London Borough of Redbridge

Statement of Accounts 2020/21

Contents

Notes to the Accounts Index

Narrative Report

This report provides information on Redbridge Council's:

- **Non-Financial Strategies and Performance**
  - Population and geography, main strategic objectives and plans including 2020/21 performance indicators, and
  - The principal risks that it faces.
- **Financial Position, Performance and Strategy**
  - The Council's financial performance;
  - An overview of the Key Financial Statements included in the detailed Statement of Accounts;
  - A review on how the Council has used its resources to achieve its desired outcomes, demonstrating value for money in the use of its resources, and
  - The financial outlook for the council and highlights of the Medium-Term Financial Strategy.

Population and Geography

- Redbridge is estimated to have a population of 305,911 as at 2019 mid-year estimates[1]. This is expected to rise to 330,000 by 2026[2] with Crossrail bringing residents to Ilford and surrounding neighbourhoods.
- Redbridge has the third most diverse community in London[3] with 60.7% of the population from Black, Asian and Minority Ethnic (BAME) groups[4] and over 90 languages spoken[5].
- There is significant divergence between green, affluent areas and areas of urban deprivation where residents are struggling to manage the rising cost of living. Redbridge has 11 areas that are in the 20% most deprived in the country and 11 areas in the 20% least deprived[6].

Growing Redbridge through Partnership

Redbridge Council operates by putting the community in the lead of everything that it does. Redbridge's Joint Partnership Plan for 2025 set out how the Council and its local partners must work together:

- To ensure regeneration benefits Redbridge's communities;
- So that Redbridge is a great place to live as a family;
- So that the root causes of social challenges in Redbridge are tackled.

The Plan recognises the value of Redbridge's many statutory and non-statutory partners including:

- Local voluntary sector partners, such as Redbridge Council for Voluntary Service (CVS), which receive Redbridge grant funding to provide residents with services to help maintain strong communities;
- The Metropolitan Police;
- Vision Redbridge Culture and Leisure which runs the Council's sports, cultural and leisure facilities and parks and open spaces;
- NHS bodies such as North-East London NHS Foundation Trust (NELFT), who are the Council's key partner in the provision of fully integrated health and social care across the borough, with a single point of access and joint crisis intervention;
- East London Waste Authority (ELWA);
- Redbridge College and New City College;
- Barking & Dagenham, Havering and Redbridge Clinical Commissioning Group; and
- Local London (the east London devolution partnership), local business forums and London Borough of Waltham Forest, with whom the Council shares procurement services.

[1] ONS Mid-Year Estimates 2019
[2] GLA Population Projections 2016
[3] 2013 GLA Data
[4] 2013 GLA Data
[5] 2011 Census data
[6] 2014 ONS Index of Multiple Deprivation

Redbridge's Strategic Delivery Plan

Redbridge's Strategic Delivery Plan[7] sets out how it will contribute to the Joint Partnership Plan. This sets out Redbridge Council's key priorities for the next 10 years, which are to:

- Regenerate the borough to benefit our residents and integrate new communities.
- Keep the borough clean and safe.
- Be a great place to live as a family.
- Tackle the root causes of social challenges.
- Build a brilliant Council.

Council Management and Reporting Structure

The Council's management structure of Directorates support, the Strategic Delivery Plan's priority to build a brilliant Council. A senior management restructure was agreed by Council on 19 September 2019 and implemented as at 1 April 2020. These accounts therefore include the changes and also where appropriate show 2019/20 figures restated under the new management structure to aid comparability between the two years. The Directorate structure for 2020/21 is as follows:

- Communities which include Housing and Civic Pride. It was also agreed that Customer Service would move into this Directorate at a future date, which has occurred as at 1 April 2021 and therefore is not reflected in these accounts.
- People which include Adult Social Services, Children and Families, Education and Inclusion and Public Health
- Regeneration & Culture which includes Regeneration, Property & Planning and Leisure & Culture Client
- Resources which include Finance, Assurance, Information Technology and Revenue, Benefits and Transactional Centre
- Strategy which includes Policy, Equalities and Communications, Change, Employee Experience, Community Safety, Customers and Communications. Costs in relation to the Chief Executive are also reported under Strategy.

Key Successes

Redbridge has achieved successes in a wide number of areas during the year, the highlights include:

- Establishing the wellbeing service to help our most vulnerable residents following the outbreak of COVID-19 and lockdown.
- Helping residents recover from the impact of COVID-19 on their employment, including directly helping 260 residents into employment, offering 6-month London Living Wage paid work placements for young people aged 16-24 through the "Kickstart" programme and providing further investment in the Work Redbridge Service.
- Establishing the Growth Commission, which provided an opportunity for residents to help shape how we grow Redbridge together.
- Established the Crime Commission consisting of local residents and local area experts, including appointing an independent chair. The Commission will report by the end of the year.
- Continued with our commitment to the community hubs programme by establishing the Gants Hill Hub Design group, with membership including local residents.
- Secured over £7m of funding and moved forward with plans to restore and enhance Hainault Country Park, with works due to start in late July and expected to be completed by summer 2022.
- Started consulting with residents of all ages on plans to expand Fairlop Waters, further increasing availability of open space in the borough.

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[7] The Council's Strategic Delivery Plan is available at: [Redbridge Strategic Delivery Plan]

- Completed the rollout of wheelie bins, which have already started to show an increase in the rate of recycling across the borough. The rollout process has helped identify illegal HMOs and flat conversions. It has also helped identify businesses who have been disposing their rubbish into domestic bins.
- Progressed the UNICEF Child Friendly Communities programme in Redbridge.
- Launched our programme of work on Climate Change.

Impact of COVID-19

20/21 has been a particularly unusual year financially due to the COVID-19 pandemic, with new services needing to be provided and others working in different ways. There has also been significant grant funding received in relation to this. This has resulted in significant overspends across service directorates, offset by the Government's general COVID-19 and fees & charges compensation grants, and the planned and engineered release of other corporately held monies.

The pandemic caused significant uncertainty for the Council, rapidly needing to respond to changing circumstances and needing to provide services differently along with additional purchases such as personal protective equipment. The Council responded quickly, both in terms of the direct responses to the pandemic and also to protect the Council's financial resilience. This was done by placing restrictions on spending and focusing where possible on continuing to deliver savings and ensuring that control was maintained over budgets.

Overall, the General Fund outturn position, before transfers to reserves, is an underspend of £4.483m. The outturn position includes Service Directorate overspend of £44.827m, of which £45.046m relates to the impact of COVID-19. The Service Directorate overspend is offset by £29.497m of COVID-19 grant funding and £19.813m of corporate budgets (including contingencies) underspend. The net outturn underspend of £4.483m was further reduced by £2.132m contribution to reserves relating to business rates, resulting in a net position of £2.351m underspend.

While the outturn position has been positive, particularly considering the challenges faced this year, it should be noted that much of the significant corporate underspend is not expected to continue into 2021/22, having been taken into account as part of setting the 2021/22 budget or expected to be utilised in the new year. Demand pressures along with changes to the deliverability of savings has been addressed within the budget for the new year so there is an expectation on services to fully deliver these, and for the Council's service managers to spend within the agreed budget.

Complexity in relation to the financial impact of COVID-19 has continued throughout the year and will continue at the very least for the first half of 2021/22, but likely much longer. It is likely that there will be ongoing changes to working practices and behaviours and there is an expectation that pent-up demand for services will have an impact once COVID-19 related rules are eased. While there appear to be some positive signs from the economy coming out of lockdown there is still the potential for an ongoing recession.

More information can be found in the budget monitoring report (BCR) to Cabinet on the Council website at Outturn Report 2020/21 - Cabinet Meeting Date: 8 June 2021.

There is expected to be a significant longer-term financial impact, including changes to the needs of residents and businesses and the impact of the anticipated recession.

Overview of Performance – Measuring Success

As part of the Council's Strategic Delivery Plan, 'A Great Place to Live' which was published during 2018, Redbridge has a Corporate Health Check framework which sets high minimum standards for service performance of the Council Directorates. The new Performance Indicators replace the list of largely quantitative top 50 indicators which were originally divided between operational directorates with approximately five outcome focused thematic areas.

Redbridge Council Directorate Annual Performance		Annual Target	March 2021
1	**Children, Families and Education**		
1.1	Percentage of children achieving "a good level of development" in Early Years Foundation Stage Profile (EYFSP) - at least expected level in learning, literacy & maths	75%	N/A Statistics cancelled due to COVID
1.2	Percentage of children looked after with 3+ placements during the year. Response – lower % of children looked after is better (GREEN), placement cost will be less	10%	⇩ 3.4%
1.3	Percentage of child and family assessments undertaken following a referral to social care completed within 45 days. Response – higher % of child and family assessment undertaken within 45 days above target is better (GREEN)	80%	⇧ 95.6%
1.4	Increase the percentage of care leavers (former relevant young people aged 19-21) who were in education, employment or training. Response – higher % of 19-21 young people in education, employment or training than targeted is better (GREEN)	62%	⇧ 72.3%
2	**Health and Social Care Service**		
2.1	Percentage of adults using social care currently in community settings Response – higher % of users than target % is better (GREEN)	75%	⇧ 79%
2.2	Percentage of clients using social care who receive direct payments. Response – higher than 50% target of users is better, 39% is lower (RED)	50%	⇩ 39%
2.3	Average days delayed of Adult Social Care and Shared Days Delayed Transfers of Care Response – lower no of days delayed compared to target is better, 0.7 is lower (GREEN)	4.2	⇩ 0.7 (June 2020)
2.4	Permanent Admissions to Care Homes per 100,000 Population Response – lower than target number of 7 admissions is better, 2.4 is better (GREEN)	7	⇩ 2.1
2.5	Social Isolation: percentage of adult social care users who have as much social contact as they would like.	55%	N/A (annual survey and figures not yet published)
2.6	Self-reported wellbeing - people with an above average (not low) happiness score	5	Not yet available
3	**Strategy**		
3.1	Percentage of completed Freedom of Information enquiries within 20 working days. Response – FOI completed is lower than target of 95% (RED arrow) but within 85% tolerance limit (AMBER shading). Note: 85% or less is RED shading	95%	⇩ 86%
3.2	Percentage of stage 1 complaints responded to within 10 working days. Response – higher than 95% target is better, lower than targeted % complaints responded to (RED)	95%	⇩ 81%
3.3	Percentage of incoming calls to the contact centre abandoned. Response – lower than 10% target is better, 20% rate is higher than target (RED)	10%	⇧ 20%
3.4	Number of working days per FTE lost due to sickness absence (excluding school staff) Response – lower than target of 5 FTE is better, 7.66 FTE days lost is higher than target 5 FTE (RED)	5	⇧ 7.66%
4	**Resources**		
4.1	Percentage of Council Tax collected in year. Response – 96.36% CT collected is within acceptable limit of 5% confidence level (Amber)	97%	⇩ 96.36%
4.2	Percentage of non-domestic rates collected in year. Response – 93.77% % NDR collected is within acceptable limit of 5% confidence level (Amber)	98%	⇩ 93.77%
5	**Place**		
5.1	Percentage of household waste sent for recycling	26.70%	N/A
5.2	Number of households living in temporary accommodation Response – lower number of households in temporary accommodation than 2900 target is better, as TA is expensive 2825 is lower and better (GREEN)	2900	⇧ 2825

Redbridge Council Directorate Annual Performance		Annual Target	March 2021
5.3	Percentage of planning applications determined within target time. Response – higher % than 85% target is better, 96.3% applications determined is better (GREEN)	85%	⇧ 96.3%
5.4	Percentage of households with children exceeding 6 weeks in B&B Response – target is 0 families in B&B, 6 families in B&B is higher than target (RED)	-	⇧ 6
5.5	Percentage of reported fly tips cleared within target time. Response – higher % than 90% target reported fly tips cleared is better, 100% is better (GREEN)	90%	100%
5.6	Number of missed refuse and recycling collections per 100,000 collections Response – missed collection lower than target of 40 is better, 55 is higher than target (RED)	40	⇧ 55

GREEN – Performance is better than target or direction of travel is better.

AMBER – Performance is lower than target but within acceptable tolerance limit.

AMBER – Performance is lower than target but within acceptable tolerance limit.

RED – Performance is worse than or below target and outside acceptable tolerance limit.

Overview of Financial Performance

The sections below introduce some of the key features of the Council's Statement of Accounts and financial performance in 2020/21, covering revenue and capital outturn positions, borrowing and investment strategies.

General Fund Revenue Budget

The General Fund revenue budget relates to the day to day running expenses of the services that the Council provides during the year. The General Fund outturn position against the net budget expenditure is shown below, the figures are consistent with service headings reported within the Expenditure and Funding Analysis Statement at Note 7 in the Statement of Accounts:

Directorate	**Revised Budget £m**	**Outturn £m**	**Variance £m**
Communities	14.759	30.321	15.562
People	96.207	120.162	23.955
Regeneration & Culture	7.097	9.307	2.210
Resources	14.464	14.433	(0.031)
Strategy	4.078	7.209	3.131
Directorate Net Budgets	**136.605**	**181.432**	**44.827**
Corporate Items & Contingency	59.961	40.148	(19.813)
COVID-19 Grant	-	(29.497)	(29.497)
General Fund Net Outturn	**196.566**	**192.083**	**(4.483)**

The outturn position for the year showed an overspend of £44.827m from Service Directorate revenue budgets. The major areas of overspend were:

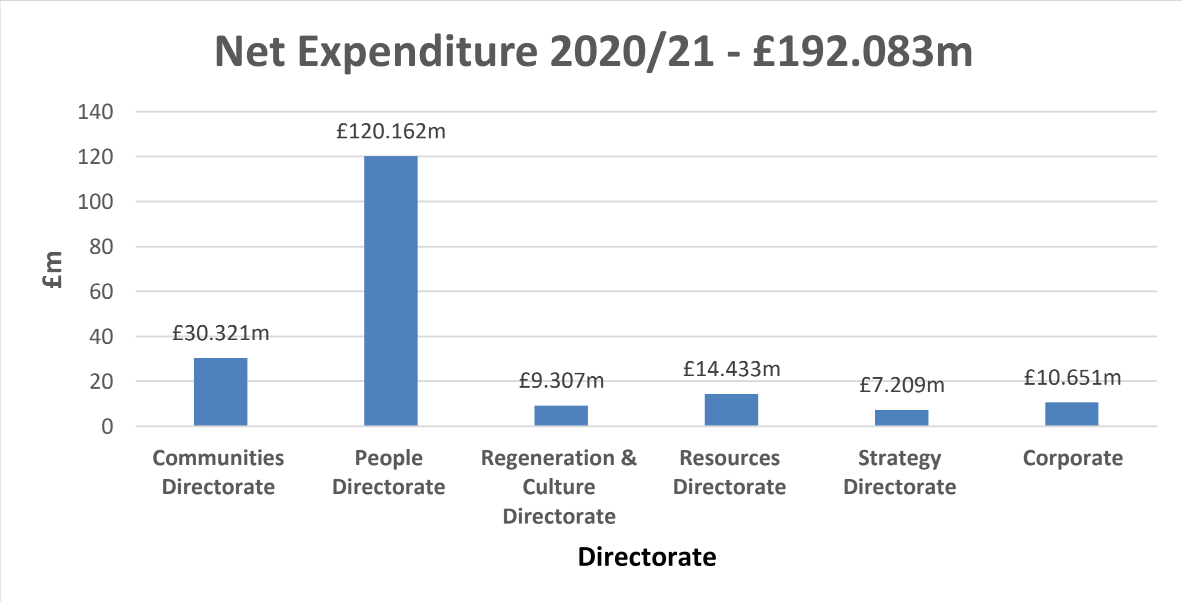
- Adult Social Care, within the People Directorate, had a net overspend of £12.585m. This includes loss of income and undelivered savings impact from COVID-19.
- Housing General Fund, within the Communities Directorate, had an overspend of £6.414m, mostly due to demand on accommodation.
- Civic Pride, within the Communities Directorate, had an overspend of £8.222m, mainly in relation to Parking income due to COVID-19 restrictions.

It was necessary to take substantial action during 2020/21 as part of the budget monitoring and management to mitigate the 2020/21 Service Directorate overspend as far as possible, including putting in place a moratorium on unnecessary spend including additional review of any requests for recruitment. Services are expected to stay within their Service Directorate budgets but despite significant work to mitigate pressures this was not achieved in 2020/21. Corporate budgets (including contingencies) were used to manage the Service Directorate overspends, alongside the significant amount of COVID-19 Grant received, as set out below.

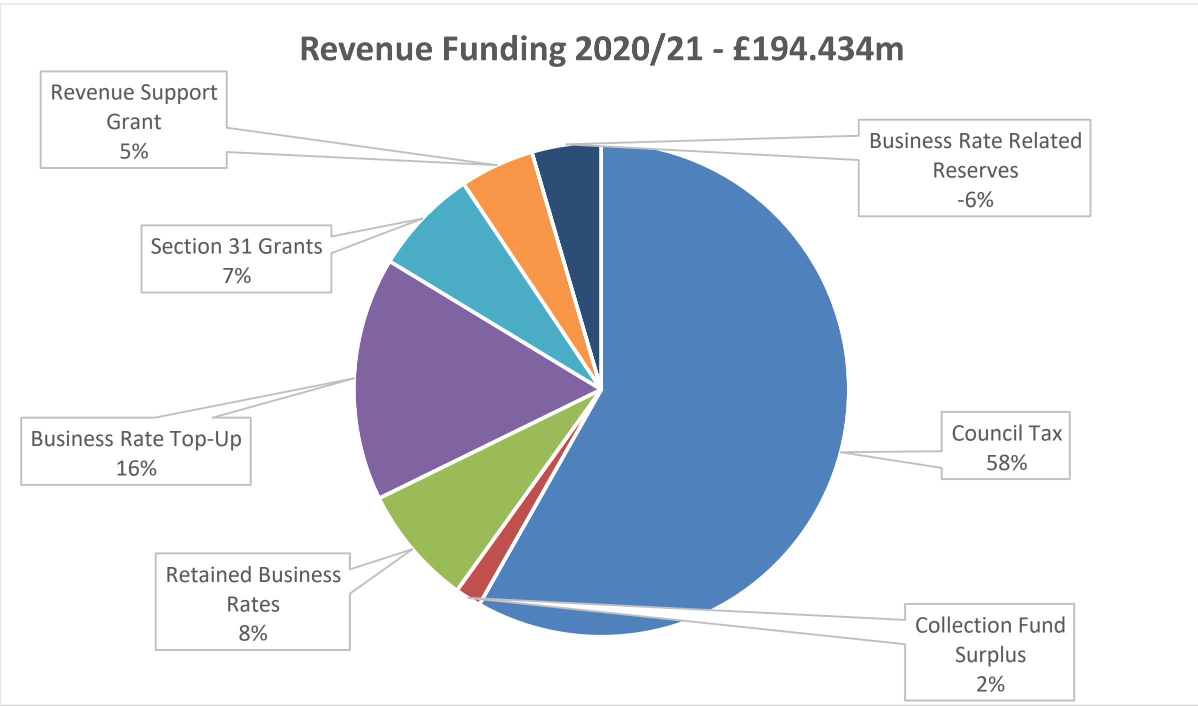
	£m
Service Directorate Overspend	44.827
Corporate Contingency Budget allocation to meet overspend	(3.000)
Budget Overspend	**41.827**
Levies & Joint Arrangements	(0.329)
Savings on interest and borrowing repayment	(10.061)
COVID-19 Grant	(29.497)
Held Growth	(5.365)
Other items	(1.058)
Contribution to Earmarked Reserves	2.132

Total	**(2.351)**

The Council received income from a wide variety of sources, including Council Tax, Business Rates, Government grants, grants from other entities, fees, charges and rental Income. In most cases where this funding is specific to a service, the biggest of which is Dedicated Schools Grant (DSG) of £249.387m, it is accounted for within that service; this give a net controllable service cost which for 2020/21 was £181.432m as well as £10.651m of corporate items to give a £192.083m balance to be funded from Business Rates (including a top-up grant) and Council Tax. These amounts are represented in the graphs below, further analysis can be found on the Expenditure and Funding Analysis Statement at Note 7 in the Statement of Accounts.

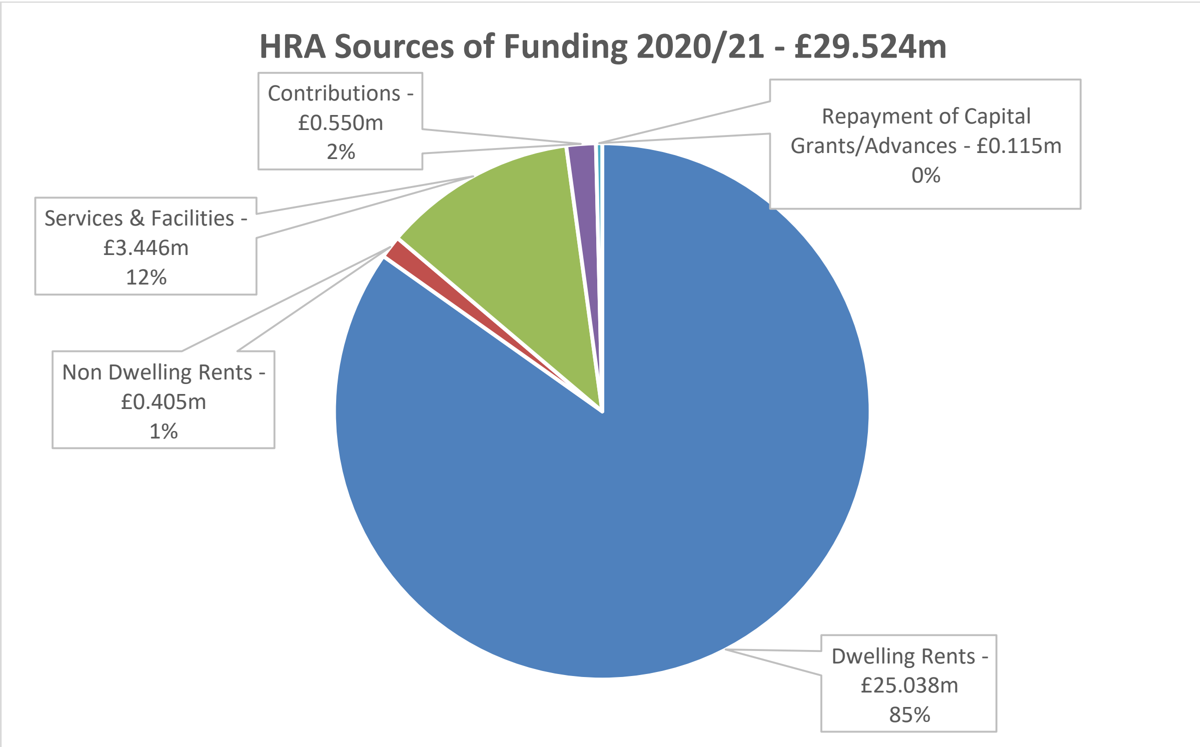


The main source of funding for the 2020/21 financial year is Council Tax which makes up 58% of core funding, followed by Business Rates at 16%. The Council received revenue funding of £194.434m in 2020/21; £2.351m more than net expenditure. The surplus was taken to the General Fund Balance.



Housing Revenue Account

The Housing Revenue Account (HRA) is a ring-fenced Income and Expenditure account within the Statement of Accounts, showing the provision for Council housing. The HRA had a surplus of £0.395m in 2020/21 which was taken to the HRA reserve. This is a net position resulting from additional spend on repairs and maintenance offset by lower than budgeted contribution to provision for expected credit losses (bad and doubtful debts) and interest payable. The source of funding for the HRA is shown graphically below.



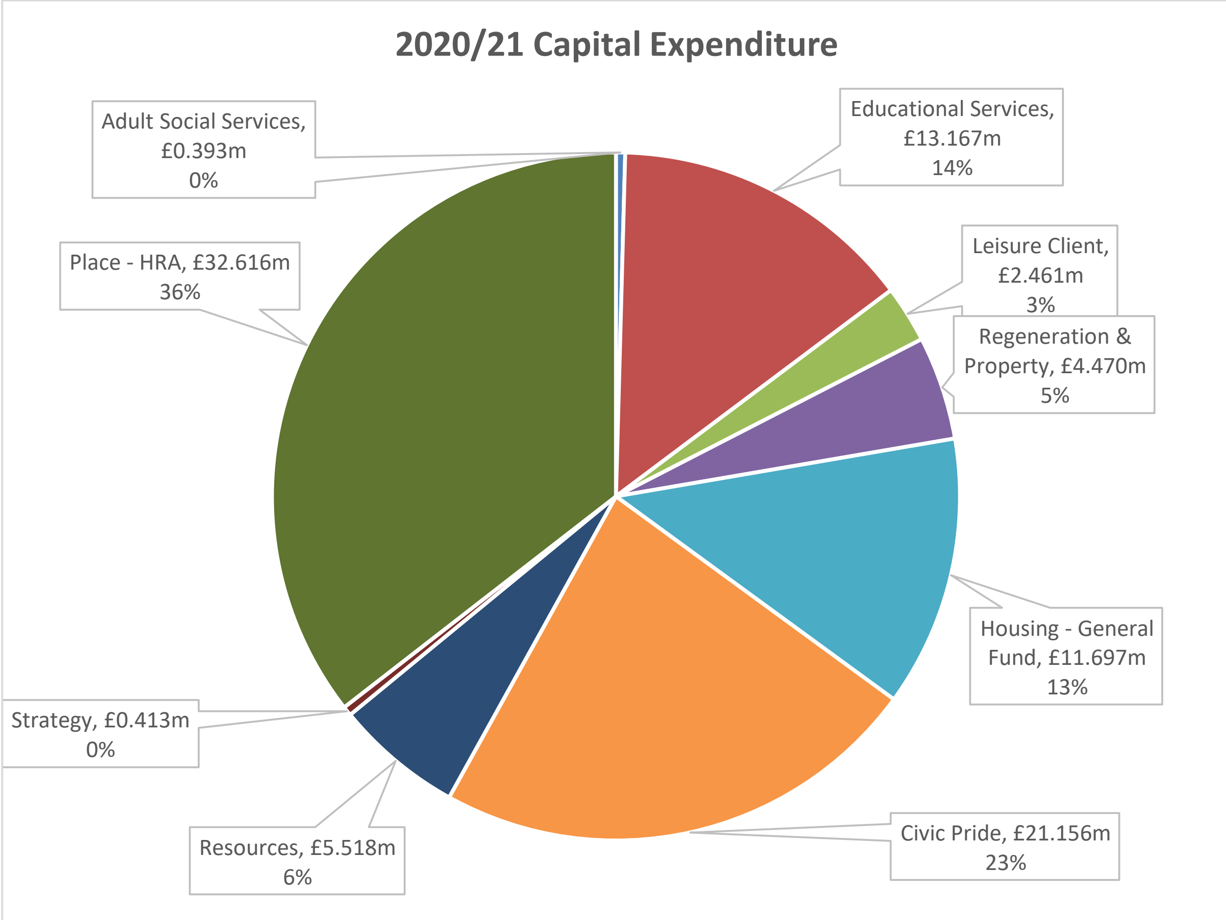
Capital Expenditure

Capital Expenditure is defined as spending on the purchase, improvement or enhancement of fixed assets. The Capital Programme for 2020/21 approved in February 2020 was £330.370m (February 2019 £202.883m). During the year the revised budget for 2020/21 of £137.971m was approved by Council in February 2021 (February 2020 £174.703m) to take into account slippage. The outturn for the year is £91.891m, (2019/20 £136.475m) including capital expenditure within Schools and is summarised in the chart below.

Significant areas of expenditure in 2020/21 were Civic Pride (£21.156m which is 23% of the capital programme) which was a continued investment into the Council's roads and tackling the climate change emergency.

Children's Services expenditure (£13.167m which is 14% of the capital programme) which was mainly for the expansion of schools to meet the statutory responsibilities of the Council to accommodate the demand for pupil places as well as capital maintenance works on schools.

Housing expenditure (£11.697m which is 13% of the capital programme) and Housing (HRA) capital expenditure of £32.616m (36% of the total capital programme) has been used mainly to increase and improve the Council's housing stock.



Pension Liabilities

The Council has a pension deficit of £512m as at 31 March 2021 (31/03/20 £383m) calculated in accordance with accounting requirements. This means that the value of pension's liabilities exceeds the value of the fund assets by this amount. The existence of a pension liability balance is consistent with other local authorities. The Council is responsible for funding this deficit over time as the liabilities are long term in nature and represent the future commitment to pay retirement pensions. The Pension Fund's funding level at the triennial valuation in 2019 was 84% and current contribution levels remained at 22.1%. The deficit on the local government scheme will be made good by contributions from employees and employers plus investment returns over 17 years as set out in the 2019 Triennial Valuation.

Net Assets

The Council maintains a strong balance sheet despite ongoing financial challenges. Redbridge's Net Worth at 31 March 2021 was £1,082m compared to £905m 31 March 2020. This increase is mainly due to valuation increases on non-current assets.

Net Assets at 31 March 2021:

Non-Current Assets (property and long-term investments and debtors) **£1,867m**	Net Current assets (debtors, inventory, and cash less creditors and current liabilities) **£92m**	Long term liabilities and provisions **(£877m)**
Funded by:		
Usable Reserves **£205m**	Unusable Reserves **£877m**	

Net Assets at 31 March 2020:

Non-Current Assets (property and long-term debtors) **£1,553m**	Net Current assets (debtors, inventory, and cash less creditors and current liabilities) **£88m**	Long term liabilities and provisions **(£736m)**
Funded by:		
Usable Reserves **£172m**	Unusable Reserves **£733m**	

Treasury Management Strategy

Borrowing is undertaken by the Council to finance capital expenditure and to replace maturing debt in accordance with its Treasury Management Strategy. The Council is able to temporarily defer its need to borrow externally by using the internal cash reserves it has set aside for longer term purposes, thereby reducing interest costs. Consequently, there is not always a direct link between the need to borrow to pay for capital expenditure and the level of external borrowing incurred. In addition, the practice of optimising the use of internal balances means the Council enters into fewer investments on the financial markets and hence reduces its exposure to investment risk.

As at 31 March 2021, the Council had a long-term borrowing portfolio of £347m (£331m as at 31 March 2020). Whilst currently the Public Works Loans Board remains the Council's principal provider of finance, in November 2019 the Council raised £75m through the issue of the first local authority deferred RPI-linked bond. The bond proceeds will be received over 24 months in line with the Council's funding needs and therefore reduce the cost of carry. The bond was issued at a premium over its £63.9m value at an effective interest rate of 1.88% based on RPI estimates at the time of borrowing.

Borrowing for the purpose of funding capital expenditure requires the Council to make a Minimum Revenue Provision (MRP) for the repayment of this borrowing. A change in MRP policy in 2018/19 has enabled the Council to benefit in the long term in terms of having a more prudent policy for the calculation of MRP.

The Council's Annual Investment Strategy is incorporated within the Treasury Management Strategy, and it aims to achieve optimum return on its investments whilst ensuring appropriate level of security of its assets and liquidity. It is considered prudent to keep investment periods within permitted limits and only invest with financial institutions that meet the Council's approved creditworthiness criteria, which is regularly reviewed during the year to ensure it remains appropriate. The fair value of the Investment portfolio held by the LB of Redbridge has increased from £144.7m as at 31 March 2020 to £180.8m as at 31 March 2021.

The Council prudently manages the level of reserves it holds, taking account of the risks, it faces including cuts in future government grant funding. The General Fund Balance, the Council's financial safety net has been increased by £2.3m to £19.6m as at 31 March 2021, which is 9.9% of the 2021/22 net revenue budgets. In addition to this balance, the Council also holds Earmarked Reserves which are set aside for specific purposes. With regard to the Council's financial stability, reserves are used to manage corporate risks; the Council has a Business Risk Reserve which has a balance of £19.6m as at 31 March 2021 as well as a Commercial Income Smoothing Reserve of £1.1m which allows for fluctuations in investment return between years and a Business Rate Smoothing Reserve of £13.4m as well as a Pension Reserve of £6.0m to manage the potential impact of future actuarial reviews.

Statement of Accounts Key Financial Statements

The Statement of Accounts for 2020/21 sets out the Council's income and expenditure for the financial year ending 31 March 2021 along with a number of supplementary statements and disclosure notes. The financial statements have been prepared adhering to the CIPFA'S code of practice and the International Financial Reporting Standards. The key financial statements and disclosure notes contained in the Statement of Accounts for 2020/21 are as follow:

- Comprehensive Income and Expenditure Statement (CIES): This statement brings together all of the functions of the Council and reports on the Council's income and expenditure in accordance with International Financial Reporting Standards (IFRS) rather than just the amount to be funded from local taxes, rents and government grants. This difference is accounted for by a series of adjustments made in accordance with regulations. The cost of services within the Comprehensive Income and Expenditure Statement (CIES) follows the reporting structure used by the Council.

- Movement in Reserves Statement (MiRS): This statement provides a summary of the movement on the different reserves held by the Council over the course of the financial year. These reserves represent the Council's net worth and are divided into 'unusable', and 'usable' (i.e., those that can currently be used to fund expenditure or support local taxation).

- Balance sheet: This is a snapshot of the Council's financial position at year-end. It shows the balances and reserves under the Council's disposal, long term debt, net current assets and liabilities and summarises information on the non-current assets held.

- Cash Flow Statement: This is a summary of cash inflows and outflows arising from revenue and capital transactions with third parties.

- Expenditure Funding Analysis Note (EFA): The Expenditure and Funding Analysis note brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund (including the HRA). The Expenditure and Funding Analysis takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement.

- Notes to the Financial Statements: The notes provide a better understanding of the financial statements and give further detail about the items contained in the core financial statements along with details of accounting policies used by the Council.

- Housing Revenue Account (HRA): This account records the Council's statutory obligation to separately account for the cost of the ring-fenced landlord function in respect of the provision of Council Housing.

- Collection Fund: The Council is responsible for collecting Council Tax and National Non-Domestic Rates (NNDR). Council Tax is also collected and distributed on behalf of the Greater London Authority (GLA)., Under the Business Rates Retention Scheme, the Council is also responsible for collection and sharing of the NNDR proceeds with Central Government and GLA.

- Group Accounts: The Council has a material interest in Vision – Redbridge Culture and Leisure (VRCL). The Group Accounts show the consolidated position of the activities of the Council and VRCL.

- Pension Fund: The Pension Fund Accounts show the contributions from the Council, participating employers and employees for the purpose of paying pensions. The Fund is separately managed by the Council acting as a trustee and the accounts are not part of the Council's accounts. The Pension Fund Accounts are included here to follow proper accounting practices.

Forward Plan 2021/22 - 2025/26

Redbridge's net revenue budget for 2021/22 was approved on 25 February 2021 and is £194.318m. The context in which the Council's Budget is set is influenced by:

- The Council's Corporate Strategy "A Great Place to Live" and the Strategic Priorities within;
- The Council's Financial Strategy, to ensure a stable and sustainable medium-term financial position in the context of reductions in government funding and demographic pressures;
- Central Government policies, including legislative change, which may require additional expenditure or set additional responsibilities; and
- External drivers – e.g., demand for services, inflationary pressures, change in interest rates etc.

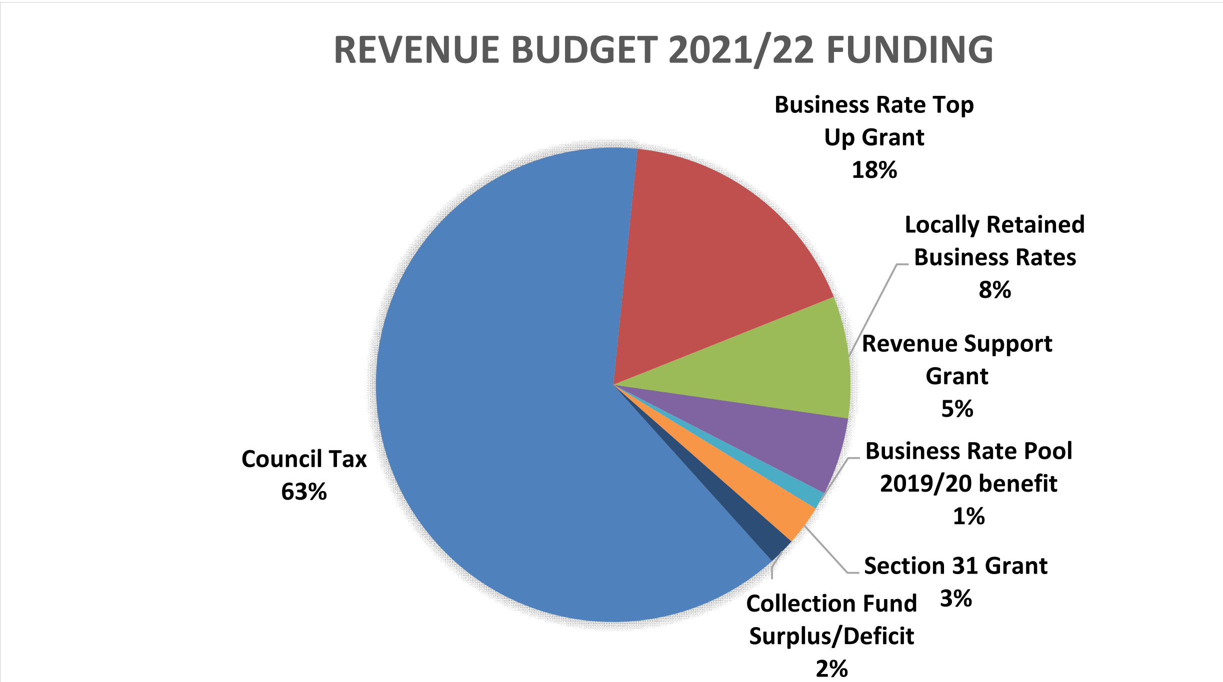
The budget process is designed to ensure that it is priority-led so that resources are aligned with the priorities of the Corporate Strategy.

Setting the budget

This year the Council has increased Council Tax to fund the delivery of essential services for the residents of the borough. Redbridge increased the Council Tax by 1.99% together with a further 3% increase used exclusively to fund the growing demand for the most vulnerable requiring adult social care. Overall, including the GLA precept, the Council Tax for Redbridge in 2021/22 at Band D increased by £99.35 (£1,789.39 – £1,690.04) which equates to an increase of 5.88% or approximately £1.91 per week.

Revenue Budget Funding 2021/22

The main source of funding for the 2021/22 financial year is Council Tax which makes up 63.3% of core funding, followed by Business Rates at 17.3%.



How we spend our budget

The budget includes Government grants and Council Tax, and this is used in the following ways:

- to help deliver frontline services within the Borough;
- to fund vital support services to assist in frontline service delivery; and
- to pay for the services Redbridge receives from a number of external bodies.

Budget Challenges

Redbridge, like all of UK local government, was facing significant uncertainty relating to medium term financial planning prior to the COVID-19 pandemic and these continue in addition to new challenges posed by the pandemic. As noted above, the pandemic has had a significant impact on the finances of the Council, along with the borough's residents and businesses; while there are positive signs that the vaccination programme will enable a return to a more normal way of life this is not yet certain and even if it were there will be significant ongoing financial implications and risks. It is not clear what the medium to long term economic impact will be and it is also unclear exactly what support residents and businesses may need in the coming years. The ongoing financial impact of this for the Council has the potential to be seen in many different areas, from the potential impact of Long COVID on Social Care demand to risks around the level of Council Tax income should the economy and employment not recover quickly.

The Government provided a single year financial settlement for 2021/22 and there has been no strong indication as to when a new multi-year settlement will be announced. This lack of certainty makes budgeting for future years a challenge and is compounded by the knowledge that there are still plans for a Fair Funding Review, reforms to business rates and long promised changes to the funding of Adult Social Care. There is insufficient detail available about any of these items to know when they will be implemented or to have confidence in what their financial impact will be on Redbridge.

There are other challenges which more is known about, there continues to be increasing demand for social care and housing, both of which have significant financial impacts on the Council. There is also still some concern about the impact of Brexit, while some impacts have been seen already there is also the possibility that some may have been masked by the pandemic and only come clear once there is a return to relative normality.

The London Business Rates Pool has not been continued for 2021/22 due to risks and uncertainty resulting from the pandemic, but a request has been made to Government to allow for the possibility of it being resumed in future years.

Redbridge is estimated to have a population of 305,658[8]. This is forecast to increase to over 320,000 by 2028[9]. This will place further potential pressures on all services across the Council. The borough continues to need more homes, schools, health and social care and services including cleansing, roads and highways arising from changing demographics and growing population and leading to increasing demand for care services for adults and children's social care and pressures on temporary accommodation. Government have signalled an intention to address some of these, in particular the funding of social care as mentioned above, however at this time there is no indication as to what the result of this will be or when it will be implemented.

Since 2013, Central Government has frozen the distribution of funding between local authorities. Redbridge continues to lose additional funding as a result of the lock in of 'damped' grant at the outset of the new Business Rates Retention Scheme which was introduced in 2013. This process has penalised Redbridge relative to other authorities as it ignores the increasing divergence between population increases and funding reductions. The freeze also means that grant funding does not increase to meet growing demographic pressures.

Achieving a balanced 2021/22 Medium Term Financial Strategy (MTFS) (July 2021)

The MTFS is set out in the following table.

The Council continues to face severe pressures that will particularly impact over the next few years, including increased costs and demands in Housing and Children's and Adult Social Services. Additional ongoing resources and savings will be required to be found to meet these future pressures totalling over £74m in the MTFS. The key pressures included are summarised below the table.

[8] ONS 2020 Mid-Year Population Estimates
[9] GLA Population Projections based on 2019 data

MTFS 2021/22-2026/27[10]

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total 2022-27
	£m	£m	£m	£m	£m	£m	£m
Service Base Budgets	196.566	195.723	199.162	203.219	210.030	215.172	195.723
Inflation & Pay Awards	5.100	7.700	6.000	7.000	7.000	5.000	32.700
Levies	(4.169)	1.420	5.257	1.000	1.000	1.000	9.677
Pension Fund	(3.000)	-	3.600	-	-	-	3.600
Demographic Pressures	5.993	6.453	7.000	6.330	7.000	7.000	33.783
Capital Financing	(4.279)	(0.069)	1.750	0.516	-	-	2.197
Risks	2.996	1.900	2.000	2.000	2.000	2.000	9.900
Grants	(1.929)	0.519	0.845	-	-	-	1.364
Reserve Contribution	0.179	(0.749)	2.000	2.000	-	-	3.251
Savings previously agreed	0.980	(3.540)	1.002	-	-	-	(2.538)
COVID-19 one off funding and expenditure	(2.684)	2.596	-	0.088	-	-	2.684
Budget Gap / Savings to be identified	-	(12.791)	(25.397)	(12.123)	(11.858)	(12.132)	(74.301)
Service Budgets	**195.723**	**199.162**	**203.219**	**210.030**	**215.172**	**218.040**	**218.040**

Funding

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total 2022-27
	£m	£m	£m	£m	£m	£m	£m
Funding Settlement including Business Rates	**(66.782)**	(67.718)	(69.005)	(70.404)	(71.786)	(71.786)	(71.786)
Council Tax	**(128.708)**	(131.961)	(134.731)	(139.626)	(143.386)	(146.254)	(146.254)
Collection Fund Deficit & S31 Reserve	**(0.233)**	0.517	0.517	-	-	-	-
Total Funding	**(195.723)**	**(199.162)**	**(203.219)**	**(210.030)**	**(215.172)**	**(218.040)**	**(218.040)**

Key assumptions underpinning the MTFS include:

- The Budget Report to Council in February 2021 included £3.540m of savings planned for delivery during 2022/23 and a net reversal of £1.002m in 2023/24. This is in addition to the savings to be delivered in 2021/22. That report considered the impact of COVID-19 on savings deliverability, and it is expected that the agreed savings will be delivered in full and with minimal slippage. This MTFS assumes that all agreed savings will be delivered in full and on time or substitutes will be found;

- The Medium-Term Financial Strategy identifies a budget gap of £74.301m by 2026/27, in addition to savings already approved in previous budget rounds. It is proposed that this will be addressed in two stages, with savings proposals being worked on to close the 2022/23 budget gap alongside the start of work on longer term transformational savings to address the longer-term requirement. The proposals for 2022/23 will be presented to Cabinet in October. These proposals, along with full consultation results will be presented again to Cabinet in advance of Budget Council in February.

- Services will contain expenditure within their agreed service budgets and there will be no material overspending of budgets and mitigations will be found for any pressures identified within services;

- Services will be able to contain the need for growth and the one-off investment given in 2021/22, mostly relating to impacts of the pandemic, will not be required in 2022/23.

[10] Reported to Cabinet on 13 July 2021 except 2021/22 which is included here for comparison

- There will be a recovery in the Council Tax Base in 2022/23, as an end to restrictions relating to the pandemic allows residents to return to work reducing the level of Council Tax Support and increasing the amount of collectable Council Tax;

- There will be no option to raise additional Adult Social Care Precept;

- There will be no substantial change in the cost of Levies, other than one off items already known about;

- Additional funding will be required to ensure London Living Wage is paid to all staff doing work on behalf of Redbridge;

- Capital financing costs are significantly reduced as a result of slippage in the programme;

- This MTFS has assumed no impact of a continuation of the London Business Rates Pool. It is not currently known if the pool will operate for 2022/23 and due to economic uncertainties due to the pandemic it is too early to have accurate modelling of the impact should it do so.

- This MTFS includes an allowance for demographic pressures in all years, this requirement will be reviewed in more detail throughout the year including consideration for the 2021/22 in year position.

- There is uncertainty regarding ongoing funding of Local Government. The lack of information at present indicates that it is unlikely to be any substantial change and 2022/23 funding will likely be similar to 2021/22. This has not been confirmed and there are long delayed plans regarding changes to Local Government funding which are still expected to take place at some point. There is also an expectation that further detail will be seen in relation to social care reform, which has the potential to significantly impact on Local Government finances. As such it is unlikely that a multi-year funding settlement will be known in time to be beneficial to the financial planning process this year, and potentially not at all this year continuing the uncertainty.

- There is at this time no confirmation regarding the continuation of other grants. Some of these such as in the areas of Social Care and Homelessness are substantial amounts of funding. Given the current situation it would seem unlikely that funding for these areas would be reduced but there is nothing to confirm this.

- The impact of national government policies on local authorities, especially as the economic, social and financial implications of Brexit become clearer. These include impacts on interest rates, migration, employment and business.

- Pension Fund risks include changing economic conditions and investment returns less than assumptions in the Pension Fund's investment strategy increases the risk of a deterioration in the Pension Fund's funding position and as a consequence there is a risk of an increase in the employer's contribution from 2023/24 onwards.

- Changes in legislation or imposition of new responsibilities imposed upon the Council without adequate funding allocated to the Council.

- Impact of variations to forecast interest rates, both in terms of investment returns and also on assumptions made on borrowing costs.

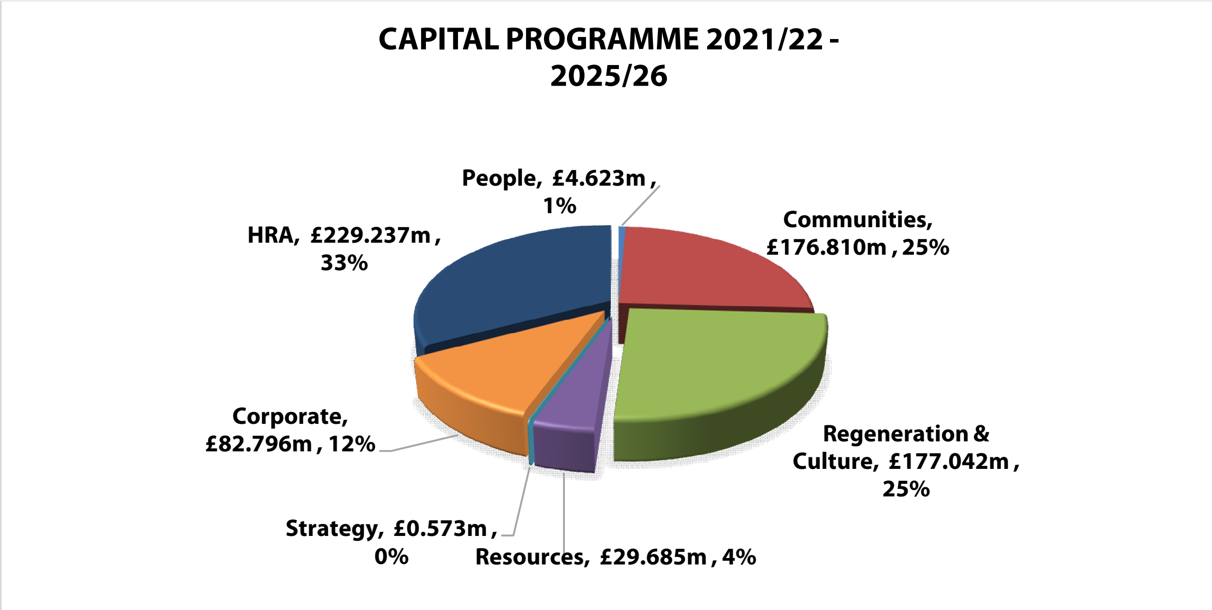
- Overall, the budget process will work towards developing a series of savings options to close the revised £12.791m gap in 2022/23, alongside preparing larger transformational projects to close the remaining gap of £61.510m in later years of the MTFS period to 2026/27, with a focus on the Council's strategic objectives.

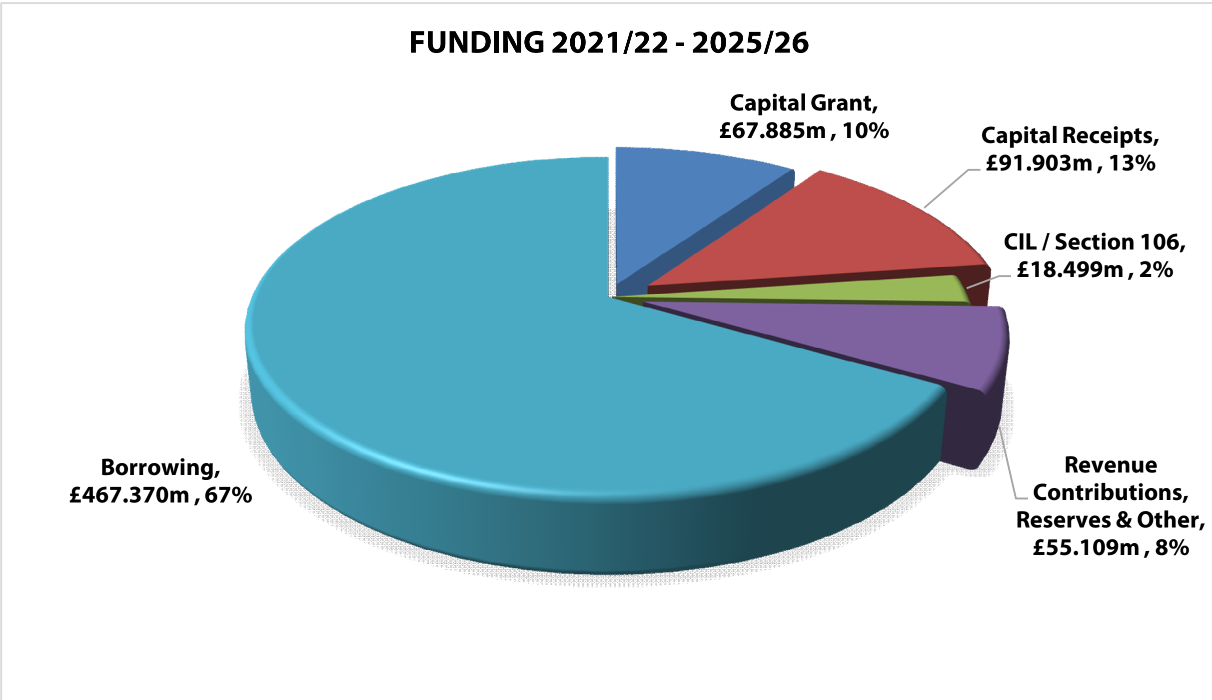
- It will only be possible to finalise budget plans for 2022/23 after government provide a clear indication as to the amount of funding that can be expected to be received for the year.

The MTFS has considered the risks that there will be reduced resources set against increasing demand across services whilst the need to continue to deliver good-quality frontline services that meet residents' needs and continue to care for the Borough's most vulnerable residents remains. Redbridge must maintain robust financial governance and control, alongside strong performance management, risk and financial management systems in order to ensure the delivery of cost-effective services.

Capital Programme 2021/22 to 2025/26

The Council's capital programme and financing for the next five years is summarised below, this totalling £612.699m, which has been approved by Council in February 2021.





Key Priorities

Regenerate the borough to benefit our residents and integrate new communities

There are significant projects at various stages of delivery or planning to deliver significant regeneration, including over £8m of regeneration capital budgets in 2020/21 focused on improving our town centre spaces and facilities available to support residents. Space Studio was launched in Redbridge in November 2019 in the first phase of creating a Cultural Quarter and the Kenneth Moore Theatre was saved from bankruptcy. Space Studio have worked with local residents, including young people, to undertake different activities virtually during lockdown.

The largest programme of regeneration and housebuilding in the borough has commenced, including setting out a pipeline for 1,000 affordable homes, community hubs and investment to deliver Business & Enterprise Hubs to support employment within the borough.

Keep the borough clean and safe

As part of the 2020/21 budget over £1m has been added to the revenue budget to support town centres including street cleansing, enforcement and CCTV. In addition to this, £6m of capital funding was added to existing budgets to deliver road resurfacing projects during 2020/21.

Redbridge Civic Services Ltd, which was created during 2019/20 and provides waste collection services for the Council, continuing to provide weekly waste collections for residents. The roll out of wheelie bins across the borough has been completed and this has already started to increase the rate of recycling.

Be a great place to live as a family

Moving forward into the next phase of our partnership with UNICEF as part of their UK Child Friendly Cities & Communities Programme, which continues to demonstrate a commitment to deliver the best possible universal opportunities for our children and young people. This builds on an OFSTED 'outstanding' rating for our Children and Families Services.

Tackle the root causes of social challenges

Redbridge is working with its partners and the local NHS to address the root cause of societal challenges through a variety of initiatives. One example being the new Families Together Hub, which helps address many of these root causes while also improving the offer within the borough for families.

Housing is another major focus. The new council company Roding Homes Limited will aim to have 300 homes to be offered for affordable to rent to residents who would otherwise be in temporary accommodation. This is in addition to existing plans to deliver more council homes through the HRA (Housing Revenue Account) and projects to deliver additional Temporary Accommodation capacity.

Build a Brilliant Council

The Council continues to look at how it can improve, both in terms of efficiency and in how it can improve experiences for residents. As part of the 2020/21 budget capital funding was added to enable the council to enhance its IT systems and applications to enable both internal efficiency but also to offer improved channels to serve residents. Budget has also been put in place to rationalise the council's depots to make better use of these assets.

Climate Change Emergency

Following Redbridge Council declaring a Climate Emergency on 20 June 2019 and the findings of a cross-party Climate Change Corporate Panel being presented to November 2020 Cabinet, a three-year action plan was approved by Cabinet in June 2021. The action plan reflects the opportunities the Council faces to address the Climate Emergency and represents the start of the council's journey towards achieving carbon neutrality against its direct emissions in the following themes – Property and Energy, Cleaner Journeys. The action plan builds on the good work already being undertaken and considers existing finances, resource capacity as well as the council's role as a community leader in supporting residents, communities and businesses to reduce their emissions.

Key Risks and Controls

The London Borough of Redbridge has a structured Enterprise Risk Framework for Risk Management that has been designed to align to the size, scale and complexity of the borough. The Risk Management Framework is embedded within the organisation to ensure risks are identified, analysed and responded to in accordance to their perceived gravity.

The Risk Management Strategy defines risks as "an uncertain event or set of events that, should it occur, will have an effect on the achievement of corporate objectives". The Risk Management Strategy and Policy is reviewed annually, and the revised 2021/22 Strategy and Policy was approved by the Governance and Assurance Committee on 28 January 2021.

The Strategic Risk Register (SRR) is a live register which identifies the strategic risks the organisation is facing. The risk owners are Corporate Directors and the Chief Executive to ensure that there is responsibility and ownership for the risks. They are reviewed quarterly by the Corporate Leadership Team and also presented for review to the Governance and Assurance Committee. The SRR has been used to inform the Corporate Director of Resources statement on the robustness of the budget and reserves. The SRR sets out the key financial risks to the Council and can be found using the committee link below.

Operational risk registers are maintained at Directorate level and Service level. Risks are escalated and de-escalated between risk registers in accordance to their severity.

As at July 2021, the Council considers its top 10 strategic risks to be:

- COVID-19
- Failure to safeguard vulnerable children.
- Failure to safeguard vulnerable adults.
- Non-Compliance with relevant Health and Safety legislation.
- Rapid Demographic Changes in the community.
- Lack of availability of suitable standard local housing provision for temporary and permanent housing.
- Breakdown in community cohesion and failure to prevent extremism.
- Alternative delivery models and commercialisation of Council activity.
- Inadequate security over information, data or misuse of information.
- Failure to maintain a sustainable Medium-Term Financial Strategy (MTFS) in an increasingly uncertain economic outlook.

Governance arrangements within the Council have been covered by the Annual Governance Statement that accompanies the financial statements.

What's next?

The Council will continue to deliver on its ambitions for Redbridge, but we will be doing this in radically different circumstances. Our priorities for the coming year will be to continue to support our local economy and high streets, to help our residents maintain their mental and physical wellbeing in the face of the pandemic and support the local recovery as things continue to reopen. This is a rapidly evolving situation, and it is likely that plans will need to be reviewed and revised on a regular basis to adapt to changing circumstances.

Conclusion

The Statement of Accounts provides a very detailed and comprehensive picture of the Council's performance for 2020/21 as required by statute and the CIPFA Code of Practice.

A widespread understanding of the Council's financial position will become even more important in the light of the financial challenges that Redbridge faces. I hope the Members of the Council, residents of the Borough and other readers find this document useful.

I would like to thank all those in the Finance Department and throughout the Council who have helped to prepare this document.

Maria G. Christofi, BA (Hons), FCCA, CPFA
Corporate Director of Resources & Section 151 Officer

28 September 2023

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 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 Corporate Director of Resources (Section 151 Officer) responsibilities

The Corporate Director of Resources is responsible for the preparation of the Statement of Accounts (which includes the Pension Fund 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 2020/21 ('the Code').

In preparing this Statement of Accounts, the Corporate Director of Resources 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 regularities;
- 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 Authority 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 2021 and of its income and expenditure for the year then ended.

Maria G Christofi, BA (Hons), FCCA, CPFA
Corporate Director of Resources & Section 151 Officer
28 September 2023

Approval of Accounts

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Governance and Assurance Committee.

Councillor Martin Sachs
Chair of the Governance and Assurance Committee
28 September 2023

Independent Auditor's Report to the Members of the London Borough of Redbridge

Opinion

We have audited the financial statements of the London Borough of Redbridge for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. In our opinion the financial statements:

- give a true and fair view of the financial position of the London Borough of Redbridge (Authority) and Group as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

The financial statements of the London Borough of Redbridge comprise:

Group	**Parent Authority**
Group Comprehensive Income and Expenditure Statement	Comprehensive Income and Expenditure Statement
Group Movement in Reserves Statement	Movement in Reserves Statement
Group Balance Sheet at 31 March 2021	Balance Sheet at 31 March 2021
Group Cash Flow Statement	Cash Flow Statement
Related Group notes 1 to 12	Related Authority notes 1 to 42
	Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 10
	Collection Fund and the related notes 1 to 9

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Corporate Director of Resource's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Authority's ability to continue to adopt the going concern basis of accounting included:

- We read the Narrative Report and Financial Statement disclosures in relation to the financial statements being prepared on a going concern basis to ensure that they were consistent with our knowledge of the Group and Authority's financial position;
- We reviewed and assessed the information used in the going concern assessment in the financial statements for consistency with management reporting, and information obtained through auditing other areas of the business, obtained an understanding of the business planning process, and challenged the underlying assumptions;
- We assessed the levels of current and forecast borrowing against the Prudential Borrowing Limit and confirmed that the Authority is within that limit;
- Tested and assessed the reasonableness of the Authority's cash flow forecasts and, tested and challenged supporting evidence provided by management to assess the reasonableness of financial projections.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Authority's ability to continue as a going concern for a period to 30 September 2024 from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• Valuation of other land and buildings (and quality of underlying working papers) • Valuation of investment properties • Incorrect capitalisation of revenue expenditure
Audit scope	• We performed an audit of the complete financial information of the London Borough of Redbridge as the only full scope component of the Group. We considered the Authority's subsidiary, Vision Redbridge Culture and Leisure (VRCL) to not be significant to the Group in terms of size but was assigned specified procedure scope in relation to the valuation of the associated pension liabilities.
Materiality	• Overall Group materiality of £9.1 million which represents 1% of Group revenue expenditure.

An overview of the scope of the parent and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each component within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each component.

The only entity within the Group financial statements, other than the Authority, is Vision Redbridge Culture and Leisure (VRCL). Under both IFRS and the CIPFA Code of Practice on Local Authority Accounting in the United

Kingdom VRCL is deemed to be a subsidiary of the Authority. VRCL is not significant to the Group in terms of size but has been assigned specified procedure scope in relation to the valuation of the associated pension liabilities.

Involvement with component teams
All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="3">Valuation of other land and building (and quality of underlying working papers)</th></tr>
<tr><th>Risk</th><th>Our response to the risk</th><th>Key observations communicated to the Governance & Assurance Committee</th></tr>
<tr>
<td>Property, plant and equipment £1,651.8 million (2020: £1,336.9 million). Refer to Note 13 in the consolidated financial statements.

The value of land and buildings, which is the main element of property, plant and equipment, represents a significant balance in the Authority's financial statements and is subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. The complexity of those judgements and techniques could lead to material error.

We also noted issues relating to the accuracy and reliability of underlying working papers, including the fixed asset register. Given the values involved any undetected misstatement is likely to be material to the financial statements.</td>
<td>The following procedures were performed as part of our substantive testing:
We assessed the expertise and independence of management's specialist by confirming their qualifications, experience in the sector and the terms of their engagement with the Authority.
We sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre).
We engaged our internal valuation experts to support our challenge of whether the key assumptions in relation to the valuation were reasonable based on comparable market data and undertook procedures to satisfy ourselves that the property valuations are reasonable.
We tested the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom for property, plant and equipment.</td>
<td>We have concluded that other land and building valuations are materially accurate, and that the assumptions and associated uncertainties are appropriate and appropriately disclosed.

We identified a number of issues with the completenss and accuracy of the Authority's fixed asset register, impacting on the other land and building values in the financial statements. The overall net impact of these differences, which were amended in the financial statements, on the valuation of land and buildings increased the value disclosed by £52.5 million.

The matters identified resulted in a number of factual and judgemental differences, that included but were not limited to:
Underlying integrity and reliability of accounting records, including: differences between the draft financial statements, the general ledger, the fixed asset register and valuation reports; valuation reports that had not been correctly applied to the asset register and some which had not been applied at all. The root cause related to the mis-posting of journals, use of incorrect data sets, valuations not being undertaken at a component level and the mis-posting of</td>
</tr>
</table>

	• We identified assets not subject to valuation in 2020/21 and applied indices to confirm that the value of these assets had not changed materially since the last valuation date in order to confirm that the remaining asset base was not materially misstated. • We tested that accounting entries were correctly processed in the financial statements, including reviewing the fixed asset register to ensure its accuracy and completeness and confirming there had been no significant changes to useful economic lives as a result of the most recent valuation. • We reviewed management processes to assess if the weaknesses in the prior year had been addressed. • We tested that appropriate disclosures had been made.	agreed amendments from the prior year. • Incorrect areas being used in the valuation of schools. • Asset descriptors included in the asset register were incorrect, resulting in them being valued on an incorrect basis. • Capital expenditure not adding value was added to the value of assets, thus overstating the property, plant and equipment balance. • Incorrect application of valuation certificates in relation to council dwelling valuations. • Assets not valued in year had not been assessed to identify if changes in developed land values had a material impact on the carrying value. A further total difference of £6.489 million was identified in relation to the issues reported above. Management do not intend to amend the financial statements for these differences. We do not consider these differences material to our opinion on the financial statements. We have reported these unadjusted differences to those charged with governance.

Valuation of investment properties		
Risk	**Our response to the risk**	**Key observations communicated to the Governance & Assurance Committee**
Investment properties £90.8 million (2020: ££97.9 million). Refer to Note 14 in the consolidated financial statements. The fair value of investment properties represent significant balances in the Authority's financial statements and are subject to valuation changes and impairment reviews.	The following procedures were performed as part of our substantive testing: • We assessed the expertise and independence of management's valuation specialist by confirming their qualifications, experience in the sector and the terms of their engagement with the Authority.	We have concluded that investment property valuations are materially accurate, and that the assumptions and the associated disclosures are appropriate. We found that for two of the six investment properties sample tested, with a total reported value of £8.5 million from the total sample tested of £60.7 million, the values were above the expected range.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. The complexity of those judgements and techniques could lead to material error. The Authority purchased £63.5 million of retail properties during 2019, which represent a significant balance in the Authority's financial statements, with the total balance at 31 March 2021 being £90.8 million. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates. Following the Covid-19 outbreak in March 2020, there is potential for significant impact on the estimations and assumptions applied to asset valuations.	• We sample tested key asset information used by the valuer in performing their valuation and agreed this to what had been recorded in the fixed asset register and general ledger. • We engaged our internal valuation experts to support our challenge of whether the key assumptions in relation to the valuation of investment property were within an acceptable range based on comparative market data. • We established whether there were any specific changes to assets that have occurred and confirmed that these had been communicated to the valuer. • We tested that accounting entries had been correctly processed in the financial statements. • We challenged the disclosure made in the financial statements. • We assessed the asset base by type and valuation methodology and considered the potential impact of Covid-19 on asset valuations.	Of the two properties outside of range one was higher than the expected range by £1.7 million, which when extrapolated over similar Investment Property asset values gave a projected overstatement of £814,000, and one was below the expected range by £494,000, as this related to a unique asset no extrapolation was undertaken. The total judgemental and projected difference is therefore £2.0 million which is not material. We were therefore satisfied that these differences do not impact on the assurance we have over the valuation of the remainder of the Authority's Investment Properties. Management do not intend to amend the financial statements for these judgemental differences. We do not consider these differences material to our opinion on the financial statements; we have reported these unadjusted differences to those charged with governance.

Incorrect capitalisation of revenue expenditure		
Risk	**Our response to the risk**	**Key observations communicated to the Governance & Assurance Committee**
Additions to property, plant and equipment £66.3 million (2020: £58.2 million). Refer to Note 13 in the consolidated financial statements. In considering how the risk of management override may present itself, we concluded that this is primarily through management taking action to override controls and manipulate in year financial transactions that	The following procedures were performed as part of our substantive testing. We: • Sample tested additions to property, plant and equipment and investment property to ensure that they were correctly classified as capital and included at the correct value in order to identify any revenue items	Our testing identified a number of immaterial items of expenditure which had been capitalised which were not capital in nature. The largest of these was £1.76 million and related to infrastructure maintenance. Management do not intend to amend the financial statements for these differences. We do not consider these differences

impact the medium to longer term projected financial position. A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure. The Authority has a significant fixed asset base and capital expenditure and therefore has the potential to materially impact the revenue position through inappropriate capitalisation of revenue expenditure.	that were inappropriately capitalised. • Identified the controls the Authority has in place to prevent incorrect capitalisation of revenue expenditure. • Assessed the effectiveness of management's controls to address the risk. • Tested year end journals which move expenditure from revenue to capital.	material to our opinion on the financial statements. We have reported these unadjusted differences to those charged with governance.

In the prior year, our auditor's report included a key audit matter in relation to going concern based on our risk assessment. We did not consider this to be a key audit matter in the current year.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £9.1 million (2020: £8.7 million), which is 1% (2020: 1%) of Group gross revenue expenditure. We believe that gross revenue expenditure provides us with the appropriate basis as the Authority is a not for profit organisation.

We determined materiality for the Authority to be £8.7 million (2020: £8.6 million), which is 1% (2020: 1%) of gross revenue expenditure. Our initial materiality was based on the prior year financial statements. During the course of our audit, we reassessed and updated materiality upon receipt of the 2020/21 draft financial statements and assessed it to be £9.0 million.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2020: 75%) of our planning materiality, namely £4.6 million (2020: £6.5 million). In setting performance materiality at this percentage, we considered previous year audit findings, and the historic trend of adjustments. We assessed the number and magnitude of errors, both adjusted and unadjusted, identified in the prior period and as a result were required to reduce performance materiality to 50% in the current year.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Governance and Assurance Committee that we would report to them all uncorrected audit differences in excess of £0.45 million (2020: £0.43 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Statement of Accounts 2020/21, other than the financial statements and our auditor's report thereon. The Corporate Director of Resources is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Authority
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014
- we are not satisfied that the Group and the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibilities of the Corporate Director of Resources

As explained more fully in the Statement of the Corporate Director of Resources Responsibilities set out on page 20, the Corporate Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements**,** in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Corporate Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director of Resources is responsible for assessing the Group and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Authority either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Authority and management.
We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are:

- Local Government Act 1972
- School Standards and Framework Act 1998
- Local Government and Housing Act 1989 (England and Wales)
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992)
- Education Act 2002 and school Standards and Framework Act 1998 (England)
- Local Government Act 2003
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018,2020 and 2021
- Waste and Emissions Trading Act 2003
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948)
- Business Rate Supplements Act 2009
- The Local Audit and Accountability Act 2014
- The Accounts and Audit Regulations 2015

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

We understood how the London Borough of Redbridge is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes, through review of Authority policies and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations.

We assessed the susceptibility of the Group and Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise.

Based on our risk assessment procedures, we identified incorrect classification of capital spend and misstatements due to fraud or error to be our fraud risk. To address our fraud risk of incorrect classification of capital spend we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address the generic fraud risk of misstatement due to fraud or error, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were accounted for appropriately. We assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.

We also identified the accounting for Covid-19 grants as a risk of fraud in revenue and expenditure recognition as modified by Practice Note 10 by the Financial Reporting Council. To address this risk we reviewed the accounting arrangements for covid related grants received in 2020/21 and tested a sample to ensure they had been accounted for in line with the terms and conditions of those grants.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether the London Borough of Redbridge had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the London Borough of Redbridge put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2021. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of the London Borough of Redbridge, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Reid (Key Audit Partner)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
29 September 2023

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation and rents. Authorities raise taxation and rents to cover expenditure in accordance with regulations; this can be very different in some respects from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis at note 7.

A Senior management restructure agreed by Council in September 2019 was implemented on the 1 April 2020. This resulted in the Place Directorate being transformed into two new Directorates, Communities, and Regeneration & Culture. The 2019/20 figures have been restated where appropriate to aid comparability between the two years. In addition, errors were identified in the valuation and measurement of some community school assets going back a number of years that has required restatement. Information relating to the restatement is contained in note 42.

2019/20 RESTATED					2020/21		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**		**Notes**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
109,237	(70,099)	39,138	Communities		117,951	(68,553)	49,398
473,224	(350,506)	122,718	People		490,167	(378,965)	111,202
32,109	(11,873)	20,236	Regeneration & Culture		33,262	(12,218)	21,044
155,464	(139,722)	15,742	Resources		153,532	(138,437)	15,095
13,669	(6,167)	7,502	Strategy		22,045	(14,413)	7,632
10,565	(1,471)	9,094	Corporate		13,628	(4,607)	9,021
33,910	(30,309)	3,601	Local Authority Housing (HRA)		41,524	(29,524)	12,000
828,178	**(610,147)**	**218,031**	**Cost of Services**		**872,109**	**(646,717)**	**225,392**
		17,927	Other operating expenditure	**10**			32,346
		19,591	Financing and investment income and expenditure	**11**			23,486
		(226,060)	Taxation and non-specific grant income	**12**			(246,917)
		29,489	**(Surplus)/Deficit on the provision of services**				**34,307**
		(61,953)	Surplus on revaluation of non-current assets	**30**			(320,197)
		(114,592)	Re-measurement of the net defined Benefit liability	**40**			108,932
		(176,545)	**Other Comprehensive Income and Expenditure**				**(211,265)**
		(147,056)	**Total Comprehensive Income and Expenditure**				**(176,958)**

Movement in Reserves Statement

This statement shows 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 taxation) and other unusable reserves. The statement shows how the movement in year of the Council's reserves is broken down between gains and losses incurred in accordance with generally accepted accounting practices and statutory adjustments required to return to the amounts chargeable to Council Tax or rents for the year. The net increase/decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments. Details of the restatement is contained in note 42.

2019/20 RESTATED Comparative Figures	**General Fund**	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Contributions Unapplied**	**Total Usable Reserves**	**Unusable Reserves**	**Total Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2019 brought forward	**(89,183)**	**(16,684)**	**(16,227)**	**(333)**	**(59,501)**	**(181,928)**	**(473,318)**	**(655,246)**
Adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**(102,440)**	**(102,440)**
Balance 1 April 2019	**(89,183)**	**(16,684)**	**(16,227)**	**(333)**	**(59,501)**	**(181,928)**	**(575,758)**	**(757,686)**
Movement in Reserves during 2019/20								
Total Comprehensive (Income) and Expenditure	**24,467**	**5,022**	**-**	**-**	**-**	**29,489**	**(176,545)**	**(147,056)**
Adjustment between accounting basis and funding basis under regulations *(Note 8)*	**(16,035)**	**(5,133)**	**2,828**	**333**	**(1,567)**	**(19,574)**	**19,574**	**-**
Net (Increase) / Decrease	**8,432**	**(111)**	**2,828**	**333**	**(1,567)**	**9,915**	**(156,971)**	**(145,056)**
Balance at 31 March 2020 carried forward	**(80,751)**	**(16,795)**	**(13,399)**	**-**	**(61,068)**	**(172,013)**	**(732,729)**	**(904,742)**
2020/21								
Movement in Reserves during 2020/21								
Total Comprehensive (Income) and Expenditure	**14,042**	**20,265**	**-**	**-**	**-**	**34,307**	**(211,265)**	**(176,958)**
Adjustment between accounting basis and funding basis under regulations *(Note 8)*	**(59,483)**	**(20,754)**	**2,878**	**-**	**10,602**	**(66,757)**	**66,757**	**-**
Net (Increase) / Decrease	**(45,441)**	**(489)**	**2,878**	**-**	**10,602**	**(32,450)**	**(144,508)**	**(176,958)**
Balance at 31 March 2021 carried forward	**(126,192)**	**(17,284)**	**(10,521)**	**-**	**(50,466)**	**(204,463)**	**(877,237)**	**(1,081,700)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital and repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts could only be realised if the assets are sold and reserves that hold timing differences shown in the Movement in Reserves Statement Line Adjustments between accounting basis and funding basis under regulations. Information relating to the restatement is contained in note 42.

01 April 2019 RESTATED £000	31 March 2020 RESTATED £000		Notes	31 March 2021 £000
1,257,286	1,336,934	Property, Plant and Equipment	13	1,651,883
91,809	95,762	Infrastructure Assets	13	98,758
38,444	97,911	Investment Property	14	90,751
2,492	2,012	Intangible Assets	15	5,320
9,628	18,182	Long Term Investments	23	18,053
2,183	2,157	Long Term Debtors	19	2,142
1,401,842	**1,552,958**	**Long Term Assets**		**1,866,907**
-	3,197	Assets Held for Sale	18	12,057
82,406	112,700	Short Term Investments	23	146,460
274	312	Inventories		222
47,139	58,160	Short Term Debtors	19	64,098
24,796	20,604	Cash and Cash Equivalents	20	22,840
154,615	**194,973**	**Current Assets**		**245,677**
(5,387)	(5,850)	Short Term Borrowing	23	(3,836)
(66,337)	(99,687)	Short Term Creditors	21	(126,897)
(2,150)	(1,435)	Provisions	22	(1,901)
		Capital Grants Receipts in advance	25	(14,153)
-	-	Revenue Grants Receipts in advance	25	(7,141)
(73,874)	**(106,972)**	**Current Liabilities**		**(153,928)**
(13,652)	(11,376)	Provisions	22	(8,410)
(227,977)	(330,735)	Long Term Borrowing	23	(347,023)
(483,268)	(394,106)	Other Long-Term Liabilities	23 & 40	(521,523)
(724,897)	**(736,217)**	**Long Term Liabilities**		**(876,956)**
757,686	**904,742**	**Net Assets**		**1,081,700**
181,928	172,013	Usable Reserves	29	204,463
575,758	732,729	Unusable Reserves	30	877,237
757,686	**904,742**	**Total Reserves**		**1,081,700**

These financial statements replace the unaudited financial statements confirmed by Maria G Christofi on 20 August 2021.

Maria G Christofi, BA (Hons), FCCA, CPFA
Corporate Director of Resources & Section 151 Officer
28 September 2023

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during 2020/21. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the 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. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council. Details of the restatement is contained in note 42.

RESTATED 2019/20 £000		**Note**	**2020/21 £000**
(29,489)	Net surplus or (deficit) on the provision of services		(34,307)
97,287	Adjustments to net deficit/surplus on the provision of services for non- cash movements		146,205
(38,984)	Adjustments for items included in the net deficit/surplus on the provision of services that are investing and financing activities		(25,215)
28,814	**Net cash flows generated from Operating Activities**	**41a**	**86,683**
(135,452)	Investing Activities	**41b**	(97,599)
102,446	Financing activities	**41c**	13,152
(4,192)	**Net (decrease)/increase in cash and cash equivalents**		**2,236**
24,796	Cash and cash equivalents at the beginning of the reporting period	**20**	20,604
20,604	**Cash and cash equivalents at the end of the reporting period**		**22,840**

Notes to the Accounts

1. Statement of Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's and Group transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the Local Government Act 2003.

Going Concern The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (The Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Statement of Accounts has been prepared on a "going concern" basis. The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future and that it is able to do so within the current and anticipated resources available. It therefore naturally follows that the Council expects to realise its assets and settle its obligations in the normal course of business.

The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for Local Authority financial statements to be prepared on anything other than a going concern basis. It is also extremely likely that, as in the case of other councils, Central Government would step in to provide support and assistance if any council ran into financial difficulties.

In carrying out the assessment that the going concern basis is appropriate for the period to 30 September 2024, management of the Council have undertaken forecasting of both income and expenditure, the expected impact on reserves, and cashflow forecasting.

Local Authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

COVID-19 continues to make a wide-ranging impact across communities here in the UK, despite the success of the vaccine and the subsequent removal of legal requirements to self-isolate. Infection rates remain significant in the UK and around the world. This continues to present uncertainty for many businesses and residents. As such, the long-term impact on people, the economy and behaviours are not easy to predict.

Our most recent year-end balances, including those reported in these statements include the following:

Date	General Fund (GF) £m	Housing Revenue Account (HRA) £m	Earmarked reserves (GF and HRA) £m
31/03/2021	19.571	14.696	69.376
31/03/2022	21.160	6.752	89.550
31/03/2023	21.410	7.030	85.982

The outturn position for 2021/22 financial year was within agreed cash limits. As recorded in the MTFS update report to Cabinet, corporate provisions have been set alongside the expectation that budgets and agreed savings are fully deliverable in 2021/22 with no overspends by outturn. The outturn for that year was a net underspend of £1.589m.

Over the last five years the Council has moved away from using reserves to balance the budget to the more resilient, sustainable position of having a balanced budget without the use of reserves; this is considered to be the correct approach for long term financial resilience and sustainability. This approach continued in setting the budget for 2022/23, with reserves only being used due to or to fund one-off items rather than as a method of supporting the budget on an ongoing basis. The declared outturn for financial year 2022/23 is a net underspend of £0.250m.

In the 2023/24 budget setting it has been necessary to include a contribution from reserves of £1.870m to balance the budget. However, the medium term financial strategy has purposedly built in an assumption to return this amount to earmarked reserves over the following three years.

Projected reserves position through to 31/03/2025: The table below shows projections through to March 2025. The S151 officer has reviewed the level of reserves and considers them at a prudent and appropriate level. They will continue to be kept under review at least annually as part of the budget setting process.

Date	General Fund £m	Housing Revenue Account (HRA) £m	Earmarked reserves (GF & HRA)* £m
31/03/2024	21.408	7.030	79.483
31/03/2025	21.408	7.030	83.380

*Earmarked reserves updated to reflect 2022/23 outturn

Cash position & liquidity

It is the Council's policy to maintain overnight and short-term cash deposits of at least £25m, held with money market funds and banks is available on a daily basis. The Council's cashflow forecasts show that cash held overnight and in short-term deposits in the region of £180m will be available at the 30 June 2023 through to 30 September 2024. For debt management purposes the Council has in place overdraft facilities with its bankers National Westminster Bank plc and can borrow short term from the money market. The Council has access to the PWLB and the money market to fund capital projects.

The borrowing position at 31 March 2022 was £363m, £364m at 31 March 2023 and forecast to increase to £526m by 31 March 2024. The Council has borrowing headroom against the Capital Financing Requirement for each of these financial years: £547m (2021/22); 539m (2022/23); £694m (2023/24) and £841m (2024/25). It would therefore have no operational or governance barriers to securing borrowing at short notice if required. The latest forecasting of capital financing requirements is contained within the Council's 2023/24 Treasury Management Strategy which also outlines how all required borrowing will be secured over the medium term.

There does, however, remain a degree of uncertainty over how successful the government's plan for 'living with Covid' will be. Any potential return of restrictions in the future would be dependent on any future new variants, the continued success of the vaccine programme and the resulting economic impact. This will impact on the financial modelling that informs these forecasts and this will continue to be reflected in the Council's monthly budget monitoring reports to Cabinet and updates to the MTFS position.

Outturn – COVID-19 Impact

The Council has reported an adverse COVID-19 financial impact in 2021/22 of £2.746m (as per 2021/22 Outturn report to Cabinet on 21 June 2022). The outturn for financial year 2020/21 was £2.351m net underspend (2021/22 was £1.589m net underspend and 2022/23 is £0.250m net underspend). The financial impact consists of additional expenditure pressures of £1.639m and income losses of £1.107m. In forecasting the expenditure pressures and income losses throughout 2021/22, assumptions differed depending on the service. In the case of income loss forecasts, these were used to inform returns in respect of the COVID-19 income compensation scheme. Forecasts were broadly taken on current run rates plus known factors such as seasonal variations and the anticipated direction of travel indicated by the government including withdrawal of government COVID-19 support, e.g., Coronavirus Job Retention Scheme (CJRS) and the resumption of tenant evictions.

The government provided some support for lost income and for the additional costs borne by authorities because of the crisis and the Council has received just over £31m to date in this regard, not including £7.558m received in 2020/21 from the income guarantee scheme, plus a total of £1.702m in the current financial year following the extension of the scheme to the first quarter of 2021/22.

Despite the challenges faced by COVID-19, it is considered that, having regard to the Council's arrangements and other factors highlighted in this report, the Council remains a going concern.

Savings plans

The Budgetary Control Report Cabinet in July 2021 showed a total savings target of £17.686m. This is the total comprised of £5.702m of savings set for 2021/22 plus £11.984m unachieved savings rolled forward from 2020/21.

In mitigation of this 2021/22 savings risk, the Council held a risk provision of £6m in 2021/22. This risk provision was held in the budget to address known risks, one of which in recent years has been identified as savings delivery. There was also a contingency of £3m, which is a more general allocation against unexpected events but could also be used to address the risk of savings non-delivery depending on the circumstances in year. In addition to this there is also £19.572m Business Risk Reserve. The 2021/22 outturn report to June 2022 cabinet shows total of £12.255m (69.3%) savings was delivered and £5.431m (30.7%) were not delivered and rolled forward into 2022/23.

For 2022/23, as at outturn out of a total savings target of £13.977m a total of £10.045m (71.9%) savings have been delivered. The remaining savings of £3.932m (28.1%) have not been delivered. All undelivered savings are rolled forward into the 2023/24 financial year with the expectation that they are delivered in full.

Impact of COVID-19

2020/21 Outturn

In its initial response to the pandemic, the Council responded to numerous expenditure pressures through direct interventions, particularly in providing the Wellbeing Service, Personal Protective Equipment (PPE), supporting care providers as well as other partners, contributions to pan London mortuary services and assisting rough sleepers off the streets.

At the same time, the Council sustained income losses across a range of its services, either because services were closed by regulation or simply because of a lack of economic activity during periods of lockdown. Being prudent, it was also necessary to provide for the eventuality that debts due may go bad, and therefore allowance was made for increases in bad debt provisions across a wide range of income sources.

Overall, at service level the Council overspent by £44.827m, of which £45.046m related to the direct and indirect impact of COVID-19, leaving a net £0.219m underspend excluding the impact of the pandemic. This was offset by £29.497m of COVID-19 related grant funding and a further £20.281m net corporate underspend along with £2.132m relating to business rates including the London Pool, resulting in a net position of £2.351m underspend. The Council managed to achieve an underspend across its revenue budgets, without recourse to unplanned use of earmarked reserves. This was due to the Council proactively taking action early in the year managing other spend within the organisation, including deliberately reprofiling its capital programme to free up resources otherwise set aside to service debt. Corporately held contingency and risk budgets were also released.

Our General Fund balance presented to Budget Council in February 2021 was increased to show a balance of £19.571m as at 31 March 2021.

Ongoing Impact

We have continued to assess the impact of COVID-19 on our future finances, and we are satisfied that there is no material uncertainty relating to the Council's going concern. The COVID-19 pandemic has highlighted the importance of financial resilience, with both sufficient provisions in the budget and also a suitable level of reserves and balances to ensure this ongoing resilience. On this basis it is intended that contributions to reserves will be budgeted for in later years of the current MTFS period. As explained in the Statement of Robustness (Appendix A in the Budget report to Budget Council), it is necessary and appropriate for the authority to hold a certain level of reserves to manage risk and provide financial resilience. In doing so it was mindful of the ongoing COVID-19 restrictions and the likely recessionary impact once furlough and eviction bans were lifted.

The Council was shielded around tax collection, both business rates and council tax, during 2020/21 due to the accounting arrangements that any losses do not impact until the following accounting year. These losses however have been reflected in the tax bases set, and therefore the collection fund income recognised in the 2021/22 budget. The Government also announced assistance around losses in the Collection Fund, with any loss being spread over the next three years rather than hitting in one go in 2021/22 as would normally be the case. The total impact on Redbridge's general fund is estimated as £4.884m based on current forecast losses of business rates and council tax receipts.

On setting the balanced budget for 2021/22, the Council included £7.446m earmarked for specific services to be released for the forecast short term impacts of COVID-19. This was particularly directed at social care and services for rough sleepers and the potential homeless. These were all one-off growth items and reflect the related grant funding allocated by Government, should the impact be longer or greater than currently anticipated then there would be an expectation, though no certainty, that the Government would provide further funding. This one-off growth was automatically reversed in 2022/23

The Council has also increased funding to support people back into work and is exploring how business growth can be accelerated in the Borough.

The Council set a balanced budget for 2022/23 at its Council meeting on 24 February 2022.

The Council set a balanced budget for 2023/24 at its Council meeting on 23 February 2023. In setting the budget for 2023/24, the Council anticipated a contribution from reserves of £1.870m will be required to balance to the net budget, repayable across future years of the medium term financial strategy.

Subsidiaries

The Council considers that it has a material interest in Vision Redbridge Culture and Leisure (VRCL) and has classified it as a subsidiary in 2020/21. Accordingly, Group Accounts were prepared. Originally set up to manage the Council's leisure centres, in 2011/12 VRCL's remit was widened to incorporate responsibility for the management of the services previously managed in-house by the Culture, Sport & Community Leisure service area.

The Council made payments of £9.320m in 2020/21 (£9.789m in 2019/20) to VRCL for the management of these services. The net liabilities of VRCL for the year ended 31 March 2021 totalled £10.617m (£7.076m for year ended 31 March 2020). VRCL made a net gain in 2020/21 of £3.541m (a net gain of £0.590m for the year ended 31 March 2020).

VRCL accounts were prepared on a going concern basis based on future reserves and cash flow projections.

The Council has set up four wholly owned companies; Redbridge Living Limited, Roding Homes Limited, Redbridge Civic Services Ltd and SixFive Education Ltd. These companies have not been included in the group accounts on grounds of materiality.

Overall conclusion

Whilst the Government has completed its vaccination programme and removed all legal restrictions relating to the pandemic, the consequential longer-term financial impact on communities is still impossible to predict with any degree of certainty.

The COVID-19 pandemic created considerable complexity which made forecasting challenging, given that the financial impact ranges from additional expenditure requirements, increases in demand from vulnerable clients, consequential losses of income and the inability for services to work normally. Forecasting was also affected by the unknown length of the emergency or indeed the extent and depth of any consequential recession.

We are constantly re-assessing our forecasts. Redbridge's financial resilience currently remains sound, with an increase in reserves despite a particularly challenging year across the entire country in 2020/21. Additionally, the budget for 2021/22 addressed the need for growth in key services, reversed significant levels of planned savings no longer considered achievable, and provided for the foreseeable temporary impacts of the pandemic.

The General Fund outturn position for 2021/22 was a £1.589m net underspend, which was transferred to top up the General Fund balance.

The General Fund outturn position for 2022/23 is a £0.250m net underspend, which was transferred to top up the General Fund balance. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the period through to 30 September 2024 and therefore the accounts have been prepared on an ongoing basis.

Errors were identified in the valuation of some community school assets going back a number of years. As a result, school asset valuations, and therefore the value of Property Plant and Equipment was materially understated. Prior year information has been restated to reflect the impact of these errors. Property, Plant and Equipment in the Balance Sheet as at 1 April 2019 has increased by £102.4m. Opening balances as at 1 April 2019 and 31 March 2020 have been restated in the Balance Sheet, Movement in Reserves Statement, and various notes to the accounts. More detailed information is set out at Note 42.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. Balances relating to the Pension Fund and other funds have been excluded.

ii. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods and services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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.

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 investments that having originally been invested for no longer than three months are repayable on demand or readily convertible to known amounts of cash with insignificant risk of change in value. Fixed term deposits, excluding overnight deposits, are not considered to be readily convertible since they only become repayable at the point of maturity and cannot be traded or redeemed without penalty. 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.
- Amortisation of intangible 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 that is equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This contribution is known as the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP 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.

v. Council Tax and Non- Domestic Rates

Billing authorities act as agents, collecting Council Tax and non-domestic rates (NDR) on behalf of the major preceptors (including Government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e., the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central Government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

Council Tax

- Council Tax income included in the Comprehensive Income and Expenditure Statement for the year will be the Council's share of accrued income for the year.

Non- Domestic Rates (NDR)

- Retained Business Rate income and top up income included in the Comprehensive Income and Expenditure Statement for the year will be the Council's share of accrued income for the year.

All of the above income will be recognised in the Comprehensive Income and Expenditure Statement within the Taxation and Non-Specific Grant Income line. However, regulations determine the amount of Council Tax and NDR that must be included in the Council's General Fund. As a billing council the difference between the Council Tax and NDR included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement of Reserves Statement. Each major preceptor's share of the accrued Council Tax and NDR income will be available from the information contained in the Collection Fund Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of Council tax and NDR relating to arrears, impairment allowances for expected credit losses, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired 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.

vi. Employee Benefits

- ***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 salaries, paid annual leave, paid sick leave, and non-monetary benefits (e.g., cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g., time off in lieu) 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 salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

- ***Termination Benefits***

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. The benefits are charged on an accruals basis to directorates within 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.

- ***Post-Employment Benefits***

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 Business Services Authority.
- The Local Government Pension Scheme, administered by the London Borough of Redbridge.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they are defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The People Directorate line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pensions Scheme and the NHS Pension Scheme in the year.

- ***The Local Government Pension Scheme***

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

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

Liabilities are discounted to their value at current prices, using a discount rate determined by the actuary. The discount rate is based on the indicative rate of return on high quality bonds (iBoxx Sterling Corporates AA index).

The assets of the London Borough of Redbridge 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 – fair value.

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

Cost 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 as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement;
- Net Interest on the net defined benefit liability (asset), i.e., 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 line in 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 contributions 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 Statement;
- Actuarial gains and losses, changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the London Borough of Redbridge Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

- ***Discretionary Benefits***

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

vii. Events after the Reporting Period

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. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

This version of the Statement of Accounts was authorised for issue by the Corporate Director for Resources in xxx2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing as at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

viii. Financial Instruments

- ***Financial Liabilities***

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

- ***Financial Assets***

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are two main classes of financial assets measured at:

- Amortised cost

- Fair value through profit or loss (FVPL)

The business model of the council is to hold investments to collect contractual cash flows. Financial assets are therefore classified at amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e., where the cash flows do not take the form of a basic debt instrument).

- ***Financial Assets Measured at Amortised Cost***

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

- ***Expected Credit Loss Model***

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The Code requires that all local authorities shall not recognise a loss allowance for expected credit losses on a financial asset where the other party is central government or a local authority for which relevant statutory provisions prevent default.

The expected credit loss model also applies to lease receivables and contract assets and trade receivables (debtors) held by the Council. The Council adopts the simplified approach to impairment, in accordance with the Code, and measures the loss allowance at an amount equal to lifetime expected credit losses.

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 substantially since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased substantially or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets are amalgamated into the following groups to assess risk and associated loss allowances, also using a simplified approach contained in regulations for the latter category.

Group 1 – Investments in line with treasury management policy including counterparties that have external credit ratings of B or better. Loss allowances will be assessed based on default risk;

Group 2 – Other assets, expected loss is based on provision matrix or default risk.

- ***Financial Assets Measured at Fair Value through Profit or Loss***

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Any gains or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council has entered into financial guarantees which are classed as financial instruments. As they are not material, no accounting arrangements have been required under IFRS9 and they have been disclosed in the relevant notes to the Accounts.

ix. 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 contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Where capital grants and contributions 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 and Contributions Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants and Contributions Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

- ***Covid 19 Grant***

As part of the COVID-19 response, the government announced a range of grant schemes to support local authorities and businesses. COVID-19 grants received to fund Council services, or for which conditions and guidance allow the Council discretion in how the grant is to be spent, are treated as a principle arrangement. Income and Expenditure for these grants are included in the accounts in accordance with the accounting policies above. COVID-19 grants received by the Council but distributed to businesses in accordance with specific grant instructions that determine who will receive money and how much will be received are accounted for as an agency arrangement. Income and Expenditure for these grants are excluded from the accounts.

- ***Business Improvement Districts***

A Business Improvement District (BID) scheme is funded by a BID levy payment made by non-domestic ratepayers. The Council acts as agent under the scheme and collects money on behalf of Ilford BID and Hainault BID. This is then paid over in monthly instalments to the BID companies.

Amounts due to and from the Bid are reported as either Debtors or Creditors in the Council's balance sheet.

The only transactions recorded in the Council's Comprehensive Income and expenditure statement in relation to the BID's, reflects the income for administering the BID levy.

- ***Community Infrastructure Levy***

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy is 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 to support the development of the area.

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

- ***Section 106 Agreements***

The Council has entered into a number of Section 106 agreements with developers. Payments due to the Council under these agreements are recognised when received, not when they become due.

x. Intangible Assets

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

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xi Interests in Companies and Other Entities

An assessment of the Council's interests has been carried out to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the Council's control over the company or entity and the materiality of the interest. The Council considers that it has a material interest in Vision Redbridge Culture and Leisure and has classified it as a subsidiary. Accordingly, Group Accounts are prepared. In consolidating the accounts, all transactions and balances between the Council and the subsidiary are eliminated in full. The Council has set up four wholly owned companies; Redbridge Living Limited, Roding Homes Limited, Redbridge Civic Services Ltd and 655 Education Ltd. These companies have not been included in the group accounts on grounds of materiality.

xii Inventories and Long-Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Cost of inventories is determined using either the first in first out (FIFO) costing formula or weighted average price depending on the nature of the inventory. Work in progress is recorded in the Balance Sheet at cost.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

xiii. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, 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 revalued annually, and subject to market conditions at year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Account. The same treatment is applied to gains and losses on disposal.

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

xiv. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

- ***Finance Leases***

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

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

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

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

- ***Operating Leases***

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, unless another systematic basis is more representative of the benefits received by the Council.

The Council as Lessor

- ***Finance Leases***

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

Lease rentals receivable are apportioned between:

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

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

Central support costs, excluding service level agreements, are not apportioned to departments for purposes of internal management accounts or for the Statement of Accounts but are aggregated and reported as expenditure against the directorate incurring the expenditure. Statutory regulations require separate financial accounts to be maintained in respect of Schools (funded by DSG) and the HRA. Recharges to these statutory accounts are included within the internal management accounts and recognised in the CIES within net cost of services.

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.

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. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

Assets are then carried in the Balance Sheet using the following measurement bases:

- Community assets - depreciated historical cost. This is a modified form of historical cost as opening balances for highways infrastructure assets were originally recorded in the balance sheet at the amount of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be a historical cost;
- Assets under construction – historical cost;
- Dwellings - current value, determined using the basis of existing use value for social housing (EUV-SH);
- Surplus assets – current value measurement base is fair value, estimated at highest and best use from a market participant's perspective (see Investment Property for further details on Fair Value Measurements);
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value;
- All other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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, low value, 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 Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings – straight line allocation over the useful life of the property;
- Other buildings – straight line allocation over the useful life of the property;
- Vehicles, plant, furniture and equipment – straight line allocation over the useful life of the asset.

Revaluation gains are also depreciated, with an amount equal to the difference between current depreciation charged and the depreciation that would have been chargeable based on the historical cost of the assets. The difference is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Component Accounting

The Code requires that each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total asset cost is depreciated separately. A significant part of an item of Property, Plant and Equipment may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another significant part of that same item. Such parts may be grouped in determining the depreciation charge.

The following asset classes will not be considered for componentisation:

- Equipment – as considered immaterial;
- Asset classes that are not depreciated – such as land, investment property, surplus assets, community assets and assets held for sale.

Componentisation of the remaining assets within in the Council's operational portfolio is considered as follows;

- **General Fund -** The Council will only consider assets with cost or fair value above £8m for component depreciation and then will only separate components with a cost or fair value of more than 20% of the individual asset for component depreciation.

- **HRA -** The Council will only consider HRA assets with cost or fair value above £450,000 for component depreciation and then will only separate components with a cost or fair value of more than 20% of the individual asset for component depreciation.

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 losses recognised in the Surplus or Deficit on Provision of Services.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

The written-off value of disposals is not a charge against Council Tax, as the cost of 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.

Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as property fund holdings 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 Council 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 Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council 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 Council'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 Council 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.

xvii. Highways infrastructure assets

Highways infrastructure assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g., bridges), street lighting, street furniture (e.g., 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 1st 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.

Part of the highways network	Useful life
Carriageways	20 years
Footways and cycle tracks	20 years
Structures (bridges, tunnels and underpasses)	20 years
Street lighting	20 years
Street furniture	20 years
Traffic management systems	20 years

Disposals and derecognition
When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal, 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 Statement.

xviii. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

xix. Private Finance Initiative (PFI) and Similar Contracts

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

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

Non-current assets recognised on the Balance Sheet are 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 of 8.16% 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).

xx. Provisions, Contingent Liabilities and Contingent Assets

- ***Provisions***

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g., from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

- ***Contingent Liabilities***

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

- ***Contingent Assets***

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

xxi. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance 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 and retirement and employee benefits and do not represent usable resources for the Council – the reasons for these reserves are explained in the relevant policies.

xxii. Revenue Expenditure Funded from Capital under Statute

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

xxiii. Rounding

It is not the Council's policy to adjust for immaterial cross-casting differences between the main statements and disclosure notes.

xxiv. Schools

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools in the borough are now considered to be entities controlled by the Council. The Code of Practice has adapted its definition of the Council's single entity financial statements to include the income, expenditure, assets, liabilities, reserves and cashflow's of local authority maintained schools. Recognition of non-current assets used by maintained schools are determined in accordance with the relevant standards adopted in the Code. The Council has the following types of maintained schools under its control:

- Community Schools;
- Voluntary Aided Schools;
- Foundation Schools.

School's non-current assets are recognised on the Balance Sheet where the Council directly owns the assets, where the Council owns the balance of control of the assets, or where the school or the school governing body own the assets or have had rights to use the assets transferred to them.

Community Schools are owned by the Council and are therefore recognised on the Balance Sheet.

The Council's Voluntary Aided Schools are mainly owned by the respective Diocese / religious bodies, with the school or governing body having no formal right to the assets as use is through licence arrangements. These schools are therefore not recognised on the Balance Sheet.

Where the ownership of a Foundation School lies with the school or school governing body the school is recognised on the Council's Balance Sheet.

The PFI School is recognised on the Council's Balance Sheet as it is considered that the Council controls the asset through the PFI arrangement.

xxv. Value Added Tax (VAT)

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2020/21 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2021/22 code are:

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

These changes are not expected to have a material impact on the Council's single entity statements or group statements.

3. Critical Judgements in applying Accounting Policies

In applying accounting policies laid out in Note 1, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events. The following management judgements have the most significant effect on the financial statements. Critical estimation uncertainties are described in note 4.

Accounting for Schools – Balance Sheet Recognition

The Council recognises school assets for Community schools and Foundation schools on its Balance Sheet. The Council has not recognised non-current assets relating to Voluntary Aided schools or Academies as it is of the opinion that these assets are not controlled by the Council.

Accounting for Schools - Academies

When a school that is held on the Council's Balance Sheet transfers to Academy status, the Council accounts for this as a disposal for nil consideration on the date that the school converts to Academy status, rather than as an impairment on the date that approval to transfer to Academy status is announced. During 2020/21, no maintained schools converted to academy status.

PFI Contract - Oak Park High School
The Council is deemed to control the services provided under the PFI contract with NU Schools to provide a secondary school, Oaks Park High School, and also to control the residual value of the school at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the school is recognised within Property, Plant and Equipment on the Council's Balance Sheet.

Funding
The Council anticipates that the pressures on public expenditure will continue to be severe. These pressures will be mitigated by further service area and corporate savings and a limited use of reserves. As a consequence, the Council is of the view that the level of uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Group Boundaries
Group boundaries have been estimated using the criteria associated with the Code of Practice. Vision Redbridge Culture and Leisure (VRCL), has acquired responsibility for the management of the services previously provided in-house by the then Culture, Sport & Community Learning (CSCL) service area. The majority of the CSCL service area's employees transferred to VRCL. The Council, as VRCL's main income provider, can exert control over the organisation through the power to govern their financial and operating policies in order to maximise the benefits for the Council. As such, the Council is deemed to have a subsidiary relationship with VRCL, and VRCL has been consolidated into the Council's Group Accounts.

In October 2018, the Council set up a wholly owned company, Redbridge Living Limited. The aim of this company is to deliver a range of affordable, private rented and for sale housing on council owned land. In June 2019, the Council set up a wholly owned company, Roding Homes Limited. The aim of this company is to acquire, let and manage properties enabling Redbridge Council to nominate homeless households or those at risk of homelessness to properties in discharge of the Council's housing duties. In August 2019 SixFive Education Ltd was established to provide educational support services. All three companies have yet to begin trading and therefore, have not been consolidated within the Councils Group accounts.

In February 2019, the Council set up a wholly owned company, Redbridge Civic Services Ltd. The aim of this company is to deliver waste services. The company began operating in August 2019. Turnover to 31 March 2021 totalled £5.603m and net current assets £0.041m, which will have no material impact on the accounts and therefore Redbridge Civic Services Ltd has not been consolidated within the Council's Group accounts.

4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the 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.

The items in the Council's Balance Sheet at 31 March 2021 for which there are significant risks of material adjustment in the forthcoming financial year are as follows:

Arrears – At 31 March 2021, the Council had a balance of short term debtors of £100.890m A review of significant balances, which in general are based on polices adapted to historic experience and success rates of collection, suggested that an impairment allowance for doubtful debts of £36.792m is appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate by 5% then the Council would need to review its policies on the calculation of its impairment allowance for doubtful debts.

Pensions Liability - Estimates of the net liability to pay pensions depends on a number of complex judgements including those relating to the discount rate used, the rate at which salaries are projected to increase, the rate at which pensions are projected to increase, longevity rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pension's liability of changes in individual assumptions can be measured e.g., a 0.5% decrease in the discount rate would increase the net liability by £128.332m, a 0.5% increase in the salary increase rate would increase the net liability by £7.428m and a 0.5% increase in the pension increase rate would add £118.644m to the net liability. However, the assumptions interact in complex ways. As at 31 March 2021, the Council's actuaries advised that the net pension's liability had increased by £128.042m (2019/20 – decreased by £88.055m), as a result of updating estimates to reflect current market conditions.

Property, Plant and Equipment and Investment Property– The requirements of the Code specify that the carrying amount of non-current assets should not differ materially from those that would be determined using the fair value at year end. To meet this requirement, asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's external valuers provided valuations annually as at 31 March 2021 for the Council's investment portfolio, and other operational portfolios on a five-year rolling programme. Valuations are provided more frequently where there is an indication of a material change in fair value.

The outbreak of COVID-19 continues to affect global financial markets, however, as at the valuation date, property markets are mostly functioning again with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RiCS Valuation – Global Standards.

In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19, we highlight the importance of the valuation date.

Of the £1,651.882m net book value property, plant and equipment subject to valuation, the main elements are:

- £310.636m of council dwellings - these are valued as existing use value for social housing and are deemed to be less impacted by any material uncertainty.
- £993.311m of specialist assets valued at depreciated replacement cost. We expect these assets to have a lower risk of material misstatement, as valuations are not based on movements in the market but on the cost to the Council of replacing the service potential of the assets.
- £295.800m of asset valued at existing use value. These assets have a higher risk of valuation uncertainty as a result of the impact of COVID-19. A reduction in value of 5% would result in valuations being £14.790m lower than stated.

The Council also holds Investment Properties to the value of £90.751m which are subject to an annual fair value revaluation adjustment. £60.166m of this relates to properties that are categorised at relatively high risk of valuation uncertainty. A reduction in value of 5% would result in valuations being £3.008m lower than stated.

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 Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that a one-year reduction in the useful life of buildings would increase the annual depreciation charge by 1%. If funding streams were reduced, in so far that it results in the reduction of service delivery or closure of facilities, this could result in the impairment of assets due to obsolescence. However, the Council has determined that the level of uncertainty at this time is not sufficient to indicate this course of action.

Business Rates

2020/21 is the eighth year of the Business Rates Retention Scheme and the third year London operating a Business Rates Pool scheme. In 2020/21 the Council retains 30% (£16.766m[11]) of the business rates income it collects compared to 64% (£38.175m) in 2018/19 and 48% (£25.677m) in 2019/20. Redbridge also receives a top-up grant of £34.046m (£32.286m 2019/20) from the business rates retention scheme because its business rates income is not sufficient to meet the cost of services, as assessed by the Government.

The Council must meet its relevant share of backdated 2010 business rate list of appeals. Most have now been resolved and the Council holds a sufficient level of provision for the remaining outstanding appeals. Following the 2017 revaluation a new check, challenge, appeal process was introduced, the impact of which is still uncertain. The Council has made a provision for the cost of expected future successful business rate appeals to the end of March 2021 including an assessment for appeals not yet made; the provision is based on the Government's estimated allowance for lost income due to appeals in the business rate multipliers reduced by the RV reduction of successful appeals.

The Council has calculated that a total provision of £9.997m, (£6.005m 2019/20) calculated using Valuation Office data, historical experience, and Government assumptions available at the end of the reporting period should be adequate to meet future potential appeal claims. The Council's 30% share of the provision is £2.999m (comparable to £2.882m in 2019/20 based upon a 48% retention scheme). This provision may not be sufficient to meet claims arising if greater success rates are achieved than allowed for.

The pool no longer operates under the previous pilot scheme's higher "safety net" threshold of 95% which reflected the greater reliance local authorities had on business rates and the fact that, under the terms of the pilot, the 32 London Boroughs, the City of London and the Greater London Authority would not collectively have had less resources than would have been the case with the previous local government finance regime. The Council's overall financial losses are protected as far as possible via the London Pool with any variance to our assumptions being offset by the safety net payment entitlement for the council. The Council's loss is capped at approximately £4.0m (7.5% of £53.4m Baseline Funding Level).

[11] National Non-Domestic Rates Return (NNDR1) 2020/21

The potential loss of business rate income to the Council in 2020/21 due to the pandemic has been recognised by the Government. Lost income due to COVID-19 Reliefs granted by the Government to local businesses has been fully compensated for by additional Government grant. In addition, the Government has introduced a Local Tax Guarantee Scheme (LTGS) covering both business rates and to a lesser extent, council tax; The scheme will compensate the Council for 75% of lost business rates income in 2020/21 arising from non-collection. Further financial flexibility has been added by allowing any 2020/21 collection deficits to be spread over three years rather than one. The estimated additional LTGS grant and spreading of deficits has been recognised in these accounts and built into medium term financial planning. The result is that there is only a small reduction in business rate income which can be managed within existing reserves and the Medium-Term Financial Strategy and there is no risk of triggering the safety net payment entitlement.

5. Material Items of Income and Expenditure

All material items of income and expenditure are disclosed in their respective notes throughout the accounts.

6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Corporate Director of Resources in September 2023. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events, which took place after 31 March 2021, as they provide information that is relevant to an understanding of the authority’s financial position but do not relate to conditions at that date:

- Properties purchased and held for sale whilst awaiting disposal to Roding Homes as at 31 March 2021 were subsequently brought into operational use and let to tenants during 2021/22.
- A new five year Management Agreement was signed between Vision Redbridge Culture and Leisure Ltd. and the London Borough of Redbridge effective from April 2021. This contract dilutes control sufficiently that, going forward, it will no longer be deemed necessary to consolidate Vision’s accounts.
- Reinforced autoclaved aerated concrete (RAAC), used in public buildings during the 1960’s to 1990’s has recently become an emerging issue. In September 2023 one school has been closed, with alternative provision provided. The Council has arranged inspections of a number of schools. There is no financial impact as at the balance sheet date.

7. Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (Government grants, rents, Council Tax and Business Rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council’s Directorates / Services / Departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Reconciliation of outturn to statutory requirements

2020/21	**Outturn**	**Use of Reserves**	**Other**	**EFA**
Directorate	**£000**	**£000**	**£000**	**£000**
Communities	30,321	(138)	-	30,183
People	120,162	(14,939)	(9,582)	95,641
Regeneration & Culture	9,307	(411)	-	8,896
Resources	14,433	(2,314)	-	12,119
Strategy	7,209	(115)	-	7,094
Corporate	10,651	(10,477)	9,812	9,986
HRA	(395)	(94)	(12,705)	(13,194)
Cost of Services	191,688	(28,488)	(12,475)	150,725
Other Income and Expenditure	(194,433)	(14,697)	12,475	(196,655)
Surplus	**(2,745)**	**(43,185)**	**-**	**(45,930)**

Expenditure and Funding Analysis

2020/21

	Net Expenditure Chargeable to the General Fund and HRA Balance	Total Adjustments between the funding and accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000
Communities	30,183	19,215	49,398
People	95,641	15,561	111,202
Regeneration & Culture	8,896	12,148	21,044
Resources	12,119	2,976	15,095
Strategy	7,094	538	7,632
Corporate	9,986	(965)	9,021
HRA	(13,194)	25,194	12,000
Net Cost of Services	**150,725**	**74,667**	**225,392**
Other (Income) and Expenditure	**(196,655)**	**5,570**	**(191,085)**
Deficit	**(45,930)**	**80,237**	**34,307**
Opening General Fund and HRA Balance	**(97,546)**		
Plus surplus on General Fund and HRA Balance in year	**(45,930)**		
Closing General Fund and HRA Balance as at 31 March 2021*	**(143,476)**		

* For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement and note 9

Reconciliation of outturn to statutory requirements

2019/20 - RESTATED	**Outturn**	**Use of Reserves**	**Other**	**EFA**
Directorate	**£000**	**£000**	**£000**	**£000**
Communities	23,050	1,368	-	24,418
People	109,246	4,365	(8,309)	105,302
Regeneration & Culture	9,439	1,079	-	10,518
Resources	13,457	(545)	-	12,912
Strategy	6,416	591	-	7,007
Corporate	27,237	(1,576)	(17,307)	8,354
HRA	-	(111)	(2,041)	(2,152)
Cost of Services	**188,845**	**5,171**	**(27,657)**	**166,359**
Other Income and Expenditure	(188,845)	3,150	27,657	(158,038)
Surplus	**-**	**8,321**	**-**	**8,321**

Expenditure and Funding Analysis

2019/20 - RESTATED

	Net Expenditure Chargeable to the General Fund and HRA Balance	Total Adjustments between the funding and accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	**£000**	**£000**
Communities	24,418	14,720	39,138
People	105,302	17,416	122,718
Regeneration & Culture	10,518	9,718	20,236
Resources	12,912	2,830	15,742
Strategy	7,007	495	7,502
Corporate	8,354	739	9,093
HRA	(2,152)	5,753	3,601
Net Cost of Services	**166,359**	**51,671**	**218,030**
Other (Income) and Expenditure	**(158,038)**	**(30,503)**	**(188,541)**
Deficit	**8,321**	**21,168**	**29,489**
Opening General Fund and HRA Balance	**(105,867)**		
Less deficit on General Fund and HRA Balance in year	**8,321**		
Closing General Fund and HRA Balance as at 31 March 2020 *	**(97,546)**		

* For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement and note

7 (a) Adjustment between Accounting Basis and Funding Basis – Expenditure and Funding Analysis

2020/21

	Adjustment for capital purposes	Net charges for the Pension Fund Adjustments	Other Differences Statutory	Other Differences Non-Statutory	Total
	£000	**£000**	**£000**	**£000**	**£000**
Communities	19,913	1,289	71	(2,058)	19,215
People	10,726	6,227	(160)	(1,232)	15,561
Regeneration & Culture	5,460	609	12	6,067	12,148
Resources	1,777	1,218	51	(70)	2,976
Strategy	419	95	24	-	538
Corporate	-	104	1	(1,070)	(965)
HRA	24,563	631	-	-	25,194
Net Cost of Services	**62,858**	**10,173**	**(1)**	**1,637**	**74,667**
Other (Income) and Expenditure	**(19,312)**	**8,937**	**17,031**	**(1,086)**	**5,570**
(Surplus)/Deficit	**43,546**	**19,110**	**17,030**	**551**	**80,237**

2019/20 - RESTATED

	Adjustment for capital purposes £000	Net charges for the Pension Fund Adjustments £000	Other Differences Statutory £000	Other Differences Non-Statutory £000	Total £000
Communities	13,756	1,136	171	(342)	14,721
People	9,057	9,826	60	(1,527)	17,416
Regeneration & Culture	3,632	990	50	5,046	9,718
Resources	1,577	988	57	208	2,830
Strategy	270	140	84	-	494
Corporate	-	800	1	(62)	739
HRA	4,740	1,128	10	(125)	5,753
Net Cost of Services	**33,032**	**15,008**	**433**	**3,198**	**51,671**
Other (Income) and Expenditure	**(36,936)**	**11,529**	**(1,898)**	**(3,198)**	**(30,503)**
(Surplus)/Deficit	**(3,904)**	**26,537**	**(1,465)**	**-**	**21,168**

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 for 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 i.e., 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.

Net Change for the Pension Adjustments
Net Change for the removals of pension contributions and the addition of IAS 19 Employee Benefits Pension related Income and Expenditure:

- For services this represents the removal of the employer pension contributions made by the Council 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.

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

- For Financing and Investment Income and Expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- 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.

Other Non-Statutory Adjustments
Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement:

- For Financing and investment income and expenditure the other non-statutory adjustments column recognises adjustments to service segments, e.g., for interest income and expenditure and for rental and expenses incurred on investment properties.

7 (b) Expenditure and Income Analysed by Category

2019/20 Total RESTATED £000	Expenditure/(Income)	2020/21 Total £000
	Expenditure	
314,650	Employee Benefits Expenses	317,772
462,325	Other Services Expenses	497,256
45,003	Depreciation, Amortisation, Impairment	59,800
218	Capital Contribution	-
33,251	Interest and Financing Payments	27,927
18,635	Precept and Levies	19,084
421	Payments to Housing Capital Receipts Pool	605
1,156	Transfer of capital Receipts to GLA	-
-	Loss on the disposal of assets	12,659
875,659	**Total Expenditure**	**935,103**
	Income	
(145,995)	Fees, Charges and Other Service Income	(143,850)
(7,557)	Interest and Investment Income	(8,323)
(178,928)	Income from Council Tax and Non-Domestic Rates	(161,956)
(511,405)	Government Grants and Contribution	(586,667)
(2,285)	Gain on the disposal of assets	-
(846,170)	**Total Income**	**(900,796)**
29,489	**(Surplus)Deficit on the Provision of Services**	**34,307**

8. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council 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 a statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council 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 (excluding HRA services), or the deficit of resources that the Council is required to recover, at the end of the financial year.

Housing Revenue Account (HRA) 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.

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

Capital Grants Unapplied – The Capital Grants Unapplied Account 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.

Unusable Reserves – Non-cash backed reserves that are used to record unrealised gains and losses, and other adjustment accounts to absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure.

2020/21

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(25,938)	(5,330)	-	-	-	31,268
Revaluation Gains/ (losses) on Property, Plant and Equipment	(7,901)	(19,785)	-	-	-	27,686
Movements in the market value of Investment Properties	(7,704)	-	-	-	-	7,704
Amortisation of intangible assets	(849)	-	-	-	-	849
Capital Grants and Contributions applied	-	-	-	-	29,887	(29,887)
Revenue expenditure funded from capital under statute	(3,054)	-	-	-	-	3,054
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	(8,757)	(9,832)	-	-	-	18,589
Statutory provision for the financing of capital investment	11,174	-	-	-	-	(11,174)
Capital expenditure charged in year to the General Fund and HRA Balances	-	4,454	-	-	-	(4,454)
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	18,946	339	-	-	(19,285)	-
Transfer of cash sale proceeds credited as part of gains/losses on disposal to the Comprehensive Income and Expenditure Statement	1,187	4,744	(5,931)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	8,239	-	-	(8,239)
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool	(605)	-	605	-	-	-
Capital receipts received in respect of repayment of grants, advances and distributions	-	115	(115)	-	-	-
Contribution from the Capital Receipts Reserve towards administrative costs on non-current asset disposals	-	(80)	80	-	-	-
Reversal of Major Repairs Allowance	-	5,330	-	(5,330)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	5,330	-	(5,330)
Financial Instruments – revaluation of pooled investments	(129)	-	-	-	-	129
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.	43	-	-	-	-	(43)
Amount by which Council Tax and non-domestic rate income credited/debited to the CIES is different from Council Tax and non-domestic rate income calculated for the year in accordance with statutory requirements	(16,944)	-	-	-	-	16,944
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(43,043)	(1,452)	-	-	-	44,495
Employer's pension contributions and direct payments to pensioners payable in year	24,564	821	-	-	-	(25,385)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(473)	(78)	-	-	-	551
Total Adjustments	**(59,483)**	**(20,754)**	**2,878**	**-**	**10,602**	**66,757**

2019/20- Comparative Figures RESTATED

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(24,536)	(4,863)	-	-	-	29,399
Revaluation losses on Property, Plant and Equipment	(2,308)	(12,486)	-	-	-	14,794
Movements in the market value of Investment Properties	(3,949)	-	-	-	-	3,949
Amortisation of intangible assets	(810)	-	-	-	-	810
Capital Grants and Contributions applied	-	-	-	-	33,466	(33,466)
Revenue expenditure funded from capital under statute	(2,039)	-	-	-	-	2,039
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	-	(1,666)	-	-	-	1,666
Statutory provision for the financing of capital investment	6,590	-	-	-	-	(6,590)
Capital expenditure charged in year to the General Fund and HRA Balances	1,401	6,980	-	-	-	(8,381)
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	35,033	-	-	-	(35,033)	-
Transfer of cash sale proceeds credited as part of gains/losses on disposal to the Comprehensive Income and Expenditure Statement	-	3,951	(3,951)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	5,968	-	-	(5,968)
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool	(421)	-	421	-	-	-
Capital receipts received in respect of repayment of grants, advances and distributions	-	849	(849)	-	-	-
Contribution from the Capital Receipts Reserve towards administrative costs on non-current asset disposals	-	(83)	83	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipts of cash	-	-	-	-	-	-
Transfer of Capital Receipts to GLA	-	(1,156)	1,156	-	-	-
Reversal of Major Repairs Allowance	-	4,863	-	(4,863)	-	
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	5,196	-	(5,196)
Financial Instruments – revaluation of pooled investments	(1,446)	-	-	-	-	1,446
Financial Instrument – accumulated gains on assets sold as part of other investment income	-	-	-	-	-	-
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.	43	-	-	-	-	(43)
Amount by which Council Tax and non-domestic rate income credited/debited to the CIES is different from Council Tax and non-domestic rate income calculated for the year in accordance with statutory requirements	1,854	-	-	-	-	(1,854)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(53,079)	(1,801)	-	-	-	54,880
Employer's pension contributions and direct payments to pensioners payable in year	28,054	289	-	-	-	(28,343)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(422)	(10)	-	-	-	432
Total Adjustments	**(16,035)**	**(5,133)**	**2,828**	**333**	**(1,567)**	**19,574**

9. Transfers to/from Reserves and Balances

The note sets out the amounts set aside from General Fund and HRA balances and the movement on these balances. The General Fund balance is a sum held centrally for unavoidable cost increases and other unforeseen items and spending pressures and therefore acts as the Council's financial safety net. Earmarked reserves are set aside to provide financing for future expenditure plans. HRA balances and reserves are ring-fenced and are not available to the General Fund.

	Balance at 31 March 2019 £000	Net Transfers £000	Balance at 31 March 2020 £000	Net Transfers £000	Balance at 31 March 2021 £000
General Fund:					
General Fund Balance	17,221	-	17,221	2,350	19,571
Total	**17,221**	**-**	**17,221**	**2,350**	**19,571**
Earmarked Reserves					
Business Risk Reserve	14,147	-	14,147	5,425	19,572
Insurance Fund Reserve	8,984	(653)	8,331	3,571	11,902
Business Rates Smoothing Reserve	5,006	(2,485)	2,521	10,851	13,372
Pension Fund Reserve	3,600	2,400	6,000	-	6,000
Invest to Save Reserve	2,323	(951)	1,372	74	1,446
Treasury Smoothing Reserve	500	750	1,250	750	2,000
Commercial Income Smoothing Reserve	1,200	(99)	1,101	-	1,101
Invest to Earn Reserve	1,000	-	1,000	(500)	500
Governance Reserve	-	-	-	1,000	1,000
Operational Risk Reserve	-	-	-	2,448	2,448
Other Corporate Reserves	3,846	(976)	2,870	1,472	4,342
Service Directorate Reserves	2,540	(105)	2,435	670	3,105
Schools Balances	19,294	(2,297)	16,997	8,547	25,544
Dedicated Schools Grant	777	(773)	4	444	448
Total	**63,217**	**(5,189)**	**58,028**	**34,752**	**92,780**
Revenue Grants and Contributions Unapplied	8,745	(3,243)	5,502	8,339	13,841
	89,183	**(8,432)**	**80,751**	**45,441**	**126,192**
Housing Revenue Account HRA Balance	14,301	-	14,301	395	14,696
Total	**14,301**	**-**	**14,301**	**395**	**14,696**
Earmarked Reserves	2,383	111	2,494	94	2,588
Total	**16,684**	**111**	**16,795**	**489**	**17,284**
Total General Fund and HRA Reserves and Balances	**105,867**	**(8,321)**	**97,546**	**45,930**	**143,476**

Purpose of Earmarked Reserves and Balances

The **Business Risk Reserve** is intended to cover unforeseen future events which have adverse financial consequences.

The **Insurance Fund Reserve** is resources set aside to provide for unquantified insurance claims that may be settled in the future.

The **Business Rates Smoothing Reserve** has been set up as a one -off short term resource to meet reductions in income and funding shortfalls resulting from the increasing demand for local services.

The **Pension Fund Reserve** has been established to meet future employer contributions.

The **Invest to Save Reserve** provides funds for project bids that will generate future cash savings.

The **Treasury Smoothing Reserve** has been established to allow for the fluctuation of returns on treasury investments between years.

The **Commercial Income Smoothing Reserve** has been established to allow for the fluctuation of investment returns between years.

The **Invest to Earn Reserve** provides funds for project bids that will generate future earnings.

Other Corporate Reserves comprise a number of smaller reserves to finance corporate initiatives.

Service Directorate Reserves comprise a number of earmarked reserves to finance service area plans.

School Balances are resources delegated to schools that will be used to fund future expenditure.

The **Dedicated Schools Grant Reserve** is a ring-fenced reserve that can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2018.

10. Other Operating Expenditure

2019/20 £000		2020/21 £000
18,635	Levies	19,083
421	Payments to the Government Housing Capital Receipts Pool	605
(2,285)	(Gains)/Losses on the disposal of non-current assets	12,658
1,156	Transfer of Capital Receipts to GLA	-
17,927	**Total**	**32,346**

11. Financing and Investment Income and Expenditure

2019/20 £000		2020/21 £000
9,180	Interest payable and similar charges	10,519
11,529	Net interest on the net defined benefit liability	8,936
(2,035)	Interest receivable and similar income	(1,661)
(1,097)	Income and expenditure in relation to investment properties and changes in their fair value	1,804
1,446	(Gains)-losses on pooled investments	129
568	Impairment allowances	3,759
19,591	**Total**	**23,486**

12. Taxation and Non-Specific Grant Income

2019/20 £000		2020/21 £000
(118,714)	Council Tax Income	(122,853)
(60,215)	Non- domestic rates income and expenditure	(39,103)
(12,098)	Non-ring-fenced government grants	(66,016)
(35,033)	Capital grants and contributions	(18,945)
(226,060)	**Total**	**(246,917)**

13. Property, Plant and Equipment

Movements in 2020/21	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000	PFI Assets included in property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2020 RESTATED	**292,092**	**987,595**	**33,464**	**11,921**	**9,552**	**37,837**	**1,372,461**	**40,493**
Adjustments	280	1	(2)	-	(1,057)	(1)	(779)	-
Additions	21,117	19,017	8,941	-	-	17,217	66,292	61
Revaluation increases / (decreases) recognised in the Revaluation Reserve	10,700	287,405	-	-	3,489	-	301,594	8,837
Revaluation increases / (decreases) recognised in the Surplus (Deficit) on the provision of services	(20,558)	(6,995)	-	-	(2,365)	-	(29,918)	-
Derecognition–Disposals	(2,943)	(5,477)	(15,048)	(3,172)	(323)	(8,014)	(34,977)	-
Reclassification	9,947	10,029	-	-	5,544	(29,813)	(4,293)	3,391
At 31 March 2021	**310,636**	**1,291,574**	**27,355**	**8,749**	**14,839**	**17,226**	**1,670,380**	**40,587**
Accumulated Depreciation and Impairment								
At 1 April 2020 RESTATED	**16**	**5,670**	**21,032**	**8,798**	**11**	**-**	**35,527**	**-**
Adjustments	-	-	1	3	12	-	16	-
Depreciation charge	5,160	13,470	3,589	577	15	-	22,811	844
Depreciation written out to the Revaluation Reserve	(4.367)	(14,054)	-	-	(185)	-	(18,605)	(844)
Depreciation written out to the Surplus (Deficit) on the provision of services	(773)	(1,256)	-	-	(202)	-	(2,231)	-
Derecognition–Disposals	(37)	(999)	(14,792)	(3,172)	(13)	-	(19,013)	-
Other movements	-	(368)	-	-	362	-	(6)	-
At 31 March 2021	**-**	**2,463**	**9,830**	**6,206**	**-**	**-**	**18,498**	**-**
Net Book Value								
At 31 March 2021	**310,636**	**1,289,111**	**17,525**	**2,543**	**14,839**	**17,226**	**1,651,882**	**40,587**
At 31 March 2020 RESTATED	**292,076**	**981,925**	**12,432**	**3,123**	**9,541**	**37,837**	**1,336,934**	**40,493**

Comparative figures 2019/20 RESTATED

	Council Dwellings	Other Land and Buildings	Vehicles, Plants, Furniture and Equipment	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets included in property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2019	**271,856**	**927,228**	**28,286**	**11,918**	**9,101**	**39,264**	**1,287,653**	**38,257**
Adjustments	-	(693)	-	-	(676)	-	(1,369)	-
Additions	11,579	24,698	5,178	-	-	16,699	58,154	208
Revaluation increases / (decreases) recognised in the Revaluation Reserve	12,763	35,706	-	-	1,653	(174)	49,948	2,028
Revaluation increases / (decreases) recognised in the Surplus (Deficit) on the provision of services	(2,420)	(4,490)	-	-	-	(10,065)	(16,975)	-
Derecognition– Disposals	(1,686)	-	-	-	-	-	(1,686)	-
Reclassification	-	5,146	-	3	(526)	(7,887)	(3,264)	-
At 31 March 2020	**292,092**	**987,595**	**33,464**	**11,921**	**9,552**	**37,837**	**1,372,461**	**40,493**
Accumulated Depreciation and Impairment								
At 1 April 2019	**45**	**4,619**	**17,483**	**8,219**	**-**	**-**	**30,366**	-
Adjustments	(45)	(5)	-	-	6	-	(44)	-
Depreciation charge	4,776	11,806	3,549	579	39	-	20,749	780
Accumulated Write Back on Revaluation	(4,740)	(10,750)	-	-	(34)	-	(15,524)	(780)
Derecognition– Disposals	(20)	-	-	-	-	-	(20)	-
At 31 March 2020	**16**	**5,670**	**21,032**	**8,798**	**11**	**-**	**35,527**	**-**
Net Book Value								
At 31 March 2020	**292,076**	**981,925**	**12,432**	**3,123**	**9,541**	**37,837**	**1,336,934**	**40,493**
At 1 April 2019	**271,811**	**922,608**	**10,803**	**3,699**	**9,101**	**39,264**	**1,257,286**	**38,257**

Fair Value Measurement of Surplus Assets

Details of surplus assets and information about the fair value hierarchy as at 31 March 2021, are as follows:

Recurring Fair Value measurement use 31 March 2021	Quoted price for similar assets in active market Level 2 £000
Surplus Buildings	3,094
Surplus Land	11,745
Total	**14,839**

March 2020 - Comparative Figures:

Recurring Fair Value measurement use 31 March 2020	Quoted price for similar assets in active market Level 2 £000
Surplus Buildings	776
Surplus Land	8,765
Total	**9,541**

Highways Network Infrastructure Assets

Movements on balances

The Council has determined in accordance with Regulation 30M England 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.

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

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

	2019/20 Infrastructure Assets £000	2020/21 Infrastructure Assets £000
Net Book Value		
At 1 April 2021	**91,809**	**95,762**
Adjustment	-	(4)
Additions and Enhancement	10,938	11,556
Derecognition - Other	-	(44,437)
Depreciation	(8,648)	(8,556)
Other movements	1,663	44,437
At 31 March 2022	**95,762**	**98,758**

Depreciation

- Buildings (excluding Council dwellings) are depreciated on a straight-line allocation over a maximum period of 60 years.
- For Council dwellings a weighted average life of 45 years is used to determine the depreciation.
- Community assets: straight line basis over a 20-year period;
- Vehicles, plant, furniture and equipment: straight-line basis over a maximum period of 10 years
- Infrastructure assets: straight line basis over a 20-year period.

Capital Commitments

As at 31 March 2021, the Council was contractually committed to a number of capital projects amounting to £16.7m. Similar commitments at 31 March 2020 were £23.5m. Major capital commitments are:

	2020/21 £000	Year of completion
Housing HRA		
Affordable housing	14,026	2022/23
Regeneration		
Ilford Spark	876	2021/22
Public Realm Phase 2	851	2021/22

Revaluations

Freehold and Leasehold properties, which comprise the Council's property portfolio, are valued as a minimum on a five-year rolling basis by its Appointed Contractors, Wilks Head & Eve LLP. Valuations have been undertaken in accordance with the RICS Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors, except those not considered by the valuer to be necessary for the purposes of the valuation. Plant and Machinery that are normally associated with a building, such as lifts, have been reflected in the valuation.

At 31 March 2021 a review is undertaken to ensure that property values are materially correct. This resulted in an increase revaluation of £320.197m in net revaluation reserves. These are detailed in Note 13 (movement in PPE) under revaluation gains & losses as at 31 March 2021 and recognised in other comprehensive income and expenditure.

Properties regarded by the Council as operational or pending future operational use are valued on a Fair Value Existing Use Value basis. Where these methods could not be utilised, due to a lack of suitable market evidence or if the property was of a specialised nature, then a Depreciated Replacement Cost basis of valuation was adopted, in accordance with the relevant professional guidance applicable as at the valuation date.

In accordance with IFRS13 valuation of non-operational (surplus) assets and investment properties were based on Fair value and categorised as either level 1 inputs, level 2 inputs or level 3 inputs. Properties regarded by the Council as being either Community Assets or Infrastructure Assets have not been valued as part of this Asset Valuation exercise.

Valuations are carried out by Wilks Head & Eve LLP, Chartered Surveyors and Town Planners. The basis for valuation is set out in the statement of accounting policies.

Year	Portfolio	Assets Revalued	Notes
2020-21	Housing Revenue Account	Houses, flats, community centres, garages and development sites	Full Revaluation
	Investment Properties	Shops, offices, storage, agricultural and gravel workings	Updated annually
	Surplus Assets	Empty Buildings and vacant sites	Updated annually
	Housing General Fund	Hostels and non-stock housing	
	Leisure and Culture (Vision leased)	All leisure properties leased to Vision – Redbridge, Culture and Leisure	Other leisure properties to be valued in next cycle
	Libraries	Libraries	
	Children's Services	Miscellaneous PPE and Schools	Revised for Schools
2019-20	Children's Services	Schools	Revised
	Housing Revenue Account	Houses, flats, community centres, garages and development sites	Annual Desktop Update
	Investment Properties	Shops, offices, storage, agricultural and gravel workings	Updated annually
	Surplus Assets	Empty Buildings and vacant sites	Updated annually
	Non Operational PPE Assets	Miscellaneous Properties not held as investment	
2018-19	Housing Revenue Account	Houses, flats, community centres, garages and development sites	Annual Desktop Update
	Investment Properties	Shops, offices, storage, agricultural and gravel workings	Updated annually
	Surplus Assets	Empty Buildings and vacant sites	Updated annually
	Adult Social Services	Care homes, day centres and elderly persons centres	
	Children's Services	Schools, school lodges, playing fields, children's centres and nurseries	
2017-18	Housing Revenue Account	Houses, flats, community centres, garages and development sites	Annual Desktop Update
	Investment Properties	Shops, offices, storage, agricultural and gravel workings	Updated annually
	Surplus Assets	Empty Buildings and vacant sites	Updated annually
	Cleansing Service	Public conveniences and recycling centre	
	Community Safety	Cemeteries and crematorium	
	Facilities Management	Offices, Town Hall and depot	
	Highways	Car parks, lodges and storage	
2016-17	Housing Revenue Account	Houses, flats, community centres, garages and development sites	Annual Desktop Update
	Investment Properties	Shops, offices, storage, agricultural and gravel workings	Updated annually
	Surplus Assets	Empty Buildings and vacant sites	Updated annually
	Leisure and Culture	Sports grounds, Valentines Mansion, swimming pool, theatre, some park buildings, halls, youth centres and leased facilities	
	Libraries	Libraries	

14. Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2019/20 £000	2020/21 £000
Rental income from investment property	5,522	6,663
Direct operating expenses arising from investment property	(476)	(763)
Net gain	**5,046**	**5,900**

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.

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

	2019/20 £000	2020/21 £000
Balance at start of the year	**38,444**	**97,911**
Enhancement	56	4
Additions	63,450	-
Net loss from fair value adjustments	(3,948)	(7,704)
Disposals	(91)	(5)
Other movements:		
Transfer from PPE	-	545
Balance at end of the year	**97,911**	**90,751**

Fair Value Measurement of Investment Properties

Details of the investment properties and information on the fair value hierarchy as at 31 March 2021 are as follows:

Fair Value measurement use 31 March 2021	**Quoted price for similar assets in active market Level 2 £000**
Land & Farms	10,406
Office Units	18,585
Commercial Units	61,760
Total	**90,751**

March 2020 - Comparative Figures:

Fair Value measurement use 31 March 2020	**Quoted price for similar assets in active market Level 2 £000**
Land & Farms	9,606
Office Units	19,683
Commercial Units	68,622
Total	**97,911**

15. Intangible Assets

The Council accounts for its intangible assets to the extent that they are not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant, and Equipment. The intangible assets are purchased software licences and Cloud Computing services.

All intangible assets are given a finite useful life, based on assessments of the period that the software or Cloud Computing services are expected to be of use to the Council. The useful life assigned to intangible assets used by the Council is between three and ten years.

The carrying amount of intangible assets is amortised on a straight-line basis.

The movement on intangible asset balances during the year is as follows:

	2019/20	2020/21
	£000	£000
Balance at start of year:		
Gross cost amounts	5,029	5,360
Accumulated amortisation	(2,537)	(3,348)
Net carrying amount at start of year	**2,492**	**2,012**
Additions:		
Purchases	331	2,651
Other disposals	-	(2,314)
Amortisation for the period	(811)	(849)
Reclassification	-	1,506
Other changes - amortisation	-	2,314
Net carrying amount at end of year	**2,012**	**5,320**
Comprising:		
Gross cost amounts	5,360	7,204
Accumulated amortisation	(3,348)	(1,884)
Total	**2,012**	**5,320**

16. Impairment Losses

During 2020/21 the Council has had no impairment losses (£0 in 2019/20).

Revaluation losses on operational properties and changes in the fair value of investment properties have been disclosed elsewhere in the accounts (Note 13: Property, Plant and Equipment, Note 14: Investment Property and in the Movement in Reserves Statement).

17. Private Finance Initiative

Oaks Park High School – Scheme Details

2020/21 was the nineteenth year of a 30-year PFI contract for the construction, maintenance and operation of Oaks Park Secondary School.

On 4 July 2001, the Council contracted with NU Schools for Redbridge Limited to provide a secondary school, Oaks Park High School, under a Private Finance Initiative.

Under the terms of the PFI, the Council has leased a vacant site at Barley Mow to the PFI contractor for the period of the contract – 30 years. The school reverts to the Council at the end of the period.

Under the PFI contract, the Council pays an agreed charge, which has been accounted for as outlined in the Council's Accounting Policies. At the time the contract was signed the total estimated contract payments were £65.9m to the end of the contract in January 2032. Actual payments will depend on the service provided.

The Government provides a grant of approximately £52.028m over the life of the contract. The key financial details of the scheme are detailed below:-

	£000
Total Scheme Capital Expenditure	15,999
Current residual asset value as at 31 March 2021	40,587
Residual asset value as at 31 March 2020	40,493
Estimated asset life	35 years

Property Plant and Equipment

The building used to provide services at the school is recognised on the Council's Balance Sheet. Movements in its value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment in Note 13.

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 as at 31 March 2021 (excluding any estimation of inflation and availability / performance deductions) are as follows:

	Services Charges £000	Principal Repayments £000	Interest Payments £000	Total £000
Repayable within 1 year	1,420	625	818	2,863
Repayable in 2 to 5 years	5,681	3,074	2,695	11,450
Repayable in 6 to 10 years	7,101	5,556	1,656	14,313
Repayable after 10 years	1,420	1,045	37	2,502
Total	**15,622**	**10,300**	**5,206**	**31,128**

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 the contractor for capital expenditure incurred is as follows:

	2019/20 £000	2020/21 £000
Balance outstanding at start of the year	11,407	10,876
Payments during the year	(531)	(576)
Balance outstanding at year-end	**10,876**	**10,300**

18. Assets held for sale

	31 March 2020 £000	31 March 2021 £000
Property Plant & Equipment:		
Brought forward balance	**-**	**3,197**
Assets classified as held for sale	1,691	2,242
Asset sold in year	-	(1,691)
Assets newly acquired and held for sale	1,506	8,309
Balance at the end of the year	**3,197**	**12,057**

19. Debtors

31 March 2020 £000	Long Term	31 March 2021 £000
1,626	Leased Asset – Britannia Car Park	1,611
63	Mortgages	63
468	Improvement Loans	468
2,157	**Total**	**2,142**

31 March 2020 £000	Other	31 March 2021 £000
2,730	Central Government Bodies	15,156
3,657	NHS bodies	2,398
2,835	Public corporations and trading funds	1,880
	Other Debtors:	
13,618	Council Tax payers	18,345
4,308	NDR Payers	3,937
8,515	Housing Tenants	10,729
9,339	Housing Benefit Recoveries	8,552
1,842	VAT	4,501
12,027	Payment in Advance	6,743
32,220	Other Entities & Individual	28,649
91,091	**Total Other**	**100,890**
	Less – Impairment allowance for doubtful debts	
(15,123)	Housing including Housing Benefits	(18,928)
(10,293)	Council Tax	(11,819)
(2,980)	NDR	(2,739)
(4,535)	Other	(3,306)
(32,931)	**Total Impairment allowance for doubtful debts**	**(36,792)**
58,160	**Total**	**64,098**

Local Taxation Debtors

The past due but not impaired amount for local taxation (Council Tax and Non-Domestic rates can be analysed by age as follows:

31 March 2020 £000		31 March 2021 £000
2,392	Council Tax - up to 1 year	3,510
933	Council Tax – more than 1 year	3,016
3,325	**Total Council Tax**	**6,526**
927	NDR – up to 1 year	1,015
401	NDR – more than 1 year	183
1,328	**Total NDR**	**1,198**

20. Cash and Cash Equivalents

The Balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2020 £000		31 March 2021 £000
13,850	Short Term Deposits	16,300
3,672	Bank Balance – L B Redbridge Pool	92
3,082	Bank Balance – External Accounts	6,448
20,604	**Total Cash and Cash Equivalents**	**22,840**

External Accounts are separate bank accounts held by schools that are not part of the Council's pooled banking arrangements.

21. Creditors

31 March 2020 £000		31 March 2021 £000
2,856	Central Government Bodies	38,862
4,881	Other Local Authorities inc GLA	1,517
2,924	NHS Bodies	979
	Other Creditors:	
5,912	Capital Creditors	7,911
12,459	Trade Creditors	10,556
1,948	Housing Prepayments	2,333
18,435	Income & Receipts Received in Advance	11,756
50,272	Other Entities and Individuals	52,983
99,687	**Total**	**126,897**

22. Provisions

Short-term

	Insurance Provision £000	Audit Fees Provision £000	Redundancy and Early Retirement Provision £000	Total £000
Balance 1 April 2020	**1,164**	**-**	**271**	**1,435**
Increase Provision made in 2020/21	-	377	163	**540**
Amounts used in 2020/21	-	-	(74)	**(74)**
Balance at 31 March 2021	**1,164**	**377**	**360**	**1,901**

Long-term

	Insurance Provision £000	NDR Appeals Provision £000	Social Care Provision £000	Total £000
Balance 1 April 2020	**8,493**	**2,883**	**-**	**11,376**
Increase (Decrease) Provision in 2020/21	(3,047)	184	425	**(2,898)**
Amounts used in 2020/21	(460)	(68)	-	**(68)**
Balance at 31 March 2021	**4,986**	**2,999**	**425**	**8,410**

Purpose:

Insurance Provision: The Council's insurance programme is designed to protect the interests of Redbridge through a structured Risk Management Framework. The programme consists of elements of retained risk (self-insurance) with the remainder of risks transferred through insurance policies to an insurance provider. The level of the provision is based on a report received from an independent actuary.

Redundancy and Early Retirement Provision: This provision has been established to meet agreed commitments relating to employee redundancy and retirements.

Audit Fees Provision: The Council has made provision for 2019/20 and 2020/21 audit fees which are under negotiation with the Public-Sector Audit Appointments Ltd.

Provision for Business Rates Appeals: Due to the localisation of Business Rates, which became effective from 1 April 2013, the Council has set aside a provision for its share of any potential liabilities as a result of Business Rate payers' appeals against rateable valuations. The provision includes an amount for appeals lodged to date but yet to be determined by the Valuation Office Agency (VOA) plus an amount for appeals expected but not yet lodged with VOA which has been estimated based on experience and analysis of the appeals listing from the VOA. It had been expected that the majority of appeals would be settled by the VOA by 2022/23. This has not yet happened. The Council cannot be certain as to when the appeals will be resolved because the timing of resettlement depends on the VOA.

Social Care Provision: This provision has been established to meet the risk following potential changes to charging policy as a consequence of legal action.

23. Financial Instruments

Financial Assets:

31 March 2020 Non-Current £000	31 March 2020 Current £000		31 March 2021 Non-Current £000	31 March 2021 Current £000
-	20,604	Cash and Cash Equivalents at amortised costs	-	22,840
-	**20,604**	**Total Cash and Cash Equivalents**	**-**	**22,840**
-	112,700	Investments at Amortised Cost	-	146,195
18,182	-	Fair Value through Profit and Loss	18,053	265
18,182	**112,700**	**Total Investments**	**18,053**	**146,460**
2,157	39,693	Debtors – amortised cost	2,142	37,187
2,157	**39,693**	**Total Debtors**	**2,142**	**37,187**
20,339	**172,997**	**Total Financial assets**	**20,195**	**183,647**
-	**18,467**	**Non-Financial assets - Debtors**	**-**	**26,911**
20,339	**191,464**	**Total**	**20,195**	**233,398**

Financial Liabilities:

31 March 2020 Non-Current £000	31 March 2020 Current £000		31 March 2021 Non-Current £000	31 March 2021 Current £000
(262,734)	(5,375)	PWLB at amortised cost	(259,721)	(3,367)
(68,001)	(475)	Market Loans and Bonds at amortised cost	(87,302)	(469)
(330,735)	**(5,850)**	**Total Amortised Cost**	**(347,023)**	**(3,836)**
(330,735)	**(5,850)**	**Total Borrowings**	**(347,023)**	**(3,836)**
(10,303)	(70,759)	Creditors and other liabilities at amortised cost	(9,678)	(74,094)
(10,303)	**(70,759)**	**Total Creditors**	**(9,678)**	**(74,094)**
(341,038)	**(76,609)**	**Total Financial Liabilities**	**(356,701)**	**(77,930)**
(395,179)	**(30,363)**	**Non-Financial Liabilities – Creditors and other liabilities**	**(520,255)**	**(61,844)**
(736,217)	**(106,972)**	**Total**	**(876,956)**	**(139,774)**

Categories of Financial Instruments

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

Financial Assets:

In November 2019, the Council raised £75.000m through the issue of the first local authority deferred RPI linked bond. Bond proceeds of £37.500m was received in 2019/20 and a further £18.750m was received in November 2020/21 with the remaining proceeds due in November 2021. The bond was issued at a premium over its £63.839m value at an effective interest rate of 1.88% based on RPI estimates at the time of borrowing.

Income, Expense, Gains and Losses
The income and expense recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

31 March 2020 £000		31 March 2021 £000
9,180	Interest Expenses – measured amortised cost	10,519
9,180	**Total Expenses in Deficit/Surplus on the Provision of Services**	**10,519**
(2,035)	Interest Income for financial assets measured at amortised cost	(1,661)
(2,035)	**Total Income in Deficit/Surplus on the Provision of Services**	**(1,661)**
(1,818)	Losses on revaluation for financial assets measured at FVPL	129
(1,818)	**Losses on financial assets measured at fair value through profit and loss in Deficit/Surplus on the Provision of Services**	**129**
5,327	**Net Expense for the year**	**8,987**

Fair Values of Financial Assets and Financial Liabilities
The fair value of Public Works loan Board (PWLB) loans is calculated using the premature repayment rate published by the PWLB on 31 March 2021. For the non-PWLB loans the fair value is calculated using both the PWLB redemption and the new market loan discount rate. This involves using Level 2 inputs.

- Estimated ranged of interest rates at 31 March 2021 of -0.02% to 0.71% for loans were available from the PWLB.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.

Long term debtor and creditor balances are carried in the Balance Sheet at amortised cost. Short term debtors and creditors are carried at cost as this is a fair approximation of their value. The valuation of PFI and finance lease liabilities has been based on level 2 inputs using a discounted cashflow analysis, with the most significant input being the discount rate.

The fair value of borrowing 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 premature repayment rate at the Balance Sheet date. This shows a notional future loss (based on economic conditions as at 31 March 2021) arising from prematurely repaying debt.

31 March 2020			31 March 2021	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
(268,108)	(379,713)	Financial Liabilities at amortised cost – PWLB Loan	(263,088)	(333,286)
(68,476)	(94,664)	Financial Liabilities at amortised cost - Market Loans and temporary borrowing	(87,771)	(107,766)
(70,759)	(70,759)	Short Term Creditors	(74,313)	(74,313)
(10,303)	(10,303)	Long Term Creditors	(9,678)	(9,678)
(417,646)	**(555,439)**	**Total Financial Liabilities**	**(434,850)**	**(525,043)**
20,604	20,604	Cash and Cash Equivalents	22,840	22,840
112,700	112,700	Investments held at amortised costs	146,195	146,195
18,182	18,182	Fair Value through Profit and Loss	18,318	18,318
39,693	39,693	Short Term Debtors	37,187	37,187
2,157	2,157	Long Term Debtors	2,142	2,142
193,336	**193,336**	**Total Financial Assets**	**226,682**	**226,682**

Recurring Fair Value Measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2020 Fair value £'000	31 March 2021 Fair value £'000
Local Authorities Property Fund with CCLA	Level 2	Inputs other than quoted prices that are observable for the financial asset	18,182	18,053
Total			**18,182**	**18,053**

The Council has an initial investment of £20.000m within the Local Authorities Property Fund with CCLA. At balance sheet date, this investment is valued at fair value which is based on the bid price. As at 31 March 2021 the fair value of the Local Authorities Property Fund with CCLA was £18.053m. The difference between the initial carrying value and the fair value, £1.947m, has been posted to the Pooled Investment Revaluation Reserve.

Transfers between Levels of the Fair Value Hierarchy
There have been no transfers between input levels during the year.

Changes in the Valuation Technique
There has been no change in the valuation technique used during the year for financial instruments.

Fair value hierarchy for financial assets and financial liabilities that are not measured at their fair value

31 March 2020 Other significant observable inputs Level 2 £000		31 March 2021 Other significant observable inputs Level 2 £000
(268,108)	Financial liabilities at amortised cost - PWLB loan	(263,088)
(68,476)	Financial liabilities at amortised cost - Market loans and Temporary Borrowing	(87,771)
(10,879)	PFI and finance Lease	(10,303)
(347,463)	**Total financial liabilities**	**(361,162)**
136,227	Financial assets held at amortised costs	169,300
2,157	Other financial assets held at amortised cost	2,142
138,384	**Total financial assets**	**171,442**

Soft Loans
The Council has identified the following which may be categorised as soft loans (less than market rates):

31 March 2020 Social Care High Dependency Accommodation Debtors £000	31 March 2020 Car Loans £000		31 March 2021 Social Care High Dependency Accommodation Debtors £000	31 March 2021 Car Loans £000
169	**37**	**Balance carried forward**	**236**	**28**

Due to the low value of soft loans the carrying value of these loans are not measured at fair value. Loans have been considered for impairment losses. The calculated expected credit loss is not material therefore resulting in no change in carry value.

The Council holds collateral in relation to the following loans:

31 March 2020 £000		31 March 2021 £000
64	Mortgages	62
1,037	Social Care – High Dependency Accommodation	1,042
382	Housing Benefit overpayment	367
1,483		**1,471**

The Social Care High Dependency Accommodation Debtors relates to the value of outstanding debt secured by charges on the debtor's property. The Council has pledged no collateral in respect of repayment of any loan to another entity.

As at 31 March 2021 the Council had not entered into any material financial guarantees.

24. Nature and Extent of Risks arising from Financial Instruments

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

- 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.
- 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.
- Re-financing risk - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.

The Council's overall treasury risk management strategy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management, in this context, is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for treasury risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks, financial institutions, as well as credit exposure to the Council's customers. This risk is minimised by the Annual Investment Strategy which is available on the Council's website.

Overall Procedures for Managing Risk

The Finance Service implements those policies prescribed in the Strategy. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMP's). The TMP's are a requirement of the Code of Practice and are reviewed periodically.

The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting and following the requirements of the Code of Practice;
- by approving annually in advance Prudential Indicators for the following three years limiting:
    - the Council's overall borrowing;
    - maximum and minimum debt repayment profile;

- maximum annual exposure to investments maturing beyond a year.

The Investment Strategy for the forthcoming year sets out criteria for both investing and selecting investment counterparties in compliance with government guidance. The Strategy's objective is to prioritise the security and liquidity of the Council's investments over the investment yield. Prior to being approved by Full Council, the strategy is scrutinised by the Council's Governance and Assurance Committee. Performance is reported bi-annually to Council. The annual report is also required. The Annual Investment Strategy for 2021/22 was approved by full Council on 25 February 2021 and is available to view on the Council's website – www.redbridge.gov.uk.

Credit risk arising from deposits with Banks and Financial Institutions

The Annual Investment Strategy (details of which are available on the Council's website) requires the Council to maintain a counterparty list that follows the criteria set out in the Treasury Management Practices. Creditworthiness is assessed by the use of credit ratings provided by Fitch Ratings, Moody's and Standard and Poor's to assess an institution's long and short-term financial strength. Other information provided by Brokers, Advisers and financial and economic reports is also collated and assessed and then used to be produce a rating parameters to monitor each individual institution against the Council's creditworthiness criteria to impose a maximum sum to be invested with a financial institution located within each category. These include credit watches and outlooks from credit rating agencies, Credit Default Swap prices to give early warning of likely changes in credit ratings and sovereign ratings.

Any counterparty whose ratings fall to the extent that they no longer meet the credit criteria is immediately removed from the lending list.

Only highly rated counterparties may be included on the lending list:

- Banks and UK Part Nationalised Banks;
- UK Building Societies with assets in excess of £3bn;
- Money Market Funds;
- UK Government (Debt Management Office and Gilts);
- Enhanced Cash Funds;
- Equity/Bond/Multi Asset Funds;
- Non-UK Government and Supranational Institutions;
- Other Local Authorities, Parish Councils, Community Councils and
- Property Funds.

The Council's maximum exposure to credit risk in relation to its investments in banks, building societies and Property Funds of £180.5m can 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; there was no evidence at 31 March 2021 that this was likely to materialise.

In addition, the diversification of investments also provides additional security. The maximum percentages of the investment portfolio, which may be invested in each class of assets, are detailed:

Asset Class Percentages:

Type of Asset	% of Total Investment as set by 2020/21 Treasury Management Strategy	% of Total Investment as at 31 March 2021
	%	%
UK Government	100	-
Local Authorities	85	36
Banks - Specified	80	19
Money Market Funds - Specified	45	9
Enhanced Cash Funds	15	-
Building Societies - Specified	45	-
Total Unspecified Investments	50	8
Overseas Banks - Specified	40	17
Non-UK Government and Supranational Bonds	30	-
Corporate Bonds	15	-
Property Funds	25	11

The asset class percentages are well within the limits prescribed in the Council's Treasury Management Strategy for

2020/21.

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

The Council had a total of £180.5m deposited with a number of financial institutions at 31 March 2021. The Council's maximum exposure to credit risk in relation to this amount 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 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 as at 31 March 2021 that this was likely to crystallise.

Using the expected credit loss model, the calculated loss allowance for investments at amortised cost is negligible therefore having no impact on the carrying value of investments.

Credit Risk arising from the Council’s exposure to other assets

Credit risk can arise from the Council’s exposure to other debtors; this excludes monies from government and public institutions. Payments for services are either required in advance or due at the time the service is provided.

Write off of debtors is subject to Council procedures.

The Council's long-term debtors are mainly in relation to a lease agreement. The lease agreement has been reviewed using a simplified approach for calculating the expected credit loss. Due to the low level of risk the loss allowance has been based on a lifetime expected credit loss based on probability of repayment. The calculated loss allowance for lease receivables is negligible therefore having no impact on the carrying value.

Other collateral and soft loans balances have been reviewed for expected credit loss and have been assessed based on the simplified approach looking at probability of default which has resulted in no change in carrying value.

The following debtor balances have been reviewed for loss allowance, providing details of material balances. These debtors have been grouped into Housing, Adult Social Care and Other. For Adult social care and other receivables category of debt there has been an assessment of collectively based on past collection rates therefore using the probability matrix to determine the loss allowance. For Housing debtor balance there has been an assessment of collectively based on probability of default to determine the loss allowance.

	Lifetime expected credit loss - simplified approach			
	Opening balance as at 1 April 2020 £000	**Movement in assets £000**	**Change in loss allowance £000**	**Closing balance as at 31 March 2021 £000**
Adult Social Care receivables	1,518	(332)	221	1,407
Housing receivables	209	1,241	(1,251)	199
Other receivables	11,133	(4,070)	2,014	9,077

The following analysis summarises the Council's potential maximum exposure to credit risk from its other debtors, based on experience of default and un-collectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2021 £000	**Historical experience of default**	**Historical experience of adjustment for market conditions at 31 March 2021**	**Estimated maximum exposure at 31 March 2021 £000**
Other Debtors	21,573	5%	1%	1,079

Payments for services are either required in advance or due at the time the service is provided. As at 31 March 2021 approximately £21.573m (£16.540m as at 31 March 2020, balance is prior to impairment) is due to the Authority from its other debtors, the total being past its due date but not impaired. The past due but not impaired amount can be analysed by age as follows:

Aged Debtors Analysis	**31 March 2020 £000**	**31 March 2021 £000**
Up to and including three months	4,555	4,295
Over three and up to six months	1,883	1,765
Six months to one year	5,629	6,620
Over one year	4,473	8,893
Total	**16,540**	**21,573**

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 Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to the Public Works Loans Board (PWLB). The PWLB provides access to longer-term funds, therefore there is no significant risk that the Council will be unable to raise finance to meet its commitments. As at 31 March 2021 75% (80% as at 31 March 2020) of the Council's loans outstanding were with the PWLB and 25% provided by the Money Markets.

Through the Local Government Finance Act 1992, the Council is required to set a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. The Council has set and reviewed during the financial year, a prudent three-year budget and sought to set an affordable Council Tax for its residents. Therefore, there is no significant risk that the Council will be unable to raise finance to meet its commitments.

The Council manages its day-to-day liquidity position though the monitoring of Prudential Indicators, associated strategies and practices and cash flow management procedures.

Refinancing Risk

The Council's approved Treasury and Investment strategies are set to avoid the risk of refinancing on unfavourable terms. The central treasury team address the operational risks within approved parameters. These include:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or rescheduling existing debt;
- Monitoring the maturity of investments to ensure that there is sufficient liquidity available for the Council's day-to-day cash flow needs (this is set at £25m in the Treasury Management Strategy), and the spread of long term investments provides stability of maturities and returns in relation to long term cash flow needs; and
- On a short-term basis internal balances are available to be used for finance should market interest rates be unfavourable at the time of refinancing.

The maturity analysis for borrowing is as follows:

2020/21 - Renewal Period	**Loans Outstanding as at 31 March 2021 £000**	**Interest outstanding as at 31 March 2021 £000**	**Limit of projected Fixed Rate Borrowing %**	**% of Total Borrowing 31 March 2021 %**
Less than one year	4,642	9,577	30	1
Between one and two years	3,012	9,474	45	1
Between two and five years	15,202	27,731	60	4
Between five and ten years	33,407	43,099	80	10
More than 10 years	294,596	130,283	100	84
Total	**350,859**	**220,164**		**100**

2019/20 - Renewal Period	Loans Outstanding as at 31 March 2020 £000	Limit of projected Fixed Rate Borrowing %	% of Total Borrowing 31 March 2020 %
Less than one year	6,584	30	2
Between one and two years	25,444	45	7
Between two and five years	20,398	60	4
Between five and ten years	44,242	80	9
More than 10 years	498,667	100	78
Total	**595,334**		**100**

Market loans are included in the above table based on the maturity date.

All trade and other payables are due to be paid in less than one year.

Maturity analysis in respect of the PFI arrangement is in Note 17.

The maturity analysis in the comparative table is the addition of both loans outstanding and interest outstanding.

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its 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:

- Borrowing at variable rates – the interest expense charged to the Surplus / Deficit on the provision of services will rise.
- Borrowings at fixed rates – the fair value of the liabilities will fall.
- Investments at variable rates – the interest income credited to the Surplus / Deficit on the Provision of Services will rise.
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus and 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 quoted market prices will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. Its policy allows for a maximum of 50% of its borrowings to be held if appropriate in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses.

The Finance Service 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, as at 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been:

Impact of 1% increase in interest rates

	£000
Increase in interest payable on variable rate borrowings	-
Increase in Interest receivable on variable rate investments	-
Increase in government grant receivables for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	-
Share of overall impact debited to the HRA	-
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	60,280

The fair value is greater than the carrying amount because the Council's portfolio includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

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

Price Risk

The Council, excluding its Pension Fund, does not invest in equity shares and therefore is not exposed to losses arising from movement in the price of shares.

Foreign Exchange Risk

The Council, excluding its Pension Fund, has no financial assets or liabilities denominated in foreign currencies, therefore has no exposure to loss arising from movements in exchange rates.

25. Grant Income

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

	2019/20 £000	2020/21 £000
Credited to Taxation and Non-Specific Grant Income		
Recognised Capital Grants and contributions	35,033	18,945
Council Tax Income	118,714	122,853
NDR	60,215	39,103
NDR S.31 Compensation Grant	6,586	14,818
Revenue Support Grant	-	10,401
COVID-19 General Grants	-	32,685
Social Care & Winter Pressures	3,022	6,398
New Homes Bonus Grant	1,355	1,554
Other Revenue Grants	1,135	160
Total	**226,060**	**246,917**
Credited to Services		
Department of Work & Pensions	127,956	124,981
Department of Health Social Care & CCG	33,763	40,121
Department for Education	282,326	295,068
COVID-19 Service Grants	-	19,269
Other Miscellaneous Grants	20,229	22,030
Total	**464,274**	**501,469**

Where a grant has yet to be used to finance Revenue or Capital Expenditure, it is either posted to the Revenue or Capital Unapplied Reserve.

Revenue Grants and Contributions Unapplied	**2019/20 £000**	**2020/21 £000**
Housing Grant	80	80
Children's Services Grant	653	644
Planning Delivery Grant	1	406
Highways Grant	250	302
Safer Communities Grant	808	664
Department of Health	-	6,205
Ministry of Housing, Communities and Local Government (MHCLG)	2,900	3,620
Department of Work and Pensions (DWP)	139	1,167
Total	**4,831**	**13,088**
Section 106	671	753
Total	**5,502**	**13,841**

The Council has received grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

Revenue Grants - Receipts in Advance	**2019/20 £000**	**2020/21 £000**
Department for Business, Energy & Industrial Strategy: COVID-19 Local Business Support Grants	-	7,141
Total	**-**	**7,141**

Capital Grants and Contributions	**2019/20 £000**	**2020/21 £000**
Housing Grant	690	569
Education Funding Agency	36,322	31,519
Greater London Grant (GLA) Grants	98	82
Ministry of Housing, Communities and Local Government (MHCLG)	8,226	8,211
Other miscellaneous	25	189
Total	**45,361**	**40,570**
Section 106	9,819	5,667
Community Infrastructure Levy	5,290	3,584
Other Capital Contributions	598	645
Total	**61,068**	**50,466**

Capital Grants - Receipts in Advance	**2019/20 £000**	**2020/21 £000**
Greater London Authority Grant	-	12,214
Ministry of Housing, Communities and Local Government (MHCLG)		1,939
Total	**-**	**14,153**

26. Disclosure of Deployment of Dedicated Schools Grant in 2020/21

The Dedicated Schools Grant (DGS) Grant has been deployed in accordance with regulations made under Sections 45A, 45AA, 47, 47ZA, 47A, 48, 49 and 138(7) of, and paragraph 2B of Schedule 14 to, the School Standards and Framework Act 1998, and Section 24(3) of the Education Act 2002. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2020/21 are as follows:

	Central Expenditure	Individual Schools Budget (ISB)	Total
	£000	£000	£000
Final DSG for 2020/21 before academy and high needs recoupment			318,096
Academy and high needs figure recouped for 2020/21			(68,709)
Total DSG after academy and high needs Recoupment for 2020/21			**249,387**
Plus: Brought forward from 2019/20			4
Total DSG including Brought Forward			**249,391**
Agreed initial budgeted distribution in 2020/21	51,161	198,230	249,391
In year adjustments	-	-	-
Final budget distribution for 2020/21	**51,161**	**198,230**	**249,391**
Less: Actual central expenditure	(50,877)	-	(50,877)
Less: Actual ISB deployed to schools	-	(198,091)	(198,091)
Carry forward to 2021/22	**284**	**139**	**423**

27. Leases

The Council as Lessee

Operating Leases

The Council has one lease agreement for Vehicles for 10 years starting March 2012.

In June 2016 the Council entered in a 30-year lease agreement for an estate of houses in Canterbury for use as temporary accommodation for homeless households or to prevent homelessness. The lease contains a break clause which can be exercised after the first year by the Council and after 15 years by the Lessor. The Council, in October 2017, entered into another similar lease covering an estate of houses in Uxbridge. These lease agreements have been treated as operating leases.

The future minimum lease payments due under non-cancellable leases in future years are as follows:

	31 March 2020	31 March 2021
	£000	£000
Not later than one year	2,088	1,997
Later than one year and not later than five years	8,078	7,987
Later than five years	13,227	11,229
Total	**23,393**	**21,213**

The expenditure charged to the relevant service area in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2020	31 March 2021
	£000	£000
Minimum lease payments	2,088	1,997
Total	**2,088**	**1,997**

None of the assets acquired under operating leases are sub-let. In addition, there were no contingent rents attached to the contracts.

The Council as Lessor

Finance Leases

The Council entered into a contract with Britannia Parking Limited for the lease of a multi storey car park at Clements Road, Ilford for a period of 125 years, from April 2002. The car park will be both managed and operated by Britannia Parking Limited. The rent is increased annually by applying a formula based upon the annual RPI index.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by Britannia Parking Limited and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2020 £000	31 March 2021 £000
Finance lease debtor (net present value of minimum lease payments):		
Current	97	97
Non- current	1,307	1,279
Unearned finance income	8,774	8,692
Unguaranteed residual value of property	222	235
Gross investment in the lease	**10,400**	**10,303**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Minimum Lease Payments		Finance Lease Payments	
	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000
Not later than one year	15	15	97	97
Later than one year and not later than five years	61	61	389	389
Later than five years	1,328	1,300	9,914	9,817
Total	**1,404**	**1,376**	**10,400**	**10,303**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as future price indices. In 2020/21, contingent rents of £72,453 were receivable by the Council (£67,943 in 2019/20).

28. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirements (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.

	2019/20 RESTATED £000	2020/21 £000
Opening Capital Financing Requirement	**(337,916)**	**(414,793)**
Capital Investment		
Property, Plant and Equipment	69,092	77,848
Investment Property	63,507	4
Intangible Assets	331	2,651
Assets held for Sale	1,506	8,309
Revenue Expenditure Funded from Capital under Statute	2,039	3,054
Sources of Finance		
Capital Receipts	(5,965)	(8,239)
Government grants and other contributions	(33,466)	(29,887)
Capital expenditure charged against the General Fund and HRA reserves and balances	(8,381)	(4,454)
Contributions from MRR	(5,196)	(5,330)
MRP	(6,590)	(11,174)
Closing Capital Financing Requirement	**(414,793)**	**(447,575)**
Explanation of movements in year		
Increase in underlying need to borrow unsupported by government financial assistance	(76,874)	(32,783)
Increase/(decrease) in capital financing requirement	**(76,874)**	**(32,783)**

29. Usable Reserves

Movements in the Council's usable reserves are detailed in the movement in Reserves Statement and Note 9.

30. Unusable Reserves

31 March 2020 RESTATED £000		31 March 2021 £000
720,434	Revaluation Reserve	1,014,113
401,120	Capital Adjustment Account	397,572
(383,803)	Pensions Reserve	(511,845)
(6,227)	Accumulated Absences Account	(6,778)
4,410	Collection Fund Adjustment Account	(12,534)
(1,818)	Pooled Investment Revaluation Reserve	(1,947)
(1,450)	Financial Instruments Adjustment Account	(1,407)
63	Deferred Capital Receipts	63
732,729	**Total Unusable Reserves**	**877,237**

30 (a) 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:

- Revalued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

2019/20 RESTATED £000		2020/21 £000
660,992	**Balance at 1 April**	**720,434**
90,440	Upwards revaluation of assets	419,306
(28,487)	Downward revaluation of assets and impairment losses not charged to Deficit on the Provision of Services	(99,109)
61,953	**Surplus on revaluation of non-current assets not posted to the Deficit on the Provision of Services**	**320,197**
(4,753)	Difference between fair value depreciation and historical cost depreciation	(8,366)
(360)	Accumulated gains on assets sold	(970)
2,602	Adjusting amounts written out to the Capital Adjustment Account	(17,182)
720,434	**Balance at 31 March**	**1,014,113**

30 (b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing difference arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisitions, 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 Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2019/20 RESTATED £000		2020/21 £000
391,664	**Balance at 1 April**	**401,120**
(24,536)	Charges for depreciation and impairment of non-current assets	(31,268)
(14,794)	Revaluation losses on Property, Plant and Equipment	(27,686)
(810)	Amortisation of intangible assets	(849)
(2,039)	Revenue expenditure funded from capital under statute	(3,054)
(4,863)	Reversal of Major Repairs Allowance	-
(1,666)	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	(18,589)
(48,708)		**(81,446)**
2,512	Adjusting amounts written out of the Revaluation Reserve	26,518
(46,196)	**Written out of the cost of non-current assets consumed in the year**	**(54,928)**
5,968	Use of the Capital Receipts Reserve to finance new capital expenditure	8,239
5,196	Use of the Major Repairs Reserve to finance new capital expenditure	5,330
33,466	Application of grants to capital financing from the Capital Grants and Contributions Unapplied Account	29,887
6,590	Statutory provisions for the financing of capital investment charged against the General Fund	11,174
8,381	Capital expenditure charged against the General Fund and HRA balances	4,454
59,601		**59,084**
(3,949)	Movements in the market value of Investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(7,704)
401,120	**Balance at 31 March**	**397,572**

30 (c) Pension 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 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. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay 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 ensue that funding will have been set aside by the time the benefits come to be paid.

2019/20 £000		2020/21 £000
(471,858)	**Balance at 1 April**	**(383,803)**
114,592	Actuarial (losses)/gains on pensions assets and liabilities	(108,932)
(54,880)	Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement	(44,495)
28,343	Employer's pensions contributions and direct payments to pensioners payable in the year	25,385
(383,803)	**Balance at 31 March**	**(511,845)**

30 (d) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise in the General Fund Balance from accruing for compensated absence earned but not taken in the year, e.g., annual leave entitlement carried forward at 31 March 2021. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2019/20 £000		2020/21 £000
(5,795)	**Balance at 1 April**	**(6,227)**
5,795	Settlement or cancellation of accrual made at the end of the preceding year	6,227
(6,227)	Amounts accrued at the end of the current year	(6,778)
(432)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(551)
(6,227)	**Balance at 31 March**	**(6,778)**

30 (e) Collection Fund Adjustment Account

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

2019/20 £000		2020/21 £000
2,556	**Balance at 1 April**	**4,410**
1,854	Amount by which Council Tax and non-domestic rate income credited to the Comprehensive and Expenditure Statement is different from Council Tax and non-domestic rate income calculated for the year in accordance with statutory requirements	(16,944)
4,410	**Balance at 31 March**	**(12,534)**

30 (f) Pooled Investment Revaluation Reserve

The Pooled Investment Revaluation Reserve contains the gains and losses arising from the change in value of the council's investments that are measured at fair value through profit and loss.

2019/20 £000		2020/21 £000
(372)	**Balance at 1 April**	**(1,818)**
-	Revaluation of transferred investments charged to the Deficit on the Provision of Services	-
(1,446)	Revaluation of transferred Financial Instruments held under Fair Value through Profit and Loss subject to MHCLG Statutory Over-Ride*	(129)
(1,818)	**Balance at 31 March**	**(1,947)**

* The Ministry for Housing, Communities and Local Government (MHCLG) introduced a statutory over-ride to protect the General Fund Balance from any fluctuations in fair value movements in pooled investment funds. In the Council's case this relates to its investment in the Charities, Churches and Local Authorities (CCLA) Property Fund. This over-ride is due to come to an end on 31 March 2023 and unless extended, all fair value movements will then impact on the General Fund Balance.

30 (g) Financial Instrument Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The council uses the account to manage premiums paid and discounts received on the early redemption of loans. Premiums are debited and discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred but reserved out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the net expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on Council Tax payers.

2019/20 £000		2020/21 £000
(1,493)	**Balance at 1 April**	**(1,450)**
-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-
32	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	32
11	Interest adjustment on staggered rate loans incurred in the year and charged to the Comprehensive Income and Expenditure Statement	11
43	**Amount by which finance costs charged to the comprehensive income and expenditure statement is different from finance costs chargeable in the year in accordance with statutory requirements**	**43**
(1,450)	**Balance at 31 March**	**(1,407)**

30 (h) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets for which cash settlement has yet to take place. Under statutory arrangements the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlements eventually take place, amounts are transferred to the Capital Receipts Reserve.

31. Termination Benefits

The Council agreed to terminate the contracts of a number of employees in 2020/21, incurring liabilities of £0.481m (£1.559m in 2019/20). There was a total of 16 redundancies in 2020/21 (73 in 2019/20).

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies is set out in the table below. Of these redundancies all 16 related to officers and none related to school staff (56 officers and 17 schools in 2019/20).

Exit Package cost band (including special payments)	Number of compulsory redundancies 2019/20	2020/21	Number of other departures agreed 2019/20	2020/21	Total number of exit packages by cost band 2019/20	2020/21	Total cost of exit packages in each band 2019/20 £000	2020/21 £000
£0 - £20,000	15	-	35	9	50	9	398	106
£20,001 - £40,000	2	-	10	4	12	4	262	102
£40,001 - £60,000	-	-	3	-	3	-	146	-
£60,001 - £80,000	-	-	3	1	3	1	212	72
£80,001 - £100,000	-	-	4	1	4	1	373	85
£100,001 - £150,000	-	-	1	1	1	1	168	116
Total	**17**	**-**	**56**	**16**	**73**	**16**	**1,559**	**481**

32. Officers' Remuneration

The following table sets out the remuneration paid to the Council's senior employees:

		Note	Salary incl. honorarium £	Pension Contribution £	Total £
Chief Executive	2020/21		194,397	42,962	237,359
(Andy Donald)	2019/20		189,129	48,675	237,804
Corporate Director of Resources	2020/21	*1*	158,354	35,042	193,396
(Maria G Christofi)	2019/20		147,127	36,590	183,717
Corporate Director of Strategy	2020/21	**2**	87,881	10,102	97,983
(Simon Parker)	2019/20		134,997	34,797	169,794
Corporate Director of Culture &	2020/21	*3*	138,711	30,655	169,366
Regeneration (Matthew Essex)	2019/20		11,559	2,901	14,460
Corporate Director of Communities	2020/21	*3*	132,159	29,207	161,366
(Nicky Fiedler)	2019/20		11,013	2,764	13,777
Corporate Director of People	2020/21		149,631	33,068	182,699
(Adrian Loades)	2019/20		145,626	36,552	182,178
Operational Director of Assurance	2020/21		109,551	24,211	133,762
(Fiona Alderman)	2019/20		104,424	26,210	130,634
Director of Public Health	2020/21		118,614	17,057	135,671
(Gladys Xavier)	2019/20		115,437	24,248	139,685

1. The Corporate Director of Resources receives an honorarium payment of £10,275 in 2020/21 (£10,000 in 2019/20) with regards to the work undertaken on behalf of East London Waste Authority which is included within the salary.

2. The Corporate Director of Strategy left the Authority on 31 August 2020 and a new appointment was made with effect from 1 April 2021. The cost for the new appointment will be £134,200 which includes pension contributions.

3. The posts of Corporate Director of Communities and Corporate Director of Regeneration & Culture were appointed to in January and March 2020 respectively and therefore the costs shown in 2019/20 only relate to one/three months.

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 was:

2019/20				Earning Band	2020/21			
Officers	**Teachers**	**VA Schools**	**Total**		**Officers**	**Teachers**	**VA Schools**	**Total**
77	88	29	**194**	**£50,000 - £54,999**	120	80	22	**222**
46	62	21	**129**	**£55,000 - £59,999**	54	75	11	**140**
21	43	10	**74**	**£60,000 - £64,999**	43	48	10	**101**
16	32	2	**50**	**£65,000 - £69,999**	20	37	1	**58**
10	29	1	**40**	**£70,000 - £74,999**	13	22	3	**38**
7	21	-	**28**	**£75,000 - £79,999**	10	30	2	**42**
4	13	2	**19**	**£80,000 - £84,999**	6	17	-	**23**
2	12	2	**16**	**£85,000 - £89,999**	4	12	1	**17**
2	3	4	**9**	**£90,000 - £94,999**	1	13	1	**15**
3	10	1	**14**	**£95,000 - £99,999**	3	4	2	**9**
2	1	-	**3**	**£100,000 - £104,999**	4	9	1	**14**
3	3	-	**6**	**£105,000 - £109,999**	3	1	-	**4**
-	3	-	**3**	**£110,000 - £114,999**	2	1	-	**3**
1	2	-	**3**	**£115,000 - £119,999**	1	3	-	**4**
-	-	-	**-**	**£120,000 - £124,999**	-	3	-	**3**
-	1	-	**1**	**£125,000 - £134,999**	-	-	-	**-**
-	-	-	**-**	**£135,000 - £139,999**	-	2	-	**2**
-	-	-	**-**	**£140,000 - £144,999**	-	1	-	**1**
-	-	1	**1**	**£165,000 - £169,999**	-	-	-	**-**
-	-	-	**-**	**£170,000 - £174,999**	-	-	1	**1**
-	1	-	**1**	**£205,000 - £209,999**	-	-	-	**-**
194	**324**	**73**	**591**	**Total**	**284**	**358**	**55**	**697**

Remuneration includes gross salary, bonuses, expense allowances, compensation for loss of employment, and any other emoluments. This table excludes those officers listed in the previous table.

33. Members' Allowances

The Council paid the following amounts in respect of Members of the Council during the financial year which includes on-costs.

	2019/20 £000	2020/21 £000
Allowances	924	892
Total	**924**	**892**

The allowance paid in 2020/21 is slightly lower than the prior year as this is the result of the death of one of the councillors.

34. Related Parties

This disclosure note has been prepared using the Council's Register of Members' Declarations of Interest in addition to a specific declaration obtained in respect of related party transactions from Members and Chief Officers. The Council is required to disclose material transactions with related parties – bodies and individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of those transactions allows readers to assess the extent to which the Council may 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. In this context, related parties include:

- Central Government
- Elected Members of the Council
- Directors and Chief Officers of the Council
- Other Public Bodies
- Entities controlled or significantly influenced by the Council.

- **Central Government**

Central Government has significant influence over the general operations of the Council – it 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 receipts outstanding at 31 March 2021 are shown in Note 25.

- **Elected Members of the Council**

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2020/21 is shown in Note 33.

During 2020/21 works and services to the value of £0.231m were commissioned from a company in which one Member had an interest. Also, services to the value of £1.220m were commissioned from another company of which one Member is a director. The contracts were entered into in full compliance with the Council's standing orders.

The Members' Register of Interests is available on the Council's web site (www.redbridge.gov.uk).

- **Directors and Chief Officers of the Council**

Senior Officers have not disclosed any material transactions with related parties.

- **Other Public Bodies**

East London Waste Authority

Nature of Business and Relationship with the Council

The East London Waste Authority (ELWA) is a statutory body responsible for the disposal of waste in the London Boroughs of Barking and Dagenham, Havering, Newham and Redbridge.

Financial Performance

The levy payments paid by the Council to ELWA amounted to £18.350m (£17.903m in 2019/20).

Related Party Officers/Members

Two members of the Council are Board Members of ELWA: Councillor J. Blackman and Councillor J. Howard.

- **Entities Controlled or Significantly Influenced by the Council**

The Council has the following interest in organisations listed below:

Vision Redbridge Culture and Leisure

Nature of Business and Relationship with the Council

Vision Redbridge Culture & Leisure (VRCL) is a Leisure Trust which was incorporated as a company limited by guarantee under the Companies Act on 19 December 2007 and registered as a charity on 11 February 2008. Originally set up to manage the Council's leisure centres, in 2011/12 VRCL's remit was widened to incorporate responsibility for the management of the services previously managed in-house by the Culture, Sport & Community Leisure service area. Under both IFRS and the CIPFA Code of Practice on Local Authority accounting in the United Kingdom, VRCL is deemed to be a subsidiary of the London Borough of Redbridge as the Council has the power to govern VRCL's financial and operating policies.

Financial Performance

The Council made payments of £9.320m in 2019/20 (£9.789m in 2019/20) to VRCL for the management of these services.

Related Party Officers/Members

Three members of the Council are Board Members at VRCL: Councillor S. Sanger, Councillor D. Sharma and Councillor R. Turbefield.

Redbridge Civic Services Ltd

Redbridge Civic Services Ltd was established as a wholly owned company in February 2019, to provide Waste Management Services.

Financial Performance

In July 2019 the Council entered into a five-year contract with this company and during 2020/21 made payments of £5.798m (£3.849m in 2019/20).

Related Party Officers

Two officers of the Council are the Company Directors: M Essex and A Warnes. J Odunoye (resigned December 2020).

Redbridge Living Limited

In October 2018, the Council set up a wholly owned company called 'Redbridge Living Limited'. The company was not operational during 2019/20 nor 2020/21.

Roding Homes Limited
In June 2019, the Council set up a wholly owned company called "Roding Homes Limited". The company was not operational during 2019/20 nor 2020/21.

SixFive Education Ltd
In August 2019, the Council set up a wholly owned company called "SixFive Education Ltd". This company was not operational during 2019/20 nor 2020/21.

Other
During the financial year, the Council charged the Pension Fund £0.475m for expenses incurred administering the Pension Fund (£0.415m in 2019/20) and £0.122m for expenses incurred for investment services (£0.122m in 2019/20).

35. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts:

	2019/20 £000	2020/21 £000
Fees payable to Ernst & Young LLP (EY) with regard to external audit services carried out by the appointed auditor for the year.	107	107
Provision for additional Audit fees for 2020/21	-	163
Fees payable to Ernst & Young LLP (EY) with regard to external audit services carried out by the appointed auditor for 2018/19	24	-
Fees payable to Ernst & Young LLP (EY) with regard to external audit services carried out by the appointed auditor for 2019/20	-	213
Fees payable in respect of other services provided by EY during the year*	63	-
Total	**194**	**483**

* relates to services provided in respect of the Council's bond issuance.

36. Internal Trading Operations

Following the abolition of Compulsory Competitive Tendering from January 2000, one former Direct Service Organisation has continued to operate internal trading accounts. Any surpluses or deficits arising from trading account activities are transferred to the General Fund.

Transport	2019/20 £000	2020/21 £000
Turnover	10,413	9,288
Expenditure	(9,982)	(8,503)
Surplus	**431**	**785**

37. Pooled Budgets

The Council is involved with two pooled arrangements as set our below:

Better Care Fund
The Better Care Fund (BCF) commenced on 01 April 2015 with the purpose of supporting integrated health and social care and promoting joint planning of care provision in the local health area.

There is a national requirement to operate a pooled budget. Resources previously given to local authorities via the S256 arrangement or direct to the Clinical Commissioning Group (CCG) are now transferred from NHS England to the local CCG and then to the pooled fund.

The London Borough of Redbridge is the host partner for the Better Care Fund pooled fund under a section 75 agreement with the CCG.

2019/20 Pooled Budget £000		2020/21 Pooled Budget £000
5,503	London Borough of Redbridge	5,795
2,141	Disabled Facilities	2,141
11,176	Redbridge CCG	11,725
18,820		**19,661**

Equipment Pooled Fund

The Council entered into a pooled budget arrangement with various local authority and NHS partners in 2018/19. The primary purpose of this arrangement is to manage and control the sourcing, delivery, fitting, return and refurbishment of community equipment, adaptations and aids to daily living in service users' homes as part of an integrated community equipment service.

The agreement in place stipulates that partners will contribute to the 'pool' on the basis of their assumed activity levels. Where a partner has paid more into the pool than has been spent, the partner can either choose to carry their 'surplus' forward for use in the next financial year, or to have their 'surplus' repaid. Where there is a shortfall in the contributions made by a partner, they are required to redress this position.

The contributions and expenses of the Pool for 2020/21 were as follows:

	Contributions £000	Expenditure £000	Net (Surplus)/Deficit £000
Local Authorities			
London Borough of Redbridge	(985)	985	-
London Borough of Havering	(719)	719	-
Clinical Commissioning Groups			
Redbridge	(878)	878	-
Havering	(585)	585	-
Barking and Dagenham	(319)	319	-
NHS Trusts			
North East London NHS Foundation Trust	(730)	730	-
Barking, Havering and Redbridge University Hospital NHS Trust	(67)	67	-
Total	**(4,283)**	**4,283**	**-**

38. Other Funds

The Council administers the affairs of some elderly residents and children in care, sometimes by named officers, and holds various deposits. The total value of these funds as at 31 March 2021 was £1.479m (£1.559m as at 31 March 2020).

39. Pension Schemes Accounted for as a Defined Contribution Scheme

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

The Scheme is a multi-employer defined benefit scheme. However, the scheme is unfunded, and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 3,700 participating employers and consequently 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 as a defined contribution scheme.

In 2020/21, contributions amounting to £21.808m were paid by the Council to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. This sum includes the contributions for March 2021 which were paid in April. The figures for 2019/20 were £15.959m and 23.68%.

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 40.

The Council is not liable to the scheme for any other entities' obligations under the plan.

NHS Staff Pension Scheme
In 2013/14, former NHS employees transferred to the Council. These employees have maintained their membership in the NHS Pension Scheme. The Scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. As with the Teacher's Pension Scheme, 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 purpose of this Statement of Accounts, it is therefore accounted for as a defined contribution scheme.

In 2020/21, the Council paid £0.033m to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 20.68% of pensionable pay. The figures for 2019/20 were £0.047m and 20.68%. There were no contributions remaining payable at the year end.

40. Defined Benefit Pension Scheme

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

The Council participates in two post-employment arrangements:

- The Local Government Pension Scheme, administered locally by the London Borough of Redbridge – this is a funded defined benefit 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 pension liabilities, and cash has to be generated by the Council to meet actual pension payments as they eventually fall due.

The London Borough of Redbridge Pension Scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pension Fund Committee of the London Borough of Redbridge. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the fund are appointed by the Committee which consists of five Members.

The principal risks to the Council 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 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.

Transaction Relating to Post-Employment Benefits
The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, so the actuarial cost of post- employment/retirement benefit is reversed out of the General Fund via the Movement in Reserves Statement.

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

	Local Government Pension Scheme	
	2019/20 £000	2020/21 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	42,551	35,454
Past Service Costs	800	104
Financial and Investment Income and Expenditure		
Net interest expense	11,529	8,937
Total Post-Employment Benefits charged to the Deficit on the provision of Services	**54,880**	**44,495**
Re-measurement of the net defined benefit liability		
Return on assets excluding amounts included in net interest	63,122	(163,989)
Actuarial (losses)/gains arising from changes in financial assumptions	(93,765)	264,072
Actuarial (losses)/gains arising from changes in demographic assumptions	(32,420)	17,372
Other experience and actuarial adjustments	(51,529)	(8,523)
Total Post Employment Benefit charged to Other Comprehensive Income and Expenditure Statement	**(114,592)**	**108,932**
Movement in Reserve Statement:		
Reversal of net charges made to the Deficit on the provision of Services for post-employment benefits in accordance with the code	(26,537)	(19,110)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employer's contributions payable to scheme	26,227	23,298
Employer's discretionary contributions payable	2,116	2,087
Retirement benefits payable to pensioners	(36,167)	(33,423)
Discretionary benefits payable to pensioners	(2,116)	(2,087)

Pensions Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

	2019/20 £000	2020/21 £000
Present value of the defined benefit obligation	(1,060,505)	(1,364,772)
Fair value of assets in the Local Government Pension Scheme	676,702	852,927
Net liability arising from defined benefit obligation	**(383,803)**	**(511,845)**

Reconciliation of the movements in the fair value of the scheme

	2019/20 £000	2020/21 £000
Opening Balance at 1 April	**725,925**	**676,702**
Interest Income	17,415	15,516
Re-measurement gain/(loss)	(63,127)	163,989
Contributions by Employer	26,227	23,298
Contributions by scheme participants	6,429	6,845
Benefits paid	(36,167)	(33,423)
Closing Fair Value of scheme assets	**676,702**	**852,927**

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Local Government Pension Scheme	
	2019/20 £000	2020/21 £000
Opening Balance at 1 April	1,197,783	**1,060,505**
Current Service Cost	42,551	35,454
Interest Cost	28,944	24,453
Contributions by scheme participants	6,429	6,845
Re-measurement (gains)/losses		
- change in demographic assumptions	(32,420)	17,372
- change in financial assumptions	(93,770)	264,072
- change in other assumptions	(51,529)	(8,523)
Past Services Cost	800	104
Benefits paid	(36,167)	(33,423)
Discretionary Benefits	(2,116)	(2,087)
Closing Balance at 31 March	**1,060,505**	**1,364,772**

The Local Government Pension Scheme's Asset Comprised

	Quoted Prices in Active Markets	
	2019/20 £000	2020/21 £000
Property		
UK Property Unit Trusts	61,117	63,727
Investment Funds and Unit Trusts		
Equities	460,330	512,916
Bonds	147,823	130,504
Infrastructure	643	14,716
Other	-	125,097
Sub-total	**669,913**	**846,960**
Cash and Cash Equivalents		
Cash	6,789	5,967
Total Assets	**676,702**	**852,927**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits Liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the London Borough of Redbridge Pension Fund being based on the latest full valuation of the scheme as at 1 April 2016.

Assets are valued at fair value.

The significant assumptions used by the actuary have been as follows:

	Local Government Pension Scheme	
	2019/20	**2020/21**
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	21.6 years	21.8 years
Women	23.7 years	24.2 years
Longevity at 65 for future pensioners:		
Men	22.5 years	23.0 years
Women	25.3 years	26.0years
Rate of inflation	1.9%	2.85%
Rate of increase in salaries	1.9%	2.85%
Rate of increase in pensions	1.9%	2.85%
Rate for discounting scheme liabilities	2.3%	2.00%
Take up of option to convert some annual pension into retirement lump sum	50%	50%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e., on an actuarial basis using the projected unit credit method. The approach taken in preparing the sensitivity analysis is consistent with that adopted in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £000	**Decrease in Assumption £000**
Longevity (increase or decrease by 1 year)	54,591	(54,591)
Rate of increase in salaries (increase or decrease by 0.5%)	7,428	(7,428)
Rate of increase in pension (increase or decrease by 0.5%)	118,644	(118,644)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	128,332	(128,332)

Impact on the Council's Cashflows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. At the last valuation the Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 17 years. The triennial valuation was completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Service Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public services scheme may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total amount of contributions expected to be paid to the LGPS by the Council in the year to 31 March 2022 is £22.931 million.

41. Notes to the Cashflow Statement

(a) Cash Flow Statement – Operating Activities

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

2019/20 RESTATED £000		2020/21 £000
	The cash flows for operating activities include the following items	
(29,489)	Net (Deficit)/Surplus on the provision of services	**(34,307)**
	Adjust net deficit/surplus on the provision of services for non-cash movements	
24,536	Depreciation	31,268
14,794	Impairment and downward valuations	35,390
810	Amortisation	849
29,778	Increase/(decrease) in creditors	27,210
(10,995)	(Increase)/decrease in debtors	(5,938)
(38)	Increase in inventories	89
26,537	Movement in pension liability	19,110
1,666	Carrying amount of non-current assets sold or derecognised	18,589
10,199	Other non-cash items	19,638
97,287		**146,205**
	Adjust for items included in net deficit/surplus on the provision of services that are investing or financing activities	
(35,033)	Capital Grants	(19,284)
(3,951)	Proceeds from the sale of property, plant and equipment	(5,931)
(38,984)		**(25,215)**
28,814	**Net cash flows generated from operating activities**	**86,683**

The cash flows for operating activities include the following items:

2019/20 £000		2020/21 £000
2,129	Interest Received	1,725
(8,949)	Interest Paid	(9,446)

(b) Cash Flow Statement – Investing Activities

2019/20 £000		2020/21 £000
(134,436)	Purchase of property, plant and equipment, investment property and intangible assets	(88,814)
3,951	Proceeds from the sale of property, plant, equipment, investment property and intangible assets	5,931
(40,000)	Proceeds / (Purchases) from short term and long-term investments	(34,000)
35,033	Capital Grants	19,284
(135,452)	**Net cash flows from investing activities**	**(97,599)**

(c) Cash Flow Statement – Financing Activities

2019/20 £000		2020/21 £000
107,500	Cash receipts from short term and long-term borrowing	18,750
(531)	Cash payments for the reduction of outstanding liabilities relating to finance leases on balance sheet PFI contracts	(576)
(4,523)	Repayments of short term and long-term borrowing	(5,022)
102,446	**Net cash flows from financing activities**	**13,152**

(d) Reconciliation of Liabilities arising from Financing Activities

	2020/21 1 April £000	Financing Cashflows £000	Reclassification/ Movements £000	2020/21 31 March £000
Long Term borrowings	330,735	18,750	(2,462)	**347,023**
Short Term borrowings	5,850	(5,013)	2,999	**3,836**
Lease Liabilities	3	-	-	**3**
On Balance Sheet PFI	10,876	(576)	-	**10,300**
Total Liabilities from financing activities	**347,464**	**13,161**	**537**	**361,162**

Comparative Table for LBR Cash Flow

	2019/20 1 April £000	Financing Cashflows £000	Reclassification/ Movements £000	2019/20 31 March £000
Long Term borrowings	227,977	107,500	(4,742)	**330,735**
Short Term borrowings	5,387	(4,513)	4,976	**5,850**
Lease Liabilities	3	-	-	**3**
On Balance Sheet PFI	11,407	(531)	-	**10,876**
Total Liabilities from financing activities	**244,774**	**102,456**	**234**	**347,464**

42. Prior Period Adjustment – Revaluation of Schools

Errors were identified in the valuation of some community school assets going back a number of years. Areas used in the valuation of these schools did not include building extensions and additions made since the size of the schools were last measured. As a result, school asset valuations, and thus the value of Property, Plant & Equipment, were materially understated.

Prior year information for 2019/20 has been restated to reflect the impact of the errors. The impact on the value of Property, Plant & Equipment in the Balance Sheet as at 1 April 2019 is an increase of £102.4m. Opening balances as at 1 April 2019 and 31 March 2020 have been restated in the Balance Sheet, Movement in Reserves Statement, notes 13, 30(a) and 30(b).

The Balance Sheet as at 1 April 2019 has been restated as follows:

	1 April 2019 £000	Amount of Restatement £000	1 April 2019 Restated £000
Property, Plant & Equipment	1,154,846	102,440	1,257,286
Other Long-Term Assets	144,556	-	144,556
Other Assets & Liabilities	(644,156)	-	(644,156)
Net Assets	**655,246**	**102,440**	**757,686**
Usable Reserves	(181,928)	-	(181,928)
Revaluation Reserve	(575,255)	(85,737)	(660,992)
Capital Adjustment Account	(374,961)	(16,703)	(391,664)
Other Unusable Reserves	476,896	-	476,898
Total Reserves	**(655,246)**	**(102,440)**	**(757,686)**

The Balance Sheet as at 31 March 2020 has been restated as follows:

	31 March 2020 £000	Amount of Restatement £000	31 March 2020 Restated £000
Property, Plant & Equipment	1,233,188	103,746	1,336,934
Other Long-Term Assets	216,024	-	216,024
Other Assets & Liabilities	(648,216)	-	(648,216)
Net Assets	**800,996**	**103,746**	**904,742**
Usable Reserves	(172,013)	-	(172,013)
Revaluation Reserve	(632,852)	(87,583)	(720,435)
Capital Adjustment Account	(384,956)	(16,163)	(401,120)
Other Unusable Reserves	388,825	-	388,824
Total Reserves	**(800,996)**	**(103,746)**	**(904,742)**

The effect on the 2019/20 Comprehensive Income and Expenditure Statement comparative figures is as follows:

	2019/20		
	Net Expenditure £000	**Amount of Restatement £000**	**Restated Net Expenditure £000**
People	129,006	2,021	131,027
Other Services	95,313	-	95,313
Cost of Services	**224,319**	**2,021**	**226,340**
(Surplus)/Deficit on the provision of services	**27,468**	**2,021**	**29,489**
Other Comprehensive Income and Expenditure	**(173,219)**	**(3,326)**	**(176,545)**
Total Comprehensive Income and Expenditure	**(145,751)**	**(1,305)**	**(147,056)**

Supplementary Statements

Housing Revenue Account Income and Expenditure Statement

The Housing Revenue Account (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 Movement in the HRA Statement.

2019/20 £000		Notes	2020/21 £000
	Expenditure		
6,330	Repairs and Maintenance		5,892
9,437	Supervision and Management		9,766
720	Rents, Rates, Taxes and Other Charges		707
17,349	Depreciation and impairment of fixed assets	5	25,115
74	Discretionary Housing Benefit		44
33,910	**Total Expenditure**		**41,524**
	Income		
(24,251)	Dwelling Rents		(25,038)
(417)	Non-Dwelling Rents		(405)
(3,456)	Charges for Services and Facilities		(3,446)
(1,336)	Contributions towards expenditure		(520)
(849)	Repayment of capital grants/advances		(115)
(30,309)	**Total Income**		**(29,524)**
3,601	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**12,000**
3,601	**Net Expenditure on HRA Services**		**12,000**
	HRA Share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:		
(2,285)	Gain on sale of HRA non-current assets		5,088
2,376	Interest payable and similar charges		2,561
(335)	Interest and investment income		(238)
1,156	Transfer of Capital Receipts		-
125	Impairment Allowance		562
384	Pensions interest cost and expected return on pension assets		292
5,022	**Deficit for the year on HRA services**		**20,265**

Movement on the Housing Revenue Account Statement

2019/20 £000		2020/21 £000
(14,301)	**Balance on the HRA at the end of the previous year**	**(14,301)**
5,022	Deficit for the year on the HRA Income and Expenditure Statement	20,265
(5,133)	Adjustment between accounting basis and funding basis under statute	(20,754)
(111)	**Net decrease before transfers to or from reserves**	**(489)**
111	Transfers to reserves	94
-	Increase in year on the HRA	(395)
(14,301)	**Balance on the HRA at the end of the current year**	**(14,696)**

Note to the Movement on the HRA Statement

2019/20 £000		Notes	2020/21 £000
	Adjustments between accounting basis and funding basis under regulations		
(4,863)	Depreciation on Fixed Assets		(5,330)
2,285	Gain on sale of HRA non-current assets		(5,088)
849	Repayment of capital/advances		115
(1,512)	HRA share of contributions to or from the Pension Reserve		(631)
(12,486)	Impairment of Fixed Assets	5	(19,785)
(83)	Capital Receipts cost of sales		(80)
6,980	Capital expenditure funded by the HRA		4,454
-	Capital Grants and contributions receivable		339
(10)	Accumulated absences accrual		(78)
(1,156)	Transfer of Capital Receipts		-
4,863	Posting of HRA resources from revenue to the Major Repairs Reserve		5,330
(5,133)			**(20,754)**
	Transfers (from) / to reserves		
111	Transfer (from)/to earmarked reserves	7	94
111			**94**

Notes to the Housing Revenue Account

1. Rent Income

Gross rent income is the total rent income due after allowance is made for void properties. During the year an average of 0.84% of rent was lost because of properties that were vacant (0.78% in 2019/20). The average rent for social housing stock (social and affordable housing) was £108.85 per week in 2020/21, and £104.74 per week in 2019/20. The prior year figure of £101.49 per week related to social housing stock only.

2. Housing Stock

The Council is responsible for managing a Housing Revenue Account stock of 4,498 properties at 31 March 2021 (4,442 at 31 March 2020). An analysis is shown below. The Council is also a freeholder of 2,487 leased properties.

31 March 2020 Number		31 March 2021 Number
	General Needs	
1,655	- One or fewer Bedrooms	1,649
1,330	- Two Bedrooms	1,381
1,331	- Three or more Bedrooms	1,342
126	Sheltered Housing Units	126
4,442	**Total**	**4,498**

3. Rent Arrears

31 March 2020 £000		31 March 2021 £000
	Arrears due from	
621	- Current tenants	1,107
369	- Former tenants	432
990	**Total**	**1,539**
4.05%	Total as a % of gross debt	6.10%

4. Balance Sheet Value of HRA Assets

31 March 2020 £000		31 March 2021 £000
292,076	Dwellings	310,636
28,333	Other Land and Buildings	7,393
320,409	**Total**	**318,029**

The vacant possession value of dwellings within the HRA as at 1 April 2021 was £1.243m (£1.166m as at 1 April 2020). The difference of £932m between the vacant possession value and the Balance Sheet value of dwellings (£311m) within the HRA represents the economic cost of providing Council housing at less than open market value.

5. Depreciation and Impairment charges

Depreciation charges shown below reflect the economic consumption of HRA assets in 2020/21.

2019/20 £000		2020/21 £000
4,775	Depreciation Operational Assets - dwellings	5,187
88	Depreciation Operational Assets – other land and buildings	143
12,486	Impairment of fixed assets – dwellings and other land and buildings	19,785
17,349	**Total**	**25,115**

The charge for impairment in 2020/21 is reflected in the market value of HRA dwellings.

6. Major Repairs Reserve

MRA funds held in the Major Repairs Reserve can be used for capital expenditure or repayment of debt on HRA assets only.

2019/20 £000		2020/21 £000
(333)	Balance Brought Forward	-
(4,775)	Major Repairs Allowance (MRA)	(5,187)
(88)	Non-dwellings depreciation	(143)
5196	Capital Expenditure funded from the MRR	5,330
-	**Balance on the Major Repairs Reserves as at 31 March**	**-**

7. Movement in Earmarked Reserves

The following movements in earmarked reserves occurred in 2020/21:

2019/20 £000		2020/21 £000
(13)	HRA – Minor works	-
(15)	HRA – Capital Reserve	(14)
(83)	HRA – New Provision Receipts (admin RTB)	(80)
(111)	**Total**	**(94)**

8. HRA Capital Financing

2019/20 £000		2020/21 £000
25,581	**HRA Capital Expenditure - Dwellings**	**32,616**
	Financed by:	
227	Government Grants	2,784
-	S106 Grants	5,419
5,773	Contribution from Revenue	4,454
5,196	Net Contributions from Major Repairs Reserve	5,330
500	Capital Receipts - Other	796
1,207	Contribution from Other Reserves	340
5,198	Capital Receipts – RTB	7,173
7,480	Borrowing	6,320
25,581	**Total Funding**	**32,616**

9. Capital Receipts

2019/20 £000		2020/21 £000
	HRA Capital Receipts	
4,110	Properties	4,859
690	Land and Garages	-
4,800		**4,859**

10. HRA share of Contribution to or from the Pension Reserve

Under IAS 19 the cost of retirement benefits is recognised in the net cost of services when employees earn them rather than when the benefits are eventually paid. This principle is applied to the HRA. The HRA has been charged with its share of the pension interest cost and return on pension assets, and these together with the charge in service costs have been matched by a transfer to the Pension Reserve so that the net outturn on the HRA is not altered by these IAS 19 adjustments.

Collection Fund

This statement 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 fund from taxpayers and distributions to the London Borough of Redbridge, the Greater London Authority (GLA) and Central Government of Council tax, non-domestic rates (NDR) and the business rate supplement (BRS). The element of the Collection Fund that relates to the Council has been consolidated with the Council's main accounts. The Accounts have been prepared on an accruals basis.

Income and Expenditure Account

2019/20 Total £000		2020/21 Council Tax £000	2020/21 NDR £000	2020/21 BRS £000	2020/21 Total £000
	Income				
149,148	Council Taxpayers	153,083	-	-	153,083
-	General Fund Discretionary Relief Contribution	2,023	-	-	2,023
57,237	Income from Business Ratepayers	-	23,509	438	23,947
1,351	Transitional Protection–Central Government	-	539	-	539
207,736	**Total Income**	**155,106**	**24,048**	**438**	**179,592**
	Expenditure				
	Precepts:				
118,032	London Borough of Redbridge	124,428	-	-	124,428
28,970	Greater London Authority	30,427	-	-	30,427
	Business Rates:				
25,677	London Borough of Redbridge	-	16,766	-	16,766
15,562	Greater London Authority	-	20,678	432	21,110
13,373	Central Government	-	18,444	-	18,444
286	Costs of Collection	-	276	6	282
	Apportionment of previous years estimated collection fund surplus:				
1,079	London Borough of Redbridge	1,812	1,848	-	3,660
(2,880)	Greater London Authority	444	1,040	-	1,484
(2,711)	Central Government	-	792	-	792
	Bad and Doubtful Debts				
(129)	Provisions	2,024	2,918	-	4,942
2,769	Write-offs	192	2	-	194
(2,343)	Provisions for appeals	-	3,992	-	3,992
197,685	**Total Expenditure**	**159,327**	**66,756**	**438**	**226,521**
10,051	**(Deficit)/Surplus for the year**	**(4,221)**	**(42,708)**	**-**	**(46,929)**
(2,568)	(Deficit)/Surplus bought forward at 1 April	**2,279**	**5,204**	**-**	**7,483**
7,483	**(Deficit)/Surplus carried forward at 31 March**	**(1,942)**	**(37,504)**	**-**	**(39,446)**
	Allocated to:				
4,410	London Borough of Redbridge	(1,557)	(10,977)	-	(12,534)
1,918	Greater London Authority	(385)	(14,011)	-	(14,396)
1,155	Central Government	-	(12,516)	-	(12,516)
7,483	**Total**	**(1,942)**	**(37,504)**	**-**	**(39,446)**

Notes to the Collection Fund

1. Impact of COVID-19 related regulations on the Collection Fund

The Collection Fund Deficit for 2020/21 is much larger than in previous years, due to changes in various regulations as part of Central Government's response to the COVID–19 pandemic; especially with regards to Business Rates. Retail businesses and nurseries were awarded £35.253m in additional reliefs in 2020/21, which were not anticipated on preparing the Collection Fund forecast in late January 2020. These reliefs effectively reduce the net amount the Council can collect on behalf of the preceptors for business rates; as the precept amounts cannot be changed after being legally set, the result is a deficit on the Collection Fund. Compensation to preceptors is provided through S31 grants from the MHCLG. These grants are reported in the induvial preceptors' accounts.

The Government established the COVID-19 Council Tax Hardship Fund to deliver relief to council taxpayers during 2020/21 by reducing council tax liability using existing discretionary powers. The Council received £2.023m which has been used to reduce the council tax liability of those in receipt of local council tax support by up to £150 (£1.942m). the remainder of the grant was used to provide additional support to the most vulnerable residents. The grant was paid to the General Fund and a statutory transfer made to the Collection Fund to compensate for the reduction in tax liability.

Another statutory change to the administration of the Collection Fund, is the phasing of Collection Fund Deficits in relation to 'exceptional amounts' related to COVID-19; and does not relate to any amount brought forward into the Collection relating to prior year surpluses and deficits.

2. Council Tax

Council Tax is based partly on the valuation of domestic properties and is partly a Personal Tax with discounts for single occupiers. The Council set the level of Council Tax for 2020/21 at £1,690.04 for band D properties (this includes £332.07 on behalf of the Greater London Authority). On setting the level of Council tax for 2020/21, the number of band D equivalent properties in each band making up the Council Tax base was as follows:

Band	2019/20 Number of Properties	2020/21 Number of Properties
A	1,403	1,504
B	9,201	9,307
C	22,095	22,441
D	30,408	30,722
E	23,029	23,015
F	10,524	10,478
G	5,161	5,161
H	375	379
Council Tax base collection allowance adjustment	(1,275)	(926)
Allowance for estimated full value of exemptions (inc. disabled)	(864)	(1,306)
Local Authority Tax Support Scheme	(9,671)	(9,147)
Total	**90,386**	**91,628**

3. Council Tax Reduction Scheme

The Council Tax Reduction Scheme came into effect on1st April 2013.

4. Income from Business Rates

The Council collects business rates for its area based on rateable values (as determined by the Valuation Office Agency) and multipliers set by Central Government. The multipliers for 2020/21 were 49.9p for qualifying Small Businesses, with the standard multiplier being 51.2p for all other businesses (49.1p and 50.4p respectively in 2019/20).

The total rateable value for business premises as at the end of March 2021 was £153,862,837 (£154,002,650 as at 31st March 2020).

Under these arrangements the amounts included in these Accounts are analysed as follows:

2019/20 £000		2020/21 £000
74,698	Gross NDR due in the year	74,708
(18,586)	Less: Allowances and other adjustments	(51,199)
56,112		**23,509**

Under the Business Rate Retention Scheme, the total rate collected is shared between Redbridge, the GLA and Central Government based on statutory allocations. The shares between 2018/19 and 2020/21 varied because of the implementation of the London Business Rate Pool Pilot Scheme (see note 7 below).

Share	Redbridge	GLA	Government	Total
2018/19	64%	36%	-	100%
2019/20	48%	27%	25%	100%
2020/21	30%	37%	33%	100%

In addition to NDR collected on behalf of the Government, the Council has collected the sum of £0.438m (£1.119 2019/20) on behalf of the Greater London Authority in respect of a Business Rate Supplement.

5. Business Rate Supplement (BRS)

Under the arrangements for the BRS, the Council collects a supplement for its area based on a charge set by the GLA. The total amount, less certain deductions, is paid to the GLA on whose behalf it is collected. As at 31 March 2021 the balance repayable by the GLA is £0.153m (£0.329m in 2019/20).

6. Transitional Protection Payments (TPP)

The Council receives TPP from Central Government to meet the cost of transitional arrangements for businesses which were put in place following the 2017 Business Rate Revaluation that created large increase in business rates for some tax payers.

7. Provision for Appeals

The Fund has a provision for appeals made to the Valuation Office against rating valuations but not settled as at 31 March 2021. As at 31 March 2021 a provision of £9.997m (£6.005m in 2019/20) was charged to the Collection Fund. The provision for appeals is provided for in proportion to the precepting shares. The Council's proportionate share of this provision is £2.999m (£2.882m for 2019/20).

8. London Business Rates Pool Pilot Schemes

In 2018/19 and 2019/20 the Secretary of State for Housing, Communities and Local Government designated the London Boroughs and GLA as member authorities of a London wide statutory business rates pool pilot. The pool was part of the Government's programme to ultimately introduce 100% local business rates retention across England. No pilot pools were designated in 2020/21, but the London boroughs continued to operate a London wide pool under national statutory arrangements. The gains from the annual pools were shared between the boroughs and the GLA and accounted for in the General Fund, not the Collection Fund. As can be seen from the table above, the benefit from the pool to London reduced from 100% in 2018/19 to 75% in 2019/20 and 67% in 2020/21.

9. Collection Fund deficits for 2020/21

Estimated deficits on the collection fund are normally budgeted for in the following financial year, as part of the tax and budget setting process. The Government has determined that both council tax and business rates estimated deficits relating to COVID-19 in 2020/21 will be treated as exceptional and recovered over three years rather than one, this helps to reduce the budget pressure in 2021/22 onwards. Redbridge estimated the following deficit for 2020/21 and its annual share over three years. The business rates deficit being spread is significantly lower than the actual deficit because the Government has provided grant to meet the cost of the COVID allowances that makes up most of the shortfall.

Redbridge's share of the deficit is £12.534m will be financed as set out in the table below (see also Note 30 (e) Collection Fund Adjustment Account).

	2021/22 £m	2022/23 £m	2023/24 £m	Total 2020/21 Deficit
<u>NNDR Deficit</u>				
Estimated Redbridge 2020/21 exceptional deficit to be financed over three years	0.117	0.117	0.117	0.351
S31 Government Compensation Grant held in reserves to meet the cost of COVID Retail and Nurseries Additional Relief	9.645	0.209	-	9.854
Remaining deficit 2020/21 budgeted 2022/23	-	0.772	-	0.772
Total NNDR Deficit	**9.762**	**1.098**	**0.117**	**10.977**
<u>Council Tax Deficit</u>				
Estimated Redbridge 2020/21 exceptional deficit to be financed over three years	0.400	0.400	0.400	1.200
Remaining deficit 2020/21 budgeted 2022/23	-	0.357	-	0.357
Total Council Tax Deficit	**0.400**	**0.757**	**0.400**	**1.557**
Total Collection Fund Deficit 31 March 2021	**10.162**	**1.855**	**0.517**	**12.534**

Group Accounts

Basis of Consolidation

Vision Redbridge Culture and Leisure

The Council has an interest in Vision Redbridge Culture and Leisure (VRCL) a Leisure Trust which was incorporated as a company limited by guarantee under the Companies Act on 19 December 2006. It was registered as a charity on 11 February 2008. VRCL was originally set up to manage the Council's leisure centres, however during 2011 its remit was widened, and it is now responsible for the management of the services previously managed in-house by the Culture, Sport and Community Leisure service area.

Under both IFRS and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom VRCL is deemed to be a subsidiary of the London Borough of Redbridge as the Council has the power to govern VRCL's financial and operating policies.

VRCL had been consolidated from the 2011/12 financial year and is consolidated line by line into the Group Accounts as a subsidiary. Group Accounts have been prepared on the basis of full consolidation of the financial transactions and balances of the London Borough of Redbridge and VRCL, netting out any inter-party transactions. The Group Accounts was prepared using uniform policies for like transactions and the financial statements of VRCL were prepared as at the same reporting date as London Borough of Redbridge.

A Senior management restructure agreed by Council in September 2019 was implemented on the 1 April 2020. This resulted in the Place Directorate being transformed into two new Directorates, Communities, and Regeneration & Culture. The 2019/20 figures have been restated where appropriate to aid comparability between the two years.

Errors were identified in the valuation of some community school assets going back a number of years. As a result, school asset valuations, and therefore the value of Property Plant and Equipment was materially understated. Prior year information has been restated to reflect the impact of these errors. Property, Plant and Equipment in the Group Balance Sheet as at 1 April 2019 has increased by £102.4m. Opening balances as at 1 April 2019 and 31 March 2020 have been restated in the Group Balance Sheet and Group Movement in Reserves Statement. More detailed information is set out at Note 11.

Other Council owned entities

In October 2018, the Council formed a wholly owned company, Redbridge Living Limited. The aim of this company is to deliver, in time, a range of affordable, private rented and for sale housing on council owned land.

In June 2019, the Council set up a wholly owned company, Roding Homes Limited. The aim of this company is to acquire, let and manage properties enabling Redbridge Council to nominate homeless households or those at risk of homelessness to properties in discharge of the Council's housing duties. This company has not been operational since inception.

In August 2019 SixFive Education Ltd was established to provide educational support services. This company has not been operational since inception.

As all three of the above companies have yet to become operational, they have not been consolidated within the Councils Group accounts.

In February 2019, the Council set up a wholly owned company, Redbridge Civic Services Ltd. The aim of this company is to deliver waste services. The company began operating in August 2019. Turnover to 31 March 2021 totalled £5.603m (31/03/20 £3.853m) and net assets amounted to £0.067m (31/03/20 £0.035m) which will not materially impact the group accounts. Therefore, Redbridge Civic Services Ltd has not been consolidated within the Council's Group accounts.

Group Comprehensive Income and Expenditure Statement

The Group Comprehensive Income and Expenditure Statement summaries the resources that have been generated and consumed in providing services and managing the Group during the year. A Senior management restructure agreed by Council in September 2019 was implemented on the 1 April 2020. This resulted in the Place Directorate being transformed into two new Directorates, Communities, and Regeneration & Culture. The 2019/20 figures have been restated where appropriate to aid comparability between the two years. In addition, errors were identified in the valuation and measurement of some community school assets going back a number of years that has required restatement. Information relating to this restatement is contained in note 11.

2019/20 RESTATED				Note	2020/21		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**			**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
109,237	(70,099)	39,138	Communities		117,951	(68,553)	49,398
473,224	(350,506)	122,718	People		490,167	(378,965)	111,202
39,222	(17,938)	21,284	Regeneration and Culture		42,603	(21,920)	20,683
155,464	(139,722)	15,742	Resources		153,532	(138,437)	15,095
13,669	(6,167)	7,502	Strategy		22,045	(14,413)	7,632
10,565	(1,471)	9,094	Corporate		13,628	(4,607)	9,021
33,910	(30,309)	3,601	Local Authority Housing (HRA)		41,524	(29,524)	12,000
835,291	**(616,212)**	**219,079**	**Cost of Services**		**881,450**	**(656,419)**	**225,031**
		17,927	Other Operating Expenditure	2			32,346
		19,582	Financing and Investment Income and Expenditure	3			23,486
		(226,060)	Taxation and Non-Specific Grant Income	4			(246,917)
		30,528	**Group (Surplus)/Deficit on Provision of Services**				**33,946**
		(61,953)	Surplus on revaluation of non-current assets				(320,197)
		(116,221)	Re-measurement of the net defined benefit liability				112,834
		-	Actuarial (gains)/losses on Pension Fund Assets and Liabilities				-
		(178,174)	**Other Comprehensive Income and Expenditure**				**(207,363)**
		(147,646)	**Total Comprehensive Income and Expenditure**				**(173,417)**

Group Movement in Reserves Statement

The Group Movement in Reserves Statement shows the movement in the year on the Council's single entity useable and unusable reserves together with the Council's share of the Group's reserves. Information relating to the restatement is contained in note 11.

2019/20 - RESTATED Comparative Figures

	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Contributions Unapplied	Group' s share of Reserves of Subsidiary	Total Group Usable Reserves	Unusable Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 19 brought forward	(89,183)	(16,684)	(16,227)	(333)	(59,501)	7,666	(174,262)	(473,318)	(647,580)
Adjustment	-	-	-	-	-	-	-	(102,440)	(102,440)
Balance 01 April 2019	(89,183)	(16,684)	(16,227)	(333)	(59,501)	7,666	(174,262)	(575,758)	(750,020)
Movement in Reserves during 2019/20									
Total Comprehensive Income and Expenditure	24,467	5,022	-	-	-	(590)	28,899	(176,545)	(147,646)
Adjustment between accounting basis and funding basis under regulations	16,035)	(5,133)	2,828	333	(1,567)	-	(19,574)	19,574	-
Net (Increase) / Decrease	8,432	(111)	2,828	333	(1,567)	(590)	9,325	(156,971)	(147,846)
Balance at 31 March 20 carried forward	(80,751)	(16,795)	(13,399)	-	(61,068)	7,076	(164,937)	(732,729)	(897,666)
2020/21									
Movement in Reserves during 2020/21									
Total Comprehensive Income and Expenditure	14,042	20,265	-	-	-	(9,198	25,109	(198,526)	(173,417)
Adjustment between accounting basis and funding basis under regulations	(59,483)	(20,754)	2,878	-	10,602	-	(66,757)	66,757	-
Net (Increase) / Decrease	(45,441)	(489)	2,878	-	10,602	(9,198)	(41,648)	(131,769)	(173,417)
Balance at 31 March 21 carried forward	(126,192)	(17,284)	(10,521)	-	(50,466)	(2,122)	(206,585)	(864,498)	(1,071,083)

Group Balance Sheet as at 31 March 2021

The Group Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council and its subsidiary. The net assets of the Council and its subsidiary (assets less liabilities) are matched by the reserves held by the Council and its subsidiary. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e., those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council and its subsidiary are not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. Information relating to the restatement is contained in note 11.

01 April 2019 RESTATED £000	31 March 2020 RESTATED £000		31 March 2021 £000
1,257,992	1,337,821	Property, Plant and Equipment	1,652,912
91,809	95,762	Infrastructure Assets	98,758
38,444	97,911	Investment Property	90,751
2,492	2,012	Intangible Assets	5,320
9,628	18,182	Long-term Investments	18,053
2,183	2,157	Long-term Debtors	2,142
1,402,548	**1,553,845**	**Long-term Assets**	**1,867,936**
-	3,197	Assets Held for Sale	12,057
82,406	112,700	Short-term Investments	146,460
296	342	Inventories	222
43,729	58,028	Short-term Debtors	65,172
30,424	22,732	Cash and Cash Equivalents	26,203
156,855	**196,999**	**Current Assets**	**250,114**
(5,387)	(5,850)	Short-term Borrowing	(3,836)
(67,845)	(101,387)	Short-term Creditors	(130,241)
(2,150)	(1,435)	Provisions	(1,901)
		Capital Grant receipts in advance	(14,153)
-	-	Revenue Grants receipts in advance	(7,141)
(75,382)	**(108,672)**	**Current Liabilities**	**(157,272)**
(13,652)	(11,376)	Provisions	(8,410)
(227,977)	(330,735)	Long-term Borrowing	(347,023)
(492,372)	(402,395)	Other Long-term Liabilities	(534,262)
(734,001)	**(744,506)**	**Long-term Liabilities**	**(889,695)**
750,020	**897,666**	**Net Assets**	**1,071,083**
174,262	**164,937**	**Usable Reserves**	**206,585**
575,758	**732,729**	**Unusable Reserves**	**864,498**
750,020	**897,666**	**Total Reserves**	**1,071,083**

Maria G. Christofi, BA (Hons), FCCA, CPFA
Corporate Director of Resources & Section 151 Officer
28 September 2023

Group Cash Flow Statement

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Council during 2020/21. The statement shows how the Council and its subsidiary generate and use cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council and its subsidiaries. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's and its subsidiary's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e., borrowing) to the Council and its subsidiary. Information relating to the restatement is contained in note 42.

2019/20 RESTATED £000		Note	2020/21 £000
(30,528)	Net (deficit)/Surplus on the provision of services	10(a)	(33,946)
95,232	Adjustments to net deficit/surplus on the provision of services for non-cash movements	10(a)	147,609
(38,984)	Adjustments for items included in the net deficit/surplus on the provision of services that are investing and financing activities	10(a)	(25,215)
25,720	**Net cash flows from operating activities**	10(a)	**88,448**
(135,858)	Investing activities	10(b)	(98,129)
102,446	Financing activities	10(c)	13,152
(7,692)	**Net increase/(decrease) in cash and cash equivalents**		**3,471**
30,424	Cash and cash equivalents at the beginning of the reporting year		22,732
22,732	**Cash and cash equivalents at the end of the reporting year**		**26,203**

Notes to the Group Financial Statements

1. Accounting Policies

Vision Redbridge Culture and Leisure is a private company limited by guarantee under the Companies Act; as such they have no share capital. The Council is required to prepare Group Accounts where it has interests in subsidiaries, associates and joint ventures. It has determined that the interest held in Vision Redbridge Culture and Leisure is such that it requires Group Accounts to be prepared. The Financial Statements in the Group Accounts are prepared in accordance with the policies set out in the statement of accounting policies.

2. Other Operating Expenditure

2019/20 £000		2020/21 £000
18,635	Levies	19,083
421	Payments to the Government Housing Capital Receipts Pool	605
(2,285)	(Gains)/Losses on the disposal of non-current assets	12,658
1,156	Transfer of capital receipts to GLA	-
17,927	**Total**	**32,346**

3. Financing and Investment Income and Expenditure

2019/20 £000		2020/21 £000
9,180	Interest payable and similar charges	10,519
11,529	Net interest on the net defined benefit liability	8,936
(2,044)	Interest receivable and similar charges	(1,661)
(1,097)	income in relation to investment properties and changes in their fair value	1,804
1,446	(Gains) / losses on pooled investments	129
568	Impairment Allowance	3,759
19,582	**Total**	**23,486**

4. Taxation and Non-Specific Grant Income

2019/20 £000		2020/21 £000
(118,714)	Council Tax Income	(122,853)
(60,215)	Non-domestic rates income and expenditure	(39,103)
(12,098)	Non-ring-fenced government grants	(66,016)
(35,033)	Capital grants and contributions	(18,945)
(226,060)	**Total**	**(246,917)**

5. Expenditure and Income Analysed by Category

2019/20 RESTATED Total £000	Expenditure/Income	2020/21 Total £000
	Expenditure	
327,789	Employee Benefits Expenses	329,436
468,953	Other Services Expenses	493,558
1,094	Support Services recharges	985
45,237	Depreciation, Amortisation, Impairment	60,189
33,251	Interest and Financing Payments	27,927
218	Capital Contribution	-
18,635	Precept and Levies	19,084
421	Payments to Housing Capital Receipts Pool	605
1,156	Transfer of Capital Receipts Pool to GLA	-
-	Loss on the disposal of assets	12,659
896,754	**Total Expenditure**	**944,443**
	Income	
(165,197)	Fees, Charges and Other Service Income	(147,509)
(7,566)	Interest and Investment Income	(8,323)
(178,928)	Income from Council Tax and Non-Domestic Rates	(161,956)
(512,250)	Government Grants and Contribution	(592,709)
(2,285)	Gain on the disposal of assets	-
(866,226)	**Total Income**	**(910,497)**
30,528	**Deficit/(Surplus) on the Provision of Services**	**33,946**

6. Results of Vision Redbridge Culture and Leisure Operations

The net liabilities of the company for the year ended 31 March 2021 totalled £10,617m (£7.076m for year ended 31 March 2020). The company made a net loss in 2020/21 of £3.541m (a net gain of £0.590m for the year ended 31 March 2020).

7. 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 investments that having originally been invested for no longer than three months are repayable on demand or readily convertible to known amounts of cash with insignificant risk of change in value. Fixed term deposits, excluding overnight deposits, are not considered to be readily convertible since they only become repayable at the point of maturity and cannot be traded or redeemed without penalty. 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.

The Balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2020 £000		31 March 2021 £000
15,857	Short Term Deposits	16,300
6,875	Bank Balance surplus	9,903
22,732	**Total Cash and Cash Equivalents**	**26,203**

8. Defined Benefit Pension Scheme

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

The Council participates in two post-employment arrangements:

- The Local Government Pension Scheme, administered locally by the London Borough of Redbridge – this is a funded defined benefit 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 pension liabilities, and cash has to be generated by the Council to meet actual pension payments as they eventually fall due.

The London Borough of Redbridge Pension Scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pension Fund Committee of the London Borough of Redbridge. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the fund are appointed by the Committee which consists of five Members.

The principal risks to the Council 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 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.

Transaction Relating to Post-Employment Benefits

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

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

	Local Government Pension Scheme	
	2019/20 £000	**2020/21 £000**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	43,878	36,359
Past Service Costs	800	153
Financial and Investment Income and Expenditure		
Net interest expense	11,755	9,132
Total Post-Employment Benefits charged to the Deficit on the provision of Services	**56,433**	**45,644**
Re-measurement of the net defined benefit liability		
Return on assets excluding amounts included in net interest	66,902	(169,752)
Actuarial (losses)/gains arising from changes in financial assumptions	(97,136)	273,508
Actuarial (losses)/gains arising from changes in demographic assumptions	(33,469)	17,914
Other experience and actuarial adjustments	(52,518)	(8,835)
Total Post Employment Benefit charged to Other Comprehensive Income and Expenditure Statement	**(116,221)**	**112,835**

Movement in Reserve Statement:		
Reversal of net charges made to the Deficit on the provision of Services for post-employment benefits in accordance with the code	(26,537)	(19,110)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employer's contributions payable to scheme	26,966	23,900
Employer's discretionary contributions payable	2,116	2,087
Retirement benefits payable to pensioners	(36,780)	(34,034)
Discretionary benefits payable to pensioners	(2,116)	(2,087)

Pensions Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

	2019/20 £000	2020/21 £000
Present value of the defined benefit obligation	(1,092,440)	(1,407,629)
Fair value of assets in the Local Government Pension Scheme	700,348	883,045
Net liability arising from defined benefit obligation	**(392,092)**	**(524,584)**

Reconciliation of the movements in the fair value of the scheme

	2019/20 £000	2020/21 £000
Opening Balance at 1 April	**752,399**	**700,348**
Interest Income	18,055	16,061
Re-measurement gain/(loss)	(66,907)	169,752
Contributions by Employer	26,966	23,900
Contributions by scheme participants	6,615	7,018
Benefits paid	(36,780)	(34,034)
Closing Fair Value of scheme assets	**700,348**	**883,045**

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Local Government Pension Scheme	
	2019/20 £000	2020/21 £000
Opening Balance at 1 April	1,233,361	**1,092,440**
Current Service Cost	43,878	36,408
Interest Cost	29,810	25,193
Contributions by scheme participants	6,615	7,018
Re-measurement (gains)/losses		
- change in demographic assumptions	(33,469)	17,914
- change in financial assumptions	(97,141)	273,508
- change in other assumptions	(52,518)	(8,835)
Past Services Cost	800	104
Benefits paid	(36,780)	(34,034)
Discretionary Benefits	(2,116)	(2,087)
Closing Balance at 31 March	**1,092,440**	**1,407,629**

The Local Government Pension Scheme's Asset Comprised

	Quoted Prices in Active Markets	
	2019/20 £000	**2020/21 £000**
Property		
UK Property Unit Trusts	63,245	67,040
Investment Funds and Unit Trusts		
Equities	476,410	534,902
Bonds	153,025	135,022
Infrastructure	643	14,716
Other	-	125,097
Sub-total	**693,323**	**876,777**
Cash and Cash Equivalents		
Cash	7,025	6,268
Total Assets	**700,348**	**883,045**

Basis for Estimating Assets and Liabilities
Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits Liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the London Borough of Redbridge Pension Fund being based on the latest full valuation of the scheme as at 1 April 2016.

The significant assumptions used by the actuary have been as follows:

	Local Government Pension Scheme	
	2019/20	**2020/21**
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	21.6 years	21.8 years
Women	23.7 years	24.2 years
Longevity at 65 for future pensioners:		
Men	22.5 years	23.0 years
Women	25.3 years	26.0years
Rate of inflation	1.9%	2.85%
Rate of increase in salaries	1.9%	2.85%
Rate of increase in pensions	1.9%	2.85%
Rate for discounting scheme liabilities	2.3%	2.00%
Take up of option to convert some annual pension into retirement lump sum	50%	50%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e., on an actuarial basis using the projected unit credit method. The approach taken in preparing the sensitivity analysis is consistent with that adopted in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease by 1 year)	56,305	(56,305)
Rate of increase in salaries (increase or decrease by 0.5%)	7,985	(7,985)
Rate of increase in pension (increase or decrease by 0.5%)	122,614	(122,614)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	132,961	(132,961)

Impact on the Council's Cashflows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. At the last valuation the Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 17 years. The triennial valuation was completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Service Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public services scheme may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total amount of contributions expected to be paid to the LGPS by the Group in the year to 31 March 2022 is £23.533 million.

9. Other Long-term liabilities

31 March 2021	**Single Entity**	**Vision**	**Group**
Pension Liability	(511,845)	(12,739)	(524,584)
Long-Term Creditors	(9,678)	-	(9,678)
Total Long-Term Liabilities	**(521,523)**	**(12,739)**	**(534,262)**

31 March 2020	**Single Entity**	**Vision**	**Group**
Pension Liability	(383,803)	(8,289)	(392,092)
Long-Term Creditors	(10,303)	-	(10,303)
Total Long-Term Liabilities	**(394,106)**	**(8,289)**	**(402,395)**

Vision's Pension Liability deficit is part of the net reserve movement shown in the "Groups share of the reserves of the subsidiary" column, set out in the Movement of Reserves Statement.

10. (a) Cash Flow Statement – Operating Activities

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

2019/20 RESTATED £000		2020/21 £000
	The cash flows for operating activities include the following items:	
(30,528)	**Net (deficit)/Surplus on the provision of services**	**(33,946)**
	Adjust net deficit/surplus on the provision of services for non-cash movements	
24,770	Depreciation	31,656
14,794	Impairment and downward valuations	35,390
810	Amortisation	849
27,054	Increase in creditors	28,854
(11,357)	Increase in debtors	(7,144)
(46)	Decrease in inventories.	120
27,351	Movement in pension liability	19,657
1,666	Carrying amount of non-current assets sold or derecognised	18,589
10,190	Other non-cash items	19,638
95,232		**147,609**
	Adjust for items included in net deficit/surplus on the provision of services that are investing or financing activities	
(35,033)	Capital grants	(19,284)
(3,951)	Proceeds from the sale of property, plant and equipment	(5,931)
(38,984)		**(25,215)**
25,720	**Net cash flows from operating activities**	**88,448**

The cash flows for operating activities include the following items:

2019/20 £000		2020/21 £000
2,138	Interest Received	1,726
(8,949)	Interest Paid	(9,446)

(b) Cash Flow Statement – Investing Activities

2019/20 £000		2020/21 £000
(134,851)	Purchase of property, plant and equipment, investment property and intangible assets	(89,344)
3,951	Proceeds from the sale of property, plant, equipment, investment property and intangible assets	5,931
(40,000)	Proceeds / (Purchases) from short term and long-term investments	(34,000)
35,042	Other receipts from investing activities	19,284
(135,858)	**Net cash flows from investing activities**	**(98,129)**

(c) Cash Flow Statement – Financing Activities

2019/20 £000		2020/21 £000
107,500	Cash receipts of short term and long-term borrowing	18,750
-	Other receipts from financing activities	-
(531)	Cash payments for the reduction of the outstanding liabilities relating to the finance leases on balance sheet PFI contracts	(576)
(4,523)	Repayments of short term and long-term borrowing	(5,022)
102,446	**Net cash flows from financing activities**	**13,152**

(d) Reconciliation of Liabilities arising from Financing Activities

	1 April 2020 £000	Financing Cashflows £000	Reclassification/ Movements £000	31 March 2021 £000
Long Term borrowings	330,735	18,750	(2,462)	**347,023**
Short Term borrowings	5,850	(5,013)	2,999	**3,836**
Lease Liabilities	3	-	-	**3**
On Balance Sheet PFI	10,876	(576)	-	**10,300**
Total Liabilities from financing activities	**347,464**	**13,161**	**537**	**361,162**

	1 April 2019 £000	Financing Cashflows £000	Reclassification/ Movements £000	31 March 2020 £000
Long Term borrowings	227,977	107,500	(4,742)	**330,735**
Short Term borrowings	5,387	(4,513)	4,976	**5,850**
Lease Liabilities	3	-	-	**3**
On Balance Sheet PFI	11,407	(531)	-	**10,876**
Total Liabilities from financing activities	**244,774**	**102,456**	**234**	**347,464**

11. Prior Period Adjustment – Revaluation of Schools

Errors were identified in the valuation of some community school assets going back a number of years. Prior year information for 2019/20 has been restated to reflect the impact of the errors. The impact on the value of Property, Plant & Equipment in the Group Balance Sheet as at 1 April 2019 is an increase of £102.4m. Opening balances as at 1 April 2019 and 31 March 2020 have been restated in the Group Balance Sheet and Group Movement in Reserves Statement.

The Balance Sheet as at 1 April 2019 has been restated as follows:

	1 April 2019 £000	Amount of Restatement £000	1 April 2019 Restated £000
Property, Plant & Equipment	1,155,552	102,440	1,257,992
Other Long-Term Assets	144,556	-	144,556
Other Assets & Liabilities	(652,528)	-	(652,528)
Net Assets	**647,580**	**102,440**	**750,020**
Usable Reserves	(174,262)	-	(174,262)
Unusable Reserves	(473,318)	(102,440)	(575,758)
Total Reserves	**(647,580)**	**(102,440)**	**(750,020)**

The Balance Sheet as at 31 March 2020 has been restated as follows:

	31 March 2020 £000	Amount of Restatement £000	31 March 2020 Restated £000
Property, Plant & Equipment	1,234,074	103,747	1,337,821
Other Long-Term Assets	216,023	-	216,023
Other Assets & Liabilities	(656,178)	-	(656,178)
Net Assets	**793,919**	**103,747**	**897,666**
Usable Reserves	(164,937)	-	(164,937)
Unusable Reserves	(628,982)	(103,747)	(732,729)
Total Reserves	**(793,919)**	**(103,747)**	**(897,666)**

The effect on the 2019/20 Group Comprehensive Income and Expenditure Statement comparative figures is as follows:

2019/20

	Net Expenditure £000	Amount of Restatement £000	Restated Net Expenditure £000
People	129,006	2,021	131,027
Other Services	96,361	-	96,361
Cost of Services	**225,367**	**2,021**	**227,388**
(Surplus)/Deficit on the provision of services	**28,507**	**2,021**	**30,528**
Other Comprehensive Income and Expenditure	**(174,847)**	**(3,326)**	**(178,173)**
Total Comprehensive Income and Expenditure	**(146,340)**	**(1,305)**	**(147,645)**

12. Other Information

Vision Redbridge Culture and Leisure

These group accounts have been prepared from the 2020/21 audited accounts of Vision Redbridge Culture & Leisure.

Vision Redbridge Culture and Leisure, Auditors – Kingston Smith LLP, Devonshire House, 60 Goswell Road, London, EC1M 7AD.

A copy of the Vision Redbridge Culture and Leisure accounts can be obtained from the Company Secretary, Vision Redbridge Culture and Leisure, Central Library, Clements Road, Ilford, IG1 1EA.

Pension Fund Independent Auditor's Report to the Members of the London Borough of Redbridge

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2021 and the amount and disposition of the fund's assets and liabilities as at 31 March 2021; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Corporate Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period to the 31 March 2025.

Our responsibilities and the responsibilities of the Corporate Director of Resources with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2020/21, other than the financial statements and our auditor's report thereon. The Corporate Director of Resources is responsible for the other information contained within the Statement of Accounts 2020/21.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the *Corporate Director of Resources*

As explained more fully in the Statement of Responsibilities set out on pages 20 the Corporate Director of Resources is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director of Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.

We understood how London Borough of Redbridge Pension Fund is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management/head of internal audit/those charged with governance/monitoring officer and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Pension Board minutes, through enquiry of employees to confirm Pension policies, and through the inspection of other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and opportunities for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures we identified the manipulation of journal entries of the investment asset valuations to be our fraud risk.

To address our fraud risk we tested the consistency of the investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of London Borough of Redbridge, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Borough of Redbridge and the London Borough of Redbridge's members as a body, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson
Ernst + Young LLP

Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
29 September 2023

Pension Fund Account for the Year Ended 31 March 2021

2019/20 £000		Notes	2020/21 £000
	Dealings with members, employers and other directly involved in the Fund.		
38,206	Contributions receivable	7	35,856
2,001	Transfers in	8	405
40,207			**36,261**
	Less:		
(34,680)	Benefits payable	9	(33,248)
(5,283)	Leavers	10	(5,313)
(39,963)			**(38,561)**
244	**Net additions/(withdrawals) from dealings with members**		**(2,300)**
(3,449)	**Management Expenses**	11	**(3,743)**
	Returns on Investments		
12,511	Investment income	12	7,670
(53,350)	Change in market value of investments	14(a)	200,357
(40,839)	**Net returns on Investments**		**208,027**
(44,044)	**Net increase/(decrease) in the Fund during the year**		**201,984**
803,468	**Net Assets of the scheme at 1 April 2020**		**759,424**
759,424	**Net Assets of the scheme at 31 March 2021**		**961,408**

Net Assets Statement as at 31 March 2021

2019/20 £000		Notes	2020/21 £000
150	Longer Term Investments		150
752,797	Investment Assets	13	954,553
752,947			**954,703**
7,179	Current Assets	18	7,193
(702)	Current Liabilities	18	(488)
759,424	**Net Assets of the Scheme at 31 March 2021**		**961,408**

The accounts summarise the transactions and net assets of the Pension Fund. They do not take account of liabilities to pay pensions and other benefits in the future. The actuarial present value of promised retirement benefits is disclosed at Note 21.

I certify that the Pension Fund Account and Net Assets Statement present a true and fair view of the income and expenditure in 2020/21 and the Pension Fund's financial position as at 31 March 2021.

Maria G Christofi, BA (Hons), FCCA, CPFA
Corporate Director of Resources & Section 151 Officer
28 September 2023

Notes to the Pension Fund Account

1. Introduction

The Pension Fund is a funded, defined benefit occupational pension scheme set up under the Superannuation Act 1972 and is administered in accordance with the Local Government Pension Scheme (LGPS) Regulations by the London Borough of Redbridge. The scheme is a contributory defined benefit pension scheme that provides pensions and other benefits to former Council employees (except teachers, who have a separate scheme) and to various scheduled and admitted bodies.

The scheduled bodies in the scheme as at 31 March 2021 were: Chadwell Heath Academy, Mayfield School, Ilford Ursuline Academy, Little Heath School, Palmer Academy, Isaac Newton Academy, Aldborough Free School, Loxford Academy, St Aidan's Academy, Beacon Multi Academy (formerly Beal Multi Academy), Atam Academy, Winston Way Academy, Avanti Court School, Astrum Academy, Strive4 Academy, Al-Noor Academy, Good Shepherd Diocese, St Peters & St Paul's Academy and Our Lady of Lourdes Academy.

The admitted bodies in the scheme as at 31 March 2021 were: Morrison Facility Management Limited, Vision-Redbridge Culture & Leisure, Imagine Independence Ltd, Dizzy Ducks Nursery, Lewis & Graves, Alliance in Partnership (AiP), Birkin Clean, Coram and Westminster Drug Project.

As at 31 March 2021 the membership of the scheme was as follows:

Active Members	As at 31 March 2020	As at 31 March 2021
Redbridge Council	4,572	4,576
Scheduled Bodies	948	756
Admitted Bodies	171	160
TOTAL	**5,691**	**5,492**

Pensioners	As at 31 March 2020	As at 31 March 2021
Redbridge Council	4,441	4,429
Scheduled Bodies	107	125
Admitted Bodies	110	117
TOTAL	**4,658**	**4,671**

Deferred Members	As at 31 March 2020	As at 31 March 2021
Redbridge Council	7,251	7,457
Scheduled Bodies	559	777
Admitted Bodies	99	103
TOTAL	**7,909**	**8,337**

The Fund is financed by contributions as well as interest, dividends and profits from realised investments. The contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employee contributions are matched by employers' contributions which are set on triennial actuarial funding valuations. The funding policy is to ensure that over time the assets held by the Fund are adequate to meet future pension scheme liabilities.

Five Councillors are appointed annually by the Council to the Pension Fund Committee, which has the role of dealing with the management of the Pension Fund's investments in accordance with regulations laid down in statute and the Fund's Investment Strategy Statement.

In line with the provisions of the Public Service Pension Act 2013 the Council has set up a Local Pension Board to oversee the governance arrangements of the Pension Fund. The Board meets quarterly and has its own Terms of Reference. The Board Members are independent of the Pension Fund Committee.

The administration of the scheme is managed in-house by the London Borough of Redbridge.

The Pension Fund's financial statements provide a stewardship report on the Fund, together with a statement of the assets position at the financial year-end.

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2020/21 financial year and its position as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts of the Pension Fund have also been prepared to meet the requirements of the Local Government Pension Scheme (Administration) Regulations 2013 and in accordance with the Statement of Recommended Practice on Financial Reports of Pension Schemes.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The accounting requirement under International Accounting Standard (IAS) 26 is disclosed at Note 21.

Going Concern - At the date of the authorisation of the financial statements, the Fund does not consider that the impact of Covid-19 or any other events or conditions give rise to material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue. The Council therefore remains satisfied that the Fund it administers continues to be a going concern.

The Pension Funds actuarial valuation as at 31 March 2022, showed it to be 99% funded, an increase of 15% from the position 3 years ago. The actuarial valuation includes the Rates and Adjustment certificate detailing contributions to the Pension Fund that participating employers are expected to make. It remains the Fund's expectation that these will be paid as planned, and to date the Fund has not received a request from participating employers to defer contribution payments because of the pandemic.

Following the actuarial valuation and schedule of employer contributions payments, the Pension Fund has reviewed its cashflow forecast to 31 March 2025 and is anticipated to have sufficient cash to meet its obligations to pay pensions without selling any investments. This is reviewed annually. Should investments be required to be sold because of negative cashflows or employers being unable to pay their contributions (which is not expected) the Pension Fund would have ready access to cash as 80.13% of the Fund's investments could be sold at short notice as at 31 March 2023.

3. Summary of Significant Accounting Policies

Fund account – revenue recognition

A) **Contribution Income –** Normal contributions, both from members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

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

B) **Transfers to and from other schemes –** Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid. Bulk transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

C) **Investment Income** –

(i) Interest Income – Interest income is recognised in the Fund account as it accrues.

(ii) Dividend Income - Dividends have been accounted for on an accruals basis. Investment income on overseas investments have been converted into sterling at the rate of exchange on settlement date. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current asset.

(iii) Distributions from pooled equity funds – Pooled investment vehicles are accumulation funds and as such the change in market value includes income, net of withholding tax which is re-invested in the Fund.

(iv) Distributions from pooled property funds – Income distributions from the pooled property fund investments have been accounted for on an accruals basis.

(v) **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/losses during the year.

Fund account – expense items

D) **Benefits Payable** – pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

E) **Taxation** – the Fund is a registered public 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 proceeds of investments sold. Income from overseas investments incurs withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

F) **VAT** – As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. VAT receivable is excluded from income.

G) **Voluntary Scheme Pay (VSP), Mandatory Scheme Pay (MSP) and Lifetime Allowances -** Members are entitled to request the Pension Fund to pay their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduction in pension. Where the Fund pays member tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

H) **Management Expenses** – Pension Fund management expenses are accounted for in accordance with the CIPFA guidance: Accounting for Local Government Pension Scheme Management Costs. All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the Fund. Management, accommodation and other overheads are apportioned to the Fund in accordance with the Council's policy.

I) **Investment Management Expenses** - All investment management expenses are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointment. Broadly, these are based on the market value of the investments under their management and therefore increase or decrease as the value of these investments change.

J) **Oversight and Governance Costs** - The cost of obtaining investment advice from external consultants is included in oversight and governance charges.

A proportion of the Council's costs for management time spent by officers on investment management is charged to the Fund and is included within oversight and governance costs.

Net assets statement

K) **Financial Assets** – financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the assets are recognised by the Fund.

The values of investments as shown in the net assets statement have been determined as follows:

i) Market quoted investments – the value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities – are recorded at net market value based on their bid price.

iii) Pooled investment vehicles – these are valued at either the closing bid price where a bid price exists or on the single unit price provided by the investment managers.

iv) Cash – the cash held in the Pension Fund current account is invested by the Council in accordance with its Treasury Management Policy.

L) **Foreign Currency Transactions** – dividends, interest and 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 exchanges rates are used to value any cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

M) **Derivatives** – the pooled units in which the Fund invests uses derivative financial instruments to manage its exposure to specific risk arising from its investment activities.

N) **Cash and cash equivalents** – cash comprises of cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. Cash that is invested for longer than an overnight deposit is recognised as an investment asset.

O) **Financial Liabilities –** the Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

P) **Actuarial present value of promised retirement benefits** – 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 the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 22).

Q) **Additional Voluntary Contributions** – AVCs are not included in the accounts which is in accordance with section 4(2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23).

4. Critical Judgements in Applying Accounting Policies

The Pension Fund liability is calculated triennial by the appointed actuary with annual updates in the intervening years. The methodology used in the intervening years follows generally agreed guidelines and is in accordance with IAS19. These assumptions are summarised in Note 22. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations.

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 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.

Actuarial Present Value of Promised Retirement Benefits – The Pension Fund liability is calculated every three years by the appointed actuary, with updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in Note 21 and 22. This estimate is subject to significant variances based on changes to the underlying assumptions.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rates used, the rate at which salaries are projects to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied	The effects on the net pension liability of changes in assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £144m. A 0.5% increase in the assumed earnings would increase the value of the liabilities by approximately £9m similarly an increase of 0.5% in the pension payments would increase the value of the liabilities by £133m. An increase in life expectancy by one year would increase the liability to the fund by between 3% and 5%

Unquoted Investments

The Fund’s assets include investments in unquoted assets such as property and infrastructure on a pooled basis. These assets are valued by the investment managers at fair value in accordance with relevant industry standards and guidelines. Managers may use comparable market data, indices and data from third parties as well as projected revenue to determine the fair value of these assets. As such, there is a degree of estimation involved in these valuations.

The total value of unlisted investments in the financial statements is £35.270m (£721k in 2019/20) and is broken down as follows:

Property	£16.572m
Infrastructure	£18.698m

There is a risk that these investments may be under or overstated in the accounts.

6. Events after the Year End Date

There have been no events since 31 March 2021 and up to the date when these accounts were authorised that require any adjustment to these accounts.

7. Contributions Receivable

Contributions represent those amounts receivable from the various employing bodies in respect of their own contributions and those of their contributing employees. Under the provisions of the scheme, employees' rates are based on pay bandings and range from 5.5% to 12.5% of pensionable pay. The Fund's Actuary determines employer contribution rates (as a percentage of pensionable pay) which currently range from 13.3% to 35.4% plus any additional lump sum contributions required in respect of funding shortfalls at the time of the triennial actuarial valuation.

Early retirement - All capital costs, such as employee and employer contributions foregone, and the cost of making pension payments early in respect of non-ill-health early retirements, are met by the employer that approved the early retirement.

		2019/20 £000	2020/21 £000
Employers			
	London Borough of Redbridge	26,226	23,296
	Scheduled Bodies	3,205	3,435
	Admitted Bodies	1,165	1,019
		30,596	**27,750**
Members			
	London Borough of Redbridge	6,429	6,845
	Scheduled Bodies	891	992
	Admitted Bodies	290	269
		7,610	**8,106**
		38,206	**35,856**

Contributions split between normal, deficit funding and augmentation are outlined below:

	2019/20 £000	2020/21 £000
Normal Employer Contributions	22,385	24,876
Deficit Payments *	6,903	248
Augmentation (Early Retirements)	1,308	2,626
	30,596	**27,750**

* The deficit recovery policy is set out in the Scheme's Funding Strategy Statement

8. Transfers In

Sums received for scheme members from other pension schemes that relate to periods of previous pensionable employment.

	2019/20 £000	2020/21 £000
Individual Transfers from other schemes – London Borough of Redbridge	2,001	405
	2,001	**405**

9. Benefits Payable

Benefits are provided in accordance with the provisions of the Local Government Pension Scheme regulations.

	2019/20 £000	2020/21 £000
Pensions	28,166	28,969
Commutation of Pensions and Lump Sum Retirement Benefits	5,461	3,343
Lump Sum Death Benefit	1,006	905
Interest	47	31
	34,680	**33,248**

By Employer	2019/20 £000	2020/21 £000
London Borough of Redbridge	32,936	31,562
Scheduled Bodies	539	737
Admitted Bodies	1,205	949
	34,680	**33,248**

10. Payments to and on Account of Leavers

Regulations permit a refund of employee contributions to be made to new members with less than two years initial scheme membership. Individual transfers are payments of accrued pension benefits in respect of scheme members who have left the scheme and joined a pension scheme elsewhere. The bulk transfer is in respect of the transfer of Redbridge College to another fund.

	2019/20 £000	2020/21 £000
Refunds to members	56	26
Bulk Transfers to another Scheme	-	-
Individual Transfers to other Schemes	5,227	5,287
	5,283	**5,313**

11. Management Expenses

The table below shows a breakdown of the management expenses incurred during the year. The London Borough of Redbridge carries out the administrative function in-house.

	2019/20 £000	2020/21 £000
Administrative Costs	798	1,029
Investment Management Expenses	2,470	2,420
Oversight and Governance	165	278
Audit Fees	16	16
	3,449	**3,743**

The audit fees shown in the table above represent the scale fees set by Public Sector Audit Appointments (PSAA) of £16,170 for both 2019/20 and 2020/21. For 2019/20, an additional fee of £12,463 was approved by PSAA and an additional fee of £8,000 was charged for non-code work meaning that the final agreed audit fee for 2019/20 is £36,633. EY will propose an additional fee for 2020/21 relating to increased regulatory focus, non-code work and change of scope once the audit is complete. Additional fees above the set scale fee are subject to approval by PSAA. At the date of authorisation of these accounts, the 2020/21 additional fee has not been confirmed.

11(a). Investment Management Expenses

	2019/20 £000	2020/21 £000
Management Fees	2,444	2,346
Performance Management Fees	20	-
Custody Fees	6	74
	2,470	**2,420**

2019/20 Total £000	2019/20 Pooled Units outside of LCIV £000	2019/20 Pooled Units through LCIV £000		2020/21 Total £000	2020/21 Pooled Units outside of LCIV £000	2020/21 Pooled Units through LCIV £000
1,847	800	1,047	Fund Manager Fees	1,810	634	1,176
68	20	48	Custody Fees	74	26	48
366	6	360	Pool Costs	188	-	188
189	-	189	Other Expenses	348	-	348
2,470	**826**	**1,644**	Total	**2,420**	**660**	**1,760**

12. Investment Income

Interest, dividends and other income shown in the Fund Account have been broken down as follows:

	2019/20 £000	2020/21 £000
Pooled Investments Vehicles	10,289	5,330
Property Unit Trusts	2,131	2,198
Cash Deposits	69	48
Other Investment Income	22	94
	12,511	**7,670**

13. Investments

The table below shows the Fund's investments by asset class:

	2019/20 £000	2020/21 £000
Investment Assets		
Pooled Investments	683,206	882,376
Pooled Property Investments	68,675	71,767
Cash Deposits	1,066	560
Total Investment Assets	**752,947**	**954,703**

There are no investment liabilities.

The table below shows a detailed analysis of the investments held by the Fund as at 31 March 2021 with a comparison table showing detailed analysis of the investments held by the Fund as at 31 March 2020.

2020/21	Value at 31/03/20 £000	Purchases at cost £000	Sales proceeds £000	Change in fair value £000	Cash movement £000	Value at 31/03/21 £000
Pooled Equity Unit Trusts	683,056	37,626	(38,427)	199,971	-	882,226
London CIV	150	-	-	-	-	150
Property Unit Trusts	68,675	2,706	-	386	-	71,767
	751,881	**40,332**	**(38,427)**	**200,357**	**-**	**954,143**
Other Balances						
Cash Deposits	1,066	-	-	-	(506)	560
	752,947	**40,332**	**(38,427)**	**200,357**	**(506)**	**954,703**

2019/20	**Value at 31/03/19 £000**	**Purchases at cost £000**	**Sales proceeds £000**	**Change in fair value £000**	**Cash movement £000**	**Value at 31/03/20 £000**
Pooled Equity Unit Trusts	731,664	240,817	(238,262)	(51,163)	-	683,056
London CIV	150	-	-	-	-	150
Property Unit Trusts	69,336	2,168	-	(2,829)	-	68,675
	801,150	**242,985**	**(238,262)**	**(53,992)**	**-**	**751,881**
Other Balances						
Cash Deposits	458	-	-	642	(34)	1,066
	801,608	**242,985**	**(238,262)**	**(53,350)**	**(34)**	**752,947**

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 investments and changes in the sterling value of assets caused by changes in exchange rates. In the case of the pooled investment vehicles changes in market value also includes income, net of withholding tax, which is reinvested in the Fund.

As a result of the Fund's investments in pooled investment vehicles the Fund did not incur any direct transaction costs, such as broker fees and taxes. Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund.

As shareholders of the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London), the Fund has purchased £0.150m of regulatory capital.

A summary of individual investments exceeding 5% of the Fund's total net assets is set out below:

Investment	**31 March 2021**	**% of net assets**
UK Equity Index Unit Trust	78,557	8.3%
All World (ex UK) Equity Index Unit Trust	69,898	7.3%
Low Carbon Equity Index Unit Trust	163,773	17.2%
Global Equity Fund	213,443	22.4%
Emerging Markets Equity Fund	51,953	5.4%
Absolute Return Fund	59,466	6.2%
Index Linked Bond Fund	87,502	9.2%
Diversified Growth Fund (DGF)	122,364	12.8%
Schroder Property Fund	71,767	7.5%

13(a) Investments – Fund Management

As at 31 March 2021, the fair value of assets under management was £961.408m. The Fund has undertaken work in conjunction with the Fund's external adviser to implement a long-term strategy to match the objective of being fully funded in the longer term. The structure of the Fund resulted in a strategic benchmark of 80% equities (including property and cash) and 20% bonds. As set out in the Pension Fund's Investment Strategy Statement, the asset allocation may vary, and rebalancing may be suspended at the discretion of the Pension Fund Committee.

The Tables below shows details of the investment mandates analysed between those invested managed by the pool and those outside of the pooled arrangement:

31/03/20 £000	% of Portfolio	Manager	Mandate	31/03/21 £000	% of Portfolio	Strategic Asset Allocation %
Investments managed by Pool						
136,580	17.99	Baillie Gifford	Global Equities	213,443	22.20	15.00
116,229	15.30	Baillie Gifford	Diversified Growth Fund	122,364	12.73	10.00
721	0.10	Stepstone	Infrastructure	16,572	1.72	10.00
-	-	Aviva	Inflation Plus Fund	18,698	1.95	10.00
111,511	14.68	LGIM	Global Equities	148,455	15.44	15.00
117,798	15.51	LGIM	Low Carbon Equities	163,773	17.03	15.00
100,999	13.30	LGIM	Index Linked Gilts	87,502	9.10	10.00
583,838	***76.88***			***770,807***	***80.17***	***85.00***
Investments managed outside of Pool						
34,415	4.53	Schroders	Emerging Markets Equities	51,953	5.40	5.00
64,804	8.54	Aberdeen Standard	Fixed Income	59,466	6.19	-
68,675	9.04	Schroders	Property	71,767	7.47	10.00
7,694	1.01	Cash		7,415	0.77	-
175,586	***23.12***			***190,601***	***19.83***	***15.00***
759,424	**100.00**	**TOTAL**		**961,408**	**100.00**	**100.00**

14. Classification of 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 fair value amounts of financial assets and liabilities by category and net asset statement heading. No financial assets were reclassified during the accounting period.

2019/20				2020/21		
Designated as fair value through profit & loss £000	**Loans and Receivables £000**	**Financial Liabilities at amortised cost £000**		**Designated as fair value through profit & loss £000**	**Loans and Receivables £000**	**Financial Liabilities at amortised cost £000**
			Financial Assets			
683,206	-	-	Pooled Investment	882,376	-	-
68,675	-	-	Pooled Property - Investment	71,767	-	-
-	7,492	-	Cash	-	6,719	-
-	753	-	Debtor	-	1,034	-
751,881	**8,245**	**-**	**Total**	**954,143**	**7,753**	**-**
			Financial Liabilities			
-	-	(702)	Creditors	-	-	(488)
-	**-**	**(702)**	**Total**	**-**	**-**	**(488)**
751,881	**8,245**	**(702)**		**954,143**	**7,753**	**(488)**
	759,424		**Grand Total**		**961,408**	

14 (a) Net Gains and Losses on Financial Instruments

2019/20 £000	Financial Assets	2020/21 £000
53,350	Fair value through profit & loss	200,357
53,350	**TOTAL**	**200,357**

14 (b) Fair Values of Financial Instruments and Liabilities

The following table summarises the fair values of the financial assets and financial liabilities by class of instrument.

31 March 2020 Fair Value £000		31 March 2021 Fair Value £000
	Financial Assets	
751,881	Fair value through profit & loss	954,143
8,245	Loans and Receivables	7,753
760,126	**Total Financial Assets**	**961,896**
(702)	**Total Financial Liabilities**	(488)
759,424		**961,408**

15. Fair Value – Basis of Valuation

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

Description of Asset	Valuation Hierarch	Basis of Valuation	Observable and unobservable	Key Sensitivities affecting the valuations provided
Cash	Level 1	All cash is reported in Sterling	Not Required	Not required
Pooled LCIV - ACS	Level 2	Quoted investments are valued at mid-market value as at the close of business on the last working day of the relevant period Unquoted investments or if a quotation is not available at the time of valuation, the fair value shall be estimated on the basis of the probable realisation value of the investment Collective investment schemes are valued at quoted bid prices for dual priced funds and at quoted prices for single prices funds, on the last business day of the relevant period.	Evaluated Price Feeds	Not required

Unquoted Infrastructure Managed Funds	Level 3	The Fair Value of the investments has been determined using valuation techniques appropriate to each investment. These techniques include discounted cash flow analysis and comparable transaction multiples in accordance with the International Private Equity and Venture Capital Valuation Guidelines	Significant unobservable inputs and observable inflation	Valuations could be affected by material events occurring between the date of the financial statements provide and the pension fund's own reporting date, by changes to the expected cashflow and by any differences between audited and unaudited accounts
Pooled Investments - Real Estate Funds	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Significant changes in rental growth, vacancy levels or the discounted rate could affect valuations as could more general changes to market prices

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.

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 are used to determine the fair value and where these techniques use inputs that are based significantly on observable market data.

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

15(a) Fair Value Hierarchy

The table below provides analysis of the assets and liabilities of the pension fund allocated into levels 1 to 3 based on the level at which fair value is observed.

Values as at 31 March 2021	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial Assets				
Financial assets at fair value through profit & loss	-	918,723	35,420	954,143
Financial Assets at amortised cost	7,753	-	-	7,753
Total Financial Assets	**7,753**	**918,723**	**35,420**	**961,896**
Financial Liabilities				
Financial liabilities at fair value through profit & loss	-	-	-	-
Financial liabilities at amortised cost	(488)	-	-	(488)
Total Financial Liabilities	(488)	-	-	(488)
Net Financial Assets	**7,266**	**918,722**	**35,420**	**961,408**

Values as at 31 March 2020	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial Assets				
Financial Assets at fair value through profit & loss	-	751,160	721	751,881
Financial Assets at amortised cost	8,245	-	-	8,245
Total Financial Assets	**8,245**	**751,160**	**721**	**760,126**
Financial Liabilities				
Financial liabilities at fair value through profit & loss	-	-	-	-
Financial liabilities at amortised cost	(702)	-	-	(702)
Total Financial Liabilities	**(702)**	**-**	**-**	**(702)**
Net Financial Assets	**7,543**	**751,160**	**721**	**759,424**

This comparable table has been adjusted to recognise the share of the London CIV as Level 3 as opposed to Level 2.

15 (b) Reconciliation of Fair Value Measurements within Level 3

	London CIV £000	Infrastructure £000	Inflation Plus £000	TOTAL £000
Value at 31 March 2020	-	721	-	721
Reclassication from Level 2 to 3	150	-	-	150
Purchases	-	16,704	19,930	36,634
Unrealised profit and loss	-	(853)	(1,232)	(2,085)
Value at 31 March 2021	**150**	**16,572**	**18,698**	**35,420**

16. Nature and Extent of Risks arising from Financial Instruments

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 and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that 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.

Market Risks

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

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sector and individual securities. To mitigate market risk, the Council and the Fund's investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Other Price Risk

Other price risk represents the risk that the value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency), 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 Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments, and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund's investment strategy.

Other Price Risk – Sensitivity Analysis

The following table demonstrates the change in the net assets available to pay benefits if the market price were to increase or decrease by 10%.

Price Risk:

Asset Type	Carry Value £000	Value with 10% Increase £000	Value with 10% Decrease £000
Level 2 Assets			
UK Equities	78,557	86,412	70,701
Overseas/Global Equities	621,432	683,575	559,289
Fixed Income	146,967	161,664	132,271
Property	71,767	78,944	64,590
Level 3 Assets			
Infrastructure	16,572	18,229	14,915
Inflation Plus	18,698	20,567	16,828

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 base currency of the fund, i.e., pounds sterling.

The following table shows the change in value of these assets had there been a 10% strengthening/weakening of the pound against the various currencies:

Currency Risk (by asset class):

Asset Type	Value £000	Value on Increase £000	Value on Decrease £000
Overseas Equities	621,432	683,575	559,289

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. 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.

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.

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 Pension Fund has adequate cash resources to meet its commitments.

The Pension Fund has immediate access to its cash holdings that are invested by the Council. The levels of cash held are reviewed by the Council as part of the periodic cashflow forecasting and form part of the Fund's investment strategy. The Fund's investment strategy ensures that the majority of the Fund is invested in assets that can be sold at short notice to avoid any liquidity risk.

17. Investment Strategy Statement

The Council is required by Regulation to prepare and publish an Investment Strategy Statement (ISS). This Statement sets out the Fund's policy on a range of matters relating to the investments and management of the Pension Fund and is regularly reviewed and updated. A copy of the ISS can be found on the Council's website www.redbridge.gov.uk.

18. Current Assets and Liabilities

	2019/20 £000	2020/21 £000
Cash at Bank	6,425	6,159
Contributions due	565	780
Sundry debtors	189	254
Total of Current Assets	**7,179**	**7,193**
Accrued benefits	(22)	(73)
Accrued expenses	(680)	(415)
Total of Current Liabilities	**(702)**	**(488)**

19. Stock Lending

The Fund does not participate in stock lending arrangements.

20. Related Party Transactions

The London Borough of Redbridge is the single largest employer of members in the Pension Fund and contributed £23.296m to the Fund in 2020/21 (£26.226m in 2019/20).

During the year no Councillors or Chief Officers with direct responsibility for Pension Fund issues have undertaken any declarable transactions with the Pension Fund, other than the following.

- Administrative services undertaken by the Council to the Pension Fund were £0.475m (£0.415m in 2019/20).
- Investment services undertaken by the Council to the Pension Fund were £0.122m (£0.122m in 2019/20).

Each member of the Pension Fund Committee is required to disclose their interest at each meeting.

The key management personnel of the Pension Fund are the members of the Pension Fund Committee and the Corporate Director of Resources.

21. Actuarial Valuation

In 2020/21, the contribution rate paid by the Council as an employer was determined following an actuarial valuation of the Fund as at 31 March 2019. The valuation as at 31 March 2019 set the employer's contribution rates for the years 2020/21, 2021/22 and 2022/23. The actuarial method used by the Actuary is known as the "projected unit method". The key feature of this method is that in assessing the future service cost, the Actuary calculates the contribution rate, which meets the cost of benefits accruing in the year after the valuation date. This is the same method adopted at the previous valuation and is an appropriate method for a fund which is open to new members.

For this valuation the Actuary adopted a market value approach whereby assets were valued initially on a market value basis and liability assumptions were derived from gilt yields. Those assumptions which have the most significant effect on the results of the valuation are:

Assumption	**Rate**
The rate of increase in pensionable earnings	2.3%
"Gilt-based" discount rate	3.6%
The level of increase in earnings growth	2.3%

The result of the 2019 valuation was that the value of the Fund's assets was actuarially assessed as £803m, which was sufficient to meet 84% of its accrued liabilities. The employer's contribution rate required as a result of the valuation incorporates a phased increase in the balance of the Fund to meet 100% of future benefit liabilities, as required by Pension Fund regulations. As a result of the 2019 valuation, those employers within the Fund that have funding shortfalls are required to make repayments over an agreed period in accordance with the policies set out in the Pension Fund's Funding Strategy Statement (available on the Council's website www.redbridge.gov.uk), and certified by the Actuary in the Actuarial Valuation Report. The new employer contribution rates and shortfall payments commenced from 1 April 2020. The next valuation is due to be undertaken on 31 March 2022.

22. Actuarial Present Value of Promised Retirement Benefits

The Fund's Actuary prepares reports for the purposes of IAS19 for the Council and other employers participating in the Pension Fund upon request. Further information pertaining to the Council is included at note 40 of the Notes to the Core Financial Statements.

The Actuary has calculated that the liabilities at 31 March 2021 for the entire Fund comprises of:

Type of Member	31 March 2020 Liability £m	31 March 2021 Liability £m
Employees	397	603
Deferred Members	276	379
Pensioners	463	500
Total	**1,136**	**1,482**

The net liability of the Fund in relation to the actuarial present value of promised retirement benefits and the net assets available to fund these benefits is as follows (based upon IAS26 information).

	31 March 2020 £m	31 March 2021 £m
Present value of funded obligations	(1,136)	(1,482)
Fair value of Fund Assets (BID Value)	759	961
Net Liability for the whole Fund	**(377)**	**(521)**

These calculations have been determined using the following financial assumptions:

Year Ended	31 March 2020 % p.a.	31 March 2021 % p.a.
Inflation / Pension Increase Rate	1.9	2.85
Salary Increase Rate	1.9	2.85
Discount Rate	2.3	2.00

23. Additional Voluntary Contributions (AVC's)

The Council has a statutory obligation to provide an additional voluntary contribution (AVC) facility. This facility provides the means for members of the Pension Fund to pay contributions into a policy, which will be used to buy additional pension benefits when the member retires. A total of fourteen members of the Pension Fund contribute to the AVC schemes. In 2020/21 £18,546 of contributions deductions were made in respect of the AVC Scheme (£27,853 in 2019/20).

Market Value 31 March 2020 £000	AVC Provider	Market Value 31 March 2021 £000
233	Equitable Life	201
169	Clerical Medical	224
240	Standard Life	278
642	**TOTAL**	**703**

The Council, as employer, does not make any contribution to the AVC scheme and these funds do not form part of the Council's Pension Fund accounts.

24. Contractual Commitments

The Fund has committed £70m into the Step-stone Infrastructure Fund. Of this commitment £52.575m was outstanding at 31 March 2021.

The Fund also has committed £70m into the Aviva Inflation Plus Fund. Of this commitment £50.070m was outstanding as at 31 March 2021.

Annual Governance Statement 2020/21

INTRODUCTION

The CIPFA/SoLACE Delivering Good Governance in Local Government Framework (2016) (the Framework) requires local authorities to publish an Annual Governance Statement, and to be responsible for ensuring that:

- their business is conducted in accordance with all relevant laws and regulations;
- public money is safeguarded and properly accounted for; and
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

This report provides detail and commentary on the design and the operating effectiveness of the governance arrangements put in place by the Council to ensure the above.

The "Core principles" underpinning the CIPFA/SoLACE Framework are set out below together with an overview of the Council's own governance arrangements.

CIPFA/SoLACE framework

Overview of the Council's Governance Framework

Scrutiny & Review

Cabinet, and other Scrutiny committees develop and review Council policies and call in decisions for scrutiny.

Governance and Assurance reviews the operation of the internal control framework for the Council.

Corporate Management Team

Head of the Paid Service is the Chief Executive and is responsible for all Council staff and leading an effective corporate management team.

The Corporate Director of Resources is the Council's Chief Finance Officer s151 Officer and is responsible for safeguarding the Council's financial position and ensuring value for money.

The Council's Monitoring Officer is the Operational Director Assurance and is responsible for ensuring legality and promoting high standards of public conduct.

Risk Management

Risk registers identify both Operational and Corporate/Strategic risks.

Key Corporate/Strategic risks are reviewed by CMT and Governance and Assurance Committee every quarter.

Monitoring established of Council committees and key partnerships.

Decision Making

All meetings are held in public.

Decisions are recorded on the Council website .

The Council has adopted the Code of Corporate Governance (in accordance with the CIPFA and SOLACE guidance) and is published as part of the Constitution.

Audit and Assurance

External Audit

Internal Audit

Counter Fraud and Corruption

Contract and Partnership monitoring and management

A summary of how the key components to the Council's governance framework implement the core principles is set out below:

Principle 1 - Behaving with integrity, with commitment to ethical values, and respect for the rule of law

Codes of Conduct for members and officers are in place and re-enforce a public service ethos and high standards of behaviour. These are supported by more detailed guidance such as an Anti-Fraud and Corruption Policy, Whistleblowing Procedures, Contract Standing Orders and Financial Standing Orders. The Counter Fraud Team reviewed and refreshed the suite of anti-fraud and corruption strategy and supporting policies in 2020/21 to articulate and promote a zero-tolerance culture to fraud and set out the robust ways in which the Council will take action to prevent, detect and take action against fraud.

The Monitoring Officer delivers training to Members on the standards regime. No standards issues have arisen in 2020/21. Staff are made aware of the officer code of conduct through the induction process.

Decision making reports to Cabinet and Council are reviewed for financial and legal issues. The Monitoring Officer and Corporate Director for Resources both have specific responsibilities to ensure that Council decisions meet legal requirements.

The Council has a statutory Director of Children's Services and a statutory Director of Adults Social Services.

Principle 2 - Ensuring openness and comprehensive stakeholder engagement

The Council has ongoing and effective engagement with stakeholders and partners through joint working arrangements, partnership boards and representation on external bodies' governing boards.

The Story of Redbridge informs community engagement strategies as well as service and budget priorities. The Council publishes Redbridge Life and utilises online communication channels such as e-bulletins, Twitter, Facebook, and YouTube. Redbridge also holds local forums to promote resident engagement. Standing Orders allow for public participation at all Council committee and Cabinet meetings.

Principle 3 - Defining outcomes in terms of sustainable economic, social, and environmental benefits

The Council has a clearly defined strategic vision for Redbridge as set out in the Borough Plan and Corporate Strategy. To deliver this vision, the Council defines specific outcomes and performance indicators for each service area. More specific strategies are in place focus on key areas of activity (such as tackling climate change, sustainability and the environment).

The Council carries out environmental impact assessments before undertaking major works.

Principle 4 - Determining the intervention necessary to achieve intended outcomes

A Quarterly Performance report tracks the performance of all Council activities in terms of key performance indicators and delivery of the Corporate Strategy. The report also highlights remedial actions being taken where slippage does occur. Senior Management and Members (via Scrutiny committees), ensure the Council remains focussed on achieving its agreed objectives and priorities.

Principle 5 - Developing capacity, including the capability of leadership and individuals within the Council

There remains a commitment to invest in training of staff, including the leadership and development scheme, apprenticeship schemes and the ongoing staff appraisal and development processes.

The Council also works across a broad set of partnerships and collaborative arrangements, and uses external consultants, commissioning and procurement processes to maximise capacity by delivering services in the most effective and efficient way.

Principle 6 - Managing risks and performance through strong internal control and financial management

Strategic and operational risk registers are maintained and updated, with the significant and strategic risks brought to the attention of senior management and members. Internal Audit assess the overall quality of internal control and make recommendations for improvement as necessary.

Principle 7 - Implementing good practices in transparency, reporting and audit to deliver effective accountability

Minutes of meetings, key decisions, registers of interests, gifts and hospitality and all items of expenditure and contracts awarded over £500 are published on the Council's website. There is continued development of the technical and procedural arrangements to comply with the requirements of the Data Protection Act and therefore include ensuring the required transparency of how the Council collects, processes, stores, and shares data.

Conclusion on the effectiveness of the Council's Governance Framework

Overall conclusions

In the face of significant and evolving challenges to the Council's operations, its governance framework has remained sufficiently sound. The governance framework has supported service delivery in accordance with all relevant laws and regulations, safeguarded public money and maintained integrity of financial information, and used resources economically, efficiently and effectively in line with priorities and targeted at the most needing of the borough's residents.

2020/21 has highlighted that the future for local government will present ongoing and increasing challenges to most effectively meet the needs of the borough's residents. The COVID-19 pandemic has exposed issues with the underlying financial resilience of some local councils. Robust core governance arrangements will be critical to support the Council tackle these challenges.

Due to the significant impact of COVID-19 on operations, as advised by the CIPFA Better Governance Forum's briefing dated 7 April 2020, the Council has considered the specific impact of the pandemic on the design and operation of its governance arrangements, separate from its conclusion over normal operations below. The impact has been considered under the broad headings outlined in the briefing as follows:

Impact on Business as Usual:

Like most organisations, business as usual has been impacted during 2020/21, with less-critical services paused or reduced for periods to enable the workforce to be redeployed to effectively support the COVID-19 response. Decisions, communication and monitoring of these impacts on business as usual have been captured as part of the Council's response, outlined in further detail below.

The Council's working environment fundamentally changed in 2020/21. The need to enable ongoing remote working for the majority of the workforce has seen a shift in the way the Council operates and manages its activities and performance. The IT infrastructure has been enhanced to enable the new ways of working and maintain the required stability and security to ensure that staff working from home have appropriate technology to deliver their work effectively and safely. The Council has therefore effectively responded to, adapted, and embedded significant changes to its business as usual ways of working.

The Council faced specific staffing challenges during this period due to the COVID-19 pandemic in completing the Council's statement of accounts. Following the audit process a number of issues came to light around the accounting records relating to property, plant, and equipment, particularly the measurement and valuations of some council owned schools. To resolve this, property plant and equipment records have been reviewed and the schools were subsequently remeasured and therefore more accurately valued. Following this exercise, the Council's Asset Register is more robust, and this is reflected in the Council's statement of accounts.

New areas of activity:

The response to the COVID-19 pandemic has required new areas of activity, which have been successfully implemented and managed during 2020/21.

Actions such as paying over business support grants have seen the requirement to process payments to businesses claiming such relief, with the Council contacting those deemed eligible before processing payments. Liaison on how such processes should operate were conducted, including what assurance should be obtained to process said payments and maintain a robust control environment. This has seen the agreement to use company and credit checks to mitigate the risk of fraudulent/erroneous payments being made.

The Redbridge Welfare Service has been introduced to effectively identify and support the borough's most vulnerable during the pandemic and enhance the Council's overall response.

Financial challenges:

As above, the way in which the Council works has changed, but the challenge of performing critical services with stretched financial resources was already present before COVID-19, and this has only been heightened as a result, particular with increased demand and the reduction in income from significant income-generating sources.

The Council has responded strongly, working with key stakeholders and providers to underline how they can work through this period. The Council have put specific measures in place to monitor this impact, but also mitigate longer term risks, this has included:

- Set up specific COVID-19 cost centres across the Council to capture direct, additional expenditure.
- Monitoring the primary financial pressure areas (for both income and expenditure) feeding into tactical responses and providing financial advice to the relevant working group as outlined further under the governance arrangements below.
- Continuing to monitor and scrutinise non-critical spend, to prevent unnecessary expenditure from occurring that place additional financial pressure on the Council.
- Regular reporting and monitoring on cash flow, including debt/arrears levels with consideration for relaxed payment terms where applicable.
- Supporting critical providers of services (including in Social Care given the market's critical importance to responding to COVID-19).

Financial management has ensured that as at 31 March 2021 the Council was in a reasonably sound financial position with adequate reserves and balances to meet short term risks and budgets have been set without the use of reserves.

The Council does recognise however there remain ongoing financial challenges, in particular as specific COVID-19 additional financial support from central government tapers off. The Council is proactively developing strategies for keeping within annual budgets, including developing savings delivery plans, demand management strategies, and approaches to promptly mitigating any identified forecast overspends.

Given the ever present financial challenges, the Council further recognises that it needs to build on its recent improvements in financial management achieved and in 2021/22 will focus on the joint endeavour needed across all areas of the organisation to deliver good financial governance.

The Council's governance arrangements during its COVID-19 response in 2020/21

In order to manage the impact on business as usual, decision-making and to govern the Council's response to COVID-19, the Council operated via a COVID-19 Response Governance Framework. This outlined the structures and arrangements in place within the Council to assist with a coordinated response. This included the creation and operation of Gold, Silver and Bronze groups as well as the Borough Emergency Control Centre (BECC) to act as the hub of command, control and coordination of information and the flow of communications.

These arrangements operated throughout the 2021, with groups meeting, considering the latest government guidance and capturing actions in logs, minutes, risk registers and decision trackers to ensure that these are followed up and implemented.

To support the agile and flexible response required, all COVID-19 related decisions have been and continue to be made under the Chief Executive's Emergency Powers, with these being properly recorded and published. For full transparency as required by the Constitution, these decisions have also been through Overview and Cabinet for information purposes. The Chief Executive held regular briefings with the Leader of the Council and the Leader of the Opposition on COVID-19 related matters throughout the year.

The COVID-19 Response Governance Framework has worked effectively during the year and enabled effective, timely and open governance.

Conclusion - Longer term disruption and consequences:

Whilst the impact of COVID-19 caused significant disruption across the Council, and resultant longer-term impacts on the borough are not yet known, the Council has continued to adapt, evolve and respond to the ever-growing demand and change. The entire Council has mobilised to ensure that critical services continue to the residents. The implementation of specific governance arrangements from the beginning of this pandemic have been vital. These have evolved as time has passed and the different issues and risks have emerged, but the Council has recognised this, they have continued to review how these operate, whether improvements and changes are necessary, and this will continue.

Going forward, the Council now has an opportunity to evolve and embed new working practices that will provide longer term benefit, for its staff and residents. Notwithstanding the financial implications of COVID-19, the Council will be able to reflect on what worked well, what did not, what changes were necessary and need to continue and perhaps, what non-critical services which were ceased may not need to return as they were previously delivered.

REVIEW OF EFFECTIVENESS

The Council uses a number of ways to review the effectiveness of governance arrangements, and these are set out below.

The Manager Assurance Statements completed by all Operational and Corporate Directors giving their assessment of the effectiveness of internal control within their remits. The Manager Assurance Statements assessments are that generally internal controls in place are good or adequate with small numbers of areas of concern. Where there are concerns, management have set out the improvement actions to be taken in 2021/22.

Another source of independent assurance to the Council is the work of the Internal Audit Service. The Head of Audit and Investigations' 2020/21 annual opinion is that the Council's framework of governance, risk management, and internal control provide reasonable levels of assurance. The overall opinion was based on the aggregate findings and conclusions of Internal Audit and other relevant assurances available. Where Internal Audit work has given adverse opinions, and made red risks recommendations, the associated issues or weaknesses are deemed not systemic and or do not at this time pose a likely, immediate risk of complete internal control failure that undermines the overall integrity of the governance, risk management, and control framework, or any of the framework's three key pillars.

No Internal Audit work has been given the opinion of "nil assurance". In addition, there has not been any identified instance of significant fraud, or significant criticism or adverse finding from regulators or similar.

The key areas for improvement around governance identified by Internal Audit work in the year are and the key actions to be taken in 2021/22 are as follows:

Area for improvement identified in 2020/21	Action to be taken in 2021/22
Capital programme: the governance over the development and delivery of the capital programme is acknowledged as needing further enhancement and Internal Audit work assessed the proposed design of intended refreshed governance arrangements and highlighted areas for further development. The proposed governance arrangements provide a stronger basis to help ensure the capital programme is developed more effectively and improve monitoring.	a) Further define and clarify key roles and responsibilities and supporting operational processes. b) Develop a robust implementation approach so that all stakeholders can effectively and consistently apply the arrangements.
Council-owned companies: As more of the Council's companies develop it is vital that the Council's has robust arrangements so it can effectively discharge its various roles regarding its companies. A review was therefore undertaken of current governance, decision making, oversight, and reporting arrangements and identified a number of areas for further development.	Implement the corporate action plan developed to improve the Council's arrangements over and within its companies.
Budget management: The Internal Audit review found within sampled service areas that the corporate, routine budget monitoring processes and expected remedial activity to keep within budgets were not always effectively and sufficiently consistently applied. Additional conversations with Budget Managers identified some issues around understanding of fundamental principles and disciplines of budget management and the financial management framework in which the Council must operate. The key outcomes of this Internal Audit review and the Council's progress toward implementing the related 2019/20 AGS improvement actions around financial management highlights the need for further development focussing on the joint endeavour across all areas of the organisation to deliver good financial governance.	a) Develop effective proactive strategies to deliver savings, improve forecasting and managing of demand, and other steps that could be taken to mitigate forecast overspends should they be identified. b) Ensure all Budget Managers consistently and effectively engage with the monthly monitoring processes. c) Continue to improve the monitoring and forecasting tools to enable material demand-led budgets to be forecast with increasing accuracy and identify potential issues early and with more certainty.
Health and Safety: This work focused on evaluating the robustness of the second line of assurance, which is predominantly the work of the Corporate Health and Safety Team (CH&ST) and their 'Audit and Assurance Framework' through which they assess whether service areas are consistently and effectively complying with required Health and Safety policies. Internal Audit are providing advice and guidance to the CH&ST on the further development of the 'Audit and Assurance Framework' to enhance the extent its findings and outputs can be used as an ongoing source of assurance for those with specific responsibilities for Health and Safety.	a) Embed the Corporate Health and Safety Team's 'Audit and Assurance' framework as the ongoing source of assurance to senior management and members over Health and Safety. b) Clarify responsibilities for all properties and premises and issue updated formal guidance document for managers with responsibilities for health and safety in the workplace. c) Roll out the corporate communications programme re-iterating Health and Safety risks and responsibilities and the supporting the go live of the new online training system. Track and report to senior management on training completion and escalate where necessary to ensure required levels of compliance.

Other sources of assurance of the governance framework considered in forming this statement include:

- No formal reports issued by the Section 151 Officer or Monitoring Officer. The Monitoring Officer's annual report and standards update to the Governance and Assurance Committee in March 2021 identified no adverse issues.
- No Standards (Hearings) Sub-Committee meetings were held in 2020/21 to hear allegations of breaches of the Member Code of Conduct. 11 Code of Conduct complaints were received in 2020/21 but none progressed to investigation.

- During 2020/21 there were no proven cases of significant fraud against the Council that indicate a significant breakdown in the systems of control or governance.

- No objections from local electors received.

- 68 cases were referred to the Local Government Ombudsman in 2020/21. 13 of which were upheld (19%).

Implementation of previous year's Annual Governance Statement improvement action

The 2020/21 Annual Governance Statement including improvement actions identified as necessary to the governance arrangements. The progress made implementing the actions is set out below:

	Area for Improvement	Action(s)	Target Date	Responsible Officer(s)	Progress
1	**Health and Safety** Continue to improve and embed governance arrangements, systems and processes across the Council around ensuring compliance with statutory and good practice requirements relating to health and safety.	**a)** Compliance with recommendations following specific Internal Audit reviews of Health and Safety areas conducted during 2019/20. **b)** Continued awareness campaigns and periodic risk assessments for evolving areas, with additional requirements to consider the impact of COVID-19 and the Councils operations to safeguard staff, residents and visitors.	March 2021	Operational Director – Customer and Digital	**a)** The actions have been partially implemented and work is ongoing to address all remaining issues. The key area of further work in 2021/22 is to enhance and embed the Corporate Health and Safety Team's 'Audit and Assurance' framework as the ongoing source of assurance to senior management and members over the design and operation of the Health and Safety management system. See 2021/22 improvement action. **b)** Material for a corporate awareness campaign has been developed and will take place alongside the roll out of a new corporate health and safety online training tool (June 2021). See 2021/22 improvement action.
2	**Financial Management** Ensure that there is close monitoring of the impact of spending reductions, service pressures and demands (including such areas like Social Care and Housing), that the Council has and will be required to do so over the next couple of years. This will include necessary considerations regarding the impact of COVID-19 as the Council moves through a recovery phase.	**a)** Creation and continued development of demand-led models to inform accurate service budget setting and service predictions at the start of the year. This will also help to monitor and better manage service provision, demand and financial forecasting throughout the year. **b)** Detailed monitoring and tracking of all savings, with full scoping and business case development for new and continuing areas of	March 2021	All Corporate and Operational Directors (for identified areas)	**c)** Demand-led models developed as part of the process supporting the creation of the 2021/22 budget, albeit complicated by the impact of COVID-19. Work is ongoing to develop future medium-term financial strategic planning to include robust demand modelling, both for key expenditures and key income streams and provisions for unavoidable inflation. The action needs to continue into 2021/22, see 2021/22 improvement action. **d)** Savings have continued to be tracked and reported throughout 2020/21, albeit delivery was hampered by COVID-19. Furthermore, a large proportion of existing and planned future savings were reversed out during budget setting for 2021/22 Further work is to be taken to

	Area for Improvement	Action(s)	Target Date	Responsible Officer(s)	Progress
		investment, development or savings. **c)** Implementation of "challenge" conversations between managers and Finance to establish management actions regarding financial forecasts and savings delivery at the start and throughout the year. **d)** Train and enhance manager responsibilities to identify, escalate and mitigate risks or exposures in the form of performance/financial pressures. **e)** Continue to explore alternative methods of delivery, support and partnership working to produce innovate ways of working that reduce the impact of spending reduction, increased demand or service need.			enhance the processes to identify, assess, and then progress the work needed to implement the saving. The action needs to continue into 2021/22 as part of the overall budget setting process, see 2021/22 improvement action. **e)** Enhanced budget monitoring arrangement put in place in 2020/21, incorporating a financial run rate process to build a basis for challenge of the service forecasting. COVID-19 risks and reporting requirements also necessitated additional scrutiny and challenge to reach a consensus view. As part of setting the 2021/22 budget, have also introduced a requirement for each directorate to outline at the beginning of the year their proactive strategies for keeping within annual budgets. **f)** COVID-19 prevented this action being progressed as well as it should, although Corporate Director statements (see c above) are a useful step in this direction. The action will therefore continue to be pursued in 2021/22. **g)** Alternative delivery models (such as Council-owned companies) and transformative projects (such as the corporate Digitalisation project) have continued to be explored, challenged and where appropriate progressed in 2020/21. The approach to Medium-term strategic planning and associated annual budget setting to be reviewed and developed to enable the identification and support the required resourcing of potential further alternative delivery models and transformation activity, and to better align the budget making process with corporate priorities.

Improvement actions for 2021/22

Based on the review of effectiveness of governance arrangements in place in 2020/21, the following actions are to be taken in 2021/22.

	Area for Improvement	Action(s)	Target Date	Responsible Officer(s)
1	**Financial Governance** Continue to build on the improvements in financial management achieved, focussing on the joint endeavour across all areas of the Council to deliver good financial governance	**a)** Complete and agree with Corporate Leadership Team a self-assessment of the Council's financial management and governance against the CIPFA Financial Management Code **b)** Align budget making with the Corporate Plan process, and savings and investments made in line with the corporate priorities. **c)** Develop a Medium Term Financial Strategy document for consultation and adoption by the Council, setting out the approach to future budget setting in the context of a revised corporate plan	31 March 2022	**a)** Operational Director of Finance (Deputy S151 Officer) **b)** Corporate Leadership Team **c)** Corporate Leadership Team / Operational Director of Finance (Deputy S151 Officer)
2	**Governance over Council-owned Companies** Continue to ensure that they Council's governance arrangements over and within its wholly owned companies is fit for purpose	**a)** Implement the action plan from the Internal Audit reviews	31 March 2022	Corporate Leadership Team
3	**Health and Safety** Continue to improve and embed governance arrangements, systems and processes across the Council around ensuring compliance with statutory and good practice requirements relating to health and safety.	**a)** Enhance and embed the Corporate Health and Safety Team's 'Audit and Assurance' framework as the ongoing source of assurance to senior management and members over the design and operation of the Health and Safety management system. **b)** Roll out the corporate communications programme re-iterating Health and Safety risks and responsibilities and the supporting the go live of the new online training system. Track and report to senior management the extent required training is completed to direct escalation and intervention where necessary to ensure required levels of compliance.	31 March 2022	Crime Partnerships and Health and Safety Manager
4	**Capital Programme** Enhance the arrangements to develop and then deliver the Capital Programme	**a)** Further define and clarify key roles and responsibilities and supporting operational processes. **b)** Develop a robust implementation approach so that all stakeholders can effectively and consistently apply the arrangements.	31 March 2022	Corporate Leadership Team

Overall conclusion

This statement has been considered by the Leader of the Council and the acting Chief Executive and is considered an accurate reflection of the Council's governance arrangements. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Agreed by:

Councillor Jas Athwal: Leader of the Council	Signed:	Date: 27/09/2023
Adrian Loades: Acting Chief Executive	Signed:	Date: 27/09/2023

Glossary

Accruals Basis
The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Actuarial Gains and Losses
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

Actuarial Valuation
The Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers' contribution rates.

Actuary
An independent **consult**ant who advises the Council on the financial impact and uncertainty of the Pension Fund.

Amortisation
The writing off of a charge or loan balance over a period of time. A measure of the costs of economic benefits derived from intangible assets that are consumed during the period.

Annual Governance Statement
The annual governance statement is a statutory document that explains the processes and procedures in place to enable the council to carry out its functions effectively.

Asset
Items of worth that are measurable in terms of value. Currents assets may change daily, but the Council is expected to yield the benefit within the one financial year (e.g., short-term debtors). Non-current assets yield benefit to the Council for a period of more than one year (e.g., land).

Balance Sheet
A statement of all the assets, liabilities and other balances of the Council at the end of an accounting period.

Business Improvement District
A defined area within which businesses pay additional business rates in order to fund improvements within the districts boundary.

Budget
A forecast of future expenditure plans for the Council. Detailed revenue budgets are prepared each year and it is on the basis of these figures that the Council Tax is set. Budgets are revised towards the year-end to take account of inflation, changes in patterns of services, and other factors.

Capital Expenditure
Expenditure on the acquisition of non-current or intangible assets, or expenditure that adds to the value of an existing asset.

Capital Adjustment Account
Represents amounts set aside from revenue resources or capital receipts to finance expenditure on assets or for the repayment of external loans and certain other capital financing transactions.

Capital Receipt
Income received from the sale of a capital asset such as land or buildings.

Carrying Value (Book Value)
For Financial Instruments, this value is the amount to be recognised on the Balance Sheet. Financial Assets and Liabilities need to be recognised in the Balance Sheet at fair value or at amortised cost.

Cash
Comprises cash in hand and available-on-demand deposits.

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

Cash flow
A statement that shows the changes in cash and cash equivalents during the financial year.

Collateral
Assets pledged by a borrower to secure a loan.

Collection Fund
The Council as a billing authority has a statutory obligation to maintain a separate Collection Fund. This shows the transactions of the Council in relation to the collection from taxpayers of Council Tax and Business Rates and its distribution to Local Government bodies and the Government.

Community Assets
Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of Community Assets are parks and historic buildings.

Community Infrastructure Levy
A levy that Council can charge on new developments in their area. The money can be used to support development by funding infrastructure that the Council, local community and neighbourhoods want.

Comprehensive Income and Expenditure Statement
A Statement showing the net cost of the Council's services during the year. It demonstrates how costs have been financed from general Government Grants and Income from Local Taxpayers.

Contingent Liability
A possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Council, or a present obligation arising from past events where it is not probable that there will be an associated cost, or the amount of the obligation cannot be accurately measured.

Credit Ratings for Investments
A scoring system used by credit rating agencies such as Fitch, Moodys and Standard and Poors to indicate the creditworthiness and other factors of Governments, Banks, Building Societies, and other financial Institutions.

Creditors
Amount of money owed by the Council for goods and services received but not paid for as at 31 March.

Current Service Cost
Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e., the ultimate pension benefits "earned" by employees in the current year's employment.

Curtailment
For a defined benefit pension scheme, an event that reduces the expected years of future service of employees or for a number of employees, the accrual of defined benefit for some or all of their entitlement. Examples include: -

- Termination of employees' services earlier than expected (for example as a result of discontinued operations); and
- Termination of, or amendments, to the terms of a defined benefit scheme, so that some or all future services by current employees no longer qualify for benefits or will qualify for reduced benefits.

Debtors
Amount of money owed to the Council by individuals and organisations for goods and services provided but where income was not received as at 31 March.

Deferred Capital Receipts
The balance of outstanding monies owed (e.g., mortgages) by purchasers of Council property.

Deferred Liabilities
These are creditor balances repayable after one year.

Defined Benefit Scheme
A pension scheme where the benefits payable on retirement are determined by predetermined formula and not dependent on market returns.

Depreciation
A measure of the cost of the economic benefits of the tangible fixed asset consumed during the year which is charged to the revenue account.

Depreciation Replacement Cost (DRC)
The current cost of replacing or recreating an asset with its modern equivalent asset less deduction for all physical deterioration and all relevant obsolesce and optimisation.

Derecognition
Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

Earmarked Reserves
Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

Expected Return on Assets
For a defined benefit scheme, this is a measure of the return on the investment assets held by the plan for the year. It is not intended to reflect the actual realised return by the plan, but a longer-term measure based on the value of assets at the start of the year taking into account movements in assets during the year and an expected return factor.

Fair Value
The amount that an asset can be exchanged, or a liability settled between knowledgeable and willing parties in an arm's length transaction.

Finance Lease
A finance lease is where a finance company owns an asset and leases it to the Lessor in exchange for rentals. The Lessor will remain a large part, or all of the cost of the assets in rentals. At the end of the lease, the Lessee has the option to acquire ownership of the asset by paying, the last rental, or a final purchase price. This is a lease that substantially transfers the risks and rewards of a fixed asset to the lessee. With a Finance Lease, the present value of the lease payments would equate to the fair value of the leased asset.

Financial Instruments Adjustment Account (FIAA)
Provides a balancing mechanism between the different rates at which gains, and losses are recognised under the Code and are required by Statute to be met from the General Fund.

Financing activities
Are activities that result in changes in the size and composition of the principal, received from or repaid to external providers of finance.

General Fund (GF)
Redbridge's main Revenue Account from which is met the cost of providing most of the Council's services, paid from Council Tax and government grants (excluding HRA).

General Fund Balance
Revenue Funds that are uncommitted and available to support general funding pressures not otherwise specifically covered by planned budget or earmarked reserves.

Historic Cost
The actual cost of an asset in terms of past consideration as opposed to its current value.

Housing Revenue Account (HRA)
A Statutory Account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of Council Housing.

IAS 19
A complex accounting standard based on the principle that an organisation should account for retirement benefits when it is committed to do so even though the benefits will not be paid for years in the future.

Impairment
A reduction in the valuation of an asset caused by consumption of economic benefits or by a general fall in prices.

Infrastructure Assets
Assets that have an indeterminate life and, although valuable, do not have a readily realisable value e.g., roads.

Intangible Assets

Non-financial assets that do not have physical substance but are identifiable and controlled by the Council, for example purchased software licences.

Interest Cost

For defined benefit pension schemes the interest cost is the present value of the liabilities during the year as a result of moving one year closer to being paid.

Inventories

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- Goods or other assets purchased for resale.
- Consumable stores
- Raw materials and components
- Products and services in intermediate stages of completion
- Finished goods.

International Financial Reporting Standards

International Financial Reporting Standards (IFRS) are a set of accounting standards developed by an independent, not-for-profit organisation called the International Accounting Standards Board (IASB).

Materiality

Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.

Medium Term Financial Strategy (MTFS)

This is a financial planning document that sets out the future year's financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget, capital programme and HRA. In Oldham it usually covers a four or five-year timeframe.

Minimum Revenue Provision (MRP)

The amount that has to be charged to revenue to provide for the redemption of debt.

Non-Domestic Rates

Rates payable by businesses based on local rateable values determined by the Valuations Office Agency. These are shared on a proportional basis with Central Government and the Greater London Authority.

Net Book Value

The amount at which assets are included in the Balance Sheet after depreciation has been provided for.

Net Realisable Value

The open market value of the asset less the expenses to be incurred in realising the asset.

Non-Current Assets

Assets that yield benefits to the Council and the services it provides for a period of more than one year.

Operating Lease

This is a lease other than a finance lease. An operating lease contract allows the use of an asset but does not convey rights similar to ownership of the asset. The lessee pays rentals to the lease company and, the asset is returned at the end of the lease period.

Operational Assets

Assets held, occupied, used or consumed by the Council in the direct delivery of its service.

Outturn

The actual level of expenditure and income for the year.

Past Service Cost

A cost arising from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years.

Post Balance Sheet Events

Those events that relate to the accounting year, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Chief Financial Services Officer.

Precept
The charge made upon the collection fund by one Authority (e.g., Greater London Authority) on another Council (e.g., Redbridge) to finance its net expenditure.

Private Finance Initiative
A Central Government initiative whereby contracts are let to private sector suppliers for both services and capital investment in return for a unitary payment, which may be reduced if performance targets are not met.

Projected Unit Method
Actuarial valuation method whose key feature is to assess future service cost; the Actuary calculates the employer's contribution rate, which will meet the cost of benefits accruing in the year after the valuation date. This method is considered appropriate for a Pension Fund open to new members.

Provisions
Amounts set aside for liabilities and losses, which are certain or very likely to occur but where the exact amount or timing of the payment are uncertain.

Public Works Loans Board (PWLB)
Central Government Agency, which funds much of Local Government borrowing.

Related Parties
Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, and all senior officers from Director. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Re-measurement of the Net Defined Benefit Liability
Re-measurement of the Net Defined Benefit Liability (asset) comprises:

- actuarial gains and losses
- the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and
- any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Reserves
Amounts set aside that do not fall within the definition of a provision, to fund items of anticipated expenditure. These include general reserves or balances, which every Council must maintain as a matter of prudence.

Revaluation Reserve
Represents the increased value of the Council's land and building assets from 1 April 2007.

Revenue Expenditure
The day-to-day expenditure of the Council, e.g., pay, goods and services and capital financing charges.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)
Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES.

Revenue Support Grant
Grant paid by the Central Government to Local Authorities. This grant is not attributable to specific services.

Soft Loan
Loans given at less than market/commercial rates.

Surplus or Deficit on the Provision of Services
Is the total of income less expense, excluding the components of Other Comprehensive Income and Expenditure.

Support Services
Activities of a professional, technical and administrative nature which support main front-line services.

Abbreviations used in Accounts

AGS	Annual Governance Statement
AVC	Additional Voluntary Contributions
BID	Business Improvement District
BN	Billion
CFR	Capital Financing Requirement
C I ES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
DFE	Department for Education
DSG	Dedicated Schools Grant
DWP	Department for Work and Pensions
EFA	Expenditure Funding Analysis
ELWA	East London Waste Authority
FIAA	Financial Instruments Adjustments Account
FRS	Financial Reporting Standard
GLA	Greater London Authority
HRA	Housing Revenue Account
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LBR	London Borough of Redbridge
LCIV	London Collective Investment Vehicle
LGPS	Local Government Pension Scheme
LPFA	London Pensions Fund Authority
M	Million
MHCLG	Ministry of Housing, Communities and Local Government
MRA	Major Repairs Allowance
MRP	Minimum Revenue Provision
NDR	Non-Domestic Rates
PFI	Private Finance Initiative
PWLB	Public Works Loans Board
RICS	Royal Institute of Chartered Surveyors
RSG	Revenue Support Grant
SeRCOP	Service Reporting Code of Practice
SORP	Statement of Recommended Practice
UCRR	Usable Capital Receipts Reserve