

# Statement of Accounts 2023-2024

## DRAFT

**Barking &  
Dagenham**



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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

Barking and Dagenham is one of the most exciting and fastest growing boroughs in London. The Council have the opportunity of a lifetime to grow the borough and the community despite challenges.

The 2023-24 financial year saw the continuation of the challenging economic and financial environment that the Council had operated in the past couple of years. There has been a cost-of-living crisis caused by significant increases in interest rates and inflationary pressure which has led to increased demand for council services, that resulted in a material impact on the Council's finances. Despite these challenges, the Council invested £5.7m to support the most vulnerable within the borough through this crisis.

This report includes the financial performance of the various areas with the Council such as the General Fund, the Housing Revenue Account, Dedicated Schools Grant, Capital and the Pension Fund. They will highlight the challenges the Council has had to deal with in this financial year and the impact it has had on the Council's finances.

The Council's consistent scrutiny on financial management, in line with the medium-term financial strategy (MTFS) and programme to deliver savings enabled it to mitigate against the financial challenges and manage the financial resources more effectively. The Council has ended the year with a deficit of £2.626m and maintained earmarked reserves at about £149m, even in the current economic landscape. Capital investment for the financial year was about £335m.

Looking ahead to 2024/25, the Council has set a balanced budget and continues its commitment to investment through an ambitious capital programme in line with the Council's Investment and Acquisition Strategy. In March 2024, the Council Assembly agreed its 2024-25 budget. As part of the approval of the budget, the Assembly agreed to increase Council Tax by 4.99% (2.99% for general spending and a 2% Adult Social Care Precept) which is the highest increase that can be put through without a local referendum.

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 continues 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 the 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. This will allow the accounts for 2023/24 and subsequent accounts to be fully audited.

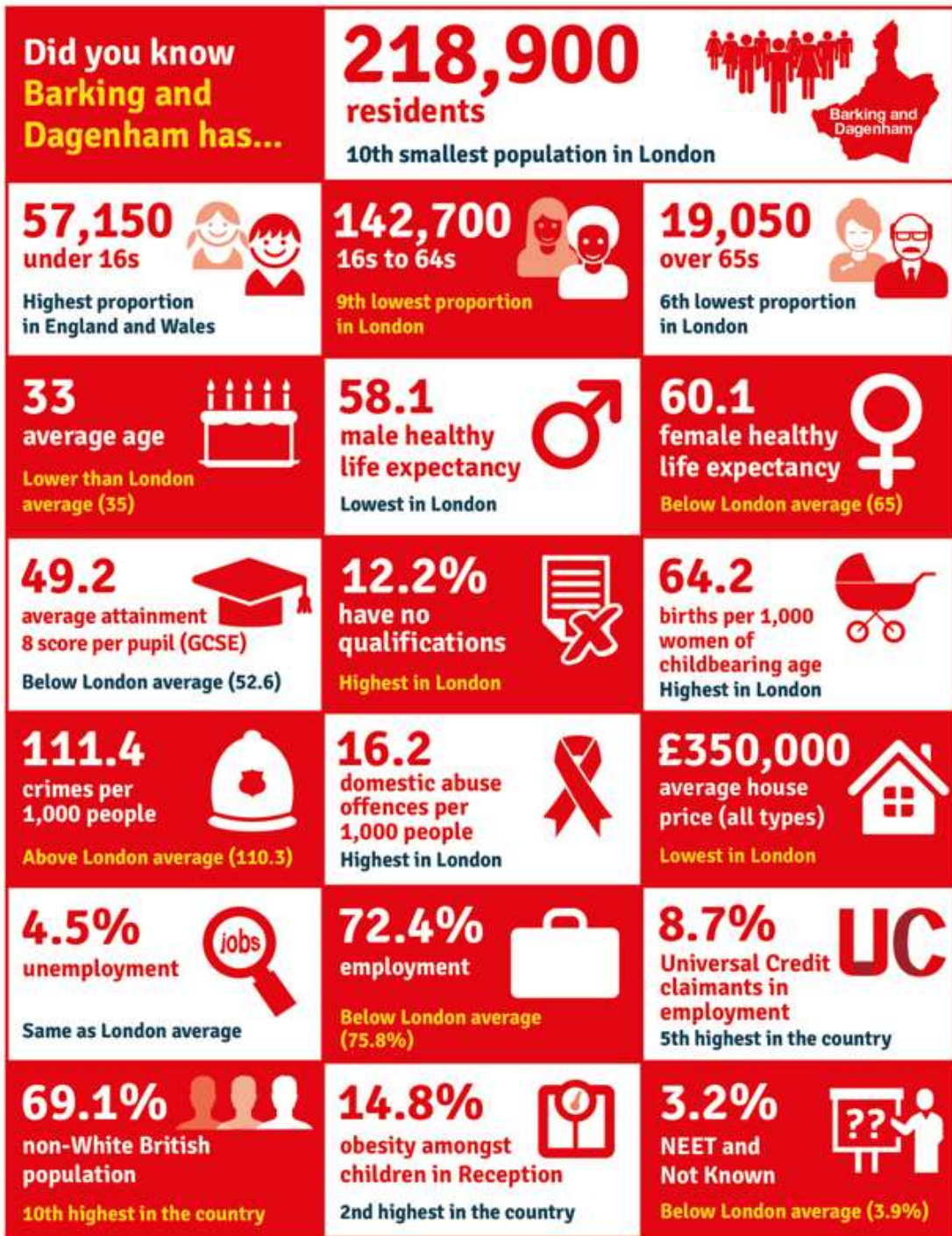


Jo Moore

Interim Strategic Director of Resources and Section 151 officer

05 July 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 2023-24, all 51 Councillors were from the Labour Party.

The Council operates with a Leader and Cabinet. During 2023-24 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 2022. 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 2023.

The Council's management is led by the Strategic Leadership Team, which during 2023/24 Comprised:

- Chief Executive
- Strategic Director of Inclusive Growth
- Strategic Director Childrens and Adults
- Strategic Director My Place
- Strategic Director Resources (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 2023/24– Revenue**

The Council's General Fund final budget for 2023/24 was £194.46m. The 2023/24 outturn position is £197.086m, resulting in a deficit of £2.626m taken from the General Fund reserves.

This is the result of inherent service driven overspends across the Council.

### **FINANCIAL PERFORMANCE 2023/24 – Capital Programme**

The final Capital Programme budget for 2023/24 was £340m and the final outturn was £335m. The majority of the spend was allocated between Investment and Acquisition (IAS) (£275m), the General Fund (£43m) and the HRA (£17m). The table below shows a summary of Capital expenditure:

## NARRATIVE REPORT

£m	Budget 2023/24	Expenditure 2023/24	Variance	%Variance
General Fund	62.376	42.881	(19.495)	(31.3%)
HRA	18.544	16.907	(1.637)	(0.09%)
IAS	259.466	275.195	15.729	0.06%
<b>Total</b>	<b>340.386</b>	<b>334.983</b>	<b>(5.403)</b>	<b>(0.02%)</b>

### FINANCIAL PERFORMANCE 2023/24 – Pension Fund

The financial position of the Pension Fund shows a positive return for the year due to the equities and bonds performing well, with only property providing a negative return at an asset level. High inflation over several years has increased the value of the scheme's liabilities which has dampened the impact of the outperformance from the assets. The overall investment return for the fund over the year, net of fund manager fees, was 11.7%, which was 2.3% lower than the benchmark of 14.0%. Over five years the Fund's annualised return was 7.3%, which is 1.7% below the Fund's benchmark return of 9.0%. Over 10 years the Fund has returned 7.9%, which was 1.1% below its benchmark of 9.0%. The ten year return puts the fund into the top quartile of all Local Government Pension Funds.

At an asset level, equities provided a return of 18.1%, with especially strong returns from passive developed world equities, where returns were 25.2%. Bonds provided a return of 8.2% with actively invested returns returning 14.3% and passive bonds being largely flat for the year. Absolute return fund provided a return of 6.2%; infrastructure 0.4% and alternatives returning 5.9%. Property, which the fund has a small 3.3% allocation to, provided a loss of 8.0% for the year.

Any changes to the Pension Fund surplus or deficit is largely attributable to complex external factors and is dependent on the assumptions made by the Council's actuary, Barnett Waddingham, who values the Pension Fund and provides an estimate in this case of the shortfall in funds available to the Fund to meet all of its liabilities. Reasons for this increase in 2023/24 include changes in demographic assumptions for both current and future pensioners and changes in financial assumptions, offset by increased investment returns. In addition, there has been an accounting adjustment under International Accounting Standard 19 (IAS 19) for the prudent treatment of surplus' in pension funds. This adjustment is known as an 'asset ceiling' adjustment and further explanation can be found in Note 29 of the Accounts.

### FINANCIAL PERFORMANCE 2023/24 – Housing Revenue Account

The Housing Revenue Account (HRA) outturn position for 2023/24 showed an overspend of £6.06m. This overspend have been taken out of the HRA reserve.

## NARRATIVE REPORT

### FINANCIAL PERFORMANCE 2023/24 – Dedicated Schools Grant

The Dedicated Schools Grant (DSG) is reporting an overall overspend of £2.118m. This is driven by an overspend of £3.3m on High needs block but mitigated by underspends in the Schools Central Service block (£1.2m) and the Early years block (£31k).

The DSG reserve position is shown below:

Dedicated schools Grant (DSG Budget)	2023/24 Funding £'000	2023/24 Outturn £'000	(Surplus) Deficit £'000
Schools Block (ISB)	188,955	187,772	(1,183)
Central Services Block	2,162	2,162	
High Needs Block	49,837	53,169	3,332
Early Years Block	23,174	23,143	(31)
	<b>264,128</b>	<b>266,246</b>	<b>2,118</b>
<b>DSG reserves B/f</b>			<b>(10,073)</b>
<b>Revised DSG Reserve C/F</b>			<b>(7,955)</b>
<b>Revised DSG Carried forward</b>			<b>(7,955)</b>

### MEDIUM TERM FINANCIAL STRATEGY

The Council has a 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.

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

The MTFS position as reported to Assembly in February 2024 is summarised below.

	2024-25 £m	2025-26 £m	2026-27 £m
<b>Budget Gap (Cumulative before reserve funding)</b>	<b>8.809</b>	<b>11.693</b>	<b>17.317</b>
Reserve Funding	(8.809)	-	-
<b>Budget Gap (Cumulative after use of reserves)</b>	<b>0.000</b>	<b>11.693</b>	<b>17.317</b>

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



### 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 2024. 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 2023-24, 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.
  - 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.

## NARRATIVE REPORT

- **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 2024 and of its income and expenditure for the year then ended.



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

Date: 05 July 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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## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Gross Expenditure £000	2022/23 Gross Income £000	Net Expenditure £000		Gross Expenditure £000	2023/24 Gross Income £000	Net Expenditure £000
256,675	(116,110)	140,565	People & Resilience	282,905	(119,794)	163,111
171,343	(96,041)	75,302	Corporate Management	116,573	(91,492)	25,081
21,199	(24,946)	(3,747)	Law and Governance	22,164	(23,735)	(1,571)
4,765	(2,771)	1,994	Strategy & Participation	3,725	(1,415)	2,310
15,866	(11,721)	4,145	Inclusive Growth	17,041	(11,761)	5,280
69,815	(39,172)	30,643	Community Solutions	60,767	(38,214)	22,553
50,685	(14,891)	35,794	My Place	59,608	(23,443)	36,165
92,913	(113,140)	(20,227)	Housing Revenue Account (HRA)	115,715	(117,268)	(1,553)
335,027	(332,775)	2,252	Dedicated Schools Grant (DSG)	327,578	(325,832)	1,746
<b>1,018,288</b>	<b>(751,567)</b>	<b>266,721</b>	<b>Cost of Services</b>	<b>1,006,076</b>	<b>(752,954)</b>	<b>253,122</b>
		18,834	Other Operating Expenditure (Note 5)			59,787
		(38,240)	Financing and Investment Income and Expenditure (Note 6)			72,184
		(173,106)	Taxation and Non-specific Grant Income (Note 7)			(225,301)
		<b>74,209</b>	<b>Deficit/ (Surplus) on Provision of Services</b>			<b>159,792</b>
		(295,632)	Deficit / (Surplus) on Revaluation of Property, Plant & Equipment Assets			60,200
		(477,243)	Re-measurement of the Net Defined Benefit Liability/(Asset) (Note 30)			5,869
		<b>(772,875)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>66,069</b>
		<b>(698,666)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>225,861</b>

## 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
<b>Balance at 31 March 2022</b>	<b>(161,586)</b>	<b>(30,404)</b>	<b>(97,735)</b>	<b>(20,562)</b>	-	<b>(310,288)</b>	<b>(1,725,262)</b>	<b>(2,035,550)</b>
<b>Movement in reserves during 2022/23</b>								
Total Comprehensive Income and Expenditure	97,643	(23,434)	-	-	-	<b>74,209</b>	(772,875)	<b>(698,666)</b>
Adjustments between accounting basis & funding basis under regulations (Note 3)	(107,080)	21,087	32,796	3,917	-	<b>(49,280)</b>	49,280	-
<b>(Increase)/Decrease</b>	<b>(9,437)</b>	<b>(2,347)</b>	<b>32,796</b>	<b>3,917</b>	-	<b>24,929</b>	<b>(723,595)</b>	<b>(698,666)</b>
<b>Balance at 31 March 2023</b>	<b>(171,025)</b>	<b>(32,751)</b>	<b>(64,938)</b>	<b>(16,645)</b>	-	<b>(285,360)</b>	<b>(2,448,856)</b>	<b>(2,734,216)</b>
<b>Movement in reserves during 2023/24</b>								
Total Comprehensive Income and Expenditure	147,740	12,052	-	-	-	<b>159,792</b>	66,069	<b>225,861</b>
Adjustments between accounting basis & funding basis under regulations (Note 3)	(127,346)	(7,871)	(3,113)	(3,526)	(2,778)	<b>(144,634)</b>	144,634	-
<b>(Increase)/Decrease</b>	<b>20,395</b>	<b>4,181</b>	<b>(3,113)</b>	<b>(3,526)</b>	<b>(2,778)</b>	<b>15,158</b>	<b>210,703</b>	<b>225,861</b>
<b>Balance at 31 March 2024</b>	<b>(150,631)</b>	<b>(28,570)</b>	<b>(68,051)</b>	<b>(20,171)</b>	<b>(2,778)</b>	<b>(270,202)</b>	<b>(2,238,153)</b>	<b>(2,508,355)</b>

### General Fund analysed over:

Amounts earmarked (Note 4)	(136,226)
Amounts uncommitted	(14,405)
<b>Total GF Balance at 31 March 2024</b>	<b>(150,631)</b>

### Housing Revenue Account analysed over:

Amounts earmarked (Note 4)	(13,025)
Amounts uncommitted	(15,545)
<b>Total HRA Balance at 31 March 2024</b>	<b>(28,570)</b>

## BALANCE SHEET

31 March 2023		Note	31 March 2024
£'000			£'000
3,678,529	Property, Plant and Equipment	8	3,571,417
10,486	Heritage Assets		10,474
314,138	Investment Property	10	416,309
734	Intangible Assets		-
23,575	Long Term Investments	11	221
250,352	Long Term Debtors	11	302,592
<b>4,277,814</b>	<b>Long Term Assets</b>		<b>4,301,013</b>
54,020	Short Term Investments	11	74
7,700	Assets Held for Sale		-
174	Inventories		240
124,228	Short Term Debtors	12	100,888
-	Cash and Cash Equivalents	13	7,911
<b>186,122</b>	<b>Current Assets</b>		<b>109,113</b>
(1,310)	Cash and Cash Equivalents		-
(165,317)	Short Term Borrowing	11	(323,900)
(84,372)	Short Term Creditors	14	(117,736)
(1,922)	Receipts in Advance - Grants		(556)
(3,728)	Provisions	15	(4,406)
<b>(256,649)</b>	<b>Current Liabilities</b>		<b>(446,598)</b>
(1,025,800)	Long Term Borrowing	11	(997,752)
(279,208)	Other Long Term Creditors	11	(273,977)
(133,006)	Receipts in Advance - Grants	24	(150,256)
(6,318)	Long Term Provisions	15	(6,434)
(28,739)	Pensions Liability	30	(26,754)
<b>(1,473,071)</b>	<b>Long Term Liabilities</b>		<b>(1,455,173)</b>
<b>2,734,216</b>	<b>Net Assets</b>		<b>2,508,355</b>
(285,360)	Usable Reserves		(270,202)
(2,448,856)	Unusable Reserves	17	(2,238,153)
<b>(2,734,216)</b>	<b>Total Reserves</b>		<b>(2,508,355)</b>

I confirm that the statement of accounts presents a true and fair view of the financial position as at 31 March 2024 and its income and expenditure for the year then ended.



Interim Strategic Director of Resources (Section 151 Officer)  
Date: 05 July 2024

**Barking &  
Dagenham**

## Cash Flow Statement

2022/23		Note	2023/24
£000			£000
(74,209)	Net Surplus or (Deficit) on the Provision of Services		(159,792)
162,637	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements	18a	331,305
(258,524)	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	18a	(129,439)
<b>(170,096)</b>	<b>Net Cash Flows from Operating Activities</b>		<b>42,074</b>
(53,956)	Investing Activities	18b	(141,365)
203,048	Financing Activities	18c	108,512
<b>(21,004)</b>	<b>Net Increase or Decrease in Cash and Cash Equivalents</b>		<b>9,221</b>
19,694	Cash and Cash Equivalents at the beginning of the Reporting Period	13	(1,310)
<b>(1,310)</b>	<b>Cash and Cash Equivalents at the end of the Reporting Period</b>	13	<b>7,911</b>



Notes to the  
Accounts  
for the year ended  
31st March 2024

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### 1. Expenditure and Funding Analysis

2022/23			2023/24			
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
140,413	152	140,565	People & Resilience	161,920	1,191	163,111
(10,731)	85,205	75,302	Corporate management	(23,390)	48,471	25,081
(4,182)	435	(3,747)	Law and Governance	(1,932)	361	(1,571)
1,994	-	1,994	Strategy & Participation	2,310	-	2,310
2,764	1,381	4,145	Inclusive growth	4,040	1,240	5,280
26,178	4,465	30,643	Community solutions	21,108	1,445	22,553
23,310	12,484	35,794	My Place	23,308	12,857	36,165
(13,230)	(6,997)	(20,227)	Housing Revenue Account (HRA)	(5,972)	4,419	(1,553)
2,252	-	2,252	Dedicated Schools Grant (DSG)	1,746	-	1,746
<b>168,768</b>	<b>97,953</b>	<b>266,721</b>	<b>Net Cost of Services</b>	<b>183,138</b>	<b>69,984</b>	<b>253,122</b>
14,082	4,752	18,834	Other Operating Expenditure (Note 5)	13,994	45,793	59,787
(26,821)	(11,419)	(38,240)	Financial and Investment Income and expenditure (Note 6)	14,090	58,094	72,184
(167,813)	(5,293)	(173,106)	Taxation & Non-specific Grant Income and Expenditure (Note 7)	(186,646)	(38,655)	(225,301)
<b>(11,784)</b>	<b>85,993</b>	<b>74,209</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>24,576</b>	<b>135,216</b>	<b>159,792</b>
(191,990)			Opening General Fund and HRA Balance	(203,774)		
(11,784)			Less/Plus Surplus or Deficit on General Fund and HRA balance in year	24,576		
<b>(203,774)</b>			<b>Closing General Fund and HRA Balance at 31 March</b>	<b>(179,198)</b>		

## NOTES TO THE ACCOUNTS

### Adjustment between Funding and Accounting Basis 2023/24

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts	Adjustments for Capital Purposes (Note i) £000	Net change for the Pensions Adjustments (Note ii) £000	Other Differences (Note iii) £000	Total Adjustments £000
People & Resilience	1,191	-	-	1,191
Corporate management	48,358	(7,209)	7,322	48,471
Law and Governance	361	-	-	361
Strategy & Participation	-	-	-	-
Inclusive growth	1,240	-	-	1,240
Community solutions	1,445	-	-	1,445
My Place	12,857	-	-	12,857
Housing Revenue Account (HRA)	4,926	(433)	(74)	4,419
Dedicated Schools Grant (DSG)	-	-	-	-
<b>Net Cost of Services</b>	<b>70,378</b>	<b>(7,642)</b>	<b>7,248</b>	<b>69,984</b>
Other Operating Expenditure	45,793			45,793
Finance & Investment I&E	58,306	(212)		58,094
Taxation and Non-specific Grant I&E	(34,720)		(3,935)	(38,655)
<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>139,757</b>	<b>(7,854)</b>	<b>3,313</b>	<b>135,216</b>

### 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) £000	Net change for the Pensions Adjustments (Note ii) £000	Other Differences (Note iii) £000	Total Adjustments £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)	-	-	-	-
<b>Net Cost of Services</b>	<b>90,297</b>	<b>7,762</b>	<b>(106)</b>	<b>97,953</b>
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)
<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>77,165</b>	<b>9,681</b>	<b>(853)</b>	<b>85,993</b>



**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 Pension 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

	2022/23 £000	2023/24 £000
<b>Expenditure</b>		
Employees benefit Expenses	382,127	392,546
Other Service expenses	616,708	586,675
Depreciation, amortisation and impairment	45,411	141,534
Interest Payments	39,867	41,702
Precept and Levies	14,082	13,993
Payment to Housing Capital Receipts Pool	311	-
Loss on the disposal of assets	258,419	139,815
<b>Total Expenditure</b>	<b>1,356,925</b>	<b>1,316,265</b>
<b>Income</b>		
Fees, charges and other service income	(392,384)	(368,201)
Interest and investment income	(10,334)	(12,423)
Income from council tax and non-domestic rates	(89,629)	(98,707)
Dividend income	(22,049)	(5,853)
Government grants and contributions	(514,342)	(577,267)
Gain on the disposal of assets	(253,978)	(94,022)
<b>Total Income</b>	<b>(1,282,716)</b>	<b>(1,156,473)</b>
<b>Surplus/Deficit on the Provision of Services</b>	<b>74,209</b>	<b>159,792</b>

### 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

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

2023/24	Usable Reserves					Total
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	£000
<b>Adjustment to Revenue Reserve</b>						
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i>						
Pension costs (transferred to/from the Pensions Reserve)	7,409	445	-	-	-	7,854
Council tax and NDR (transfers to/from Collection Fund Adjustment Account)	3,935	-	-	-	-	3,935
Holiday pay (transferred to the Accumulated Absences Reserve)	(7,322)	74	-	-	-	(7,248)
Charges for depreciation and impairment of non-current assets	(38,810)	(20,765)	-	-	-	(59,575)
Revaluation losses on Property Plant and Equipment	(17,297)	(5,623)	-	-	-	(22,920)
Movements in the market value of Investment Properties	(58,399)	93	-	-	-	(58,306)
Amortisation of intangible assets	(734)	-	-	-	-	(734)
Capital grants and contributions recognised	34,720	697	-	-	(35,417)	-
Revenue expenditure funded from capital under statute (net of Grants and Contributions)	(26,507)	-	-	-	-	(26,507)
Amounts of Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(119,201)	(20,615)	-	-	-	(139,816)
<b>Total</b>	<b>(222,206)</b>	<b>(45,694)</b>	<b>-</b>	<b>-</b>	<b>(35,417)</b>	<b>(303,317)</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	76,964	17,058	(94,022)	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	20,765	-	(20,765)	-	-
Statutory provision for the repayment of debt and repayment of CFR	15,616	-	72,843	-	-	88,459
Capital expenditure financed from revenue balances.	2,280	-	-	-	-	2,280
<b>Total</b>	<b>94,860</b>	<b>37,823</b>	<b>(21,179)</b>	<b>(20,765)</b>	<b>-</b>	<b>90,739</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	18,066	-	-	18,066
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	17,987	-	17,987
Application of capital grants to finance capital expenditure.	-	-	-	-	31,891	31,891
<b>Total</b>	<b>-</b>	<b>-</b>	<b>18,066</b>	<b>17,987</b>	<b>31,891</b>	<b>67,944</b>
<b>Total Adjustments</b>	<b>(127,346)</b>	<b>(7,871)</b>	<b>(3,113)</b>	<b>(2,778)</b>	<b>(3,526)</b>	<b>(144,634)</b>

## NOTES TO THE ACCOUNTS

2022/23	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total £000
<b>Adjustment to Revenue Reserve</b>						
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
Charges for depreciation and impairment of non-current assets	(35,461)	(19,210)	-	-	-	-
Revaluation losses on Property Plant and Equipment	(6,210)	3,304	-	-	-	-
Movements in the market value of Investment Properties	13,130	208	-	-	-	-
Amortisation of intangible assets	(1,171)	-	-	-	-	-
Capital grants and contributions recognised	4,546	-	-	-	(4,546)	-
Revenue expenditure funded from capital under statute (net of Grants and Contributions)	(71,468)	-	-	-	-	-
Amounts of Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(240,893)	(17,526)	-	-	(4,546)	(375,297)
<b>Total</b>	<b>(345,867)</b>	<b>(33,712)</b>	<b>-</b>	<b>-</b>	<b>(4,546)</b>	<b>(384,125)</b>
<b>Adjustments between Revenue and Capital Resources</b>						
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
<b>Total</b>	<b>238,788</b>	<b>54,798</b>	<b>(32,708)</b>	<b>(19,210)</b>	<b>-</b>	<b>241,668</b>
<b>Adjustments to Capital Resources</b>						
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
<b>Total</b>	<b>-</b>	<b>-</b>	<b>65,504</b>	<b>19,210</b>	<b>8,463</b>	<b>93,177</b>
<b>Total Adjustments</b>	<b>(107,079)</b>	<b>21,086</b>	<b>32,796</b>	<b>-</b>	<b>3,917</b>	<b>(49,280)</b>

## 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 2023/24.

	Balance at 31/03/2022	Transfers in	Transfers out	Balance at 31/03/2023	Transfers in	Transfers out	Balance at 31/03/2024
	£000	£000	£000	£000	£000	£000	£000
<b>General Fund</b>							
Balances held by schools under a scheme of delegation:							
- Local Management of Schools*	(13,512)	-	2,130	(11,382)	(220)	882	(10,720)
- Dedicated Schools Grant*	(10,664)	-	591	(10,073)	(2,055)	4,173	(7,955)
- Non DSG Education Grant Reserve	(935)	-	-	(935)	-	-	(935)
PFI reserve*	(14,263)	(20)	-	(14,283)	-	236	(14,047)
Budget Support *	(20,815)	(1,183)	5,163	(16,836)	(12,599)	14,037	(15,398)
Collection Fund Equalisation Reserve	(16,254)	-	16,254	-	(5,229)	-	(5,229)
Capital Investment Reserve	(3,779)	-	-	(3,779)	-	3,000	(779)
Investment Reserve	(9,578)	(7,066)	476	(16,168)	-	-	(16,168)
Education, Youth and Childcare Insurance	(1,203)	(127)	100	(1,230)	(739)	1,019	(950)
Service Grant C/F	(2,231)	-	-	(2,231)	(1,399)	240	(3,391)
Departmental Reserves	(6,514)	(5,623)	3,001	(9,136)	(1,149)	2,413	(7,873)
Corporate Infrastructure	(3,775)	(2,019)	1,701	(4,093)	(1,597)	2,779	(2,911)
Public Health	(1,724)	-	43	(1,681)	-	823	(858)
CR27 Hotel Deal Reserve	(3,591)	(415)	63	(3,943)	-	1,997	(1,946)
LEP Housing Rental Reserves	(5,500)	(15,500)	10,000	(11,000)	-	-	(11,000)
Parking Reserve (On Street)	(1,911)	-	95	(1,816)	-	896	(920)
Levy Trading Reserve	(7,744)	-	218	(7,526)	-	-	(7,526)
Welfare Reform Reserve	(4,610)	(1,497)	-	(6,107)	(1,452)	-	(7,559)
Subsidiary Dividend Reserve	(4,500)	-	439	(4,061)	(3)	3,153	(911)
Other Misc (individual items below £1m)	-	(12,000)	-	(12,000)	(3,500)	9,490	(6,010)
<b>Total General Fund</b>	<b>(10,500)</b>	<b>(19,162)</b>	<b>13,951</b>	<b>(15,711)</b>	<b>(6,120)</b>	<b>8,696</b>	<b>(13,136)</b>
<b>HRA</b>	<b>(143,602)</b>	<b>(65,277)</b>	<b>55,003</b>	<b>(153,994)</b>	<b>(36,063)</b>	<b>53,831</b>	<b>(136,222)</b>
Leasehold Repairs	(9,504)	(1,644)	-	(11,147)	(1,878)	-	(13,025)
<b>Total HRA</b>	<b>(9,504)</b>	<b>(1,644)</b>	<b>-</b>	<b>(11,147)</b>	<b>(1,878)</b>	<b>-</b>	<b>(13,025)</b>

## NOTES TO THE ACCOUNTS

<b>*Significant Earmarked reserves (greater than £5m)</b>	<b>Purpose</b>
<b>Local Management of Schools</b>	Set up for the balances held by non E5 schools in the borough.
<b>Dedicated Schools Grant (DSG)</b>	Set up to carry forward unspent DSG Grant into future years.
<b>Budget Support Reserve</b>	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.)
<b>Investment Reserve</b>	Set up to carry forward the proceeds from Treasury Management Activity and external Investments.
<b>PFI Reserve</b>	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.
<b>Subsidiary Dividend Reserve</b>	Set up to carry forward dividends paid by subsidiary projects into future years, and as a protection against non-payment.
<b>Hotel Reserves</b>	Set up to cover shortfall in rental income caused by tenant default in 2 hotels.
<b>Parking Reserves</b>	Set up to carry forward parking income to be used in line with Section 55 of the Road Traffic Act.
<b>Service Grant Carry Forward Reserve</b>	Set up to carry forward unspent Service Grant Funding into future years.
<b>Levy Reserve</b>	Set up to carry forward prior year refunds and underspends to cover future years anticipated increases.
<b>Community Solutions Collection Fund</b>	Set up to fund the HAM Hub and Revenues and Benefits Service for the next 4 years.
<b>Leasehold Repairs Reserve</b>	Set up to facilitate repairs to leasehold properties where required.

## NOTES TO THE ACCOUNTS

### 5. Other Operating Expenditure

	2022/23 £000	2023/24 £000
Levies	14,082	13,993
Payments to the Government Housing Capital Receipts Pool	311	-
(Gains)/Losses on the disposal of non-current assets	4,441	45,794
<b>Total</b>	<b>18,834</b>	<b>59,787</b>

### 6. Financing and Investment Income and Expenditure

	2022/23 £000	2023/24 £000
Interest payable and similar charges	32,102	38,272
Net interest on the net defined benefit liability	1,919	(212)
Interest receivable and similar income	(32,274)	(13,350)
Income and expenditure in relation to investment properties	(26,095)	(5,706)
Changes in fair value of investment properties	(13,338)	58,306
(Gains)/Losses on Trading Accounts	(554)	(609)
<b>Total</b>	<b>(38,240)</b>	<b>72,184</b>

### 7. Taxation and Non-Specific Grant Income

	2022/23 £000	2023/24 £000
Council Tax income and Retained Business Rates	(89,629)	(98,706)
Non-ring fenced Government Grants	(83,638)	(95,168)
Capital Grants & Contributions and REFCUS	161	(31,427)
<b>Total</b>	<b>(173,106)</b>	<b>(225,301)</b>



## **8. Property, Plant and Equipment**

The movements in the Council's Property, Plant and Equipment for the year 2023/24 are set out in the table below. Estimated asset lives and depreciation rates are set out in the Accounting Policies.

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

## NOTES TO THE ACCOUNTS

2023/24

	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
<b>Cost or Valuation at 1 April 2023</b>	<b>1,471,938</b>	<b>1,544,045</b>	<b>46,071</b>	<b>28,235</b>	<b>487,193</b>	<b>40,649</b>	<b>3,618,126</b>	<b>194,960</b>
Additions	17,648	10,212	3,436	7,106	269,812	15	308,228	952
Revaluations recognised in the Revaluation Reserve	(66,648)	(40,984)	-	-	-	2,657	(104,975)	(2,381)
Revaluations recognised in the Provision of Services	(5,771)	(2,193)	-	-	-	(14,955)	(22,919)	-
De-recognition due to disposals	(21,249)	(56,055)	-	-	(56,032)	-	(133,336)	-
Reclassifications to other assets	3,435	646	-	6,959	(286,539)	125,847	(149,652)	-
<b>Cost or Valuation at 31 March 2024</b>	<b>1,399,350</b>	<b>1,455,672</b>	<b>49,507</b>	<b>42,300</b>	<b>414,434</b>	<b>154,213</b>	<b>3,515,476</b>	<b>193,531</b>
<b>Accumulated Depreciation at 1 April 2023</b>	<b>-</b>	<b>(3,784)</b>	<b>(39,147)</b>	<b>-</b>	<b>-</b>	<b>(66)</b>	<b>(42,997)</b>	<b>-</b>
Depreciation charge	(23,169)	(22,500)	(2,899)	-	-	(671)	(49,239)	(3,460)
Depreciation written out to the Revaluation Reserve	22,836	21,447	-	-	-	493	44,776	3,460
De-recognition due to disposals	333	957	-	-	-	-	1,290	-
<b>Accumulated Depreciation at 31 March 2024</b>	<b>-</b>	<b>(3,880)</b>	<b>(42,046)</b>	<b>-</b>	<b>-</b>	<b>(244)</b>	<b>(46,170)</b>	<b>-</b>
<b>Net Book Value at 31 March 2024</b>	<b>1,399,350</b>	<b>1,451,792</b>	<b>7,461</b>	<b>42,300</b>	<b>414,434</b>	<b>153,969</b>	<b>3,469,306</b>	<b>193,531</b>

## 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
<b>Cost or Valuation at 1 April 2022</b>	<b>1,364,923</b>	<b>1,384,127</b>	<b>44,630</b>	<b>21,691</b>	<b>495,068</b>	<b>43,351</b>	<b>3,353,785</b>	<b>174,447</b>
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)	-
<b>Cost or Valuation at 31 March 2023</b>	<b>1,471,938</b>	<b>1,544,045</b>	<b>46,071</b>	<b>28,235</b>	<b>487,193</b>	<b>40,649</b>	<b>3,618,126</b>	<b>194,960</b>
<b>Accumulated Depreciation at 1 April 2022</b>	<b>-</b>	<b>(4,152)</b>	<b>(36,406)</b>	<b>-</b>	<b>(34)</b>	<b>(70)</b>	<b>(40,662)</b>	<b>-</b>
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	-
<b>Accumulated Depreciation at 31 March 2023</b>	<b>-</b>	<b>(3,784)</b>	<b>(39,147)</b>	<b>-</b>	<b>-</b>	<b>(66)</b>	<b>(42,997)</b>	<b>-</b>
<b>Net Book Value at 31 March 2023</b>	<b>1,471,938</b>	<b>1,540,261</b>	<b>6,924</b>	<b>28,235</b>	<b>487,193</b>	<b>40,583</b>	<b>3,575,132</b>	<b>194,960</b>

## NOTES TO THE ACCOUNTS

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

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles Plant &amp; Equipment</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Surplus Assets</b>	<b>Total PPE (Excluding Infrastructure Assets)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Value at historic cost	-	-	7,463	42,300	414,434	-	464,197
Value at current value in:							
2023/24	1,399,350	1,383,891	-	-	-	149,472	2,932,713
2022/23	-	11,747	-	-	-	-	11,747
2021/22	-	10,811	-	-	-	-1	10,810
2020/21	-	27,225	-	-	-	4,497	31,722
2019/20	-	18,116	-	-	-	-	18,116
<b>TOTAL</b>	<b>1,399,350</b>	<b>1,451,790</b>	<b>7,463</b>	<b>42,300</b>	<b>414,434</b>	<b>153,968</b>	<b>3,469,305</b>

## NOTES TO THE ACCOUNTS

### Property Plant and Equipment (PPE) (continued)

At 31 March 2024 the Council had the following significant contractual commitments amounting to £272.3m (2022/23 £470.7m) for the construction or enhancement of its Property, Plant and Equipment in 2023/24 and future years. The major contractual commitments outstanding as at 31/3/24 are:

<b>Investment Strategy</b>	<b>£000</b>
Gascoigne East Phase 3a - Block I	3,199
Gascoigne East Phase 3a - Block J	3,453
Gascoigne East Phase 2 - Block F	5,034
Gascoigne East Phase 2 – Block E2 – GEM Environmental	1,557
Gascoigne West Phase 2 – Willmott Dixon Ltd	3,786
Gascoigne East Phase 3b	109,873
Gascoigne East Phase 3b - Fees	2,653
Gascoigne Phase 2	2,046
Padnall Lake Phase 2	6,881
Beam Park Phase 6	99,278
Woodward Road	2,176
Roxwell Road	10,273
Transport House	15,756
Town Quay Wharf	2,369
	<u><b>268,334</b></u>
<b>General Fund</b>	
Corporate Retrofit - energy efficiency	2,332
Green Homes Grant LAD Phase 3	1,587
	<u><b>3,919</b></u>
<b>Total</b>	<u><u><b>272,253</b></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.

	<b>2022/23 £000</b>	<b>2023/24 £000</b>
Net book value (modified historical cost) at 1 April	103,065	103,396
Additions	10,202	8,951
Derecognition	-	-
Depreciation	(9,871)	(10,236)
Impairment	-	-
Other movements in cost	-	-
<b>Infrastructure Assets</b>		
<b>Net book value at 31 March</b>	<b>103,396</b>	<b>102,111</b>

	<b>2022/23 £000</b>	<b>2023/24 £000</b>
Infrastructure assets	103,396	102,111
Other PPE assets	3,575,132	3,469,306
<b>Total PPE assets</b>	<b>3,678,528</b>	<b>3,571,417</b>

The Authority has determined in accordance with Regulation 30M(2) 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.

## NOTES TO THE ACCOUNTS

### 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:

	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>
Rental income from investment property	(32,879)	(14,189)
Direct operating expenses arising from investment property	6,784	8,483
<b>Net gain</b>	<b>(26,095)</b>	<b>(5,706)</b>

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:

	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>
Balance at the start of the year	131,752	314,138
Additions	106,702	10,893
Disposals	(2,246)	(68)
Reclassifications	64,592	149,652
Net gains/(losses) from fair value adjustments/revaluations	13,338	(58,306)
<b>Balance at end of the year</b>	<b>314,138</b>	<b>416,309</b>

#### 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 2022/23 £000	Short Term 2022/23 £000		Long Term 2023/24 £000	Short Term 2023/24 £000
		<b><u>Financial Assets at Amortised Cost</u></b>		
23,575	54,020	Investments	221	74
-	-	Cash and Cash Equivalents (see Note 13)		7,911
		<b>Debtors</b>		
250,352	123,034	Debtors as per Balance Sheet (see Note 12)	302,592	100,297
-	1,194	Accrued Interest Receivable		591
-	(30,192)	Adjustments for statutory debtors - not qualifying as financial assets at amortised cost		(26,892)
<b>250,352</b>	<b>94,036</b>	<b>Total debtors qualifying as Financial Assets at Amortised Cost</b>	<b>302,592</b>	<b>73,997</b>
<b>273,927</b>	<b>148,056</b>	<b>Total Financial Assets</b>	<b>302,813</b>	<b>81,981</b>
		<b><u>Financial Liabilities at Amortised Cost</u></b>		
(1,025,800)	(165,317)	Borrowings	(997,752)	(323,900)
	(1,310)	Cash and Cash Equivalents (see Note 13)		-
		<b>Creditors</b>		
(270,870)	(4,492)	PFI and finance lease liabilities	(266,257)	(4,811)
(8,338)	(76,024)	Creditors as per Balance Sheet (See Note 14)	(7,720)	(105,540)
	(3,856)	Accrued Interest Payable		(7,384)
-	21,395	Adjustments for statutory short-term creditors (not qualifying)		10,929
<b>(279,208)</b>	<b>(62,977)</b>	<b>Total creditors qualifying as financial liabilities at amortised cost</b>	<b>(273,977)</b>	<b>(106,807)</b>
<b>(1,305,008)</b>	<b>(229,604)</b>	<b>Total Financial Liabilities</b>	<b>(1,271,730)</b>	<b>(430,707)</b>

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



## NOTES TO THE ACCOUNTS

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

Long Term 2022/23 £000	Short Term 2022/23 £000		Long Term 2023/24 £000	Short Term 2023/24 £000
		<b><u>Borrowing</u></b>		
(877,504)	(20,000)	PWLB	(859,502)	
(10,000)		LOBO	(10,000)	
(138,296)		Other Markets debt	(128,250)	
	(145,317)	Short Term Loans		(323,900)
<b>(1,025,800)</b>	<b>(165,317)</b>	<b>Total</b>	<b>(997,752)</b>	<b>(323,900)</b>

## 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	2022/23		Total £000		2023/24		Total £000
	Assets and Liabilities at Fair Value through Profit and Loss £000				Financial Liabilities measured at amortised cost £000	Assets and Liabilities at Fair Value through Profit and Loss £000	
32,102			<b>32,102</b>	Interest expense *	38,272		<b>38,272</b>
	265		<b>265</b>	Fee Expense**		224	<b>224</b>
	(32,274)		<b>(32,274)</b>	Interest Income *		(13,350)	<b>(12,350)</b>
<b>32,102</b>	<b>(32,009)</b>		<b>93</b>	<b>Net gain / (loss) for the year</b>	<b>38,272</b>	<b>(13,126)</b>	<b>26,146</b>

\* Interest Income and Expenditure include HRA and dividend

\*\* Fee Expense includes brokerage costs for longer term loans

## NOTES TO THE ACCOUNTS

### **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 2024 of 5.36% for one year to 5.01% 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 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 2023			31 March 2024	
Carrying Amount	Fair Value based on New Loan Rate		Carrying Amount	Fair Value based on New Loan Rate
£000	£000		£000	£000
<b>Financial Assets</b>				
77,595	77,595	Investments	294	294
-	-	Cash & Cash Equivalents	7,911	7,911
250,352	250,352	Long Term Debtors	302,592	252,683
95,356	95,356	ST Debtors (excl Interest Receivable)	73,405	73,405
1,194	1,194	Interest Receivable Accrual	591	591
<b>424,497</b>	<b>421,983</b>	<b>Total</b>	<b>384,794</b>	<b>334,885</b>
<b>Financial Liabilities</b>				
(1,310)	(1,310)	Cash & Cash Equivalents	-	-
(897,504)	(660,030)	PWLB	(859,502)	(585,206)
(148,296)	(129,429)	Market Loans	(138,250)	(122,936)
(145,317)	(145,317)	Temporary Loans	(323,900)	(324,790)
(283,700)	(283,700)	PFI & Finance Lease	(278,789)	(288,972)
(54,629)	(54,629)	ST Creditors (excl Interest Payable)	(94,611)	(94,611)
(3,856)	(3,856)	Interest Payable Accrual	(7,384)	(7,384)
<b>(1,550,085)</b>	<b>(1,278,271)</b>	<b>Total</b>	<b>(1,702,436)</b>	<b>(1,423,900)</b>

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 2024 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 2024) 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 £1.95bn for 2023/24, which includes £311m for the HRA (of which £267m was for HRA self-financing debt settlement); and
- to approve the Annual Investment Strategy and creditworthiness policy for 2023/24 outlining the investments that the Council may use for the prudent management of its investment balances

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

### **Credit Risk**

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in

## NOTES TO THE ACCOUNTS

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 2024 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:

	<b>Criteria</b>	<b>Amount Invested at 31 March 2024 £000</b>
Deposits with Banks	A Rated	-
UK Government	Local Authority	-
Commercial Loans	See below	296,169
<b>Total Investments</b>		<b>296,169</b>

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.

### **Trade and Other Receivables**

## NOTES TO THE ACCOUNTS

Credit risk arise from the Council's exposure to trade debtors; this excludes monies from government and public institutions. Aged debtor write off is subject to Council procedures. The debtor balances in Note 12 have been reviewed for loss allowance, providing details of material balances.

### 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 IFRS 9, a financial asset is in one of three stages in order to determine both the amount of ECL to recognise, as well as how interest income should be recognised.

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

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

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

There are currently loans totalling £302.6m, 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.

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

## NOTES TO THE ACCOUNTS

Counterparty	Loan Amounts £000	Loss Allowances £000	Secured/ Guarantee	Risk of Default	Fitch Rating Criteria*
BRL Loan	5,500	35	Yes	0.64%	BB
Reside property	205,661	288	Yes	0.14%	BBB
B&D Reside Regeneration LLP	4,756	7	Yes	0.14%	BBB
B&D Reside Weavers LLP	34,553	48	Yes	0.14%	BBB
B&D Reside Regeneration LTD and TPFL	243	-	Yes	0.14%	BBB
B&D Reside Limited	10	-	Yes	0.14%	BBB
B&D Homes Limited	10,551	15	Yes	0.14%	BBB
Be First	5,478	35	No	0.64%	BB
B&D Energy Ltd	13,721	19	Yes	0.14%	BBB
B&D Trading Partnerships	21,700	-	Yes	2.64%	B
Other (<£1m)	419	-			
<b>Total</b>	<b>302,592</b>	<b>448</b>			

### \* Fitch Ratings Criteria 2021

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

B: degrading financial situation; highly speculative

### Liquidity Risk

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

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

### Refinancing and Maturity Risk

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

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



## NOTES TO THE ACCOUNTS

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

	<b>Actual 31 March 2023 £000</b>	<b>Actual 31 March 2024 £000</b>
Less than one year	168,074	323,000
Between 1 and 2 years	-	20,000
Between 2 and 5 years	-	-
Between 5 and 10 years	-	-
More than 10 years	1,025,800	987,752
<b>Total</b>	<b>1,193,874</b>	<b>1,331,652</b>

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

### Market Risk

#### Interest Rate Risk

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

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

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

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

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

## NOTES TO THE ACCOUNTS

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 2024 if interest rates had been 1% higher with all other variables held constant, the financial effect for 2023/24 would be:

<b>Interest Rate Risk - 1% Increase</b>	<b>£000</b>
Increase in interest payable on variable rate borrowings*	-
Increase in interest receivable on variable rate investments	430
Impact on Surplus or Deficit on the Provision of Services	<b>430</b>
<b>Interest Rate Risk – 1% Decrease</b>	-
Decrease in interest payable on variable rate borrowings*	-
Decrease in interest receivable on variable rate investments	439
Impact on Surplus or Deficit on the Provision of Services	<b>439</b>

\*The Council did not hold any variable rate borrowings as at 31 March 2024 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 2024 the Council did not hold any Certificates of Deposit.

### **Foreign exchange risk**

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

## NOTES TO THE ACCOUNTS

### 12. Debtors

	<b>2022/23</b> <b>£000</b>	<b>2023/24</b> <b>£000</b>
Housing Benefits Overpayments (net of BDP)	2,440	918
Housing Rents (net of BDP)	5,666	5,466
Business Rates	3,534	2,462
Council Tax	18,251	16,897
Leaseholder Service Charge	619	1,291
Payments in Advance	10,441	6,052
Court Costs	3,416	4,581
VAT	11,671	9,172
Trade Debtors	54,577	47,940
Other Debtors (net of BDP)	13,614	6,110
<b>Total</b>	<b>124,228</b>	<b>100,888</b>

### 13. Cash and Cash Equivalents

	<b>2022/23</b> <b>£000</b>	<b>2023/24</b> <b>£000</b>
Cash held by the council	58	53
Bank current accounts	(1,368)	7,858
<b>Total</b>	<b>(1,310)</b>	<b>7,911</b>

### 14. Creditors

	<b>2022/23</b> <b>£000</b>	<b>2023/24</b> <b>£000</b>
Housing Rents	(2,086)	(2,278)
Business Rates	(1,135)	(722)
Council Tax	(5,013)	(4,834)
Trade Creditor	(159)	(6,321)
Other Creditors	(75,980)	(103,581)
<b>Total</b>	<b>(84,372)</b>	<b>(117,736)</b>

## NOTES TO THE ACCOUNTS

### 15. Provisions

	Balance at 31 March 2023 £000	Additional Provisions made during 2023/24 £000	Amounts used or reversed in 2023/24 £000	Balance at 31 March 2024 £000
<b>Long Term</b>				
Insurance	(4,215)	(1,715)	1,819	(4,110)
NDR Appeals	(2,103)	(7,010)	6,789	(2,324)
<b>Short Term</b>				
Legal Provision	-	(1,000)	-	(1,000)
Contaminated land	(1,897)	-	1,897	-
Client Over Charge Refund	(100)	-	-	(100)
Disrepair claims and Damages	(1,731)	(3,327)	1,751	(3,307)
<b>Total</b>	<b>(10,045)</b>	<b>(13,052)</b>	<b>12,256</b>	<b>(10,840)</b>

#### Insurance Claims

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

#### Business Rates Appeals

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

### 16. Usable Reserves

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

### 17. Unusable Reserves

The breakdowns of materially significant reserves are provided below.

2022/23 £000	Unusable Reserves	2023/24 £000
(1,554,697)	Revaluation Reserves	(1,443,516)
(929,688)	Capital Adjustment Account	(831,494)
28,739	Pension Reserve	26,754
4,236	Collection Fund Adjustment Account	301
2,554	Accumulated Absence Account	9,802
<b>(2,448,856)</b>	<b>Total</b>	<b>(2,238,153)</b>

## NOTES TO THE ACCOUNTS

### 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.

<b>2022/23</b>	<b>Revaluation Reserve</b>	<b>2023/24</b>
£000		£000
(1,281,459)	<b>Balance at 1 April</b>	(1,554,697)
(331,162)	Upward Revaluation of Assets	(46,936)
35,530	Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	107,136
6,168	Accumulated gains or losses on assets disposed of in year.	30,377
16,226	Difference between fair value depreciation and Historical cost depreciation	20,604
<b>(1,554,697)</b>	<b>Balance at 31 March</b>	<b>(1,443,516)</b>

### 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.

## NOTES TO THE ACCOUNTS

2022/23		2023/24
£000	<b>Capital Adjustment Account</b>	£000
(947,747)	<b>Balance at 1 April</b>	(929,688)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
	Adjustment to opening to correct Revaluation Reserve	
54,672	Charges for depreciation and impairment of non-current assets	59,575
2,906	Revaluation gains/(losses) on Property, Plant and Equipment	22,920
1,171	Amortisation of intangible assets	734
71,468	Revenue expenditure funded from capital under statute.	26,507
258,419	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	139,815
(22,394)	Adjusting amounts written out of the Revaluation Reserve	(50,981)
	<b>Capital financing applied in the year:</b>	
(65,504)	Use of the Capital Receipts Reserve to finance new capital expenditure	(18,066)
(19,210)	Use of the Major Repairs Reserve to finance new capital expenditure	(17,987)
(8,463)	Application of grants to capital financing from the Capital Grants Unapplied Account	(31,891)
(13,172)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(15,616)
(4,603)	Capital expenditure charged against the General Fund and HRA balances	-
(248,367)	Repayment of The Capital Financing Requirement using Capital Receipts	(76,540)
(2,934)	Repayment of The Capital Financing Requirement using General Fund	(2,280)
27,408	Loan repayment	3,697
(13,338)	Movements in market value of Investment Properties	58,306
<b>(929,688)</b>	<b>Balance at 31 March</b>	<b>(831,494)</b>

### 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.

## NOTES TO THE ACCOUNTS

2022/23		2023/24
£000	<b>Pension Reserve</b>	£000
496,301	<b>Balance at 1 April</b>	28,739
(477,243)	Remeasurements of the net defined benefit liability/asset	5,869
43,119	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	24,937
(6,438)	Employer pensions' contributions and direct payments to pensioners payable in the year	(127,791)
-	Impact of asset ceiling	95,000
<b>28,739</b>	<b>Balance at 31 March</b>	<b>26,754</b>

### Accumulated Absence Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund and HRA balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund and HRA balance is neutralised by transfers to or from the Accumulated Absences Account. The reduction in this year's accrual is due to improvements in the management of annual leave balances across the Council and flexi balances no longer being centrally recorded.

2022/23		2023/24
£000		£000
2,660	<b>Balance at 1 April</b>	2,554
(2,660)	Settlement or cancellation of accrual made at the end of the preceding year	(2,554)
2,554	Amounts accrued at the end of the current year	9,802
<b>2,554</b>	<b>Balance at 31 March</b>	<b>9,802</b>

## 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:

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
54,674	Depreciation	59,576
(10,432)	Impairment and downward valuations	81,225
1,171	Amortisation	733
(55,413)	Increase/(decrease) in creditors	35,499
(24,340)	(Increase)/decrease in debtors	42,849
(128,359)	(Increase)/decrease in long term debtors	(52,240)
(24)	(Increase)/decrease in inventories	(66)
(9,681)	Movement in pension liability	7,854
258,418	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	139,814
75,316	Increase/(decrease) in Grants and Contributions	15,885
1,307	Receipts in Advance	176
1,307	Other non-cash items charged to the net surplus or deficit on the provision of services	176
<b>162,637</b>		<b>331,305</b>

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

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
(4,546)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(35,417)
(253,978)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(94,022)
-	Any other items for which the cash effects are investing or financing cash flows	-
<b>(258,524)</b>		<b>(129,439)</b>
<b>(170,096)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>42,074</b>



## NOTES TO THE ACCOUNTS

### 18b. Cash flow Note – Investing Activities

2022/23		2023/24
£000		£000
(413,036)	Purchase of property, plant and equipment, investment property and intangible assets	(347,502)
253,978	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	94,022
(352,535)	Purchase of short-term and long-term investments	(756,868)
453,091	Proceeds from short-term and long-term investments	833,566
4,546	Capital grants received	35,417
-	Other payments for investing activities	-
<b>(53,956)</b>	<b>Net Cash Flows from Investing Activities</b>	<b>(141,365)</b>

### 18c. Cash flow Note – Financing Activities

2022/23		2023/24
£000		£000
95,141	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(20,640)
(326,915)	(Repayment) of short and long-term borrowing	(639,258)
437,997	Cash receipts of short-term and long-term borrowing	766,614
(3,175)	Other payments for financing activities	1,796
<b>203,048</b>	<b>Net Cash Flows from Financing Activities</b>	<b>108,512</b>

## NOTES TO THE ACCOUNTS

### 19. Pooled Budgets

In accordance with the Section 75 Agreement (National Health Service Act 2006), the Council and North East London Integrated Care Board (NEL ICB) have established a unified Pooled Budget and a Lead Commissioning agreement for the Better Care Fund (BCF). This agreement encompasses the commissioning of health and social care services, aligning with the Barking and Dagenham Place BCF plan, which includes the Disabled Facilities Grant (DFG) and the Improved Better Care Fund (iBCF).

Together with the ICB, the Council undertakes the management and delivery of statutory functions, aiming to provide integrated and efficient health and social care services to residents. The pooled budget's Income and Expenditure Account is summarised below. Notably, in 2023/24, the Council received an income of £7.415m (£7.254m in 2022/23) from the Minimum CCG Contribution to Adult Social Care.

2022-23 Income £000	2022-23 Expenditure £000		2023-24 Income £000	2023-24 Expenditure £000
(10,426)	10,426	ICB - Minimum NHS Contribution	(11,025)	11,025
(7,254)	7,254	LA - Minimum NHS Contribution	(7,415)	7,415
<b>(17,680)</b>	<b>17,680</b>	<b>Total Minimum NHS Contribution</b>	<b>(18,440)</b>	<b>18,440</b>
(1,857)	1,857	DFG	(2,025)	2,025
(10,707)	10,707	iBCF	(10,707)	10,707
-	-	Additional LA Contribution	-	-
(215)	215	Additional NHS Contribution	(295)	295
<b>(30,459)</b>	<b>30,459</b>	<b>Total</b>	<b>(31,467)</b>	<b>31,467</b>

### 20. Members Allowances

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

	2022/23 £000	2023/24 £000
Basic Allowances	600	629
Special Responsibility Allowances	347	366
Employers NI	71	149
<b>Total</b>	<b>1,018</b>	<b>1,144</b>

### 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 £200k 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.

## NOTES TO THE ACCOUNTS

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

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

### a) Analysis of employees whose remuneration is in excess of £50,000 and less than £200,000

	2022/23		2023/24	
	Non-Teaching Employees	Teaching Employees	Non-Teaching Employees	Teaching Employees
£50,000 - £54,999	97	526	135	154
£55,000 - £59,999	66	78	100	543
£60,000 - £64,999	49	63	26	71
£65,000 - £69,999	25	140	56	73
£70,000 - £74,999	18	59	27	79
£75,000 - £79,999	20	46	14	72
£80,000 - £84,999	5	17	2	52
£85,000 - £89,999	16	23	22	39
£90,000 - £94,999	-	21	16	22
£95,000 - £99,999	-	13	1	17
£100,000 - £104,999	5	3	2	7
£105,000 - £109,999	-	6	9	17
£110,000 - £114,999	-	3	-	4
£115,000 - £119,999	-	4	-	4
£120,000 - £124,999	3	4	-	2
£125,000 - £129,999	-	2	3	4
£130,000 - £134,999	-	1	-	2
£135,000 - £139,999	-	2	1	1
£140,000 - £144,999	-	-	-	-
£145,000 - £149,999	1	1	-	1
£150,000 - £154,999	-	1	1	2
£155,000 - £159,999	-	-	-	2
£160,000 - £164,999	-	1	-	1
£190,000 - £194,999	-	-	-	1
£195,000 - £199,999	-	-	1	-
<b>Total</b>	<b>305</b>	<b>1,014</b>	<b>416</b>	<b>1,170</b>

## NOTES TO THE ACCOUNTS

### b) Senior Officers whose salary is between £50,000 and £200,000 per year

2023/24

Post Held	Notes	Salary, Fees & Allowances	Bonuses	Expense Allowances	Compensation for Loss of Employment	Sub-total	Employers Pension Contribution	Total (including Pensions contribution)
		£	£	£	£	£	£	£
Chief Executive - Fiona Taylor	1	197,860				<b>197,860</b>	39,634	<b>237,494</b>
Strategic Director, Children & Adults - Elaine Allergretti		187,097				<b>187,097</b>	41,161	<b>228,258</b>
Head of Law/Chief Legal Officer	2	62,639				<b>62,639</b>	13,781	<b>76,419</b>
Head of Legal Services and Monitoring Officer	2	61,542				<b>61,542</b>	11,974	<b>73,515</b>
Director of Support and Collections, Inclusive Growth		107,376		404		<b>107,780</b>	23,623	<b>131,403</b>
Strategic Director, My Place		139,466				<b>139,466</b>	30,683	<b>170,149</b>
Strategic Director, Inclusive Growth		105,839				<b>105,839</b>	8,982	<b>114,821</b>
Director of Strategy	3	126,477				<b>126,477</b>	-	<b>126,477</b>
Director of Strategy	3	24,358				<b>24,358</b>	5,359	<b>29,717</b>
Strategic Director, Finance & Investment	4	46,114		122		<b>46,235</b>	10,145	<b>56,381</b>
Strategic Director, Finance & Investment	4	154,088				<b>154,088</b>	-	<b>154,088</b>
Director of Workforce Change		107,376				<b>107,376</b>	23,623	<b>130,999</b>
Director of Community Participation & Prevention	5	107,376				<b>107,376</b>	23,623	<b>130,999</b>
Head of Leaders Office		71,318		158		<b>71,476</b>	15,910	<b>87,386</b>

**Note 1** Fiona Taylor was Interim Chief Executive and Strategic Director of Law and Governance until June'23. Then became Chief Executive of the Council from July'23 for the remainder of 2023-24.

**Note 2** Head of Law/Chief Legal Officer post appointed interim Monitoring Officer from May 2022 and continued until October'23. The post was then renamed to Head of Legal Services and Monitoring Officer and was filled in July'23.

**Note 3** Director of Strategy filled by a consultant April'23 to September'23, therefore no Employer's Pension Contributions occurred. The post was then filled by a permanent staff member.

**Note 4** Strategic Director of Finance & Investment was filled by a permanent staff member until July'23. This is now being covered by a consultant and has been since October'23.

**Note 5** Change in position name, was previously Director of Community Partnership & Participation

## NOTES TO THE ACCOUNTS

2022/23

Post Held	Notes	Salary, Fees & Allowances £	Bonuses £	Expense Allowances £	Compensation for Loss of Employment £	Sub-total £	Employers 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

### c) Exit Packages

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

Exit Package Cost band	Number of Compulsory		Number of others		Total number of exits		Total cost of exits	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
£0 – £20,000	14	<b>13</b>	20	<b>19</b>	34	<b>32</b>	255,708	<b>227,373</b>
£20,001–£40,000	2	<b>1</b>	4	<b>3</b>	6	<b>4</b>	159,726	<b>129,278</b>
£40,001–£60,000	-	-	-	-	-	-	-	-
£60,001–£80,000	-	-	-	-	-	-	-	-
£80,001 +	-	-	-	-	-	-	-	-
<b>Total</b>	<b>16</b>	<b>14</b>	<b>24</b>	<b>22</b>	<b>40</b>	<b>36</b>	<b>415,434</b>	<b>356,651</b>

## 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.

	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>
Fees payable for audit of the authority	141	435
Fees payable for audit related assurance services	7	20
Fees payable for mandatory assurance services	22	30
<b>TOTAL</b>	<b>170</b>	<b>485</b>

### 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 2023/24 is below

<b>Total</b>		<b>Central Costs</b>	<b>ISB</b>	<b>Total</b>
<b>2022/23</b>		<b>£000</b>	<b>£000</b>	<b>2023/24</b>
<b>£000</b>				<b>£000</b>
321,943	Final DSG for year before Academy recoupment			342,390
(72,710)	<b>Less:</b> Academy figure recouped			(73,912)
249,233	Total DSG after Academy recoupment			268,479
10,664	Brought forward from previous year			10,073
-	<b>Less:</b> Carry forward agreed in advance			-
259,897	Agreed initial budget distribution in year	43,727	234,825	278,552
406	In year adjustments	-	264	264
260,303	Final budget distribution for the year	43,727	235,089	278,817
(17,371)	<b>Less:</b> Actual central expenditure	(35,658)		(35,658)
232,859	Actual ISB deployed to schools		(235,203)	(235,203)
<b>10,073</b>	<b>Total carry forward</b>	<b>8,069</b>	<b>(114)</b>	<b>7,955</b>

## NOTES TO THE ACCOUNTS

### 24. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24:

	2022/23 £000	2023/24 £000
<b>Credit to Taxation and Non-Specific Grant Income</b>		
RSG (Includes Business Rates Retention Scheme)	(57,514)	(57,508)
NNDR Compensation grants	(8,964)	(14,028)
New Homes Grant	(1,073)	(1,938)
Social Care Grant and Market Sustainability Grant	(10,506)	(18,321)
Housing & Council Tax Benefits Admin Grant	(837)	(786)
Interim payment to City of London	1,433	-
Service Grant	(3,978)	(2,334)
Other grants individually less than £1 million	(2,199)	(252)
<b>Total</b>	<b>(83,638)</b>	<b>(95,168)</b>
 <b>Credit to Services</b>		
Dedicated Schools Grant (DSG)	(254,529)	(264,128)
Education and Skills Funding Agency	(20,270)	(31,745)
Public Health England	(18,382)	(18,662)
Department for Levelling Up, Housing and Communities (DLUHC) formerly the Ministry of Housing, Communities and Local Government (MHCLG)	(10,591)	(10,323)
Pupil Premium	(11,908)	(12,482)
Home Office	(3,321)	(1,643)
Department of Work and Pensions	(6,016)	(6,013)
Greater London Authority	(3,673)	(3,964)
Department of Health and Social Care	(11,817)	(12,644)
Other grants individually less than £1 million	(15,425)	(17,547)
<b>Total</b>	<b>(355,932)</b>	<b>(379,151)</b>
 <b>Credit to Services - Housing Benefit</b>		
Mandatory Rent Allowances: Subsidy	(37,835)	(35,269)
Rent Rebates granted to HRA tenants: Subsidy	(7,965)	(9,484)
Mandatory Rent Rebates outside HRA	(30,230)	(28,272)
<b>Total</b>	<b>(76,031)</b>	<b>(73,025)</b>



## NOTES TO THE ACCOUNTS

	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>
<b>Credit to Taxation and Non-Specific Grant Income - Capital Grant</b>		
Department for Education	(8,839)	(15,355)
Transport for London	(2,139)	(5,171)
Department for Business, Energy and Industrial Strategy (BEIS)	(1,234)	-
Developer Contributions	(1,434)	(7,872)
Other Capital Grants	13,807	(3,726)
<b>Total</b>	<b>161</b>	<b>(32,124)</b>

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:

	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>
<b>Capital Grant Received in Advance</b>		
Department for Education	(29,882)	(34,958)
Greater London Authority	(96,868)	(102,404)
Department for Business, Energy and Industrial Strategy	(2,866)	(1,993)
Department for Levelling Up, Housing and Communities	(3,337)	(10,594)
Other capital grants	(53)	(307)
<b>TOTAL</b>	<b>(133,006)</b>	<b>(150,256)</b>

## **25. Related Parties**

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

### **Central Government**

Central Government has effective control over the general operations of the Council and is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received during the year are further analysed in Note 24.

### **Members**

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

The total of Members' allowances paid in 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 202/24.

### **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 729 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 243 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**

This manages 619 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.

### 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)	410,127			13,721,489
Barking & Dagenham Citizen's Advice Bureau	(12,000)	374,067			
Barking & Dagenham Trading Partnership - Ltd	(32,691)	24,359			5,924,943
Barking & Dagenham Management Services		49,010,938			
Barking & Dagenham Corporate Cleaning Ltd		2,482,665			
Barking & Dagenham Together Ltd		2,383,295			
TPFL Regeneration Ltd					64,121
Reside Regeneration LTD	(237,421)				
B&D Reside Roding Ltd				40,971	179,118
Reside Regeneration LLP	(181,305)			439,877	4,755,602
Reside Weavers LLP	(725,794)	22,357		677,587	170,719,331
Reside Ltd	(75,326)	45,748	(372,642)		53,246
Reside Abbey Roding LLP	(42,978)				8,220
BD Muller Developments					
B&D Homes	(4,290)				50,198,681
Barking Riverside LTD	(36,312)	197,146			5,500,000
Londoneast - UK Limited		112,120			28,981,147
BDSIP Ltd.	(103,645)	1,380,216			
Be First (Regeneration) Ltd.	(789,786)	15,698,675	(1,297,665)	679,111	5,477,619
	<b>(2,310,049)</b>	<b>72,141,710</b>	<b>(1,670,308)</b>	<b>1,837,546</b>	<b>285,583,516</b>

## NOTES TO THE ACCOUNTS

### 26. Capital Expenditure and Capital Financing

Capital Financing Requirement	2022/23	2023/24
	£000	£000
<b>Opening Capital Financing Requirement</b>	1,388,895	1,707,121
<b>Capital investment</b>		
Property, Plant and Equipment	344,748	316,982
Property, Plant and Equipment - Finance Lease additions	82,000	-
Property, Plant and Equipment - PFI additions	201	198
Investment Properties	24,702	10,893
Heritage Assets	39	90
Revenue Expenditure Funded from Capital under Statute	71,468	26,507
Long Term Debtors	157,320	50,603
<b>Sources of Finance</b>		
Capital receipts	(65,504)	(18,066)
Government grants and other contributions	(8,463)	(31,891)
Sums set aside from revenue:		
Direct revenue contributions	(4,603)	(2,280)
MRP	(13,178)	(15,616)
Repayments of CFR from GF	(251,293)	(76,540)
Major Repairs Reserve	(19,210)	(17,987)
<b>Increase in Capital Financing Requirement</b>	<b>318,227</b>	<b>242,894</b>
<b>Closing Capital Financing Requirement</b>	<b>1,707,121</b>	<b>1,950,015</b>
<b>Explanation of Movements in Year</b>		
Increase in underlying need to borrow (unsupported by government financial assistance)	236,025	242,695
Assets acquired under finance leases	82,000	-
Assets acquired under PFI/PPP contracts (lifecycle costs)	201	198
<b>Increase in Capital Financing Requirement</b>	<b>318,226</b>	<b>242,894</b>

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 27 and 28, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

## 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:

<b>Net Book Value of Assets acquired under a finance lease</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>
Property, Plant and Equipment	233,853	231,436

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:

<b>Minimum Lease Payments</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>
Finance Lease Liabilities (Net present value of minimum lease payments)		
- Current	1,831	1,894
- Non-current	233,915	232,021
	<b>235,745</b>	<b>233,915</b>
Finance Costs Payable in Future Years	272,624	264,141
Minimum Lease Payments	<b>508,369</b>	<b>498,056</b>

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

Financial Lease Payment Profile	Minimum Lease		Finance Lease	
	2022/23 £000	2023/24 £000	2022/23 £000	2023/24 £000
Not Later than one year	10,314	<b>10,314</b>	1,831	<b>1,894</b>
Later than one and not later than five years	41,255	<b>41,255</b>	7,977	<b>8,253</b>
Later than five years	456,801	<b>446,488</b>	225,938	<b>223,768</b>
	<b>508,369</b>	<b>498,056</b>	235,745	<b>233,915</b>

##### 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:

<b>Operating Lease Payment Profile</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>
Not Later than one year	33	<b>404</b>
Later than one and not later than five years	69	<b>654</b>
Later than five years	836	<b>866</b>
	<b>938</b>	<b>1,924</b>

## NOTES TO THE ACCOUNTS

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to operating leases was £271k in 2023/24 (£420k in 2022/23).

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:

<b>Future Minimum Lease Payments Receivable</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	11,383	21,867
Later than one year and not later than five years	42,415	77,779
Later than five years	236,128	256,248
	<b>289,926</b>	<b>355,894</b>

## 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 2024 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

## NOTES TO THE ACCOUNTS

	Total 2022/23	Payment for Services	Reimburse- ment of Capital Expenditure	Interest	Total 2023/24
	£000	£000	£000	£000	£000
Payable within one year	6,261	2,010	1,653	2,598	6,261
Payable within two to five years	25,044	8,557	8,507	7,980	25,044
Payable within six to ten years	18,783	3,057	4,703	4,765	12,522
Payable within eleven to fifteen years	-	-	-	-	-
<b>Total</b>	<b>50,089</b>	<b>13,622</b>	<b>14,862</b>	<b>15,344</b>	<b>43,828</b>

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:

<b>Contractor Liability</b>	2022/23 £000	2023/24 £000
Balance Outstanding at 1 April	17,717	16,360
Payments during the year	(1,357)	(1,498)
<b>Balance Outstanding 31 March</b>	<b>16,360</b>	<b>14,862</b>

### 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 2024 (excluding any estimation of inflation and availability/ performance deductions) are as follows:



## NOTES TO THE ACCOUNTS

	<b>Total 2022/23</b>	Payment for Services	Reimburse- ment of Capital Expenditure	Interest	<b>Total 2023/24</b>
	£000	£000	£000	£000	<b>£000</b>
Payable within one year	4,193	579	1,265	2,349	4,193
Payable within two to five years	16,774	2,317	5,900	8,557	16,774
Payable within six to ten years	20,967	2,896	10,161	7,910	20,967
Payable within eleven to fifteen years	16,774	1,738	8,311	2,531	12,580
Payable within sixteen to twenty years	-	-	-	-	-
<b>Total</b>	<b>58,709</b>	<b>7,530</b>	<b>25,637</b>	<b>21,348</b>	<b>54,515</b>

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:

<b>Contractor Liability</b>	2022/23 £000	2023/24 £000
Balance Outstanding at 1 April	24,136	<b>23,257</b>
Payment during the year	(1,080)	<b>(1,164)</b>
Capital expenditure incurred in the year	201	<b>198</b>
<b>Balance Outstanding 31 March</b>	<b>23,257</b>	<b>22,291</b>

### 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 2023/24, the Council paid £21.3m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.7% of pensionable pay. The figures for 2022/23 were £19.6m and 23.7% respectively. There were no contributions remaining payable at the year-end. For NHS staff in 2023/24 the figures were £0.04m and 16.9% (14.4% plus an additional amount that is invoiced of 2.5%). In 2022/23 the figures were £0.1m and 14.3% respectively.

It is expected the Council will pay around £27.3m for 2024/25 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.

## NOTES TO THE ACCOUNTS

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

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

### **Asset Ceiling (Onerous Funding Commitment)**

Employers with a funding deficit at the last valuation will be paying secondary contributions to make good the deficit over the recovery period. Under IFRS, there can therefore be a minimum funding requirement to make secondary contributions. It is possible that these secondary contributions, once paid, lead to a future accounting surplus that cannot be realised due to the asset ceiling. In such cases the requirement to make these contributions leads to an additional accounting liability known as the Onerous Funding Commitment. As a result of the asset ceiling, an increase in the pension liabilities has been recognised by the Council to reflect the current commitment to pay employer's contributions to recover a deficit in the Pension Fund that has been assessed as greater than the net pension liability established under Accounting Code requirements.

### **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.

## NOTES TO THE ACCOUNTS

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:

	<b>LGPS</b>	
	<b>2022/23</b>	<b>2023/24</b>
<b>Comprehensive Income and Expenditure Statement</b>	<b>£000</b>	<b>£000</b>
<b>Cost of Services</b>		
Service cost (including administration expenses)	(41,200)	(25,149)
Net interest on the defined liability (asset)	(1,919)	212
<b>Total Post-Employment Benefits charged to the Surplus or Deficit on the provision of services</b>	<b>(43,119)</b>	<b>(24,937)</b>
<b>Remeasurement of the net assets / (defined liability):</b>		
Return on Fund assets in excess of interest	(62,937)	72,491
Other actuarial gains/(losses) on assets	-	-
Change in financial assumptions	670,477	8,034
Change in demographic assumption	-	12,488
Experience gain/(loss) on defined benefit obligation	(130,297)	(3,882)
Changes in effect of asset ceiling (onerous funding commitment)	-	(95,000)
<b>Total Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>477,243</b>	<b>(5,869)</b>
<b>Movement in Reserve Statement:</b>		
Reversal of net charges made to the Surplus or Deficit on the provision of services for post-employment benefits in accordance with the code	43,119	<b>24,937</b>
Actual amount charged against the General Fund Balance for pensions in the year:		
Employer's contributions payable to scheme	(33,438)	<b>(32,791)</b>

## 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):

<u>Scheme Liabilities</u>	<b>LGPS</b>	
	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>
<b>Opening balance at 1 April</b>	1,549,823	1,062,935
Current Service Cost	40,663	24,573
Interest Cost	42,461	49,458
Change in financial assumptions	(670,477)	(8,034)
Change in demographic assumptions	-	(12,488)
Experience loss/(gain) on defined benefit obligation	130,297	3,882
Liabilities assumed / (extinguished) on settlements	1,572	(711)
Estimated benefits paid net of transfers in	(39,787)	(39,792)
Past service costs, including curtailments	28	15
Contributions by Scheme participants and other employers	9,604	11,741
Unfunded pension payments	(1,249)	(1,205)
<b>Closing Balance at 31 March</b>	<b>1,062,935</b>	<b>1,090,374</b>

#### Scheme Assets

<b>Opening balance at 1 April</b>	1,053,522	1,034,196
Interest on assets	40,542	49,670
Return on assets less interest	(62,937)	72,491
Other actuarial gains/(losses)	-	-
Administration expenses	(562)	(552)
Contributions by employer including unfunded	33,438	32,791
Contributions by Scheme participants and other employers	9,604	11,741
Estimated benefits paid plus unfunded net of transfers in	(41,036)	(40,997)
Settlement prices received / (paid)	1,625	(720)
<b>Closing Balance at 31 March</b>	<b>1,034,196</b>	<b>1,158,620</b>

#### Pensions Assets and Liabilities Recognised in the Balance Sheet

##### **Local Government Pension Scheme**

Fair value of plan assets	1,034,196	<b>1,158,620</b>
Present value of the defined benefit obligation	(1,062,935)	<b>(1,090,374)</b>
Impact of asset ceiling (onerous funding commitment)	-	<b>(95,000)</b>
<b>Net liability arising from defined benefit obligation</b>	<b>(28,739)</b>	<b>(26,754)</b>

## NOTES TO THE ACCOUNTS

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 2023/24.

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%.

## NOTES TO THE ACCOUNTS

The significant assumptions used by the actuary have been:

	<b>LGPS</b>	
	2022/23	2023/24
<b>Mortality Assumptions:</b>	£000	£000
Longevity at 65 for current pensioners:		
· Men	20.9 Yrs	20.6 Yrs
· Women	23.6 yrs	23.4 Yrs
Longevity at 65 for future pensioners		
· Men	22.2 yrs	21.9 Yrs
· Women	25.2 yrs	24.9 Yrs
<b>Actuarial Assumptions:</b>		
Rate of Increase in Salaries	3.85%	3.90%
Rate of Increase in Pensions	2.85%	2.90%
Rate of Discounting Scheme Liabilities	4.80%	4.90%

### Sensitivity Analysis

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

Sensitivity Analysis	£000	£000	£000
<b>Adjustment to discount rate</b>	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
<b>Present value of total obligation</b>	1,072,985	1,090,374	1,108,224
<b>Projected service cost</b>	23,776	24,660	25,573
<b>Adjustment to long term salary increase</b>	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
<b>Present value of total obligation</b>	1,091,459	1,090,374	1,073,710
<b>Projected service cost</b>	24,677	24,660	23,765
<b>Adjustment to pension increases and deferred revaluation</b>	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
<b>Present value of total obligation</b>	1,107,474	1,090,374	1,073,710
<b>Projected service cost</b>	25,586	24,660	23,765
<b>Adjustment to life expectancy assumptions</b>	<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>
<b>Present value of total obligation</b>	1,133,858	1,090,374	1,048,768
<b>Projected service cost</b>	25,633	24,660	23,713

### 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 2024 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 depend on the structure

## NOTES TO THE ACCOUNTS

of the revised assumption (i.e. if improvements to survival rates predominantly apply to 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	
	2022/23	2023/24	2022/23 £000	2023/24 £000
<b>Equities</b>	86.0%	<b>80.0%</b>	873,711	<b>920,764</b>
<b>Bonds</b>	11.0%	<b>15.0%</b>	107,107	<b>177,587</b>
<b>Property</b>	5.0%	<b>3.0%</b>	39,567	<b>37,769</b>
<b>Cash</b>	2.0%	<b>2.0%</b>	13,811	<b>22,500</b>
<b>Total Assets</b>	100.0%	<b>100.0%</b>	1,034,196	<b>1,158,620</b>

The Employer's share of the assets of the Fund is approximately 78.60%.

### 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 2025 is estimated to be £32.1m

#### Projected pension expense for the year to 31 March 2025

	<b>£000</b>
Service cost	24,660
Net interest on the defined liability (asset)	504
Administration expenses	552
<b>Total loss / (profit)</b>	<b>25,716</b>
Employer Contributions	32,131

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2024. These projections are based on the assumptions as at 31 March 2024, 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 standard 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:** The Council is yet to adopt the IFRS 16 Lease accounting standard. Application of this accounting standard is compulsory from 2024/25 and will be implemented by the Council for the 2024/25 accounts.

The main impact of this IFRS 16 will relate to property that the Council currently holds under operating leases, for which assets and liabilities are not recognised and rents are generally charged as revenue expenditure when they are payable. Under IFRS 16, the accounting



## NOTES TO THE ACCOUNTS

treatment for all leases (except those with a term of less than 12 months and those involving low value items) will be to recognise a right-of-use asset in the Balance Sheet, measuring the value of the Council's right to use the property over the remaining term of the lease. The Balance Sheet will also include a liability for the rents payable before the lease expires.

There are no other changes in accounting standards for 2024/25 that are anticipated to have a material impact on the Council's financial performance or financial position.

### **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 critical judgement made in the Statement of Accounts are:

In calculating the net pensions asset, the Council has made a judgement that the statutory framework for setting employer's contributions under its pension schemes constitutes a minimum funding requirement. This limits the Council's ability to realise the full economic benefits through reductions in future employer's contributions.

Accounting standards IAS 19 paragraph 64 and IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement' require a net pension asset to be recognised up to the level of the asset ceiling. This is calculated by the actuary based upon discount rates and a number of forecasts such as salary estimates and employer contributions to the pension fund. The net pension asset has been adjusted to reflect the valuations provided by the actuaries which incorporate the asset ceiling.

### **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 2024 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 £5.95m 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 31<sup>st</sup> 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 5 July 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 2024, 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 2023/24 financial year and its financial position at the year end of 31 March 2024. 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 2023/24, 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;

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.

## NOTES TO THE ACCOUNTS

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 LBBB Pension Fund.

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

The arrangements for the Teachers' and NHS Pension Schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they had been a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement was charged with the employer contributions payable to Teachers' Pensions in the year, while NHS pension contributions are included in the Public Health line.

**d) The Local Government Pension Scheme**

## NOTES TO THE ACCOUNTS

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

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

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

The assets of London Borough of Barking and Dagenham pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities - current bid price;
- unquoted securities - professional estimate;
- unitised securities - current bid price;
- property - market value; and
- limited partnerships - fair value on net asset value.

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

Service costs comprising:

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

Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such

## NOTES TO THE ACCOUNTS

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

## NOTES TO THE ACCOUNTS

represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.

### **Expected Credit Loss Model (ECL)**

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

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

### **x. Government Grants and contributions**

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

### **xi. Community Infrastructure Levy**

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

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive income and Expenditure Statement in accordance with the accounting policy for government grants and



## NOTES TO THE ACCOUNTS

contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

### **xii. Interest in Companies and Other Entities**

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

### **xiii. Investment Properties**

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

### **xiv. Leases**

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

#### **The Council as Lessee**

##### **Finance Leases**

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

## NOTES TO THE ACCOUNTS

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

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

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

### **Operating Leases**

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

### **The Council as Lessor**

#### **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

## NOTES TO THE ACCOUNTS

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 2023/24 (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:

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

#### **Measurement**

Assets are initially measured at cost, comprising:

## NOTES TO THE ACCOUNTS

- 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: 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.

## NOTES TO THE ACCOUNTS

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 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

## NOTES TO THE ACCOUNTS

they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (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 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:

## NOTES TO THE ACCOUNTS

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
- 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

## NOTES TO THE ACCOUNTS

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



## NOTES TO THE ACCOUNTS

best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

### **xxiii. Heritage Assets**

Heritage Assets are assets with historical, artistic, scientific, technological, geophysical, or environmental qualities that make it important to ensure that they are preserved for future generations. They may be any kind of asset including buildings, works of art, furniture, exhibits, artefacts, etc. or intangible assets such as recordings of significant historical events. As such, assets in this category are held principally for their contribution to knowledge and/or culture.

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



# Housing Revenue Account

for the year ended

31st March 2024

## 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.

2022/23 £000		2023/24 £000
90,557	HRA Expenditure	131,992
(111,629)	HRA Income	(134,326)
<b>(21,072)</b>	<b>Net cost of HRA Services as included in the Council's Comprehensive Income &amp; Expenditure Statement</b>	<b>(2,334)</b>
844	HRA services' share of Corporate & Democratic Core	781
<b>(20,228)</b>	<b>Net Cost/(Surplus) for HRA</b>	<b>(1,553)</b>
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
(14,005)	(Gain) / Loss on sale of HRA non-current assets	3,556
11,374	Interest Payable and similar charges	11,033
(491)	Interest & Investment Income	(879)
(208)	Movement in fair value of Investment Property	(93)
123	Net interest on the net defined benefit liability	(12)
<b>(23,434)</b>	<b>(Surplus) / Deficit for the year of HRA Services</b>	<b>12,052</b>

## 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.

2022/23 £'000		2023/24 £'000
<b>(20,902)</b>	<b>Balance at 1 April</b>	<b>(21,605)</b>
(23,434)	(Surplus)/Deficit for the year on the HRA Income & Expenditure Statement	12,052
<u>21,086</u>	Adjustments between accounting basis and funding basis under statute	<u>(7,870)</u>
(2,348)	Net increase before transfers to/from reserves	4,182
<u>1,644</u>	Transfers to / (from) earmarked reserves	<u>1,878</u>
<u>(703)</u>	(Increase) / decrease in year on the HRA	<u>6,060</u>
<b><u>(21,605)</u></b>	<b>Balance at 31 March</b>	<b><u>(15,545)</u></b>
<b>Adjustments between accounting basis and funding basis under statute</b>		
2022/23 £'000		2023/24 £'000
14,005	Gain/(loss) on HRA - Non Current Assets	(3,556)
3,304	Revaluation/Impairment of Housing Assets	(5,623)
208	Movement in fair value of Investment Property	93
131	Holiday pay accruals and other accumulating compensated absences	74
(619)	IAS 19 Pension costs adjustment	445
<u>4,057</u>	Capital expenditure funded by the HRA	<u>697</u>
<b><u>21,086</u></b>		<b><u>(7,870)</u></b>

## Annual Governance Statement

### Notes to the Housing Revenue Account

#### 1. Council Housing Stock

The Council was responsible for managing an average of 16,288 dwellings units during 2023/24.

Dwelling type	Units	Year of construction	Units
Low rise flats	1,929	Pre 1919	177
Medium rise flats	3,688	1919 – 1944	8,268
High rise flats	1,641	1945 – 1964	3,433
Houses and Bungalows	8,866	Post 1964	4,253
Multi Occupied	6		
	<b>16,130</b>		<b>16,130</b>

The change in stock can be summarised as follows:

	2022/23 Units	2023/24 Units
Stock at 1 April	16,704	16,447
Sales – Right to Buy	(200)	(107)
Additions	13	15
Demolitions (Decant Programme)	(69)	(223)
Other Adjustment	(1)	(2)
<b>Stock at 31 March</b>	<b>16,447</b>	<b>16,130</b>

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

	2022/23 £'000	2023/24 £'000
Dwellings	1,270,763	<b>1,204,052</b>
Other Land and Buildings	11,794	<b>11,727</b>
Vehicles Plant and Equipment	269	<b>220</b>
Infrastructure Assets	2,226	<b>1,955</b>
Assets Under Construction	3,262	-
Investment Property	2,472	<b>2,565</b>
	<b>1,290,786</b>	<b>1,220,519</b>

#### 2. Vacant Possession Value

The vacant possession value of dwellings within the HRA at 31 March 2024 was £4.8 billion (£5.1 billion 31 March 2023).

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):

	2022/23 £000	2023/24 £000
<b>Balance at 1 April</b>	-	-
Amount transferred to MRR (Depreciation)	(19,210)	<b>(20,765)</b>
Debits to the MRR in respect of capital expenditure on HRA land and buildings	19,210	<b>17,987</b>
Transfers from HRA to MRR	-	-
<b>Balance at 31 March</b>	-	<b>(2,778)</b>

### 4. Capital Expenditure and Receipts

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

	Major Repairs Reserve	Direct Revenue Funding	Capital grants	Capital Receipts	Total
<b>2023/24 HRA capital expenditure and funding:</b>	£000	£000	£000	£000	£000
Houses	17,593	-	-	52	<b>17,645</b>
Vehicles, Plant and Equipment	220	-	-	-	<b>220</b>
Other property	-	-	-	-	-
Infrastructure Assets	-	-	-	-	-
Assets Under Construction	173	-	-	-	<b>173</b>
<b>Total Financing Applied</b>	<b>17,987</b>	-	-	<b>52</b>	<b>18,038</b>
	Major Repairs Reserve	Direct Revenue Funding	Capital grants	Capital Receipts	Total
<b>2022/23 HRA capital expenditure and funding:</b>	£000	£000	£000	£000	£000
Houses	18,396	37	1,234	-	<b>19,667</b>
Vehicles, Plant and Equipment	-	-	-	-	-
Other property	-	-	-	-	-
Infrastructure Assets	-	4,020	-	-	<b>4,020</b>
Assets Under Construction	815	-	-	198	<b>1,013</b>
<b>Total Financing Applied</b>	<b>19,210</b>	<b>4,057</b>	<b>1,234</b>	<b>198</b>	<b>24,700</b>

## HOUSING REVENUE ACCOUNT

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

	2022/23	2023/24
	£000	£000
Houses	31,503	17,058
Other property	-	-
<b>Total HRA capital receipts</b>	<b>31,503</b>	<b>17,058</b>

### 5. Depreciation and Impairment

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

	2022/23			2023/24		
	Houses	Other Property	Total	Houses	Other Property	Total
	£000	£000	£000	£000	£000	£000
Depreciation	18,447	763	19,210	20,003	762	20,765
Revaluation Loss	(3,301)	(211)	(3,512)	5,623	(93)	5,530
	15,146	552	15,698	25,626	669	26,295

All HRA assets subject to revaluation have been valued as at 31st March 2024.

### 6. Rent Arrears

	2022/23	2023/24
	£000	£000
Dwelling rents	13,371	14,657
Other charges/adjustments	1,877	2,668
	15,248	17,325

### 7. IAS 19 – Retirement Benefits

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



# Collection Fund Account

for the year ended

31st March 2024



## COLLECTION FUND ACCOUNT

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.

	2023/24			
	NDR Supplement £000	NDR £000	Council Tax £000	Total £000
<b><u>Income</u></b>				
Council Tax Receivable			(103,300)	(103,300)
Section 13a - Discretionary Relief			(753)	(753)
Business Rates Receivable		(63,000)		(62,999)
Business Rate Supplement	(1,766)			(1,766)
Transitional Protection Payments		(7,978)		(7,978)
	<b>(1,766)</b>	<b>(70,977)</b>	<b>(104,053)</b>	<b>(176,796)</b>
<b><u>Expenditure</u></b>				
<b><u>Precepts, Demands and Shares</u></b>				
Central Government		23,715	77,781	101,496
Greater London Authority	1,760	26,588	23,151	51,499
Billing Authority		21,558		21,558
	<b>1,760</b>	<b>71,861</b>	<b>100,932</b>	<b>174,553</b>
<b><u>Apportionment of Previous Year</u></b>				
<b><u>Surplus/(Deficit)</u></b>				
Central Government		(5,865)	765	(5,100)
Greater London Authority		(6,576)	218	(6,358)
Billing Authority		(5,332)		(5,332)
	<b>0</b>	<b>(17,773)</b>	<b>983</b>	<b>(16,790)</b>
<b><u>Charges to Collection Fund</u></b>				
Write Offs of uncollectable amounts		4		4
Increase/(Decrease) in Bad Debt Provision		740	2,941	3,681
Increase/(Decrease) in Provision for Appeals		737		737
Cost of Collection	6	201		207
	<b>6</b>	<b>1,682</b>	<b>2,941</b>	<b>4,629</b>
<b>(Surplus)/Deficit arising during the year</b>	<b>0</b>	<b>(15,211)</b>	<b>803</b>	<b>(14,408)</b>
<b>(Surplus)/Deficit at 1st April</b>	<b>0</b>	<b>8,723</b>	<b>1,833</b>	<b>10,556</b>
<b>(Surplus)/Deficit at 31st March</b>	<b>0</b>	<b>(6,488)</b>	<b>2,636</b>	<b>(3,852)</b>
<b><u>(Surplus)/Deficit Balance Attributable to:</u></b>				
London Borough of Barking & Dagenham		(1,733)	2,034	<b>301</b>
Greater London Authority		(2,515)	602	<b>(1,913)</b>
Central Government		(2,240)		<b>(2,240)</b>

## COLLECTION FUND ACCOUNT

	2022/23			
	NDR Supplement £000	NDR £000	Council Tax £000	Total £000
<b><u>Income</u></b>				
Council Tax Receivable	-	-	(96,897)	(96,897)
Section 13a - Discretionary Relief	-	-	(261)	(261)
Business Rates Receivable	-	(52,272)	-	(52,272)
Business Rate Supplement	(1,454)	-	-	(1,454)
Transitional Protection Payments	-	55	-	55
	<b>(1,454)</b>	<b>(52,217)</b>	<b>(97,158)</b>	<b>(150,829)</b>
<b><u>Expenditure</u></b>				
<b><u>Precepts, Demands and Shares</u></b>				
Central Government	-	19,779	-	19,779
Greater London Authority	1,448	22,177	20,602	44,227
Billing Authority	-	17,981	72,350	90,331
	<b>1,448</b>	<b>59,937</b>	<b>92,952</b>	<b>154,337</b>
<b><u>Apportionment of Previous Year Surplus/(Deficit)</u></b>				
Central Government	-	(3,820)	-	(3,820)
Greater London Authority	-	(4,283)	546	(3,737)
Billing Authority	-	(3,473)	2,023	(1,450)
	-	<b>(11,576)</b>	<b>2,569</b>	<b>(9,007)</b>
<b><u>Charges to Collection Fund</u></b>				
Write Offs of uncollectable amounts	-	1,019	9,977	10,996
Increase/(Decrease) in Bad Debt Provision	-	(2,822)	(6,127)	(8,949)
Increase/(Decrease) in Provision for Appeals	-	(2,769)	-	(2,769)
Cost of Collection	6	196	-	202
	<b>6</b>	<b>(4,376)</b>	<b>3,850</b>	<b>(520)</b>
<b>(Surplus)/Deficit arising during the year</b>	-	<b>(8,232)</b>	<b>2,213</b>	<b>(6,019)</b>
<b>(Surplus)/Deficit at 1st April</b>	-	<b>16,956</b>	<b>(380)</b>	<b>16,576</b>
<b>(Surplus)/Deficit at 31st March</b>	-	<b>8,724</b>	<b>1,833</b>	<b>10,557</b>
<b><u>(Surplus)/Deficit Balance Attributable to:</u></b>				
London Borough of Barking & Dagenham	-	2,830	1,405	<b>4,235</b>
Greater London Authority	-	3,113	428	<b>3,541</b>
Central Government	-	2,780	-	<b>2,780</b>

## 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
<b>A (Disabled)</b>	0.8	0.50
<b>A</b>	3,726.40	2,484.20
<b>B</b>	8,361.10	6,503.10
<b>C</b>	38,560.70	34,276.10
<b>D</b>	8,670.50	8,670.50
<b>E</b>	1,567.00	1,915.20
<b>F</b>	338.30	488.70
<b>G</b>	39.50	65.90
<b>H</b>	5.50	11.00
<b>Total Band 'D' equivalents for 2023/24</b>	<b>61,269.80</b>	<b>54,415.20</b>
Less in year non-collection allowance		(1,088.30)
<b>Council Tax Base for 2023/24</b>		<b>53,326.90</b>
Council Tax Base for 2022/23		52,079.16

### 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.

	2022/23 £000	2023/24 £000
Rateable Value at 31 March	150,734	189,657
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



# Pension Fund Accounts

for the year ended

31st March 2024

## PENSION FUND ACCOUNTS

### London Borough of Barking and Dagenham Pension Fund Account

	Note	2022/23 £000	2023/24 £000
<b>Dealings with members, employers and others directly involved in the scheme</b>			
Contributions	8	51,706	54,031
Transfers in from other pension funds	9	2,681	6,216
		54,387	60,247
Benefits	10	(43,926)	(49,762)
Payments to and on account of leavers	11	(7,633)	(5,998)
		(51,559)	(55,760)
<b>Net additions from dealings with members</b>		2,828	4,487
Management expenses	12	(6,578)	(5,828)
<b>Net Additions/(Withdrawals) including Fund Management Expenses</b>		(3,751)	(1,341)
<b>Returns on Investments</b>			
Investment Income	13	26,080	31,683
Profit (losses) on disposal of investments and changes in the market value of investments	14	(46,683)	121,232
<b>Net returns on investments</b>		(20,603)	152,915
<b>Net increase in the net assets available for benefits during the year</b>		(24,354)	151,574

#### Net Assets Statement as at 31 March 2024

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	2022/23 £000	2023/24 £000
<b>Investment Assets</b>	16	1,333,527	1,446,952
<b>Investment Liabilities</b>	16		
<b>Current Assets</b>	17	1,191	20,579
<b>Current Liabilities</b>	17	(20,065)	(1,304)
<b>Net asset of the fund available to fund benefits at the end of the reporting period</b>		1,314,653	1,466,228

**Notes to the Pension Fund Accounts for the year ended  
31 March 2024**

**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 (“LBBDD”). 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 LBBDD 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 LBBDD. 2023/24 had a positive return for the year due to improvements in the macroeconomy following the downturn. With inflation and interest rates on a downward trajectory, 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 11.4%, which was 2.0% lower than the benchmark of 13.4%. Over three years the Fund’s annualised return was 5.1%, which is 3.3% below the Fund’s benchmark return of 8.4%. Over one-year Blackrock provided a negative return of 8.2% and underperformed its benchmark by 7.5%. While, Baillie Gifford, Newton, Abrdn, UBS, Hermes and Insight provided positive returns.

Four employers including Caterlink and Aspens 2 exited the Fund in 2023/24. During the year, the total number of active employers within the Fund was 36.

**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 2023/24, 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](http://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 St Vincents Sydney Russell Academy Thames View Infants Academy Thames View Junior Academy University of East London Warren Academy <b>Not Active</b> Aspens 2 Caterlink Caterlink 2 Caterlink 3 Caterlink 4 Magistrates Court May Gurney Pantry Cleaning RM Education	Aspens BD Corporate Cleaning BD Schools Improvement Partnership BD Together Be First BD Trading Partnerships BD Management Services Lewis and Graves Schools Offices Services Ltd Sports Leisure Management The Broadway Theatre Town and Country Cleaners  <b>Not Active</b> 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

## PENSION FUND ACCOUNTS

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

	2022/23	2023/24
<b>Number of Employers with active members</b>	<b>40</b>	<b>36</b>
<b>Number of Employees in scheme</b>		
<b>London Borough of Barking and Dagenham</b>		
Active members	4,593	4,718
Pensioners	4,962	5,080
Deferred pensioners	5,188	5,186
Undecided and other members	153	100
	<u>14.896</u>	<u>15.084</u>
<b>Admitted and Scheduled Bodies</b>		
Active members	1,411	1,423
Pensioners	1,430	1,471
Deferred pensioners	1,835	1,854
Undecided and other members	60	30
	<u>4.736</u>	<u>4.778</u>

### a) Benefits

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

	<b>Service pre-1 April 2008</b>	<b>Service post 31 March 2008</b>
<b>Pension:</b>	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
<b>Lump sum:</b>	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 2023/24 financial year and its position as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2023/24. The financial statements do not reflect any liabilities to pay pension or other benefits occurring after 31 March 2024. 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.



## PENSION FUND ACCOUNTS

### 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 2024;
- ii) Unquoted investments are based on market value by the fund managers at year end in accordance with accepted guidelines;
- iii) Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax;

## PENSION FUND ACCOUNTS

- iv) Investments held in foreign currencies have been valued in sterling at the closing rate ruling on 31 March 2024. 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 LBBB'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.

### 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.

## PENSION FUND ACCOUNTS

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 investments are valued by the investment managers. The total financial instruments held by the Fund at **Level 3 were £273.8m.**

**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 2023/24 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 LBBB 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 **£3.2m** (2022/23 £3.3m).

**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 2024. Employee contributions are matched by employer contributions, which are set based on triennial actuarial funding valuations.

Currently employer contribution rates range from 18.2% to 34.4%.

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, Barnett Waddingham, 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 2024 was 21.2%.

## PENSION FUND ACCOUNTS

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

<b>Contributions</b>	<b>2022/23</b>	<b>2023/24</b>
<b>Members normal contributions</b>	<b>£000</b>	<b>£000</b>
Council	9,173	9,727
Admitted bodies	475	409
Scheduled bodies	2,002	2,206
<b>Total contributions from members</b>	<b>11,650</b>	<b>12,342</b>
<b>Employers contributions</b>		
Council - Normal	24,335	30,307
Council - Deficit Recovery	6,084	1,144
Admitted bodies - Normal	1,863	1,706
Admitted bodies- Deficit Recovery	96	24
Scheduled bodies - Normal	5,993	6,890
Scheduled bodies- Deficit Recovery	1,646	1,441
Pension Strain	39	177
<b>Total contributions from employers</b>	<b>40,055</b>	<b>41,689</b>
<b>Total Contributions</b>	<b>51,706</b>	<b>54,031</b>

### 9. Transfers in from other pension funds

	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>
<b>Individual Transfers</b>	2,681	6,216
	<b>2,681</b>	<b>6,216</b>

### 10. Benefits

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

	<b>2022/23</b>				<b>2023/24</b>			
	Council	Admitted Bodies	Scheduled Bodies	Total	Council	Admitted Bodies	Scheduled Bodies	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Pensions</b>	30,508	259	7,091	37,858	33,640	370	7,686	41,697
<b>Lump sums</b>	4,007	188	1,005	5,200	5,381	364	1,425	7,170
<b>Death grants</b>	667	45	156	868	811	14	69	895
	<b>35,182</b>	<b>491</b>	<b>8,253</b>	<b>43,926</b>	<b>39,833</b>	<b>749</b>	<b>9,180</b>	<b>49,762</b>

## PENSION FUND ACCOUNTS

### 11. Payments to and on account of leavers

	2022/23 £000	2023/24 £000
Individual Transfers	7,235	5,739
Refunds	398	259
	7,633	5,998

### 12. Management Expenses

	2022/23 £000	2023/24 £000
Administration and Processing	767	794
Management Fees	4,182	4,769
Custody Fees	56	33
Oversight and Governance Fees	214	190
Other Costs	1,359	42
	6,578	5,828

### 13. Investment Income

	2022/23 £000	2023/24 £000
Fixed Interest Securities	427	453
Equity Dividends	22,223	27,179
Pooled Property Income	2,104	2,337
Interest - Manager's Cash	1,309	1,313
Interest - LBBD balance	9	396
Other Income	8	5
	26,080	31,683

**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 31/03/2023 £000	Purchases £000	Sales £000	Change in Fair Value £000	Cash Movement £000	Value 31/03/2024 £000
Pooled Unit Trusts	1,021,645	102,574	(90,000)	126,613		1,160,832
Property Unit Trusts	50,088	3,845		(6,082)		47,851
Pooled Alternatives	128,321	31,249	(21,838)	4,394		142,126
Infrastructure	96,926			(7,874)	(2,478)	86,574
Other Investments	150					150
Derivative Contracts Futures	821	1,264	(5,932)	3,847		
Cash Deposits						
Custodian	13,572	(6,916)	2,800	(61)	(1,970)	7,425
In-House	21,659				(19,667)	1,992
Short-Term Loan	(19,000)				35,900	16,900
Pending Trade Sales	344	1,794		10		2,148
Other Investments	9					9
<b>Total</b>	<b>1,314,535</b>	<b>133,810</b>	<b>(114,970)</b>	<b>120,847</b>	<b>11,784</b>	<b>1,466,007</b>

## PENSION FUND ACCOUNTS

	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
<b>Total</b>	<b>1,358,531</b>	<b>90,636</b>	<b>(109,765)</b>	<b>(46,629)</b>	<b>21,763</b>	<b>1,314,535</b>

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: Pimco	Active	Global Credit
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)

## PENSION FUND ACCOUNTS

The value of the Fund, by manager, as at 31 March 2024 was as follows:

Fund by Investment Manager	2022/23		2023/24	
	£'000	%	£'000	%
Abrdn Asset Management	129,142	9.8%	<b>142,127</b>	<b>9.7%</b>
BlackRock	50,088	3.8%	<b>47,850</b>	<b>3.3%</b>
Hermes	96,926	7.4%	<b>86,574</b>	<b>5.9%</b>
Kempen	218,687	16.6%	<b>224,133</b>	<b>15.3%</b>
Other Cash Balances	35,231	2.7%	<b>9,417</b>	<b>0.6%</b>
Short Term Investment	(19,000)	-1.4%	<b>16,900</b>	<b>1.2%</b>
Insight	67,849	5.2%	<b>75,771</b>	<b>5.2%</b>
UBS Passive Bonds	30,818	2.3%	<b>43,575</b>	<b>3.0%</b>
UBS Passive Equity	261,854	19.9%	<b>327,923</b>	<b>22.4%</b>
London CIV Cash	150	0.0%	<b>150</b>	<b>0.0%</b>
London CIV	442,437	33.7%	<b>415,161</b>	<b>28.3%</b>
London CIV - Pimco	-	-	<b>74,269</b>	
Pending Trade Sales	344	0.0%	<b>2,148</b>	<b>0.1%</b>
Other Investments – Tax Recoverable	9	0.0%	<b>9</b>	<b>0.0%</b>
<b>Total</b>	<b>1,314,536</b>	<b>100.0%</b>	<b>1,466,007</b>	<b>100.0%</b>
Current Assets	1,191	0.1%	<b>1,531</b>	<b>0.1%</b>
Current Liabilities	(1,065)	-0.1%	<b>(1,304)</b>	<b>-0.1%</b>

### 15. Cash

The cash balance held at 31 March 2024 is made up as follows:

Cash balances held by Investment Managers	2022/23 £000	2023/24 £000
Aberdeen Asset Management	13,572	7,425
BlackRock	-	1
In-house Cash	21,659	1,991
<b>Total Cash</b>	<b>35,231</b>	<b>9,417</b>



## PENSION FUND ACCOUNTS

### 16. Securities

	2022/23 £000's	2023/24 £000's
<b>Investment Assets</b>		
<b>Pooled funds - UK</b>		
UK fixed Income Unit Trust	30,818	43,575
UK Equity Unit Trust	262,004	328,073
UK Absolute Return	442,437	415,161
<b>Pooled funds - Overseas</b>		
Overseas Fixed Income Unit Trust	67,849	150,040
Overseas Equity Unit Trust	220,727	226,850
Overseas Property Unit Trust	50,088	47,850
Other Investment - Infrastructure	96,926	86,574
Other Investment - Private Equity	89,808	107,474
Other Investment - Hedge Funds	36,473	31,941
Other Investment – Tax Recoverable	9	9
<b>Cash</b>	35,231	9,417
<b>Pending Trade Sales</b>	344	2,148
<b>Futures</b>		
<b>Total Investment Assets</b>	1,332,715	1,449,112
<b>Investment Liabilities</b>		
<b>Futures</b>	821	-
<b>Total Investment Liabilities</b>	821	-
<b>Current Assets: Debtors</b>	1,191	18,431
<b>Current Liabilities: Creditors</b>	(20,065)	(1,304)
<b>Total Net Assets</b>	1,314,662	1,466,239

## PENSION FUND ACCOUNTS

### 17. Debtors and Creditors

The following amounts were debtors or creditors for the Fund at 31 March 2024:

	2022/23 £000	2023/24 £000
<b>Debtors</b>		
<b>Other Investment Balances</b>		
Pending Trade Sales	353	2,148
<b>Current Assets</b>		
Other local authorities	633	898
Other entities and individuals	559	633
Total Current Assets	1,192	1,531
Short Term Loan	-	16,900
<b>Total Debtors</b>	1,545	20,579
<b>Current Liabilities</b>		
Other local authorities	203	51
Other entities and individuals	862	1,253
Short Term Loan from LBB	19,000	
<b>Total Current Liabilities</b>	20,065	1,304
<b>Total Creditors</b>	20,065	1,304

### 18. Holdings

All holdings within the Fund at 31 March 2024 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 2024 the following pooled funds and LLPs were over 5% of the scheme's net assets:

Security	Market Value as at 31 March 2024	% of Total Fund
	£000	%
Insight	75,771	5.2%
UBS Passive Equity	327,923	22.4%
Kempen	224,133	15.3%
London CIV – Pyrford/Newton	415,161	28.3%
Hermes	86,574	5.9%

### 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 2022 triennial review of the Fund took place as at 31 March 2022 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 14 years in 2022;
- 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 4.3% (4.0% as at 31 March 2019).
- Market value of the scheme's assets at the date of the valuation were £1,317 million;
- The past service liabilities at the rate of the valuation were £1,306 Million;
- The resulting funding level was 101% (90% as at 31 March 2019); 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:

<b>Longevity Assumptions</b>	2019	2019	<b>2022</b>	<b>2022</b>
at 31 March	Male	Female	<b>Male</b>	<b>Female</b>
Ave. future life expectancy (in years for a pensioner)	21.3	23.4	<b>20.8</b>	<b>23.5</b>
Ave. future life expectancy (in years) at age 65 for non-pensioner assumed to be aged 45 at valuation date	22.3	24.9	<b>22.1</b>	<b>25.0</b>

Some of the key financial assumptions adopted by the actuary for the valuation of members' benefits at the 2022 valuation are set out below:

Assumptions	2022 valuation	2019 valuation
<b>Financial assumptions (p.a.)</b>		
CPI inflation	2.9%	2.3%
Salary increases	3.9%	3.0%
Discount rate	4.3%	4.0%

#### 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 **£1,345m** as at 31 March 2024. 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 £1,345m takes this into account.

## PENSION FUND ACCOUNTS

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 2023/24 accounting period:

Scheduled Bodies	Rate %	Admitted Bodies	Rate %
Barking College	21.4	Aspens	29.5
Dorothy Barely Academy	19.8	Aspens 2	27.6
Eastbury Academy	20.1	BD Corporate Cleaning	27.8
Elutec	20.8	BD Schools Improvement P'ship	27.7
Goresbrook Free School	18.2	BD Together	27.8
Greatfields Free School	19.0	BD Management Services	27.8
James Cambell Academy	22.2	BD Trading Partnership	27.8
LBBD	22.0	Be First	27.0
Partnership Learning	20.1	Cleantech	27.8
Pathways	20.7	Caterlink	32.0
Riverside Bridge	19.9	Caterlink 2	24.4
Riverside Free School	20.2	Caterlink 3	27.1
Riverside Primary School	20.4	Lewis and Graves	33.5
St Joseph's Dagenham	24.0	Schools Offices Services Ltd	24.9
St Joseph's Barking	22.6	Sports Leisure Management	21.0
St Margarets Academy	20.8	The Broadway Theatre	27.5
St Theresa's Dagenham	26.7	Town and Country Cleaners	25.7
Sydney Russell	20.1		
Thames View Infants Acad.	20.6		
Thames View Junior Acad.	20.7		
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 2022 valuation:

Employer contribution rates	As at 31 March	
	2019	2022
Primary Rate (net Employer Future Service Cost)	19.8%	<b>21.2%</b>
Secondary Rate (Past Service Adjustment – 14-year spread)	3.0%	<b>0.8%</b>
<b>Total Contribution Rate</b>	22.8%	<b>22%</b>

## PENSION FUND ACCOUNTS

An allowance has been made for administration expenses which is included in the derivation of the discount rate. It is assumed that the admin expenses will be 0.1% of assets. The employee average contribution rate is 6.8% of pay. The table below shows the funding position as at 31 March 2022.

	As at 31 March 2019 £m	As at 31 March 2022 £m
<b>Past Service Funding Position at 31 March</b>		
<b>Past Service Liabilities</b>		
Employees	(323)	(420)
Deferred Pensioners	(287)	(315)
Pensioners	(531)	(571)
	(1,141)	(1,306)
Market Value of Assets	1,022	1,317
<b>Funding Deficit</b>	(119)	11
<b>Funding Level</b>	90%	101%

### 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 2023/24.

#### 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 £1,173.1m**

#### 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 £2.1m.**

#### 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 £273.8m.**

## PENSION FUND ACCOUNTS

### Asset Valuation Hierarchy and Basis of Valuation

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

### Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2024.

Description of asset	Assessed valuation range	Value at 31 March 2024	Value on Increase	Value on Decrease
	%	£000s	£000s	£000s
Property Unit Trust	10	47,850	52,635	43,065
Other Investment - Infrastructure	15	86,574	99,560	73,588
Other Investment - Private Equity	15	107,474	123,595	91,353
Other Investment - Hedge Funds	15	31,941	36,732	27,150
		273,839	312,522	235,156

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

## PENSION FUND ACCOUNTS

caused by how this profitability is measured since different methods (listed in the first table of Note 21 above) produce different price results.

### 22. Events after the Reporting Period

None

### 23. Related parties

The Fund is a related party of the Council as the following transactions are controlled by the Council. Pension administration and investment management costs of **£539.6k** (2022/23: £651.5k) are charged by the Council.

### 24. Contingent Asset and liabilities

As at 31 March 2024 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:

	2022/23	<b>2023/24</b>
	£000	<b>£000</b>
Short Term employee benefits	135.6	<b>125.1</b>
<b>Total</b>	<u>135.6</u>	<u><b>125.1</b></u>

## PENSION FUND ACCOUNTS

### 26. Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period. The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Financial assets	Designated as fair value through profit and loss £000	Loans and receiva bles 2022/23 £000	Financial liabilities at amortised cost £000	Designated as fair value through profit and loss £000	Loans and receiva bles £000	Financial liabilities at amortised cost 2023/24 £000
Pooled Fixed Income Unit Trusts	98,667			193,615		
Equities	482,731			554,923		
Property Unit Trusts	50,088			47,850		
Cash		35,231			9,417	
Other investments	666,475			641,158		
Pending Trade Sales		344			2,148	
<b>Total Financial Assets</b>	<b>1,297,961</b>	<b>35,575</b>		<b>1,437,546</b>	<b>11,565</b>	
<b>Financial Assets – Debtors</b>			1,203			18,431
<b>Financial liabilities – Creditors</b>			(20,065)			(1,304)
<b>Total Net Assets</b>	<b>1,297,961</b>	<b>35,575</b>	<b>(18,862)</b>	<b>1,437,546</b>	<b>11,565</b>	<b>17,127</b>

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

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

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

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level.



## PENSION FUND ACCOUNTS

In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall pension Fund risk management programme.

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

### **Risk and risk management**

#### **Market risk**

Market risk is the risk of loss from fluctuations in equity prices, from interest and foreign exchange rates and from credit spreads. The Fund is exposed to market risk predominantly from its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. The Fund manages these risks in two ways:

- Fund's exposure to market risk monitored by reviewing the Fund's asset allocation.
- Specific risk exposure limited by applying maximum exposure to individual investment.

#### **Other price risk**

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

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

#### **Other price risk - sensitivity analysis**

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

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix. The Council has determined that the following movements in market price risk are reasonably possible for the 2023/24 reporting period.

## PENSION FUND ACCOUNTS

Asset Class	One Year Expected Volatility (%)	Asset Class	One Year Expected Volatility (%)
Global Pooled Inc UK	12.1	Alternatives	6.6
Total Bonds	6.6	Cash	1.0
Property	7.9		

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 2024 £000	% Change	Value on Increase £000	Value on Decrease £000
Pooled Fixed Interest Securities	193,615	6.6	206,394	180,836
Pooled Equity Investments	554,923	12.1	622,069	487,777
Pooled Property	47,850	7.9	51,630	44,070
Pooled Absolute Return	415,161	6.6	442,561	387,760
Infrastructure	86,574	6.6	92,288	80,860
Other Investments	141,571	6.6	150,915	132,228
Cash	9,417	1.0	9,511	9,323
<b>Total</b>	<b>1,449,111</b>		<b>1,575,368</b>	<b>1,322,854</b>

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
<b>Total</b>	<b>1,333,535</b>		<b>1,455,994</b>	<b>1,211,078</b>

### 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 2023 and 31 March 2024 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

## PENSION FUND ACCOUNTS

<b>Asset type</b>	As at 31 March 2023 £000	As at 31 March 2024 £000
Cash and cash equivalent	35,231	9,417
Fixed interest securities	98,667	193,615
<b>Total</b>	<b>133,898</b>	<b>203,032</b>

### 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:

<b>Asset type</b>	<b>Carrying amount as at 31 March 2024 £000</b>	<b>Change in year in the net assets available to pay benefits</b>	
		<b>+100 BPS £000</b>	<b>-100 BPS £000</b>
Cash and cash equivalent	9,417	94	(94)
Fixed interest securities	193,615	1,936	(1,936)
<b>Total</b>	<b>203,032</b>	<b>2,030</b>	<b>(2,030)</b>

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

### 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.

## **PENSION FUND ACCOUNTS**

### **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 LBBDD 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 2024 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 (LBBDD)**

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

The Council incurred administration and investment management costs of **£539.6k** (2022/23 £651.5k) in relation to the administration of the Fund and was subsequently

## PENSION FUND ACCOUNTS

reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Fund and contributed **£31.5m** to the Fund in 2023/24 (2022/23 £30.4m). All monies owing to and due from the Fund were paid in year.

**Barking &  
Dagenham**

**Group  
Accounts**

for the year ended  
**31st March 2024**

## GROUP ACCOUNTS

### INTRODUCTION

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

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

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

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

The following pages show:

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

### BASIS OF IDENTIFICATION OF THE GROUP BOUNDARY

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

- **Subsidiaries** – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.
- **Associates** – where the Council still exercises significant influence but does not hold a majority proportion of shares.
- **Other entities** – where the Council does not have significant influence or control in an entity, that entity is not consolidated in the group accounts.

### 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.

## GROUP ACCOUNTS

### **Barking and Dagenham Reside Regeneration Ltd**

This is a partner in the letting and management of 243 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**

This manages 619 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.

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.



## GROUP ACCOUNTS – COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2022/23				2023/24		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
256,675	(116,110)	140,565	People & Resilience	282,905	(119,794)	163,111
195,641	(129,590)	66,051	Corporate Management	128,508	(120,240)	8,268
21,199	(24,946)	(3,747)	Law and Governance	22,164	(23,735)	(1,571)
4,765	(2,771)	1,994	Strategy & Participation	3,725	(1,415)	2,310
15,866	(11,721)	4,145	Inclusive Growth	17,041	(11,761)	5,280
69,815	(39,172)	30,643	Community Solutions	60,767	(38,214)	22,553
50,685	(14,891)	35,794	My Place	59,608	(23,443)	36,165
92,913	(113,140)	(20,227)	Housing Revenue Account (HRA)	115,715	(117,268)	(1,553)
335,027	(332,775)	2,252	Dedicated Schools Grant (DSG)	327,578	(325,832)	1,746
<b>1,042,586</b>	<b>(785,116)</b>	<b>257,470</b>	<b>COST OF SERVICES</b>	<b>1,018,011</b>	<b>(781,702)</b>	<b>236,309</b>
		18,834	Other Operating Expenditure			59,787
		(35,613)	Financing and Investment Income and Expenditure			76,167
		(173,106)	Taxation and Non-Specific Grant Income			(225,301)
		<b>67,585</b>	(Surplus)/Deficit on Provision of Services			<b>146,962</b>
		115	Corporation Tax on Group Trading Activity			180
		<b>67,827</b>	Group (Surplus)/Deficit			<b>147,142</b>
		(295,455)	Surplus on Revaluation of PPE and Heritage Assets			60,200
		(477,243)	Remeasurements of the Net Pensions Defined Benefit Liability			5,869
		<b>(704,998)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>213,211</b>

## 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	<b>Total Council's Reserves</b>	Council's Share of Reserves of Subsidiaries	<b>Total Group Reserves</b>
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2022</b>	<b>(172,570)</b>	<b>(30,405)</b>	<b>(97,735)</b>	<b>(20,562)</b>	-	<b>(321,273)</b>	<b>(1,725,263)</b>	<b>(2,046,535)</b>	<b>18,155</b>	<b>(2,028,380)</b>
<b>Movement in reserves during 2022/23</b>										
Total Comprehensive Income and Expenditure	97,643	(23,434)	-	-	-	74,209	(772,875)	<b>(698,666)</b>	(6,332)	<b>(704,998)</b>
Adjustments between council accounts and group accounts	(2,042)	-	-	-	-	(2,042)	2,880	<b>838</b>	(838)	-
Sub Total	95,601	(23,434)	-	-	-	72,167	(769,995)	<b>(697,828)</b>	(7,170)	<b>(704,998)</b>
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)	<b>(697,828)</b>	(7,170)	<b>(704,998)</b>
<b>Balance at 31 March 2023</b>	<b>(184,050)</b>	<b>(32,753)</b>	<b>(64,939)</b>	<b>(16,645)</b>	-	<b>(298,387)</b>	<b>(2,445,977)</b>	<b>(2,744,363)</b>	<b>10,986</b>	<b>(2,733,378)</b>
<b>Movement in reserves during 2023/24</b>										
Total Comprehensive Income and Expenditure	147,740	12,052	-	-	-	159,792	66,069	<b>225,861</b>	(12,650)	<b>213,211</b>
Adjustments between council accounts and group accounts	9,882	-	-	-	-	9,882	(24,574)	<b>(14,692)</b>	14,692	-
Sub Total	157,622	12,052	-	-	-	169,674	41,495	<b>211,169</b>	2,042	<b>213,211</b>
Adjustments between accounting basis & funding basis under regulations	(127,346)	(7,871)	(3,113)	(3,526)	(2,778)	(144,634)	144,634	-	-	-
(Increase)/Decrease in 2023/24	30,276	4,181	(3,113)	(3,526)	(2,778)	25,040	186,129	<b>211,169</b>	2,042	<b>213,211</b>
<b>Balance at 31 March 2024</b>	<b>(153,774)</b>	<b>(28,572)</b>	<b>(68,052)</b>	<b>(20,171)</b>	<b>(2,778)</b>	<b>(273,347)</b>	<b>(2,259,848)</b>	<b>(2,533,194)</b>	<b>13,027</b>	<b>(2,520,167)</b>

## GROUP ACCOUNTS – BALANCE SHEET

31 March 2023		31 March 2024
£'000		£'000
3,747,336	Property, Plant and Equipment	3,658,108
10,486	Heritage Assets	10,474
336,116	Investment Properties	459,518
1,995	Intangible Assets	865
225	Long Term Investments	220
150,922	Long Term Receivables	179,639
<b>4,247,081</b>	<b>Long Term Assets</b>	<b>4,308,825</b>
54,020	Short Term Investments	74
7,700	Assets Held for Sale	-
4,766	Inventories	571
127,741	Short Term Receivables	112,676
22,258	Cash and Cash Equivalents	41,361
<b>216,486</b>	<b>Current Assets</b>	<b>154,682</b>
(139,500)	Short Term Borrowing	(323,900)
(97,037)	Short Term Payables	(143,261)
(1,965)	Receipts in Advance - Grants	(599)
(3,728)	Short-Term Provisions	(4,406)
<b>(242,230)</b>	<b>Current Liabilities</b>	<b>(472,166)</b>
(972,392)	Long Term Borrowing	(932,541)
(327,274)	Long Term Creditors	(335,002)
(133,006)	Receipts in Advance - Grants	(150,256)
(26,548)	Long Term Provisions	(26,621)
(28,739)	Pensions Liability	(26,754)
<b>(1,487,958)</b>	<b>Long Term Liabilities</b>	<b>(1,471,174)</b>
<b>2,733,378</b>	<b>Net Assets</b>	<b>2,520,167</b>
(287,402)	Usable Reserves	(260,319)
(2,445,976)	Unusable Reserves	(2,259,848)
<b>(2,733,378)</b>	<b>Total Reserves</b>	<b>(2,520,167)</b>

## GROUP ACCOUNTS – CASHFLOW STATEMENT

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
(67,585)	Net Surplus or (Deficit) on the Provision of Services	(146,962)
206,386	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-cash Movements	340,646
(258,525)	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	(129,439)
<b>(119,724)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>64,246</b>
(94,535)	Investing Activities	(155,192)
202,959	Financing Activities	110,049
<b>(11,300)</b>	<b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>	<b>19,103</b>
33,558	Cash and Cash Equivalents at the beginning of the Reporting Period	22,258
<b>22,258</b>	<b>Cash and Cash Equivalents at the end of the Reporting Period</b>	<b>41,361</b>

## **G1. ACCOUNTING POLICIES OF CONSOLIDATED SUBSIDIARIES**

The Group Financial Statements summarise the Council's and its Group's transactions for the 2023/24 financial year. The Group Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

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**

## **GROUP ACCOUNTS – NOTES**

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.

### **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.

# **The London Borough of Barking & Dagenham**

## **DRAFT Annual Governance Statement 2023-24**

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

## **DRAFT Annual Governance Statement for 2023-24**

### **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 resident's 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.



## 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 over 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 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 2024 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 Council's long-term, shared vision for the borough is **to make Barking & Dagenham a place people are proud of and want to live, work, study and stay.**

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.

The Corporate Plan 2023-26 was adopted by Assembly in May 2023 and explains how the council will achieve the vision of the Borough Manifesto. It sets out the council's approach to its work across the borough and its plans between 2023 to 2026.

The Corporate Plan states that in order to achieve the Borough Manifesto vision, the council is investing in the future of the borough and its residents recognising our strengths and will unleash the potential of our place and its people. Also that is it fundamental to our plans is that no one is left behind. The council wants local people to benefit from the growth and positive changes in the borough, and it know to do that it has to address the root causes of poorer outcomes, including poverty and inequality, which all too often hold back our residents. The council wants to create and foster the conditions and opportunities for people to thrive here – and for our residents to live healthy, fulfilling lives for longer, with more choice and control, better financial resilience, in safe, supportive, and inclusive communities.

The Corporate Plan sets out the council's key priorities:

- Residents are supported during the current Cost of Living Crisis.
- Residents are safe, protected, and supported at their most vulnerable.
- Residents live healthier, happier, independent lives for longer.
- Residents prosper from good education, skills development, and secure employment.
- Residents benefit from inclusive growth and regeneration.

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- Residents live in, and play their part in creating, safer, cleaner, and greener neighbourhoods.
- Residents live in good housing and avoid becoming homeless.

To support our Corporate Plan priorities, a set of principles have been developed to be applied to our work across the whole Council. Together, with our values and culture, these principles will drive service delivery, performance, and innovation.

- Work in partnership.
- Engage and facilitate co-production.
- Be evidence-led and data driven.
- Focus on prevention and early intervention.
- Provide value for money.
- Be strengths-based.
- Adopt a “Health in all Policies” approach.
- Strengthen risk management and compliance.

### 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 comprehensive performance framework underpins the Corporate Plan, ‘The Corporate Plan Outcomes Framework’. This framework serves as the cornerstone for evaluating progress and performance against the strategic objectives outlined in the Corporate Plan 2023-26 and associated priorities. Utilising a RAG (Red, Amber, Green) approach, the Council rigorously assesses performance across critical areas, enabling the evaluation of alignment with predetermined targets. Active engagement in discussions addresses areas where performance falls short, fostering transparency and accountability.

Underpinning this framework is a robust performance management process that upholds principles of good governance and accountability. Across many levels, performance data undergoes scrutiny, with clear escalation pathways in place to address any issues promptly and effectively. Target-setting and benchmarking further enhance clarity regarding performance expectations.

Cabinet Members play a pivotal role in monitoring the delivery of the Corporate Plan, aligning with their executive functions and responsibilities. Biannual Corporate Plan Outcomes Framework performance reports to the Cabinet further underscore the commitment to transparency and effective governance. Peer oversight, provided by

## Annual Governance Statement

the Deputy Cabinet Member for Performance and Data Insight, adds an additional layer of rigour and accountability.

While the Corporate Plan Outcome Framework provides a comprehensive overview, it does not encompass all performance dimensions. Various other frameworks exist to evaluate performance in specific areas and partnership agendas, ensuring a holistic approach to performance management.

Additionally, the Executive Team receives quarterly updates on Corporate Health, Service Measures, and Oflog Performance Reports, providing a strategic overview of performance across multiple areas. This facilitates informed decision-making and active intervention where necessary.

In addition to the Corporate Plan, Service Plans are in place for each service. 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, these are:

- Executive Team
- Assurance Board
- Directors' Group

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

- Workforce Board
- Procurement 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**

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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 2023/24 some minor amendments and updates to reflect decisions made by the Council and 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 and entered into contracts, the Council has developed a set of contract rules. These have been kept under review with a number of independent review mechanisms in place to ensure compliance. In March 2022, the Assembly approved new procurement governance arrangements which have been embedded into the Council Constitution and procurement guidance for officers at all levels.

The Council had the following statutory officers during 2023/24: the Head of Paid Service (Chief Executive – appointed May 2023), Section 151 Officer (Interim Strategic Director, Finance and Investment – appointed July 2023) and Monitoring Officer (Chief Legal Officer – appointed September 2023), 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 Principal Governance Officer is the designated statutory Scrutiny Officer (appointed September 2023).

### **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 2024. 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, BeFirst, 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, Resources with regards to authorising the release of funds for lending to the companies.

### **f) CIPFA Financial Management Code**

The Council's financial arrangements broadly 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 2023/24 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 2023/24. 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 LBBB 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 2023. 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 was one complaint received, being made against two Councillors. There was no evidence offered to establish a breach of the Code of Conduct, so applying the Complaints Management Rules the Monitoring Officer determined that it was not in the public interest to proceed, and the complaint was dismissed. There remains one complaint ongoing from 2022/23.

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**

#### Staff Induction

When staff join the council, efforts are made to ensure that their first few days and weeks are a positive experience. The Council also want to create an environment where staff can succeed in their new role, and make sure they have the relevant skills and knowledge to enable them to do their job effectively and achieve their full potential.

To do this, the Council have developed a comprehensive induction programme. This includes:

- a Welcome to Barking and Dagenham induction session, where they get to meet the Chief Executive or one of the Senior Leadership team as well as the Leader or Deputy Leader
- a local induction with their manager
- a borough tour

## Annual Governance Statement

- access to the New Starters section on our intranet which has lots of useful information about working for LBBD.

As part of their induction, they are also be given a log-in for our i-learn system where they can book onto online learning and book onto tutor-led sessions.

There are a number of mandatory training courses on i-learn which staff need to complete in their first three months at the council, including important Data Protection and Cybersecurity training which they must complete in their first few days. People working in Care and Support will also need to complete some specialist training as part of their induction.

### Staff Learning and Development

The Council ensures that staff have all the tools and skills required to undertake their role effectively, achieve their full potential and develop during their career at LBBD.

The Learning and Development service offers a wide range of online learning and tutor-led sessions, which include:

- mandatory training, which all staff and managers need to complete
- opportunities to develop knowledge and skills (such as the Leadership and Management Development programme)
- mandatory training and developmental learning opportunities for people working in Adults and Children's Care and Support
- a full programme of Health and Safety training including First Aid training
- a joint training programme (with other boroughs) for Newly Qualified Social Workers .

Staff can see their training record (including any mandatory training needed to be completed) on i-learn.

### 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) 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 March 2023, 97% of schools were judged 'Good' or 'Outstanding' by Ofsted. This is above the national average. Governance and leadership arrangements are a key part of this judgment.

### **n) Counter Fraud**

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

### **o) Audit and Standards Committee**

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

The Audit and Standards Committee has an annual work programme and during 2023/24 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.

### **p) Information Governance**

The SIRO 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.

There were 75 breaches in 2023/24 with 7 self-reported to the Information Commissioner's Office (down from 8 for 2022/23). 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 2023/24 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.

### **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 Executive and Leadership Team 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 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 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 2023/24 Internal Audit Plan, approved by the Audit and Standards Committee in May 2023, included 48 audits consisting of 37 risk and compliance audits, 10 schools and a follow-up project of prior year school work. 44 audits were delivered, consisting of 33 risk and compliance audits and 11 audits of schools, with reasons for variations in the plan being reported quarterly to the Audit and Standards

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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, nine reviews were issued in 2023/24 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:

- Gifts & Hospitality
- Commercial Rents
- Onboarding Process
- Planning & Building Control
- Land & Building Valuations
- Antivirus & Malware
- Accounts Payable
- Systems Logical Access Review
- Corporate Health & Safety

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 2022/23 period there were 22 complaints investigated by the Ombudsman with 20 being upheld. The ombudsman was satisfied that all of their recommendations had been implemented. 2023/24 data is likely to be published by the Ombudsman in late July 2024.

Comparative figures for 2021/22 and 2020/21 are 22 complaints (19 upheld) and 12 complaints (11 upheld) respectively.

#### Complaints by the Public

Complaints are recorded and reported on a calendar year basis. During 2023 there were 3,010 corporate complaints received with 1,071 of these being upheld (36%). In 2022 there were 3,756 complaints with 1,579 (42%) upheld.

Both Children's and Adult Services social care complaints are recorded and monitored separately. Children's Social Care received 87 statutory complaints during 2023/24 representing a decrease of 12% on the previous year when 99 statutory complaints were received. Adults' Social Care received 70 statutory complaints during 2023/24



representing an increase of 30% on the previous year when 54 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 2022-23**

The 2022-23 AGS had identified the following themes:

- Impact of Covid-19 and Cost of Living Crisis;
- CIPFA Financial Management Code;
- Staffing;
- Statement of Accounts
- Financial Resilience
- Subsidiary Company Financial Resilience
- Social Housing Regulator - Building Safety and Statutory Health & Safety Compliance

Progress against these challenges is detailed below:

#### **Impact of Covid-19 and Cost of Living Crisis**

As cost of living pressures have grown due to a variety of geopolitical, governmental and financial factors, the Council has increasingly had to develop actions and initiatives during 2023/24 to help residents and service users receive the resources and support to meet their needs. These include but are not limited to:

- help with finances and supplying warm spaces for residents to visit to avoid consuming more electricity at home;
- issuing food and energy vouchers to those in need of them;
- public awareness campaigns supporting applications to underused benefits like the pension credit;
- roll out of the Cosy Homes insulation scheme to help residents stay warm and lower their energy bills; and
- roll out of the welfare pilot, helping those who applied for a hardship fund understand what other benefits may be available to them.

#### **Social Housing Regulator**

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. Good progress has been made during 2023/24 in all six areas of Statutory Compliance. The Council is still engaging with the Social Housing Regulator with the expectation of having a regulatory notice removed within the coming months.

### **CIPFA Financial Management Code**

Review ongoing.

### **Staffing**

This remains a headline governance challenge.

### **Statement of Accounts**

This remains a headline governance challenge.

### **Financial Resilience**

This remains a headline governance challenge.

### **Subsidiary Company Financial Resilience**

This remains a headline governance challenge.

### **Headline Governance Challenges from 2023/24**

#### **Staffing**

As in previous years there is 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.

Recruitment to hard-to-fill roles remains an issue at the Council and a number of interventions are in place such as 'grow our own' schemes using the apprenticeship levy. A Senior Salary Pay Review reported early in 2023/24 and results of that fed into pay from June 2023. The Council has also achieved Gold accreditation from 'Investors in People' and work progresses towards achieving Platinum. 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 LBB, what we are doing well and what we could do better. They

## Annual Governance Statement

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 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 still not yet been signed off by BDO. The most recent timetable indicates that the audit work will be completed by the end of August 2024. Given the significant delay in concluding the 2019/20 audit, the accounts for 20/21, 21/22 and 22/23 will now be dealt with under the new backstop arrangements which are still subject to consultation but a full audit opinion will not be provided. The draft accounts for those years have been published.

### **Financial Resilience**

This remains a headline governance challenge.

### **Subsidiary Company Financial Resilience**

This remains a headline governance challenge.

### **Creation of a Local Code of Corporate Governance**

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).

While not a statutory requirement, achieving an up-to-date Local Code is considered 'best practice'. The Code is intended to describe the Council's governance framework and will support future Annual Governance Statements which assess the effectiveness of governance.

## **Section 5**

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

The Council is satisfied that appropriate governance arrangements have been maintained in 2023/24. It recognises however that these arrangements are designed only to manage risk down to a reasonable level and cannot provide absolute assurance that the Council will successfully deliver all its policies, aims and objectives. We remain committed to maintaining and where possible improving these arrangements, by:

- Addressing issues identified by Internal Audit
- Addressing issues identified by External Review
- Focusing on key risks and areas for improvement
- Continuing regular, open and transparent engagement with residents

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

Signed:

Signed:

**Councillor Darren Rodwell**  
**Council Leader**  
**July 2024**

**Fiona Taylor**  
**Chief Executive**  
**July 2024**

## Glossary of Terms

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

## Glossary of Terms

	taxes that form its basis have a significant impact on the level of resources available to both the Council and its preceptors (e.g., The Greater London Authority).
Community Assets	A class of fixed assets that are expected to be held by the Council in perpetuity. Examples include parks, historic buildings and works of art.
Comprehensive Income & Expenditure Statement	A statement showing the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
Council Tax	A local taxation system used in England, Scotland and Wales. It is a tax on domestic property which was introduced in 1993. Each property is assigned one of eight bands (A to H) based on property value, and the tax is set as a fixed amount for each band. Council Tax is collected by the Council (the collecting authority). However, it may consist of components (precepts) levied and redistributed to other agencies or authorities (each known as a precepting authority, e.g., the Greater London Authority).
Council Tax Base	The number of Band D equivalent dwellings in the Borough. To calculate the Tax Base, the number of dwellings in each Council Tax band is adjusted to take account of any discounts, premiums or exemptions. The resulting figure for each band is then multiplied by its pro-portion relative to Band D (from 6/9 for Band A to 18/9 for Band H) and the total across all eight bands is calculated. The Tax Base is used to determine the level of Council Tax the Council charges each dwelling.
Council Tax Requirement	The amount of money the Council needs to raise from Council Tax to fund annual spending once Government funding and other sources of income are deducted.
Creditors	Amounts owed by the Council to suppliers for goods received or services provided before the end of the accounting period but for which payments have not been made by the end of that accounting period.
Debtors	Amounts owed to the Council for services provided before the end of the accounting period but for which payments have not been received by the end of that accounting period.
Deferred Liabilities	Sums owed to creditors that are not due for payment for at least one year. They are carried as a liability on the balance sheet, alongside other long-term debt obligations, until they are paid.
Defined Benefit Scheme	A type of pension plan in which the employer promises a specified pension payment, lump-sum (or combination thereof) on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns.

## Glossary of Terms

	A defined benefit plan is 'defined' in the sense that the benefit formula is defined and known in advance. The Council's Pension Scheme offers defined benefits for all its members.
Depreciation	The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.
Earmarked Reserves	Reserves set aside for a specific purpose, particular service or identified risk.
Finance Lease	A funding arrangement where: <ul style="list-style-type: none"> <li>• The lessee (the Council) will select an asset (e.g., equipment, vehicle, software);</li> <li>• The lessor (typically a finance company) will purchase that asset;</li> <li>• The Council will have use of that asset during the lease and pay rent for it;</li> <li>• 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;</li> <li>• The Council may have the option to acquire ownership of the asset at the end of the rental period.</li> </ul>
General Fund	The main revenue fund from which the day-to-day costs of most services is met. The Council is required to maintain other Funds, e.g. the Housing Revenue Account, the Collection Fund and the Pension Fund. The accumulated credit balance on the General Fund Reserve is the excess of income over expenditure after adjusting for movements to and from reserves.
Government Grants	Government supports the Council's general revenue expenditure through Revenue Support Grant (RSG), a grant given to local authorities which can be used to finance revenue expenditure on any service. The amount of RSG to be provided to authorities is set out in the annual local government finance settlement. RSG is being phased out and will cease entirely by 2020.  In addition, specific Government grants are distributed outside the settlement. The basis of the distribution varies from grant to grant. For non ring- fenced grants there are no restrictions on what Councils can spend the money on. Where a specific grant is ring-fenced the expenditure is controlled to fund a particular service that is a national priority. For example, funding for schools is paid through the Dedicated Schools Grant, administered by the Department for Education.
Gross Expenditure	The total cost of providing the Council's services before deducting income from Government grants, or fees and charges for services.
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.

## Glossary of Terms

Historic Cost	A measure of value used in accounting in which the price of an asset on the Balance Sheet is based on its nominal or original cost as opposed to its current or fair value.
Housing Revenue Account (HRA)	The HRA specifically accounts for spending and income relating to the management and maintenance of the Council-owned housing stock. By law it must be kept separate from other Council accounts. The HRA is self-financing and receives no income and incurs no expenditure through the Council Tax. The main sources of HRA income are rents and charges for services and facilities.
Impairment	The permanent decline in the value of an asset. Impairment of assets is the diminishing in quality, strength, amount, or value of an asset. It is an accounting estimate of changes in value relating to the consumption of assets.
Infrastructure Assets	Assets that provide the platform for economic and social activity in the Borough, for example, roads, bridges and footpaths.
Interest	The amount received or paid for the use of a sum of money when it is invested or borrowed and typically expressed as an annual percentage rate.
Inventories	The amounts of unused or un-consumed goods held in expectation of future use within the following year. Inventory stocks are valued at the end of each financial year and carried forward to be matched to their use or consumption in the following year.
Investment Properties	The Council's interest in land and/or buildings which are held for their investment potential and rental income, rather than being occupied and used to help deliver services.
Levies	Payments that the Council is required to pay to other bodies. The levying bodies are: <ul style="list-style-type: none"> <li>• Lee Valley Regional Park Authority</li> <li>• London Pension Fund Authority</li> <li>• East London Waste Authority</li> <li>• Environment Agency</li> </ul>
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.
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



## Glossary of Terms

	'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.
Precept	A charge made on the Council's Collection Fund by precepting authorities such as the Greater London Authority. The sums paid over

## Glossary of Terms

	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.
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.

## Glossary of Terms

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 style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Band</th> <th style="text-align: left;">Value (relative to 1991 prices)</th> <th style="text-align: left;">Ratio</th> <th style="text-align: left;">Ratio as %</th> </tr> </thead> <tbody> <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> </tbody> </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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