collected by the Council (the collecting authority). However, it may consist of components (precepts) levied and redistributed to other agencies or authorities (each known as a precepting authority, e.g., the Greater London Authority).
Council Tax Base	The number of Band D equivalent dwellings in the Borough. To calculate the Tax Base, the number of dwellings in each Council Tax band is adjusted to take account of any discounts, premiums or exemptions. The resulting figure for each band is then multiplied by its pro-portion relative to Band D (from 6/9 for Band A to 18/9 for Band H) and the total across all eight bands is calculated. The Tax Base is used to determine the level of Council Tax the Council charges each dwelling.
Council Tax Requirement	The amount of money the Council needs to raise from Council Tax to fund annual spending once Government funding and other sources of income are deducted.
Creditors	Amounts owed by the Council to suppliers 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 owed to the Council for services provided before the end of the accounting period but for which payments have not been received by the end of that accounting period.
Deferred Liabilities	Sums owed to creditors that are not due for payment for at least one year. They are carried as a liability on the balance sheet, alongside other long-term debt obligations, until they are paid.
Defined Benefit Scheme	A type of pension plan in which the employer promises a specified pension payment, lump-sum (or combination thereof) on retirement

	that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns. A defined benefit plan is 'defined' in the sense that the benefit formula is defined and known in advance. The Council's Pension Scheme offers defined benefits for all its members.
Depreciation	The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.
Earmarked Reserves	Reserves set aside for a specific purpose, particular service or identified risk.
Finance Lease	A funding arrangement where: • The lessee (the Council) will select an asset (e.g., equipment, vehicle, software); • The lessor (typically a finance company) will purchase that asset; • The Council will have use of that asset during the lease and pay rent for it; • The lessor will recover a large part or all of the cost of the asset plus earn interest from the rentals paid by the Council; • The Council may have the option to acquire ownership of the asset at the end of the rental period.
General Fund	The main revenue fund from which the day-to-day costs of most services is met. The Council is required to maintain other Funds, e.g. the Housing Revenue Account, the Collection Fund and the Pension Fund. The accumulated credit balance on the General Fund Reserve is the excess of income over expenditure after adjusting for movements to and from reserves.
Government Grants	Government supports the Council's general revenue expenditure through Revenue Support Grant (RSG), a grant given to local authorities which can be used to finance revenue expenditure on any service. The amount of RSG to be provided to authorities is set out in the annual local government finance settlement. RSG is being phased out and will cease entirely by 2020. In addition, specific Government grants are distributed outside the settlement. The basis of the distribution varies from grant to grant. For non ring- fenced grants there are no restrictions on what Councils can spend the money on. Where a specific grant is ring-fenced the expenditure is controlled to fund a particular service that is a national priority. For example, funding for schools is paid through the Dedicated Schools Grant, administered by the Department for Education.
Gross Expenditure	The total cost of providing the Council's services before deducting income from Government grants, or fees and charges for services.

GLOSSARY OF TERMS

Heritage Assets	Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of heritage.
Historic Cost	A measure of value used in accounting in which the price of an asset on the Balance Sheet is based on its nominal or original cost as opposed to its current or fair value.
Housing Revenue Account (HRA)	The HRA specifically accounts for spending and income relating to the management and maintenance of the Council-owned housing stock. By law it must be kept separate from other Council accounts. The HRA is self-financing and receives no income and incurs no expenditure through the Council Tax. The main sources of HRA income are rents and charges for services and facilities.
Impairment	The permanent decline in the value of an asset. Impairment of assets is the diminishing in quality, strength, amount, or value of an asset. It is an accounting estimate of changes in value relating to the consumption of assets.
Infrastructure Assets	Assets that provide the platform for economic and social activity in the Borough, for example, roads, bridges and footpaths.
Interest	The amount received or paid for the use of a sum of money when it is invested or borrowed and typically expressed as an annual percentage rate.
Inventories	The amounts of unused or un-consumed goods held in expectation of future use within the following year. Inventory stocks are valued at the end of each financial year and carried forward to be matched to their use or consumption in the following year.
Investment Properties	The Council's interest in land and/or buildings which are held for their investment potential and rental income, rather than being occupied and used to help deliver services.
Levies	Payments that the Council is required to pay to other bodies. The levying bodies are: • Lee Valley Regional Park Authority • London Pension Fund Authority • East London Waste Authority • Environment Agency
Long Term Debtors	Debtors who are not expected or required to pay what they owe soon. In some cases, by agreement, it may be many years before the Council receives full payment from certain debtors (e.g., deferred receipts, mortgages).
Minimum Revenue Provision	How capital expenditure which is financed by borrowing or credit arrangements is paid for by Council Tax payers. The Council is required each year to set aside some of its revenue income as provision for this debt.

GLOSSARY OF TERMS

Movement in Reserves Statement	A statement showing the movement in the year on the different reserves held by the Council, analysed into ‘Usable Reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘Unusable Reserves’ (e.g. the Capital Adjustment Account; Revaluation Reserve; Pension Reserve).
National Non-Domestic Rates (NNDR)	Non-Domestic Rates, or business rates, collected by the Council are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1st April 2013, authorities keep a proportion of the business rates paid locally. This provides a direct financial incentive for authorities to work with local businesses to create a favourable local environment for growth since authorities will benefit from growth in business rates revenues. The money, together with revenue from Council Tax payers, Revenue Support Grant provided by the Government and certain other sums, is used to pay for the services provided by the Council.
Net Book Value	The amount at which the Council records an asset in its Balance Sheet. Net book value is calculated as the original cost of an asset, minus any accumulated depreciation, accumulated depletion, accumulated amortization, and accumulated impairment.
Net Expenditure	Total gross expenditure less income due to the Council. The Expenditure and Funding Analysis included in the financial statements shows for each of the Council’s services a comparison of the net expenditure and the net charge against Council Tax.
Net Realisable Value (NRV)	The value of an asset that can be realized upon sale or disposal, less a reasonable estimate of the costs associated with either the eventual sale or the disposal of the asset in question. NRV is used to apply generally accepted accounting principles to accounting transactions.
Non-Current Assets	Tangible assets that yield benefits to the Council and the communities it serves for a period of more than one year, e.g., property, plant and equipment
Operating Lease	The rental of an asset from a lessor under terms that do not transfer ownership of the asset to the Council. During the rental period, the Council typically has unrestricted use of the asset, but is responsible for the condition of the asset at the end of the lease, when it is returned to the lessor.
Operational Assets	Long-lived assets held, occupied, used or consumed by the Council in the normal delivery of services. They are not held for resale, investment or disposal.
Past Service Costs	The term used to describe the change in a defined benefit obligation for employee service in prior periods, arising because of changes to plan arrangements in the current period.
Post Balance Sheet Events	Events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed.

GLOSSARY OF TERMS

Precept	A charge made on the Council's Collection Fund by precepting authorities such as the Greater London Authority. The sums paid over to the precepting authorities are collected as part of the annual Council Tax from households in the Borough.
Prior Year Adjustment	If a material error is discovered in a previous year's financial statements that have already been signed off, a prior year adjustment is necessary to correct the error. Also, a note must be included with the financial statements to explain the nature of the error and its impact on the financial performance reported in the affected period.
Private Finance Initiative (PFI)	The private finance initiative (PFI) is a procurement method which uses private sector investment to deliver public sector infrastructure and/or services according to a specification defined by the Council. Because of subsequent 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 (an executive agency sponsored by HMRC) assesses the rateable value of individual non-domestic properties. Business rate bills are calculated by multiplying the rateable value by the NNDR poundage set by the Government for the year.
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	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. The full cost is charged to the relevant service in the Comprehensive Income & Expenditure Statement but then reversed out through the Movement in Reserves Statement to ensure that there is no effect on the revenue accounts.
Related Party Transaction	The Council is required to disclose material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. Disclosure of these transactions allow 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. 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	The Council's reserves fall into two categories. The 'unearmarked' reserve is the balance on the General Fund. An 'earmarked' reserve is an amount set aside in the Council's accounts for specific purposes.
Revaluation Reserve	A reserve that records unrealised net gains on Council assets arising from periodic revaluations.

GLOSSARY OF TERMS

Revenue Balances	These reserves represent surplus balances that can be used in the future. Some balances can only be used to meet future expenditure 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, lighting, transport and charges for the use of assets.
Revenue Support Grant (RSG)	A general grant paid by the Government to Councils towards the costs of services, distributed via a formula. RSG is being phased out, and by 2020 will have been scrapped altogether.
Service Level Agreement (SLA)	Written agreements between providers of Council support services (e.g., Finance, Human Resources) and users. Each SLA specifies the support service to be provided, including timings and frequencies, the charges to be made and the period for which the agreement will run.
Surplus Assets	Assets that are not directly employed, used or consumed in the delivery of services. Examples include investment properties and assets that are surplus to requirements, pending sale, redevelopment or disposal.
Trading Accounts	Accounts that summarise the transactions of those Council services operating on a 'trading' basis and are financed by charges made to recipients of their services.
Transfer Value	A payment made by one pension scheme to another when a member changes employment to enable the receiving pension scheme to fund the member's defined benefits on retirement.
Valuation Band	For the purposes of calculating Council Tax, all domestic properties in the Borough are analysed over eight Valuation Bands as specified in the Local Government Finance Act 1992. In England the Council Tax Valuation Bands are as follows:

Band	**Value (relative to 1991 prices)**	**Ratio**	**Ratio as %**
A	up to £40,000	6/9	67%
B	£40,001 to £52,000	7/9	78%
C	£52,001 to £68,000	8/9	89%
D	£68,001 to £88,000	9/9	100%
E	£88,001 to £120,000	11/9	122%
F	£120,001 to £160,000	13/9	144%
G	£160,001 to £320,000	15/9	167%
H	£320,001 and above	18/9	200%