

Statement of Accounts **2022-2023**

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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 xxx authorised the Chair to approve the Statement of Accounts.

Councillor Princess Bright, Chair of Audit and Standards Committee

Date: xx

Chief Financial Officer's Narrative Report

INTRODUCTION

2022-23 has seen the volatility and uncertainty experienced by the Council in recent years continue. There have been economic events outside the control of the Council that have had a material impact on the environment within which it operates. Such events include the continued Russian invasion of Ukraine, increase in UK interest rates, continued inflationary pressure and increasing demand for many Council services. This Council has not been alone in facing these challenges but continue to provide support for our residents and community.

In March 2022, the Council Assembly agreed its 2022-23 budget. As part of the approval of the budget, the Assembly agreed to increase Council Tax by 2.99% (1.99% for general spending and a 1% Adult Social Care Precept). The Council invested an additional £11.6m in service delivery in 2022-23 budgets as well as identifying £4m to support the most vulnerable through the cost-of-living crisis.

Throughout the course of the year, we have experienced the impact of inflation on our costs like many in our community. The increases in energy costs, staff costs and the costs for providing placements for our most vulnerable children and adults have put our budgets under strain throughout the year. We have also seen that inflation has made many of our regeneration schemes more challenging to deliver in a cost-effective way.

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 delivering services by £8.1m than budgeted which was partially offset by an additional £2.4m in grant income. However, the council also incurred one-off costs and provisions of £19m which will be mitigated through the use of financial reserves and contingency budgets. The outturn report to Cabinet in June 2023 provides more detail on our financial position for 2022-23.

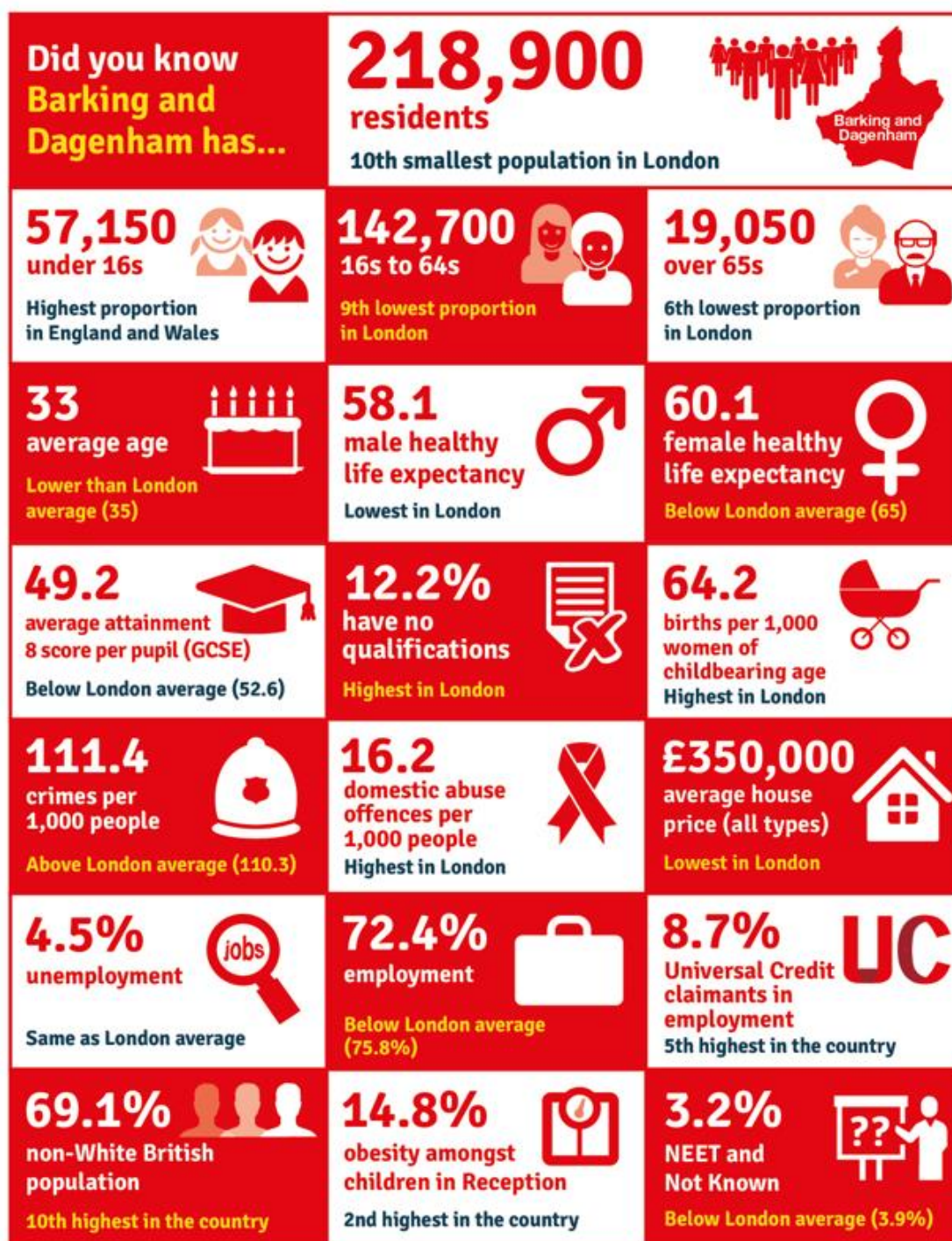
The Council will continue to pursue initiatives that will deliver additional income and financial savings to bridge the gap in the Medium-Term Financial Strategy. The demand for many services continue to grow as a result of a cost-of-living crisis at the same time the cost of delivering those services also increases. The Council is focused on delivering services in a financially sustainable manner, working with residents, businesses and partners to deliver our priorities for Barking and Dagenham that are set out in the Corporate Plan.

In February 2024, a consultation on Government's proposals to clear the national backlog in the audit of local authority accounts was launched. This outlined the course of action to reset the system through the implementation of a backstop date of 30 September 2024 to publish all outstanding years up to and including 2022/23. If audits are not completed by this deadline, modified opinions will be issued (qualified or disclaimers) which is likely to be the outcome for this Statement of Accounts.



Jo Moore
Interim Strategic Director of Resources and Section 151 officer
25 June 2024

ABOUT THE BOROUGH



Barking & Dagenham

THE COUNCIL

The Borough consists of 19 wards, an additional two wards from 2021 following a review of electoral wards by the Local Government Boundary Commission for England. During 2022-23, all 51 Councillors were from the Labour Party.

The Council operates with a Leader and Cabinet. During 2022-23 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 December 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 February 2022.

The Council's management is led by the Strategic Leadership Team, which during 2022/23 Comprised:

- Chief Executive
- Strategic Director of Inclusive Growth
- Strategic Director of Law and Governance
- Strategic Director Childrens and Adults
- Strategic Director, Community Solutions
- Strategic Director My Place
- Strategic Director Finance and Investment (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 over 2,000 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 2022/23 – Revenue

The Council's General Fund final budget for 2022/23 was £180.9m. The 2022/23 outturn position is £194m and a net transfer from reserves of £14.849m had to be put through.

This is the result of inherent service driven overspends that amount to £8m across the Council and a further £19m of year-end adjustments some of which relate to the Council's subsidiary Barking and Dagenham Trading Partnership Ltd (Co No: 1089284) (BDTP).

FINANCIAL PERFORMANCE 2022/23 – Capital Programme

The final Capital Programme budget for 2022/23 was £467.9m and the final outturn was £375m. The majority of the spend was allocated between Investment and Acquisition (IAS) (£316.1M), the General Fund (£33.1m) and (£23.8m). The table below shows a summary of Capital expenditure:

NARRATIVE REPORT

£m	Budget 2022/23	Expenditure 2022/23	Variance	%Variance
General Fund	58.487	33.125	25.362	43.4%
HRA	31.217	23.779	7.438	23.8%
IAS	375.514	316.089	59.425	15.8%
Transformation	2.651	2.106	0.545	20.6%
Deactivated projects	0	(0.133)	0.133	0
Total	467.869	374.966	92.903	19.9%

The underspend in schemes is partially attributable to COVID-19 and the capacity of partners to deliver in a timely way. Most of the underspend will be carried forward and added to next year's capital programme. The total carry-forward from 2022/23 is £92.6m

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. Cost related to deactivated projects relates to write back of receipted purchase orders allocated to projects which have now been deactivated.

FINANCIAL PERFORMANCE 2022/23 – Pension Fund

The financial position of the pension fund shows a negative return for the year due to the economic downturn following Russia's invasion of Ukraine. With rising inflation and interest rates and the forecasted recession in the UK economy, this has impacted the performance of the fund's investments. The overall investment return for the fund over the year, net of fund manager fees and custodian costs was -1.5%, which was 2.7% lower than the benchmark of 1.2%. Over three years the Fund's annualised return was 10.2%, which is 0.4% below the Fund's benchmark return of 10.6%.

The Pensions Fund net assets decreased by approx. £24.4m from £1.34m to £1.31m. This was largely caused by a £304.8m decrease in UK Equity Unit Trust reducing from £566.8m to £262m. The net asset decrease was partly offset by a reduction in current liabilities from £44.8m to £20.1m deriving from a reduced value in short term loans.

FINANCIAL PERFORMANCE 2022/23 – Housing Revenue Account

The Housing Revenue Account (HRA) outturn position for 2022/23 showed an underspend of £703k. This underspend has been transferred to the HRA reserve.

This is the third year in which the Council is 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. It is proposed that rents increase by CPI + 1% from April 2022 which is 4.1%. This means an average increase of £3.97 per week, increasing the average HRA rent from £97.00 per week to £100.97 per week.

NARRATIVE REPORT

FINANCIAL PERFORMANCE 2022/23 – Dedicated Schools Grant

The Dedicated Schools Grant (DSG) is reporting an overall overspend of £0.59m. This is driven by an overspend of £2.5m and £0.003m on High needs and the Schools Central Service block. The overspend has been mitigated by a £1.3m in Early years, derived from underspend on prior year allocations and funding, and a £0.6 underspend in school block. The DSG reserve position is shown below:

	2022/23 Budget	2022/23 Outturn	Surplus / (Deficit) Outturn
	£'000	£'000	£'000
Schools Block – ISB	180,624	180,004	621
Central Block	2,224	2,227	(3)
High Needs Block	44,509	47,024	(2,515)
Early Years Block	21,877	20,570	1,307
Total	249,234	249,825	(591)
DSG Surplus B/F			10,664
Revised DSG Reserve			10,073
Less EY clawback			(1,041)
22/23 DSG Reserve			9,032
Of which:			
SFFD retained		963	
Growth & Falling Fund C/F		309	
Net DSG Reserve			7,760

MEDIUM TERM FINANCIAL STRATEGY

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 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.

In addition, the MTFS is prepared recognising the financial uncertainty of Covid-19 and of the delays in fair funding reforms, which will also include New Homes Bonus funding, and 75% business rate retention until 2023/24 at the earliest.

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.

NARRATIVE REPORT

The MTFS position as reported to Cabinet in June 2023 is summarised below.

	2024-25	2025-26	2026-27
	£m	£m	£m
Budget Gap (incremental)	11.865	3.682	9.143
Budget Gap (cumulative)	11.865	15.547	24.690

An update on the Council's MTFS, along with an analysis of the financial impact on the Council of Covid-19 and local government funding changes (i.e. fair funding and business rate retention) will be provided to Cabinet during the year.

The 2022/23 revenue budget was approved by Cabinet in February as £181.9m – a net increase of approx. £8m since last year's budget book.

EXPLANATION OF THE KEY FINANCIAL STATEMENTS

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2023. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022-23, which in turn is underpinned by International Financial Reporting Standards.

The Core Statements are:

- **The Comprehensive Income and Expenditure Statement** records all of the Council's income and expenditure for the year, 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.

NARRATIVE REPORT

- 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 Supplementary Statements are:

- **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.
- **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.

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.

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;
- assessed the Council's [and the Group's] ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Council [and the Group] will continue in operational existence for the foreseeable future; and
- 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 certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2023 and of its income and expenditure for the year then ended.



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

Date: 25 June 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

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To be added upon conclusion of audit

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure £000	2021/22 Gross Income £000	Net Expenditure £000		Gross Expenditure £000	2022/23 Gross Income £000	Net Expenditure £000
225,345	(108,446)	116,899	People & Resilience	256,675	(116,110)	140,565
109,963	(113,643)	(3,680)	Corporate Management	171,343	(96,041)	75,302
25,626	(33,503)	(7,877)	Law and Governance	21,199	(24,946)	(3,747)
27,448	(14,064)	13,384	Strategy & Participation	4,765	(2,771)	1,994
6,863	(5,296)	1,567	Inclusive Growth	15,866	(11,721)	4,145
63,902	(40,813)	23,089	Community Solutions	69,815	(39,172)	30,643
44,282	(12,798)	31,484	My Place	50,685	(14,891)	35,794
77,487	(107,433)	(29,946)	Housing Revenue Account (HRA)	92,913	(113,140)	(20,227)
306,969	(310,964)	(3,995)	Dedicated Schools Grant (DSG)	335,027	(332,775)	2,252
887,885	(746,960)	140,925	Cost of Services	1,018,288	(751,567)	266,721
		9,038	Other Operating Expenditure (Note 5)			18,834
		17,773	Financing and Investment Income and Expenditure (Note 6)			(38,240)
		(195,530)	Taxation and Non-specific Grant Income (Note 7)			(173,106)
		(27,794)	Deficit/ (Surplus) on Provision of Services			74,209
			Deficit / (Surplus) on Revaluation of Property, Plant & Equipment Assets			(295,632)
		(199,598)	Re-measurement of the Net Defined Benefit Liability/(Asset) (Note 30)			(477,243)
		(304,148)	Other Comprehensive Income and Expenditure			(772,875)
		(331,942)	Total Comprehensive Income and Expenditure			(698,666)

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 2021	(128,737)	(17,599)	(57,451)	(23,445)	-	(227,233)	(1,476,375)	(1,703,608)
Movement in reserves during 2021/22								
Total Comprehensive Income and Expenditure	3,955	(31,749)				(27,794)	(304,148)	(331,942)
Adjustments between accounting basis & funding basis under regulations (Note 3)	(36,804)	18,944	(40,284)	2,883	-	(55,261)	55,261	-
(Increase)/Decrease	(32,849)	(12,805)	(40,284)	2,883	-	(83,055)	(248,887)	(331,942)
Balance at 31 March 2022	(161,586)	(30,404)	(97,735)	(20,562)	-	(310,288)	(1,725,262)	(2,035,550)
Movement in reserves during 2022/23								
Total Comprehensive Income and Expenditure	97,643	(23,434)				74,209	(772,875)	(698,666)
Adjustments between accounting basis & funding basis under regulations (Note 3)	(107,080)	21,087	32,796	3,917	-	(49,280)	49,280	-
(Increase)/Decrease	(9,437)	(2,347)	32,796	3,917	-	24,929	(723,595)	(698,666)
Balance at 31 March 2023	(171,025)	(32,751)	(64,938)	(16,645)	-	(285,360)	(2,448,856)	(2,734,216)
General Fund analysed over:								
Amounts earmarked (Note 4)	(153,994)							
Amounts uncommitted	(17,031)							
Total GF Balance at 31 March 2023	(171,025)							
Housing Revenue Account analysed over:								
Amounts earmarked (Note 4)		(11,147)						
Amounts uncommitted		(21,604)						
Total HRA Balance at 31 March 2023		(32,751)						

BALANCE SHEET

31 March 2022		Note	31 March 2023
£'000			£'000
3,416,189	Property, Plant and Equipment	8	3,678,529
10,546	Heritage Assets		10,486
131,752	Investment Property	10	314,138
1,905	Intangible Assets		734
33,588	Long Term Investments	11	23,575
121,993	Long Term Debtors	11	250,352
3,715,973	Long Term Assets		4,277,814
144,919	Short Term Investments	11	54,020
7,700	Assets Held for Sale		7,700
150	Inventories		174
121,374	Short Term Debtors	12	124,228
19,694	Cash and Cash Equivalents	13	-
293,837	Current Assets		186,122
-	Cash and Cash Equivalents		(1,310)
(63,000)	Short Term Borrowing	11	(165,317)
(127,857)	Short Term Creditors	14	(84,372)
(12,397)	Receipts in Advance - Grants		(1,922)
(4,290)	Provisions	15	(3,728)
(207,544)	Current Liabilities		(256,649)
(198,754)	Long Term Creditors	11	(279,208)
(47,214)	Receipts in Advance - Grants	24	(133,006)
(8,026)	Long Term Provisions	15	(6,318)
(1,016,421)	Long Term Borrowing	11	(1,025,800)
(496,301)	Pensions Liability	30	(28,739)
(1,766,716)	Long Term Liabilities		(1,473,071)
2,035,550	Net Assets		2,734,216
(310,288)	Usable Reserves		(285,360)
(1,725,262)	Unusable Reserves	17	(2,448,856)
(2,035,550)	Total Reserves		(2,734,216)

I confirm that the statement of accounts presents a true and fair view of the financial position as at 31 March 2023 and its income and expenditure for the year then ended.



Jo Moore
Interim Strategic Director of Resources (Section 151 Officer)
Date: 25 June 2024

**Barking &
Dagenham**

Cash Flow Statement

2021/22 £000		Note	2022/23 £000
27,794	Net Surplus or (Deficit) on the Provision of Services		(74,209)
117,795	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements	18a	162,637
(78,839)	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	18a	(258,524)
66,750	Net Cash Flows from Operating Activities		(170,096)
(213,605)	Investing Activities	18b	(53,956)
121,708	Financing Activities	18c	203,048
(25,147)	Net Increase or Decrease in Cash and Cash Equivalents		(21,004)
44,841	Cash and Cash Equivalents at the beginning of the Reporting Period	13	19,694
19,694	Cash and Cash Equivalents at the end of the Reporting Period	13	(1,310)

Barking & Dagenham

Notes to the Accounts for the year ended 31st March 2023

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NOTES TO THE ACCOUNTS

1. Expenditure and Funding Analysis

2021/22				2022/23		
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the CIES £000		Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the CIES £000
100,432	16,467	116,899	People & Resilience	140,413	152	140,565
(21,297)	17,617	(3,680)	Corporate management	(10,731)	85,205	75,302
(8,314)	437	(7,877)	Law and Governance	(4,182)	435	(3,747)
11,789	1,595	13,384	Strategy & Participation	1,994	-	1,994
1,532	35	1,567	Inclusive growth	2,764	1,381	4,145
18,566	4,523	23,089	Community solutions	26,178	4,465	30,643
19,539	11,945	31,484	My Place	23,310	12,484	35,794
(23,679)	(6,267)	(29,946)	Housing Revenue Account (HRA)	(13,230)	(6,997)	(20,227)
(3,995)	-	(3,995)	Dedicated Schools Grant (DSG)	2,252	-	2,252
94,573	46,752	140,925	Net Cost of Services	168,768	97,953	266,721
9,278	(240)	9,038	Other Operating Expenditure (Note 5)	14,082	4,752	18,834
9,231	8,542	17,773	Financial and Investment Income and expenditure (Note 6)	(26,821)	(11,419)	(38,240)
(158,735)	(36,795)	(195,530)	Taxation & Non-specific Grant Income and Expenditure (Note 7)	(167,813)	(5,293)	(173,106)
(45,653)	17,859	(27,794)	(Surplus)/Deficit on Provision of Services	(11,784)	85,993	74,209
(146,337)			Opening General Fund and HRA Balance	(191,990)		
(45,653)			Less/Plus Surplus or Deficit on General Fund and HRA balance in year	(11,784)		
(191,990)			Closing General Fund and HRA Balance at 31 March	(203,774)		

NOTES TO THE ACCOUNTS

Adjustment between Funding and Accounting Basis 2022/23

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
People & Resilience	152	-	-	152
Corporate management	78,742	7,266	25	86,033
Law and Governance	435	-	-	435
Strategy & Participation	-	-	-	-
Inclusive growth	1,381	-	-	1,381
Community solutions	4,465	-	-	4,465
My Place	12,484	-	-	12,484
Housing Revenue Account (HRA)	(7,362)	496	(131)	(6,997)
Dedicated Schools Grant (DSG)	-	-	-	-
Net Cost of Services	90,297	7,762	(106)	97,953
Other Operating Expenditure	4,752	-	-	4,752
Finance & Investment I&E	(13,338)	1,919	-	(11,419)
Taxation and Non-specific Grant I&E	(4,546)	-	(747)	(5,293)
Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services	77,165	9,681	(853)	85,993

Adjustment between Funding and Accounting Basis 2021/22

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
People & Resilience	16,467	-	-	16,467
Corporate management	(9,260)	27,264	(387)	17,617
Law and Governance	437	-	-	437
Strategy & Participation	1,595	-	-	1,595
Inclusive growth	35	-	-	35
Community solutions	4,523	-	-	4,523
My Place	11,945	-	-	11,945
Housing Revenue Account (HRA)	(7,829)	1,805	(243)	(6,267)
Dedicated Schools Grant (DSG)	-	-	-	-
Net Cost of Services	17,913	29,069	(630)	46,352
Other Operating Expenditure	(240)	-	-	(240)
Finance & Investment I&E	(2,378)	10,920	-	8,542
Taxation and Non-specific Grant I&E	(36,691)	-	(104)	(36,795)
Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services	(21,963)	39,989	(734)	17,859

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.

NOTES TO THE ACCOUNTS

2. Expenditure & Income Analysed by Nature

	2021/22 £000	2022/23 £000
Expenditure		
Employees benefit Expenses	374,602	382,127
Other Service expenses	505,355	616,708
Depreciation, amortisation and impairment	42,551	45,411
Interest Payments	34,233	39,867
Precept and Levies	9,278	14,082
Payment to Housing Capital Receipts Pool	1,299	311
Loss on the disposal of assets	45,544	258,419
Total Expenditure	1,012,862	1,356,925
Income		
Fees, charges and other service income	(349,260)	(392,384)
Interest and investment income	(9,601)	(10,334)
Income from council tax and non-domestic rates	(85,471)	(89,629)
Dividend income	(6,026)	(22,049)
Government grants and contributions	(543,216)	(514,342)
Gain on the disposal of assets	(47,082)	(253,978)
Total Income	(1,040,656)	(1,282,716)
Surplus/Deficit on the Provision of Services	(27,794)	74,209

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.

NOTES TO THE ACCOUNTS

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

2022/23	Usable Reserves					Total
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	£000
Adjustment to Revenue Reserve						
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:						
Pension costs (transferred to/from the Pensions Reserve)	(9,062)	(619)	-	-	-	(9,681)
Council tax and NDR (transfers to/from Collection Fund Adjustment Account)	747		-	-	-	747
Holiday pay (transferred to the Accumulated Absences Reserve)	(25)	131	-	-	-	106
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure.	(337,527)	(33,224)	-	-	(4,546)	(375,297)
Total	(345,867)	(33,712)	-	-	(4,546)	(384,125)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	222,447	31,531	(253,978)	-	-	-
Payments to the government housing receipts pool	(311)	-	311	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	19,210	-	(19,210)	-	-
Statutory provision for the repayment of debt	16,106	-	220,959	-	-	237,065
Capital expenditure financed from revenue balances.	546	4,057	-	-	-	4,603
Total	238,788	54,798	(32,708)	(19,210)	-	241,668
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	65,504	-	-	65,504
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	19,210	-	19,210
Application of capital grants to finance capital expenditure.	-	-	-	-	8,463	8,463
Total	-	-	65,504	19,210	8,463	93,177
Total Adjustments	(107,079)	21,086	32,796	-	3,917	(49,280)

NOTES TO THE ACCOUNTS

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

2021/22	Usable Reserves					Total
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	£000
Adjustment to Revenue Reserve						
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:						
Pension costs (transferred to/from the Pensions Reserve)	(37,500)	(2,489)	-	-	-	(39,989)
Council tax and NDR (transfers to/from Collection Fund Adjustment Account)	104	-	-	-	-	104
Holiday pay (transferred to the Accumulated Absences Reserve)	387	243	-	-	-	630
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure.	(21,927)	(40,851)	-	-	(36,691)	(99,469)
Total	(58,936)	(43,097)	-	-	(36,691)	(138,724)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	8,634	38,449	(47,083)	-	-	-
Payments to the government housing receipts pool.	(1,299)	-	1,299	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	17,820	-	(17,820)	-	-
Statutory provision for the repayment of debt	12,710	-	-	-	-	12,710
Capital expenditure financed from revenue balances.	2,087	5,772	-	-	-	7,859
Total	22,132	62,041	(45,784)	(17,820)	-	20,569
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	5,500	-	-	5,500
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	17,820	-	17,820
Application of capital grants to finance capital expenditure.	-	-	-	-	39,574	39,574
Total	-	-	5,500	17,820	39,574	62,894
Total Adjustments	(36,804)	18,944	(40,284)	-	2,883	(55,261)

NOTES TO THE ACCOUNTS

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 2022/23.

	Balance at 31/03/2021	Transfers in	Transfers out	Balance at 31/03/2022	Transfers in	Transfers out	Balance at 31/03/2023
	£000	£000	£000	£000	£000	£000	£000
General Fund							
Balances held by schools under a scheme of delegation:							
- Local Management of Schools*	(12,595)	(2,224)	1,307	(13,512)	-	2,130	(11,382)
- Dedicated Schools Grant*	(9,828)	(836)	-	(10,664)	-	591	(10,073)
- Non DSG Education Grant Reserve	-	(935)	-	(935)	-	-	(935)
PFI reserve*	(14,045)	(218)	-	(14,263)	(20)	-	(14,283)
Budget Support *	(13,557)	(8,550)	1,293	(20,815)	(1,183)	5,163	(16,836)
Collection Fund Equalisation Reserve	(12,310)	(3,944)	-	(16,254)	-	16,254	-
Capital Investment Reserve	(3,779)	-	-	(3,779)	-	-	(3,779)
Investment Reserve	(11,082)	(1,900)	3,404	(9,578)	(7,066)	476	(16,168)
Education, Youth and Childcare Insurance	(1,192)	(46)	35	(1,203)	(127)	100	(1,230)
	(2,231)	-	-	(2,231)	-	-	(2,231)
Service Grant C/F	(5,477)	(3,333)	2,296	(6,514)	(5,623)	3,001	(9,136)
Departmental Reserves	(2,243)	(1,532)	-	(3,775)	(2,019)	1,701	(4,093)
Corporate Infrastructure	(1,212)	(512)	-	(1,724)	-	43	(1,681)
Public Health	(2,455)	(1,136)	-	(3,591)	(415)	63	(3,943)
CR27 Hotel Deal Reserve	(5,500)	-	-	(5,500)	(15,500)	10,000	(11,000)
LEP Housing Rental Reserves	(2,642)	(112)	842	(1,911)	-	95	(1,816)
Parking Reserve (On Street)	(2,536)	(6,817)	1,609	(7,744)	-	218	(7,526)
Levy Trading Reserve	(940)	(3,670)	-	(4,610)	(1,497)	-	(6,107)
Welfare Reform Reserve	-	(4,500)	-	(4,500)	-	439	(4,061)
Subsidiary Dividend Reserve	-	-	-	-	(12,000)	-	(12,000)
Other Misc (individual items below £1m)	(7,100)	(5,035)	1,585	(10,500)	(19,162)	13,951	(15,711)
Total General Fund	(110,724)	(45,300)	12,371	(143,602)	(65,277)	55,003	(153,994)
HRA							
Leasehold Repairs	(8,179)	(1,325)	-	(9,504)	(1,644)	-	(11,147)
Total HRA	(8,179)	(1,325)	-	(9,504)	(1,644)	-	(11,147)

NOTES TO THE ACCOUNTS

*Significant Earmarked reserves (greater than £5m)	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 Grant into future years.
Budget Support Reserve	Set up to protect the General Fund budgets from large in year under or overspends caused by factors outside of managers control, (such as demography.)
Investment Reserve	Set up to carry forward the proceeds from Treasury Management Activity and external Investments.
PFI Reserve	Set up to carry forward surpluses earned in earlier years in PFI Contracts to cover losses to be incurred at the end of the projects.
Subsidiary Dividend Reserve	Set up to carry forward dividends paid by subsidiary projects into future years, and as a protection against non-payment.
Hotel Reserves	Set up to cover shortfall in rental income caused by tenant default in 2 hotels.
Parking Reserves	Set up to carry forward parking income to be used in line with Section 55 of the Road Traffic Act.
Service Grant Carry Forward Reserve	Set up to carry forward unspent Service Grant Funding into future years.
Levy Reserve	Set up to carry forward prior year refunds and underspends to cover future years anticipated increases.
Community Solutions Collection Fund	Set up to fund the HAM Hub and Revenues and Benefits Service for the next 4 years.
Leasehold Repairs Reserve	Set up to facilitate repairs to leasehold properties where required.

NOTES TO THE ACCOUNTS

5. Other Operating Expenditure

	2021/22 £000	2022/23 £000
Levies	9,278	14,082
Payments to the Government Housing Capital Receipts Pool	1,299	311
(Gains)/Losses on the disposal of non-current assets	(1,539)	4,441
Total	9,038	18,834

6. Financing and Investment Income and Expenditure

	2021/22 £000	2022/23 £000
Interest payable and similar charges	34,233	32,102
Net interest on the net defined benefit liability	10,920	1,919
Interest receivable and similar income	(15,541)	(32,274)
Income and expenditure in relation to investment properties	(8,827)	(26,095)
Changes in fair value of investment properties	(2,378)	(13,338)
(Gains)/Losses on Trading Accounts	(634)	(554)
Total	17,773	(38,240)

7. Taxation and Non-Specific Grant Income

	2021/22 £000	2022/23 £000
Council Tax income and Retained Business Rates	(85,471)	(89,629)
Non-ring fenced Government Grants	(79,015)	(83,638)
Capital Grants & Contributions and REFCUS	(31,044)	161
Total	(195,530)	(173,106)

8. Property, Plant and Equipment

The movements in the Council's Property, Plant and Equipment for the year 2022/23 are set out in the table below. Estimated asset lives and depreciation rates are set out in the Accounting Policies.

The Council revalue 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, revaluation is carried out annually.

NOTES TO THE ACCOUNTS

2022/23

	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total PPE	PFI Included in PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2022	1,364,923	1,384,127	44,630	21,691	495,068	43,351	3,353,785	174,447
Additions	19,687	12,674	1,441	6,544	293,959	442	334,747	1,727
Revaluations recognised in the Revaluation Reserve	102,650	149,482	-	-	-	1,610	253,742	18,786
Revaluations recognised in the Provision of Services	3,775	(7,300)	-	-	-	619	(2,906)	-
De-recognition due to disposals	(19,097)	(445)	-	-	(231,735)	(5,373)	(256,650)	-
Reclassifications to other assets		5,507	-	-	(70,099)	-	(64,592)	-
Cost or Valuation at 31 March 2023	1,471,938	1,544,045	46,071	28,235	487,193	40,649	3,618,126	194,960
Accumulated Depreciation at 1 April 2022	-	(4,152)	(36,406)	-	(34)	(70)	(40,662)	-
Depreciation charge	(21,486)	(19,757)	(2,741)	-	-	(719)	(44,703)	(2,952)
Depreciation written out to the Revaluation Reserve	21,186	20,072	-	-	-	632	41,890	2,952
De-recognition due to disposals	300	53	-		34	91	478	
Accumulated Depreciation at 31 March 2023	-	(3,784)	(39,147)	-	-	(66)	(42,997)	-
Net Book Value at 31 March 2023	1,471,938	1,540,261	6,924	28,235	487,193	40,583	3,575,132	194,960

NOTES TO THE ACCOUNTS

2021/22

	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total PPE	PFI Included in PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2021	1,253,851	1,279,392	43,167	19,130	247,556	46,096	2,889,193	159,692
Additions	21,406	13,517	1,463	-	300,576	279	339,802	1,631
Revaluations recognised in the Revaluation Reserve	105,467	57,098	-	-	-	(778)	161,767	13,124
Revaluations recognised in the Provision of Services	3,932	7,035	-	-	-	(2,246)	8,721	-
De-recognition due to disposals	(28,237)	(13,659)	-	-	(3,822)	-	(45,718)	-
Reclassifications to other assets	8,504	40,744	-	-	(49,248)	-	-	-
Cost or Valuation at 31 March 2022	1,364,923	1,384,127	44,630	21,691	495,068	43,351	3,353,785	174,447
Accumulated Depreciation at 1 April 2021	-	(3,563)	(33,567)	-	(34)	-	(37,164)	-
Depreciation charge	(19,736)	(18,548)	(2,839)	-	-	(774)	(41,897)	(2,799)
Depreciation written out to the Revaluation Reserve	19,339	17,768	-	-	-	704	37,811	2,799
De-recognition due to disposals	397	191	-	-	-	-	588	-
Accumulated Depreciation at 31 March 2022	-	(4,152)	(36,406)	-	(34)	(70)	(40,662)	-
Net Book Value at 31 March 2022	1,364,923	1,379,975	8,224	21,691	495,030	43,281	3,313,124	174,447

NOTES TO THE ACCOUNTS

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 PPE (Excluding Infrastructure Assets)
	£000	£000	£000	£000	£000	£000	£000
Value at historic cost	-	-	6,924	-	487,192	-	494,118
Value at current value in:							
2022/23	1,471,938	1,473,622	-	19,881	-	32,880	2,998,321
2021/22	-	10,640	-	-	-	-	10,640
2020/21	-	27,452	-	-	-	4,583	32,035
2019/20	-	19,215	-	-	-	285	19,500
2018/19	-	9,332	-	8,354	-	2,835	20,521
TOTAL	1,471,938	1,540,261	6,924	28,235	487,192	40,583	3,575,132

NOTES TO THE ACCOUNTS

Property Plant and Equipment (PPE) (continued)

At 31 March 2023 the Council had the following significant contractual commitments amounting to £470.7m (2021/22 £337.1m) for the construction or enhancement of its Property, Plant and Equipment in 2022/23 and future years. The major contractual commitments outstanding as at 31/3/23 are:

Investment Strategy	£000
Gascoigne East Phase 3a - Block I	23,613
Gascoigne East Phase 3a - Block J	15,386
Gascoigne East Phase 2 - Block F	11,476
Gascoigne East Phase 3b	133,916
Gascoigne West Phase 2	26,237
Padnall Lake Phase 1	1,697
Padnall Lake Phase 2	7,375
Woodward Road	1,549
Oxlow Lane	7,418
Roxwell Road	21,413
Transport House	32,081
Town Quay Wharf	10,245
12 Thames Rd	18,924
	<u>450,401</u>
 General Fund	
Parsloes Park	5,202
Corporate Retrofit - energy efficiency	2,472
Greatfields Primary Free School New Build	9,602
	<u>17,276</u>
 Housing Revenue Account	
Decent Homes Internals	1,685
Decent Homes Energy Efficiency Schemes	1,374
Total Income	<u>3,059</u>
 Total	 <u><u>470,736</u></u>

NOTES TO THE ACCOUNTS

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 for Scottish Local Authorities] 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.

	2021/22 £000	2022/23 £000
Net book value (modified historical cost) at 1 April	105,934	103,065
Additions	6,775	10,202
Derecognition	-	-
Depreciation	(9,644)	(9,871)
Impairment	-	-
Other movements in cost	-	-
Infrastructure Assets		
Net book value at 31 March	103,065	103,396

	2021/22 £000	2022/23 £000
Infrastructure assets	103,065	103,396
Other PPE assets	3,313,124	3,575,132
Total PPE assets	3,416,189	3,678,528

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:

	2021/22	2022/23
	£000	£000
Rental income from investment property	(15,893)	(32,879)
Direct operating expenses arising from investment property	7,066	6,784
Net gain	(8,827)	(26,095)

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

Investment properties are shown at fair value at the balance sheet date and are subject to revaluation 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:

	2021/22	2022/23
	£000	£000
Balance at the start of the year	129,519	131,752
Additions	269	106,702
Disposals	(414)	(2,246)
Reclassifications	-	64,592
Net gains/(losses) from fair value adjustments/revaluations	2,378	13,338
Balance at end of the year	131,752	314,138

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.

NOTES TO THE ACCOUNTS

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 2021/22 £000	Short Term 2021/22 £000		Long Term 2022/23 £000	Short Term 2022/23 £000
		<u>Financial Assets at Amortised Cost</u>		
33,5880	144,920	Investments	23,575	54,020
-	19,694	Cash and Cash Equivalents (see Note 14)	-	-
		Debtors		
121,992	120,651	Debtors as per Balance Sheet (see Note 13)	250,352	123,034
	723	Accrued Interest Receivable	-	1,194
-	(56,237)	Adjustments for statutory debtors - not qualifying as financial assets at amortised cost	-	(30,192)
121,992	65,137	Total debtors qualifying as Financial Assets at Amortised Cost	250,352	94,036
155,580	229,751	Total Financial Assets	273,927	148,056
		<u>Financial Liabilities at Amortised Cost</u>		
(1,016,421)	(63,000)	Borrowings	(1,025,800)	(165,317)
		Cash and Cash Equivalents (see Note 14)		(1,310)
		Creditors		
(193,963)	(3,394)	PFI and finance lease liabilities	(270,870)	(4,492)
(4,790)	(121,468)	Creditors as per Balance Sheet (See Note 15)	(8,338)	(76,024)
-	(2,995)	Accrued Interest Payable		(3,856)
-	28,983	Adjustments for statutory short-term creditors (not qualifying)	-	21,395
(198,753)	(98,874)	Total creditors qualifying as financial liabilities at amortised cost	(279,208)	(62,977)
(1,215,174)	(161,874)	Total Financial Liabilities	(1,305,008)	(229,604)

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.

NOTES TO THE ACCOUNTS

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

Long Term 2021/22 £000	Short Term 2021/22 £000		Long Term 2022/23 £000	Short Term 2022/23 £000
		<u>Borrowing</u>		
(895,433)		PWLB	(877,504)	(20,000)
(10,000)		LOBO	(10,000)	
(110,988)		Other Markets debt	(138,296)	
	(63,000)	Short Term Loans		(145,317)
(1,016,421)	(63,000)	Total	(1,025,800)	(165,317)

NOTES TO THE ACCOUNTS

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:

Financial Liabilities measured at amortised cost £000	2021/22	Total £000		Financial Liabilities measured at amortised cost £000	2022/23	Total £000
	Assets and Liabilities at Fair Value through Profit and Loss £000				Assets and Liabilities at Fair Value through Profit and Loss £000	
34,233	-	34,233	Interest expense *	32,102		32,102
-	256	256	Fee Expense**		265	265
-	(9,541)	(9,541)	Interest Income *		(32,274)	(32,274)
34,233	(9,285)	24,948	Net gain / (loss) for the year	32,102	(32,009)	93

* 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 2023 of 0.79% for one year to 1.99% for 50 year loans from the PWLB, after taking into account a 20bps reduction
- 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 a 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.

NOTES TO THE ACCOUNTS

The fair values calculated are as follows:

31 March 2022			31 March 2023	
Carrying Amount	Fair Value based on New Loan Rate		Carrying Amount	Fair Value based on New Loan Rate
£000	£000	Financial Assets	£000	£000
178,508	179,702	Investments	77,595	77,595
19,694	19,694	Cash & Cash Equivalents	-	-
121,992	121,992	Long Term Debtors	250,352	250,352
64,414	64,414	ST Debtors (excl Interest Receivable)	95,356	95,356
723	723	Interest Receivable Accrual	1,194	1,194
385,331	386,525	Total	424,497	421,983
		Financial Liabilities		
£000	£000		£000	£000
-	-	Cash & Cash Equivalents	(1,310)	(1,310)
(895,433)	(899,011)	PWLB	(897,504)	(660,030)
(120,988)	(135,063)	Market Loans	(148,296)	(129,429)
(63,000)	(63,000)	Temporary Loans	(145,317)	(145,317)
(202,147)	(202,147)	PFI & Finance Lease	(283,700)	(283,700)
(92,486)	(92,486)	ST Creditors (excl Interest Payable)	(54,629)	(54,629)
(2,995)	(2,995)	Interest Payable Accrual	(3,856)	(3,856)
(1,377,049)	(1,394,702)	Total	(1,550,085)	(1,278,271)

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 2023 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 2023) 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 £1.7bn for 2022/23, which includes £311m for the HRA self-financing debt settlement; and
- to approve the annual investment strategy and creditworthiness policy for 2022/23 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.

NOTES TO THE ACCOUNTS

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 2023 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 2023 £000
Deposits with Banks	A Rated	20,000
UK Government	Local Authority	34,000
Commercial Loans	See below	250,352
Total Investments		304,352

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:

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Trade and Other Receivables

At 31st March 2023 the Lifetime Expected Credit Loss Provision (ECL) for trade receivables is as

	1 to 30 days past due date £000	More than 30 days past due date £000	More than 60 days past due date £000	More than 90 days past due date £000	More than one year £000	Total £000
Expected Loss rate	1%	3%	10%	50%	100%	
Gross Carrying Amount	3,091	959	1,292	8,475	16,050	29,867
Loss Provision	31	29	129	4,237	16,050	20,476

At 31st March 2022 the Lifetime Expected Credit Loss Provision (ECL) for trade receivables is as

	1 to 30 days past due date £000	More than 30 days past due date £000	More than 60 days past due date £000	More than 90 days past due date £000	More than one year £000	Total £000
Expected Loss rate	1%	3%	10%	50%	100%	
Gross Carrying Amount	7,894	2,945	1,455	2,321	3,177	17,342
Loss Provision	79	75	146	1,161	3,177	4,637

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

NOTES TO THE ACCOUNTS

carrying amount of the financial asset less ECL. The table below summarises the general approach.

There are currently loans totalling £250.4m, with most of the loans are 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 2022/23 none of the counterparties experienced any financial problems. £0.673m 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 costs	12 Month Expected Credit Losses £000
Opening balance as at 1 April 2022	673
Individual financial assets transferred to 12mth ECL (Stage 1)	-
Amounts written off	-
Changes in models/risk parameters	-
As at 31 March 2023	673

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 Amounts £000	Loss Allowances £000	Secured/ Guarantee	Risk of Default	Finch Rating Criteria*
Reside property	156,574				
B&D Reside Weavers LLP	36,793	43.73	Yes	0.12%	BBB
B&D Trading Partnerships	21,700	148.19	Yes	0.60%	BB
B&D Homes Limited	10,551	12.53	Yes	0.12%	BBB
B&D Energy Ltd	7,259	35.37	Yes	0.60%	BB
BRL Loan	5,500	33.01	Yes	0.60%	B
B&D Reside Regeneration LLP	5,342	7.60	Yes	0.12%	BBB
Be First	5,046	96.13	No	2.09%	B
Other (individually below £1m)	1,587				
Total	250,352	672.55			

* 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

NOTES TO THE ACCOUNTS

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 March 2022 £000	Actual 31 March 2023 £000
Less than one year	65,765	168,074
Between 1 and 2 years	-	-
Between 2 and 5 years	-	-
Between 5 and 10 years	-	-
More than 10 years	1,006,421	1,025,800
Total	1,072,186	1,193,874

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);

NOTES TO THE ACCOUNTS

- 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 or 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 2023 if interest rates had been 1% higher with all other variables held constant, the financial effect for 2022/23 would be:

Interest Rate Risk - 1% Increase	£000
Increase in interest payable on variable rate borrowings*	-
Increase in interest receivable on variable rate investments	791
Impact on Surplus or Deficit on the Provision of Services	791
Interest Rate Risk – 1% Decrease	-
Decrease in interest payable on variable rate borrowings*	-
Decrease in interest receivable on variable rate investments	801
Impact on Surplus or Deficit on the Provision of Services	801

*The Council did not hold any variable rate borrowings as at 31 March 2023 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 2023 the Council did not hold any Certificates of Deposit.

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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

	2021/22 £000	2022/23 £000
Central Government Bodies	6,010	6,072
Other Local Authorities	3,895	2,439
NHS Bodies	1,060	601
Housing Benefits Overpayments (net of BDP)	4,497	2,440
Housing Rents (net of BDP)	3,786	4,077
Leaseholder Service Charge	522	177
Payments in Advance	24,767	10,441
Court Costs	5,274	3,416
VAT	12,828	11,671
Other Entities and Individuals (net of BDP)	58,735	82,893
Total	121,374	124,228

13. Cash and Cash Equivalents

	2021/22 £000	2022/23 £000
Cash held by the council	16	58
Bank current accounts	19,678	(1,368)
Total	19,694	(1,310)

14. Creditors

	2021/22 £000	2022/23 £000
Central Government Bodies	(24,551)	(10,040)
Other Local Authorities	(1,746)	(2,725)
NHS Bodies	(358)	(235)
Other Entities and Individuals	(101,202)	(71,372)
Total	(127,857)	(84,372)

NOTES TO THE ACCOUNTS

15. Provisions

	Balance at 31 March 2022 £000	Additional Provisions made during 2022/23 £000	Amounts used or reversed in 2022/23 £000	Balance at 31 March 2023 £000
Long Term				
Insurance	(5,092)	(1,455)	2,323	(4,215)
NDR Appeals	(2,934)	(2,103)	2,934	(2,103)
Short Term				
Contaminated land	(2,094)	-	198	(1,897)
Client Over Charge Refund	(900)	-	800	(100)
Disrepair claims and Damages	(1,296)	(1,064)	629	(1,731)
Total	(12,316)	(4,612)	6,008	(10,045)

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.

NOTES TO THE ACCOUNTS

16. Usable Reserves

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

17. Unusable Reserves

The breakdowns of materially significant reserves are provided below.

2021/22 £000	Unusable Reserves	2022/23 £000
(1,281,459)	Revaluation Reserves	(1,554,697)
(947,747)	Capital Adjustment Account	(929,688)
496,301	Pension Reserve	28,739
4,983	Collection Fund Adjustment Account	4,236
2,660	Accumulated Absence Account	2,554
(1,725,262)	Total	(2,448,856)

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.

2021/22 £000	Revaluation Reserve	2022/23 £000
(1,117,284)	Balance at 1 April	(1,281,459)
(233,788)	Upward Revaluation of Assets	(331,162)
34,190	Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	35,530
21,156	Accumulated gains or losses on assets disposed of in year.	6,168
14,267	Difference between fair value depreciation and Historical cost depreciation	16,226
(1,281,459)	Balance at 31 March	(1,554,697)

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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.

2021/22 £000	Capital Adjustment Account	2022/23 £000
(928,329)	Balance at 1 April	(947,747)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
	Adjustment to opening to correct Revaluation Reserve	
51,639	Charges for depreciation and impairment of non-current assets	54,672
(8,721)	Revaluation gains/(losses) on Property, Plant and Equipment	2,906
2,010	Amortisation of intangible assets	1,171
11,374	Revenue expenditure funded from capital under statute.	71,468
45,544	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	258,419
(35,423)	Adjusting amounts written out of the Revaluation Reserve	(22,394)
	Capital financing applied in the year:	
(5,500)	Use of the Capital Receipts Reserve to finance new capital expenditure	(65,504)
(17,820)	Use of the Major Repairs Reserve to finance new capital expenditure	(19,210)
(39,574)	Application of grants to capital financing from the Capital Grants Unapplied Account	(8,463)
(12,710)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(13,172)
(7,859)	Capital expenditure charged against the General Fund and HRA balances	(4,603)
	- Repayment of The Capital Financing Requirement using Capital Receipts	(248,367)
	- Repayment of The Capital Financing Requirement using General Fund	(2,934)
	- Loan repayment	27,408
(2,378)	Movements in market value of Investment Properties	(13,338)
(947,747)	Balance at 31 March	(929,688)

NOTES TO THE ACCOUNTS

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.

2021/22 £000	Pension Reserve	2022/23 £000
560,862	Balance at 1 April	496,301
(104,550)	Remeasurements of the net defined benefit liability/asset	(477,243)
70,156	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	43,119
(30,167)	Employer pensions' contributions and direct payments to pensioners payable in the year	(6,438)
496,301	Balance at 31 March	28,739

NOTES TO THE ACCOUNTS

18. Cash Flow Notes

18a. Net Cash Flows from Operating Activities

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2021/22 £000		2022/23 £000
51,639	Depreciation	54,674
(8,721)	Impairment and downward valuations	(10,432)
2,010	Amortisation	1,171
(2,496)	Increase/(decrease) in creditors	(55,413)
(23,598)	(Increase)/decrease in debtors	(24,340)
	(Increase)/decrease in long term debtors	(128,359)
(37)	(Increase)/decrease in inventories	(24)
39,989	Movement in pension liability	(9,681)
45,544	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	258,418
	Increase/(decrease) in Grants and Contributions	75,316
	Receipts in Advance	1,307
13,464	Other non-cash items charged to the net surplus or deficit on the provision of services	1,307
117,794		162,637

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2021/22 £000		2022/23 £000
(36,691)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(4,546)
(47,647)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(253,978)
5,500	Any other items for which the cash effects are investing or financing cash flows	
(78,838)		(258,524)
63,884	Net Cash Flows from Operating Activities	(170,096)

NOTES TO THE ACCOUNTS

18b. Cash flow Note – Investing Activities

2021/22 £000		2022/23 £000
(339,507)	Purchase of property, plant and equipment, investment property and intangible assets	(413,036)
45,687	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	253,978
(158,883)	Purchase of short-term and long-term investments	(352,535)
208,269	Proceeds from short-term and long-term investments	453,091
37,179	Capital grants received	4,546
(6,350)	Other payments for investing activities	-
<u>(213,605)</u>	Net Cash Flows from Investing Activities	<u>(53,956)</u>

18c. Cash flow Note – Financing Activities

2021/22 £000		2022/23 £000
(3,009)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	95,141
(329,357)	(Repayment) of short and long-term borrowing	(326,915)
444,913	Cash receipts of short-term and long-term borrowing	437,997
9,161	Other payments for financing activities	(3,175)
<u>121,708</u>	Net Cash Flows from Financing Activities	<u>203,048</u>

NOTES TO THE ACCOUNTS

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.

	2021/22	2022/23
	£000	£000
Funding provided to the pooled budget:		
the Council	12,249	12,564
the CCG	18,041	17,895
	30,290	30,459
Expenditure met from the pooled budget:		
the Council	(12,249)	(12,564)
the CCG	(16,517)	(17,680)
	(28,766)	(30,244)
Total Net Surplus / (Deficit) of the pooled budget	1,524	215
Net surplus / (deficit) for the Council	0	0
Net surplus / (deficit) for the CCG	1,524	215

20. Members Allowances

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

	2021/22	2022/23
	£000	£000
Basic Allowances	556	600
Special Responsibility Allowances	320	347
Employers NI	61	71
Total	937	1,018

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).

NOTES TO THE ACCOUNTS

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

	2021/22		2022/23	
	Non-Teaching Employees	Teaching Employees	Non-Teaching Employees	Teaching Employees
£50,000 - £54,999	117	451	97	526
£55,000 - £59,999	28	77	66	78
£60,000 - £64,999	50	89	49	63
£65,000 - £69,999	24	75	25	140
£70,000 - £74,999	17	63	18	59
£75,000 - £79,999	18	39	20	46
£80,000 - £84,999	13	24	5	17
£85,000 - £89,999	11	26	16	23
£90,000 - £94,999	0	5	0	21
£95,000 - £99,999	2	10	0	13
£100,000 - £104,999	7	7	5	3
£105,000 - £109,999	1	1	0	6
£110,000 - £114,999	0	5	0	3
£115,000 - £119,999	0	2	0	4
£120,000 - £124,999	3	1	3	4
£125,000 - £129,999	0	3	0	2
£130,000 - £134,999	0	1	0	1
£135,000 - £139,999	0	2	0	2
£140,000 - £144,999	0	0	0	0
£145,000 - £149,999	0	1	1	1
£150,000 - £154,999	0	0	0	1
£155,000 - £159,999	0	0	0	0
£160,000 - £164,999	0	0	0	1
Total	291	882	305	1,014

NOTES TO THE ACCOUNTS

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

2022/23 Post Held	Notes	Salary, Fees & Allowances	Bonuses	Expense Allowances	Compensation for Loss of Employment	Sub- total	Employer's Pension Contribution	Total (including Pensions contribution)
Chief Executive - Fiona Taylor	1	154,094				154,094	31,904	185,998
Chief Executive - Claire Symonds	2	25,489				25,489	5,863	31,352
Strategic Director, Law & Governance - Fiona Taylor	1	27,073				27,073	6,227	33,300
Strategic Director, Children & Adults - Elaine Allergretti		172,742				172,742	32,757	205,499
Head of Law/Chief Legal Officer	3	115,684				115,684	26,581	142,265
Strategic Director, Inclusive Growth	4	25,686				25,686	5,880	31,566
Strategic Director, Inclusive Growth	4	86,394				86,394	19,871	106,265
Strategic Director, Community Solutions	5	110,639				110,639	-	110,639
Strategic Director, My Place	6	90,475				90,475	20,809	111,284
Strategic Director, My Place	6	76,430				76,430	17,579	94,009
Director of Strategy	7	109,776				109,776	-	109,776
Director of Strategy & Culture	7	40,377				40,377	-	40,377
Strategic Director, Finance & Investment		134,340		546		134,886	30,898	165,785
Director of Workforce Change	8	94,663				94,663	21,773	116,436
Director of Community Partnership & Participation	8	103,269				103,269	23,752	127,021
Director of Support & Collections	8	103,269		282		103,551	23,752	127,303
Head of Leaders Office	8	57,102		504		57,606	13,134	70,739

Note 1 Fiona Taylor was Strategic Director, Law and Governance, April 2022 to May 2022. Then became Interim Chief Executive of the Council from May 2022 for the remainder of 2022-23.

Note 2 Claire Symonds was Interim Chief Executive until May 2022.

Note 3 Head of Law/Chief Legal Officer post appointed interim Monitoring Officer from May 2022.

Note 4 Strategic Director, Inclusive Growth covered by two individuals, split as above

Note 5 Strategic Director, Community Solutions was in post April 2022 to September 2022. This role was filled by a consultant, therefore no Employer's Pension Contributions occurred. The post has remained vacant.

Note 6 Strategic Director of My Place was covered by two individuals throughout the year. Current Strategic Director of My Place has been in position since August '22, previously the Director of Homes and Assets.

Note 7 Director of Strategy & Culture filled by two consultants throughout the year, split as above. Therefore, no Employer's Pension Contributions occurred.

Note 8 These posts now report to the Chief Executive, have not done so in previous years

NOTES TO THE ACCOUNTS

2021/22

Post Held	Notes	Salary, Fees & Allowances	Bonuses	Expense Allowances	Compensation for Loss of Employment	Sub-total	Employer's Pension Contribution	Total (including Pensions contribution)
Chief Executive - Claire Symonds	1	46,833	-	-	-	46,833	10,303	57,136
Chief Executive - Christopher Naylor	2	127,211	-	-	-	127,211	27,986	155,197
Managing Director/Deputy Chief Executive - Claire Symonds	1	126,680	-	-	-	126,680	27,870	154,550
Head Teacher, Jo Richardson School - Ges Smith	3	65,955	-	-	-	65,955	15,618	81,573
Strategic Director, Law & Governance	4	149,926	-	-	-	149,926	32,984	182,909
Strategic Director, Children & Adults	5	145,839	-	-	-	145,839	32,085	177,924
Strategic Director, Inclusive Growth	6	40,092	-	-	-	40,092	8,820	48,912
Strategic Director, Inclusive Growth	6	25,302	-	-	-	25,302	5,648	30,951
Strategic Director, Community Solutions	7	124,333	-	-	-	124,333	27,353	151,686
Strategic Director, My Place	8	130,207	-	-	-	130,207	28,646	158,852
Director of Strategy & Participation	9	49,374	-	-	99,992	149,366	10,862	160,228
Director of Strategy & Culture	9	104,720	-	-	-	104,720	-	104,720
Strategic Director, Finance & Investment		120,465	-	-	-	120,465	26,502	146,967

NOTES TO THE ACCOUNTS

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 Packages Cost band	Number of Compulsory		Number of others		Total number of exits		Total cost of exits	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0 – £20,000	21	14	22	20	43	34	306,360	255,708
£20,001–£40,000	4	2	1	4	5	6	148,794	159,726
£40,001–£60,000	1	0	0	0	1	0	53,587	0
£60,001–£80,000	0	0	1	0	1	0	61,137	0
£80,001 +	1	0	0	0	1	0	99,992	0
Total	27	16	24	24	51	40	669,869	415,434

NOTES TO THE ACCOUNTS

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.

	2021/22 £000	2022/23 £000
Fees payable for audit of the authority	134	141
Fees payable for audit related assurance services	7	7
Fees payable for mandatory assurance services	20	22
TOTAL	161	170

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.

Details of the deployment of DSG received for 2022/23 is below.

Total 2021/22 £000		Central Costs £000	ISB £000	Total 2022/23 £000
310,421	Final DSG for year before Academy recoupment			321,943
(64,940)	Less: Academy figure recouped			(72,710)
245,481	Total DSG after Academy recoupment			249,233
9,827	Brought forward from previous year			10,664
-	Less: Carry forward agreed in advance			-
255,308	Agreed initial budget distribution in year	27,969	231,928	259,897
	In year adjustments	62	344	406
255,308	Final budget distribution for the year	28,031	232,272	260,303
(13,829)	Less: Actual central expenditure	(17,371)	-	(17,371)
(230,815)	Actual ISB deployed to schools	-	(232,859)	(232,859)
10,664	Total carry forward	10,660	(587)	10,073

NOTES TO THE ACCOUNTS

24. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23:

	2021/22 £000	2022/23 £000
Credit to Taxation and Non-Specific Grant Income		
RSG (Includes Business Rates Retention Scheme)	(56,957)	(57,514)
NNDR Compensation grants	(7,901)	(8,964)
New Homes Grant	(1,543)	(1,073)
Social Care Grant	(7,818)	(10,506)
Housing & Council Tax Benefits Admin Grant	(875)	(837)
Interim payment to City of London	-	1,433
Green homes	(2,979)	-
Service Grant	-	(3,978)
Local Council Tax Support Administration Subsidy Grant	(2,023)	-
Individual Covid Grants	(2,881)	-
Sales and Fees Compensation Grant (Covid)	(652)	-
Other grants individually less than £1 million	(1,344)	(2,199)
Total	(79,015)	(83,638)
Credit to Services		
Dedicated Schools Grant (DSG)	(244,615)	(254,529)
Education and Skills Funding Agency	(26,419)	(20,270)
Public Health England	(18,068)	(18,382)
Department for Levelling Up, Housing and Communities (DLUHC) formerly the Ministry of Housing, Communities and Local Government (MHCLG)	(25,767)	(10,591)
Pupil Premium	(10,836)	(11,908)
Home Office	(3,305)	(3,321)
Department of Work and Pensions	(5,591)	(6,016)
Greater London Authority	(1,835)	(3,673)
Department of Health and Social Care	(7,750)	(11,817)
Other grants individually less than £1 million	(6,861)	(15,425)
Total	(351,046)	(355,932)
Credit to Services - Housing Benefit		
Mandatory Rent Allowances: Subsidy	(42,752)	(37,835)
Rent Rebates granted to HRA tenants: Subsidy	(8,790)	(7,965)
Mandatory Rent Rebates outside HRA	(31,623)	(30,230)
Total	(83,165)	(76,031)

NOTES TO THE ACCOUNTS

	2021/22	2022/23
	£000	£000
Credit to Taxation and Non-Specific Grant Income - Capital Grant		
Department for Education	(23,049)	(8,839)
Transport for London	(1,259)	(2,139)
Department for Business, Energy and Industrial Strategy (BEIS)	-	(1,234)
Developer Contributions	60	(1,434)
Other Capital Grants	(6,797)	13,807
Total	(31,045)	161

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:

	2021/22	2022/23
	£000	£000
Capital Grant Received in Advance		
Department for Education	(14,377)	(29,882)
Greater London Authority	(20,877)	(96,868)
Department for Business, Energy and Industrial Strategy	(9,554)	(2,866)
Department for Levelling Up, Housing and Communities	(2,351)	(3,337)
Other capital grants	(55)	(53)
TOTAL	(47,214)	(133,006)

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 25.

Members

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

The total of Members' allowances paid in 2023/24 is shown in Note 20. During 2023/24, no works or services were commissioned from companies in which members had an interest. There have been no declarations by members of personal Related Parties Transactions with the Council in 2023/24.

Officers

During 2023/24 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 2023/24.

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.

Pension fund

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

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 623 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.

Barking and Dagenham Reside Regeneration Ltd

This is a partner in the letting and management of 151 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.

Barking and Dagenham Reside Regeneration LLP

This is a partnership which has built and manages 145 properties.

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 Homes Ltd

It acquired and manages 363 new affordable rental homes in Becontree.

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

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.

NOTES TO THE ACCOUNTS

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.

NOTES TO THE ACCOUNTS

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:

Party	Income £	Expenditure £	Creditors £	Debtors £	Loans £
B&D Energy Ltd.	(68,500)				7,259,252
Barking & Dagenham Citizen's Advice Bureau	(12,000)	502,000			
Barking & Dagenham Trading Partnership - Ltd		504.24			26,475,621
Barking & Dagenham Management Services	(13,263)	35,930,559			
Barking & Dagenham Corporate Cleaning Ltd	(10,807)	2,214,087			
Barking & Dagenham Together Ltd	(12,880)	2,204,176			
TPFL Regeneration Ltd					50,176
B&D Reside Roding Ltd				40,971	-
Reside Regeneration LLP	(377,264)			439,877	6,046,428
Reside Weavers LLP	(5,443)			677,587	36,820,154
Reside Ltd		17,984.33	(45,748)		308,828
Reside Abbey Roding LLP	(1,799)	5,747			47,676
BD Muller Developments					49,984,533
B&D Homes	(112,151)				10,550,702
Barking Riverside LTD	(156,536)	123,793			5,500,000
Londoneast - UK Limited	(9,474)				
BDSIP Ltd.	(205,945)	1,527,714			
Be First (Regeneration) Ltd.	(461,718)	12,935,392			
East London Waste Authority					
Local Government Association					
London Councils	(183,059)				
Create London	(276)				
Chadwell Health Community Centre					
	(1,579,57)	55,461,956	(45,748)	1,158,45	143,043,369

NOTES TO THE ACCOUNTS

26. Capital Expenditure and Capital Financing

Capital Financing Requirement	2021/22	2022/23
	£000	£000
Opening Capital Financing Requirement	1,111,915	1,388,895
Capital investment		
Property, Plant and Equipment	346,399	344,748
Property, Plant and Equipment - Finance Lease additions	-	82,000
Property, Plant and Equipment - PFI additions	184	201
Investment Properties	269	24,702
Intangible Assets	-	-
Heritage Assets	154	39
Assets Held for Sale	-	-
Revenue Expenditure Funded from Capital under Statute	11,374	71,468
Long Term Debtors	2,064	157,320
Sources of Finance		
Capital receipts	(5,500)	(65,504)
Government grants and other contributions	(39,574)	(8,463)
Sums set aside from revenue:		
Direct revenue contributions	(7,859)	(4,603)
MRP/loans fund principal	(12,710)	(13,178)
Repayments of CFR from GF	-	(251,293)
Major Repairs Reserve	(17,820)	(19,210)
Increase in Capital Financing Requirement	276,981	318,227
Closing Capital Financing Requirement	1,388,895	1,707,121
Explanation of Movements in Year		
Increase in underlying need to borrow (unsupported by government financial assistance)	276,797	236,025
Assets acquired under finance leases	-	82,000
Assets acquired under PFI/PPP contracts (lifecycle costs)	184	201
Increase in Capital Financing Requirement	276,981	318,226

The total amount of capital expenditure incurred in the year is shown in the table above (including the value of assets acquired under finance leases and PFI/PP contracts) - see notes 28 and 29, 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.

NOTES TO THE ACCOUNTS

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	2021/22 £000	2022/23 £000
Property, Plant and Equipment	138,231	233,853

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	2021/22 £000	2022/23 £000
Finance Lease Liabilities (Net present value of minimum lease payments)		
- Current	956	1,831
- Non-current	154,547	233,915
	155,504	235,745
Finance Costs Payable in Future Years	217,138	272,624
Minimum Lease Payments	372,641	508,369

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

Financial Lease Payment Profile	Minimum Lease		Finance Lease	
	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000
Not Later than one year	7,407	10,314	956	1,831
Later than one and not later than five years	29,629	41,255	4,241	7,977
Later than five years	335,605	456,801	150,307	225,938
	372,641	508,369	155,504	235,745

Operating Leases

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

Operating Lease Payment Profile	2021/22 £000	2022/23 £000
Not Later than one year	33	33
Later than one and not later than five years	74	69
Later than five years	848	836
	955	938

NOTES TO THE ACCOUNTS

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to operating leases was £420k in 2022/23 (£401k in 2021/22).

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	2021/22	2022/23
	£000	£000
Not later than one year	3,929	11,383
Later than one year and not later than five years	12,659	42,415
Later than five years	44,831	236,128
	61,419	289,926

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 2023 (excluding any estimation of inflation and availability/performance deductions) are as follows:

NOTES TO THE ACCOUNTS

	Total 2021/22	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total 2022/23
	£000	£000	£000	£000	£000
Payable within one year	6,261	1,961	1,498	2,802	6,261
Payable within two to five years	25,044	8,348	7,709	8,987	25,044
Payable within six to ten years	25,044	5,273	7,153	6,357	18,783
Payable within eleven to fifteen years	-	-	-	-	-
Total	56,349	15,583	16,360	18,146	50,089

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

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

Contractor Liability	2021/22 £000	2022/23 £000
Balance Outstanding at 1 April	18,947	17,717
Payments during the year	(1,230)	(1,357)
Balance Outstanding 31 March	17,717	16,360

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 2023 (excluding any estimation of inflation and availability/performance deductions) are as follows:

NOTES TO THE ACCOUNTS

	Total 2021/22	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total 2022/23
	£000	£000	£000	£000	£000
Payable within one year	4,193	579	1,164	2,450	4,193
Payable within two to five years	16,774	2,317	5,523	8,933	16,774
Payable within six to ten years	20,967	2,896	9,453	8,618	20,967
Payable within eleven to fifteen years	20,967	2,317	10,660	3,796	16,774
Payable within sixteen to twenty years	-	-	-	-	-
Total	62,901	8,110	26,801	23,798	58,709

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	2021/22 £000	2022/23 £000
Balance Outstanding at 1 April	24,972	24,136
Payment during the year	(1,020)	(1,080)
Capital expenditure incurred in the year	184	201
Balance Outstanding 31 March	24,136	23,257

29. Pension 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 Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2022/23, the Council paid £19.6m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.7% of pensionable pay. The figures for 2021/22 were £19.1m and 23.7% respectively. There were no contributions remaining payable at the year-end. For NHS staff in 2022/23 the figures were £0.1m and 16.9% (14.3% plus an additional amount that is invoiced of 2.5%). In 2021/22 the figures were £0.1m and 14.3% respectively.

It is expected the Council will pay around £19.5m for 2023/24 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.

Amendments to the IAS19 standard now requires that, when determining any past service cost or gain or loss on settlement, the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event. The amendment does, however, note that the extra remeasurement does not need to be applied where the application of that remeasurement is immaterial. Eight events, which occurred over the accounting period, have been treated as material 'special events'.

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.

Transaction 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

NOTES TO THE ACCOUNTS

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.

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

Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes.

On 23 March 2022, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016.

The valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, it has been assumed that the Fund will be required to pay the entire inflationary increase. Therefore, the assumption is consistent with the consultation outcome and an adjustments to the value placed on the liabilities as a result of the above outcome is not required.

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 built into funding plans to allow for the McCloud ruling so the gross pension liability takes this into account.

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 arrangement 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:

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	LGPS	
	2021/22	2022/23
Comprehensive Income and Expenditure Statement	£000	£000
Cost of Services		
Service cost (including administration expenses)	(59,236)	(41,200)
Net interest on the defined liability (asset)	(10,920)	(1,919)
Total Post-Employment Benefits charged to the Surplus or Deficit on the provision of services	(70,156)	(43,119)
Remeasurement of the net assets / (defined liability):		
Return on Fund assets in excess of interest	26,245	(62,937)
Other actuarial gains/(losses) on assets	4,153	-
Change in financial assumptions	79,395	670,477
Change in demographic assumption	(18,733)	-
Changes in effect of asset ceiling	-	(130,297)
Experience gain/(loss) on defined benefit obligation	13,490	0
Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement	104,450	477,243
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	70,156	43,119
Actual amount charged against the General Fund Balance for pensions in the year:		
Employer's contributions payable to scheme	(29,493)	(33,438)

NOTES TO THE ACCOUNTS

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	
	2021/22	2022/23
<u>Scheme Liabilities</u>	£000	£000
Opening balance at 1 April	1,561,636	1,549,823
Current Service Cost	58,314	40,663
Interest Cost	30,965	42,461
Change in financial assumptions	(79,395)	(670,477)
Change in demographic assumptions	18,733	-
Experience loss/(gain) on defined benefit obligation	(13,490)	130,297
Liabilities assumed / (extinguished) on settlements	(129)	1,572
Estimated benefits paid net of transfers in	(34,504)	(39,787)
Past service costs, including curtailments	266	28
Contributions by Scheme participants and other employers	8,725	9,604
Unfunded pension payments	(1,298)	(1,249)
Closing Balance at 31 March	1,549,823	1,062,935
 <u>Scheme Assets</u>		
Opening balance at 1 April	1,000,774	1,053,522
Interest on assets	20,045	40,542
Return on assets less interest	26,245	(62,937)
Other actuarial gains/(losses)	4,153	-
Administration expenses	(704)	(562)
Contributions by employer including unfunded	30,167	33,438
Contributions by Scheme participants and other employers	8,725	9,604
Estimated benefits paid plus unfunded net of transfers in	(35,802)	(41,036)
Settlement prices received / (paid)	(81)	1,625
Closing Balance at 31 March	1,053,522	1,034,196
 <u>Pensions Assets and Liabilities Recognised in the Balance Sheet</u>		
Local Government Pension Scheme		
Fair value of plan assets	1,053,522	1,034,196
Present value of the defined benefit obligation	(1,549,823)	(1,062,935)
Net liability arising from defined benefit obligation	(496,301)	(28,739)

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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 2022/23.

The more important Triennial Valuation is the statutory basis for assessing the Fund's liabilities and for setting the employer's contribution rate. The last triennial valuation took place in March 2022, (effective from 1 April 2023) showed a funding level of 101% for the whole fund.

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 2022.

Although the post-retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2020, which was released in March 2021. At the last accounting date, the CMI_2018 Model was adopted.

This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI_2020 Model introduces a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. Our view is that placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data, however, the overall outlook for best-estimate future mortality improvements looks less positive as a result of the pandemic. Therefore we have updated to use the CMI_2020 Model with a 2020 weight parameter of 25%.

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The significant assumptions used by the actuary have been:

	LGPS	
	2021/22	2022/23
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
· Men	20.8 yrs	20.9 Yrs
· Women	23.5 yrs	23.6 yrs
Longevity at 65 for future pensioners		
· Men	22.1 yrs	22.2 yrs
· Women	25.1 yrs	25.2 yrs
Actuarial Assumptions:		
Rate of Increase in Salaries	4.20%	3.85%
Rate of Increase in Pensions	3.20%	2.85%
Rate of Discounting Scheme Liabilities	2.60%	4.80%

Sensitivity Analysis

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

Sensitivity Analysis	£000	£000	£000
Adjustment to discount rate	0.10%	0.00%	-0.10%
Present value of total obligation	1,045,892	1,062,935	1,080,430
Projected service cost	24,156	25,032	25,938
Adjustment to long term salary increase	0.10%	0.00%	-0.10%
Present value of total obligation	1,064,051	1,062,935	1,061,827
Projected service cost	25,049	25,032	25,015
Adjustment to pension increases and deferred revaluation	0.10%	0.00%	-0.10%
Present value of total obligation	1,079,632	1,062,935	1,046,664
Projected service cost	25,950	25,032	24,145
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
Present value of total obligation	1,105,986	1,062,935	1,021,760
Projected service cost	25,990	25,032	24,099

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 2023 on varying bases. The approach taken is consistent with that adopted to derive the IAS19 figures provided in this report.

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

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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:

	Assets by Percentage		Asset By Value	
	2021/22	2022/23	2021/22 £000	2022/23 £000
Equities	85.0%	86.0%	904,724	873,711
Bonds	10.0%	11.0%	120,406	107,107
Property	4.0%	5.0%	49,017	39,567
Cash	1.0%	-2.0%	(20,625)	13,811
Total Assets	100.0%	100.0%	1,053,522	1,034,196

The Employer's share of the assets of the Fund is approximately 78.64%.

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 14 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 2024 is estimated to be £30.94m

Projected pension expense for the year to 31 March 2024

	£000
Service cost	25,032
Net interest on the defined liability (asset)	616
Administration expenses	563
Total loss / (profit)	26,211
Employer Contributions	30,935

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2023. These projections are based on the assumptions as at 31 March 2023, as described in the main body of this report.

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

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- 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 still assessing the impact.

- IAS28 Investments in Associates and Joint Ventures - this amendment clarifies that the exclusion in IFRS9 Financial Instruments, relating to the impairment of long-term interests in associates and joint ventures, applies only to interests that a company accounts for using the equity method. This is not expected to have a material impact on the Council.
- IAS19 Employee Benefits - if a plan amendment, curtailment or settlement occurs it will be mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, the amendment has clarified requirements regarding the asset ceiling. The Council is assessing the impact.

32. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in this document, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The two key critical judgements made in the Statement of Accounts are:

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

The Council's group boundaries have been assessed using the criteria outlined in the Code of Practice. There is a number of interests which fall within the group boundary on the grounds of control and significant influence. As a result, the Council has produced a set of Group Accounts. The Council continues to disclose the relationships and transactions with the entities in the Related Parties note.

33. 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 Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

NOTES TO THE ACCOUNTS

The item in the Council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment (PPE)	<p>Non-current asset valuations are a significant estimate included on the Council's balance sheet and are subject to market uncertainties and various assumptions, based on the professional judgement of experts. These valuations are carried out by qualified external valuers, with all material assets subject to valuation valued as at the balance sheet date and other assets valued over a 5 year rolling programme.</p> <p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. Useful lives are regularly reviewed by the external valuers as part of the valuation process.</p>	<p>Any increase/decrease in valuation will either increase/decrease the level of the Revaluation Reserve, and the amount shown under Other Comprehensive Income and Expenditure or will affect the Net Cost of Services. There is no impact on usable reserves from valuation adjustments as these are reversed in line with statutory guidance.</p> <p>For every year the asset life is reduced, the depreciation charge increases by approximately £3.9m and the carrying amount of the assets will fall by the same amount. There is no impact on usable reserves from depreciation</p>
Investment Properties	<p>Investment properties are measured at Fair Value under IFRS13 as at 31st March annually by qualified external valuers, using valuation techniques to determine the fair value.</p> <p>This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, or the best information available. Changes in assumptions and professional judgements used could affect the fair value of investment properties.</p>	<p>Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date. Any movements in the fair value of investment properties affect the balance sheet value of the asset and are also charged through Financing and Investment Income and Expenditure, but with no impact on usable reserves.</p>

34. Events after the Reporting Period

The Finance Director (Section 151 Officer) authorised the Statement of Accounts on 25 June 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 2023, 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.

35. Statement of Accounting Policies

i. General Principles

The Statement of Accounts provides a true and fair view of the Council's transactions for the 2022/23 financial year and its financial position at the year end of 31 March 2023. 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 2022/23, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historic 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

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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

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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

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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

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(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.

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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 2022/23 (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 35 and Note 11

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:

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- £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 Historical 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:

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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).

- Depreciation is calculated on the following bases:
- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – 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

NOTES TO THE ACCOUNTS

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 also as part of Page 412 the gain or loss on disposal (ie 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.

Infrastructure assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. 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

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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
Structures	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

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- 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.

Barking & Dagenham

Housing Revenue Account

for the year ended

31st March 2023

HOUSING REVENUE ACCOUNT

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.

2021/22 £000		2022/23 £000
76,485	HRA Expenditure	92,068
(107,433)	HRA Income	(113,140)
<u>(30,948)</u>	Net cost of HRA Services as included in the Council's Comprehensive Income & Expenditure Statement	<u>(21,072)</u>
1,003	HRA services' share of Corporate & Democratic Core	844
<u>(29,945)</u>	Net Cost/(Surplus) for HRA	<u>(20,228)</u>
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(13,447)	(Gain) / Loss on sale of HRA non-current assets	(14,005)
11,215	Interest Payable and similar charges	11,374
(341)	Interest & Investment Income	(491)
86	Movement in fair value of Investment Property	(208)
684	Net interest on the net defined benefit liability	123
<u>(31,748)</u>	(Surplus) / Deficit for the year of HRA Services	<u>(23,434)</u>

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.

2021/22 £'000		2022/23 £'000
(9,422)	Balance at 1 April	(20,902)
(31,748)	(Surplus)Deficit for the year on the HRA Income & Expenditure Statement	(23,434)
18,943	Adjustments between accounting basis and funding basis under statute	21,086
(12,805)	Net increase before transfers to/from reserves	(2,348)
1,325	Transfers to / (from) reserves	1,644
(11,480)	(Increase) / decrease in year on the HRA	(703)
(20,902)	Balance at 31 March	(21,605)
Adjustments between accounting basis and funding basis under statute		
2021/22 £'000		2022/23 £'000
13,447	Gain/(loss) on HRA - Non Current Assets	14,005
2,057	Revaluation of Housing Assets	3,304
(86)	Movement in fair value of Investment Property	208
243	Holiday pay accruals and other accumulating compensated absences	131
(2,489)	IAS 19 Pension costs adjustment	(619)
5,772	Capital expenditure funded by the HRA	4,057
18,944		21,086

Annual Governance Statement

Notes to the Housing Revenue Account

1. Council Housing Stock

The Council was responsible for managing an average of 16,575 dwellings units during 2022/23.

Dwelling type	Units	Year of construction	Units
Low rise flats	1,939	Pre 1919	177
Medium rise flats	3,868	1919 – 1944	8,311
High rise flats	1,714	1945 – 1964	3,458
Houses and Bungalows	8,920	Post 1964	4,501
Multi Occupied	6		
	16,447		16,447

The change in stock can be summarised as follows:

	2021/22 Units	2022/23 Units
Stock at 1 April	17,158	16,704
Sales – Right to Buy	(230)	(200)
Additions	22	13
Demolitions (Decant Programme)	(246)	(69)
Other Adjustment	-	(1)
Stock at 31 March	16,704	16,447

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

	2021/22 £'000	2022/23 £'000
Dwellings	1,171,958	1,270,763
Other Land and Buildings	11,823	11,794
Vehicles Plant and Equipment	537	269
Infrastructure Assets	2,498	2,226
Assets Under Construction	2,249	3,262
Investment Property	2,264	2,472
	1,191,329	1,290,786

2. Vacant Possession Value

The vacant possession value of dwellings within the HRA at 31 March 2023 was £5.1 billion (£4.7 billion 31 March 2022).

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.

HOUSING REVENUE ACCOUNT

3. Major Repairs Reserve

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

	2021/22 £000	2022/23 £000
Balance at 1 April	-	-
Amount transferred to MRR (Depreciation)	(17,820)	(19,210)
Debits to the MRR in respect of capital expenditure on HRA land and buildings	17,820	19,210
Transfers from HRA to MRR	-	-
Balance at 31 March	-	-

4. Capital Expenditure and Receipts

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

2022/23 HRA capital expenditure and funding:	Major Repairs Reserve	Direct Revenue Funding	Capital grants	Prudential Borrowing	Total
	£000	£000	£000	£000	£000
Houses	15,570	5,751	-	-	21,322
Vehicles, Plant and Equipment	-	-	-	-	-
Other property	-	-	-	-	-
Infrastructure Assets	-	21	18	-	39
Assets Under Construction	2,249	-	-	-	2,249
Total Financing Applied	17,819	5,772	18	-	23,610

2021/22 HRA capital expenditure and funding:	Major Repairs Reserve	Direct Revenue Funding	Capital grants	Prudential Borrowing	Total
	£000	£000	£000	£000	£000
Houses	17,627	8,511	-	(3,726)	22,412
Vehicles, Plant and Equipment	-	-	-	-	-
Other property	-	-	-	-	-
Infrastructure Assets	-	-	-	2,928	2,928
Assets Under Construction	-	-	-	806	806
Total Financing Applied	17,627	8,511	-	8	26,146

HOUSING REVENUE ACCOUNT

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

	2021/22	2022/23
	£000	£000
Houses	38,449	31,503
Other property	-	-
Total HRA capital receipts	38,449	31,503

5. Depreciation and Impairment

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

	2021/22			2022/23		
	Houses	Other Property	Total	Houses	Other Property	Total
	£000	£000	£000	£000	£000	£000
Depreciation	17,068	752	17,820	18,447	763	19,210
Revaluation Loss	(2,057)	86	(1,971)	(3,301)	(211)	(3,512)
	15,011	838	15,849	15,146	552	15,698

All HRA assets subject to revaluation have been valued as at 31st March 2023.

6. Rent Arrears

	2021/22	2022/23
	£000	£000
Dwelling rents	11,680	13,371
Other charges/adjustments	1,124	1,877
	12,804	15,248

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.

**Barking &
Dagenham**

Collection Fund Account

for the year ended

31st March 2023

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

	2021/22				2022/23			
	NNDR Supplement £000	NNDR £000	Council Tax £000	Total £000	NNDR Supplement £000	NNDR £000	Council Tax £000	Total £000
<u>Income</u>								
Council Tax Receivable	-	-	(90,547)	(90,547)	-	-	(96,897)	(96,897)
Section 13a - Discretionary Relief	-	-	-	-	-	-	(261)	(261)
Business Rates Receivable	-	(53,259)	-	(53,259)	-	(52,272)	-	(52,272)
Business Rate Supplement	(1,274)	-	-	(1,274)	(1,454)	-	-	(1,454)
Transitional Protection Payments	-	939	-	939	-	55	-	55
	(1,274)	(52,320)	(90,547)	(144,141)	(1,454)	(52,217)	(97,158)	(150,829)
<u>Expenditure</u>								
<u>Precepts, Demands and Shares</u>								
Central Government	-	21,165	-	21,165	-	19,779	-	19,779
Greater London Authority	1,268	23,731	18,545	43,544	1,448	22,177	20,602	44,227
Billing Authority	-	19,241	68,789	88,030	-	17,981	72,350	90,331
	1,268	64,137	87,334	152,739	1,448	59,937	92,952	154,337
<u>Apportionment of Previous Year</u>								
<u>Surplus/(Deficit)</u>								
Central Government	-	(7,586)	-	(7,586)	-	(3,820)	-	(3,820)
Greater London Authority	-	(8,526)	968	(7,558)	-	(4,283)	546	(3,737)
Billing Authority	-	(6,409)	3,746	(2,663)	-	(3,473)	2,023	(1,450)
	-	(22,521)	4,714	(17,807)	-	(11,576)	2,569	(9,007)
<u>Charges to Collection</u>								
<u>Fund</u>								
Write Offs of uncollectable amounts	-	-	157	157	-	1,019	9,977	10,996
Increase/(Decrease) in Bad Debt Provision	-	1,029	1,811	2,840	-	(2,822)	(6,127)	(8,949)
Increase/(Decrease) in Provision for Appeals	-	(1,178)	-	(1,178)	-	(2,769)	-	(2,769)
Cost of Collection	6	198	-	204	6	196	-	202
	6	49	1,968	2,023	6	(4,376)	3,850	(520)
(Surplus)/Deficit arising during the year	-	(10,655)	3,469	(7,186)	-	(8,232)	2,213	(6,019)
(Surplus)/Deficit at 1st April	-	27,611	(3,849)	23,762	-	16,956	(380)	16,576
(Surplus)/Deficit at 31st March	-	16,956	(380)	16,576	-	8,724	1,833	10,557
(Surplus)/Deficit Balance Attributable to:								
London Borough of Barking & Dagenham	-	5,300	(320)	4,980	-	2,830	1,405	4,235
Greater London Authority	-	6,159	(60)	6,099	-	3,113	428	3,541
Central Government	-	5,497	-	5,497	-	2,780	-	2,780

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)	0.7	0.4
A	3,702.40	2,468.20
B	8,108.90	6,306.90
C	37,534.60	33,364.10
D	8551.10	8,551.10
E	1559.20	1,905.70
F	323.20	466.90
G	41.90	69.80
H	4.50	9.
Total Band 'D' equivalents for 2022/23	59,826.40	53,142
Less in year non-collection allowance		(1,062.84)
Council Tax Base for 2022/23		52,079.16
Council Tax Base for 2021/22		51,204.07

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.

	2021/22 £000	2022/23 £000
Rateable Value at 31 March	154,025	150,734
Business rates multiplier for premises with rateable values (RV) of £25,500 and above	51.2p	51.2p
Small business rates multiplier for premises with RV below £25,500	49.9p	49.9p
Additional Crossrail NNDR Supplement multiplier for premises with a RV above £70,000	2p	2p

**Barking &
Dagenham**

Pension Fund Accounts

for the year ended

31st March 2023

PENSION FUND ACCOUNTS

London Borough of Barking and Dagenham Pension Fund Account

	Note	2021/22 £000	2022/23 £000
Dealings with members, employers and others directly involved in the scheme			
Contributions	8	47,558	51,706
Transfers in from other pension funds	9	3,612	2,681
		51,170	54,387
Benefits	10	(42,635)	(43,914)
Payments to and on account of leavers	11	(4,427)	(7,633)
		(47,062)	(51,547)
Net additions from dealings with members		4,108	2,840
Management expenses	12	(7,480)	(6,578)
Net Additions/(Withdrawals) including Fund Management Expenses		(3,372)	(3,738)
Returns on Investments			
Investment Income	13	16,838	26,080
Profit (losses) on disposal of investments and changes in the market value of investments	14	64,040	(46,730)
Net returns on investments		80,877	(20,603)
Net increase in the net assets available for benefits during the year		77,505	(24,389)

Net Assets Statement as at 31 March 2023

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	2021/22 £000	2022/23 £000
Investment Assets	16	1,382,672	1,333,536
Investment Liabilities	16		
Current Assets	17	1,229	1,203
Current Liabilities	17	(44,847)	(20,065)
Net asset of the fund available to fund benefits at the end of the reporting period		1,339,064	1,314,675

PENSION FUND ACCOUNTS

Notes to the Pension Fund Accounts for the year ended 31 March 2023

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. 2022/23 had a negative return for the year due to the economic downturn following Russia’s invasion of Ukraine. With rising inflation and interest rates and the forecasted recession in the UK economy, this has impacted the performance of the fund’s investments. The overall investment return for the fund over the year, net of fund manager fees and custodian costs was -1.5%, which was 2.7% lower than the benchmark of 1.2%. Over three years the Fund’s annualised return was 10.2%, which is 0.4% below the Fund’s benchmark return of 10.6%. Over one-year Blackrock provided a negative return of 15.9% and underperformed its benchmark by 1.5%. Baillie Gifford, Newton, Abrdn and UBS also provided negative returns. While Hermes and Kempen provided positive returns.

Two employers, Citizens Advice Bureau and Cleantech, exited the Fund in 2022/23. During the year, the total number of active employers within the Fund was 40.

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.

PENSION FUND ACCOUNTS

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

PENSION FUND ACCOUNTS

RM Education

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

	2021/22 42	2022/23 40
Number of Employers with active members		
Number of Employees in scheme		
London Borough of Barking and Dagenham		
Active members	4,496	4,593
Pensioners	4,718	4,962
Deferred pensioners	5,040	5,188
Undecided and other members	126	153
	14,380	14,896
Admitted and Scheduled Bodies		
Active members	1,444	1,411
Pensioners	1,038	1,430
Deferred pensioners	1,754	1,835
Undecided and other members	77	60
	4,313	4,736

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 2022/23 financial year and its position as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2022/23. The financial statements do not reflect any liabilities to pay pension or other benefits occurring after 31 March 2023. 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 2023;
- 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

PENSION FUND ACCOUNTS

- 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 2023. 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 their contracts. Where it has not been possible to confirm the investment management fee owed by the balance sheet date, an estimate based on the market value has been used.

Most 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 and the Russian invasion of Ukraine. Unquoted

PENSION FUND ACCOUNTS

investments are valued by the investment managers. The total financial instruments held by the Fund at **Level 3** were **£273.3m**.

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 2022/23 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 **£3.3m** (2021/22 £3.4m).

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 2023. 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 2023 was 23%.

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

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Contributions	2021/22	2022/23
Members normal contributions	£000	£000
Council	8,342	9,173
Admitted bodies	482	475
Scheduled bodies	1,909	2,002
Total contributions from members	10,733	11,650
Employers contributions		
Council – Normal	22,703	24,335
Council - Deficit Recovery	4,442	6,084
Admitted bodies – Normal	1,941	1,863
Admitted bodies- Deficit Recovery	98	96
Scheduled bodies – Normal	5,732	5,993
Scheduled bodies- Deficit Recovery	1,674	1,646
Pension Strain	235	39
Total contributions from employers	36,825	40,055
Total Contributions	47,558	51,706

9. Transfers in from other pension funds

	2021/22	2022/23
	£000	£000
Individual Transfers	3,612	2,681
	3,612	2,681

10. Benefits

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

	2021/22				2022/23			
	Council	Admitted Bodies	Scheduled Bodies	Total	Council	Admitted Bodies	Scheduled Bodies	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Pensions	29,506	229	6,428	36,163	30,508	259	7,079	37,846
Lump sums	3,769	369	712	4,850	4,007	188	1,005	5,200
Death grants	953	-	364	1,317	667	45	156	868
	34,228	584	7,521	42,330	35,182	491	8,240	43,914

11. Payments to and on account of leavers

	2021/22	2022/23
	£000	£000
Individual Transfers	4,427	7,235
Refunds	305	398
	4,732	7,633

12. Management Expenses

	2021/22	2022/23
	£000	£000
Administration and Processing	676	767
Management Fees	4,839	4,182
Custody Fees	57	56
Oversight and Governance Fees	240	214

PENSION FUND ACCOUNTS

Other Costs	1,668	1,359
	<u>7,480</u>	<u>6,578</u>
13. Investment Income	2021/22	2022/23
	£000	£000
Fixed Interest Securities	442	427
Equity Dividends	13,294	22,223
Pooled Property Income	2,275	2,104
Interest - Manager's Cash	825	1,309
Interest - LBBD balance	1	9
Other Income	1	8
	<u>16,838</u>	<u>26,080</u>

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 31/03/2022 £000	Purchases £000	Sales £000	Change in Fair Value £000	Cash Movement £000	Value 31/03/2023 £000
Pooled Unit Trusts	1,070,285	38,712	(57,849)	(29,503)		1,021,645
Property Unit Trusts	62,413	1,685	(3,049)	(10,962)		50,088
Pooled Alternatives	128,840	33,274	(39,704)	5,911		128,321
Infrastructure	104,150	(3,173)		(4,050)		96,926
Other Investments	150					150
Derivative Contracts						
Futures	(505)	20,194	(10,856)	(8,011)		821
Cash Deposits						
Custodian	13,699	(56)	4,859	3	(4,933)	13,572
In-House	113				21,545	21,659
Short-Term Loan	(24,150)				5,150	(19,000)
Pending Trade Sales	3,527		(3,166)	(17)		344
Other Investments	9					9
Total	1,358,531	90,636	(109,765)	(46,629)	21,763	1,314,535
	Value 31/03/2021 £000	Purchases £000	Sales £000	Change in Fair Value £000	Cash Movement £000	Value 31/03/2022 £000
Pooled Unit Trusts	1,041,546	6,676		22,063		1,070,285
Property Unit Trusts	60,250	13,371	(31,823)	20,615		62,413
Pooled Alternatives	96,192	53,124	(42,155)	21,668		128,840
Infrastructure	99,190	649		4,311		104,150
Other Investments	150					150
Derivative Contracts						
Futures	287	5,527	(1,674)	(4,645)		(505)
Cash Deposits						
Custodian	14,327	-	1,868	0	(2,492)	13,699
In-House	39				74	113
Short Term Loan	(29,200)				5,050	(24,150)
Pending Trade Sales	0		3,518	8		3,526
Other Investments	9					9
Total	1,282,790	79,346	(70,266)	64,020	2,633	1,358,531

PENSION FUND ACCOUNTS

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
Abrdn Asset Management	Active	Diversified Alternatives
Insight	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 2023 was as follows:

Fund by Investment Manager	2021/22		2022/23	
	£'000	%	£'000	%
Abrdn Asset Management	128,335	9.6%	129,142	9.8%
BlackRock	59,357	4.4%	50,088	3.8%
Hermes	104,150	7.7%	96,926	7.4%
Kempen	204,309	15.0%	218,687	16.6%
Other Cash Balances	13,812	1.0%	35,231	2.7%
Short Term Investment	(24,150)	-1.8%	(19,000)	-1.4%
RREEF	0	0.0%	0	0.0%
Schroders	3,056	0.2%	0	0.0%
Insight	66,227	4.9%	67,849	5.2%
UBS Passive Bonds	36,808	2.7%	30,818	2.3%
UBS Passive Equity	274,912	20.2%	261,854	19.9%
London CIV	150	0.0%	150	0.0%
London CIV - Baillie Gifford	291,693	21.4%	0	0.0%
London CIV - Newton / Pyrford	196,336	14.4%	442,437	33.7%
Pending Trade Sales	3,527	0.3%	344	0.0%
Other Investments – Tax Recoverable	9	0.0%	9	0.0%
Total	1,358,531	100.0%	1,314,536	100.0%
Current Assets	1,229	0.1%	1,203	0.1%
Current Liabilities	(20,697)	-1.5%	(1,065)	-0.1%

PENSION FUND ACCOUNTS

15. Cash

The cash balance held at 31 March 2023 is made up as follows:

Cash balances held by	2021/22	2022/23
Investment Managers	£000	£000
Aberdeen Asset Management	13,444	13,572
Schroders	19	-
BlackRock	183	-
Other balances	53	-
In-house Cash	113	21,659
Total Cash	13,812	35,231

16. Securities

	2021/22	2022/23
Investment Assets	£000's	£000's
Pooled funds – UK		
UK fixed Income Unit Trust	36,808	30,818
UK Equity Unit Trust	566,755	262,004
UK Absolute Return	196,336	442,437
UK Property Unit Trust	3,056	-
Pooled funds – Overseas		
Overseas Fixed Income Unit Trust	76,556	67,849
Overseas Equity Unit Trust	206,391	220,727
Overseas Property Unit Trust	59,357	50,088
Other Investment – Infrastructure	104,150	96,926
Other Investment - Private Equity	76,427	89,808
Other Investment - Hedge Funds	40,002	36,473
Other Investment – Tax Recoverable	9	9
Cash	13,812	35,231
Pending Trade Sales	3,527	344
Futures	-	-
Total Investment Assets	1,383,186	1,332,715
Investment Liabilities		
Futures	(505)	821
Total Investment Liabilities	(505)	821
Current Assets: Debtors	1,229	1,203
Current Liabilities: Creditors	(44,847)	(20,065)
Total Net Assets	1,339,063	1,314,674

PENSION FUND ACCOUNTS

17. Debtors and Creditors

The following amounts were debtors or creditors for the Fund at 31 March 2023:

	2021/22 £000	2022/23 £000
Debtors		
Other Investment Balances		
Pending Trade Sales	3,518	353
Current Assets		
Other local authorities	426	645
Other entities and individuals	803	559
Total Current Assets	<u>1,229</u>	<u>1,203</u>
Total Debtors	<u>4,747</u>	<u>1,556</u>
Creditors: Investment Liabilities		
Futures	-	
Current Liabilities		
Other local authorities	410	203
LBBB Prepayment	20,000	-
Other entities and individuals	287	862
Short Term Loan from LBBB	24,150	19,000
Total Current Liabilities	<u>44,847</u>	<u>20,065</u>
Total Creditors	<u>44,847</u>	<u>20,065</u>

18. Holdings

All holdings within the Fund at 31 March 2023 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 2023 the following pooled funds and LLPs were over 5% of the scheme's net assets:

Security	Market Value as at 31 March 2023 £000	% of Total Fund %
Insight	67,849	5.2%
UBS Passive Equity	261,854	19.9%
Kempen	218,687	16.6%
London CIV – Pyrford/Newton	442,437	33.7%
Hermes	96,926	7.4%

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>

PENSION FUND ACCOUNTS

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.

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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 2022/23 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	22.0	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%

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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 2022/23.

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 £1,059.1m**

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 £1.2m.**

Level 3

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

Such instruments would include unquoted equity investments and hedge fund or funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. The Fund'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 £273.3m.**

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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.

Asset Valuation Hierarchy and Basis of Valuation

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 2023.

Description of asset	Assessed valuation range	Value at 31 March 2023	Value on Increase	Value on Decrease
	%	£000s	£000s	£000s
Property Unit Trust	10	50,088	55,097	45,079
Other Investment - Infrastructure	15	96,926	111,465	82,387
Other Investment - Private Equity	15	89,808	103,279	76,337
Other Investment - Hedge Funds	15	36,473	41,944	31,002
		273,295	311,785	234,805

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.

PENSION FUND ACCOUNTS

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 **£651.5k** (2021/22: £667.6k) are charged by the Council.

24. Contingent Asset and liabilities

As at 31 March 2023 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:

	2021/22	2022/23
	£000	£000
Short Term employee benefits	147.2	135.6
Total	147.2	135.6

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.

	Designated as fair value through profit and loss	Loans and receivables 2021/22	Financial liabilities at amortised cost	Designated as fair value through profit and loss	Loans and receivables 2022/23	Financial liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
Financial assets						
Pooled Fixed Income Unit Trusts	113,364			98,667		
Equities	773,146			482,731		
Property Unit Trusts	62,413			50,088		
Cash		13,812			35,231	
Other investments	416,419			666,475		
Pending Trade Sales		3,527			344	
Total Financial Assets	1,365,342	17,339		1,297,961	35,575	
Financial Assets - Debtors			1,229			1,203
Financial liabilities - Creditors			(44,847)			(20,065)
Total Net Assets	1,365,342	17,339	(43,618)	1,297,961	35,575	(18,862)

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 meet 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

PENSION FUND ACCOUNTS

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 2022/23 reporting period.

Asset Class	One Year Expected Volatility (%)	Asset Class	One Year Expected Volatility (%)
Global Pooled Inc UK	13.9	Alternatives	6.8
Total Bonds	5.7	Cash	1.8
Property	7.5		

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 2023 £000	% Change	Value on Increase £000	Value on Decrease £000
Pooled Fixed Interest Securities	98,667	5.7	104,291	93,043
Pooled Equity Investments	482,731	13.9	549,831	415,632
Pooled Property	50,088	7.5	53,845	46,331
Pooled Absolute Return	442,437	6.8	472,523	412,352
Infrastructure	96,926	6.8	103,517	90,335
Other Investments	127,455	6.8	136,122	118,788
Cash	35,231	1.8	35,865	34,597
Total	1,333,535		1,455,994	1,211,078

PENSION FUND ACCOUNTS

Asset Type	Value as at 31 March 2022 £000	% Change	Value on Increase £000	Value on Decrease £000
Pooled Fixed Interest Securities	113,364	5.1	119,146	107,582
Pooled Equity Investments	773,146	15.2	890,664	655,628
Pooled Property	62,413	4.4	65,159	59,667
Pooled Absolute Return	196,336	5.0	206,153	186,519
Infrastructure	104,150	5.0	109,357	98,942
Other Investments	119,460	5.0	125,433	113,487
Cash	13,812	1.2	13,978	13,647
Total	1,382,681		1,529,890	1,235,472

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 2022 and 31 March 2023 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 2022 £000	As at 31 March 2023 £000
Cash and cash equivalent	13,812	35,231
Fixed interest securities	113,364	98,667
Total	127,176	133,898

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 is 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:

PENSION FUND ACCOUNTS

Asset type	Carrying amount as at 31 March 2023 £000	Change in year in the net assets available to pay benefits	
		+100 BPS £000	-100 BPS £000
Cash and cash equivalent	35,231	352	(352)
Fixed interest securities	98,667	987	(987)
Total	133,898	1,339	(1,339)

Asset type	Carrying amount as at 31 March 2022	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
Cash and cash equivalent	13,812	138	(138)
Fixed interest securities	113,364	1,134	(1,134)
Total	127,176	1,272	(1,272)

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 2023 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 **£651.5k** (2021/22 £667.6k) 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 **£30.4m** to the Fund in 2022/23 (2021/22 £27.1

Barking & Dagenham

Group Accounts

for the year ended

31st March 2023

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 Movement in Reserves Statement
- Group Balance Sheet
- Group Cash Flow 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.

Subsidiaries

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 151 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.

Barking and Dagenham Reside Regeneration LLP

This is a partnership which has built and manages 145 properties.

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.

GROUP ACCOUNTS

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.

GROUP ACCOUNTS – COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2021/22				2022/23			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
225,345	(108,446)	116,899	PEOPLE & RESILIENCE	256,675	(116,110)	140,565	
139,756	(134,541)	5,215	CORPORATE MANAGEMENT	195,641	(129,590)	66,051	
25,626	(33,503)	(7,877)	LAW AND GOVERNANCE	21,199	(24,946)	(3,747)	
27,448	(14,064)	13,384	STRATEGY & PARTICIPATION	4,765	(2,771)	1,994	
6,863	(5,296)	1,567	INCLUSIVE GROWTH	15,866	(11,721)	4,145	
63,902	(40,813)	23,089	COMMUNITY SOLUTIONS	69,815	(39,172)	30,643	
44,282	(12,798)	31,484	MY PLACE	50,685	(14,891)	35,794	
77,487	(107,433)	(29,946)	HRA	92,913	(113,140)	(20,227)	
306,969	(310,964)	(3,995)	DSG	335,027	(332,775)	2,252	
917,678	(767,858)	149,820	COST OF SERVICES	1,042,586	(785,116)	257,470	
		9,038	Other Operating Expenditure			18,834	
		22,507	Financing and Investment Income and Expenditure			(35,613)	
		(195,530)	Taxation and Non-Specific Grant Income			(173,106)	
		(14,165)	(Surplus)/Deficit on Provision of Services			67,585	
		217	Corporation Tax on Group Trading Activity			115	
		(14,084)	Group (Surplus)/Deficit			67,827	
		(196,630)	Surplus on Revaluation of PPE and Heritage Assets			(295,455)	
		(104,550)	Remeasurements of the Net Pensions Defined Benefit Liability			(477,243)	
		(315,128)	Total Comprehensive Income and Expenditure			(704,998)	

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 2021	(135,080)	(17,600)	(57,450)	(23,445)	-	(233,575)	(1,476,925)	(1,710,500)	(2,753)	(1,713,252)
Movement in reserves during 2021/22										
Total Comprehensive Income and Expenditure	3,955	(31,748)	-	-	-	(27,794)	(301,841)	(329,635)	14,508	(315,127)
Adjustments between council accounts and group accounts (Note G6)	(4,645)	-	-	-	-	(4,645)	(1,755)	(6,400)	6,400	-
Sub Total	(690)	(31,748)	-	-	-	(32,439)	(303,596)	(336,035)	20,908	(315,127)
Adjustments between accounting basis & funding basis under regulations	(36,800)	18,943	(40,284)	2,883	-	(55,258)	55,258	-	-	-
(Increase)/Decrease in 2021/22	(37,490)	(12,806)	(40,284)	2,883	-	(88,263)	(248,338)	(336,601)	20,908	(315,127)
Balance at 31 March 2022	(172,570)	(30,405)	(97,735)	(20,562)	-	(321,273)	(1,725,263)	(2,046,535)	18,155	(2,028,380)
Movement in reserves during 2022/23										
Total Comprehensive Income and Expenditure	97,643	(23,434)	-	-	-	74,209	(772,875)	(698,666)	(6,332)	(704,998)
Adjustments between council accounts and group accounts (Note G6)	(2,042)	-	-	-	-	(2,042)	2,880	838	(838)	-
Sub Total	95,601	(23,434)	-	-	-	72,167	(769,995)	(697,828)	(7,170)	(704,998)
Adjustments between accounting basis & funding basis under regulations	(107,080)	21,087	32,796	3,917	-	(49,280)	49,280	-	-	-
(Increase)/Decrease in 2022/23	(11,479)	(2,347)	32,796	3,917	-	22,887	(720,715)	(697,828)	(7,170)	(704,998)
Balance at 31 March 2023	(184,050)	(32,753)	(64,939)	(16,645)	-	(298,387)	(2,445,977)	(2,744,363)	10,986	(2,733,378)

GROUP ACCOUNTS – BALANCE SHEET

Restated 31 March 2022			31 March 2023
£'000		Note	£'000
3,442,383	Property, Plant and Equipment	G3	3,747,336
10,546	Heritage Assets		10,486
153,452	Investment Properties	G4	336,116
3,578	Intangible Assets		1,995
3,588	Long Term Investments	G5	225
23,860	Long Term Receivables	G5	150,922
3,667,407	Long Term Assets		4,247,081
144,920	Short Term Investments	G5	54,020
7,700	Assets Held for Sale		7,700
49,902	Inventories		4,766
120,900	Short Term Receivables	G5	127,741
33,558	Cash and Cash Equivalents	G5	22,258
356,980	Current Assets		216,486
(63,000)	Short Term Borrowing	G5	(139,500)
(134,766)	Short Term Payables	G5	(97,037)
(12,398)	Receipts in Advance - Grants		(1,965)
(4,333)	Short-Term Provisions		(3,728)
(214,497)	Current Liabilities		(242,230)
(22,299)	Long Term Provisions		(26,548)
(1,016,421)	Long Term Borrowing	G5	(972,392)
(496,301)	Pensions Liability		(28,739)
(199,274)	Long Term Creditors	G5	(327,274)
(47,214)	Receipts in Advance - Grants		(133,006)
(1,781,509)	Long Term Liabilities		(1,487,958)
2,028,381	Net Assets		2,733,378
(303,119)	Usable Reserves		(287,402)
(1,725,262)	Unusable Reserves		(2,445,976)
(2,028,381)	Total Reserves		(2,733,378)

GROUP ACCOUNTS – CASHFLOW STATEMENT

Restated 2021/22 £000		Note	2022/23 £000
14,165	Net Surplus or (Deficit) on the Provision of Services		(67,585)
125,524	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements	G7	206,386
(78,839)	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	G7	(258,525)
60,850	Net Cash Flows from Operating Activities		(119,724)
(210,825)	Investing Activities	G8	(94,535)
121,591	Financing Activities	G9	202,959
(28,384)	Net Increase or (Decrease) in Cash and Cash Equivalents		(11,300)
61,942	Cash and Cash Equivalents at the beginning of the Reporting Period		33,558
33,558	Cash and Cash Equivalents at the end of the Reporting Period		22,258

G1. ACCOUNTING POLICIES OF CONSOLIDATED SUBSIDIARIES

The Group Financial Statements summarise the Council's and its Group's transactions for the 2022/23 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

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 33. 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.

GROUP ACCOUNTS – NOTES

G3. GROUP PROPERTY, PLANT & EQUIPMENT (PPE)

2022/23	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total PPE without Infrastructure Assets	PFI Included in PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2022	1,374,177	1,384,824	47,476	21,691	498,353	43,351	3,380,422	174,447
Additions	19,687	51,007	1,554	6,544	300,610	442	379,844	1,727
Revaluations recognised in the Revaluation Reserve	101,683	149,482	-	-	-	1,610	252,775	18,786
Revaluations recognised in the Provision of Services	3,775	(7,300)	-	-	-	619	(2,906)	-
De-recognition due to disposals	(19,564)	(445)	-	-	(231,735)	(5,373)	(257,117)	-
Reclassifications to other assets	-	5,507	-	-	(70,099)	-	(64,592)	-
Cost or Valuation at 31 March 2023	1,479,758	1,593,626	49,030	28,235	497,128	40,649	3,688,426	194,960
Accumulated Depreciation at 1 April 2022	(1)	(4,151)	(36,651)	-	(34)	(70)	(41,103)	-
Depreciation charge	(21,636)	(20,068)	(2,899)	-	-	(719)	(45,322)	(2,952)
Depreciation written out to the Revaluation Reserve	21,336	20,072	-	-	-	632	42,040	2,952
Reclassifications to other assets	-	-	-	-	-	-	-	-
De-recognition due to disposals	300	(528)	-	-	34	91	(103)	-
Accumulated Depreciation at 31 March 2023	(1)	(4,871)	(39,550)	-	-	(66)	(44,488)	-
Net Book Value at 31 March 2023	1,479,757	1,588,755	9,479	28,235	497,128	40,583	3,643,938	194,960

GROUP ACCOUNTS – NOTES

G3. GROUP PROPERTY, PLANT & EQUIPMENT (PPE) continued

2021/22	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total PPE without Infrastructure Assets	PFI Included in PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2021	1,263,049	1,290,756	46,013	19,130	243,080	46,096	2,908,123	159,692
Additions	21,406	13,401	1,463	2,561	308,343	279	347,453	1,631
Revaluations recognised in the Revaluation Reserve	106,240	57,098	-	-	-	(778)	162,560	13,124
Revaluations recognised in the Provision of Services	3,932	7,035	-	-	-	(2,246)	8,721	-
De-recognition due to disposals	(28,954)	(13,659)	-	-	(3,822)	-	(46,435)	-
Reclassifications to other assets	8,504	40,744	-	-	(49,248)	-	-	-
Cost or Valuation at 31 March 2022	1,374,177	1,395,375	47,476	21,691	498,353	43,351	3,380,422	174,447
Accumulated Depreciation at 1 April 2021	-	(3,562)	(33,679)	-	(34)	-	(37,275)	-
Depreciation charge	(19,736)	(18,743)	(2,973)	-	-	(774)	(42,226)	(2,799)
Depreciation written out to the Revaluation Reserve	19,339	17,768	-	-	-	704	37,811	2,799
Reclassifications to other assets	-	-	-	-	-	-	-	-
De-recognition due to disposals	396	191	-	-	-	-	587	-
Accumulated Depreciation at 31 March 2022	(1)	(4,347)	(36,651)	-	(34)	(70)	(41,103)	-
Net Book Value at 31 March 2022	1,374,176	1,391,028	10,824	21,691	498,319	43,281	3,339,319	174,447

GROUP ACCOUNTS – NOTES

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.

2021/22		2022/23
£000		£000
157,719	Balance at start of the year	153,142
642	Additions	106,980
(4,114)	Disposals	(2,246)
-	Reclassifications	64,592
(795)	Net gains/(losses) from fair value adjustments/revaluations	13,338
153,452	Balance at end of the year	336,116

2020/21	<u>Analysis of FV adjustment of Investment Properties</u>	2020/21
£000		£000
2,378	Councils - FV Adjustment based on Level 2 hierarchy	13,338
(3,173)	BDTP - FV Adjustment based on Level 2 hierarchy	-
(795)		13,338

The fair value of the Group's investment properties at 31 March 2023 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.

GROUP ACCOUNTS – NOTES

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 £81.5m in 2021/22 (£82.0m in 2020/21) as long-term liability attributable to Reside Ltd. All other material financial instruments associated with the subsidiaries disclosed in the single entity accounts.

Long Term 2021/22 £000	Short Term 2021/22 £000		Long Term 2022/23 £000	Short Term 2022/23 £000
		Financial Assets at Amortised Cost		
33,588	144,920	Investments	225	54,020
-	33,393	Cash and Cash Equivalents	-	22,258
		Debtors		
34,411	120,154	Debtors as per Balance Sheet	150,922	126,547
-	723	Accrued Interest Receivable	-	1,194
-	(56,237)	Adjustments for statutory debtors - not qualifying as financial assets at amortised cost	-	(30,192)
34,411	64,640	Total debtors qualifying as Financial Assets at Amortised Cost	150,922	97,549
67,999	242,953	Total Financial Assets	151,147	173,827
		Financial Liabilities at Amortised Cost		
(1,016,421)	(63,000)	Borrowings	(972,392)	(139,500)
		Creditors		
(193,963)	(3,394)	PFI and finance lease liabilities	(351,838)	(4,994)
(5,311)	(128,249)	Creditors as per Balance Sheet	24,564	(88,187)
-	(2,995)	Accrued Interest Payable	-	(3,856)
-	28,983	Adjustments for statutory short term creditors (not qualifying)	-	21,395
(199,274)	(105,655)	Total creditors qualifying as financial liabilities at amortised cost	(327,274)	(75,642)
(1,215,695)	(168,655)	Total Financial Liabilities	(1,299,666)	(215,142)

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

GROUP ACCOUNTS – NOTES

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	Short Term		Long Term	Short Term
2021/22	2021/22		2022/23	2022/23
£000	£000		£000	£000
(112,493)	(2,911)	PFI Liabilities	(270,870)	(4,492)
(81,470)	(483)	Finance Lease Liabilities*	(80,968)	(502)
(193,963)	(3,394)	Total	(351,838)	(4,994)

*£81.0m in 2022/23 (£81.5m in 2021/22) 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.

	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
2022/23										
Provision of goods and services to subsidiaries	56,572	-	-	-	-	56,572	-	56,572	(56,572)	-
Purchases of goods and services from subsidiaries	(45,324)	-	-	-	-	(45,324)	2,880	(42,443)	42,443	-
	11,248	-	-	-	-	11,248	2,880	14,128	(14,128)	-
2021/22										
Provision of Goods and Services to Subs	42,947	-	-	-	-	42,947	-	42,947	(42,947)	-
Purchases of goods and services from subsidiaries	(47,592)	-	-	-	-	(47,592)	(1,755)	(49,347)	49,347	-
	(4,645)	-	-	-	-	(4,645)	(1,755)	6,400	(6,400)	-

GROUP ACCOUNTS – NOTES

G7. NET CASH FLOW FROM OPERATING ACTIVITIES

2021/22 £000		2022/23 £000
14,165	Net (Deficit) on the Provision of Services	(67,585)
	<i>Adjust net surplus or deficit on the provision of services for non-cash movements</i>	
51,419	Depreciation	55,684
(6,812)	Impairment and downward valuations	2,941
2,010	Amortisation	1,171
(7,216)	Increase/(Decrease) in Creditors	(50,053)
(10,529)	(Increase)/Decrease in Debtors	(17,210)
	(Increase)/Decrease in LT Debtors	(85,448)
(2,084)	(Increase)/Decrease in Inventories	(4,616)
46,021	Movement in Pension Liability	(9,681)
(93)	Contributions to/(from) Provisions	(2,225)
45,544	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	258,418
	Increase/(decrease) in Grants and Contributions Receipts in Advance	75,273
7,263	Other non-cash items	(17,867)
125,524	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	206,387
(36,691)	Capital Grants credited to surplus or deficit on the provision of services	(4,546)
(47,648)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(253,978)
5,500	Council tax and NNDR adjustments	
(78,839)	Sub total	(258,524)
60,850	Net Cash Flows from Operating Activities	(119,722)

GROUP ACCOUNTS – NOTES

G8. NET CASH FLOW FROM INVESTING ACTIVITIES

2020/21 £000		2022/23 £000
(343,321)	Purchase of property, plant and equipment, investment property and intangible assets	(453,928)
50,105	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	254,445
(158,692)	Purchase of short-term and long-term investments	(352,535)
208,241	Proceeds from short-term and long-term investments	453,091
32,843	Other payments for investing activities	4,391
(210,814)	Net Cash Flows from Investing Activities	(94,535)

G9. NET CASH FLOW FROM FINANCING ACTIVITIES

2020/21 £000		2022/23 £000
(3,009)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	95,037
(350,790)	(Repayment) of short and long-term borrowing	(326,915)
448,881	Cash receipts of short-term and long-term borrowing	438,012
26,509	Other payments for financing activities	3,175
121,591	Net Cash Flows from Financing Activities	202,959

GROUP ACCOUNTS – NOTES

G10. GROUP EXPENDITURE AND INCOME ANALYSED BY NATURE

	2021-22 £000	2022-23 £000
Expenditure		
Employee benefits expenses	374,602	382,127
Other services expenses	535,219	641,006
Depreciation, amortisation, impairment	42,551	45,411
Interest payments	37,793	41,858
Precepts and levies	9,278	14,082
Payments to Housing Capital Receipts pool	1,299	311
Loss on the disposal of assets	45,544	258,419
Total expenditure	1,046,286	1,383,215
Income		
Fees, charges and other service income	(370,407)	(425,933)
Interest and investment income	(8,249)	(9,699)
Income from council tax and non-domestic rates	(85,471)	(89,629)
Dividend income	(6,026)	(22,049)
Government grants and contributions	(543,216)	(514,342)
Gain on the disposal of assets	(47,082)	(253,978)
Total income	(1,060,451)	(1,315,630)
Surplus or Deficit on the Provision of Services	(14,165)	67,585

The London Borough of Barking & Dagenham

Annual Governance Statement 2022-23

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

Annual Governance Statement for 2022-23

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:

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

Principle B - Ensuring openness and comprehensive stakeholder engagement.

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

Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes.

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

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

Principle G - 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.

Annual Governance Statement

There are five Sections in this AGS:

- | | |
|------------------|---|
| Section 1 | 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 doesn't have a single local Code of Corporate Governance but instead demonstrates a commitment to good governance through a framework of policies, procedures, behaviours and values by which the Council is controlled and governed that take account of the seven principles of good governance in *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace, 2016).

The governance framework has been in place for the year ended 31 March 2023 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 for a 20-year period from 2017.

The Borough Manifesto lists a set of 10 themes, 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 **to make Barking & Dagenham a place people are proud of and want to live, work, study and stay.**

With the priorities during 2022/23 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.

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 fifth annual State of the Borough Conference was held on 23 November 2022. Over 79 partners came together to share and learn about partnership initiatives.

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 2020-2022 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 set the agenda for the Council for the remainder of the political administration up to May 2022, following which a new Corporate Plan has been developed. 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.

A comprehensive performance framework underpinned the Corporate Plan in 2022/23. The framework is a tool to drive continuous improvement and appraise progress and 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 LBBDD services are meeting the

Annual Governance Statement

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:

- Deliver our best every day – and do what we have promised
- Respond in a prompt, positive way to our community's needs
- Inspire others with our attitudes and actions
- Value people for who they are and what they can do
- Engage 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 Deputy Cabinet Member for Performance and Data Insight 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

Annual Governance Statement

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 a Gold 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, service specific business plans are in place. These 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.

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
- Assurance Board
- 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 decision-makers; 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.

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. 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. During 2022/23 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 separate Assembly approval. A schedule of all the changes made was circulated to all Councillors for their information.

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. In March 2022, the Assembly approved new procurement governance arrangements which are being embedded into the Council Constitution and procurement guidance for officers at all levels.

The Council had the following statutory officers during 2022/23: the Head of Paid Service (Acting Chief Executive), Section 151 Officer (Strategic Director, Finance and Investment) and Monitoring Officer (Chief Legal 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, 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 must designate one of its officers to discharge the functions of statutory Scrutiny Officer, as required under section 9FB of the Local Government Act 2000 (amended by the Localism Act 2011). The Director of Strategy is the designated statutory Scrutiny Officer.

e) Council Companies

The Council has ownership/control of 16 corporate vehicles (referred to as 'companies' in this report although they include Limited Liability Partnerships) as of March 2023. The structure of each company and the control exercised through them varies depending on how the Company has been set up and the function it fulfils. The total list of Council owned/controlled corporate vehicles are:

- Be First (Regeneration) LTD (10635656)
- Be First Developments (Muller) Limited (12432222)
- Barking and Dagenham Reside Ltd (7706999)
- TPFL Regeneration Limited (7706993)
- Barking and Dagenham Reside Regeneration Ltd (09512728)
- Barking and Dagenham Reside Abbey Roding LLP (OC 399130)
- B& D Reside Regeneration LLP (OC 400585)
- B& D Reside Weavers LLP (OC416198)
- Barking and Dagenham Homes Ltd (12090374)
- Barking and Dagenham Trading Partnership Ltd (10892844)
- BD Together Ltd (11124384)
- BD Corporate Cleaning Ltd (11124452)
- BD Management Services LTD (11268239)
- BD Service Delivery LTD (11268271)
- Londoneast-uk Limited (09177951)
- B& D Energy Limited (10088491)
- BDSIP – part owned (11126768)

These companies are structured into five 'portfolios' for internal governance purposes – BDSIP, Be First, Reside, Barking and Dagenham Trading Partnership and B&D Energy Ltd. The strategic objectives of each portfolio are set out within annual rolling Business Plans, which require Cabinet approval, with monitoring of the in-year performance against business plan targets being undertaken by the Shareholder Panel. This governance framework enables constructive challenge on strategic performance matters, as well as ongoing dialogue on the companies' direction of travel, to ensure they remain committed to, and supporting delivery of the Council's aspirations.

Each portfolio 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 two Councillors and two 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 Strategic Director, Finance and Investments with regards to authorising the release of funds for lending to the companies.

f) CIPFA Financial Management Code

The Council's financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Chief Financial Officer was responsible for the proper administration of the Council's financial arrangements during 2022/23 and leads a suitably qualified finance team of officers. The Chief Financial Officer 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.

g) Risk Management

Risk Management is essential for the Council to be effective in realising its priorities and was well embedded at a strategic level within the Council in 2022/23. 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.

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 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 approval and these contained risk registers that looked at the risks 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.

h) Codes of Conduct

Corporate and Organisation

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.

i) 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 June 2022. 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 nine complaints against Councillors. Six of these were dismissed by the Monitoring Officer following consultation with an Independent Person under the Localism Act 2011 as there was no evidence of any breach (four by the same complainant). Two were dismissed because the complainant failed to submit an official complaint form and one complaint is ongoing.

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.

j) Training and Development

Councillor Induction

The Council has an Induction Programme, based around the key priorities identified by Councillors and senior officers.

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 as well as the Council's Monitoring Officer to ensure any new learning needs are quickly noted and addressed. 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 and has been regularly updated since. 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.

k) 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 has grown 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.

l) 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 and 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.

m) 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. The annual State of the Borough conference brings together partners from the BDDP and other borough partners to monitor and analyse progress towards delivering the Manifesto vision and discuss opportunities for partnership working in the next 12 months.

n) 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 quality and performance of schools and governance has improved year on year in the borough and, as of December 2022, 95% 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.

o) 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. The outcomes of their work is reported quarterly to the Audit & Standards Committee.

p) 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 2022/23 received reports on internal audit, counter fraud, risk management, external audit and the annual accounts, complaints against Councillors, information security and information governance. The Chair of the Audit and Standards Committee presents an annual report to the Assembly on the work of the Committee.

q) Information Governance

The Chief Information Officer provides an annual report each spring for the Audit and Standards Committee. 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 each year and completion rates are monitored and form part of the staff performance, feedback and development conversations.

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There were 69 breaches in 2022/23 with 8 self-reported to the Information Commissioner's Office (up from 3 for 2021/22). In all cases the ICO was satisfied with the steps taken by the Council and as such no further action was deemed necessary.

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 2022/23 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 Internal Audit report; comments made by the external auditors; and comments by other review agencies and inspectorates.

For this Governance Statement, 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 Assurance Board, 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 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.

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

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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 2022/23 Internal Audit Plan, approved by the Audit and Standards Committee in April 2022, included 46 audits consisting of 35 risk and compliance audits, 10 schools and a follow-up project of prior-year school work. 45 audits were delivered, consisting of 35 risk and compliance audits and 10 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 and with the Public Sector Internal Audit Standards.

Whilst there were no 'No Assurance' opinions, seven reviews were issued in 2022/23 with a 'Limited Assurance' opinion, these are listed below and all high risk findings were reported to the Audit and Standards Committee during the year:

- Accounts Receivable
- Capital Programme/Budgeting
- Accounts Payable
- Be First – Reside – My Place relationship
- Leasehold Management Service Charges
- Right To Buy Valuations
- Cyber Essentials Plus

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 2021/22 period there were 22 complaints investigated by the Ombudsman with 19 being upheld. The ombudsman was satisfied that all of their recommendations had been implemented. 2022/23 data is likely to be published by the Ombudsman in July 2023.

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Comparative figures for 2020/21 and 2019/20 are 12 complaints (11 upheld) and 15 complaints (13 upheld) respectively.

Complaints by the Public

Complaints are recorded and reported on a calendar year basis. During 2022 there were 3,756 corporate complaints received with 1,579 of these being upheld (42%). In 2021 there were 4,602 complaints with 1,659 (36%) upheld.

Children's Services social care complaints are recorded and monitored separately. Children's Social Care received 99 statutory complaints during 2022/23 representing an increase of 26% on the previous year when 78 statutory complaints were received.

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 2021-22

The 2021-22 AGS had identified the following themes:

- Impact of Covid-19;
- CIPFA Financial Management Code;
- Staffing; and
- Statement of Accounts

Progress against these challenges is detailed below:

Impact of Covid-19 - this has become indistinguishable from the current economic climate and remains a headline governance challenge – see below.

CIPFA Financial Management Code – review ongoing, see below.

Staffing - this remains a headline governance challenge, see below.

Statement of Accounts - this remains a headline governance challenge, see below.

Headline Governance Challenges from 2022/23

Covid-19 Recovery and Cost of Living

During 2022/23 the 'cost of living crisis' has continued to affect us all; our residents, communities, businesses, partners, staff and voluntary/community organisations.

The Council has encountered unprecedented demands on its services since March 2020 initially as a result of the COVID-19 pandemic. The COVID-19 impact of increased demand for services, lost revenue from income sources and the temporary closure of revenue generating facilities is likely to have a lasting effect. The Government provided significant amounts of grant funding during 2020/21 and 2021/22 and provided a guarantee scheme for reductions in budgeted income. But from 2022/23, the government has not provided the Council with any further specific financial support to mitigate the additional costs and reduced income experienced as a result of the pandemic and expect the Council to deliver services within the usual budget provisions.

The ongoing cost of living crisis is also affecting the local community. In particular, the rate of unemployment within the Borough is now the highest nationally and the current climate increases the risk that unemployment and poverty will increase with associated mental and physical needs that require support from the Council. The impact has also been felt in Children's Care and Support where there has been an increase in the number and complexity of cases. Additional social workers have been needed to ensure children are protected from harm and there has also been an increase in the numbers of specialist placements required. This has resulted in increased market prices.

The Council has created a Cost of Living Alliance to offer residents easy ways they can access help if they need it - accessing benefits, emergency cash and low-cost loans, signposting to food banks, warm spaces, and support with mental health. The scale and extent of the impact in the longer term is unknown but must be very much part of the financial planning over the next few years.

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 and the ongoing cost of living crisis has tested that financial resilience in 2022/23 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.

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- 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 initial assessment against the FM Code during 2022/23 is that it is generally compliant with the principles of the FM Code and partially compliant against some of the standards recommended. The Head of Assurance will be undertaking a full review in partnership with the wider Finance team in 2023/24.

Staffing

As in previous years there is again pressure in terms of recruitment and retention of specialised 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.

A Senior Salary Pay Review was undertaken during 2022/23 and the results of this will feed into pay from June 2023. The Council has also achieved Gold accreditation from 'Investors in People' 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.

The 2018/19 Statement of Accounts remains the most recently signed off. Significant efforts were made by the Council to learn from previous experience and the 2019/20 accounts were published by 31st August 2020 in accordance with amended legislation but have not yet been signed off by BDO. The most recent timetable indicates that the audit work will recommence in September 2023 with completion in November and sign-off at the January 2024 meeting of the Audit and Standards Committee. BDO would then be able to start work on the remaining unaudited accounts – 2020/21, 2021/22 and 2022/23. These draft accounts had not previously been published by the Council until the 2019/20 audit was complete but this is not now practical given the extended delays and these will soon be published. BDO have produced an indicative timetable for their audits of the outstanding three years and are aiming to have these signed off by March 2024, November 2024 and October 2025 respectively.

Financial Resilience

There are significant financial challenges facing the Council in 2023/24, with very little financial flexibility. The Council's General Fund final budget for 2022/23 was £180.944m. The final revenue expenditure outturn is £194m after a net transfer to/from reserves of £14.849m, which is an effective overspend against the budget of £27.9m. This is the result of inherent service driven overspend that amount to £8m across the Council and a further £19m of year-end adjustments some of which relate to the Council's subsidiary Barking and Dagenham Trading Partnership Ltd (BDTP). This is offset by £2.4m additional corporate income making the final variance £25.5m.

Since the budget was approved in March 2022 the Council faced significant increases in costs as a result of inflation, for example the cost of the Local Government pay award and higher energy costs, as well as increasing demand and costs for social care services. The Council has received no additional funding from government to fund the increased costs and demand placing the burden of meeting these unforeseen costs on the council.

This is a significant overspend for the year. Key drivers linked to inflation are outside of the control of the Council but the Council must nevertheless respond to the market in the same way as any other organisation. This is seen in the cost of provision, energy prices, and the pay award. In addition, a review of the charges between the HRA and GF has seen an impact of a changing balance of costs resulting in increased costs being felt within the General Fund. The overspend can be managed by use of the budget support reserve and the collection fund reserve and other non-ringfenced reserves. However, this does leave the Council with very few available reserves to absorb overspends in 2023/24 and will be a significant governance challenge.

Subsidiary Company Financial Resilience

The financial position of the BDTP Group is extremely challenging and accumulated losses have been included in their published accounts. The loss for 2021/22 increased from £13m to £15m following adjustment as a result of audit identifying that BDTP Group had overstated their income from the Council (parent company and main client). Currently they are reporting a £7m loss for 2022/23 but this may increase, subject to agreement of balances with the Council and external audit.

The ability of the BDTP Group to pay outstanding intercompany debt and the interest on their loans with the Council is a concern. BDTP Group plan to stabilise their cash flow position from April 2023 onwards following the renegotiation of their contract for repairs and maintenance with the council. In a private entity the parent company may consider writing off intercompany debt and/or loans to help support the financial position of the subsidiary. However, following legal advice, the Council cannot write off any of the intercompany debt and/or loans should it wish to as this would constitute a breach of Subsidy Act rules. Hence, a rescue plan or a significant proposal from the BDTP Group will need to materialise to repay these amounts.

The latest financial projections included in the business plan for the next couple of years indicate that the retained earnings will reach a negative balance of c£20m. This means BDTP Group needs to make at least £20m worth of profit before they can start to consider paying a dividend to the Council (subject to their cash position). Based on current forecasts in this business plan an overall surplus retained earnings balance will take at least 5 years to achieve which will result in the council not receiving the planned £2m dividend income each year that is included in the Council Medium Term Financial Strategy. This therefore represents a significant governance challenge and it is important that all parties recognise this.

Social Housing Regulator - Building Safety and Statutory Health & Safety Compliance

The Council self-referred to the Regulator of Social Housing in November 2021 following a report that led My Place to believe that they had not been meeting required standards relating to building safety and statutory health and safety compliance. The Regulator assessed the self-referral and found that the borough had breached part 1.2 of the Home Standard and as a consequence of this breach there was the potential for serious detriment to the Council's tenants.

My Place accepted this and has sought to redress these failings over the past year. The Council committed to achieving and maintaining full compliance by the end of August 2023. At the same time, My Place resolved to rebuild our housing management service with an emphasis on both resident and building safety and to improve services more widely to residents.

The service improvement plan is designed to be delivered in two phases. The first phase related to immediate response to procure and provide appropriate services and professionals to deliver the initial service recovery plan. The aim was to demonstrate compliance with both legislative and Consumer standards requirements by the end of August 2023. The second phase of the improvement design is a longer-term plan to transform services. This phase will be implemented over a two to three-year timeframe and will include a full-service restructure. Phase 2 is currently being scoped to commence from September 2023.

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.

Councillor Darren Rodwell
Council Leader
July 2023

Fiona Taylor
Chief Executive
July 2023

Glossary of Terms

<u>Term</u>	<u>Definition</u>
Accounting Policies	The rules and practices adopted by the Council that dictate how transactions and events are shown or costed.
Accruals	Amounts included in the accounts to cover income and expenditure attributable to the financial year, but for which payment had not been received or made as at 31 March.
Actuarial Valuation	A review carried out every three years by the actuary on the assets and liabilities of the Pension Fund. The actuary reports to the Fund's trustees on the financial position and recommended employer's contribution rates. 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.

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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

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	<p>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.</p> <p>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.</p>
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	<p>A funding arrangement where:</p> <ul style="list-style-type: none"> • 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	<p>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.</p> <p>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.</p>
Gross Expenditure	The total cost of providing the Council's services before deducting income from Government grants, or fees and charges for services.

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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	<p>Payments that the Council is required to pay to other bodies. The levying bodies are:</p> <ul style="list-style-type: none"> • 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.

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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.

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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	<p>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.</p> <p>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.</p>
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.

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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	<p>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.</p> <p>In England the Council Tax Valuation Bands are as follows:</p> <table><tr><th>Band</th><th>Value (relative to 1991 prices)</th><th>Ratio</th><th>Ratio as %</th></tr><tr><td>A</td><td>up to £40,000</td><td>6/9</td><td>67%</td></tr><tr><td>B</td><td>£40,001 to £52,000</td><td>7/9</td><td>78%</td></tr><tr><td>C</td><td>£52,001 to £68,000</td><td>8/9</td><td>89%</td></tr><tr><td>D</td><td>£68,001 to £88,000</td><td>9/9</td><td>100%</td></tr><tr><td>E</td><td>£88,001 to £120,000</td><td>11/9</td><td>122%</td></tr><tr><td>F</td><td>£120,001 to £160,000</td><td>13/9</td><td>144%</td></tr><tr><td>G</td><td>£160,001 to £320,000</td><td>15/9</td><td>167%</td></tr><tr><td>H</td><td>£320,001 and above</td><td>18/9</td><td>200%</td></tr></table>	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%
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