London Borough of
Redbridge

Draft Unaudited Statement of Accounts 2021/22

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 2021/22 performance indicators, and
  - The principal risks that it faces.
- **Financial Position, Performance and Strategy**
  - 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.
  - 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 310,300 as the 2021 Census[1]. This is expected to continue to rise with the Elizabeth line bringing residents to Ilford and surrounding neighbourhoods.
- Redbridge has the third most diverse community in London[2] with 60.7% of the population from Black, Asian and Minority Ethnic (BAME) groups[3] and over 90 languages spoken[4].
- Redbridge has become less deprived between 2015 to 2019[5], in comparison to the rest of the country, ranking 11th out of 32 boroughs for overall deprivation and 5th best for an increase in rank out the last four years for overall deprivation.
- Redbridge is one of London's greenest boroughs with more than 35 parks, playgrounds and other open spaces to enjoy. Six parks have attained the prestigious Green Flag Award[6].

Redbridge's Corporate Plan 2022-26

The Redbridge Corporate Plan is to cover the next 4 years and has been agreed by the Council. The plan is built on engagement and research with residents; engagement with staff and partners; and engagement with our elected representatives. It is a plan for Redbridge.

It contains commitments from the Administration and the priorities of all the service areas across the council. The major strategies of the organisation provide a guide to what we want the future organisation and borough to be. The aim is to make Redbridge a great place for everyone.

This means tackling poverty, overcoming the cost-of-living crisis, and helping Redbridge emerge from the impacts of Covid on people, communities, and business.

The Council also makes a commitment in here to the longer-term future of Redbridge and to end child poverty by 2040 and see all areas of Redbridge no longer categorised as deprived

The way the Council works with residents is important. There will be a stronger emphasis on prevention, collaboration, and responsibility. The Council has many strong examples of this way of working already from early years work; the collaboration with health and police; or the emphasis on keeping Redbridge clean and tackling ASB through initiatives like the Wall of Shame. The Council will do even more over the next 4 years.

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1 Census 2021 first data release
2 2013 GLA Data
3 2013 GLA Data
4 2011 Census data
5 The English Indices of Deprivation 2019
6 The Story of Redbridge

Council Management and Reporting Structure

The Council's management structure of Directorates support the Strategic Delivery Plan's priority to build a brilliant Council. The Directorate structure during the year was as follows:

- Communities which includes Housing, Civic Pride and Customer Services;
- People which includes Adult Social Services, Children and Families, Education and Inclusion and Public Health;
- Regeneration & Culture which includes Regeneration & Property and Leisure & Culture Client;
- Resources which includes Finance, Assurance, Information Technology and Revenue, Benefits and Transactional Centre;
- Strategy which includes Policy, Equalities and Communications, Change & Business Intelligence, Communications and Human Resources. 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:

CRIME AND PUBLIC SAFETY

- Delivered Enforcement Hubs in Hainault and Ilford;
- Expanded Enforcement teams;
- £1.5million investment in 41 ANPR and over 600 CCTV cameras;
- Joint police and Redbridge Enforcement Officer patrols;
- Mobile CCTV to target hotspots.

COVID

- Free school meals for over 7,000 children;
- Supported creation of 3 test centres in Redbridge;
- Supported 215,000 vaccinations;
- Provided Town Hall to become vaccination centre.

INVESTING IN THE COMMUNITY

- Refurbished South Woodford and Woodford Green libraries, and kept every library open;
- Secured significant amounts of parks investment inc £7million in Hainault Forest;
- Refurbished playground equipment including at Clayhall Park and Manford Way.

SCHOOLS AND SOCIAL CARE

- Almost every school in the borough rated Good or Outstanding;
- Introduced living wage for all council-employed care workers;
- One of only 5 councils in the country with top-rated children's and adult's social care services.

MAKING REDBRIDGE GREENER

- Planted over 40,000 trees across the borough;
- Expanded cycle lanes and bike storage infrastructure.

Impact of COVID-19

The COVID-19 pandemic has continued have a significant impact on residents and businesses, and therefore on Council services. However, the net financial impact on the Council has been far smaller this year than in 2020/21.

While the outturn position was 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 2022/23 having either been released as part of setting the 2022/23 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 managers to spend within the agreed budget.

More information can be found in the latest budget monitoring report (BCR) to Cabinet on the Council website at http://mgintranet.redbridge.gov.uk/ieListDocuments.aspx?CId=267&MId=8495&Ver=4.

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' published in 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, as shown overleaf.

Redbridge Council Directorate Annual Performance		Annual Target	March 2022
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 Lower % of children looked after is better (GREEN), placement cost will be less	10%	2.7%
1.3	Percentage of child and family assessments undertaken following a referral to social care completed within 45 days Higher % of child and family assessment undertaken within 45 days above target is better (GREEN)	80%	84.3%
1.4	Increase the percentage of care leavers (former relevant young people aged 19-21) who were in education, employment or training Higher % of 19-21 young people in education, employment or training than targeted is better (GREEN)	62%	64.8%
2	**Health and Social Care Service**		
2.1	Percentage of adults using social care currently in community settings Higher % of users than target % is better (GREEN)	75%	77%
2.2	Percentage of clients using social care who receive direct payments Higher than 27.6% target of users is better, 24.9% is lower but within tolerance limit (AMBER)	27.6%	24.9%
2.3	Average days delayed of Adult Social Care and Shared Days Delayed Transfers of Care	4.2	N/A - Statistics cancelled due to Covid
2.4	Permanent Admissions to Care Homes per 100,000 Population Lower than target number of 7 admissions is better, 1.6 is better (GREEN)	7	1.6
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 FOI completed is lower than target of 95% (RED arrow) and outside 85% tolerance limit (RED shading). Note: 85% or less is (RED)	95%	84%
3.2	Percentage of stage 1 complaints responded to within 10 working days 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 Lower than 10% target is better, 12% rate is higher than target but within tolerance limit (AMBER)	10%	12%
3.4	Number of working days per FTE lost due to sickness absence (excluding school staff) Lower than target of 5 FTE is better, 7.7FTE days lost is higher than target 5 FTE (RED)	5	7.7%
4	**Resources**		
4.1	Percentage of Council Tax collected in year 96.69% CT collected is within acceptable limit of 5% confidence level (AMBER)	97%	96.69%
4.2	Percentage of non-domestic rates collected in year 93.48% % NDR collected is within acceptable limit of 5% confidence level (AMBER)	98%	93.48%
5	**Place**		
5.1	Percentage of household waste sent for recycling Higher percentage of household waste sent for recycling than	26.70%	28.78%

Redbridge Council Directorate Annual Performance		Annual Target	March 2022
	target is better (GREEN)		
5.2	Number of households living in temporary accommodation Lower number of households in temporary accommodation than 2500 target is better, as TA is expensive 2675 is higher but within tolerance limit (AMBER)	2500 (target changed to 2900 between Q2 2020 - Q4 2021)	2675
5.3	Percentage of planning applications determined within target time Higher % than 85% target is better, 93.7% applications determined is better (GREEN)	85%	93.7%
5.4	Percentage of households with children exceeding 6 weeks in B&B Target is 0 families in B&B, 7 families in B&B is higher than target (RED)	-	7
5.5	Percentage of reported fly tips cleared within target time Higher % than 90% target reported fly tips cleared is better, % is better (GREEN)	90%	99.91%
5.6	Number of missed refuse and recycling collections per 100,000 collections Missed collection lower than target of 40 is better, 50 is higher than target (RED)	40	50

Key

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

AMBER – Performance is higher or 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 2021/22, 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 as at Outturn £m	Outturn £m	Variance £m
Communities	20.432	23.477	3.045
People	107.049	112.233	5.184
Regeneration & Culture	7.519	8.858	1.339
Resources	15.747	15.477	(0.270)
Strategy	3.377	4.365	0.988
Directorate Net Budgets	**154.124**	**164.410**	**10.286**
Corporate Items & Contingency	47.640	37.673	(9.967)
COVID-19 Grant	(7.466)	(9.354)	(1.908)
General Fund Net Outturn	**194.318**	**192.729**	**(1.589)**

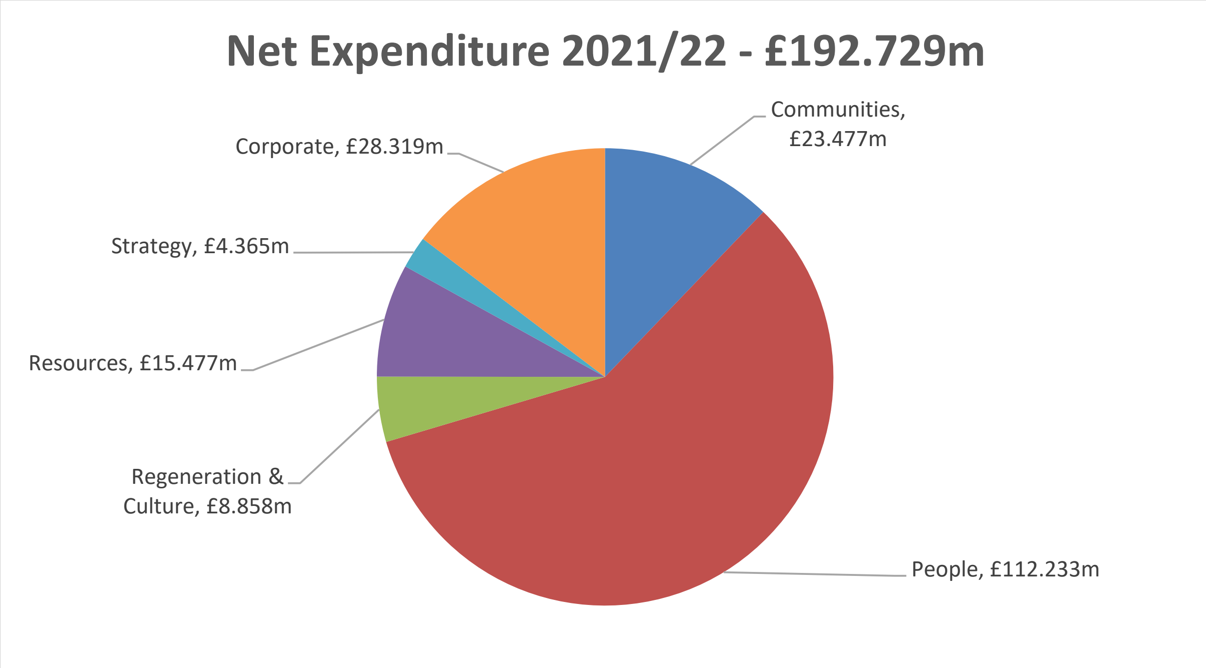
Overall, the General Fund outturn position is an underspend of £1.589m as shown in the table below. The outturn position for the year showed an overspend of £10.286m from Service Directorate revenue budgets. Of this, £2.746m is attributable to the impact of COVID-19. The most significant areas of overspend, including the impact of COVID-19 are:

- Children & Families with a net overspend of £4.018m due to increased demand of services and other impacts resulting from COVID-19.
- Adult Social Care with a net overspend of £1.492m mostly due to demand on care purchasing.
- Regeneration & Property with a net overspend of £1.171m due to undelivered savings and reduced income
- Civic Pride with an overspend of £1.521m includes costs relating to Highways, Parking and Transportation and increased mortality costs due to COVID-19.
- Customer Help Digital Complaints with a net overspend of £0.999m; of which the overspend mainly relates to undelivered savings.
- Education & Inclusion with a net overspend of £0.918m; of which the overspend mainly relates to undelivered savings.

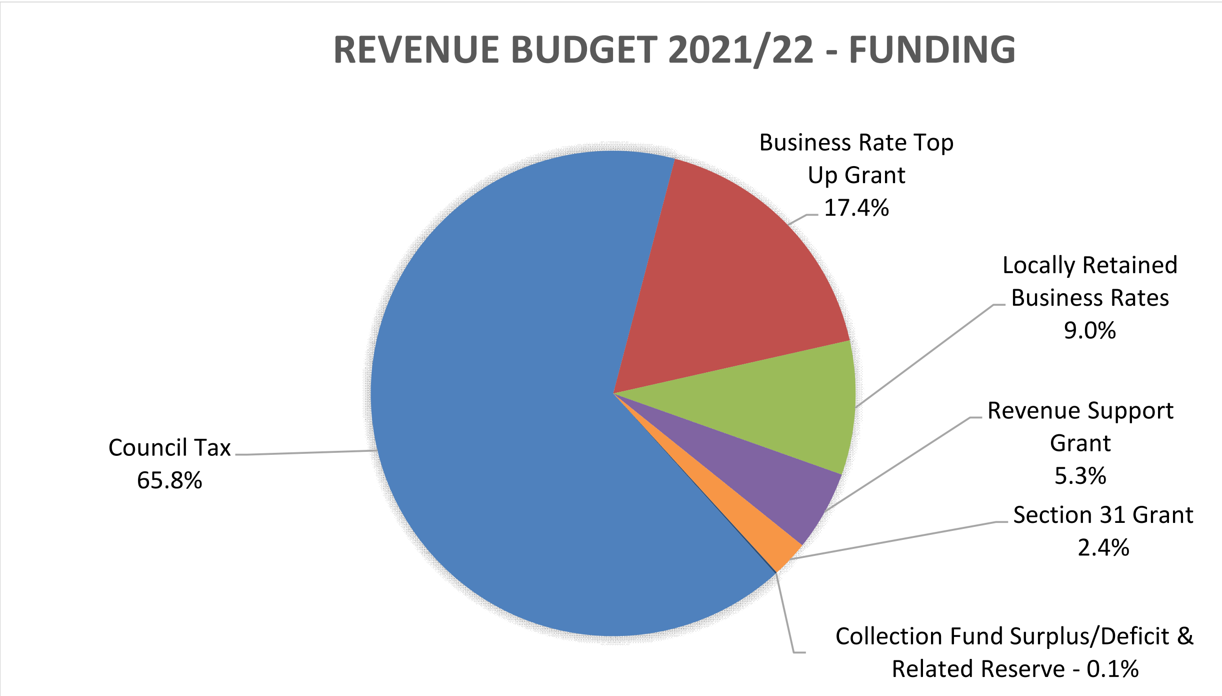
Corporate budgets (including contingencies) were used to manage the Service Directorate overspends as set out below:

	£m
Service Directorate Overspend	**10.286**
Contingency & Risk Provision	(0.550)
Savings on interest and borrowing repayment	(1.964)
Growth Held for Services	(2.409)
Other items	(3.416)
Covid-19 Growth Held For Services	(1.628)
Covid-19 Grant	(1.908)
Total	**(1.589)**

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 £264.422m that is accounted for within that service; this gives a net controllable service cost which for 2021/22 was £164.410m as well as £28.319m of corporate items to give a £192.729m 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.

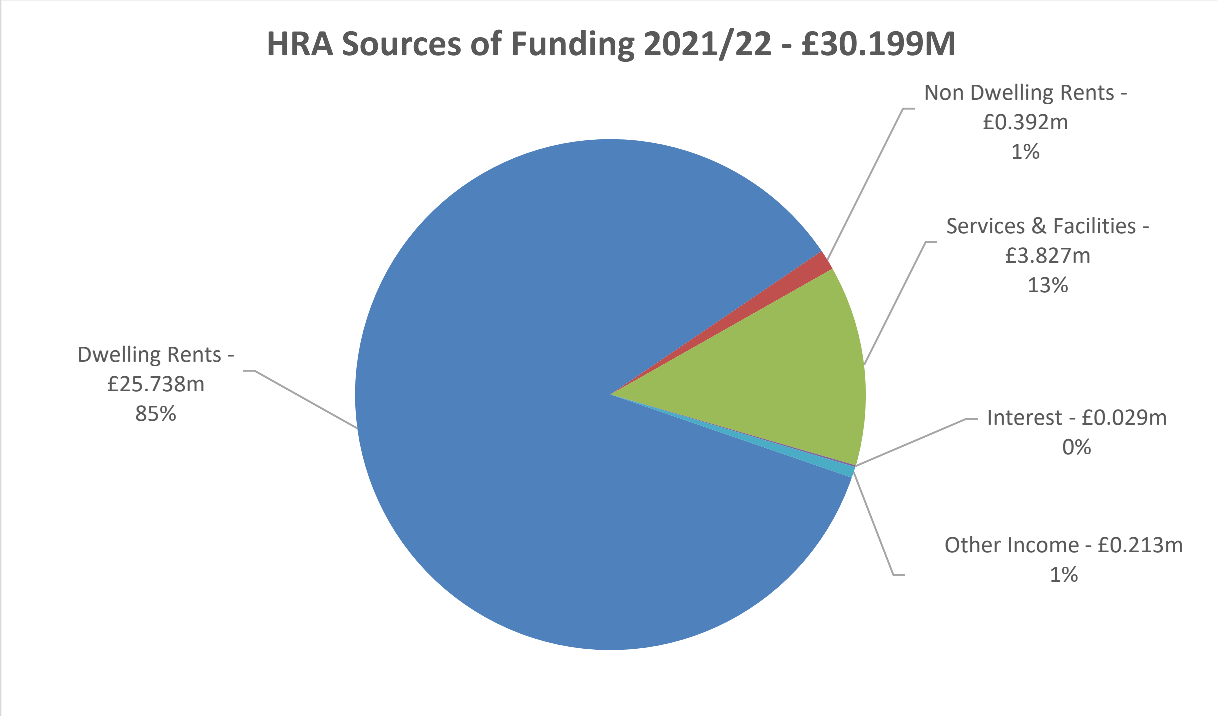


The main source of funding for the 2021/22 financial year is Council Tax which makes up 66% of core funding, followed by Business Rates including Top Up Grant at 17%.



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 overspend of £0.0.85m against budget in 2021/22. This is a net position resulting from additional spend on repairs and maintenance offset by lower than budgeted contribution to provision for bad and doubtful debts and interest payable. The source of funding for the HRA is shown graphically below.



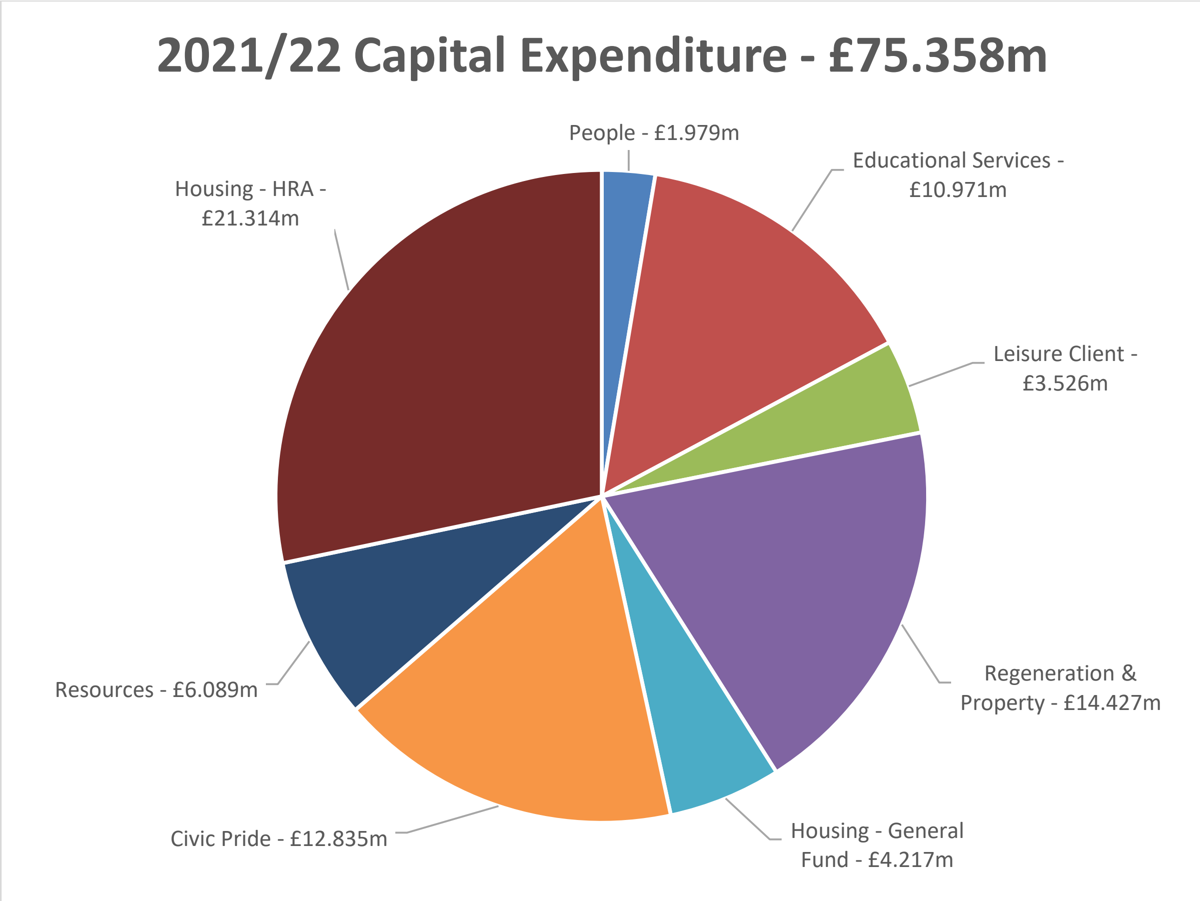
Capital Expenditure

Capital Expenditure is defined as spending on the purchase, improvement or enhancement of fixed assets. The Capital Programme for 2021/22 approved in February 2021 was £275.734m. During the year the revised budget of £101.862m after taking into account slippage was approved by Council in February 2022. The outturn for the year, compared to budget, was £75.358m and is summarised in the chart below.

Significant areas of expenditure in 2021/22 were Civic Pride (£12.835m which is 17% of the capital programme) which was a continued investment into the Council's roads and tackling the climate change emergency.

Educational Services expenditure (£11.841m which is 15% 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 (£4.217m which is 6% of the capital programme) and Housing (HRA) capital expenditure of £21.314m (28% 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 £430m as at 31 March 2022 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 the financial challenges. Redbridge's Net Worth at 31 March 2022 is £1,296m compared to £1,082m 31 March 2021. This increase is mainly due to valuation increases on non-current assets.

Net Assets at 31 March 2022:

Non-Current Assets (property and long-term investments and debtors) **£2,018m**	Net Current assets (debtors, inventory and cash less creditors and current liabilities) **£88m**	Long term liabilities and provisions **(£810m)**
Funded by:		
Usable Reserves **£209m**	Unusable Reserves **£1,087m**	

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**	

Treasury Management Strategy

As at 31 March 2022, the Council had a long-term borrowing portfolio of £362.9m (£347m as at 31 March 2021). 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 were received over 24 months in line with the Council's funding needs and therefore reduced 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 Investment portfolio held by the Council has increased from £180.8m as at 31 March 2021 to £229.1m as at 31 March 2022.

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 £1.6m to £21.2m as at 31 March 2022, which is 10.5% of the 2022/23 net revenue budget. 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 £21.2m as at 31 March 2022 as well as a Commercial Income Smoothing Reserve of £2.6m which allows for fluctuations in investment return between years and a Business Rate Smoothing Reserve of £10.1m 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 2021/22 sets out the Council's income and expenditure for the financial year ending 31 March 2022 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 2021/22 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 snap shot 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.

- 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.

Council Companies

The Council has previously produced group accounts but have determined for 2021/22 that this is no longer a requirement. There are also four companies with which the Council has close involvement, three of which are not trading. Group accounts have not been prepared in respect of the sole trading company on the ground of materiality. These companies are:

Redbridge Civic Services Ltd (RCS) provides waste services for the Council and is wholly owned by the Council. Due to the turnover and net assets held by the company it is not considered necessary to consolidate as they would not materially impact on the group accounts.

Redbridge Living Limited was set up to deliver housing on Council owned land, however it has been decided that it is now more advantageous for projects originally intended to be delivered by the company to be delivered directly by the Council, therefore this company is not active at this time.

Roding Homes Limited, is intended to acquire, let and manage properties to support the Council's housing duties. Due to some potential changes to accounting rules which would impact on the financial viability of the intended operating model of the company being consulted upon, plans for this company were put on hold pending the outcome of the consultation.

SixFive Education Ltd was created to provide educational support services but is not yet operational.

The Council has previously consolidated the accounts of Vision – Redbridge Culture and Leisure, which provides Culture, Sport and Leisure services within the borough into its own accounts. It is not owned or controlled by the Council. This has been included in group accounts in recent years however a revised management agreement has now been signed that dilutes control sufficiently that it is no longer deemed necessary to consolidate these accounts.

Forward Plan 2022/23 - 2027/28

Redbridge's net revenue budget for 2022/23 was approved on 10 February 2022 and was £195.723m. The context in which the Council's Budget is set is influenced by:

- The Council's Corporate Strategy "The Redbridge Plan 2022 – 2026" and Strategic Priorities;
- 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.

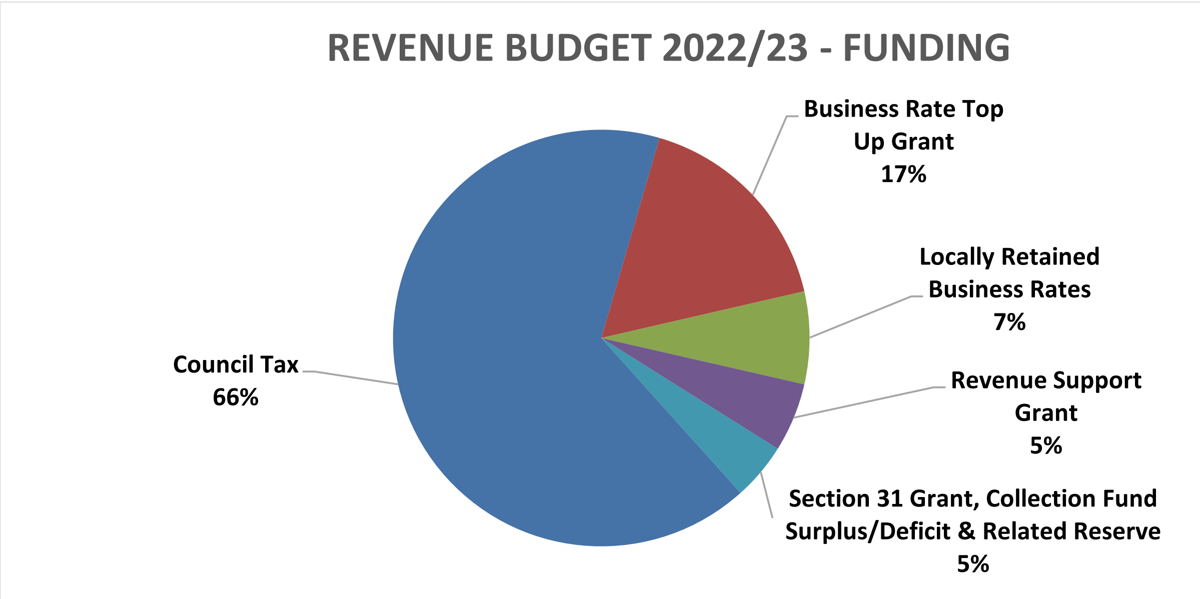
The budget process is designed to ensure that it is priority-led so that resources are aligned with the priorities of the Corporate Strategy.

Setting the budget

In 2022-23, the Council 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 1% 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 2022/23 at Band D increased by £74.55 (£1,789.39 – £1863.94) which equates to an increase of 4.17%.

Revenue Budget Funding 2022/23

The main source of funding for the 2022/23 financial year is Council Tax which makes up 66% of core funding, followed by Business Rates including Top Up Grant at 24%.



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

The environment for budget setting continues to be challenging. While it is hoped that the worst of COVID-19 has now passed, there are several other new risks and issues. Inflation is at a forty-year high, which both impacts directly on the Council and on residents and businesses within the borough. This may result in greater demand for council services or reduced income for the Council. The long-term impact of the pandemic is also still not fully understood.

The government have published some detail of planned changes to adult social care, however much of the detail is still being reviewed. The exact cost is not yet known, but current industry modelling indicates that the funding set aside by government may not be sufficient to fully fund the changes and therefore there is concern that the additional cost may fall on Local Authorities and therefore residents paying Council Tax.

The Government provided a single year financial settlement for 2022/23, after a three-year Spending Review was announced. It had also been indicated that a two-year local government funding settlement would be announced during 2022 for 2023/24 and 2024/25, however this was before the current instability at the top of government and subsequent ministerial changes, so may now be less certain. There is also no significant indication of what changes will be made as part of this settlement, with the long delayed Fair Funding Review and reforms to Business Rates still expected. This alongside the other challenges in the wider economy mean that there is continued uncertainty and complexity for budget setting for future years. Even if a two-year funding settlement is announced, while certainly better than a single year it will still not provide the longer-term consistency needed for the most effective long-term financial planning.

Redbridge is estimated to have a population of 310,300[7]. This is forecast to continue to increase. This will place further potential pressures on all services across the Council. The borough continues to need more homes, schools, health and social care, in addition to services including cleansing, roads and highways arising from changing demographics and growing population. The result is increasing demand for already stretched 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 reform of social care as mentioned above, however at this time it is not clear how effective any new proposals will be.

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 2022/23 Medium Term Financial Strategy (MTFS)

The Council continues to face severe pressures that will particularly impact over the next two to three 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 £79m in the MTFS. The key pressures included are summarised overleaf the table.

[7] Census 2021 first data release

MTFS 2023/24-2027/28[8]

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Service Base Budgets	201.605	206.114	209.075	211.548	214.051	201.605
Inflation & Pay Awards	10.000	10.000	5.000	5.000	5.000	35.000
Levies	8.419	1.222	0.553	1.000	1.000	12.194
Pension Fund	1.200	1.200	1.200	1.200	1.200	6.000
Service Pressures	(1.959)	(0.817)	(0.828)	(0.050)	-	(3.654)
Demographic Pressures	10.000	5.000	5.000	5.000	5.000	30.000
Member Investment Priorities	1.000	1.000	1.000	1.000	1.000	5.000
London Living Wage	2.300	2.000	2.000	1.400	-	7.700
Capital Financing	2.766	1.446	0.511	0.342	-	5.065
Risks	(1.524)	-	-	-	-	(1.524)
Grants	2.968	0.088	-	-	-	3.056
Reserve Contribution	3.335	2.100	0.828	0.050	-	6.313
Savings previously agreed	(6.596)	(2.542)	(1.845)	(0.020)	-	(11.003)
Budget Gap / Savings to be identified	(27.400)	(17.736)	(10.946)	(12.419)	(10.668)	(79.169)
Service Budgets	**206.114**	**209.075**	**211.548**	**214.051**	**216.583**	**216.583**

Funding

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m
Funding Settlement including Business Rates	(72.209)	(73.653)	(75.126)	(76.629)	(78.161)	(78.161)
Council Tax	(134.422)	(135.422)	(136.422)	(137.422)	(138.422)	(138.422)
Collection Fund Deficit	0.517	-	-	-	-	-
Total Funding	**(206.114)**	**(209.075)**	**(211.548)**	**(214.050)**	**(216.583)**	**(216.583)**

In February 2022, Council agreed the budget for 2022/23 alongside budget proposals for future years, recognising that there was a significant further funding gap forecast in 2023/24 and across the remaining years of the Medium-Term Financial Strategy.

There are several key uncertainties which need to be understood as part of the budget setting process, the most significant are:

- inflation is currently the highest it has been in decades. This impacts the Council directly through increased costs and also indirectly through the impact it has on residents and businesses within the borough. Forecasts for inflation indicate a lot of uncertainty around this, though the majority anticipate it reducing to more normal levels over the next year or two. This has resulted in what has been dubbed in the media the 'cost of living crisis', which will need to be taken into account when considering options for setting the Council's budget.

- Linked to Inflation is the current national and global economic situation, which is linked to the situation in the Ukraine and the continuing impact of the COVID-19 pandemic. This is still a developing situation, but at the time of writing there have been two consecutive months of falling GDP in the UK.

- While restrictions have now been lifted the COVID-19 pandemic has had ongoing impacts for residents and businesses, which in turn impacts on Council services and income generation. It has also changed behaviours and it is not clear whether these changes will continue in the long term.

- It is also assumed that the pandemic response or knock on impacts will not cause any significant overspend in 2021/22, despite the risks currently highlighted in the Budget Monitoring Report and that

[8] Reported to Council on 19 July 2022

the one-off funding allocated as part of the 2021/22 budget in relation to the impact is fully reversible in 2022/23.

- There is still little certainty over Local Government funding beyond the current year. While a three-year Spending Review has set the total amount of funding expected to be available to Local Government, it is not clear when changes to its distribution will take place in the form of the long-awaited Fair Funding Review.

- While the Government has now published some detail of the long awaited reforms to social care, it is still not clear what the financial impact will be on Local Authorities. Some work from within the sector has been published indicating that it is likely that there is insufficient funding allocated to cover the additional cost to authorities, however this is produced based on limited information.

- The impact of Brexit continues to be a potential concern, however the specific impacts are somewhat unclear as they overlap with other economic factors.

- For over a decade local government has had to manage with a huge reduction in the amount of funding provided by central government alongside increasing demographic pressures, initially from an aging population but more recently increasingly from housing and children's services. Redbridge's financial resilience currently remains sound, with an increase in 2022/23. There is however a budget gap forecast in every future year, with 2023/24 looking to be a particularly challenging year with a gap of £27.4m.

Other key assumptions underpinning the updated MTFS include:

- Savings already agreed will be delivered in full and on time or substitutes will be found;

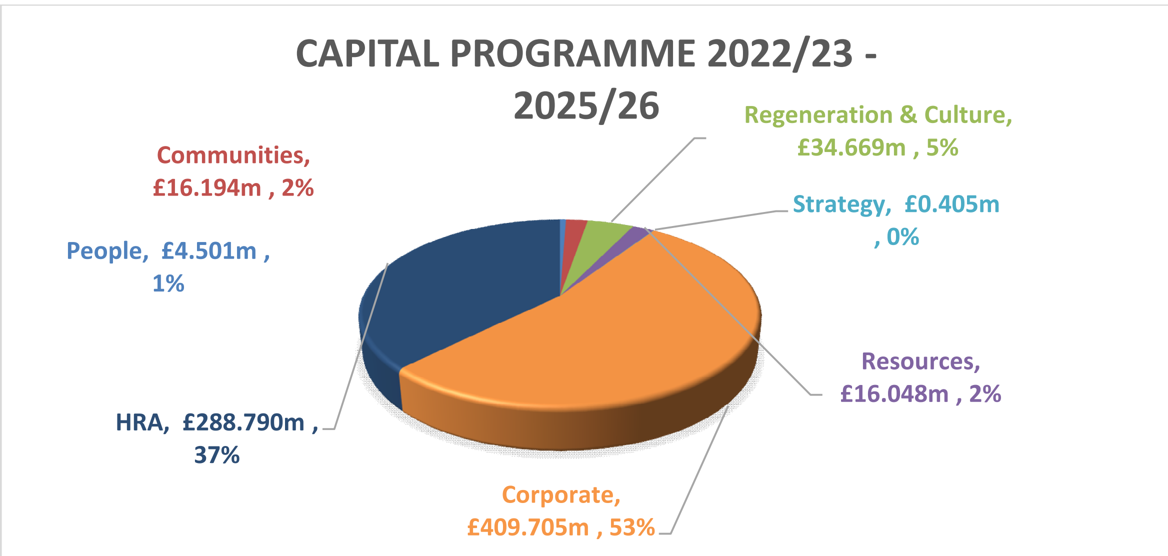
- Services will contain expenditure within their agreed service budgets and there will be no material overspending of budgets and mitigations will be found for any pressures identified within services;

- 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.

Capital Programme 2022/23 to 2026/27

The Council's capital programme and financing for the next five years is summarised below, this totalling £770.312m, which has been approved by Council in February 2022.



Key Priorities

Safe and Healthy
As part of the Council's Crime Commission, there is a comprehensive plan, including the roll out of enforcement hubs and a police hub on the Orchard Estate in Woodford. The borough now has a larger police team for Ilford Town Centre. The Council will also commit to more CCTV, noise control and teams to keep parks safe.

As the impact of Covid continues the Council is looking to address major health inequalities with wide variances in life expectancy and above average levels for a range of health issues. The Council's commitment to becoming a UNICEF Child Friendly Borough will be a major priority to achieve by 2026 to be a truly inclusive borough for all young people.

Clean and Green
The Council will expand Fairlop Waters, have improved facilities in Hainault Forest and create more parks and open spaces. The Climate Change Action Plan focuses on the organisation's ability to reduce its carbon footprint and the Council will do more to address the wider implications on our environment over the next decade. The Council has plans to improve flood prevention, to develop cleaner air around our schools, and invest in more electric car charging points. The Council will plant thousands of trees and commit to a biodiversity plan and a sustainable transport strategy.

Residents tell the Council that tackling waste and litter is a major issue. The Council will increase recycling and do more to tackle fly-tipping.

Jobs & Skills
The Council is committed to the Work Redbridge programme and working with the Redbridge Institute to help adults find the right pathways to employment. Its partnership with New City College and commitment to a university campus means Redbridge will be an amazing place to learn. Council schools are excellent and the way they led during the pandemic has ensured communities across Redbridge have coped and grown. The Council is committed to supporting local businesses to sustain and grow. The Council will also develop a longer-term Voluntary and Community Sector strategy so that it can collaborate to achieve more for Redbridge.

Homes & Neighbourhoods
The Council will build more social housing and more affordable housing. With a landlord licensing scheme, the Council will ensure that people are treated fairly, and will improve the quality of housing for everyone regardless of tenure.

New Community Hubs will be based across the borough providing excellent facilities, support, and services. The Council will develop these in partnership with local people and will create the right approaches according to the issues that matter most locally.

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 2022/23 Strategy and Policy was approved by the Governance and Assurance Committee on 26 January 2022.

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 Council, Management 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.

The latest reported risk register is available on the Council's website: Governance & Assurance Committee, the top 11 strategic risks as published for Quarter 1 2022/23 are summarised in the table.

- Sustained increase in staff sickness/absence due to emerging infectious diseases including the potential for new COVID-19 variants.
- 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 including potential Cyber Attack(s).
- 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 has agreed the Redbridge Corporate Plan 2022-26 which has a set of objectives, activities, and measures against them. This means there is a clear visible link between the Councils work and the impacts they have on Redbridge.

The Council will produce an annual state of the borough report to test progress and detailed quarterly performance updates to track changes.

The Council recognises that being able to make real change it also needs to make more noise about Redbridge. This means the Council needs to be fighting for more resources, encouraging new businesses to move here and make Redbridge a centre of education excellence including a new university campus.

The Corporate Plan provides a guide to what the Council is committed to doing and is confident that its efforts will make a real difference to the lives of people who live here and provide a positive future for our borough

Conclusion

The Statement of Accounts provides a very detailed and comprehensive picture of the Council's performance for 2021/22 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
31 October 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 2021/22 ('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 irregularities;
- assessed the Council's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the 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 2022 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
31 October 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.

Chair of the Governance and Assurance Committee
xxxxx 2023

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

To be completed

To be completed

To be completed

To be completed

To be completed

To be completed

To be completed

To be completed

To be completed

To be completed

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.

2020/21					2021/22		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**		***Notes***	**Gross Expenditure**	**Gross Income £000**	**Net Expenditure £000**
117,951	(68,553)	49,398	Communities		106,565	(61,374)	45,191
490,167	(378,965)	111,202	People		519,194	(387,052)	132,142
33,262	(12,218)	21,044	Regeneration & Culture		33,858	(11,087)	22,771
153,532	(138,437)	15,095	Resources		153,653	(129,713)	23,940
22,045	(14,413)	7,632	Strategy		6,547	(2,305)	4,242
13,628	(4,607)	9,021	Corporate		21,064	(10,503)	10,561
41,524	(29,524)	12,000	Local Authority Housing (HRA)		32,779	(30,251)	2,528
872,109	**(646,717)**	**225,392**	**Cost of Services**		**873,660**	**(633,285)**	**241,375**
		32,346	Other operating expenditure	***10***			19,187
		23,486	Financing and investment income and expenditure	***11***			(35,724)
		(246,917)	Taxation and non-specific grant income	***12***			(239,979)
		34,307	**(Surplus)/Deficit on the provision of services**				**(15,141)**
		(320,197)	Surplus on revaluation of non-current assets	***30***			(76,718)
		108,932	Re-measurement of the net defined Benefit liability	***40***			(122,793)
		(211,265)	**Other Comprehensive Income and Expenditure**				**(199,511)**
		(176,958)	**Total Comprehensive Income and Expenditure**				**(214,652)**

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.

2020/21 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 2020 brought forward	**(80,751)**	**(16,795)**	**(13,399)**	**-**	**(61,068)**	**(172,013)**	**(732,729)**	**(904,742)**
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)**
2021/22								
Movement in Reserves during 2021/22								
Total Comprehensive (Income) and Expenditure	**(20,621)**	**5,480**	**-**	**-**	**-**	**(15,141)**	**(199,511)**	**(214,652)**
Adjustment between accounting basis and funding basis under regulations *(Note 8)*	**11,435**	**(5,735)**	**(4,636)**	**-**	**9,311**	**10,375**	**(10,375)**	**-**
Net (Increase) / Decrease	**(9,186)**	**(255)**	**(4,636)**	**-**	**9,311**	**(4,766)**	**(209,886)**	**(214,652)**
Balance at 31 March 2022 carried forward	**(135,378)**	**(17,539)**	**(15,157)**	**-**	**(41,155)**	**(209,229)**	**(1,087,123)**	**(1,296,352)**

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.

31 March 2021 £000		Notes	31 March 2022 £000
1,651,883	Property, Plant & Equipment	13	1,760,690
98,758	Infrastructure Assets		93,594
90,751	Investment Property	14	134,901
5,320	Intangible Assets	15	6,041
18,053	Long Term Investments	23	21,222
2,142	Long Term Debtors	19	2,126
1,866,907	**Long Term Assets**		**2,018,574**
12,057	Assets Held for Sale	18	990
146,460	Short Term Investments	23	182,267
222	Inventories		286
64,098	Short Term Debtors	19	66,205
22,840	Cash and Cash Equivalents	20	31,299
245,677	**Current Assets**		**281,047**
(3,836)	Short Term Borrowing	23	(5,195)
(126,272	Short Term Creditors	21	(162,164)
(1,901)	Provisions	22	(2,223)
(14,153)	Capital Grants Receipts in Advance	25	(17,298)
(7,141)	Revenue Grants Receipts in Advance	25	(6,137)
(153,303)	**Current Liabilities**		**(193,017)**
(8,410)	Provisions	22	(8,786)
(347,023)	Long Term Borrowing	23	(362,903)
(521,523)	Other Long-Term Liabilities	29	(438,563)
(876,956)	**Long Term Liabilities**		**(810,252)**
1,081,700	**Net Assets**		**1,296,352**
204,463	Usable Reserves	MiRS	209,229
877,237	Unusable Reserves	30	1,087,123
1,081,700	**Total Reserves**		**1,296,352**

These financial statements replace the unaudited financial statements confirmed by Maria G Christofi on 26 August 2022

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

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during 2021/22. 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.

2020/21 £000		Note	2021/22 £000
(34,307)	Net surplus or (deficit) on the provision of services		15,141
146,205	Adjustments to net deficit/surplus on the provision of services for non- cash movements		96,936
(25,215)	Adjustments for items included in the net deficit/surplus on the provision of services that are investing and financing activities		(34,810)
86,683	**Net cash flows generated from Operating Activities**	**41a**	**77,267**
(97,599)	Investing Activities	**41b**	(83,233)
13,152	Financing activities	**41c**	14,425
2,236	**Net (decrease)/increase in cash and cash equivalents**		**8,459**
20,604	Cash and cash equivalents at the beginning of the reporting period	**20**	22,840
22,840	**Cash and cash equivalents at the end of the reporting period**		**31,299**

Notes to the Accounts

1. Statement of Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22 (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 Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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, they must prepare their financial statements on a going concern basis of accounting. In carrying out its assessment that this basis is appropriate for the going concern period to 31 March 2025, 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.

Outturn for 2021/22 was reported to 21 June 2022 Cabinet. The outturn variance was a £1.589m underspend, an improvement of £2.837m since Q3. The Council achieved a positive financial outcome for the 2021/22 financial year despite the challenges posed by the pandemic. This has been achieved by financial restraint across the organisation, along with some one-off underspends due to particular circumstances. Earmarked Reserves excluding grants unapplied, HRA, DSG and schools increased by £11.975m.

Our most recent year-end balances include the following:

Date	General Fund £m	Housing Revenue Account (HRA) Total Reserves £m	Earmarked reserves General Fund (GF) £m
31/03/22	21.160	17.539	78.763
31/03/23	21.408	17.784	73.756

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 one-off items rather than as a method of supporting the budget on an ongoing basis. The General Fund outturn position for 2022/23 includes a contribution to reserves of £0.311m. In the 2023/24 budget setting it is assumed that a contribution from reserves of £1.870m will be required to balance to the net budget.

Projected reserves position through to 31/03/25: The table below shows actual balances and projections through to March 2025. The HRA business plan provided for a transfer of £8m from HRA balances to HRA earmarked reserves in 2021/22. The increase in GF balances shown in the table is a result of the £1.589m underspend reported in June for 2021/22 outturn. 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	Earmarked reserves (HRA) £m	Earmarked reserves (GF & HRA) £m
31/03/22	21.160	10.787	89.550
31/03/23	21.410	12.210	86.022
31/03/24	21.410	12.210	92.635
31/03/25	21.410	12.210	96.464

Savings plans

The 2021/22 Outturn to February Cabinet June Cabinet showed a total savings target of £17.986m. 69.3% (£12.255m) of savings were delivered and 30.7% (£5.431m) of savings were not delivered. Undelivered savings were rolled forward to be delivered in 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%) that have not been delivered have been rolled forward into the 2023/24 financial year with the expectation that they are delivered in full.

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 Councils cashflow forecasts show that cash held overnight and in short-term deposits in the region of £160m will be available at the 1 April 2023 through to 31 March 2025. 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 2023 was £365m and forecast to increase to £769m by 31 March 2025. The Council has borrowing headroom against the Capital Financing Requirement for all of these financial years: £539m (2022/23) and £694 (2023/24) and £841m (2024/25). It would therefore have no operational or governance barriers to securing borrowing at short notice if required. The forecasting of capital financing requirements is in line with those reported in the budgetary control report projections and a strategy is in place to secure all required borrowing over the medium-term.

The COVID-19 pandemic 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. As explained in the Statement of Robustness (Item 8, Appendix A in the Budget report to Budget Council, 24th February 2022), it is necessary and appropriate for the authority to hold a certain level of reserves to manage risk and provide financial reliance.

Overall conclusion

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 2022/23 is a £0.250m net underspend which includes a contribution to reserves of £0.311m. The underspend of £0.250m has been transferred to top up the General Fund reserve. For the reasons set out above, 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 31 March 2025 and therefore the accounts have been prepared on an ongoing basis.

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 on 27 October 2023. 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 2022, 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:

Group 1 – Investments at amortised cost have, in line with treasury management policy, a credit rating of A- or better. Loss allowances are assessed based on default risk;

Group 2 – Investments at Fair Value Through Profit and Loss are assessed based on market value;

Group 3 – Other assets including lease receivables, short- and long-term debtors are based on default risk using the simplified approach.

- ***Financial Assets Measured at Fair Value through Profit and 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 will be disclosed in the relevant notes to the Accounts as appropriate.

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.

- ***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.

- ***COVID-19 Grants***

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 principal arrangement. Income and expenditure for these grants are included in the accounts in accordance with the accounting policy 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.

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

Material interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

The Council no longer considers that it has a material interest in Vision Redbridge Culture and Leisure (VRCL) and therefore VRCL will no longer be included in group accounts. 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 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 in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

a) in the principal market for the asset, 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 using the assumptions that market participants would use when pricing the asset, 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, 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 (eg 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)	100 years
Street lighting	25 years
Street furniture	15 years
Traffic management systems	10 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
All maintained schools in the borough are considered to be entities controlled by the Council. The Council's single entity financial statements include the income, expenditure, assets, liabilities, reserves and cashflows of 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 Balance Sheet.

The PFI School is recognised on the 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 in the relevant year (2021/22 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 2022/23 code are:

- Annual Improvements to IFRS Standards 2018-2020. The annual IFRS improvement programme notes four changed standards:
  - IFRS 1 (First time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS;
  - IAS 37 (Onerous contracts) - clarifies the intention of the standard;
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the code material;
  - IAS 41 (Agriculture) – one of a smaller number of IFRSs that are only expected to apply to local authorities in limited circumstances.

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code, CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.

- Property, Plant and Equipment: Proceeds before intended use (Amendments t IAS16)

There are no changes in accounting requirements for 2022/23 that are anticipated to have a material impact on the Council's financial position.

3. Critical Judgements in applying Accounting Policies

In applying the 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 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.

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 Accounts
The Council's interests in subsidiaries, associates and joint ventures that are within the group boundary were identified. The Council has made the judgement that the impact of the operations of the entities that fall within the group boundary are not material. The preparation of group accounts is not therefore required.

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 2022 for which there are significant risks of material adjustment in the forthcoming financial year are as follows:

Arrears – At 31 March 2022, the Council had a balance of short term debtors of £105.77m. A review of significant balances, based on polices adapted to historic experience and successful rates of collection, suggest that an impairment allowance for doubtful debts of £39.56m is appropriate. However, it is not certain that such an allowance would be sufficient, especially in the current economic climate. 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.

Calculation of the Amortised Cost of RPI-Linked Bond - The Council accounts for its RPI-linked bond financial liability as a floating rate instrument at amortised cost. In estimating future RPI for the calculation of amortised cost, the Council uses current market projections for 5 years published by the Office for Budget Responsibility and an RPI of 2.5% thereafter.

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 0.1% decrease in the discount rate would increase the net liability by £22.496m, a 0.1% increase in the salary increase rate would increase the net liability by £1.723m and a 0.1% increase in the pension increase rate would add £20.623m to the net liability. However, the assumptions interact in complex ways. As at 31 March 2022, the Council's actuaries advised that the net pension's liability had decreased by £82.282m (2020/21 – increased by £128.042m), 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 2022 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 £1,707m net book value property, plant and equipment subject to valuation, the main elements are:

- £329m of council dwellings - these are valued as existing use value for social housing and are deemed to be less impacted by any material uncertainty.
- £1,123m 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.
- £221m 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 £11m lower than stated.
- £34m of assets valued at fair value.

The Council also holds Investment Properties to the value of £135m which are subject to an annual fair value revaluation adjustment. £76m 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 £3.8m 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 2%. 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
Under the Business Rate Retention Scheme, the Council retains 30%, £17.449m (£16.766m 2020/21), of the business rates income it collects. Redbridge also receives a top-up of £34.047m (£34.046m 2020/21) 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. There was no London Business Rate Pool in 2021/22 because of the impact on Covid-19 upon the viability of the pool which has resulted in the 2020/21 pool running into a deficit.

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 2022 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 £12.074m, (£9.997m 2020/21) 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 £3.622m (comparable to £2.999m in 2020/21). This provision may not be sufficient to meet claims arising if greater success rates are achieved than allowed for.

The Council's overall financial losses are protected by the 7.5% national safety net. The Council's loss is capped at approximately £4.0m (7.5% of £53.4m Baseline Funding Level).

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 on 31 October 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 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

- Reinforced autoclaved aerated concrete (RAAC), used in public buildings during the 1960's to 1990's become an emerging issue in September 2023. In response, 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

2021/22	**Outturn**	**Use of Reserves**	**Other**	**EFA**
Directorate	**£000**	**£000**	**£000**	**£000**
Communities	23,477	3,182	-	26,659
People	112,233	2,078	-	114,311
Regeneration & Culture	8,858	396	-	9,254
Resources	15,477	1,871	-	17,348
Strategy	4,365	(95)	-	4,270
Corporate	28,319	(14,965)	(2,593)	10,761
HRA	7,944	(8,199)	(3,024)	(3,279)
Cost of Services	200,673	(15,732)	(5,617)	179,324
Other Income and Expenditure	(194,318)	(64)	5,617	(188,765)
Surplus	**6,355**	**(15,796)**	-	**(9,441)**

Expenditure and Funding Analysis

2021/22

	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	26,659	18,532	45,191
People	114,311	17,831	132,142
Regeneration & Culture	9,254	13,517	22,771
Resources	17,348	6,592	23,940
Strategy	4,270	(28)	4,242
Corporate	10,761	(200)	10,561
HRA	(3,279)	5,807	2,528
Net Cost of Services	**179,324**	**62,051**	**241,375**
Other (Income) and Expenditure	**(188,765)**	**(67,751)**	**(256,516)**
Deficit	**(9,441)**	**(5,700)**	**(15,141)**
Opening General Fund and HRA Balance	**(143,476)**		
Plus surplus on General Fund and HRA Balance in year	**(9,441)**		
Closing General Fund and HRA Balance as at 31 March 2022*	**(152,917)**		

* 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

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)**		
Less deficit 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

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

2021/22

	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	14,089	3,922	155	366	18,532
People	8,507	19,425	765	(10,866)	17,831
Regeneration & Culture	4,824	1,301	29	7,363	13,517
Resources	2,409	4,170	8	5	6,592
Strategy	(12)	20	(36)	-	(28)
Corporate	-	184	-	(384)	(200)
HRA	5,378	962	(55)	(478)	5,807
Net Cost of Services	**35,195**	**29,984**	**866**	**(3,994)**	**62,051**
Other (Income) and Expenditure	**(78,374)**	**10,527**	**(3,130)**	**3,226**	**(67,751)**
(Surplus)/Deficit	**(43,179)**	**40,511**	**(2,264)**	**(768)**	**(5,700)**

2020/21

	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	19,913	1,289	71	(2,058)	19,215
People	10,726	6,519	(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**

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

2020/21 Total £000	Expenditure/(Income)	2021/22 Total £000
	Expenditure	
317,772	Employee Benefits Expenses	358,797
497,256	Other Services Expenses	491,891
59,800	Depreciation, Amortisation, Impairment	49,273
27,927	Interest and Financing Payments	21,052
19,084	Precept and Levies	13,560
605	Payments to Housing Capital Receipts Pool	794
12,659	Loss on the disposal of assets	4,833
935,103	**Total Expenditure**	**940,200**
	Income	
(143.850)	Fees, Charges and Other Service Income	(138,837)
(8,323)	Interest and Investment Income	(57,836)
(161,956)	Income from Council Tax and Non-Domestic Rates	(173,928)
(586,667)	Government Grants and Contribution	(584,740)
(900,796)	**Total Income**	**(955,341)**
34,307	**(Surplus)Deficit on the Provision of Services**	**(15,141)**

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.

2021/22

	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	(25,117)	(5,145)	-	-	-	30,262
Revaluation Gains/ (losses) on Property, Plant and Equipment	(1,719)	(10,662)	-	-	-	12,381
Movements in the market value of Investment Properties	45,616	-	-	-	-	(45,616)
Amortisation of intangible assets	(1,485)	-	-	-	-	1,485
Capital Grants and Contributions applied	-	-	-	-	32,890	(32,890)
Revenue expenditure funded from capital under statute	(3,513)	-	-	-	-	3,513
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	(4,696)	(11,368)	-	-	-	16,064
Statutory provision for the financing of capital investment	12,262	-	-	-	-	(12,262)
Capital expenditure charged in year to the General Fund and HRA Balances	2,017	5,594	-	-	-	(7,611)
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	20,775	2,804	-	-	(23,579)	-
Transfer of cash sale proceeds credited as part of gains/losses on disposal to the Comprehensive Income and Expenditure Statement	1,928	9,303	(11,231)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	5,637	-	-	(5,637)
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool	(794)	-	794	-	-	-
Capital receipts received in respect of repayment of grants, advances and distributions	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve towards administrative costs on non-current asset disposals	-	(165)	165	-	-	-
Transfer from deferred capital receipts reserve upon receipt of cash	-	-	(1)	-	-	1
Reversal of Major Repairs Allowance	-	5,145	-	-	-	(5,145)
Financial Instruments – revaluation of pooled investments	3,169	-	-	-	-	(3,169)
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.	42	-	-	-	-	(42)
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	3,087	-	-	-	-	(3,087)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(65,413)	(2,133)	-	-	-	67,546
Employer's pension contributions and direct payments to pensioners payable in year	26,198	837	-	-	-	(27,035)
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	(922)	55	-	-	-	867
Total Adjustments	**11,435**	**(5,735)**	**(4,636)**	**-**	**9,311**	**(10,375)**

2020/21- Comparative Figures

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £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 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**

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 2020 £000	Net Transfers £000	Balance at 31 March 2021 £000	Net Transfers £000	Balance at 31 March 2022 £000
General Fund:					
General Fund Balance	17,221	2,350	19,571	1,589	21,160
Total	**17,221**	**2,350**	**19,571**	**1,589**	**21,160**
Earmarked Reserves					
Business Risk Reserve	14,147	5,425	19,572	1,589	21,161
Insurance Fund Reserve	8,331	3,571	11,902	(419)	11,483
Business Rates Smoothing Reserve	2,521	10,851	13,372	(3,248)	10,124
Operational Risk Reserve	-	2,448	2,448	5,251	7,699
Pension Fund Reserve	6,000	-	6,000	-	6,000
Minor Corporate Reserve	-	130	130	2,697	2,827
Invest to Save Reserve	1,372	74	1,446	-	-
Treasury Smoothing Reserve	1,250	750	2,000	750	2,750
Commercial Income Smoothing Reserve	1,101	0	1,101	1,500	2,601
Transformation Reserve	222	0	222	2,100	2,322
Governance Reserve	-	1,000	1,000	1,000	2,000
Capital Reserve	62	-	62	1,012	1,074
Other Corporate Reserves	4,958	916	5,874	(534)	5,340
Service Directorate Reserves	2,435	670	3,105	277	3,382
Schools Balances	16,997	8,547	25,544	2,032	27,576
Dedicated Schools Grant	4	444	448	1,420	1,868
Total	**58,028**	**34,752**	**92,780**	**15,427**	**108,207**
Revenue Grants and Contributions Unapplied	5,502	8,339	13,841	(7,830)	6,011
Total	**80,751**	**45,441**	**126,192**	**9,186**	**135,378**
Housing Revenue Account HRA Balance	14,301	395	14,696	(7,944)	6,752
Total	**14,301**	**395**	**14,696**	**(7,944)**	**6,752**
HRA Earmarked Reserves	2,494	94	2,588	8,199	10,787
Total	**16,795**	**489**	**17,284**	**255**	**17,539**
Total General Fund and HRA Reserves and Balances	**97,546**	**45,930**	**143,476**	**9,441**	**152,917**

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 **Operational Risk Reserve** has been established to mitigate short term risks, including where there is potential that one-off growth will be required in services but not allocated to that service in the budget.

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

The **Minor Corporate Reserve** has been established to fund minor one-off corporate initiatives.

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 **Transformation Reserve** has been established to contribute to costs of future transformation programmes.

The **Governance Reserve** has been established to fund projects around governance.

The **Capital Reserve** has been established to fund spend relating to capital projects

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

2020/21 £000		2021/22 £000
19,083	Levies	13,560
605	Payments to the Government Housing Capital Receipts Pool	794
12,658	(Gains)/Losses on the disposal of non-current assets	4,833
32,346	**Total**	**19,187**

11. Financing and Investment Income and Expenditure

2020/21 £000		2021/22 £000
10,519	Interest payable and similar charges	10,525
8,936	Net interest on the net defined benefit liability	10,527
(1,661)	Interest receivable and similar income	(1,147)
1,804	Income and expenditure in relation to investment properties and changes in their fair value	(52,806)
129	(Gains)-losses on pooled investments	(3,169)
3,759	Impairment allowances	346
23,486	**Total**	**(35,724)**

12. Taxation and Non-Specific Grant Income

2020/21 £000		2021/22 £000
(122,853)	Council Tax Income	(128,657)
(39,103)	Non- domestic rates income and expenditure	(45,271)
(66,016)	Non-ring-fenced government grants	(42,472)
(18,945)	Capital grants and contributions	(23,579)
(246,917)	**Total**	**(239,979)**

13. Property, Plant and Equipment

Movements in 2021/22	Council Dwellings	Other Land and Buildings	Vehicles, Plant, 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 2021	**310,636**	**1,291,574**	**27,355**	**8,749**	**14,839**	**17,226**	**1,670,380**	**40,587**
Additions	9,101	25,062	5,750	-	123	26,295	66,331	608
Revaluation increases / (decreases) recognised in the Revaluation Reserve	21,805	38,510	-	-	1,845	-	62,160	1,092
Revaluation increases / (decreases) recognised in the Surplus (Deficit) on the provision of services	(11,608)	(1,599)	-	-	(796)	-	(14,003)	-
Derecognition–Disposals	(2,151)	(670)	(410)	-	-	(3)	(3,234)	-
Reclassification	987	8,610	-	-	3,017	(10,525)	2,089	-
Other Movements	-	12	-	-	-	-	12	-
At 31 March 2022	**328,770**	**1,361,499**	**32,695**	**8,749**	**19,028**	**32,994**	**1,783,735**	**42,287**
Accumulated Depreciation and Impairment								
At 1 April 2021	**-**	**2,463**	**9,830**	**6,205**	-	**-**	**18,498**	**-**
Depreciation charge	5,067	10,991	4,577	482	55	-	21,172	688
Depreciation written out to the Revaluation Reserve	(4,189)	(10,510)	-	-	(55)	-	(14,754)	(688)
Depreciation written out to the Surplus (Deficit) on the provision of services	(832)	(593)	-	-	-	-	(1,425)	-
Derecognition–Disposals	(41)	(12)	(393)	-	-	-	(446)	-
Other movements	-	(1)	-	-	1	-	-	-
At 31 March 2022	**5**	**2,338**	**14,014**	**6,687**	**1**	**-**	**23,045**	**-**
At 31 March 2022	328,765	1,359,161	18,681	2,062	19,027	32,994	1,760,690	42,287
At 31 March 2021	310,636	1,289,111	17,525	2,544	14,839	17,227	1,651,882	40,587

Comparative figures 2020/21

	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 2020	**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	**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 1 April 2020	**292,076**	**981,924**	**12,432**	**3,123**	**9,541**	**37,837**	**1,336,934**	**40,493**

Fair Value Measurement of Surplus Assets
Details of surplus assets and information about the fair value hierarchy as at 31 March 2022, are as follows:

Recurring Fair Value measurement use 31 March 2022	Quoted price for similar assets in active market Level 2 £000
Surplus Buildings	3,064
Surplus Land	15,963
Total	**19,027**

March 2021 - Comparative Figures:

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**

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.

	2020/21 Infrastructure Assets £000	2021/22 Infrastructure Assets £000
Net Book Value		
At 1 April 2021	**95,762**	**98,758**
Adjustment	(4)	-
Additions and Enhancement	11,556	6,757
Derecognition - Other	(44,437)	(2,984)
Depreciation	(8,556)	(8,937)
Other movements	44,437	-
At 31 March 2022	**98,758**	**93,594**

Depreciation
Depreciation is calculated using the straight-line method over the useful lives as follows:

- Buildings (excluding Council dwellings) – maximum 70 years
- Council dwellings - 52 years.
- Community assets: maximum period of 35 years
- Vehicles, plant, furniture and equipment: - between 5 and 16 years.
- Infrastructure assets: - maximum period of 100 years

Capital Commitments
As at 31 March 2022, the Council was committed to a number of capital projects amounting to £17.077m. Similar commitments at 31 March 2021 were £16.700m. Schemes due to be completed in the next three years are shown

below:

	2021/22 £000	Year of completion
Regeneration		
Development of Hainault Forest Country Park	3.957	2023/24
Housing Development Programme – Clements Road	1,657	2024/25
Housing Development Programme – Loxford Lane	1,080	2025/26
Housing HRA		
Affordable Housing	10,383	2025/26

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 2022 a review was undertaken to ensure that property values are materially correct. This resulted in an increase revaluation of £104.715m in net revaluation reserves. These are detailed in Note 13 (movement in PPE) under revaluation gains & losses as at 31 March 2022 and recognised in Surplus/ Deficit on provision of services.

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
2021-22	Housing Revenue Account	Houses, flats, community centres, garages and development sites	Annual Desktop Update
	Investment Properties	Shops, offices, storage, agriculture and gravel workings	Updated annually
	Surplus Assets	Empty buildings and vacant sites	Updated annually
	Housing General Fund	Out-of-borough housing	
	Leisure and Culture	Allotments, sports grounds, pavilions, some park buildings, community and youth centres, public conveniences and theatre	
	Libraries	Libraries	Desktop valuation
	Children's Services – Schools	Primary, secondary and special schools	Desktop valuation
	Adults' Services	Day centres and group home	Desktop valuation
	Cleansing Service	Public conveniences, recycling centre and miscellaneous properties	
	Community Safety	Cemeteries	
	Facilities Management	Offices and depot	
	Highways	Car parks and storage	
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	

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:

	2020/21 £000	2021/22 £000
Rental income from investment property	6,663	7,904
Direct operating expenses arising from investment property	(763)	(714)
Net gain	**5,900**	**7,190**

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:

	2020/21 £000	2021/22 £000
Balance at start of the year	**97,911**	**90,751**
Enhancement	4	-
Additions	-	-
Net gain from fair value adjustments	(7,704)	45,616
Disposals	(5)	-
Other movements:		
Transfer from PPE	545	(1,467)
Balance at end of the year	**90,751**	**134,901**

Fair Value Measurement of Investment Properties

Details of the investment properties and information on the fair value hierarchy as at 31 March 2022 are as follows:

Fair Value measurement use 31 March 2022	Quoted price for similar assets in active market Level 2 £000
Land & Farms	39,186
Office Units	19,303
Commercial Units	76,412
Total	**134,901**

March 2021 - Comparative Figures:

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**

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 five and ten years.

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

	2020/21 £000	2021/22 £000
Balance at start of year:		
Gross cost amounts	5,360	7,204
Accumulated amortisation	(3,348)	(1,884)
Net carrying amount at start of year	**2,012**	**5,321**
Additions:		
Purchases	2,651	2,206
Other disposals	(2,314)	-
Amortisation for the period	(849)	(1,485)
Reclassification	1,506	-
Other changes - amortisation	2,314	-
Net carrying amount at end of year	**5,320**	**6,041**
Comprising:		
Gross cost amounts	7,204	9,410
Accumulated amortisation	(1,884)	(3,369)
Total	**5,320**	**6,041**

16. Impairment Losses

During 2021/22 the Council has had no impairment losses (£0 in 2020/21).

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
2021/22 was the twentieth 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 2022	42,287
Residual asset value as at 31 March 2021	40,587
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 2022 (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	981	677	765	2,423
Repayable in 2 to 5 years	3,922	3,335	2,435	9,692
Repayable in 6 to 10 years	4,903	5,663	1,188	11,754
Total	**9,806**	**9,675**	**4,388**	**23,869**

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:

	2020/21 £000	2021/22 £000
Balance outstanding at start of the year	10,876	10,300
Payments during the year	(576)	(625)
Balance outstanding at year-end	**10,300**	**9,675**

18. Assets held for sale

	31 March 2021 £000	31 March 2022 £000
Property Plant & Equipment:		
Brought forward balance	**3,197**	**12,057**
Assets classified as held for sale	2,242	9,193
Assets declassified as held for sale	-	(9,815)
Asset sold in year	(1,691)	(10,445)
Assets newly acquired and held for sale	8,309	-
Balance at the end of the year	**12,057**	**990**

19. Debtors

31 March 2021 £000	Long Term	31 March 2022 £000
1,611	Leased Asset – Britannia Car Park	1,596
63	Mortgages	62
468	Improvement Loans	468
2,142	**Total**	**2,126**

31 March 2021 £000	Other	31 March 2022 £000
15,156	Central Government Bodies	12,043
2,398	NHS bodies	8,972
1,880	Public corporations and trading funds	943
	Other Debtors:	
16,171	Council Taxpayers	16,870
3,937	NDR Payers	3,994
2,174	Court Costs	3,047
10,729	Housing Tenants	11,248
8,552	Housing Benefit Recoveries	7,489
4,501	VAT	4,670
6,743	Payment in Advance	8,349
28,649	Other Entities & Individual	28,143
100,890	**Total Other**	**105,768**
	Less – Impairment allowance for doubtful debts	
(18,928)	Housing including Housing Benefits	(18,552)
(11,819)	Council Tax	(14,000)
(2,739)	NDR	(3,322)
(3,306)	Other	(3,689)
(36,792)	**Total Impairment allowance for doubtful debts**	**(39,563)**
64,098	**Total**	**66,205**

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 2021 £000		31 March 2022 £000
3,510	Council Tax - up to 1 year	2,268
3,016	Council Tax – more than 1 year	602
6,526	**Total Council Tax**	**2,870**
1,015	NDR – up to 1 year	527
183	NDR – more than 1 year	145
1,198	**Total NDR**	**672**

20. Cash and Cash Equivalents

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

31 March 2021 £000		31 March 2022 £000
16,300	Short Term Deposits	25,600
92	Bank Balance – L B Redbridge Pool	(836)
6,448	Bank Balance – External Accounts	6,535
22,840	**Total Cash and Cash Equivalents**	**31,299**

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

21. Creditors

31 March 2021 £000		31 March 2022 £000
38,862	Central Government Bodies	53,697
1,517	Other Local Authorities inc GLA	4,152
979	NHS Bodies	2,359
	Other Creditors:	
7,911	Capital Creditors	7,966
10,556	Trade Creditors	3,819
2,333	Housing Prepayments	2,565
11,756	Income & Receipts Received in Advance	12,706
1,637	Housing inc B&B	5,769
4,769	Council Tax	5,140
46,577	Other Entities and Individuals	63,989
126,897	**Total**	**162,164**

22. Provisions

Short-term

	Insurance Provision £000	Audit Fees Provision £000	Redundancy and Early Retirement Provision £000	Other Provisions £000	Total £000
Balance 1 April 2021	**1,164**	**377**	**360**	**-**	**1,901**
Increase Provision made in 2021/22	1,177	162	225	123	**1,687**
Amounts used in 2021/22	(1,041)	-	(324)	-	**(1,365)**
Balance at 31 March 2022	**1,300**	**539**	**261**	**123**	**2,223**

Long-term

	Insurance Provision £000	NDR Appeals Provision £000	Social Care Provision £000	Total £000
Balance 1 April 2021	**4,986**	**2,999**	**425**	**8,410**
Increase (Decrease) Provision in 2021/22	(247)	1,099	-	**852**
Amounts used in 2021/22	-	(476)	-	**(476)**
Balance at 31 March 2022	**4,739**	**3,622**	**425**	**8,786**

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, 2020/21 and 2021/22 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 2023/24. 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: Provision has been made for the change in charging policy for Adult Social Care and service charges for Mental Health Supported Living.

23. Financial Instruments

Financial Assets:

31 March 2021 Non-Current £000	31 March 2021 Current £000		31 March 2022 Non-Current £000	31 March 2022 Current £000
-	22,840	Cash and Cash Equivalents at amortised costs	-	31,299
-	**22,840**	**Total Cash and Cash Equivalents**	**-**	**31,299**
-	146,195	Investments at Amortised Cost	-	182,087
18,053	265	Fair Value through Profit and Loss	21,222	180
18,053	**146,460**	**Total Investments**	**21,222**	**182,267**
2,142	37,187	Debtors – amortised cost	2,126	34,515
2,142	**37,187**	**Total Debtors**	**2,126**	**34,515**
20,195	**183,647**	**Total Financial assets**	**23,348**	**248,081**
-	**26,911**	**Non-Financial assets - Debtors**	**-**	**31,690**
20,195	**233,398**	**Total**	**23,348**	**279,771**

Financial Liabilities:

31 March 2021 Non-Current £000	31 March 2021 Current £000		31 March 2022 Non-Current £000	31 March 2022 Current £000
(259,721)	(3,367)	PWLB at amortised cost	(256,708)	(3,304)
(87,302)	(469)	Market Loans and Bonds at amortised cost	(106,195)	(1,891)
(347,023)	**(3,836)**	**Total Amortised Cost**	**(362,903)**	**(5,195)**
(347,023)	**(3,836)**	**Total Borrowings**	**(362,903)**	**(5,195)**
(9,678)	(74,094)	Creditors and other liabilities at amortised cost	(8,999)	(95,073)
(9,678)	**(74,094)**	**Total Creditors**	**(8,999)**	**(95,073)**
(356,701)	**(77,930)**	**Total Financial Liabilities**	**(371,902)**	**(100,268)**
(520,255)	**(61,844)**	**Non-Financial Liabilities – Creditors and other liabilities**	**(438,349)**	**(92,751)**
(876,956)	**(139,774)**	**Total**	**(810,251)**	**(193,019)**

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 2021 £000		31 March 2022 £000
10,519	Interest Expenses – measured amortised cost	10,525
10,519	**Total Expenses in Deficit/Surplus on the Provision of Services**	**10,525**
(1,661)	Interest Income for financial assets measured at amortised cost	(1,147)
(1,661)	**Total Income in Deficit/Surplus on the Provision of Services**	**(1,147)**
129	Losses /(gains) on revaluation for financial assets measured at FVPL	(3,169)
129	**(Gains)Losses on financial assets measured at fair value through profit and loss in Deficit/Surplus on the Provision of Services**	**(3,169)**
8,987	**Net Expense for the year**	**6,209**

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

Financial Assets – Fair Value Through Profit & Loss
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. At 31 March 2022 the fair value of the Local Authorities Property Fund with CCLA was £21.222m. The difference between the initial carrying value and the fair value, £1.222m does not impact the General Fund. It is instead posted to the Pooled Investment Revaluation Reserve.

Recurring Fair Value Measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2021 Fair value £'000	31 March 2022 Fair value £'000
Local Authorities Property Fund with CCLA	Level 2	Inputs other than quoted prices that are observable for the financial asset	18,053	21,222
Total			**18,053**	**21,222**

Financial Liabilities – Bonds at Amortised Cost:
In November 2019 the Council issued a 50 year £63.8m zero rated redemption bond to fund capital expenditure. The bond was issued at a premium of £11.2m and is repayable over 48 years. Bond repayments are index-linked to RPI capped at 5%. The effective interest rate (EIR) for the bond is therefore reassessed every year. The EIR for 2021-22 is 2.04%. The amortised cost value of the bond at 31 March 2022 is £77.4m.

Financial Liabilities - Lender Option Borrower Option (LOBO) Loans
The Council has two fixed rate LOBOs with a combined value of £20.2m. The accounting treatment for LOBOs assumes the lender will not exercise their option before maturity. Dexia Bank exercised its option for its £10m loan to be repaid on 24 October 2023. This is treated in the 2021/22 accounts as a non-adjusting event after the reporting period. The Council does not expect Commerzbank to exercise its option in 2022/23.

Fair Values of Financial Assets and Financial Liabilities
The fair value of Public Works loan Board (PWLB) loans is calculated using the new loan rate published by the PWLB on 31 March 2022. For the non-PWLB loans the fair value is calculated using the new loan rate based on market evidence on 31 March 2022. This involves using Level 2 inputs.

- Estimated ranged of interest rates at 31 March 2022 of 2.11% to 2.86% 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.

The carrying values of cash, investments held at amortised cost, short- and long-term debtors and creditors are assumed to be a fair approximation of their fair value.

The fair value of borrowing is lower than the carrying amount because the Council's portfolio includes fixed rate loans where the interest rate payable is higher than the new loan rate.

31 March 2021 Carrying amount £000	31 March 2021 Fair Value £000		31 March 2022 Carrying amount £000	31 March 2022 Fair Value £000
(263,088)	(333,286)	Financial Liabilities at amortised cost – PWLB Loan	(260,012)	(259,576)
(87,771)	(107,766)	Financial Liabilities at amortised cost - Market Loans and temporary borrowing	(108,086)	(116,159)
(74,313)	(74,313)	Short Term Creditors	(94,073)	(94,073)
(9,678)	(9,678)	Long Term Creditors	(8,999)	(8,999)
(434,850)	**(525,043)**	**Total Financial Liabilities**	**(471,170)**	**(478,807)**
22,840	22,840	Cash and Cash Equivalents	31,299	31,299
146,195	146,195	Investments held at amortised costs	182,087	182,087
18,318	18,318	Fair Value through Profit and Loss	21,402	21,402
37,187	37,187	Short Term Debtors	34,515	34,515
2,142	2,142	Long Term Debtors	2,126	2,126
226,682	**226,682**	**Total Financial Assets**	**271,429**	**271,429**

The carrying value of bonds of £77.4m is a reasonable approximation of the fair value. This is because bonds are index-linked to RPI. Cash flows are therefore based on market rates.

Transfers between Levels of the Fair Value Hierarchy
All fair value disclosures for financial assets and liabilities measured at amortised cost in the balance sheet use level 2 inputs. 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 2021 Other significant observable inputs Level 2 £000		31 March 2022 Other significant observable inputs Level 2 £000
(263,088)	Financial liabilities at amortised cost - PWLB loan	(260,012)
(87,771)	Financial liabilities at amortised cost - Market loans and Bonds	(108,086)
(10,303)	PFI liability	(9,676)
(73,688)	Other financial liabilities at amortised cost	(93,396)
(434,850)	**Total financial liabilities at amortised cost**	**(471,170)**
206,222	Financial assets held at amortised costs	247,901
2,142	Other Financial assets held at amortised cost	2,126
208,364	**Total financial assets at amortised cost**	**250,027**

Collateral

The Council holds collateral in relation to the following loans:

31 March 2021 £000		31 March 2022 £000
1,042	Social Care – High Dependency Accommodation	1,015

The Social Care High Dependency Accommodation debtors relates to the value of outstanding debt secured by a charge on the debtor's property. The Council has not pledged collateral in respect of any loan to/from another entity.

As at 31 March 2022, 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.

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.

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.

Credit risk arising from deposits with Banks and Financial Institutions

The Treasury Management Strategy 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. Information provided by Brokers, Advisers and other financial and economic reports is also used. Individual institutions are monitored against the Council's creditworthiness criteria. A maximum sum to be invested with each financial institution category is imposed.

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.

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 2021/22 Treasury Management Strategy %	% of Total Investment as at 31 March 2022 %
UK Government	100	-
Local Authorities	85	7
Banks - Specified	80	24
Money Market Funds - Specified	45	11
Enhanced Cash Funds	15	-
Building Societies - Specified	45	13
Total Unspecified Investments	50	-
Overseas Banks - Specified	40	36
Non-UK Government and Supranational Bonds	30	-
Corporate Bonds	15	-
Property Funds	25	9
		100

The asset class percentages are within the limits prescribed in the Council's Treasury Management Strategy for 2021/22.

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 £229.1m deposited with a number of financial institutions at 31 March 2022. 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 2022 that this was likely to crystallise.

Using the expected credit loss model, the calculated loss allowance for investments at amortised cost is negligible and has 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 and from local taxation. Payments for services are either required in advance or due at the time the service is provided.

The 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 and has no impact on the carrying value.

Other debtors

Payments for services are either required in advance or due at the time the service is provided. Other debtors of £17,431k are the largest component of the financial instrument debtor balance of £34,515k. The remaining balance is made up of housing tenant debtors (£4,714k) and accruals (£12,370k). Other debtors are analysed by age as follows:

Aged Debtors Analysis	31 March 2021 £000	31 March 2022 £000
Up to and including three months	4,295	12,781
Over three and up to six months	1,765	1,801
Six months to one year	6,620	1,171
Over one year	8,893	5,366
Total	**21,573**	**21,119**
Less: Impairment	(1,957)	(3,689)
Total Other Debtors After Impairment	**19,616**	**17,430**

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 2022 71% (75% as at 31 March 2021) of the Council's loans outstanding were with the PWLB and 29% 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:

Renewal Period	Loans Outstanding as at 31 March 2022 £000	Interest outstanding as at 31 March 2022 £000	Limit of projected Fixed Rate Borrowing %	% of Total Borrowing 31 March 2022 %
Less than one year	3,574	9,899	30	1
Between one and two years	5,936	9.845	45	2
Between two and five years	21,534	28,693	60	6
Between five and ten years	34,653	44,163	80	9
More than 10 years	302,401	134,403	100	82
Total	**368,098**	**227,003**		**100**

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**

Bonds are included based on the projected change in amortised cost each year. LOBOs are included up until the date of maturity. The balance less than one year includes interest accruals.

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.

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 2022, 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
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)	40,624

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

Changes in interest rates in-year have no material effect on Surplus or Deficit on the Provision of Services as both loans and investments are generally taken out at fixed rates and for fixed terms.

Impact on the bond of a 1% increase in RPI over Office of Budget Responsibility projections

The amortised cost of the bond is based on projections of RPI for the next 5 years. RPI is assumed to be 2.5% per year thereafter. The impact on EIR in 2022/23 of a 1% increase in RPI above the projected rate is 0.13%. The impact on the Comprehensive Income and Expenditure of a 1% increase is £102k.

25. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2021/22:

	2020/21 £000	2021/22 £000
Credited to Taxation and Non-Specific Grant Income		
Recognised Capital Grants and contributions	18,945	23,579
Council Tax Income	122,853	128,657
NDR	39,103	45,271
NDR S.31 Compensation Grant	14,818	9,930
Revenue Support Grant	10,401	10,458
COVID-19 General Grants	32,685	11,952
Social Care & Winter Pressures	6,398	7,558
New Homes Bonus Grant	1,554	1,623
Other Revenue Grants	160	951
Total	**246,917**	**239,979**
Credited to Services		
Department of Work & Pensions	124,981	119,709
Department of Health Social Care & CCG	40,121	41,577
Department for Education	295,068	299,636
COVID-19 Service Grants	19,269	36,665
Other Miscellaneous Grants	22,030	21,666
Total	**501,469**	**519,253**

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.

	2020/21 £000	2021/22 £000
Revenue Grants and Contributions Unapplied		
Children's Services Grant	644	831
Safer Communities Grant	664	518
Department of Health Grants	6,205	1,037
Department for Levelling Up, Housing and Communities	3,620	2,390
Department of Work and Pensions (DWP)	1,167	-
Other Revenue Grants & Contributions	788	370
Total	**13,088**	**5,146**
Section 106	753	865
Total	**13,841**	**6,011**

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:

	2020/21 £000	2021/22 £000
Revenue Grants - Receipts in Advance		
Department for Business, Energy & Industrial Strategy: COVID-19 Local Business Support Grants	7,141	3,614
Work & Health and Lean East Programmes Grants	-	1,347
Discretionary Council Tax Rebates	-	1,176
Total	**7,141**	**6,137**

	2020/21 £000	2021/22 £000
Capital Grants - Receipts in Advance		
Greater London Authority Grants	12,214	15,656
Department for Levelling Up, Housing & Communities	1,939	1,642
Total	**14,153**	**17,298**

	2020/21 £000	2021/22 £000
Capital Grants and Contributions		
Housing Grant	569	836
Education Funding Agency	31,519	21,111
Greater London Grant (GLA) Grants	82	978
Department for Levelling Up, Housing and Communities	8,211	8,764
Other miscellaneous	189	189
Total	**40,570**	**31,878**
Section 106	5,667	5,697
Community Infrastructure Levy	3,584	2,887
Other Capital Contributions	645	693
Total	**50,466**	**41,155**

26. Disclosure of Deployment of Dedicated Schools Grant in 2021/22

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 2021/22 are as follows:

	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
Final DSG for 2021/22 before academy and high needs recoupment			339,954
Academy and high needs figure recouped for 2021/22			(75,532)
Total DSG after academy and high needs Recoupment for 2021/22			**264,422**
Plus: Brought forward from 2020/21			423
Total DSG including Brought Forward			**264,845**
Agreed initial budgeted distribution in 2021/22	52,039	212,806	264,845
Final budget distribution for 2021/22	**52,039**	**212,806**	**264,845**
Less: Actual central expenditure	(50,486)	-	(50,486)
Less: Actual ISB deployed to schools	-	(212,491)	(212,491)
Carry forward to 2022/23	**1,553**	**315**	**1,868**
Net DSG position at the end of 2021/22	**1,553**	**315**	**1,868**

27. Leases

The Council as Lessee

Operating Leases

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 2021 £000	31 March 2022 £000
Not later than one year	1,997	2,519
Later than one year and not later than five years	7,987	10,464
Later than five years	11,229	12,117
Total	**21,213**	**25,100**

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 2021 £000	31 March 2022 £000
Minimum lease payments	1,997	1,997
Total	**1,997**	**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 2021 £000	31 March 2022 £000
Finance lease debtor (net present value of minimum lease payments):		
Current	97	97
Non- current	1,279	1,252
Unearned finance income	8,692	8,610
Unguaranteed residual value of property	235	247
Gross investment in the lease	**10,303**	**10,206**

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 2021 £000	31 March 2022 £000	31 March 2021 £000	31 March 2022 £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	1,300	1,273	9,817	9,720
Total	**1,376**	**1,349**	**10,303**	**10,206**

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 2021/22, contingent rents of £77,889 were receivable by the Council (£72,453 in 2020/21).

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.

	2020/21 £000	2021/22 £000
Opening Capital Financing Requirement	**414,793**	**447,575**
Capital Investment		
Property, Plant and Equipment	66,292	66,331
Infrastructure Assets	11,556	6,757
Investment Property	4	0
Intangible Assets	2,651	2,206
Assets held for Sale	8,309	0
Revenue Expenditure Funded from Capital under Statute	3,054	3,513
Sources of Finance		
Capital Receipts	(8,239)	(5,637)
Government grants and other contributions	(29,887)	(31,206)
Capital expenditure charged against the General Fund and HRA reserves and balances	(4,454)	(9,295)
Contributions from MRR	(5,330)	(5,145)
MRP	(11,174)	(12,262)
Closing Capital Financing Requirement	**447,575**	**462,836**
Explanation of movements in year		
Increase in underlying need to borrow unsupported by government financial assistance	32,783)	15,261
Increase/(decrease) in capital financial requirement	**32,783**	**15,261**

29. Other Long-Term Liabilities

31 March 2021 £000		Notes	31 March 2022 £000
(511,845)	Pension Fund Liability	*40*	(429,563)
(9,675)	PFI Liability	*17*	(8,999)
(3)	Other		(1)
(521,523)	**Total Other Long-Term Liabilities**		**(438,563)**

30. Unusable Reserves

31 March 2021 £000		31 March 2022 £000
1,014,113	Revaluation Reserve	1,063,505
397,572	Capital Adjustment Account	470,352
(511,845)	Pensions Reserve	(429,563)
(6,778)	Accumulated Absences Account	(7,645)
(12,534)	Collection Fund Adjustment Account	(9,447)
(1,947)	Pooled Investment Revaluation Reserve	1,222
(1,407)	Financial Instruments Adjustment Account	(1,364)
63	Deferred Capital Receipts	63
877,237	**Total Unusable Reserves**	**1,087,123**

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.

2020/21 £000		2021/22 £000
720,434	**Balance at 1 April**	**1,014,113**
419,306	Upwards revaluation of assets	133,445
(99,109)	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	(56,728)
320,197	**Surplus on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services**	**76,717**
(8,366)	Difference between fair value depreciation and historical cost depreciation	(5,847)
(970)	Accumulated gains on assets sold or scrapped	(5,771)
(17,182)	Adjusting amounts written out to the Capital Adjustment Account	(15,707)
1,014,113	**Balance at 31 March**	**1,063,505**

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.

2020/21 £000			2021/22 £000
401,120	**Balance at 1 April**		**397,572**
	Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(31,268)	Charges for depreciation and impairment of non-current assets	(30,262)	
(27,686)	Revaluation losses on Property, Plant and Equipment	(12,381)	
(849)	Amortisation of intangible assets	(1,485)	
(3,054)	Revenue expenditure funded from capital under statute	(3,513)	
(18,589)	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	(16,064)	
(81,446)			**(63,705)**
26,518	Adjusting amounts written out of the Revaluation Reserve		27,324
(54,928)	**Written out of the cost of non-current assets consumed in the year**		**(36,381)**
	Capital financing applied in the year:		
8,239	Use of the Capital Receipts Reserve to finance new capital expenditure	5,637	
5,330	Use of the Major Repairs Reserve to finance new capital expenditure	5,145	
29,887	Application of grants to capital financing from the Capital Grants and Contributions Unapplied Account	32,890	
11,174	Statutory provisions for the financing of capital investment charged against the General Fund	12,262	
4,454	Capital expenditure charged against the General Fund and HRA balances	7,611	
59,084			**63,545**
(7,704)	Movements in the market value of Investment properties debited or credited to the Comprehensive Income and Expenditure Statement		45,616
397,572	**Balance at 31 March**		**470,352**

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.

2020/21 £000		2021/22 £000
(383,803)	**Balance at 1 April**	(511,845)
(108,932)	Actuarial (losses)/gains on pensions assets and liabilities	122,793
(44,495)	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	(67,546)
25,385	Employer's pensions contributions and direct payments to pensioners payable in the year	27,035
(511,845)	**Balance at 31 March**	**(429,563)**

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 2022. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2020/21 £000			2021/22 £000
(6,227)	**Balance at 1 April**		**(6,778)**
6,227	Settlement or cancellation of accrual made at the end of the preceding year	6,778	
(6,778)	Amounts accrued at the end of the current year	(7,645)	
(551)	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		(867)
(6,778)	**Balance at 31 March**		**(7,645)**

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.

2020/21 £000		2021/22 £000
4,410	**Balance at 1 April**	**(12,534)**
(16,944)	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	3,087
(12,534)	**Balance at 31 March**	**(9,447)**

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.

2020/21 £000		2021/22 £000
(1,818)	**Balance at 1 April**	**(1,947)**
-	Revaluation of transferred investments charged to the Deficit on the Provision of Services	-
(129)	Revaluation of transferred Financial Instruments held under Fair Value through Profit and Loss subject to DLUHC Statutory Over-Ride*	3,169
(1,947)	**Balance at 31 March**	**1,222**

* The then Ministry for Housing, Communities and Local Government (now Department for Levelling Up, Housing and Communities DLUHC) 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 was due to come to an end on 31 March 2023, but has been extended for a further two years after which, all fair value movements may 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 Taxpayers.

2020/21 £000			2021/22 £000
(1,450)	**Balance at 1 April**		**(1,407)**
-	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**
(1,407)	**Balance at 31 March**		**(1,364)**

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 2021/22, incurring liabilities of £0.455m (£0.481m in 2020/21). There was a total of 22 redundancies in 2021/22 (16 in 2020/21).

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 18 related to officers and 4 related to school staff (16 officers and none schools in 2020/21).

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/21	2020/21 £000	2021/22 £000
£0 - £20,000	-	-	9	15	9	15	106	144
£20,001 - £40,000	-	-	4	4	4	4	102	107
£40,001 - £60,000	-	-	-	2	-	2	-	100
£60,001 - £80,000	-	-	1	-	1	-	72	-
£80,001 - £100,000	-	-	1	-	1	-	85	-
£100,001 - £150,000	-	-	1	1	1	1	116	104
Total	**-**	**-**	**16**	**22**	**16**	**22**	**481**	**455**

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	2021/22	1	147,399	-	147,399
(L Seary/A Donald)	2020/21		194,397	42,962	237,359
Corporate Director of Resources	2021/22	**2**	157,719	34,856	192,575
(M G Christofi)	2020/21	**2**	158,354	35,042	193,396
Corporate Director of Strategy	2021/22	**3**	111,195	24,574	135,769
(J Ellerby/S Parker)	2020/21	**3**	87,881	10,102	97,983
Corporate Director of Culture &	2021/22	**4**	133,402	29,482	162,884
Regeneration (M Essex)	2020/21	**4**	138,711	30,655	169,366
Corporate Director of Communities	2021/22		136,356	30,135	166,491
(N Fiedler)	2020/21		132,159	29,207	161,366
Corporate Director of People	2021/22		151,878	33,565	185,443
(A Loades)	2020/21		149,631	33,068	182,699
Operational Director of Assurance	2021/22	**5**	88,832	19,632	108,464
(P. Sandhu/F Alderman)	2020/21	**5**	109,551	24,211	133,762
Director of Public Health	2021/22		120,396	17,313	137,709
(G Xavier)	2020/21		118,614	17,057	135,671

1. ***The Chief Executive, A Donald, left the Council in March 2021 and was replaced on an interim basis by L Seary.***
2. ***The Corporate Director of Resources receives an honorarium payment of £10,275 in 2021/22 (£10,275 in 2020/21) with regards to the work undertaken on behalf of East London Waste Authority which is included within the salary.***
3. ***The Corporate Director of Strategy left the Authority on 31 August 2020 and a new appointment was made with effect from 1 April 2021.***

4. The post of Corporate Director of Regeneration & Culture left in March 2022.

5. The post of Operational Director of Assurance, F Alderman left in May 2021 and was replaced by an interim, P Sandhu.

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

2020/21				Earning Band	2021/22			
Officers	Teachers	VA Schools	Total		Officers	Teachers	VA Schools	Total
120	80	22	**222**	**£50,000 - £54,999**	128	75	17	**220**
54	75	11	**140**	**£55,000 - £59,999**	65	65	16	**146**
43	48	10	**101**	**£60,000 - £64,999**	55	44	11	**110**
20	37	1	**58**	**£65,000 - £69,999**	31	49	4	**84**
13	22	3	**38**	**£70,000 - £74,999**	14	25	5	**44**
10	30	2	**42**	**£75,000 - £79,999**	12	23	1	**36**
6	17	-	**23**	**£80,000 - £84,999**	7	16	1	**24**
4	12	1	**17**	**£85,000 - £89,999**	7	8	1	**16**
1	13	1	**15**	**£90,000 - £94,999**	7	9	1	**17**
3	4	2	**9**	**£95,000 - £99,999**	5	8	3	**16**
4	9	1	**14**	**£100,000 - £104,999**	4	5	1	**10**
3	1	-	**4**	**£105,000 - £109,999**	1	3	-	**4**
2	1	-	**3**	**£110,000 - £114,999**	2	2	-	**4**
1	3	-	**4**	**£115,000 - £119,999**	1	1	-	**2**
-	3	-	**3**	**£120,000 - £124,999**	-	4	-	**4**
-	-	-	**-**	**£125,000 - £134,999**	-	2	-	**2**
-	2	-	**2**	**£135,000 - £139,999**	-	2	-	**2**
-	1	-	**1**	**£145,000 – 149,999**	-	-	-	**-**
-	-	1	**1**	**£170,000 - £174,999**	-	-	1	**1**
284	**358**	**55**	**697**	**Total**	**339**		**62**	**742**

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.

	2020/21 £000	2021/22 £000
Allowances	892	947
Total	**892**	**947**

The allowance paid in 2020/21 is slightly lower than 2021/22 as this was as 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 2022 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 2021/22 is shown in Note 33.

During 2021/22 works and services to the value of £0.131m were commissioned from a company in which one Member had an interest. Also, services to the value of £0.960m 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 £12.822m (£18.350m in 2020/21).

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.

Financial Performance

The Council made payments of £9.259m in 2021/22 (£9.320m in 2020/21) to VRCL for the management of these services.

Related Party Officers/Members

Two members of the Council are Board Members at VRCL: Councillor Z Hussain and Councillor D. Sharma.

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 2021/22 made payments of £5.659m (£5.798m in 2020/21).

Related Party Officers

One officer of the Council is the Company Director: A Warnes. M Essex (resigned February 2022).

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, 2020/21 nor 2021/22.

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, 2020/21 nor 2021/22.

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, 2020/21 nor 2021/22.

Other

During the financial year, the Council charged the Pension Fund £0.475m for expenses incurred administering the Pension Fund (£0.475m in 2020/21) and £0.122m for expenses incurred for investment services (£0.122m in 2020/21).

35. External Audit Costs

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

	2020/21 £000	2021/22 £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 and 2021/22	163	163
Fees payable to Ernst & Young LLP (EY) with regard to external audit services carried out by the appointed auditor for 2019/20	213	-
Total	**483**	**270**

36. Internal Trading Operations

With the abolition of Compulsory Competitive Tendering from January 2000, a number of former Direct Service Organisations have continued to operate internal trading accounts. Any surpluses or deficits arising from trading account activities are transferred to the General Fund. Civic catering ceased to be operational during 2018/19 so the figures are for operations until the end of August 2018.

		2020/21 £000	2020/21 £000	2021/22 £000	2021/22 £000
Transport	Turnover	9,288		8,842	
	Expenditure	(8,503)		(9,622)	
	Surplus		785		780
Total			**785**		**780**

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.

2020/21 Pooled Budget £000		2021/22 Pooled Budget £000
5,795	London Borough of Redbridge	8,102
2,141	Disabled Facilities	2,429
11,725	Redbridge CCG	12,390
19,661		**22,921**

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 2021/22 were as follows:

	Contributions	Expenditure	Net (Surplus)/Deficit
	£000	£000	£000
Local Authorities			
London Borough of Redbridge	(975)	975	-
London Borough of Havering	(730)	730	-
Clinical Commissioning Groups			
Redbridge	(1,001)	1,001	-
Havering	(941)	941	-
Barking and Dagenham	(336)	336	-
NHS Trusts			
North East London NHS Foundation Trust	(603)	603	-
Barking, Havering and Redbridge University Hospital NHS Trust	(32)	32	-
Total	**(4,618)**	**4,618**	**-**

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 2022 was £1.397m (£1.479m as at 31 March 2021).

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 2021/22, contributions amounting to £22.139m 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 2020/21 were £21.808m 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 2021/22, the Council paid £0.028m to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 20.68% of pensionable pay. The figures for 2020/21 were £0.033m 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	
	2020/21 £000	**2021/22 £000**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	35,454	56,835
Past Service Costs	104	184
Financial and Investment Income and Expenditure		
Net interest expense	8,937	10,527
Total Post-Employment Benefits charged to the Deficit on the provision of Services	**44,495**	**67,546**

Re-measurement of the net defined benefit liability		
Return on assets excluding amounts included in net interest	(163,989)	27,553
Actuarial (losses)/gains arising from changes in financial assumptions	264,072	(79,833)
Actuarial (losses)/gains arising from changes in demographic assumptions	17,372	(3,074)
Other experience and actuarial adjustments	(8,523)	(6,947)
Total Post Employment Benefit charged to Other Comprehensive Income and Expenditure Statement	**108,932**	**(62,301)**
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	(19,110)	(40,511)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employer's contributions payable to scheme	23,298	25,120
Employer's discretionary contributions payable	2,087	1,915
Retirement benefits payable to pensioners	(33,423)	(34,469)
Discretionary benefits payable to pensioners	(2,087)	(1,915)

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:

	2020/21 £000	2021/22 £000
Present value of the defined benefit obligation	(1,364,772)	(1,330,565)
Fair value of assets in the Local Government Pension Scheme	852,927	901,002
Net liability arising from defined benefit obligation	**(511,845)**	**(429,563)**

Reconciliation of the movements in the fair value of the scheme

	2020/21 £000	2021/22 £000
Opening Balance at 1 April	**676,702**	**852,927**
Interest Income	15,516	17,026
Re-measurement gain/(loss)	163,989	33,054
Contributions by Employer	23,298	25,120
Contributions by scheme participants	6,845	7,344
Benefits paid	(33,423)	(34,469)
Closing Fair Value of scheme assets	**852,927**	**901,002**

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

	Local Government Pension Scheme	
	2020/21 £000	**2021/22 £000**
Opening Balance at 1 April	**1,060,505**	**1,364,772**
Current Service Cost	35,454	56,835
Interest Cost	24,453	27,553
Contributions by scheme participants	6,845	7,344
Re-measurement (gains)/losses		
- change in demographic assumptions	17,372	(3,074)
- change in financial assumptions	264,072	(79,833)
- change in other assumptions	(8,523)	(6,832)
Past Services Cost	104	184
Benefits paid	(33,423)	(34,469)
Discretionary Benefits	(2,087)	(1,915)
Closing Balance at 31 March	**1,364,772**	**1,330,565**

The Local Government Pension Scheme's Asset Comprised

	2020/21 £000	**2021/22 £000**
Property		
UK Property Unit Trusts	63,727	75,815
Investment Funds and Unit Trusts		
Equities	512,916	541,315
Bonds	130,504	82,157
Infrastructure	14,716	26,803
Other	125,097	171,377
Sub-total	**846,960**	**897,467**
Cash and Cash Equivalents		
Cash	5,967	3,575
Total Assets	**852,927**	**901,002**

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	
	2020/21	**2021/22**
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	21.8 years	21.6 years
Women	24.2 years	24.0 years
Longevity at 65 for future pensioners:		
Men	23.0 years	22.7 years
Women	26.0years	25.8years
Rate of inflation	2.85%	3.20%
Rate of increase in salaries	2.85%	3.20%
Rate of increase in pensions	2.85%	3.20%
Rate for discounting scheme liabilities	2.00%	2.70%
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)	53,043	(53,043)
Rate of increase in salaries (increase or decrease by 0.5%)	1,367	(1,367)
Rate of increase in pension (increase or decrease by 0.5%)	22,796	(22,796)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(24,324)	24,324

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 2023 is £4.459 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.

2020/21 £000		2021/22 £000
	The cash flows for operating activities include the following items	
(34,307)	Net (Deficit)/Surplus on the provision of services	**15,141**
	Adjust net deficit/surplus on the provision of services for non-cash movements	
31,268	Depreciation	30,262
35,390	Impairment and downward valuations	12,381
849	Amortisation	1,485
27,210	Increase/(decrease) in creditors	36,590
(5,938)	(Increase)/decrease in debtors	(2,091)
89	Increase in inventories	(63)
19,110	Movement in pension liability	40,511
18,589	Carrying amount of non-current assets sold or derecognised	16,064
19,638	Other non-cash items	(38,203)
146,205		**96,934**
	Adjust for items included in net deficit/surplus on the provision of services that are investing or financing activities	
(19,284)	Capital Grants	(23,579)
(5,931)	Proceeds from the sale of property, plant and equipment	(11,231)
(25,215)		**(34,810)**
86,683	**Net cash flows generated from operating activities**	**77,267**

The cash flows for operating activities include the following items:

2020/21 £000		2021/22 £000
1,725	Interest Received	1,247
(9,446)	Interest Paid	(9,762)

(b) Cash Flow Statement – Investing Activities

2020/21 £000		2021/22 £000
(88,814)	Purchase of property, plant and equipment, investment property and intangible assets	(75,293)
5,931	Proceeds from the sale of property, plant, equipment, investment property and intangible assets	11,231
(34,000)	Proceeds / (Purchases) from short term and long-term investments	(42,750)
19,284	Capital Grants	23,579
(97,599)	**Net cash flows from investing activities**	**(83,233)**

(c) Cash Flow Statement – Financing Activities

2020/21 £000		2021/22 £000
18,750	Cash receipts from short term and long-term borrowing	18,750
(576)	Cash payments for the reduction of outstanding liabilities relating to finance leases on balance sheet PFI contracts	(1,303)
(5,022)	Repayments of short term and long-term borrowing	(3,022)
13,152	**Net cash flows from financing activities**	**14,425**

(d) Reconciliation of Liabilities arising from Financing Activities

	2021/22 1 April £000	Financing Cashflows £000	Reclassification/ Movements £000	2021/22 31 March £000
Long Term borrowings	347,023	18,750	(2,870)	362,903
Short Term borrowings	3,836	(3,022)	4,381	5,195
Lease Liabilities	3	0	(1)	2
On Balance Sheet PFI	10,300	(1,303)	1	8,998
Total Liabilities from financing activities	**361,162**	**14,425**	**1,511**	**377,098**

Comparative Table for LBR Cash Flow

	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**

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.

2020/21 £000		Notes	2021/22 £000
	Expenditure		
5,892	Repairs and Maintenance		5,614
9,766	Supervision and Management		10,475
707	Rents, Rates, Taxes and Other Charges		835
25,115	Depreciation and impairment of fixed assets	5	15,807
44	Discretionary Housing Benefit		48
41,524	**Total Expenditure**		**32,779**
	Income		
(25,038)	Dwelling Rents		(25,739)
(405)	Non-Dwelling Rents		(392)
(3,446)	Charges for Services and Facilities		(4,054)
(520)	Contributions towards expenditure		(66)
(115)	Repayment of capital grants/advances		-
(29,524)	**Total Income**		**(30,251)**
12,000	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**2,528**
12,000	**Net Expenditure on HRA Services**		**2,528**
	HRA Share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:		
5,088	Gain on sale of HRA non-current assets		2,065
2,561	Interest payable and similar charges		3,053
(238)	Interest and investment income		(29)
-	Impairment Allowance		333
562	Pensions interest cost and expected return on pension assets		334
292	Capital grants and contributions receivable		(2,804)
20,265	**Surplus or (Deficit) for the year on HRA services**		**5,480**

Movement on the Housing Revenue Account Statement

2020/21 £000			2021/22 £000
(14,301)	**Balance on the HRA at the end of the previous year**		**(14,696)**
20,265	Surplus or (Deficit) for the year on the HRA Income and Expenditure Statement	5,480	
(20,754)	Adjustment between accounting basis and funding basis under statute	(5,735)	
(489)	**Net decrease before transfers to or from reserves**	**(255)**	
94	Transfers to reserves	8,199	
(395)	Increase in year on the HRA		7,944
(14,696)	**Balance on the HRA at the end of the current year**		**(6,752)**

Note to the Movement on the HRA Statement

2020/21 £000		*Notes*	2021/22 £000
	Adjustments between accounting basis and funding basis under regulations		
(5,330)	Depreciation on Fixed Assets		(15,807)
(5,088)	Gain on sale of HRA non-current assets		(2,065)
115	Repayment of capital/advances		-
(631)	HRA share of contributions to or from the Pension Reserve		(1,296)
(19,785)	Impairment of Fixed Assets	*5*	-
(80)	Capital Receipts cost of sales		(165)
4,454	Capital expenditure funded by the HRA		5,594
339	Capital Grants and contributions receivable		2,804
(78)	Accumulated absences accrual		55
5,330	Posting of HRA resources from revenue to the Major Repairs Reserve		5,145
(20,754)			**(5,735)**
	Transfers (from) / to reserves		
94	Transfer (from)/to earmarked reserves	*7*	8,199
94			**8,199**

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 0.61% of rent was lost because of properties that were vacant (0.84% in 2020/21). The average rent for social housing stock was £111.59 per week in 2021/22 and £108.85 per week in 2020/21.

2. Housing Stock

The Council is responsible for managing a Housing Revenue Account stock of 4,446 properties at 31 March 2022 (4,498 at 31 March 2021). An analysis is shown below. The Council is also a freeholder of 2,517 leased properties.

31 March 2021 Number		31 March 2022 Number
	General Needs	
1,649	- One or fewer Bedrooms	1,621
1,381	- Two Bedrooms	1,363
1,342	- Three or more Bedrooms	1,336
126	Sheltered Housing Units	126
4,498	**Total**	**4,446**

3. Rent Arrears

31 March 2021 £000		31 March 2022 £000
	Arrears due from	
1,107	- Current tenants	1,436
432	- Former tenants	369
1,539	**Total**	**1,805**
6.10%	Total as a % of gross debt	7.36%

4. Balance Sheet Value of HRA Assets

31 March 2021 £000		31 March 2022 £000
310,636	Dwellings	328,765
7,393	Other Land and Buildings	29,377
318,029	**Total**	**358,142**

The vacant possession value of dwellings within the HRA as at 1 April 2022 was £1,312m (£1,243m as at 1 April 2021). The difference of £984m between the vacant possession value and the Balance Sheet value of dwellings (£328m) 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 2021/22.

2020/21 £000		2021/22 £000
5,187	Depreciation Operational Assets - dwellings	5,067
143	Depreciation Operational Assets – other land and buildings	78
19,785	Impairment of fixed assets – dwellings and other land and buildings	10,662
25,115	**Total**	**15,807**

The charge for impairment in 2021/22 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.

2020/21 £000		2021/22 £000
-	Balance Brought Forward	-
(5,187)	Major Repairs Allowance (MRA)	(5,067)
(143)	Non-dwellings depreciation	(78)
5,330	Capital Expenditure funded from the MRR	5,145
-	**Balance on the Major Repairs Reserves as at 31 March**	-

7. Movement in Earmarked Reserves

The following movements in earmarked reserves occurred in 2021/22:

2020/21 £000		2021/22 £000
(14)	HRA – Capital Reserve	(14)
(80)	HRA – New Provision Receipts (admin RTB)	(165)
-	HRA – Minor Works	(20)
-	HRA – Investment Reserve	(8,000)
(94)	**Total**	**(8,199)**

8. HRA Capital Financing

2020/21 £000		2021/22 £000
32,616	Spend on Dwellings	21,314
-	Spend on Non-Dwellings	999
32,616	**HRA Capital Expenditure**	**22,313**
	Financed by:	
2,784	Government Grants	2,529
5,419	S106 Grants	-
4,454	Contribution from Revenue	5,449
5,330	Net Contributions from Major Repairs Reserve	5,145
796	Capital Receipts - Other	240
340	Contribution from Other Reserves	145
7,173	Capital Receipts – RTB	4,555
6,320	Borrowing	4,250
32,616	**Total Funding**	**22,313**

9. Capital Receipts

2020/21 £000		2021/22 £000
	HRA Capital Receipts	
4,859	Properties	9,304
-	Land and Garages	-
4,859		**9,304**

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 accrual's basis.

Income and Expenditure Account

2020/21 Total £000		2021/22 Council Tax £000	2021/22 NDR £000	2021/22 BRS £000	2021/22 Total £000
	Income				
153,083	Council Taxpayers	163,866	-	-	163,866
2,023	General Fund Discretionary Relief Contribution	666	-	-	666
23,947	Income from Business Ratepayers	-	41,529	747	42,276
539	Transitional Protection–Central Government	-	224	-	224
179,592	**Total Income**	**164,532**	**41,753**	**747**	**207,032**
	Expenditure				
	Precepts:				
124,428	London Borough of Redbridge	128,708	-	-	128,708
30,427	Greater London Authority	32,829	-	-	32,829
	Business Rates:				
16,766	London Borough of Redbridge	-	17,499	-	17,499
21,110	Greater London Authority	-	21,583	741	22,324
18,444	Central Government	-	19,249	-	19,249
282	Costs of Collection	-	270	6	276
	Apportionment of previous years estimated collection fund surplus/(deficits):				
3,660	London Borough of Redbridge	(382)	(9,031)	-	(9,413)
1,484	Greater London Authority	(93)	(11,629)	-	(11,722)
792	Central Government	-	(10,358)	-	(10,358)
	Bad and Doubtful Debts				
4,942	Provisions	2,937	1,947	-	4,884
194	Write-offs	145	45	-	190
3,992	Provisions for appeals	-	2,077	-	2,077
226,521	**Total Expenditure**	**164,144**	**31,652**	**747**	**196,543**
(46,929)	**(Deficit)/Surplus for the year**	**388**	**10,101**	**-**	**10,489**
7,483	(Deficit)/Surplus bought forward at 1 April	**(1,942)**	**(37,504)**	**-**	**(39,446)**
(39,446)	**(Deficit)/Surplus carried forward at 31 March**	**(1,554)**	**(27,403)**	**-**	**(28,957)**
	Allocated to:				
(12,534)	London Borough of Redbridge	(1,226)	(8,221)	-	(9,447)
(14,396)	Greater London Authority	(328)	(10,121)	-	(10,449)
(12,516)	Central Government	-	(9,061)	-	(9,061)
(39,446)	**Total**	**(1,554)**	**(27,403)**	**-**	**(28,957)**

Notes to the Collection Fund

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

The Collection Fund Deficits for 2020/21 and 2021/22 in respect of business rates are exceptionally large due to changes in various regulations as part of Central Government's response to the COVID–19 pandemic. Retail businesses and nurseries were awarded £17.510m in additional reliefs in 2021/22, (£35.253m in 2020/21) which had not been confirmed when preparing the Collection Fund forecast in late January of 2020 and 2021. 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 for this deficit is provided through S31 grants from the Government. These grants are reported in the individual preceptors' accounts.

In 2020/21 the Government established the conditional 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 was 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. In 2021/22 the Government replaced the Hardship Fund with a new unconditional COVID-19 Council Tax Support Grant of which Redbridge received £2.596m. The grant allows Redbridge to continue to support residents experiencing the extreme hardship in various ways rather than restriction to reductions in council tax liability.

Another statutory change to the administration of the Collection Fund in 2020/21 was the phasing of Collection Fund deficits in relation to 'exceptional amounts' related to COVID-19 in 2020/21 only; it does not relate to any deficits prior or subsequent to 2020/21.

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 2021/22 at £1,789.39 for band D properties (this includes £363.66 on behalf of the Greater London Authority). On setting the level of Council tax for 2021/22, the number of band D equivalent properties in each band making up the Council Tax base was as follows:

Band	2020/21 Number of Properties	2021/22 Number of Properties
A	1,504	1,757
B	9,307	9,338
C	22,441	22,716
D	30,722	30,247
E	23,015	23,010
F	10,478	10,596
G	5,161	5,192
H	379	381
Council Tax base collection allowance adjustment	(926)	(2,315)
Allowance for estimated full value of exemptions (inc. disabled)	(1,306)	(1,451)
Local Authority Tax Support Scheme	(9,147)	(9,196)
Total	**91,628**	**90,275**

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 2021/22 were frozen by the Government at the 2020/21 multiplier rates of 49.9p for qualifying Small Businesses, with the standard multiplier being 51.2p for all other businesses.

The total rateable value for business premises as at the end of March 2022 was £153,201,601 (£153,862,837 as at 31st March 2021).

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

2020/21 £000		2021/22 £000
74,708	Gross NDR due in the year	75,497
(51,199)	Less: Allowances and other adjustments	(33,968)
23,509		**41,529**

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 are shown below.

	Redbridge	GLA	Government	Total
Percentage Shares	30%	37%	33%	100%

In addition to NDR collected on behalf of the Government, the Council has collected the sum of £0.747m (£0.438m 2020/21) 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 2022 the balance payable to the GLA is £0.059m (a balance of £0.153m was repayable to the GLA in 2020/21).

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 taxpayers. 2021/22 is the last year of the TPP scheme.

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 2022. As at 31 March 2022 a provision of £12.074m (£9.997m in 2020/21) 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 £3.622m (£2.999m for 2020/21).

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. The benefit from the pool to London reduced from 100% in 2018/19 to 75% in 2019/20 and 67% in 2020/21. No London Pool was established for 2021/22 because it was forecast that it would result in a deficit which would be disadvantageous to Redbridge and all other boroughs.

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

To be completed

To be completed

Pension Fund Account for the Year Ended 31 March 2022

2020/21 £000		Notes	2021/22 £000
	Dealings with members, employers and other directly involved in the Fund.		
35,856	Contributions receivable	7	38,479
405	Transfers in	8	2,502
36,261			**40,981**
	Less:		
(33,248)	Benefits payable	9	(36,164)
(5,313)	Leavers	10	(5,833)
(38,561)			**(41,997)**
(2,300)	**Net additions/(withdrawals) from dealings with members**		**(1,016)**
(3,743)	**Management Expenses**	11	**(3,691)**
	Returns on Investments		
7,670	Investment income	12	7,160
200,357	Change in market value of investments	14(a)	46,090
208,027	**Net returns on Investments**		**53,250**
201,984	**Net increase/(decrease) in the Fund during the year**		**48,544**
759,424	**Net Assets of the scheme at 1 April 2021**		**961,408**
961,408	**Net Assets of the scheme at 31 March 2022**		**1,009,952**

Net Assets Statement as at 31 March 2022

2020/21 £000		Notes	2021/22 £000
150	Longer Term Investments		150
954,553	Investment Assets	13	1,006,412
954,703			**1,006,562**
7,193	Current Assets	18	3,937
(488)	Current Liabilities	18	(547)
961,408	**Net Assets of the Scheme at 31 March 2022**		**1,009,952**

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 2021/22 and the Pension Fund's financial position as at 31 March 2022.

Maria G Christofi, BA (Hons), FCCA, CPFA
Corporate Director of Resources & Section 151 Officer
31 October 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 2022 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 2022 were: Mears Limited, Vision-Redbridge Culture & Leisure, Imagine Independence Ltd, Kindred Nursery (formerly known as Dizzy Ducks), Lewis & Graves, Alliance in Partnership (AiP), Birkin Clean, Coram, Town & Country and Westminster Drug Project.

As at 31 March 2022 the membership of the scheme was as follows:

Active Members	As at 31 March 2021	As at 31 March 2022
Redbridge Council	4,576	5,117
Scheduled Bodies	756	1,045
Admitted Bodies	160	141
TOTAL	**5,492**	**6,303**

Pensioners	As at 31 March 2021	As at 31 March 2022
Redbridge Council	4,429	4,559
Scheduled Bodies	125	151
Admitted Bodies	117	96
TOTAL	**4,671**	**4,806**

Deferred Members	As at 31 March 2021	As at 31 March 2022
Redbridge Council	7,457	7,775
Scheduled Bodies	777	965
Admitted Bodies	103	104
TOTAL	**8,337**	**8,844**

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 2021/22 financial year and its position as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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 gives 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 latest actuarial valuation as at 31 March 2019, showed it to be 84% funded, an increase of 4% 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.

Increased Market Volatility - The value of the Investment assets of the Fund changes on a daily basis, however the degree of volatility in global financial markets has increased because of continuing social and economic uncertainties created by the conflict in Ukraine. Despite this, the Fund remains in a strong financial position, capable of meeting all its payment obligations. The Funding Strategy is based on long term investment returns and as such, the increased volatility seen at present is not considered a material concern.

The bid value of the Fund's investment assets as at 31 March 2022 were £1,007.678m an increase of 4.81% in the value of the Fund's investment assets since 31 March 2021.

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 accrual's 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 accrual's 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 accrual's 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 accrual's basis. All staff costs of the pension's 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 accrual's 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 triennially 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.

Pension Fund Liability – 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. This estimate is subject to significant variances based on changes to the underlying assumptions.

6. Events after the Year End Date

There have been no events since 31 March 2022 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.

		2020/21 £000	2021/22 £000
Employers			
	London Borough of Redbridge	23,296	25,120
	Scheduled Bodies	3,435	3,709
	Admitted Bodies	1,019	988
		27,750	**29,817**
Members			
	London Borough of Redbridge	6,845	7,344
	Scheduled Bodies	992	1,066
	Admitted Bodies	269	252
		8,106	**8,662**
		35,856	**38,479**

Contributions split between normal, deficit funding and augmentation are outlined below:

	2020/21 £000	2021/22 £000
Normal Employer Contributions	24,876	26,438
Deficit Payments *	248	486
Augmentation (Early Retirements)	2,626	2,893
	27,750	**29,817**

* 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.

	2020/21 £000	2021/22 £000
Individual Transfers from other schemes – London Borough of Redbridge	405	2,502
	405	**2,502**

9. Benefits Payable

Benefits are provided in accordance with the provisions of the Local Government Pension Scheme regulations.

	2020/21 £000	2021/22 £000
Pensions	28,969	29,575
Commutation of Pensions and Lump Sum Retirement Benefits	3,343	5,702
Lump Sum Death Benefit	905	862
Interest	31	25
	33,248	**36,164**

By Employer	2020/21 £000	2021/22 £000
London Borough of Redbridge	31,562	34,469
Scheduled Bodies	737	933
Admitted Bodies	949	762
	33,248	**36,164**

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.

	2020/21 £000	2021/22 £000
Refunds to members	26	45
Bulk Transfers to another Scheme	-	-
Individual Transfers to other Schemes	5,287	5,788
	5,313	**5,833**

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.

	2020/21 £000	2021/22 £000
Administrative Costs	1,029	725
Investment Management Expenses	2,420	2,819
Oversight and Governance	278	131
Audit Fees	16	16
	3,743	**3,691**

11(a). Investment Management Expenses

	2020/21 £000	2021/22 £000
Management Fees	2,346	2,700
Custody Fees	74	119
	2,420	**2,819**

2020/21 Total £000	2020/21 Pooled Units outside of LCIV £000	2020/21 Pooled Units through LCIV £000		2021/22 Total £000	2021/22 Pooled Units outside of LCIV £000	2021/22 Pooled Units through LCIV £000
1,810	634	1,176	Fund Manager Fees	2,181	678	1,503
74	26	48	Custody Fees	119	59	60
188	-	188	Pool Costs	192	-	192
348	-	348	Other Expenses	327	-	327
2,420	**660**	**1,760**	Total	**2,819**	**737**	**2,082**

12. Investment Income

Interest, dividends and other income shown in the Fund Account have been broken down as follows:

	2020/21 £000	2021/22 £000
Pooled Investments Vehicles	5,330	4,552
Property Unit Trusts	2,198	2,535
Cash Deposits	48	59
Other Investment Income	94	14
	7,670	**7,160**

13. Investments

The table below shows the Fund's investments by asset class:

	2020/21 £000	2021/22 £000
Investment Assets		
Pooled Investments	882,376	920,290
Pooled Property Investments	71,766	84,818
Cash Deposits	561	1,304
Total Investment Assets	**954,703**	**1,006,562**

There are no investment liabilities.

The table below shows a detailed analysis of the investments held by the Fund as at 31 March 2022 with a comparison table showing detailed analysis of the investments held by the Fund as at 31 March 2021.

2021/22	Value at 31/03/21 £000	Purchases at cost £000	Sales proceeds £000	Change in fair value £000	Cash movement £000	Value at 31/03/22 £000
Pooled Equity Unit Trusts	882,226	66,834	(63,602)	32,494	-	920,290
London CIV	150	-	-	-	-	150
Property Unit Trusts	71,767	1,793	-	11,258	-	84,818
	954,143	**68,627**	**(63,602)**	**43,752**	**-**	**1,005,258**
Other Balances						
Cash Deposits	560	-	-	-	744	1,304
	954,703	**68,627**	**(63,602)**	**43,752**	**744**	**1,006,562**

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**

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 2022	% of net assets
UK Equity Index Unit Trust	88,930	9.0%
All World (ex UK) Equity Index Unit Trust	80,246	8.0%
Low Carbon Equity Index Unit Trust	189,193	18.8%
Global Equity Fund	199,287	19.8%
Emerging Markets Equity Fund	46,828	4.7%
Index Linked Bond Fund	91,745	9.1%
Diversified Growth Fund (DGF)	119,092	11.9%
Inflation Plus Fund	72,698	7.2%
Schroder Property Fund	84,818	8.4%

13(a) Investments – Fund Management

As at 31 March 2022, the fair value of assets under management was £1,007.678m. 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 be varied 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:

31/03/21 £000	% of Portfolio	Manager	Mandate	31/03/22 £000	% of Portfolio	Strategic Asset Allocation %
Investments managed by Pool						
213,443	22.20	Baillie Gifford	Global Equities	199,287	19.73	15.00
122,364	12.73	Baillie Gifford	Diversified Growth Fund	119,092	11.79	10.00
16,572	1.72	Stepstone	Infrastructure	32,269	3.20	10.00
18,698	1.95	Aviva	Inflation Plus	72,698	7.20	10.00
148,455	15.44	LGIM	Global Equities	169,177	16.75	15.00
163,773	17.03	LGIM	Low Carbon Equities	189,193	18.73	15.00
87,502	9.10	LGIM	Index Linked Gilts	91,745	9.08	10.00
770,807	***80.17***			***873,461***	***86.48***	***85.00***
Investments managed outside of Pool						
51,953	5.40	Schroders	Emerging Markets Equities	46,828	4.64	5.00

31/03/21 £000	% of Portfolio	Manager	Mandate	31/03/22 £000	% of Portfolio	Strategic Asset Allocation %
59,466	6.19	Aberdeen Standard	Fixed Income	-	-	-
71,767	7.47	Schroders	Property	84,818	8.40	10.00
7,415	0.77	Cash		4,845	0.48	-
190,601	***19.83***			***136,491***	***13.52***	***15.00***
961,408	**100.00**	**TOTAL**		**1,009,952**	**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.

2020/21				2021/22		
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			
882,376	-	-	Pooled Investment	920,440	-	-
71,767	-	-	Pooled Property - Investment	84,818	-	-
-	6,719	-	Cash	-	3,949	-
-	1,034	-	Debtor	-	1,292	-
954,143	**7,753**	**-**	**Total**	**1,005,258**	**5,241**	**-**
			Financial Liabilities			
-	-	(488)	Creditors	-	-	(547)
-	**-**	**(488)**	**Total**	**-**	**-**	**(547)**
954,143	**7,753**	**(488)**		**1,005,258**	**5,241**	**(547)**
	961,408		**Grand Total**		**1,009,952**	

14 (a) Net Gains and Losses on Financial Instruments

2019/20 £000	Financial Assets	2020/21 £000
200,357	Fair value through profit & loss	46,090
200,357	**TOTAL**	**46,090**

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 2021 Fair Value £000		31 March 2022 Fair Value £000
	Financial Assets	
954,143	Fair value through profit & loss	1,005,258
7,753	Loans and Receivables	5,241
961,896	**Total Financial Assets**	**1,010,499**
(488)	**Total Financial Liabilities**	(547)
961,408		**1,009,952**

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.

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 2022	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial Assets				
Financial assets at fair value through profit & loss	-	900,141		1,005,258
Financial Assets at amortised cost	5,241	-	-	5,241
Total Financial Assets	**5,241**	**900,141**	**105,117**	**1,010,499**
Financial Liabilities				
Financial liabilities at fair value through profit & loss	-	-	-	-
Financial liabilities at amortised cost	(547)	-	-	(547)
Total Financial Liabilities	(547)	-	-	(547)
Net Financial Assets	**4,694**	**900,141**	**105,117**	**1,009,952**

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	**7,265**	**918,723**	**35,420**	**961,408**

15 (b) Reconciliation of Fair Value Measurements within Level 3

	London CIV £000	Infrastructure £000	Inflation Plus £000	TOTAL £000
Value at 31 March 2021	150	16,572	18,698	35,420
Purchases	-	12,094	53,557	65,651
Unrealised profit and loss	-	3,603	443	4,046
Value at 31 March 2022	**150**	**32,269**	**72,698**	**105,117**

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	Value £000	Value on Increase £000	Value on Decrease £000
Level 2 Assets			
UK Equities	88,930	97,823	80,037
Overseas/Global Equities	634,647	698,111	571,182
Index Linked Gilts	91,745	100,919	82,570
Property	84,818	93,300	76,337
Level 3 Assets			
Infrastructure	32,269	35,496	29,042
Inflation Plus	72,698	79,968	65,428

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	634,647	698,111	571,182

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

	2020/21 £000	2021/22 £000
Cash at Bank	6,159	2,645
Contributions due	780	955
Sundry debtors	254	115
Prepaid expenses	-	222
Total of Current Assets	**7,193**	**3,937**
Accrued benefits	(73)	(207)
Accrued expenses	(415)	(340)
Sundry creditors	-	-
Total of Current Liabilities	**(488)**	**(547)**

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 £25.120m to the Fund in 2021/22 (£23.296m in 2020/21).

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 (£0.475m in 2020/21).
- Investment services undertaken by the Council to the Pension Fund were £0.122m (£0.122m in 2020/21).

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 2021/22, 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 2022 for the entire Fund comprises of:

Type of Member	31 March 2021 Liability £m	31 March 2022 Liability £m
Employees	603	514
Deferred Members	379	383
Pensioners	500	553
Total	**1,482**	**1,450**

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 2021 £m	31 March 2022 £m
Present value of funded obligations	(1,482)	(1,450)
Fair value of Fund Assets (BID Value)	961	1,010
Net Liability for the whole Fund	**(521)**	**(440)**

These calculations have been determined using the following financial assumptions:

Year Ended	31 March 2021 % p.a.	31 March 2022 % p.a.
Inflation / Pension Increase Rate	2.85	3.20
Salary Increase Rate	2.85	3.20
Discount Rate	2.00	2.70

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 2021/22 £52,106 of contributions deductions were made in respect of the AVC Scheme (£18,546 in 2020/21).

Market Value 31 March 2021 £000	AVC Provider	Market Value 31 March 2022 £000
201	Utmost Pensions (formerly Equitable Life)	203
224	Clerical Medical	268
278	Standard Life	240
703	**TOTAL**	**711**

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 £79m into the Aviva Inflation Plus Fund. Of this commitment £5.513m was outstanding at 31 March 2022.

The Fund also has committed £70m into the Stepstone Infrastructure Fund. Of this commitment £40.481m was outstanding as at 31 March 2022.

Annual Governance Statement 2021/22

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 Coporate/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 Parternship 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 of anti-fraud and corruption strategy and the suite of supporting policies in 2021/22 to articulate and promote a zero-tolerance culture to fraud and set out the robust ways in which the Council will prevent, detect, and act against fraud.

The Monitoring Officer delivers training to Members on the standards regime. No standards issues have arisen in 2021/22. 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 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 (a collection of data sets and analyses about the borough and its residents) 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 Plan. To deliver this vision, the Council defines specific outcomes and performance indicators for each service area. More specific strategies are in place to 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 Council activities through key performance indicators and delivery of the Corporate Strategy. The quarterly 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 over £500 and contracts awarded over £5,000 are published on the internet. There is continued development of the technical and procedural arrangements to comply with the requirements of the Data Protection Act including 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, evolving, and in many respects increasingly acute challenges to the Council's operations, the corporate governance framework has an important role to direct and support, good governance. In 2021/22 there has been a clear focus on activity to start to refresh and reinvigorate governance arrangements to meet future challenges in 2022/23 to be articulated in the new Corporate Plan.

This improvement activity is in progress and will continue into 2022/23. A key action for the Council is to ensure that effective implementation plans support any new or improvement activity so there is a prioritised sequence of tasks, required resources in place, and clear roles and responsibilities to implement.

In the face of significant, evolving, and in many respects increasingly acute challenges to the Council's operations, the corporate governance framework has an important role to direct and support, good governance. In 2021/22 there has been a clear focus on activity to start to refresh and reinvigorate governance arrangements to meet future challenges in 2022/23 to be articulated in the new Corporate Plan.

This improvement activity is in progress and will continue into 2022/23. A key action for the Council is to ensure that effective implementation plans support any new or improvement activity so there is a prioritised sequence of tasks, required resources in place, and clear roles and responsibilities to implement.

In addition to the above, the collective findings and opinions from Internal Audit work in 2021/22 covering core, corporate governance processes shows that such processes are not in all cases designed and or operating in a manner to provide ongoing, consistent, and demonstrable assurance. That said, any issues and potential risks identified in the relevant Internal Audit reviews have not crystalised into specific governance (or risk management or internal control) failures akin to those that have affected some other local authorities as seen through high profile cases featuring in Reports in the Public Interest and other Government interventions.

The Governance Board, the internal officer group of the three statutory posts, has continued to meet in 2021/22. It has continued to receive updates on some important parts of the corporate governance framework. It has identified that the Code of Corporate Governance in the Constitution whilst meeting basic requirements, does appear to be out of date (by its referencing the 2014 – 2018 corporate plan, and other apparent non-current arrangements). It does reference some of the practical arrangements and processes in place to make the code work, but this could be expanded and importantly set out the underpinning assurance mechanisms that if in place could / should ensure the arrangements and processes remain fit for purpose and are applied consistently and effectively. An underpinning assurance framework would be therefore helpful in this regard.

The Council's core financial management and governance arrangements have been sufficient to enable a positive financial outcome for the 2021/22 financial year despite the challenges posed by the pandemic, challenging funding settlements, and growing demand for services. While the end of year outturn outcome is positive, particularly considering the continuing impact of the pandemic, it should be noted that much of the significant corporate underspend that offset directorate-level overspends is not expected to continue to be possible in 2022/23.

With continued limited funding, medium-term funding uncertainty, and growing demand, it will be necessary for financial restraint to continue for the foreseeable future to ensure the continued resilience of the Council's finances. This can only be achieved through consistent, robust financial governance.

Review of Effectiveness

The Council uses several 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 has set out the improvement actions to be taken in 2022/23.

Another source of independent assurance to the Council, is the work of the Internal Audit service. The Head of Audit and Investigations' 2021/22 annual internal audit opinion is that the outcomes from the Internal Audit work completed in year provides limited assurance over the specific governance arrangements reviewed given the balance between the numbers of adverse opinions (i.e. limited assurance) and non-adverse opinions (i.e. reasonable or substantial assurance). The annual opinion in 2020/21 was of reasonable assurance, and therefore the overall assurance category has reduced.

The Head of Internal Audit and Investigations' annual internal audit opinion is based on the outcomes of the 2021/22 Internal Audit work and therefore does not imply that all the Council's governance, risk management and internal control arrangements provide limited assurance, or the strength of all such arrangements has reduced in the year. The number of limited assurance opinions given regarding governance reviews in the year does, however, indicate there are some important and significant improvements needed.

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 2022/23 are as follows:

Programme and project management delivery assurance: The corporate arrangements to govern and manage change programmes and projects, whilst being strengthened, need to improve to provide greater assurance that significant change activity will be delivered to time, budget, and required outcomes. Several individual reviews of governance over individual change projects identified significant risks that were not sufficiently demonstrably managed.	**Action to be taken in 2022/23:** Fully establish and embed a programme management office to support the delivery of programmes on transformation, innovation and creativity across the council and making connections between programmes.

Council-owned companies: As more of the Council's companies develop, it is vital that the Council has robust arrangements so it can effectively discharge its various roles regarding these companies. A review was therefore undertaken of current governance, decision making, oversight, and reporting arrangements and identified several areas for further development.

Action to be taken in 2022/23:

Strengthen the arrangements for the Council to discharge its role as shareholder, investor, and client. This includes, but is not limited to:

- Promptly deciding on whether the companies currently in development have a sufficiently strong business case to make fully operational
- Ensure the Shareholder Reference Group meets regularly and receives all required material to enable it to effectively discharge its role
- Finalise key matters regarding the live company contract and shareholder agreement
- Ensure directors appointed to companies are sufficient in number, are trained to have sufficient and appropriate knowledge, skills, and experience

Commissioning, re-procurement and contract extension decision-making: There are not sufficiently consistent and effective processes so that commissioners prepare in a timely manner for decision-making around major re-procurements and contract extensions so that these decisions consistently help the Council achieve the Procurement Strategy's objective 'to enter into and retain agreements with third-party suppliers that are affordable and cost-effective for the Council'.

There are not defined corporate expectations around commissioning and there are not specific dedicated corporate resources, or resources within all directorates, to effectively support and enable each service area to take good practice commissioning actions.

- Develop a strategic plan/approach/requirement for:
  - how the Council should go about commissioning against its defined outcomes (e.g. per the updated Corporate Plan and directorates' supporting business plans)
  - how the Council will work toward addressing any resource capacity and capability issues that could impede or prevent effective commissioning throughout the Council
- Create additional capacity and capability across the organisation to improve commissioning-related actions.

Business Continuity and Emergency Planning: The end of the Tri-Borough Partnership for Business Continuity and Emergency Planning (BC and EP) means the Council must rapidly create a functioning and effective BC and EP service / capability from September 2022, to ensure it can manage disruptions to its own operating environment and more widely respond to and manage events that threaten the borough's residents and physical environment.

Action to be taken in 2022/23:

Develop action plan to:

- Define the required staffing resources to fulfil key ongoing service roles and responsibilities to enable a continuity of service provision and take on the ongoing tasks and actions currently performed by partnership staff
- Set out how the Council will identify and engage the required resources
- Obtain information and knowledge transfer – how the Council will extract its key information and from the partnership and enable it to be available to Council staff appropriately
- Communication – how to make relevant parties aware of changed arrangements
- Funding – how any additional or changed costs (i.e. above the current standard charge to the partnership) will be met
- Risk management oversight – setting out how senior directorate and corporate management will be updated

and assured how the potential risks are being addressed between now and when they may materialise

Key business as usual corporate governance processes that support planning, delivery and monitoring of service delivery:	**Action to be taken in 2022/23:** In support of delivery of the new corporate plan, implement the planned enhancements to service planning, corporate performance management, business intelligence processes, and staff development and wellbeing processes. Effective supporting implementation plans should support new or improvement activity.

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 July 2022 identified no adverse issues.

- No Standards (Hearings) Sub-Committee meetings were held in 2021/22 to hear allegations of breaches of the Member Code of Conduct. 19 Code of Conduct complaints were received in 2021/22 but none progressed to investigation.

- During 2021/22 there were not any 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.

- 88 cases referred to the Local Government Ombudsman in 2021/22 and of which 18 were upheld (20.5%).

- Outcomes of external inspection agencies, notably Ofsted.

Implementation of previous year's Annual Governance Statement improvement action

The 2021/22 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	**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	Key actions around the governance per the Financial Management report	31 March 2022		
		a. Complete and agree with Corporate Management Team self-assessment of the Council's financial management and governance against the CIPFA Financial Management Code		a. Operational Director of Finance	Self-assessment completed
		b. Commission an independent review of the Council's financial management and governance against the CIPFA Financial Management Code		b. Operational Director of Finance	Internal Audit conducting a further review
		c. Implement recommendations from self-assessment and that review		c. CMT	Once review concluded the recommendations will be implemented
		d. Align budget making with the Corporate Plan process, and savings and investments made in line with the corporate priorities		d. Corporate Director of Resources / Director of Strategy	New Corporate Plan being drafted for agreement in July 2022
		e. 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		e. Corporate Director of Resources / Operational Director of Finance	Medium Term Financial Strategy updated in July 2021 and February 2022 New Corporate Plan being drafted for agreement in July 2022

	Area for Improvement	Action(s)	Target Date	Responsible Officer(s)	Progress
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.	Implement the action plan from the Internal Audit reviews	31 March 2022	CMT	In 2021/22 some foundational arrangements have been designed and put in place, or begun to be designed, to improve governance over companies. Notably this includes the creation of the Shareholder Reference Group. Action has been taken in 2021/22 to review the companies and decide on their long-term future based on updated assessments of their likely benefit to the Council. Further action regarding individual companies in development is needed to determine whether to bring them into full operation and more widely to continue to strengthen the arrangements for the Council as shareholder, investor, and client for the other companies as they further develop.
3	**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 corporate communications programme re-iterating Health and Safety risks and responsibilities and supporting 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 needed.	31 March 2022	Crime Partnerships and Health and Safety Manager	a. The Corporate Health and Safety Team's 'Audit and Assurance' framework has been strengthened in the year and the team's planned second line of assurance checks and audits to deliver the framework have started. There is greater visibility of the outcomes of team's work – and therefore assurance over key Health and Safety risks – through regular reporting to Corporate Health and Safety Board and the Corporate Leadership Team. The Corporate Health and Safety Team's assurance work needs, however, to further embed to complete a full cycle to provide the Council with the required assurance insight over the services across the organisation with key Health and Safety obligations and risks. b. The corporate training system has been implemented and operating during 2021/22.

The Council's Improvement actions for 2022/23

Based on the review of effectiveness of governance arrangements in place in 2021/22, the following actions are to be taken in 2022/23.

Area for Improvement	Action(s)	Target Date	Responsible Officer(s)
Programme and Project Management assurance over change and innovation	Fully establish and embed a programme management office to support the delivery of cross-cutting programmes on transformation, change, innovation and creativity in the council and making connections between programmes to add value	31 March 2023	Julian Ellerby – Director of Strategy
Financial governance	Continue to build on positive end of year financial position and the improvements in financial management achieved, focussing on the joint endeavour across all areas of the council to deliver good financial governance, in preparation for the formal assessment against the Financial Management Code	31 March 2023	Ian Ambrose – Operational Director of Finance and CLT
Council-owned companies	As companies continue to develop and operate, continue to strengthen the arrangements for the Council to discharge its role as shareholder, investor, and client	31 March 2023	Julian Ellerby – Director of Strategy and CLT
Business Continuity and Emergency Planning	Create a functioning and effective Business Continuity and Emergency Planning service / capability from September 2022, to ensure it can manage disruptions to the Council's operating environment and more widely respond to and manage events that threaten the borough's residents and physical environment	31 August 2022	John Richards – Head of Community Safety
Health and Safety	Embed the Corporate Health and Safety Team's second line of assurance framework to provide the Council with an assurance view from its health and safety subject matter experts over the management of key health and safety risks across the organisation.	31 March 2023	Mark Baigent – Corporate Director of Regeneration and Culture
Core corporate governance processes that support business as usual service delivery	Refresh and reinvigorate core, corporate governance arrangements and processes to ensure they are the best fit for the Council going forward to help it deliver its outcomes. This includes ensuring the effective implementation of planned actions agreed in Internal Audit reports issued in 2021/22 around business planning, performance management, engagement, business intelligence, staff / workforce development and wellbeing.	31 March 2023	Julian Ellerby – Director of Strategy and CLT

Area for Improvement	Action(s)	Target Date	Responsible Officer(s)
Local Code of Corporate Governance and a supporting Assurance Framework	Review and refresh the Local Code of Governance to reflect the: • Intended new priorities and target outcomes of the Council in 2022/23 and beyond • Full collective set of interrelated, and mutually reinforcing core corporate governance processes that support business as usual service delivery. Supplementing the above, develop an underpinning assurance framework that sets out for each core corporate governance process: • Who 'owns' the design of each process to ensure it is fit for purpose; • Who is responsible for taking the required actions to consistently and effective apply each process; and • How the Council will understand and report on the consistency and effectiveness of the application of each process to trigger any required improvement where needed.	31 March 2023	Operational Director of Assurance and CLT

Overall conclusion

This statement has been considered by the Leader of the Council and the interim 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: 26 August 2022
Claire Symonds: Chief Executive Officer	Signed:	Date: 26 August 2022

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 credit-worthiness 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
DLUHC	Department for Levelling Up, Housing & Communities
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
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