London Borough of
Redbridge

2013/14 Statement of Accounts

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Explanatory Foreword

Introduction
The purpose of the Statement of Accounts is to summarise the financial performance for the financial year 2013/14 and the overall financial position of the Authority. This foreword aims to give a general guide to the main features of the information reported within the rest of the Accounts and provides a summary of the Authority's overall financial position.

The Statement of Accounts for 2013/14 has been prepared on an International Financial Reporting Standards (IFRS) basis. The framework within which these Accounts are prepared and published is regulated by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Financial Reporting Advisory Board and the Government.

Whilst these accounts are presented as simply as possible the use of some technical terminology cannot be avoided. To aid a better understanding of the terminology used a glossary of the terms is set out on pages 121 to 124 at the end of the document. An explanation of the key financial statements including explanatory notes and other relevant supplementary information is also provided.

The key financial statements set out within this document include:

- **Movement in Reserves Statement (MiRS)** – This Statement sets out the movement on the different reserves held by the Authority as these are analysed into usable and unusable reserves. It analyses the increase or decrease in net worth of the Authority as a result of incurring expenses, gathering income and from movements in the fair value of the assets. It also analyses the movement between reserves in accordance with statutory provisions.

- **Comprehensive Income and Expenditure Statement (CIES)** – This Statement brings together all of the functions of the Authority and summarises all the resources that the Authority has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Authority, before allowing for the concessions provided by statute to raise council tax according to different rules and the ability to divert particular expenditure to be met from capital resources.

- **Balance Sheet** – This records the Authority's year-end financial position. It shows the balances and reserves at the Authority's disposal, its long term debt, net current assets or liabilities, and summarises information on the non-current assets held. It excludes the Pension Fund.

- **Cash Flow Statement** – This summarises the inflows and outflows of cash arising from transactions with third parties for both capital and revenue.

- **Notes to the Financial Statements** – The notes provide more detail about the items contained in the key financial statements, the Authority's Accounting Policies and other information to aid the understanding of the financial statements.

- **Housing Revenue Account (HRA)** – This records the Authority's statutory obligations to account separately for the cost of the landlord role in respect of the provision of Council Housing.

- **Collection Fund** – The Authority is responsible for collecting council tax and non-domestic rates. Proceeds of council tax are distributed to the Authority and the Greater London Authority (GLA). The Business Rate Retention Scheme effective from the 1 April 2013 has made Local Authorities responsible for the collection of Business Rates and these are shared on a proportional basis with Central Government and the GLA. The Fund shows income due and the application of the proceeds.

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

- **Pension Fund** – The Pension Fund Accounts show the contributions from the Authority, participating employers and employees for the purpose of paying pensions. The Fund is separately managed by the Authority acting as trustee and its Accounts are separate from those of the Authority, but are included here in accordance with proper practice.

Review of the Financial Year

This section sets out some of the key features of the Authority's financial performance for 2013/14.

The budgetary context for 2013/14 saw significant financial challenges for Redbridge, similar to those faced by the rest of local government. In addition to the continued reduction in the level of funding support received from Central Government, 2013/14 also saw changes in the way local government was funded (with the introduction of the Business Rates Retention Scheme) and the services it was responsible for (the transference of a range of public health responsibilities and the localisation of Council Tax Benefits).

The Authority's response to both the operational, and the financial challenges arising from these changes was to set a balanced and sustainable budget that addressed spending pressures whilst protecting frontline services wherever possible, and continuing to freeze Council Tax.

At their meeting on 28th February 2013 the Authority approved spending proposals that:

- Delivered savings of £9.1 million – the majority of which were delivered through efficiencies or cuts in back office services with minimal impact on frontline services;
- Continued the freeze in Council Tax for the fourth year running [0% increase on the 2009/10 Average Band D level - £1,095.53 - Redbridge element only];
- Set a Revenue Budget requirement of £201 million [1];
- Approved a five-year Capital Programme of £274.1 million of which £63.8 million was funded from external resources.

Revenue and Budget Outturn

The final outturn position for the year against the revised budget is set out in the table below together with the sources of income from which the Authority's net revenue expenditure was financed.

Cluster (Service)	**Budget 2013/14 £'000**	**Actual 2013/14 £'000**	***Variance 2013/14 £'000***
Adults Social Services and Housing	73,453	73,574	*121*
Children's Services	58,594	59,453	*859*
Environment and Community Services	47,035	46,909	*(126)*
Finance and Resources	16,103	16,042	*(61)*
Chief Executive, Legal and Constitutional Services	3,768	3,644	*(124)*
Total – Services	**198,953**	**199,622**	***669***
Other	6,589	5,460	*(1,129)*
Borrowing and Investment Costs	(11,455)	(12,250)	*(795)*
Levies	14,445	14,432	*(13)*
Non Ring-fenced Grants	(7,496)	(7,496)	*0*
Total General Fund – Net	**201,036**	**199,768**	***(1,268)***

Funded by:	**Budget 2013/14 £'000**	**Actual 2013/14 £'000**
Mainstream Grant (RSG + 'Top-Up')	100,435	100,435
Retained Business Rates	15,564	15,564
Council Tax Receipts	85,037	85,037
	201,036	**201,036**
Surplus for Year	0	1,268
General Fund Working Balance 31/03/2013	15,816	15,816
Balance 31/03/2014	**15,816**	**17,084**

The net underspend has been applied to the Authority's General Fund Working Balance.

[1] Council's approved Revenue Budget 2013/14 has been adjusted to reflect the level of Retained Business Rates determined locally compared to that originally estimated by Central Government at the start of the Business Rate Retention Scheme. Original spending estimates assumed a shortfall in funding of £0.859 million.

The Cluster expenditure headings and figures reported above reflect the Authority's organisational and management structure. These are consistent with but presented differently to the Service headings reported within the Comprehensive Income and Expenditure Statement on page 14 which conform to the Chartered Institute of Public Finance and Accountancy (CIPFA) Service Reporting Code of Practice requirements. Information is provided on pages 64 to 66 to reconcile the financial position against the Authority's management structure to that of the Comprehensive Income and Expenditure Statement.

The financing and surplus figures reported above are also not the same as those reported in the Comprehensive Income and Expenditure Statement. This is because of a number of accounting adjustments that are required in the Comprehensive Income and Expenditure Statement to comply with preparing the Authority's accounts in accordance with prescribed accounting standards.

Housing Revenue Account

The Statement of Accounts also includes the ring-fenced Housing Revenue Account for the provision of council housing. The HRA made a net surplus of £1.1 million and increased its working balance by the same amount. The full details of the Housing Revenue Account and the movements on that account are set out on pages 78 to 82.

Capital

Capital expenditure is defined as that for the purchase, improvement or enhancement of assets. Total capital expenditure by service for the year was £78.8 million. Given the pressures on the Authority's financial resources only unavoidable items were agreed. The most significant areas of expenditure in 2013/14 included that for schools (increasing the number of pupil places within the Borough's schools and condition and suitability of existing schools buildings infrastructure). Other works to the Authority's corporate properties and the highways infrastructure together with grant support to improve private sector housing for the elderly and more vulnerable residents within the Borough were also undertaken. Housing (HRA) capital expenditure has been used to improve the Authority's housing stock.

Capital expenditure analysed by Service was:

Cluster (Service)	**Budget 2013/14 £'000**	**Actual 2013/14 £'000**	***Variance 2013/14 £' 000***
Adult Social Services	190	42	*(148)*
Children's Services	57,044	46,673	*(10,371)*
Highways and Cleansing	13,763	12,824	*(939)*
Housing (General Fund)	2,617	913	*(1,704)*
Housing (HRA)	14,585	14,475	*(110)*
Planning and Regeneration	185	130	*(55)*
Property Services	3,371	3,361	*(10)*
Other [1]	1,277	364	*(913)*
Total – Services	**93,032**	**78,782**	***(14,250)***
Capitalised Expenditure	-	1,523	
Total – Capital Expenditure		**80,305**	

Note [1] Includes Computer software/licences, etc.

Capital Funding Sources were as follows:

Capital Funding:	**Actual 2013/14 £'000**
Borrowing	1,686
Capital Grants and Contributions	70,425
Capital Receipts	493
Contributions from Reserves	1,796
HRA Revenue	5,905
Total	**80,305**

The Authority spent £14.2 million less than it intended on its approved capital programme for 2013/14. This included £10.7 million (£7.6 million of its own resources and £3.1 million of external resources) that it will carry forward and spend in the following year as originally approved. The remaining unspent balance of £3.5 million that is no longer required to fund the previously approved schemes will also be carried forward and used to off-set future year capital scheme costs. Details of the Authority's capital expenditure and capital financing in 2013/14 are set out on pages 59 to 60.

Borrowing

The Authority undertakes long term borrowing for periods in excess of one year in order to finance capital spending and to replace maturing debt. The Authority satisfies its borrowing requirement for this purpose by securing external loans. However, the Authority is able to temporarily defer the need to borrow externally by using the cash it has set aside for longer term purposes; this practice means that there is not always a direct link between the need to borrow to pay for capital spend and the level of external borrowing. The effect of using the cash set aside for longer term purposes to temporarily defer external borrowing is to reduce the level of cash that the Authority has available for investment.

In 2013/14, the Authority was required to make provision to borrow £1.7 million towards the cost of financing the General Fund capital programme.

Investments

The Authority's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy, outlines the Authority's investment priorities as the security and liquidity of its capital.

The Authority will also aim to achieve the optimum return on investments commensurate with appropriate level of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with highly credit rated financial institutions. A list of organisations with which funds could be invested was compiled with reference to the credit ratings issues by the credit agencies Fitch, Moody's and Standards & Poor's.

Further details of investment activities are provided within Note 23 on pages 50 to 54.

Forward Look 2014/15

At their meeting on the 6th March 2014 the Authority approved its spending plans for 2014/15 onwards. This consists the approval of a three-year revenue budget and five-year capital programme both of which are set within the context of the continued large scale Government grant cuts and significant growth in demand for services.

The Authority's Revenue Budget for 2014/15 is £189.9 million which is a reduction of £11.1 million compared to that approved in 2013/14 of £201 million. Approved increases in spending continue to be driven by the growth in the Borough's demographic base (most notably from an increase in demand for care services both across the adult and child population) together with other unavoidable cost increases (general inflation, levy costs and other legislative changes). As in previous years the Authority also continues its policy of carrying forward resources that allow it to continue to develop and implement service transformation initiatives that will deliver longer term savings in core service costs.

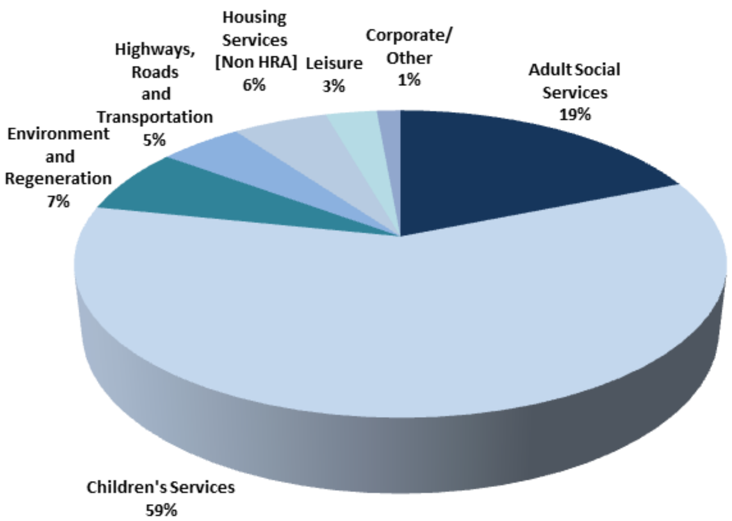
Approved decreases in spending during 2014/15 continue to protect front-line service delivery wherever this is possible. The majority of approved savings that will be delivered in 2014/15 for revenue spending will either be through the adoption of more efficient service delivery processes, from improvement in procurement arrangements and/or those that impact at a back office level only. In addition spending plans to 2016/17 assume the delivery of a minimum £12.8 million of savings from a range of cross cutting as well as service specific transformation project initiatives. Cross cutting savings are centred around the Authority radically improving the way is which it works by adopting smarter and lean working initiatives; identifying and implementing alternative service delivery models; and by making better use of the assets it currently has available.

Balancing spending through the measures set out above has allowed the Authority to freeze the Council Tax for 2014/15 for the fifth year running. Forward revenue budget projections currently assume a balance budget in 2015/16 and no increase in Council Tax but with a funding gap in 2016/17 of £26.2 million. In the latter case the Authority will need to consider options to both escalate and upscale its transformation savings programme over the short to medium term as well as exploring other options to significantly increase resource funding and decrease both core and service spending.

Gross Revenue Expenditure – is estimated at £544 million in 2014/15. This includes funding for Schools and Public Health but does not include Housing Benefit Payments that are directly off-set from the Department of Work and Pensions (DWP) that are estimated at £157 million in 2014/15.

The pie chart below sets out the proportional split of gross revenue expenditure across the relevant service definitions and the table to the right how this expenditure will be funded:

Revenue Spending – Service Spending Analysis

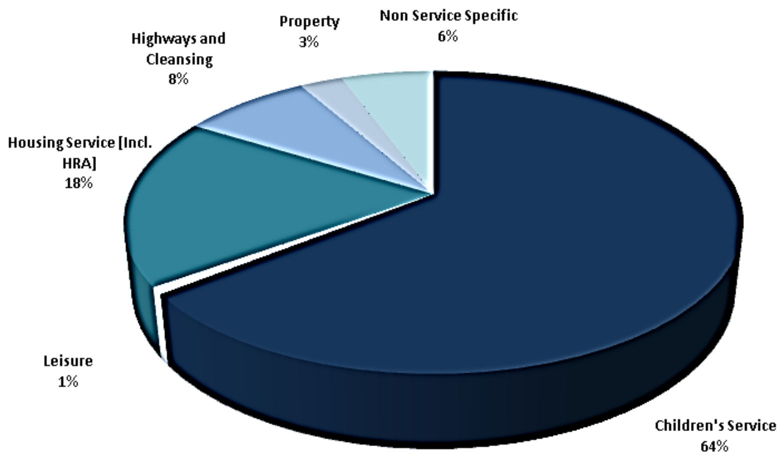


Financed By:	**£ m**	**%**
Fees and Charges	£65.2	*12%*
Specific Grants	£58.2	*11%*
Dedicated Schools Grant	£230.8	*42%*
Government Grant	£88.5	*16%*
Business Rates	£14.8	*3%*
Council Tax	£86.7	*16%*

Capital Expenditure – The Authority's approved 2014/15 (rolling) five-year capital spending plans include capital expenditure of £299.5 million of which £241.5 million (80%) will be funded from the Authority's own resources and £58 million (20%) from external resources.

Capital spending pressures continue to be dominated by the demand for pupil places within the Borough's schools and other condition and suitability works to schools buildings (accounting for £193.4 approximately 65% of the total planned expenditure). The remaining balance of funding is being used to support other unavoidable maintenance and improvement works on the Authority's non-schools asset base such as corporate buildings, housing and the highways network infrastructure.

Capital Spending – Service Spend Analysis



Financed By:	£ m	%
- Borrowing	£153.3	*51%*
- Grants	£56.4	*19%*
- External Funding	£58.0	*20%*
- Capital Reserve	£21.9	*7%*
- Community Infrastructure Level (CIL) Receipts	£9.9	*3%*

Key Financial Pressures – Over the coming year the Authority is faced with the challenge of:

- Where possible, containing service delivery costs within approved spending limits including price base changes, demographic and other service spending pressures;
- Delivering significant savings within the timescales and at the levels set within the approved budgets;
- Manage the evolving risks as systems and controls are revised;
- Establishing longer-term and high return transformation based saving initiatives to deliver the necessary funding in the medium / longer term.

Conclusion

I would like to express my thanks to Finance Service staff and to other staff in other service areas who continue to respond to the added pressures of change and complexity faced in the financial administration of the Authority's services. Accounting requirements continue to necessitate changes to the way that the Authority presents its financial statements. The considerable effort put in by many of the Authority's staff to effect these requirements within a relatively short timeframe is very much appreciated.

G. Pearce, BA, CPFA
Director of Finance and Resources
23 September 2014

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance and Resources;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

The Director of Finance and Resources Responsibilities

The Director of Finance and Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts the Director of Finance and Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code.

The Director of Finance and Resources has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of the Director of Finance and Resources

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at the 31 March 2014 and of its income and expenditure for the year ending 31 March 2014.

G. Pearce, BA, CPFA
Director of Finance and Resources
23 September 2014

Independent auditors' report to the Members of the London Borough of Redbridge (the "Authority")

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Group and of the Authority's affairs as at 31 March 2014 and of the Group and of the Authority's income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the CIPFA Service Reporting Code of Practice 2013/14.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by London Borough of Redbridge, comprise:

- the Group and Authority Balance Sheets as at 31 March 2014;
- the Group and Authority Comprehensive Income and Expenditure Statements for the year then ended;
- the Group and Authority Movement in Reserves Statements for the year then ended;
- the Group and Authority Statements of Cash Flows for the year then ended;
- the Housing Revenue Account Income and Expenditure Statements for the year then ended;
- the Statements of Movement on the Housing Revenue Account for the year then ended;
- the Collection Fund for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 supported by the CIPFA Service Reporting Code of Practice 2013/14.

In applying the financial reporting framework, the Responsible Financial Officer has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Authority's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Director of Finance and Resources; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Code of Audit Practice

In our opinion the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice issued by the Audit Commission requires us to report to you if:

- in our opinion, the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012) or is misleading or inconsistent with information of which we are aware from our audit; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we make any recommendations under section 11 of the Audit Commission Act 1998 that requires the Authority to consider it at a public meeting and to decide what action to take in response ; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Director of Finance and Resources

As explained more fully in the Statement of Responsibilities set out on page 7 the Director of Finance and Resources is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the CIPFA Service Reporting Code of Practice 2013/14.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Authority's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on the pension fund accounts

Our opinion

In our opinion the pension fund accounts, defined below:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2014, and the amount and disposition of the fund's assets and liabilities as at 31 March 2014; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The pension fund accounts, contained within the Statement of Accounts of the London Borough of Redbridge for the year ended 31 March 2014, comprise:

- the Net Assets Statement as at 31 March 2014;
- the Fund Account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

In applying the financial reporting framework, the Director of Finance and Resources has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of pension fund accounts involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the pension fund accounts sufficient to give reasonable assurance that the pension fund accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Pension Fund's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Director of Finance and Resources; and
- the overall presentation of the Pension Fund Accounts.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited pension fund accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Responsibilities for the pension fund accounts and the audit

Our responsibilities and those of the Director of Finance and Resources

As explained more fully in the Statement of Responsibilities set out on page 7 the Director of Finance and Resources is responsible for the preparation of the pensions fund accounts and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Our responsibility is to audit and express an opinion on the pension fund accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Authority's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Opinion on other matter prescribed by the Code of Audit Practice

In our opinion the information given in the explanatory foreword and Annual Report for the financial year for which the pension fund accounts are prepared is consistent with the pension fund accounts.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission on 15 October 2013, we are satisfied that, in all significant respects, the London Borough of Redbridge put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

What a review of the arrangements for securing economy, efficiency and effectiveness in the use of resources involves

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission on 15 October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Our responsibilities and those of the Authority

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

In our report dated 24 September 2014 we explained that the audit could not be formally concluded on that date because the Authority intended to add an addendum to its Pension Fund Annual Report to comply with the requirements of the CIPFA document "Preparing the annual report: guidance for Local Government Pension Scheme Funds". Subsequent to 24 September 2014, we also received an objection to the accounts.

These matters have now been dealt with.

No other matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and value for money conclusion.

We certify that we have completed the audit of accounts for the London Borough of Redbridge in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Ciaran McLaughlin
For and on behalf of PricewaterhouseCoopers LLP
Appointed Auditors
London

29th May 2015

(a) The maintenance and integrity of the London Borough of Redbridge website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Statement of Accounts since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of the Statement of Accounts may differ from legislation in other jurisdictions.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce taxation) and other reserves. The Surplus and Deficit on the Provision of Service line shows the true economic cost of providing the Authority's service, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any transfers to or from earmarked reserves undertaken by the Authority.

2013/14	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants and Contributions Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 1 April 2013 brought forward	**(15,816)**	**(98,619)**	**(3,850)**	**(3,608)**	**(3,672)**	**(1,515)**	**(62,056)**	**(189,136)**	**(236,230)**	**(425,366)**
Movement in Reserves during 2013/14										
Deficit / (Surplus) on the provision of services	59,746	0	(9,092)	0	0	0	0	**50,654**	0	**50,654**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	(24,966)	**(24,966)**
Total Comprehensive Income and Expenditure	**59,746**	**0**	**(9,092)**	**0**	**0**	**0**	**0**	**50,654**	**(24,966)**	**25,688**
Adjustment between accounting basis and funding basis under regulations *(Note 7)*	(71,835)	0	6,338	0	(4,224)	(3,301)	21,081	**(51,941)**	51,941	**0**
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(12,089)**	**0**	**(2,754)**	**0**	**(4,224)**	**(3,301)**	**21,081**	**(1,287)**	**26,975**	**25,688**
Transfers from / (to) Earmarked Reserves *(Note 8)*	10,821	(10,821)	1,688	(1,688)	0	0	0	**0**	0	**0**
(Increase) / Decrease in 2013/14	**(1,268)**	**(10,821)**	**(1,066)**	**(1,688)**	**(4,224)**	**(3,301)**	**21,081**	**(1,287)**	**26,975**	**25,688**
Balance at 31 March 2014 carried forward	**(17,084)**	**(109,440)**	**(4,916)**	**(5,296)**	**(7,896)**	**(4,816)**	**(40,975)**	**(190,423)**	**(209,255)**	**(399,678)**

2012/13 - Restated Comparative Figures

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 1 April 2012 brought forward	**(15,386)**	**(83,615)**	**(3,355)**	**(1,443)**	**(2,139)**	**(2,689)**	**(38,856)**	**(147,483)**	**(335,263)**	**(482,746)**
Movement in Reserves during 2012/13										
Deficit / (Surplus) on the provision of services	(762)	0	12,126	0	0	0	0	**11,364**	0	**11,364**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	46,016	**46,016**
Total Comprehensive Income and Expenditure	**(762)**	**0**	**12,126**	**0**	**0**	**0**	**0**	**11,364**	**46,016**	**57,380**
Adjustment between accounting basis and funding basis under regulations *(Note 7)*	(14,672)	0	(14,786)	0	(1,533)	1,174	(23,200)	**(53,017)**	53,017	**0**
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(15,434)**	**0**	**(2,660)**	**0**	**(1,533)**	**1,174**	**(23,200)**	**(41,653)**	**99,033**	**57,380**
Transfers from / (to) Earmarked Reserves *(Note 8)*	15,004	(15,004)	2,165	(2,165)	0	0	0	**0**	0	**0**
(Increase) / Decrease in 2012/13	**(430)**	**(15,004)**	**(495)**	**(2,165)**	**(1,533)**	**1,174**	**(23,200)**	**(41,653)**	**99,033**	**57,380**
Balance at 31 March 2013 carried forward	**(15,816)**	**(98,619)**	**(3,850)**	**(3,608)**	**(3,672)**	**(1,515)**	**(62,056)**	**(189,136)**	**(236,230)**	**(425,366)**

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. Authorities raise taxation 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 the Movement in Reserves Statement.

2012/13 Gross Expenditure £'000	2012/13 Gross Income £'000	2012/13 Restated Net Expenditure £'000		Notes	2013/14 Gross Expenditure £'000	2013/14 Gross Income £'000	2013/14 Net Expenditure £'000
67,811	64,998	2,813	Central Services to the Public		43,765	41,585	2,180
14,614	1,262	13,352	Cultural and Related Services		18,275	770	17,505
21,624	4,534	17,090	Environmental and Regulatory Services		24,572	4,924	19,648
6,424	2,692	3,732	Planning Services		6,438	2,800	3,638
356,957	305,361	51,596	Education and Children's Services		359,596	291,107	68,489
35,487	16,032	19,455	Highways and Transport Services		37,054	15,369	21,685
37,601	26,568	11,033	Local Authority Housing (HRA)		25,140	28,495	(3,355)
193,781	185,513	8,268	Other Housing Services		197,850	183,774	14,076
89,485	23,263	66,222	Adult Social Care		91,279	27,274	64,005
0	0	0	Public Health		9,841	10,374	(533)
6,307	1,141	5,166	Corporate and Democratic Core		6,534	1,150	5,384
2,610	0	2,610	Non distributed costs		2,569	0	2,569
545	0	545	Non distributed costs (Pensions)		0	3,325	(3,325)
833,246	**631,364**	**201,882**	**Cost of Services**		**822,913**	**610,947**	**211,966**
		48,721	Other operating expenditure	*9*			82,725
		21,611	Financing and investment income and expenditure	*10*			19,117
		(260,850)	Taxation and non-specific grant income	*11*			(263,154)
		11,364	**Deficit on the provision of services**				**50,654**
		2,732	Deficit or (Surplus)on revaluation of non-current assets	*29a*			(7,048)
		43,284	Actuarial losses / (gains) on pension assets / liabilities	*42*			(17,918)
		46,016	**Other Comprehensive Income and Expenditure**				**(24,966)**
		57,380	**Total Comprehensive Income and Expenditure**				**25,688**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority 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 Authority is not able to use. This category of reserves include 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 2013 £'000		Notes	31 March 2014 £'000
792,235	Property, Plant & Equipment	12	749,429
25,711	Investment Property	14	25,792
437	Intangible Assets	15	259
2,677	Long Term Investments	22	0
2,728	Long Term Debtors	18	2,620
823,788	**Long Term Assets**		**778,100**
138,663	Short Term Investments	22	145,532
204	Inventories		176
40,000	Short Term Debtors	18	43,548
18,819	Cash and Cash Equivalents	19	13,246
197,686	**Current Assets**		**202,502**
(14,435)	Short Term Borrowing	22	(8,611)
(68,027)	Short Term Creditors	20	(65,472)
(2,226)	Capital Grants and Contributions Received in Advance	24	(1,462)
(84,688)	**Current Liabilities**		**(75,545)**
(10,905)	Provisions	21	(12,158)
(162,106)	Long Term Borrowing	22	(165,085)
(427)	Capital Grants and Contributions Received in Advance	24	0
(337,982)	Other Long Term Liabilities	22 & 42	(328,136)
(511,420)	**Long Term Liabilities**		**(505,379)**
425,366	**Net Assets**		**399,678**
189,136	Usable Reserves	28	190,423
236,230	Unusable Reserves	29	209,255
425,366	**Total Reserves**		**399,678**

G. Pearce, BA, CPFA
Director of Finance and Resources
23 September 2014

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority'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 Authority.

Restated 2012/13 £'000		***Note***	**2013/14 £'000**
(11,364)	Net deficit on the provision of services		(50,654)
101,813	Adjustments to net surplus or deficit on the provision of services for non- cash movements		136,770
(59,776)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(54,275)
30,673	**Net cash flows from Operating Activities**		**31,841**
(57,215)	Investing Activities		(33,805)
(6,522)	Financing activities		(3,609)
(33,064)	**Net decrease in cash and cash equivalents**		**(5,573)**
51,883	Cash and cash equivalents at the beginning of the reporting period	*19*	18,819
18,819	**Cash and cash equivalents at the end of the reporting period**	*19*	**13,246**

Cash Flow Statement – Operating Activities

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

Restated 2012/13 £'000		**2013/14 £'000**
	The cash flows for operating activities include the following items	
(11,364)	Net Deficit on the provision of services	(50,654)
	Adjust net deficit on the provision of services for non-cash movements	
23,462	Depreciation	23,501
27,768	Impairment and downward valuations	11,656
256	Amortisation	228
2,456	Increase/(decrease) in creditors	(1,729)
(3,789)	Increase in debtors	(3,440)
42	Decrease in inventories	28
7,836	Movement in pension liability	8,690
38,120	Carrying amount of non-current assets sold or derecognised	73,938
5,662	Other non-cash items	23,898
101,813		**136,770**
	Adjust for items included in net deficit on the provision of services that are investing or financing activities	
(56,862)	Capital Grants	(49,344)
(2,693)	Proceeds from the sale of property, plant and equipment	(5,253)
(221)	Billing Authority Council Tax and NNDR adjustments	322
(59,776)		**(54,275)**
30,673	**Net cash flows from operating activities**	**31,841**

The cash flows for operating activities include the following items:

2012/13 £'000		2013/14 £'000
1,767	Interest Received	1,735
(7,335)	Interest Paid	(7,808)

Cash Flow Statement – Investing Activities

Restated 2012/13 £'000		2013/14 £'000
(47,321)	Purchase of property, plant and equipment, investment property and intangible assets	(68,537)
(64,260)	Purchase of short term and long term investments	(17,439)
(3,134)	Other payments for investing activities	(15,673)
2,693	Proceeds from the sale of property, plant, equipment, investment property and intangible assets	5,253
(2,055)	Proceeds / (Purchases) from short term and long term investments	13,247
56,862	Other receipts from investing activities	49,344
(57,215)	**Net cash flows from investing activities**	**(33,805)**

Cash Flow Statement – Financing Activities

Restated 2012/13 £'000		2013/14 £'000
0	Cash Receipts of short term and long term borrowing	10,000
78	Other receipts from financing activities	176
(1,381)	Cash payments for the reduction of the outstanding liabilities relating to the finance leases on balance sheet PFI contracts	(618)
(5,440)	Repayments of short term and long term borrowing	(12,845)
221	Billing Authority Council Tax and NNDR adjustments	(322)
(6,522)	**Net cash flows from financing activities**	**(3,609)**

Notes to the Accounts

1. Statement of Accounting Policies

General Principles
The Statement of Accounts summarises the Authority's and Group transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, 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 2013/14 (the Code) and the Service Reporting Code of Practice 2013/14 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Balances relating to the Pension Fund and other funds have been excluded. Additional accounting policies applicable to the Pension Fund are set out on pages 95 to 97.

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 the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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.

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 Authority's cash management.

Income from Local Taxation (Council Tax and Non Domestic Rates)
Council Tax

- Council Tax income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income.

Non Domestic Rates (NDR)

- Retained Business Rate income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income.
- Top Up Income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income.

All of the above income will be recognised in the Comprehensive Income and Expenditure Statement in the line Taxation and Non-Specific Grant Income. As a billing authority 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.

Exceptional Items
When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending upon how significant the items are to an understanding of the Authority's financial performance.

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 Authority'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.

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 Authority 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 Authority in accordance with statutory guidance. This provision 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.

Employee Benefits

Benefits Payable during Employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include benefits such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. 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 the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits 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 Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. The benefits

are charged on an accruals basis to the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority 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 Authority 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 Authority 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 EA Finance NHS Pensions.
- The Local Government Pensions Scheme, administered by the London Borough of Redbridge.

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

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. 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 Education and Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pensions Scheme in the year. The Public Health Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in 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 Authority 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 Authority are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price;
- Unquoted securities – professional estimate;
- Unitised securities – current bid price;
- Derivative contracts – current bid price.

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 as part of Non Distributed Costs;
- Net Interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority, 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 contribution and benefit payments.

Remeasurements comprising:

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

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 Authority 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 Authority 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.

Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. 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 are 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 either their estimated financial effect or a statement that such an estimate cannot be reliably made.

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

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority 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 Authority 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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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 Authority 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 into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently 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 Authority 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.

The Authority has made a number of small loans which are categorised as soft loans. The transactions are not deemed material either individually or cumulatively at their carrying value.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value, where material, are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Foreign Currency Translation
Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effected.

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 Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Authority 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 Authority 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.

Community Infrastructure Levy
The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The Authority charges for and collects the levy, which is a planning charge.

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; a small proportion of the charges may be used to fund revenue expenditure.

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

Heritage Assets
A Heritage asset is a tangible or intangible asset with historical, cultural, or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

The Authority has conducted a review of assets in the Authority's ownership to ascertain whether any may be classified as a "Heritage Asset" to be recognised as a separate class of assets. The Authority does not hold any buildings that meet the designated criteria of a heritage asset.

Other assets owned by the Authority that have been identified as heritage assets include:-

- Civic regalia:
- Commemorative items such as keys, salvers, tea services, trophies, vases, statues, artwork, photos, furniture, coins and medals;
- War memorials; and
- Scrolls.

For all of these assets, valuation information is not available and valuations cannot be obtained at a cost which is commensurate with the benefits derived. Consequently these assets are not recognised on the Authority's Balance Sheet.

Intangible Assets
Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority 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 Authority.

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 Authority 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 Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority 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.

Interests in Companies and Other Entities
The Authority has a material interest in Vision Redbridge Culture and Leisure and has classified it as a subsidiary. Accordingly Group Accounts are prepared.

The Authority annually reviews the extent to which other entities (over which the Authority has a material interest) need to be consolidated into the Group Accounts. In consolidating the accounts, all transactions and balances between the Authority and the subsidiary are eliminated in full.

Inventories
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 value of works and services received under the contract during the financial year.

Investment Property
Investment properties are those that are used 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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

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 Authority 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 Authority 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 Authority at the end of the lease period).

The Authority 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 Authority.

The Authority as Lessor

Finance Leases

Where the Authority 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 Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases
Where the Authority 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.

Overheads and Support Services
The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP) 2013/14. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

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 Authority 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 Authority 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 Authority). 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 Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure

Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure and community assets - depreciated historical cost.
- Assets under construction – historic cost.
- Dwellings - fair value, determined using the basis of existing use value for social housing.
- All other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV) except where the asset is specialised or no market exists for an asset when depreciated replacement cost (DRC) is used as an estimate of fair value; or a non property asset has a short useful life, low value, or both, where depreciated historical cost is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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).

Deprecation is calculated on the following bases:

- Dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight line basis over the useful life of the asset.
- Infrastructure - straight line basis over a 20 year period.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Component Accounting
IAS 16 – Property, Plant and Equipment (PP&E) sets out the requirements for separate component depreciation of PP&E assets that are significant in relation to the total asset cost.

The Authority will allocate the amount recognised in respect of an item of property, plant and equipment to its significant parts and depreciate separately each such part. For example, a property will be separated into its land and building component and depreciated separately.

A significant part of an item of PP&E 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 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires all local authorities to establish an accounting policy for the componentisation of their assets and to apply that policy as assets are acquired, enhanced and revalued.

Authorities are required to implement component accounting prospectively with effect from 1 April 2010 and it is applicable to:

- Enhancement expenditure incurred,
- Acquisition expenditure incurred, and
- Revaluation carried out.

The Authority has adopted different component accounting policies for the General Fund and the HRA.

General Fund
The Authority will only consider assets with cost or fair value above £4 million 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 Authority will only consider HRA assets with cost or fair value above £250,000 for component depreciation and then will only separate components with a cost of 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 Authority'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 fixed 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.

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 Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

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

The amounts payable to the PFI operators each year are analysed into five 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),
- Lifecycle replacement costs – Capital lifecycle costs are debited to Property Plant and Equipment to reflect the enhancement of the PFI asset.

Provisions, Contingent Liabilities and Contingent Assets

Provisions
Provisions are made where an event has taken place that gives the Authority 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 Authority 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 Authority 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 Authority settles the obligation.

Contingent Liabilities
A contingent liability arises where an event has taken place that gives the Authority 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 Authority. 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 Authority 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 Authority. 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.

Reserves

The Authority 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 in the Movement in Reserves Statement. 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 in the Movement in Reserves Statement 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, and retirement and employee benefits and do not represent usable resources for the Authority – the reasons for these reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute

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

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 2014/15 has introduced a number of changes to accounting policies which will be required from 1 April 2014 as follows:

IFRS 10: Consolidated Financial Statements. This standard introduces a new definition of control which is used to determine which entities are consolidated for the purpose of group accounts. The Authority has one material subsidiary, Vision Redbridge Culture and Leisure, and therefore prepares group accounts. IFRS 10 is not expected to have a significant impact on the 2014/15 Accounts.

IFRS 11: Joint Arrangements: This standard addresses the accounting for a "joint arrangement", which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. The Authority has no material joint arrangements.

IFRS 12: Disclosures of Involvement with other Entities: This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated "structured entities."

IAS 27: Separate Financial Statements and IAS 28: Investments in Associates and Joint Ventures These standards have been amended to conform to the changes in IFRS 10, IFRS 11 and IFRS 12. As these amendments do not give rise to material changes in the financial statements, there is no impact as a result of changes to IAS 27 and IAS 28.

IAS 32: Financial Instruments – Presentation. The Code references to amended application guidance when offsetting a financial asset and a financial liability. As gains and losses are separately identified in the Comprehensive Income and Expenditure Account no further disclosure is required.

3. Critical Judgements in applying Accounting Policies

The following are significant management judgements in applying the Authority's accounting policies, as set out in pages 18 to 30 that have the most significant effect on the financial statements. Critical estimation uncertainties are described in note 4.

Accounting for Schools - Balance Sheet Recognition of Schools
The Authority recognises Schools in line with the provisions of the Code of Practice; consequently schools are recognised on the balance sheet only if the future economic benefits or service potential of the school will flow to the Authority. The Authority considers that this occurs when the Authority has the ability to employ the staff of the school and is able to set admission criteria.

Within the borough there are four types of school, Community schools, Voluntary Aided schools, Foundation schools and Academies. The Authority appoints the staff at community schools and sets the admission criteria. These schools are therefore recognised on the Authority's balance sheet.

The staffs of Foundation Trust, Voluntary Aided and Academy schools are appointed by the schools' governing body, which also sets the admission criteria. These schools are not recognised on the Authority's balance sheet.

The table below illustrates the number and type of schools within the borough split by Primary, Secondary and Special schools.

Type of School	Number of Primary Schools	Number of Secondary Schools	Number of Special Schools
Community	42	8	3
Voluntary Aided	9	2	-
Foundation Trust	-	1	-
Academies	1	6	1
TOTAL	**52**	**17**	**4**

Accounting for Schools - Academies
When a school that is held on the Authority's balance sheet transfers to Academy status, the Authority accounts for this as a disposal for nil consideration on the date that the schools converts to Academy status, rather than as an impairment on the date that approval to transfer to Academy status is announced. During 2013/14, Loxford High School, Loxford Primary School and Beal High School converted to Academy status. The total amount written out of the Authority's balance sheet was £69.2 million.

Where the Authority has entered into a construction contract for a replacement school on behalf of an Academy, the cost of construction is charged as an Asset under Construction, part of Property Plant and Equipment. Once construction is complete and/or the school is brought into use it is transferred to Other Land and Buildings, part of Property Plant and Equipment. On the date of transfer to the Academy, it is then treated as a disposal for nil consideration. During 2013/14 the construction the ARK Primary Free School incurred costs of £2.1 million. These costs are carried on the Balance Sheet as an Asset under Construction.

PFI Contract - Oak Park High School
The Authority 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 valued at £11.2 million (2012/13 - £11.3 million) are recognised as Property, Plant and Equipment on the Authority's Balance Sheet.

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

Leases
The Authority has examined its leases and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Authority uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all risks and rewards incidental to ownership. In reassessing the

lease the Authority has estimated the implied interest rate within the lease to calculate interest and principal payments.

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority 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 Authority's Balance Sheet at 31 March 2014 for which there are significant risks of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment - Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.3 million for every year that useful lives had to be reduced.

Provisions - The outcome of outstanding insurance claims is always very difficult to estimate. Certain claims, such as severe weather or environment issues, cannot be predicted far in advance and can have a significant impact. However, these are considered to be relatively infrequent and unlikely to have a significant financial impact on the Authority. In addition to the insurance provision that is held to meet existing claims, the Authority holds an Insurance Reserve of £5.2 million (5.2 million 2012/13) which is deemed adequate to meet any future potential claims.

Pensions Liability - Estimates of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. The effects on the net pension's liability of changes in individual's assumptions can be measured. However, the assumptions interact in complex ways. During 2013/14 the Authority's actuaries advised that the net pension's liability had decreased by £9.2million (2012/13 – increased by £51 million).

Business Rates – Since the introduction of the Business Rate Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2013/14 and earlier financial years in their proportionate share. The outcome of successful appeals is always very difficult to estimate and cannot be predicted. However the authority has established a provision of £0.8 million for future rateable value decreases which is deemed adequate to meet any future potential claims.

5. Prior Period Adjustments

Prior period adjustments have been made to the Authority's 2012/13 published financial statements in relation to the following:

Changes to IAS19 Accounting Standard

There have been a number of significant changes in relation to International Accounting Standard 19 (IAS19) Employee Benefits. This has resulted in changes to accounting treatment for financial years commencing on or after 1 January 2013. There is no impact on the Authority's Balance Sheet. The main changes relate to:

Expected Return on Assets

This figure relates to the return on pension scheme assets, such as those held by the London Borough of Redbridge Pension Fund. Advance credit for anticipated outperformance of return seeking assets (such as equities) is no longer permitted by IAS19. This has been replaced with an equivalent figure calculated using a discount rate derived from corporate bond indices (iBOXX £ Corporates AA Index) based on yields from high quality bonds.

Asset Disclosures

IAS19 requires a much more detailed breakdown of the Pension Fund's assets. The values of the assets, broken down into different classes that distinguish between the nature and risk now needed to be disclosed. A further breakdown is also needed showing those assets which have a quoted market price and those which do not. The disclosure included within the Authority's 2012/13 published financial statements only showed the main categories of equities, bonds, property and cash. As a result of the change some categories are split further.

Disclosure Presentation

In order to be consistent with the new requirements of IAS19 the disclosures in relation to the Authority's defined benefit pension scheme have changed from those published in 2012/13. The intention of the changes to the accounting standard is that the presentation of information is easier for the user to understand (see note 42).

The impact of these changes on the Authority's published core statements is shown in the tables below. Where disclosures have been restated, the 2012/13 column on the disclosure table is headed 'Restated 2012/13'.

Comprehensive Income and Expenditure Statement (CIES)

	2012/13 Net Expenditure £000	IAS19 Pensions Restatement £000	Restated 2012/13 Net Expenditure £ 000
Cost of Services	**201,882**	**-**	**201,882**
Other Operating Expenditure	48,721	-	48,721
Financing and Investment Income and Expenditure	19,851	1,760	21,611
Taxation and Non-Specific Grant Income	(260,850)	-	(260,850)
Deficit on Provision of Services	**9,604**	**1,760**	**11,364**
Other Comprehensive Income and Expenditure			
Surplus or deficit on revaluation of non-current assets	2,732	-	2,732
Actuarial gains / losses on pension assets / liabilities	45,044	(1,760)	43,284
Total Comprehensive Income and Expenditure	**57,380**	**-**	**57,380**

Movement in Reserves Statement (MIRS)

	2012/13 Total Usable Reserves £000	2012/13 Total Unusable Reserves £000	2012/13 Total Reserves £000	IAS19 Adjustment £000	Restate 2012/13 Total Usable Reserves £000	Restate 2012/13 Total Unusable Reserves £000	Restate 2012/13 Total Reserves £000
Movement in Reserves during 2012/13							
Deficit on the provision of services	9,604			1,760	11,364		
Other Comprehensive Income and Expenditure		47,776		(1,760)		46,016	
Total Comprehensive Income and Expenditure	**9,604**	**47,776**	**57,380**		**11,364**	**46,016**	**57,380**
Adjustment between Funding Basis and Accounting basis	(51,257)	51,257	0	1,760	(53,017)	53,017	0
Net (Increase)/Decrease before transfers to Earmarked Reserves	**(41,653)**	**99,033**	**57,380**		**(41,653)**	**99,033**	**57,380**

Cash flow Statement

	2012/13 £000	IAS19 Pensions Restatement £000	Restated 2012/13 £ 000
Net Surplus on the Provision of Services	**(9,604)**	**(1,760)**	**(11,364)**
Adjustment to Net Surplus on the Provision of Services for Non-Cash Movements	100,053	1,760	101,813
Adjustments for items included in the Net Surplus on Provision of Services that are Investing and Financing Activities	(59,555)	**Financing Activities** (221)	(59,776)
Net Cash Flows from Operating Activities	**30,894**		**30,673**
Investing Activities	(57,215)		(57,215)
Financing Activities	(6,743)	221	(6,522)
Net Decrease in Cash and Cash Equivalents	**(33,064)**		**(33,064)**

6. Events after the reporting period Balance Sheet date

The Statement of Accounts was authorised for issue by the Director of Finance and Resources on 23 September 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustment 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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

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

Major Repairs Reserve – The Authority is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA.

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.

Capital Grants Unapplied – The Capital Grants Unapplied Account hold the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The use of these funds may be restricted by grant terms as to the capital expenditure against which they 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.

2013/14

	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	(23,501)	(4)				23,505
Revaluation losses on Property, Plant and Equipment	(5,618)	(6,038)				11,656
Movements in the market value of Investment Properties	81					(81)
Amortisation of intangible assets	(228)					228
Capital Grants and Contributions applied					70,425	(70,425)
Revenue expenditure funded from capital under statute	(15,673)					15,673
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	(69,347)	(4,584)				73,931
Statutory provision for the financing of capital investment	7,035					(7,035)
Capital expenditure charged in year to the General Fund and HRA Balances	1,102	4,541				(5,643)
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	41,716	7,628			(49,344)	0
Transfer of cash sale proceeds credited as part of gains/losses on disposal to the Comprehensive Income and Expenditure Statement		5,213	(5,213)			0
Use of the Capital Receipts Reserve to finance new capital expenditure			493			(493)
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool	(538)		538			0
Capital receipts received in respect of repayment of grants, advances and distributions	98	25	(123)			0
Contribution from the Capital Receipts Reserve towards administrative costs on non-current asset disposals		(174)	174			0
Transfer from Deferred Capital Receipts Reserve upon receipts of cash			(93)			93
Reversal of Major Repairs Allowance				(5,359)		5,359
Use of the Major Repairs Reserve to finance new capital expenditure				2,058		(2,058)
Amount by which council tax and non-domestic rate income credited/debited to the CI&E is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements	547					(547)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(31,412)	(710)				32,122
Employer's pensions contributions and direct payments to pensioners payable in year	22,991	441				(23,432)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis in different from remuneration chargeable in the year in accordance with statutory requirements	912					(912)
Total Adjustments	**(71,835)**	**6,338**	**(4,224)**	**(3,301)**	**21,081**	**51,941**

2012/13 – Restated 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	(27,390)	(23)				27,413
Revaluation losses on Property, Plant and Equipment	(2,047)	(18,081)				20,128
Movements in the market value of Investment Properties	(3,689)					3,689
Amortisation of intangible assets	(256)					256
Capital Grants and Contributions applied					33,662	(33,662)
Revenue expenditure funded from capital under statute	(3,134)					3,134
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	(38,172)					38,172
Statutory provision for the financing of capital investment	7,764					(7,764)
Capital expenditure charged in year to the General Fund and HRA Balances	2,115	2,224				(4,339)
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	56,809	53			(56,862)	0
Transfer of cash sale proceeds credited as part of gains/losses on disposal to the Comprehensive Income and Expenditure Statement	1,510	1,106	(2,616)			0
Use of the Capital Receipts Reserve to finance new capital expenditure			689			(689)
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool	(469)		469			0
Capital receipts received in respect of repayment of grants, advances and distributions	45	17	(62)			0
Contribution from the Capital Receipts Reserve towards administrative costs on non-current asset disposals		(80)	80			0
Transfer from Deferred Capital Receipts Reserve upon receipts of cash			(93)			93
Reversal of Major Repairs Allowance				(5,335)		5,335
Use of the Major Repairs Reserve to finance new capital expenditure				6,509		(6,509)
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	1					(1)
Amount by which council tax income credited to the CI&E is different from council tax income calculated for the year in accordance with statutory requirements	790					(790)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(31,580)	(15)				31,595
Employer's pensions contributions and direct payments to pensioners payable in year	23,746	13				(23,759)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis in different from remuneration chargeable in the year in accordance with statutory requirements	(715)					715
Total Adjustments	**(14,672)**	**(14,786)**	**(1,533)**	**1,174**	**(23,200)**	**53.017**

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund HRA expenditure in 2013/14.

	Balance at 1 April 2012 £'000	Net Transfers 2012/13 £'000	Balance at 31 March 2013 £'000	Net Transfers 2013/14 £'000	Balance at 31 March 2014 £'000
General Fund:					
Capital Reserve	24,930	(785)	24,145	2,496	26,641
Resources Reserve	1,400	7,753	9,153	9,007	18,160
School Balances	18,040	(2,134)	15,906	(3,529)	12,377
Insurance Fund (Reserve)	4,104	1,090	5,194	29	5,223
Repairs and Renewals Fund	4,414	(743)	3,671	(196)	3,475
Welfare Reform Transition Reserve	2,800	0	2,800	0	2,800
Redundancy & Early Retirement Fund	2,698	158	2,856	(215)	2,641
Change Management Fund	2,142	456	2,598	(169)	2,429
Building Maintenance Fund	1,893	1,110	3,003	(585)	2,418
Concessionary Fares Reserve	1,862	13	1,875	(260)	1,615
Housing Benefit Balance	783	(15)	768	325	1,093
NNDR Revaluations	0	0	0	1,016	1,016
Tax Collection Reserve	0	1,006	1,006	0	1,006
H R Reserve	0	0	0	1,000	1,000
Equal Pay Reserve (formerly single status)	2,283	990	3,273	(2,322)	951
IT Strategy Reserve	518	258	776	136	912
Highways Reserve	24	950	974	(112)	862
Area Committee Fund Balance	477	43	520	93	613
Temporary Accommodation Reserve	0	0	0	606	606
Olympic Legacy Fund	0	608	608	(73)	535
Claybury Park Endowment	727	(60)	667	(134)	533
Local Election Reserve	279	84	363	60	423
Fairlop Gravel Reserve	687	(17)	670	(273)	397
Other Funds and Balances	5,712	(1,423)	4,289	1,445	5,734
	75,773	**9,342**	**85,115**	**8,345**	**93,460**
Revenue Grants Unapplied	7,842	5,662	13,504	2,476	15,980
TOTAL GENERAL FUND	**83,615**	**15,004**	**98,619**	**10,821**	**109,440**
Housing Revenue Account:	1,443	2,165	3,608	1,688	5,296
TOTAL	**85,058**	**17,169**	**102,227**	**12,509**	**114,736**

Purpose of Earmarked Reserves and Balances

The **Capital Reserve** has been established primarily to support the Capital programme.

The **Resource Reserve** has been established to help meet the future cost pressures on the Authority resulting from transfer of responsibilities, the impact of the Government's resource review and other changes in the funding regime.

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

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

The **Repairs and Renewals Fund** exists to enable resources to be set aside for the future replacement of equipment.

The **Welfare Reform Transition Reserve** has been established to help meet the cost of the potential funding shortfall following the introduction of a localised Council Tax Benefit Scheme in April 2013.

The **Redundancy and Early Retirement Fund** has been established to meet the costs in respect of employee loss of office as a result of the requirements to restructure Authority run services.

The **Change Management Fund** has been established to facilitate the promotion of innovation and efficiency in the delivery of services across the Authority.

The **Building Maintenance Fund** exists to enable resources to be set aside for the maintenance and repairs to Authority Buildings (except Council Housing). This provides flexibility in dealing with urgent repairs and avoids fluctuations in the yearly charge to Revenue.

The **Concessionary Fares Reserve** has been established to smooth the impact of the expected rise in concessionary fares costs.

The **Housing Benefit Balance** relates to the fluctuation in respect of Housing Benefit and Council Tax benefit subsidy payments.

The **NNDR Revaluation Reserve** has been established to cover the potential impact on non-domestic rates income of reductions in rateable values.

The **Tax Collection Reserve** exists to meet potential future claims relating to overpayments.

The **Human Resources Reserve** has been established to cover any potential one-off costs of delivering staff-related initiatives such as changes to terms and conditions.

The **Equal Pay Reserve** (formally Single Status Reserve) has been established to cover potential equal pay claims, additional payroll costs and associated administrative and legal costs arising from the implementation of Single Status.

The **IT Strategy Reserve** exists to fund the replacement and further development of the Authority's major computer systems.

The **Highways Reserve** has been established to carry forward resources to fund specified works in 2014/15.

The **Area Committee Fund Balance** exists to enable resources to be carried forward to fund Area Schemes in 2014/15.

The **Temporary Accommodation Reserve** has been established to provide for the development of a temporary accommodation hostel to help increase the provision of supply within the borough.

The **Olympic Legacy Fund** has been established to enable one-off projects to be carried out which will build on the legacy of the 2012 Olympic Games.

The **Claybury Park Endowment** has been established following the receipt of developer contributions towards meeting the costs of maintaining the park.

The **Local Election Reserve** exists to smooth the impact of the cost of holding local elections every four years and to meet the cost of By-elections.

The **Fairlop Gravel Reserve** has been established to equalise annual income throughout the term of the extraction period.

Other Funds and Balances are comprised of a number of smaller earmarked reserves.

9. Other Operating Expenditure

2012/13 £'000		2013/14 £'000
12,741	Levies	13,567
469	Payments to the Government Housing Capital Receipts Pool	538
35,511	(Gains)/losses on the disposal of non-current assets	68,620
48,721	**Total**	**82,725**

10. Financing and Investment Income and Expenditure

Restated 2012/13 £'000		2013/14 £'000
8,461	Interest payable and similar charges	8,030
12,980	Pensions interest cost and expected return on pensions assets	14,476
(2,165)	Interest receivable and similar income	(1,690)
2,335	(Income) and expenditure in relation to investment properties and changes in their fair value	(1,699)
21,611	**Total**	**19,117**

11. Taxation and Non Specific Grant Income

2012/13 £'000		2013/14 £'000
(100,669)	Council tax income	(85,816)
(94,320)	Non domestic rates	(15,332)
(8,999)	Non-ring fenced government grants	(112,662)
(56,862)	Capital grants and contributions	(49,344)
(260,850)	**Total**	**(263,154)**

12. Property, Plant and Equipment

Movements in 2013/14	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plants, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets included in property, Plant and Equipment £'000
Cost or Valuation									
At 1 April 2013	**227,018**	**494,940**	**44,930**	**131,864**	**12,903**	**337**	**4,275**	**916,267**	**11,992**
Additions	14,475	31,344	4,868	11,820	0	0	2,075	64,582	203
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(68)	(3,559)	0	0	0	10	0	(3,617)	0
Revaluation increases / (decreases) recognised in the Surplus (Deficit) on the provisions of services	(6,038)	(5,618)	0	0	0	0	0	(11,656)	0
Derecognition–Disposals	(3,112)	(71,147)	(788)	0	0	0	0	(75,047)	0
Derecognition–Other	(1,628)	(58)	0	0	0	0	0	(1,686)	0
Reclassified Assets	0	3,865	0	0	0	338	(4,203)	0	0
At 31 March 2014	**230,647**	**449,767**	**49,010**	**143,684**	**12,903**	**685**	**2,147**	**888,843**	**12,195**
Accumulated Depreciation and Impairment									
At 1 April 2013	5,226	20,896	31,182	61,534	5,183	11	0	124,032	677
Depreciation charge	5,295	10,362	6,238	6,253	630	9	0	28,787	342
Accumulated Write Back on Revaluation	(5,264)	(5,482)	0	0	0	0	0	(10,746)	0
Derecognition–Disposals	(71)	(2,588)	0	0	0	0	0	(2,659)	0
At 31 March 2014	**5,186**	**23,188**	**37,420**	**67,787**	**5,813**	**20**	**0**	**139,414**	**1,019**
Net Book Value									
At 31 March 2014	**225,461**	**426,579**	**11,590**	**75,897**	**7,090**	**665**	**2,147**	**749,429**	**11,176**
At 31 March 2013	**221,792**	**474,044**	**13,748**	**70,330**	**7,720**	**326**	**4,275**	**792,235**	**11,315**

Comparative Movements in 2012/13

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plants, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets included in property, Plant and Equipment £'000
Cost or Valuation									
At 1 April 2012	**243,874**	**482,426**	**42,954**	**123,522**	**12,903**	**328**	**34,357**	**940,364**	**11,882**
Additions	13,733	17,413	2,050	8,106	0	0	8,135	49,437	110
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(11,799)	(1,537)	0	0	0	0	0	(13,336)	0
Revaluation increases / (decreases) recognised in the Surplus (Deficit) on the provisions of services	(17,756)	0	0	0	0	0	0	(17,756)	0
Derecognition– Disposals	(1,199)	(36,893)	(74)	0	0	0	0	(38,166)	0
Derecognition– Other	(365)	(3,919)	0	0	0	0	0	(4,284)	0
Reclassified Assets	530	37,450	0	236	0	9	(38,217)	8	0
At 31 March 2013	**227,018**	**494,940**	**44,930**	**131,864**	**12,903**	**337**	**4,275**	**916,267**	**11,992**
Accumulated Depreciation and Impairment									
At 1 April 2012	**4,195**	**14,831**	**24,816**	**55,511**	**4,550**	**8**	**0**	**103,911**	**338**
Depreciation charge	5,260	10,456	6,424	6,023	633	3	0	28,799	339
Accumulated Write back revaluation	(4,199)	(4,382)	0	0	0	0	0	(8,581)	0
Derecognition - Disposals	(30)	(9)	(58)	0	0	0	0	**(97)**	0
At 31 March 2013	**5,226**	**20,896**	**31,182**	**61,534**	**5,183**	**11**	**0**	**124,032**	**677**
Net Book Value									
At 31 March 2013	**221,792**	**474,044**	**13,748**	**70,330**	**7,720**	**326**	**4,275**	**792,235**	**11,315**
At 31 March 2012	**239,679**	**467,595**	**18,138**	**68,011**	**8,353**	**320**	**34,357**	**836,453**	**11,544**

Depreciation

Council Dwellings and Other Buildings: straight line allocation over a maximum period of 60 years. The value of the Major Repairs Allowance is considered as a proxy for providing depreciation for council dwellings;

Community assets: straight line basis over a 20 year period;

Vehicles, plant, furniture and equipment: straight-line basis over a maximum period of 10 years; and

Infrastructure assets: straight line basis over a 20 year period.

Capital Commitments

As at 31 March 2014, the Authority was committed to a number of major capitals projects which are due for completion over the next two years. The outstanding commitments are approximately £17.5 million all relating to education.

	2013/14 £'000	Year of completion
Education		
Beal High School (school expansion)	5,172	2014-15
Beal High School (school expansion)	508	2015-16
Uphall Primary School (school expansion)	2,330	2014-15
William Torbitt Primary School (school expansion)	3,610	2014-15
Ark Primary School (new school)	5,456	2014-15
Ark Primary School (new school)	450	2015-16
	17,526	

Revaluations

The Freehold and Leasehold properties, which comprise the Authority's property portfolio, are valued on a five-year rolling basis by its Appointed Contractors, Wilks Head & Eve LLP. Valuations have been made 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.

Properties regarded by the Authority as operational or pending future 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.

Properties regarded by the Authority as investment properties have been valued on a Market Value basis in accordance with the relevant professional guidance applicable at the valuation date.

Properties regarded by the Authority as being either Community Assets or Infrastructure Assets have not been valued as part of this Asset Valuation exercise.

The following statement shows the progress of the Authority's rolling programme for the revaluation of assets. The 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.

	Council Dwelling £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Surplus Assets £'000	Total £'000
Carried at historical cost	0	0	11,590	0	11,590
Valued at fair value as at:					
31 March 2014	**225,461**	**426,579**		**665**	**652,705**
31 March 2013	221,792	474,044		326	696,162
31 March 2012	239,679	467,595		320	707,594
31 March 2011	229,862	506,143		2,527	738,532
31 March 2010	259,874	458,546		3,359	721,779

13. Information on Assets Held

Assets owned by the Authority include the following:

Number as at 31 March 2013		Number as at 31 March 2014
4,657	**Council Dwellings**	**4,558**
	Operational Buildings	
1	Town Hall	1
7	Other Offices	7
6	Adult Social Services Homes and Hostels	5
9	Adult Social Services Day Centres	8
3	Adult Social Services Other/Offices	3
1	Children's Trust Homes and Hostels	1
7	Children's Trust Day Centres	7
1	Children's Trust Other/Offices	1
1	Sports Centres	1
1	Swimming Pools	1
10	Libraries	10
44	Primary Schools	42
10	Secondary Schools	8
3	Special Schools	3
1	Depots	1
18	Surface Car Parks	18
1	Multi-storey Car Parks	1
5	Cemeteries	5
2	Hall and Theatre	2
	Infrastructure Assets	
529	Highways (km)	529
22	Bridges	22
6	Subways	6
20,965	Street Lights	20,965
	Community Assets	
815 hectares	Parks, Open Spaces and Country Parks	815 hectares
137 hectares	Allotments and Golf Courses	137 hectares
	Other Assets	
45	Investment Properties	45
10	Surplus Assets held for Disposal	13

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:

	2012/13 £'000	2013/14 £'000
Rental income from investment property	1,853	1,984
Direct operating expenses arising from investment property	(499)	(366)
Net gain	**1,354**	**1,618**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority 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:

	2012/13 £'000	2013/14 £'000
Balance at start of the year	**29,409**	**25,711**
Additions:		
Net (losses)/gains from fair value adjustments	(3,689)	81
Transfers:		
To Property, Plant and Equipment	(9)	0
Balance at end of the year	**25,711**	**25,792**

15. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is 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 all purchased software licences.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful life assigned to the software licences used by the Authority is five years.

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

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

	2012/13 Total £'000	2013/14 Total £'000
Balance at start of year:		
Gross cost amounts	1,875	1,963
Accumulated amortisation	(1,270)	(1,526)
Net carrying amount at start of year	**605**	**437**
Additions:		
Purchases	88	50
Amortisation for the period	(256)	(228)
Net carrying amount at end of year	**437**	**259**
Comprising:		
Gross cost amounts	1,963	2,013
Accumulated amortisation	(1,526)	(1,754)
Total	**437**	**259**

16. Impairment Losses

During 2013/14, the Authority has recognised an impairment loss of £6.04 million in relation to Council Dwellings. The value of Council Dwellings has been reduced as a result of changes in valuation in accordance with the market at the valuation date.

Housing Revenue Account	
Council Dwellings	£6.04 million

17. Private Finance Initiative

Oaks Park High School – Scheme Details

2013/14 was the twelfth year of a 30 year PFI contract for the construction, maintenance and operation of Oaks Park Secondary School.

On the 4 July 2001, the Authority 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 Authority has leased a vacant site at Barley Mow to the PFI contractor for the period of the contract – 30 years.

Under the PFI contract, the Authority pays an agreed charge, which has been accounted for as outlined in the Authority's Accounting Policies as detailed on page 29. At the time the contract was signed the total estimated contract payments were £65.90 million to the end of the contract in December 2032. Actual payments will depend on the service provided.

The Government provides a grant of approximately £52.028 million 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 2014	11,176
Residual asset value as at 31 March 2013	11,315
Estimated asset life	35 years

Property Plant and Equipment

The building used to provide services at the school is recognised on the Authority'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 12.

Payments

The Authority 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 2014 (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	894	326	1,117	2,337
Repayable in 2 to 5 years	3,580	1,603	4,166	9,349
Repayable in 6 to 10 years	4,475	2,898	4,314	11,687
Repayable in 11 to 15 years	4,475	4,352	2,860	11,687
Repayable in 16 to 20 years	2,685	3,600	727	7,012
Total	**16,109**	**12,779**	**13,184**	**42,072**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2012/13 £'000	2013/14 £'000
Balance outstanding at start of the year	14,125	13,825
Payments during the year	(300)	(326)
Balance outstanding at year-end	**13,825**	**13,499**

18. Debtors

31 March 2013 £'000	Long Term	31 March 2014 £'000
1,732	Leased Asset – Clements Road Car Park	1,717
442	Mortgages	378
469	Improvement Loans	468
85	Lease Premium	57
2,728	**Total**	**2,620**

31 March 2013 £'000	Short Term	31 March 2014 £'000
5,044	Central Government Bodies	3,061
2,523	Other Local Authorities	103
2,798	NHS bodies	3,110
36	Public corporations and trading funds	55
	Other Debtors:	
16,889	Council Tax payers	16,655
0	NNDR Tax Payers	2,825
9,505	Housing Tenants	9,525
7,272	Housing Benefit Recoveries	7,683
3,440	VAT	4,883
3,409	Payment in Advance	4,031
23,911	Other Entities & Individuals	30,785
(34,827)	Bad Debts Provision	(39,168)
40,000	**Total**	**43,548**

19. Cash and Cash Equivalents

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

31 March 2013 £'000		31 March 2014 £'000
31,216	Short Term Deposits	22,012
(12,397)	Bank Overdraft	(8,766)
18,819	**Total Cash and Cash Equivalents**	**13,246**

20. Creditors

31 March 2013 £'000		31 March 2014 £'000
476	Central Government Bodies	1,217
1,999	Other Local Authorities	2,531
0	NHS Bodies	708
404	Public corporations	210
	Other Creditors:	
4,163	Capital Creditors	8,068
5,091	Trade Creditors	3,216
1,206	Housing Prepayments	1,419
2,402	Council Tax Prepayments	2,658
0	NNDR Prepayments	1,032
3,847	Income & Receipts Received in Advance	4,011
48,439	Other Entities and Individuals	40,402
68,027	**Total**	**65,472**

21. Provisions

	Single Status Provision £'000	Insurance Provision £'000	Redundancy and Early Retirement Provision £'000	Other General Fund Provisions £'000	Total £'000
Balance 1 April 2013	**110**	**9,860**	**371**	**564**	**10,905**
Additional Provision made in 2013/14	0	2,988	0	143	**3,131**
Amounts used in 2013/14	(92)	(1,411)	(274)	(101)	**(1,878)**
Balance at 31 March 2014	**18**	**11,437**	**97**	**606**	**12,158**

Purpose

Single Status Provision: The Authority implemented new terms and conditions for employees in accordance with the national Single Status Agreement between councils and trade unions on 9 July 2012. The Authority has provided for back pay and for claims for equal pay. A number of claims have been received and have either been settled or are in the process of being settled.

Insurance Provision: The Authority maintains an insurance provision to cover the retained element of risk for various areas. This includes public and employer's liability, theft, education property damage and tree root damage. The remaining risks are transferred through cover provided by policies with insurance companies. The Authority's insurance assessors, Jardine Lloyd Thompson, have advised that the provisional value of expected settlements relating to liability, together with actual property claims notified but not yet settled, amount to £11.4 million. The sum of £5.2 million has been set aside for unquantified insurance claims. The insurance reserve is included in Earmarked Revenue Reserve (see note 8).

Redundancy and Early Retirement Provision: This has been established to meet payments relating to employee redundancy and retirements granted in 2013/14.

Other General Fund Provisions: Relates to £193,000 set aside to meet the Authority's estimated obligation to purchase and surrender Carbon Reduction Commitment (CRC) Allowances in respect of carbon dioxide emissions used in 2013/14. £136,000 for potential costs to be levied on the Authority by the LPFA, £69,000 for a legal case brought under the Housing Defects Act 1948. £65,000 for potential repair costs to Chigwell Road Bridge. £58,000 to meet potential coroner costs. £25,000 to meet potential Adult Social Care legal costs and £60,000 for potential planning claims.

22. Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Short Term	
	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
Investments				
Loans and receivables	2,677	0	138,663	120,500
Available for sale of financial assets	0	0	0	25,032
Total Investments	**2,677**	**0**	**138,663**	**145,532**
Cash and Cash Equivalents	**0**	**0**	**18,819**	**13,246**
Debtors				
Loans and receivables	2,728	2,620	40,000	43,548
Total Debtors	**2,728**	**2,620**	**40,000**	**43,548**
Borrowings				
Financial liabilities at amortised cost: -				
PWLB	126,316	129,809	12,563	6,290
Market	35,790	35,276	0	505
Temporary Borrowing	0	0	1,872	1,816
Total Borrowings	**162,106**	**165,085**	**14,435**	**8,611**
Other Liabilities				
Finance lease liabilities	533	241	0	0
PFI liabilities	13,825	13,499	0	0
Total other liabilities	**14,358**	**13,740**	0	0
Creditors				
Financial liabilities at amortised cost	0	0	68,027	65,472
Total Creditors	**0**	**0**	**68,027**	**65,472**

Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for the stepped interest market loan (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year.

Income, Expense, Gains and Losses

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

	Financial Liabilities 2013/14 £'000	Financial Assets Loan & Receivables 2013/14 £'000	Assets available for sale 2013/14 £'000	Total 2013/14 £'000
Interest Payable and Similar Charges	8,030	0	0	8,030
Interest and Investment Income	0	(1,585)	(105)	(1,690)
Net Gain/(Loss) for the year	**8,0`30**	**(1,585)**	**(105)**	**6,340**

	Financial Liabilities 2012/13 £'000	Financial Assets Loan & Receivables 2012/13 £'000	Assets available for sale 2012/13 £'000	Total 2012/13 £'000
Interest Payable and Similar Charges	8,461	0	0	8,461
Interest and Investment Income	0	(2,165)	0	(2,165)
Net Gain/(Loss) for the year	**8,461**	**(2,165)**	**0**	**6,296**

The Available for Sale Financial Assets are investments of £25.0m in Certificates of Deposits with the Standard Chartered Bank (£15.0m) and Nordea Bank (£10.0m). At balance sheet date, the authority reviewed the fair value by reference to published price quotations and estimation techniques to assess for any material or significant changes in the investments' fair value. The movement in fair value using the valuation techniques above is not material and therefore this has not given rise to the creation of an available for sale reserve.

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, assuming the following assumptions:

- Estimated ranges of interest rates at 31 March 2014 of 1.84% to 4.24% for loans were available from the PWLB.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.

The fair values calculated are as follows:

	31 March 2013		31 March 2014	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Financial Liabilities – PWLB - Maturity	138,879	157,150	136,099	144,927
Market Loans	35,790	35,517	35,781	33,071
Total	**174,669**	**192,667**	**171,880**	**177,998**

	31 March 2013		31 March 2014	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Investment Assets	160,159	160,159	133,746	133,746
Available for Sale of Financial Assets	0	0	25,032	25,032
Long-term debtors	2,728	2,728	2,620	2,620
Total	**162,887**	**162,887**	**161,398**	**161,398**

As at 31 March 2014, the fair value of financial assets did not vary materially from the carrying value (book value) because the authority has no investments with over 1 year to maturity at balance sheet date.

Soft Loans

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

	Debt outstanding 31 March 2013 £'000 (Restated)	Debt outstanding 31 March 2014 £'000
Social Services – High Dependency Accommodation debtors		
Balance bought forward	630	728
New loans granted	137	99
Loans Repaid	(39)	(288)
Balance carried forward	**728**	**539**
Car Loans		
Balance bought forward	220	175
New loans granted	33	64
Loans Repaid	(78)	(90)
Balance carried forward	**175**	**149**

These transactions are not considered material either individually or cumulatively and are included in the Accounts at their carrying value.

The Authority holds Collateral in relation to the following loans:

Description	**31 March 2013 £'000**	**31 March 2014 £'000**
Mortgages	441	378
Social Services - High Dependency accommodation.	3,000	2,300

The Social Service High Dependency Accommodation Debtors relates to the value of outstanding debt secured by charges on the debtor's property and the 2012/13 balance has been restated due to a recalculation of loans outstanding. The Authority has pledged no collateral in respect of repayment of any loan to another entity.

As at 31 March 2014 the Authority had not entered into any financial guarantees.

23. Nature and Extent of Risks arising from Financial Instruments

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity Risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Refinancing and Maturity Risk – the possibility that the Authority might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's treasury risk management programme 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 Authority in the Annual Treasury Management Strategy. The Authority 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 Authority 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 Authority 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 Authority 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 Authority's overall borrowing;
    - maximum and minimum exposure to fixed and variable interest rates;
    - 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 Authority's investments over the investment yield. Prior to being approved by full Council, the Strategy is scrutinised by the Authority's Audit Committee. Performance is reported bi-annually to Council. An annual report is also required. The full Investment Strategy for 2013/14 was approved by full Council on the 12 February 2013 and is available to view on the Authority's website.

Credit Risk

Credit risk arises from deposits with banks, financial institutions, as well as credit exposure to the Authority's other debtors.

Credit risk arising from deposits with Banks and Financial Institutions

The Annual Investment Strategy (details of which are available on the Authority's website) requires the Authority 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 along with its individual and support ratings. Other information provided by Brokers, Advisers and financial and economic reports is also collated and assessed and then used to produce a matrix to monitor each individual institution against the Authority's criteria to impose a maximum sum to be invested with a financial institution located within each category. These include credit watches and outlooks from credit rating agencies, Credit Default Swap prices to give early warning of likely changes in credit ratings and sovereign ratings.

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

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

- Banks;
- UK Building Societies with assets in excess of £3bn;
- AAA Money Market Funds;
- UK Government (Debt Management Office);
- Other Local Authorities.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £167 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. The credit quality of the investment portfolio at balance sheet date falls within the range of AAA to AA-. 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 Authority's deposits; there was no evidence at the 31 March 2014 that this was likely to materialise.

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

Asset Class Percentages:

Type of Asset	Maximum % Of Total Investment as set by 2013/14 Treasury Management Strategy %	% Of Total Investment as at 31 March 2014 %
UK Government and Local Authorities	100	9
Banks - Specified	100	63
Money Market Funds - Specified	75	4
Building Societies - Specified	50	9
Total Unspecified Investments	50	0
Non UK Banks - Specified	35	15
Non UK Government and Supranational Bonds	15	0

The asset class percentages are well within the upper limits prescribed in the Authority's Treasury Management Strategy for 2013/14.

As at 31 March 2014, the Authority held no long-term investments (over 364 days).

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

Credit Risk arising from the Authority's exposure to other debtors

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

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

	Amount at 31 March 2014 £'000	Historical experience of default	Historical experience of adjustment for market conditions at 31 March 2014	Estimated maximum exposure at 31 March 2014 £'000
Other Debtors	52,526	5%	1%	2,626

Payments for services are either required in advance or due at the time the service is provided. As at 31 March 2014, approximately £53 million (£58 million as at 31 March 2013) is due to the Authority from its other debtors, the total being past its due date. The past due but not impaired amount can be analysed by age as follows:

Age Debtors Analysis	31 March 2013 £'000	31 March 2014 £'000
Less than three months	13,541	11,698
Three to six months	1,335	1,012
Six months to one year	2,602	545
Over one year	40,066	39,271
Total	**57,544**	**52,526**

Liquidity Risk

The Authority 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 Authority has ready access to the Public Works Loans Board (PWLB). The PWLB provides access to longer-term funds and acts as lender of last resort to Councils. Therefore there is no significant risk that the Authority will be unable to raise finance to meet its commitments. As at 31 March 2014 79% (80% as at 31 March 2013) of Authority Loans outstanding were with the PWLB.

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

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

Refinancing and Maturity Risk

The Authority'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 Authority's day-to-day cash flow needs (this is set at £25 million in the Treasury 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	**Market Loans Outstanding as at 31 March 2014 £'000's**	**Limit of projected Fixed rate Borrowing %**	**% of Total Borrowing 31 March 2014 %**	**% of Total Borrowing 31 March 2013 %**
Less than one Year	26,288	35	15	22
Between one and two years	6,013	45	4	6
Between two and five years	32,538	60	19	15
Between five and ten years	16,563	80	10	8
More than 10 Years	89,696	100	52	49
Total	**171,098**		**100**	**100**

Market Risk

Interest Rate Risk

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

- Borrowing at variable rates – the interest expense charged to the Surplus and 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 and 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 receivables 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 Authority has a number of strategies for managing interest rate risk. The policy is to keep a maximum of 25% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will 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.

The authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. In order to determine the impact of interest rate movements on the council's budget the illustration below provides an impact assessment of the marginal cost or benefit that arises when interest rate rise by 1% holding all other variables constant. The financial effect would be:

Impact of 1% increase in interest rates

	£'000
Increase in interest payable on variable rate borrowings	0
Increase in Interest receivable on variable rate investments	0
Increase in government grant receivables for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	0
Share of overall impact debited to the HRA	0
Decrease in fair value of fixed rate investment assets	
Impact on Other Comprehensive Income and Expenditure	0
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)	20,053

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

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

Price Risk

The Authority does not invest in equity shares and therefore is not exposed to losses arising from movement in the price of shares.

Foreign Exchange Risk

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

24. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2013/14:

	2012/13 £'000	2013/14 £'000
Credited to Taxation and Non Specific Grant Income		
Recognised Capital Grants and contributions	56,862	49,344
Council Tax	100,669	85,816
NNDR	94,320	15,332
RSG	1,828	100,434
Non Service Related Government Grants	7,171	12,228
Total	**260,850**	**263,154**
Credited to Services		
Department of Work & Pensions	172,154	153,580
Department for Education	257,023	262,719
Other Miscellaneous Grants	27,268	22,511
Total	**456,445**	**438,810**

The Authority has received a number of 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:

	2012/13 £'000	2013/14 £'000
Capital Grants Receipts in Advance		
Short Term		
Devolved Formula Capital Grant	2,226	1,462
	2,226	**1,462**
Long Term		
Section 106 Developer Contributions	427	0
Total	**2,653**	**1,462**
Revenue Grants Receipts in Advance		
6th Form Funding Grant	150	84
Regeneration Grant – Department for Communities and local Government	111	101
Childrens Services	215	81
Total	**476**	**266**

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.

	2012/13 £'000	2013/14 £'000
Revenue Grants Unapplied		
Housing Grant	1,092	985
Department of Health Grant	9	611
Children's Services Grant	1,352	3,079
Planning Delivery Grant	138	138
DCLG Grant	480	202
Climate Change Grant	74	74
Highways Grant	107	203
Safer Community Grant	128	145
Department for Communities and Local Government	4,479	7,164
Total	**7,859**	**12,601**
Section 106 – Housing	5,645	3,379
Total	**13,504**	**15,980**

	2012/13 £'000	2013/14 £'000
Capital Grants and Contributions Unapplied		
Housing Grant	1,300	1,234
Standards Fund – Children's Services	776	692
Planning Delivery Grant	50	50
Public Art Grant	202	38
Department for Education	56,100	33,646
Total	**58,428**	**35,660**
Section 106	3,382	4,001
Community Infrastructure Levy	196	1,272
Other Capital Contributions	50	42
Total	**62,056**	**40,975**

25. Disclosure of Deployment of Dedicated Schools Grant in 2013/14

The Authority's Expenditure on schools is funded primarily by grant monies provided by the Department for Education (DfE) through the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund Academy Schools in the Authority's area. DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an Authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2013/14 are as follows:

	Note	Central Expenditure £'000	Individual Schools Budget (ISB) £'000	Total £'000
Final DSG for 2013/14 before Academy recoupment	1			250,341
Academy figure recouped for 2013/14	2			(21,637)
Total DSG after Academy recoupment for 2013/14				228,704
Plus: Brought forward from 2012/13	3			966
Less: Carry forward to 2014/15 agreed in advance	4			
Agreed initial budgeted distribution		44,024	190,307	
In year recoupment Adjustment			(4,661)	
Agreed final budgeted distribution in 2013/14		44,024	185,646	
In year adjustments	5	(15,627)	15,627	
Final budgeted distribution for 2013/14		**28,397**	**201,273**	**229,670**
Less: Actual central expenditure		(25,356)		(25,356)
Transfers to reserves	6	(266)		(266)
Less: Actual ISB deployed to schools			(201,273)	(201,273)
Plus Local Authority contribution for 2013/14		24		24
Carry forward to 2014/15		**2,799**	**0**	**2,799**

Notes

(1) Finalised DSG figure as issued by DfE in March 2014 following final Academy recoupment adjustments excluding High Needs Block direct funded places.
(2) Final Academy recoupment adjustment including both ISB and central DSG recoupment.
(3) Figure brought forward from 2012/13 as agreed with DfE.
(4) No carry forward of grant to 2014/15 was agreed in advance.
(5) In-year adjustments are allocations to schools from centrally held budgets.
(6) Transfers to Reserves are to meet anticipated liabilities arising from National Non-Domestic Rates revaluations of school buildings.

The overall Schools Budget is approximately equal to the DSG payable for the year and the funding received from the Young Peoples Learning Agency for the provision of education for pupils aged 16+. This disclosure only relates to the deployment of the DSG.

The Surplus balance of £2.8 million will be carried forward to be included within the overall schools budget in 2014/15.

26. Leases

The Authority as Lessee

Finance Leases

The Authority has acquired a number of Vehicles, Plant, Furniture and Equipment under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet as the following net amounts:

	31 March 2013 £'000	31 March 2014 £'000
Vehicles, Plant, Furniture and Equipment	1,547	495
	1,547	**495**

The Authority is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the assets acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2013 £'000	31 March 2014 £'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	322	130
Non- current	266	135
Finance costs payable in future years	(55)	(24)
Finance lease payments	**533**	**241**

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

	Minimum Lease Payments		Finance Lease Payments	
	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
Not later than one year	322	130	295	117
Later than one year and not later than five years	241	135	238	124
Later than five years	25	0	0	0
Total	**588**	**265**	**533**	**241**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2013/14, £0 contingent rents were payable by the Authority (2012/13 - £0).

Operating Leases

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

	31 March 2013 £'000	31 March 2014 £'000
Not later than one year	741	653
Later than one year and not later than five years	1,074	543
Later than five years	335	213
Total	**2,150**	**1,409**

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 2013 £'000	31 March 2014 £'000
Minimum lease payments	741	741
Total	**741**	**741**

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

The Authority as Lessor

Finance Leases

The Authority 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 Authority 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 Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2013 £'000	31 March 2014 £'000
Finance lease debtor (net present value of minimum lease payments):		
Current	97	97
Non- current	10,983	10,887
Unearned finance income	(9,347)	(9,266)
Unguaranteed residual value of property	137	149
Gross investment in the lease	**1,870**	**1,867**

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 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
Not later than one year	15	15	15	15
Later than one year and not later than five years	61	61	61	61
Later than five years	1,657	1,642	1,794	1,791
Total	**1,733**	**1,718**	**1,870**	**1,867**

The minimum lease payments do not include rents that are contingent on events taking place after the lease entered into, such as future price indices. In 2013/14, contingent rents of £44,007 were receivable by the Authority (£38,828 in 2012/13).

Operating Leases

The Authority leases out land under operating leases for:

- The provision of community services.
- Economic development purposes.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2013 £'000	31 March 2014 £'000
Not later than one year	5	5
Later than one year and not later than five years	20	20
Later than five years	558	553
Total	**583**	**578**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2013/14, contingent rents of £2,316 were receivable by the Authority (2012/13 - £2,044).

27. 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 Authority, the expenditure results in an increase in the Capital Financing Requirements (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2012/13 £'000	2013/14 £'000
Capital Investment		
Property, Plant and Equipment	49,437	64,582
Investment Properties	0	0
Intangible Assets	88	50
Revenue Expenditure Funded from Capital under Statute	3,134	15,673
Total	**52,659**	**80,305**
Sources of Finance		
Capital Receipts	(689)	(493)
Government grants and other contributions	(33,662)	(70,425)
Capital expenditure charged against the General Fund and HRA balances	(3,104)	(3,847)
Contributions from reserves including MRR	(7,744)	(3,854)
	(45,199)	**(78,619)**
Increase in underlying need to borrow unsupported by government financial assistance	(7,460)	(1,686)
Decrease in Capital Financing Requirement	**(7,460)**	**(1,686)**
Total	**(52,659)**	**(80,305)**

Capital Financing Requirement

Total Assets	818,383	775,480
Less Revaluation Reserve	(131,716)	(128,687)
Less Capital Adjustment Account	(432,733)	(398,193)
Closing Capital Financing Requirements	**253,934**	**248,600**

28. Usable Reserves

Movements in the Authority's usable reserves are detailed in the movement in Reserves Statement on pages 12 and 13 and in Note 8.

29. Unusable Reserves

31 March 2013 £'000		31 March 2014 £'000
131,716	Revaluation Reserve	128,687
432,733	Capital Adjustment Account	398,193
(237)	Financial Instruments Adjustment Account	(237)
(323,624)	Pensions Reserve	(314,396)
309	Deferred Capital Receipts	216
(5,457)	Accumulated Absences Account	(4,545)
790	Collection Fund Adjustment Account	1,337
236,230	**Total Unusable Reserves**	**209,255**

29 (a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority 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.

2012/13 £'000			2013/14 £'000
137,683	**Balance at 1 April**		**131,716**
8,654	Upwards revaluation of assets	13,627	
(11,386)	Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	(6,579)	
(2,732)	(Deficit) or Surplus on revaluation of non-current assets not posted to the Deficit on the Provision of Services		7,048
(3,186)	Difference between fair value depreciation and historical cost depreciation		(3,178)
(26)	Accumulated gains on assets sold or scrapped		0
(23)	Revaluation adjustments as a result of reclassification		0
0	Adjusting amounts written out to the Capital Adjustment Account		(6,899)
131,716	**Balance at 31 March**		**128,687**

29 (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 Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised in donated assets that have yet to be consumed by the Authority.

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

2012/13 £'000			2013/14 £'000
474,660	**Balance at 1 April**		**432,733**
	Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(24,203)	Charges for depreciation and impairment of non-current assets	(25,686)	
(20,128)	Revaluation losses on Property, Plant and Equipment	(11,656)	
(256)	Amortisation of intangible assets	(228)	
(3,134)	Revenue expenditure funded from capital under statute	(15,673)	
(38,145)	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	(73,931)	
(85,866)		**(127,174)**	
0	Adjusting amounts written out of the Revaluation Reserve	6,899	
(85,866)	**Written out of the cost of non-current assets consumed in the year**		**(120,275)**
	Capital financing applied in the year:		
689	Use of the Capital Receipts Reserve to finance new capital expenditure	493	
1,174	Use of the Major Repairs Reserve to finance new capital expenditure	2,058	
33,662	Application of grants to capital financing from the Capital Grants and Contributions Unapplied Account	70,425	
7,764	Statutory provisions for the financing of capital investment charged against the General Fund and HRA Balances	7,035	
4,339	Capital expenditure charged against the General Fund and HRA balances	5,643	
47,628			**85,654**
(3,689)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		81
432,733	**Balance at 31 March**		**398,193**

29 (c) Financial Instruments Adjustment Account

This account provides a balancing mechanism between the statutory valuations and accounting requirements in respect of interest payable on staggered rate loans, where the interest payable is smoothed over the term of the loan, and discounts received on early repayment of PWLB loans, which are amortised over a number of years to the Income and Expenditure Account. The resulting difference is reflected in the Financial instruments Adjustment Account.

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 Authority spreads the gain or loss over the term that was remaining on the loan when it is 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.

2012/13 £'000			2013/14 £'000
(236)	**Balance at 1 April**		**(237)**
7	Interest adjustment on staggered rate loans	8	
(8)	Proportion of premiums incurred in previous financial years	(8)	
(1)	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		0
(237)	**Balance at 31 March**		**(237)**

29 (d) 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 Authority 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 Authority 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 Authority 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.

2012/13 £'000		2013/14 £'000
(272,504)	**Balance at 1 April**	**(323,624)**
(43,284)	Actuarial losses on pensions assets and liabilities	17,918
(31,595)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(32,122)
23,759	Employer's pensions contributions and direct payments to pensioners payable in the year	23,432
(323,624)	**Balance at 31 March**	**(314,396)**

29 (e) Deferred Capital Receipts Reserve

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

2012/13 £'000		2013/14 £'000
402	**Balance at 1 April**	**309**
(93)	Transfer to the Capital Receipts Reserve upon receipt of cash	(93)
309	**Balance at 31 March**	**216**

29 (f) 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. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2012/13 £'000			2013/14 £'000
(4,742)	**Balance at 1 April**		**(5,457)**
4,742	Settlement or cancellation of accrual made at the end of the preceding year	5,457	
(5,457)	Amounts accrued at the end of the current year	(4,545)	
(715)	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		912
(5,457)	**Balance at 31 March**		**(4,545)**

29 (g) 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.

2012/13 £'000		2013/14 £'000
0	**Balance at 1 April**	**790**
790	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	547
790	**Balance at 31 March**	**1,337**

30. Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice 2013/14*. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across clusters. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.

- Expenditure on some support services is budgeted for centrally and not charged to clusters.

The income and expenditure of the Authority's principal clusters recorded in the budget reports for the year is as follows:

Cluster Income and Expenditure 2013/14	**Children's Services £'000**	**Adult Social Services & Housing £'000**	**Environment & Community Services £'000**	**Finance & Resources £'000**	**CEO, Legal & Constitutional Services £'000**	**Total £'000**
Fees, charges & other service income	(21,640)	(80,754)	(52,990)	(176,158)	(4,496)	(336,038)
Government grants	(265,304)	(14,355)	(5,033)	(657)	(13)	(285,362)
Total Income	**(286,944)**	**(95,109)**	**(58,023)**	**(176,815)**	**(4,509)**	**(621,400)**
Employee expenses	213,891	29,354	30,024	19,529	3,784	296,582
Other service expenses	120,639	131,449	63,800	167,174	2,398	485,460
Support service recharges	11,867	7,880	11,108	6,154	1,971	38,980
Total Expenditure	**346,397**	**168,683**	**104,932**	**192,857**	**8,153**	**821,022**
Net Expenditure	**59,453**	**73,574**	**46,909**	**16,042**	**3,644**	**199,622**

Cluster Income and Expenditure Comparative Figures 2012/13	**Children's Services £'000**	**Adult Social Services & Housing £'000**	**Environment & Community Services £'000**	**Finance & Resources £'000**	**CEO, Legal & Constitutional Services £'000**	**Total £'000**
Fees, charges & other service income	(34,031)	(73,985)	(50,967)	(195,931)	(4,445)	(359,359)
Government grants	(268,751)	(3,878)	(4,853)	(596)	(133)	(278,211)
Total Income	**(302,782)**	**(77,863)**	**(55,820)**	**(196,527)**	**(4,578)**	**(637,570)**
Employee expenses	214,922	27,572	31,025	19,952	4,111	297,582
Other service expenses	127,076	120,137	61,372	185,442	2,349	496,376
Support service recharges	12,356	7,185	11,412	5,937	2,033	38,923
Total Expenditure	**354,354**	**154,894**	**103,809**	**211,331**	**8,493**	**832,881**
Net Expenditure	**51,572**	**77,031**	**47,989**	**14,804**	**3,915**	**195,311**

Reconciliation of Cluster Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statements

This reconciliation shows how the figures in the analysis of cluster income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2012/13 £'000	**2013/14 £'000**
Net expenditure in the Cluster Analysis	195,311	199,622
Net expenditure of services and support services not included in the Analysis	939	813
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	5,632	11,531
Cost of Services in Comprehensive Income and Expenditure Statement	**201,882**	**211,966**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of cluster income and expenditure relate to a subjective analysis of the Surplus or Deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

2013/14

	Cluster Analysis	Services and Support Services not in Analysis	Amounts not reported to Management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(336,038)	0	(27,716)	(811)	38,980	(325,585)	(1,984)	(327,569)
Interest and investment income							(1,690)	(1,690)
Income from council tax							(85,816)	(85,816)
Government grants and contribution	(285,362)	0	0	0	0	(285,362)	(177,339)	(462,701)
Total Income	**(621,400)**	**0**	**(27,716)**	**(811)**	**38,980**	**(610,947)**	**(266,829)**	**(877,776)**
Employee expenses	296,582		(912)			295,670		295,670
Other service expenses	485,460	813	34,541	811		521,625	366	521,991
Support services recharges	38,980				(38,980)	0		0
Depreciation, amortisation & impairment			5,618			5,618	(81)	5,537
Interest payments						0	22,506	22,506
Levies						0	13,567	13,567
Payments to Housing Capital Receipts Pool						0	538	538
Loss on Disposal of Assets						0	68,620	68,620
Total Expenditure	**821,022**	**813**	**39,247**	**811**	**(38,980)**	**822,913**	**105,516**	**928,429**
Deficit / Surplus in the provision of services	**199,622**	**813**	**11,531**	**0**	**0**	**211,966**	**(161,313)**	**50,653**

2012/13
Restated
Comparative Figures

	Cluster Analysis	Services and Support Services not in Analysis	Amounts not reported to Management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fees, charges & other service income	(359,359)	0	(32,361)	(356)	38,923	(353,153)	(1,853)	(355,006)
Interest and investment income							(2,165)	(2,165)
Income from council tax							(100,669)	(100,669)
Government grants and contribution	(278,211)	0	0	0	0	(278,211)	(160,181)	(438,392)
Total Income	**(637,570)**	**0**	**(32,361)**	**(356)**	**38,923**	**(631,364)**	**(264,868)**	**(896,232)**
Employee expenses	297,582		715			298,297		298,297
Other service expenses	496,376	939	31,303	356		528,974	499	529,473
Support services recharges	38,923				(38,923)	0		0
Depreciation, amortisation & impairment			5,975			5,975	3,689	9,664
Interest payments						0	21,441	21,441
Levies						0	12,741	12,741
Payments to Housing Capital Receipts Pool						0	469	469
Loss on Disposal of Assets						0	35,511	35,511
Total Expenditure	**832,881**	**939**	**37,993**	**356**	**(38,923)**	**833,246**	**74,350**	**907,596**
Deficit / (Surplus) in the provision of services	**195,311**	**939**	**5,632**	**0**	**0**	**201,882**	**(190,518)**	**11,364**

31. Termination Benefits

The Authority terminated the contracts of a number of employees in 2013/14, incurring liabilities of £0.7 million (£0.9 million in 2012/13). In general these redundancies result from the Authority's efforts to reduce cost of services in response to a reduction in grant income from the government. There were a total of 68 redundancies in 2013/14 (72 in 2012/13).

32. Officers' Remuneration

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

		Note	Salary including Fees and Allowances £	Other Emoluments £	Total Remuneration excluding pension contributions £	Pension Contribution £	Total Remuneration including pension contributions £
Roger Hampson Chief Executive	2013/14	*1*	158,849		158,849	31,452	190,301
	2012/13		181,542		181,542	42,099	223,641
Director of Finance and Resources	2013/14		135,213	4,071	139,284	0	139,284
	2012/13		135,213	4,001	139,214	0	139,214
Director of Children's Services	2013/14		133,209		133,209	30,771	163,980
	2012/13		133,209		133,209	30,771	163,980
Borough Solicitor and Secretary	2013/14		109,683		109,683	25,337	135,020
	2012/13		107,739		107,739	24,888	132,627
Director of Environment & Community Services	2013/14		129,204	3,163	132,367	31,270	163,637
	2012/13		127,200	3,163	130,363	30,114	160,477
Director of Adult Social Services and Housing	2013/14		129,204	3,163	132,367	30,577	162,944
	2012/13		127,200	3,163	130,363	30,114	160,477
Director of Public Health	2013/14	*2*	113,307	0	113,307	15,863	129,170

Note 1 *– In his role as returning officer the Chief Executive also received the following sum: £4,823 for the Greater London Authority Election in May 2012 which is refunded in full by the Greater London Authority. Also the Council agreed that the Chief Executive would take flexible retirement from the 1 January 2014, with a reduction in hours and remuneration.*

Note 2 *– Section 57 of the Health and Social Care Act 2012 defines the Director of Public Health as a statutory chief officer by amendment to Section 2(6) of the Local Government and Housing Act 1989. They are not a member of the LB Redbridge Management Board and they are a member of the NHS pension scheme rather than the Local Government Pension Scheme. The Director is shared with London Borough of Waltham Forest who pays the salary and charge LB Redbridge for 50% of the cost (£64,585).*

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

2012/13			Earning Band	2013/14		
Officers	Teachers	Total		Officers	Teachers	Total
40	97	**137**	**£50,000 - £54,999**	40	81	**121**
38	68	**106**	**£55,000 - £59,999**	36	53	**89**
17	33	**50**	**£60,000 - £64,999**	21	35	**56**
7	18	**25**	**£65,000 - £69,999**	5	24	**29**
4	22	**26**	**£70,000 - £74,999**	4	10	**14**
1	16	**17**	**£75,000 - £79,999**	2	14	**16**
4	15	**19**	**£80,000 - £84,999**	3	10	**13**
4	15	**19**	**£85,000 - £89,999**	6	11	**17**
2	7	**9**	**£90,000 - £94,999**	3	7	**10**
1	3	**4**	**£95,000 - £99,999**	3	1	**4**
0	1	**1**	**£100,000 - £104,999**	0	3	**3**
2	4	**6**	**£105,000 - £109,999**	2	3	**5**
0	3	**3**	**£110,000 - £114,999**	0	5	**5**
0	0	**0**	**£115,000 - £119,999**	0	0	**0**
0	0	**0**	**£120,000 - £124,999**	0	2	**2**
0	1	**1**	**£125,000 - £129,999**	0	1	**1**
3	1	**4**	**£130,000 - £134,999**	3	0	**3**
1	1	**2**	**£135,000 - £139,999**	1	0	**1**
0	0	**0**	**£140,000 - £144,999**	0	0	**0**
0	1	**1**	**£145,000 - £149,999**	0	0	**0**
0	1	**1**	**£150,000 - £154,999**	0	0	**0**
0	0	**0**	**£155,000 - £159,999**	1	0	**1**
0	0	**0**	**£160,000 - £164,999**	0	1	**1**
1	0	**1**	**£180,000 - £185,000**	0	0	**0**
125	**307**	**432**	**Total**	**130**	**261**	**391**

Remuneration includes gross salary, bonuses, expenses allowances, compensation for loss of employment, and any other emoluments.

There has been a reduction of 27 teachers earning more than £50,000 during 2013/14 due to the conversion of three schools to Academy status.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below and these include school redundancies:

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	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0 - £20,000	59	55	0	0	59	55	£411,962	£345,545
£20,001 - £40,000	7	12	1	0	8	12	£209,313	£324,929
£40,001 - £60,000	2	0	1	0	3	0	£131,710	0
£60,001 - £80,000	0	1	0	0	0	1	0	£66,496
£80,001 - £100,000	2	0	0	0	2	0	£182,648	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total	**70**	**68**	**2**	**0**	**72**	**68**	**£935,633**	**£736,970**

33. Members' Allowances

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

	2012/13 £'000	2013/14 £'000
Allowances	1,013	1,010
Total	**1,013**	**1,010**

34. Related Parties

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

Central Government

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are set out in the subjective analysis in Note 30 on reporting for resources allocation decisions.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of Member's allowances paid in 2013/14 is shown in note 33. During 2013/14 members have made the following disclosures:

Organisations	Member	Capacity	2013/14 Payments to organisations by the Authority £'000
Vision Redbridge Culture and Leisure	Cllr Bond, Cllr Nijjar (up to 10th June 2013), Cllr Kaur-Thiara (from 10th June 2013) Cllr Turbefield	Board Members	10,958
Redbridge Theatre Company Limited	Cllr R Hoskins, Cllr R Littlewood, Cllr S Nolan, Cllr K Prince, Cllr J Ryan, Cllr B Saund, Cllr B White, Cllr M Dunn	Board Members	153
	Geoff Pearce	Treasurer	
East London Waste Authority	Cllr V Tewari (until 30th May 2013) , Cllr K Prince, Cllr A Choudhury (from 30th May 2013)	Board Members	12,819
	Geoff Pearce	Treasurer	

The Member's register of interests is available on the Authority's web site Redbridge i (www.redbridge.gov.uk).

Companies and Organisations

The Authority has the following interests in organisations:

Vision Redbridge Culture and Leisure.

Vision Redbridge Culture and 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 Authority's leisure centres, in 2011/12 VRCL's remit was widen to incorporate responsibility for the management of the services previously managed in-house by the Culture, Sport & Community Leisure service area. Under both IFRS and the CIPFA Code of Practice on Local Authority accounting in the United Kingdom 2013/14, VRCL is deemed to be a subsidiary of the London Borough of Redbridge as the Authority has the power to govern VCRL's financial and operating policies.

The Authority made payments of £10.96m in 2013/14 (£11.9m in 2012/13) to VRCL for the management of these services.

Redbridge Theatre Company Limited.
The principal activity of this Company is the operation of a theatre for the London Borough of Redbridge. The Company is a registered charity and carries on business as a Theatrical Charitable Trust. The Company is limited by guarantee and has no share capital. The Authority grants aid to the Company and during 2013/14 this amounted to £153,328 (£142,637 in 2012/13). The net assets of the Company for the year ended July 2013 totalled £195,410 (£225,130 year ended July 2012). The Company made a net loss in 2012/13 of £26,038 (£30,427 net profit in the year ended July 2012).

Eight Redbridge Councillors serve on the Board of Governors of the Theatre. The Director of Finance and Resources for Redbridge is also the Honorary Treasurer for the Theatre and the Borough Solicitor and Secretary is the Honorary Secretary for the Theatre.

At the time of the production of this year's Accounts, the 2013/14 Accounts for the Redbridge Theatre Company Limited had not been produced as its year end is 31 July 2014. These will be available at a later date. The last audited set of Accounts was given an unqualified audit opinion. Copies are available at the offices of the Director of Finance and Resources (London Borough of Redbridge, Lynton House, 255-259 High Road, Ilford, Essex, 1G1 1NN).

East London Waste Authority
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. The Levy payment to ELWA amounted to £12,819,000 (£11,993,000 in 2012/13)

Other
During the financial year, the Authority charged the Pension Fund £420,309 for expenses incurred administering the Pension Fund (£375,900 in 2012/13) and £115,900 for expenses incurred for investment services (£116,000 in 2012/13).

The Authority made payments of £308,699 as part of the London Councils scheme to the City of London for Voluntary grants (£397,525 in 2012/13).

35. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and non-audit services provided by the Authority's external auditors:

	2012/13 £'000	2013/14 £'000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year – Financial Statements.	123	123
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year – Use of Resources/VFM Conclusion work (including data quality).	60	60
Fees payable to external auditors for the certificate of grant claims and returns for the year.	67	21
Total	**250**	**204**

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. Included in expenditure figures for 2013/14 are one-off costs relating to Single Status and equal pay settlements.

		2012/13 £'000	£'000	2013/14 £'000	£'000
Conveniences The Public Convenience team are responsible for opening and closing, servicing and maintaining nine public conveniences and a further two owned by Leisure Services. Additional services provided are cleaning of facilities in allotments and some car parks.	Turnover	374		315	
	Expenditure	(332)		(277)	
	Surplus		42		38
Civic Catering The Staff and Civic Catering team are responsible for the provision of routine refreshments and canteen services to Members, visitors and staff.	Turnover	478		442	
	Expenditure	(482)		(480)	
	Deficit		(4)		(38)
Street Cleansing The Street Cleansing team is responsible for sweeping all the Authority's roads, emptying of litter bins and removal of fly tipping.	Turnover	4,351		4,376	
	Expenditure	(4,823)		(4,308)	
	Surplus/(Deficit)		(472)		68
Transport Transport Services provides the Authority's transport needs, both passengers and goods. It consists of a vehicles workshop which repairs and maintains a fleet of vehicles. The services are also offered to external clients in terms of private vehicle hire, maintenance and repair services.	Turnover	8,370		9,120	
	Expenditure	(8,684)		(9,115)	
	Surplus/(Deficit)		(314)		5
Total			**(748)**		**73**

The contract for Grounds Maintenance was managed by Vision Redbridge Culture and Leisure on behalf of the Authority until 31 December 2013. From the 1 January 2014 the contract has been awarded externally to Ground Control Limited.

37. Agency Services

East London Waste Authority (ELWA)

The Authority provides financial services to the East London Waste Authority (ELWA) for which it is reimbursed by way of a management fee.

	2012/13 £'000	2013/14 £'000
Service Level Agreement	183	183

Business Improvement Districts

The Authority collects money on behalf of the Business Improvement Districts and this is then paid over in monthly instalments to the BID Companies.

There is no surplus or deficit arising on the agency agreement.

	Restated 2012/13 £'000	2013/14 £'000
Ilford BID		
Amount Brought Forward	(88)	(117)
Cash Collection in 2013/14	(388)	(333)
Levy Payment	359	347
Balance carried forward	**(117)**	**(103)**
Hainault BID		
Amount Brought Forward	(31)	(41)
Cash Collection in 2013/14	(122)	(123)
Levy Payment	112	113
Balance carried forward	**(41)**	**(51)**

38. Learning Disability Partnership

The Authority has a partnership arrangement under section 75 of the National Health Service Act 2006.

The purpose of the partnership is primarily to:

- Maximise the efficient and effective use of limited resources.
- Develop a more integrated organisation that is centred on the needs of service users.
- To achieve improved outcomes for service users and their carers.

Expenditure and Income:

2012/13 Net Expenditure £'000		2013/14 Gross Expenditure £'000	2013/14 Gross Income £'000	2013/14 Net Expenditure £'000
14,829	London Borough of Redbridge	24,224	(4,827)	19,397
3,917	NHS Redbridge	3,795	0	3,795
1,142	North East London Foundation Trust	978	0	978
19,888	**Total**	**28,997**	**(4,827)**	**24,170**

39. Mental Health Partnership

The Authority has a partnership arrangement under section 75 of the National Health Service Act 2006 for provision of services to people with mental ill health. The partners to the agreement are the London Borough of Redbridge and the North East London Foundation Trust. The purpose of the partnership is primarily to:

- Ensure effective management and coordination of mental health services in the borough.
- Simplifying access to services and making them more seamless.
- Developing user focussed services that are responsive, coordinated and of high quality.

2012/13 Net Expenditure £'000		2013/14 Gross Expenditure £'000	2013/14 Gross Income £'000	2013/14 Net Expenditure £'000
5,316	London Borough of Redbridge	5,557	(326)	5,231
4,211	North East London Foundation Trust	4,199	0	4,199
9,527	**Total**	**9,756**	**(326)**	**9,430**

40. Other Funds

The Authority administers the affairs of some elderly residents and children in care, sometimes by named officers, and also holds various other deposits. The total value of these funds as at 31 March 2014 was £1,816,192 (£1,872,093 as at 31 March 2013).

41. Pension Scheme Accounted for as a Defined Contribution Scheme

Teachers employed by the Authority 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 Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a 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. The Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.
In 2013/14, the Authority paid £13.8 million to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/13 were £14.7 million and 14.1%. There were no contributions remaining payable at year end.

The Authority 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 42.

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

The scheme is an unfunded defined benefit scheme. However, the Authority 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 on the same basis as a defined contribution scheme.

In 2013/14, the Authority paid £0.062 million to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14% of pensionable pay. There were no contributions remaining payable at the year end.

42. Defined Benefit Pension Scheme

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

The Authority 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 final salary scheme, meaning that the Authority 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 to meet actual pension payments as they eventually fall due. There have been no new awards since 2008 for officers and since 2009 for teachers.

Transaction Relating to Post-Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefit is reversed out of the General Fund 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	
	Restated 2012/13 £'000	**2013/14 £'000**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	18,070	20,971
Past Service Costs	126	244
Settlements and curtailments	419	(3,569)
Total Post Employment Benefits charged to the Deficit on the provision of Services	**18,615**	**17,646**
Interest Income on scheme assets	(21,126)	(22,919)
Interest cost on defined benefit obligation	34,106	37,395
Total defined benefit cost recognised in profit or (loss)	**31,595**	**32,122**
Re-measurement of the net defined benefit liability		
Change in demographic assumptions	0	546
Change in financial assumptions	84,253	481
Other experience	(87)	(38,126)
Return on assets excluding amounts included in net interest	(40,882)	19,181
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**43,284**	**(17,918)**
Movement in Reserve Statement:		
Reversal of net charges made to the Surplus on the provision of Services for post-employment benefits in accordance with the code	(7,839)	(8,690)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employer's contributions payable to scheme	21,660	21,366
Employer's discretionary contributions payable	2,099	2,066
Retirement benefits payable to pensioners	24,016	26,645
Discretionary benefits payable to pensioners	2,099	2,066

Assets and Liabilities in Relation to Post-Employment Benefits

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

	Local Government Pension Scheme	
	2012/13 £'000	2013/14 £'000
Opening Balance at 1 April	700,078	834,219
Current Service Cost	18,070	20,971
Interest Cost	34,106	37,395
Contributions by scheme participants	5,911	5,925
Actuarial (gains)/losses	83,799	(37,636)
Benefits paid	(24,016)	(26,645)
Discretionary Benefits	(2,099)	(2,066)
Past Services Cost	126	244
Business Contribution	17,825	0
Curtailments	419	0
Settlements	0	(7,726)
Closing Balance at 31 March	**834,219**	**824,681**

Reconciliation of fair value of the scheme:

	2012/13 £'000	2013/14 £'000
Opening Balance at 1 April	427,574	510,595
Interest Income	21,126	22,919
Re-measurement gain/(loss)	40,885	(19,717)
Employer contributions	21,660	21,366
Contributions by scheme participants	5,911	5,925
Benefits paid	(24,016)	(26,645)
Business Combination	17,455	0
Settlements	0	(4,158)
Closing Balance at 31 March	**510,595**	**510,285**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Pensions Assets and Liabilities recognised in the Balance Sheet

	2012/13 £'000	2013/14 £'000
Present value of liabilities:		
Local Government Pension Scheme	(834,219)	(824,681)
Fair value of assets in the Local Government Pension Scheme	510,595	510,285
Total Deficit in the Scheme	**(323,624)**	**(314,396)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £314.4 million has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a reduction in the Authority's net worth of 43.9% as at the 31 March 2014 (43.2% as at 31 March 2013). However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions from employees and employers plus investment returns over 20 years.
- There is only a requirement for the Authority to fund discretionary benefits that are awarded when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2015 are £20.9 million.

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 assessed 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 2013.

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

	Local Government Pension Scheme	
	2012/13	**2013/14**
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	21.9 years	22.0 years
Women	24.7 years	24.1 years
Longevity at 65 for future pensioners:		
Men	23.8 years	24.3 years
Women	26.5 years	26.7 years
Rate of inflation	2.8%	2.6%
Rate of increase in salaries	4.6%	3.4%
Rate of increase in pensions	2.8%	2.6%
Rate for discounting scheme liabilities	4.5%	4.1%
Take up of option to convert some annual pension into retirement lump sum	50%	50%

The Discretionary Benefits arrangements have no assets to cover their liabilities. The Local Government Pension Scheme's asset consists of the following categories, by proportion of the total assets held:

	31 March 2013 £'000	31 March 2014 £'000
Equity Securities		
Consumer	18,458	15,199
Energy and Utilities	14,845	12,288
Financial Institutions	4,275	10,444
Health and Care	18,342	17,158
Information Technology	2,481	4,616
Other	37,135	33,187
Sub-total Equities	**95,536**	**92,892**
Bonds		
Corporate	66,177	64,418
Government	58,334	52,585
Other	24,993	29,506
Sub-total Bonds	**149,504**	**146,509**
Property		
UK Property	40,661	44,195
Investment Funds		
Equities	199,980	210,037
Commodities	4,928	3,406
Other	1,774	1,805
Sub-total	**206,682**	**215,248**
Derivatives		
Other Derivatives	(441)	(441)
Cash and Cash Equivalents		
Cash	18,653	11,882
Total Assets	**510,595**	**510,285**

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are reviewed on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. 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 Authority is anticipated to pay £20.9 million employer contributions to the scheme in 2014/15.

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.

Restated 2012/13 £'000	Housing Revenue Account Income and Expenditure Account	Notes	2013/14 £'000
	Expenditure		
5,712	Repairs and Maintenance		5,510
7,599	Supervision and Management		7,439
617	Rents, Rates, Taxes and Other Charges		665
234	Movement in the allowance for bad debts		125
23,439	Depreciation and impairment of fixed assets	*5*	11,401
37,601	**Total Expenditure**		**25,140**
	Income		
(22,802)	Dwelling Rents		(23,915)
(350)	Non-Dwelling Rents		(354)
(3,248)	Charges for Services and Facilities		(4,070)
(151)	Contributions towards expenditure		(131)
(17)	Repayment of capital grants/advances		(25)
(26,568)	**Total Income**		**(28,495)**
11,033	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(3,355)**
11,033	**Net Expenditure / (Income) on HRA Services**		**(3,355)**
	HRA Share of the operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:		
(1,106)	Gain on sale of HRA non-current assets		(629)
2,357	Interest payable and similar charges		2,357
(111)	Interest and investment income		(127)
6	Pensions interest cost and expected return on pension assets		290
(53)	Capital grants and contributions receivable		(7,628)
12,126	**Deficit or (Surplus) for the year on HRA services**		**(9,092)**

Movement on the Housing Revenue Account Statement

2012/13 £'000			2013/14 £'000
(3,355)	**Balance on the HRA at the end of the previous year**		**(3,850)**
12,126	Deficit or (Surplus) for the year on the HRA Income and Expenditure Statement	(9,092)	
(14,786)	Adjustment between accounting basis and funding basis under statute	6,338	
(2,660)	**Net decrease before transfers to or from reserves**	**(2,754)**	
2,165	Transfers to reserves	1,688	
(495)	Increase in year on the HRA		(1,066)
(3,850)	**Balance on the HRA at the end of the current year**		**(4,916)**

Note to the Movement on the HRA Statement

2012/13 £'000		*Notes*	2013/14 £'000
	Adjustments between accounting basis and funding basis under regulations		
1,106	Gain on sale of HRA non-current assets		629
17	Repayment of capital grants/advances		25
(2)	HRA share of contributions to or from the Pension Reserve		(269)
(18,104)	Impairment of Fixed Assets	*5*	(6,042)
(80)	Capital Receipts cost of sales		(174)
53	Capital Grants and contributions receivable		7,628
2,224	Capital expenditure funded by the HRA		3,847
0	Transfer from reserves		694
(14,786)			**6,338**
	Transfers (from) / to reserves		
2,165	Movement to earmarked reserves	*7*	1,688
2,165			**1,688**

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 0.52% of properties were vacant (0.72% in 2012/13). The average rent for all stock was £98.58 per week in 2013/14 and £95.19 in 2012/13.

2. Housing Stock

The Authority is responsible for managing a Housing Revenue Account stock of 4,558 properties at 31 March 2014 (4,657 at 31 March 2013). An analysis is shown below. The Authority is also a freeholder of 2,378 leased properties.

2012/13 Number		2013/14 Number
	General Needs	
1,647	- One or less Bedrooms	1,616
1,392	- Two Bedrooms	1,349
1,383	- Three or More Bedrooms	1,358
235	Sheltered Housing Units	235
4,657	**Total**	**4,558**

3. Rent Arrears

The provision for doubtful debts against arrears was £1.232 million at 31 March 2014 (£1.145 million at 31 March 2013).

2012/13 £'000		2013/14 £'000
	Arrears due from	
365	- Current tenants	388
895	- Former tenants	952
1,260	**Total**	**1,340**
4.77%	Total as a % of gross debt	5.41%

4. Balance Sheet Value of HRA Assets

2012/13 £'000		2013/14 £'000
221,792	Dwellings	225,461
4,819	Other Land and Buildings	4,097
226,611	**Total**	**229,558**

The vacant possession value of dwellings within the HRA as at 1 April 2013 was £877.2 million (£890.7 million as at 1 April 2012). The difference of £650.7 million between the vacant possession value and the Balance Sheet value of dwellings 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 2013/14.

2012/13 £'000		2013/14 £'000
5,260	Operational Assets - dwellings	5,295
75	Operational Assets – other land and buildings	64
18,104	Impairment of fixed assets - dwellings	6,042
23,439	**Total**	**11,401**

The charge for impairment in 2013/14 reflected the reduction in market value of HRA dwellings.

6. Major Repairs Reserve

MRA funds held in the Major Repairs reserve can be used for capital expenditure on HRA assets only.

2012/13 £'000		2013/14 £'000
(2,689)	Balance Brought Forward	(1,515)
(5,260)	Major Repairs Allowance (MRA)	(5,295)
(75)	Non-dwellings depreciation	(64)
6,509	Capital Expenditure funded from the MRR	2,058
(1,515)	**Balance on the Major Repairs Reserves as at 31 March**	**(4,816)**

7. Movement in Earmarked Reserves

The following movements in earmarked reserves occurred in 2013/14:

2012/13 £'000		2013/14 £'000
83	Quality of Life Reserve – Revenue/Capital	115
(68)	Week 53 Reserve	435
100	HRA IT Reserve	44
438	Non-Dwellings Depreciation and Impairment	216
37	Minor Works Reserve	0
1,575	Earmarked Capital Reserves	878
2,165	**Total**	**1,688**

8. HRA Capital Financing

2012/13 £'000		2013/14 £'000
13,733	**HRA Capital Expenditure - Dwellings**	**14,475**
	Financed by:	
5,000	Government Grants	7,659
2,224	Contribution from Revenue	3,847
6,509	Net Contribution from Major Repairs Reserve	2,058
0	Capital Allowance	145
0	Contribution from Other Reserves	766
13,733	**Total Funding**	**14,475**

9. Capital Receipts

2012/13 £'000		2013/14 £'000
	HRA Capital Receipts	
1,888	Properties	5,213
0	Land and Garages	90
1,888		**5,303**

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

The Collection Fund is a statement that 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 local authorities and the Government of council tax, non-domestic rates (NDR) and the business rate supplement (BRS).

The element of the Collection Fund that relates to the Authority has been consolidated with the Authority's main accounts. The Accounts have been prepared on an accruals basis.

Income and Expenditure Account

2012/13 £'000		2013/14 £'000 Council Tax	2013/14 £'000 NDR	2013/14 £'000 BRS	2013/14 £'000 Total
	Income				
109,847	Council Tax Payers	113,254	0	0	**113,254**
22,234	Council Tax Benefits	0	0	0	**0**
51,652	Income from Business Ratepayers	0	53,796	1,145	**54,941**
0	Transitional Protection–Central Government	0	371	0	**371**
183,733	**Total Income**	**113,254**	**54,167**	**1,145**	**168,566**
	Expenditure				
	Precepts:				
99,879	London Borough of Redbridge	85,037	0	0	**85,037**
27,964	Greater London Authority	23,519	0	0	**23,519**
	Business Rates:				
0	London Borough of Redbridge	0	15,564	0	**15,564**
0	Greater London Authority	0	10,376	1,137	**11,513**
0	Central Government	0	25,939	0	**25,939**
48,121	Payments to National Pool	0	0	0	**0**
278	Costs of Collection	0	279	8	**287**
	Bad and Doubtful Debts				
839	Provisions	(538)	1,355	0	**817**
5,640	Write-offs	1,518	627	0	**2,145**
0	Provisions for appeals	2,720	800	0	**3,520**
182,721	**Total Expenditure**	**112,256**	**54,940**	**1,145**	**168,341**
1,012	**(Deficit)/Surplus for the year**	**998**	**(773)**	**0**	**225**
	Collection Fund Balance				
0	Balance bought forward at 1 April	1,012	0	0	**1,012**
1,012	(Deficit)/Surplus for the year	998	(773)	0	**225**
1,012	**Balance carried forward at 31 March**	**2,010**	**(773)**	**0**	**1,237**
	Allocated to:				
790	London Borough of Redbridge	1,569	(232)	0	**1,337**
222	Greater London Authority	441	(155)	0	**286**
0	Central Government	0	(386)	0	**(386)**
1,012	**Total**	**2,010**	**(773)**	**0**	**1,237**

Notes to the Collection Fund

1. 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 Authority set the level of Council Tax for 2013/14 at £1,398.53 for band D properties (this includes £303.00 on behalf of the Greater London Authority). The number of band D equivalent properties in each band making up the Council Tax base was as follows:

Band	2012/13 Number of Properties	2013/14 Number of Properties
A	1,044	1,029
B	8,480	8,413
C	20,676	20,678
D	29,774	29,847
E	22,279	22,204
F	10,022	9,945
G	4,912	4,935
H	345	337
Council Tax base collection allowance adjustment	(1,861)	(1,662)
Allowance for estimated full value of exemptions	(4,501)	(2,422)
Local Council Tax Support Scheme	0	(15,682)
Total	**91,170**	**77,622**

2. Local Council Tax Support Scheme

Council Tax Benefit ceased from 1 April 2013, replaced by a new Local Council Tax Support Scheme, therefore there are no comparator figures for 2013/14 as the cost of any discounts given as part of the new scheme are removed directly from the Council Tax due.

3. Income from Business Rates

The Local Government Finance Act 2012 introduced a business rates retention scheme to enable local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on the 1 April 2013. The scheme was introduced to incentivise local authorities to create the right conditions for local growth and directly benefit from these incentives through retention of a proportion of locally collected business rates. Non domestic Rates collection is based on local rateable values determined by the Valuation Office Agency (VOA) as at 31 March (£138,264,038). The national multipliers for 2013/14 were 46.2p for qualifying Small Businesses, and the standard multiplier being 47.1p for all other businesses (45.0p and 45.8p respectively in 2012/13).

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

2012/13 £'000		2013/14 £'000
57,507	Gross NNDR due in the year	61,399
(6,916)	Less: Allowances and other adjustments	(7,603)
50,591		**53,796**

In addition to NNDR collected on behalf of the Government, the Authority has collected the sum of £1.145m on behalf of the Greater London Authority in respect of a Business Rate Supplement.

4. Business Rate Supplement (BRS)

Under the arrangements for the Business Rate Supplement, the Authority collects a supplement for its area based on local rateable values. The total amount, less certain deductions, is paid to the Greater London Authority (GLA) on whose behalf it is collected. As at 31 March 2014 the balance repayable by the GLA is £83,000 (£194,000 in 2012/13).

5. Transitional Protection Payments

The Authority received transitional relief of £0.371 million to remove the financial impact of transitional arrangements to the business rate retention scheme.

6. Provision for Appeals

The Fund set up a new provision for appeals made to the Valuation Office against rating valuations but not settled as at 31 March 2014. During 2013/14, a provision of £0.8 million was charged to the Collection Fund. The provision for appeals is provided for in proportion to the precepting shares. The Authority's proportionate share of this provision is £0.24 million.

Group Accounts

Basis of Consolidation

Vision Redbridge Culture and Leisure

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

Under both IFRS and the CIPFA Code of Practice on Local Authority accounting in the United Kingdom 2013/14 VRCL is deemed to be a subsidiary of the London Borough of Redbridge as the Authority has the power to govern VCRL's financial and operating policies.

VRCL had been consolidated from the 2011/12 financial year and is consolidated line by line into the Group Accounts as a subsidiary. Group Accounts have been prepared on the basis of full consolidation of the financial transactions and balances of the London Borough of Redbridge and VCRL, netting out any inter party transactions.

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority and its subsidiaries, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority and its subsidiaries.

	General Fund Balance	Earmarked General Fund Reserves	HRA Balance	HRA Earmarked Reserves	Other Usable Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of Reserves of Subsidiaries, Associates and Joint Ventures	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2012	**(15,386)**	**(83,615)**	**(3,355)**	**(1,443)**	**(43,684)**	**(147,483)**	**(335,263)**	**(482,746)**	**2,986**	**(479,760)**
Movement in reserves during 2012/13										
Surplus or (deficit) on the provision of services	(762)	0	12,126	0	0	**11,364**	0	**11,364**	(1,634)	**9,730**
Other Comprehensive Income & Expenditure	0	0	0	0	0	**0**	46,016	**46,016**	2,296	**48,312**
Total Comprehensive Income & Expenditure	**(762)**	**0**	**12,126**	**0**	**0**	**11,364**	**46,016**	**57,380**	**662**	**58,042**
Adjustments between Group Accounts and Authority Accounts	(14,672)	0	(14,786)	0	(23,559)	(53,017)	53,017	0	0	0
Net (Increase)/Decrease before transfers	**(15,434)**	**0**	**(2,660)**	**0**	**(23,559)**	**(41,653)**	**99,033**	**57,380**	**662**	**58,042**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(15,434)**	**0**	**(2,660)**	**0**	**(23,559)**	**(41,653)**	**99,033**	**57,380**	**662**	**58,042**
Transfers to/from Earmarked Reserves	15,004	(15,004)	2,165	(2,165)	0	**0**	0	**0**	(287)	**(287)**
(Increase)/Decrease in 2012/13	**(430)**	**(15,004)**	**(495)**	**(2,165)**	**(23,559)**	**(41,653)**	**99,033**	**57,380**	**375**	**57,755**
Balance at 31 March 2013	**(15,816)**	**(98,619)**	**(3,850)**	**(3,608)**	**(67,243)**	**(189,136)**	**(236,230)**	**(425,366)**	**3,361**	**(422,005)**
Movement in reserves during 2013/14:										
(Surplus) or deficit on provision of services	59,746	0	(9,092)	0	0	**50,654**	0	**50,654**	(467)	**50,187**
Other Comprehensive Income & Expenditure	**0**	**0**	**0**	**0**	**0**	**0**	**(24,966)**	**(24,966)**	**(360)**	**(25,326)**
Total Comprehensive Income & Expenditure	59,746	0	(9,092)	0	0	**50,654**	(24,966)	**25,688**	**(827)**	**24,861**
Adjustment between Group Accounts and Authority Accounts	0	0	0	0	0	**0**	0	**0**	0	**0**
Net (Increase)/Decrease before transfers	**59,746**	**0**	**(9,092)**	**0**	**0**	**50,654**	**(24,966)**	**25,688**	**(827)**	**24,861**
Adjustments between accounting basis and funding basis under regulations	(71,835)	0	6,338	0	13,556	**(51,941)**	51,941	**0**	299	**299**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(12,089)**	**0**	**(2,754)**	**0**	**13,556**	**(1,287)**	**26,975**	**25,688**	**(528)**	**25,160**
Transfers to/(from) Earmarked Reserves	10,821	(10,821)	1,688	(1,688)	0	**0**	0	**0**	0	**0**
(Increase)/Decrease in 2013/14	**(1,268)**	**(10,821)**	**(1,066)**	**(1,688)**	**13,556**	**(1,287)**	**26,975**	**25,688**	**(528)**	**25,160**
Balance at 31 March 2014 carried forward	**(17,084)**	**(109,440)**	**(4,916)**	**(5,296)**	**(53,687)**	**(190,423)**	**(209,255)**	**(399,678)**	**2,833**	**(396,845)**

Group 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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

31 March 2013				31 March 2014		
Gross Expenditure £'000	Gross Income £'000	Restated Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
67,811	64,998	2,813	Central Services to the Public	43,765	41,585	2,180
21,227	7,109	14,118	Cultural and Related Services	24,985	8,082	16,903
21,624	4,534	17,090	Environmental and Regulatory Services	24,572	4,924	19,648
6,424	2,692	3,732	Planning Services	6,438	2,800	3,638
356,957	305,361	51,596	Education and Children's Services	359,596	291,107	68,489
35,487	16,032	19,455	Highways and Transport Services	37,054	15,369	21,685
37,601	26,568	11,033	Local Authority Housing (HRA)	25,140	28,495	(3,355)
193,815	187,940	5,875	Other Housing Services	197,850	183,774	14,076
89,485	23,263	66,222	Adult Social Care	91,279	27,274	64,005
0	0	0	Public Health	9,841	10,374	(533)
6,307	1,141	5,166	Corporate and Democratic Core	6,534	1,150	5,384
2,610	0	2,610	Non distributed costs	2,569	0	2,569
545	0	545	Non distributed costs (Pensions)	0	3,325	(3,325)
839,893	**639,638**	**200,255**	**Cost of Services**	**829,623**	**618,259**	**211,364**
		48,721	**Other Operating Expenditure (note 2)**			**82,725**
		21,604	**Financing and Investment Income and Expenditure (note 3)**			**19,252**
		(260,850)	**Taxation and Non-Specific Grant Income (note 4)**			**(263,154)**
		9,730	**(Surplus) or Deficit on Provision of Services**			**50,187**
		9,730	**Group (Surplus) or Deficit**			**50,187**
		2,732	Surplus or deficit on revaluation of non-current assets			(7,048)
		45,580	Actuarial Gains/Losses on Pension Fund Assets & Liabilities			(18,278)
		48,312	**Other Comprehensive Income and Expenditure**			**(25,326)**
		58,042	**Total Comprehensive Income and Expenditure**			**24,861**

Group Balance Sheet as at 31 March 2014

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

31 March 2013 £'000		31 March 2014 £'000
792,890	Property, Plant and Equipment	751,115
25,711	Investment Property	25,792
437	Intangible Assets	259
2,677	Long-term Investments	0
2,728	Long-term Debtors	2,620
824,443	**Long-term Assets**	**779,786**
138,663	Short-term Investments	145,532
258	Inventories	256
39,140	Short-term Debtors	44,131
22,125	Cash and Cash Equivalents	14,982
200,186	**Current Assets**	**204,901**
(14,435)	Short-term Borrowing	(8,611)
(70,277)	Short-term Creditors	(68,013)
(2,226)	Capital Grants Receipts in Advance	(1,462)
(86,938)	**Current Liabilities**	**(78,086)**
(10,905)	Provisions	(12,158)
(162,106)	Long-term Borrowing	(165,085)
(342,248)	Other Long-term Liabilities	(332,513)
(427)	Capital Grants/Contributions Received in Advance	0
(515,686)	**Long-term Liabilities**	**(509,756)**
422,005	**Net Assets**	**396,845**
185,775	**Usable Reserves**	**187,590**
236,230	**Unusable Reserves**	**209,255**
422,005	**Total Reserves**	**396,845**

G. Pearce, BA, CPFA
Director of Finance and Resources
23 September 2014

Group Cash Flow Statement

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Authority and its subsidiaries during the reporting year. The statement shows how the Authority and its subsidiaries generate and use cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority and its subsidiaries. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's and its subsidiaries 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 Authority and its subsidiaries.

Restated 2012/13 £'000		2013/14 £'000
(9,730)	Net deficit on the provision of services	(50,187)
99,158	Adjustments to net deficit on the provision of services for non-cash movements	135,831
(59,802)	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	(55,373)
29,626	Net cash flows from operating activities	30,271
(57,211)	Investing activities	(33,805)
(6,526)	Financing activities	(3,609)
(34,111)	**Net increase or decrease in cash and cash equivalents**	**(7,143)**
56,236	Cash and cash equivalents at the beginning of the reporting year	22,125
22,125	**Cash and cash equivalents at the end of the reporting year**	**14,982**

Cash Flow Statement – Operating Activities

The surplus or deficit on the provisions of services has been adjusted for the following non cash movements.

Restated 2012/13 £'000		2013/14 £'000
	The cash flows for operating activities include the following items:	
(9,730)	Net deficit on the provision of services	(50,187)
	Adjust net deficit on the provision of services for non-cash movements	
23,640	Depreciation	23,600
27,768	Impairment and downward valuations	11,656
256	Amortisation	228
2,473	Increase/decrease in creditors	(2,800)
(4,229)	Increase in debtors	(3,335)
29	Decrease in inventories	2
5,439	Movement in pension liability	8,801
38,120	Carrying amount of non-current assets sold or derecognised	73,938
5,662	Other non-cash items	23,741
99,158		**135,831**
	Adjust for items included in net deficit on the provision of services that are investing or financing activities	
(56,862)	Capital Grants	(49,344)
(2,719)	Proceeds from the sale of property, plant and equipment	(6,351)
(221)	Collection Fund Items	322
(59,802)		**(55,373)**
29,626	**Net cash flows from operating activities**	**30,271**

The cash flows for operating activities include the following items:

2012/13 £'000		2013/14 £'000
1,793	Interest Received	1,735
(7,335)	Interest Paid	(7,808)

Cash Flow Statement – Investing Activities

Restated 2012/13 £'000		2013/14 £'000
(47,321)	Purchase of property, plant and equipment, investment property and intangible assets	(68,537)
(64,260)	Purchase of short term and long term investments	(17,439)
(3,134)	Other payments for investing activities	(15,673)
2,693	Proceeds from the sale of property, plant, equipment, investment property and intangible assets	5,253
(2,051)	Proceeds from short term and long term investments	13,247
56,862	Other receipts from investing activities	49,344
(57,211)	**Net cash flows from investing activities**	**(33,805)**

Cash Flow Statement – Financing Activities

2012/13 £'000		2013/14 £'000
0	Cash Receipts of short term and long term borrowing	10,000
78	Other receipts from financing activities	176
(1,381)	Cash payments for the reduction of the outstanding liabilities relating to the finance leases on balance sheet PFI contracts	(618)
(5,444)	Repayments of short term and long term borrowing	(12,845)
221	Non Domestic Rate Payment to Preceptors	(322)
(6,526)	**Net cash flows from financing activities**	**(3,609)**

Notes to the Group Financial Statements

1. Accounting Policies

Vision Redbridge Culture and Leisure is a private company limited by guarantee under the Companies Act; as such they have no share capital. The Authority is required to prepare Group Accounts where it has interests in subsidiaries, associates and joint ventures. It has determined that the interest held in Vision Redbridge Culture and Leisure is such that it requires Group Accounts to be prepared. The Financial Statements in the Group Accounts are prepared in accordance with the policies set out in the statement of accounting policies on pages 18-30.

2. Other Operating Expenditure

2012/13 £'000		2013/14 £'000
12,741	Levies	13,567
469	Payments to the Government Housing Capital Receipts Pool	538
35,511	Losses on the disposal of non-current assets	68,620
48,721	**Total**	**82,725**

3. Financing and Investment Income and Expenditure

Restated 2012/13 £'000		2013/14 £'000
8,480	Interest payable and similar charges	8,030
12,980	Pensions interest cost and expected return on pensions assets	14,630
(2,191)	Interest receivable and similar charges	(1,572)
2,335	Expenditure and (income) in relation to investment properties and changes in their fair value	(1,836)
21,604	**Total**	**19,252**

4. Taxation and Non-Specific Grant Income

2012/13 £'000		2013/14 £'000
(56,862)	Recognised capital grants and contributions	(49,344)
(100,669)	Council tax	(85,816)
(94,320)	NNDR	(15,332)
(1,828)	RSG	(100,434)
(7,171)	Non service related government grants	(12,228)
(260,850)	**Total**	**(263,154)**

5. Results of Vision Redbridge Culture and Leisure Operations

The net liabilities of the company for year ended 31 March 2014 totalled £2.833 million (£3.684 million for year ended 2012/13). The company made a net loss in 2013/14 of £0.467 million (a loss of £0.743 million for year ended 2012/13).

6. 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 Authority's cash management.

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

31 March 2013 £'000		**31 March 2014 £'000**
34,522	Short Term Deposits	23,748
(12,397)	Bank Overdraft	(8,766)
22,125	**Total Cash and Cash Equivalents**	**14,982**

7. Other Information

Vision Redbridge Culture and Leisure

These group accounts have been prepared from the 2013/14 draft unaudited accounts of Vision Redbridge Culture & Leisure.

Vision Redbridge Culture & Leisure, Auditors - Appleby & Wood, 40 The Lock Building, 72 High Street, London, E15 2QB.

A copy of the Vision Redbridge Culture & Leisure Accounts can be obtained from the Company Secretary, Vision Redbridge Culture & Leisure, Central Library, Clements Road, Ilford, IG1 1EA.

Pension Fund Account for the Year Ended 31 March 2014

2012/13 £'000		Notes	2013/14 £'000
	Contributions and Benefits		
33,956	Contributions receivable	6	30,578
2,539	Transfers in	7	2,994
36,495			**33,572**
	Less:		
(26,658)	Benefits payable	8	(27,845)
(1,436)	Leavers	9	(2,860)
(511)	Administrative expenses	10	(555)
(28,605)			**(31,260)**
7,890	**Net additions from dealings with members**		**2,312**
	Returns on Investments		
12,680	Investment income	11	12,978
(532)	Irrecoverable withholding tax	11	(547)
48,268	Change in market value of investments	12(b)	9,847
(1,716)	Investment management expenses	16	(1,721)
58,700	**Net returns on Investments**		**20,557**
66,590	**Net increase in the Fund during the year**		22,869
467,138	**Net Assets of the scheme at 1 April 2013**		533,728
533,728	**Net Assets of the scheme at 31 March 2014**		**556,597**

Net Assets Statement as at 31 March 2014

2012/13 £'000		Notes	2013/14 £'000
537,290	Investment Assets	12	560,345
(3,085)	Investment Liabilities	12	(3,351)
181	Current Assets	17	236
(658)	Current Liabilities	17	(633)
533,728	**Net Assets of the Scheme at 31 March 2014**		**556,597**

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

I certify that the Pension Fund Account and Net Assets Statement presents a true and fair view of the income and expenditure in 2013/14 and the Pension Fund's financial position as at 31 March 2014.

G. Pearce BA, CPFA
Director of Finance and Resources
23 September 2014

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 Authority employees (except teachers, who have a separate scheme) and to various admitted and scheduled bodies.

During 2013/14 Loxford, Beal and St Aidan's Schools converted to Academies and therefore became separate employers in the scheme. In addition Imagine Independence and Ground Control Ltd became admitted bodies in the scheme. Also during 2013/14 Housing 21 ceased to be an employer in the scheme.

The scheduled bodies in the scheme as at 31 March 2014 were: Redbridge College, Chadwell Heath Academy, Mayfield School, Ilford Ursuline Academy, Little Heath School, Forest Academy, Palmer Academy, Isaac Newton Academy, Aldborough Free School, Loxford Academy, St Aidan's Academy and Beal Academy.

The admitted bodies in the scheme as at 31 March 2014 were: Redbridge Theatre Company Limited, Morrison Facility Management Limited, Redbridge Vision Culture & Leisure, Imagine Independence Ltd and Ground Control Ltd.

As at 31 March 2014 the membership of the scheme was as follows:

Active Members	As at 31 March 2013	As at 31 March 2014
Redbridge Council	4,475	4,654
Scheduled Bodies	338	535
Admitted Bodies	231	237
TOTAL	**5,044**	**5,426**

Pensioners	As at 31 March 2013	As at 31 March 2014
Redbridge Council	4,060	4,243
Scheduled Bodies	82	92
Admitted Bodies	131	48
TOTAL	**4,273**	**4,383**

Deferred Members	As at 31 March 2013	As at 31 March 2014
Redbridge Council	4,315	4,520
Scheduled Bodies	238	294
Admitted Bodies	75	47
TOTAL	**4,628**	**4,861**

Since May 2004, Councillors under the age of 70 have been entitled to join the Pension Scheme. 27 Councillors contribute to the scheme. However, following amendments to the scheme regulations effective from 1 April 2014 Councillors will not be eligible to join the scheme.

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 2007 and range from 5.5% to 7.5% 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 Authority to the Pension Fund Investment Panel, 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 Statement of Investment Principles.

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 2013/14 financial year and its position at year-end as at 31 March 2014. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2013/14 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 actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis is disclosed at Note 42 of the accounts of the London Borough of Redbridge.

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.

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.

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 basis. Investment income on overseas investments has 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 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** – 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.

G) **Administration Expenses** – all administrative expenses are accounted for on an accruals 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 Authority's policy.

H) **Investment Management Expenses** – all investment management expenses are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointment. Broadly, these are based on the market value of the investments under their management and therefore increase or decrease as the value of these investments change.

The cost of obtaining investment advice from external consultants is included in investment management charges.

The costs of the Authority's in-house fund management team are charged direct to the fund and a proportion of the Authority's costs representing management time spent by officers on investment management are also charged to the fund.

Net assets statement

I) **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 Authority in accordance with its Treasury Management policy.

J) **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.

K) **Derivatives** – the fund uses derivative financial instruments to manage its exposure to specific risk arising from its investment activities. The fund does not hold derivatives for speculative purposes. Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivatives contracts are included in change in market value.

L) **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.

M) **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.

N) **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 IAS 26, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 21).

O) **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 2009, but are disclosed as a note only (Note 22).

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 Authority 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 20. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. Events after the Year End Date

There have been no events since 31 March 2014 and up to the date when these accounts were authorised that require any adjustment to these accounts.

6. 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 7.5% of pensionable pay. The Fund's Actuary determines employer contribution rates (as a percentage of pensionable pay) which currently range from 12.5% to 23.1% 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.

		2012/13 £'000	2013/14 £'000
Employers			
	LBR	21,660	21,366
	Scheduled Bodies	1,270	1,363
	Admitted Bodies	4,310	1,130
		27,240	**23,859**
Members			
	LBR	5,911	5,925
	Scheduled Bodies	422	441
	Admitted Bodies	383	353
		6,716	**6,719**
		33,956	**30,578**

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

	2012/13 £'000	2013/14 £'000
Normal Employer Contributions	15,503	15,537
Deficit Payments *	8,239	7,887
Cessation Payment	3,007	115
Augmentation (Early Retirements)	491	320
	27,240	**23,859**

* The deficit recovery policy is set out in the Scheme's Funding Strategy Statement

7. Transfers In

Sums received for scheme members from other pension schemes that relate to periods of previous pensionable employment.

	2012/13 £'000	2013/14 £'000
Individual Transfers from other schemes – LBR	2,539	2,994
	2,539	**2,994**

8. Benefits Payable

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

	2012/13 £'000	2013/14 £'000
Pensions - LBR	19,422	20,158
- Scheduled Bodies	449	483
- Admitted Bodies	614	659
Commutation of Pensions and Lump Sum Retirement Benefits	5,432	5,014
Lump Sum Death Benefit	693	1,495
Interest	48	36
	26,658	**27,845**

9. Payments to and on Account of Leavers

Regulations permit a refund of employee contributions to be made to new members with less than three months 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.

	2012/13 £'000	2013/14 £'000
Refunds to members	2	5
Individual Transfers to other Schemes	1,434	2,855
	1,436	**2,860**

10. Administrative Expenses

In accordance with the regulations, all administrative expenses are chargeable to the Fund. The London Borough of Redbridge carries out the administrative function in-house.

	2012/13 £'000	2013/14 £'000
Administration and processing	474	473
Actuarial fees	18	61
Audit fees	19	21
	511	**555**

11. Investment Income

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

	2012/13 £'000	2013/14 £'000
Fixed interest securities	6,998	7,180
Index Linked	118	42
Equities	3,703	3,377
Pooled Equity Unit Trusts	0	0
Property Unit Trusts	1,569	2,198
Cash Deposits	29	14
Other Investment Income	263	167
	12,680	**12,978**
Less irrecoverable withholding tax	(532)	(547)
	12,148	**12,431**

12. Investments

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

	2012/13 £'000	2013/14 £'000
Investment Assets		
Fixed interest securities (including index-linked)	155,269	166,730
Equities	99,883	95,610
Pooled Investments	211,968	227,190
Pooled Property Investments	42,511	49,281
Derivatives	923	617
Futures	0	611
Commodities	5,152	3,902
Cash Deposits	18,272	13,923
Investment Income Due	2,298	2,223
Amounts Receivable for sales	1,014	258
Total Investment Assets	**537,290**	**560,345**
Investment Liabilities		
Derivative Contracts	(1,385)	(527)
Futures	(1,151)	0
Amounts Payable for purchases	(549)	(2,824)
Total Investment Liabilities	**(3,085)**	**(3,351)**
Net Investment Assets	**534,205**	**556,994**

The table below shows a detailed analysis of the investments held by the Fund as at 31 March 2014 with comparison table showing detailed analysis of the investments held by the Fund as at 31 March 2013.

	Value at 31/03/13 £'000	Purchases at cost £'000	Sales Proceeds £'000	Change in Fair value £'000	Cash movement £'000	Value at 31/03/14 £'000
Equities	99,883	47,732	(53,137)	1,132	0	95,610
Fixed Interest Securities	153,334	82,093	(60,548)	(10,604)	0	164,275
Index Linked	1,935	899	(637)	258	0	2,455
Pooled Equity Unit Trusts	211,968	3	(82)	15,301	0	227,190
Property Unit Trusts	42,511	3,345	0	3,425	0	49,281
Commodities	5,152	149	0	(1,399)	0	3,902
	514,783	**134,221**	**(114,404)**	**8,113**		**542,713**
Derivative Contracts						
Derivatives	(462)	6,596	(3,382)	(2,662)	0	90
Currency Futures	(1,151)	508,543	(508,543)	5,063	(3,301)	611
	513,170	**649,360**	**(626,329)**	**10,514**	**(3,301)**	**543,414**
Other Balances						
Cash Deposits	18,272	0	0	(667)	(3,682)	13,923
Receivable – Sales	1,014				(756)	258
Receivable - Investment Income	2,298				(75)	2,223
Payable - Purchases	(549)				(2,275)	(2,824)
	534,205	**649,360**	**(626,329)**	**9,847**	**(10,089)**	**556,994**

	Value at 31/03/12 £'000	Purchases at cost £'000	Sales Proceeds £'000	Change in Fair value £'000	Cash movement £'000	Value at 31/03/13 £'000
Equities	73,888	43,840	(26,861)	9,016	0	99,883
Fixed Interest Securities	156,557	82,488	(97,025)	11,314	0	153,334
Index Linked	5,937	322	(4,603)	279	0	1,935
Pooled Equity Unit Trusts	178,807	4,457	0	28,704	0	211,968
Property Unit Trusts	27,810	15,574	0	(873)	0	42,511
Commodities	5,342	3,317	(3,353)	(154)	0	5,152
	448,341	**149,998**	**(131,842)**	**48,286**		**514,783**
Derivative Contracts						
Derivatives	(521)	6,082	(7,626)	1,603	0	(462)
	447,820	**156,080**	**(139,468)**	**49,889**		**514,321**
Other Balances						
Cash Instruments	1	0	0	(1)	0	0
Cash Deposits	17,370	0	0	(469)	1,371	18,272
Currency Futures	0	0	0	(1,151)	0	(1,151)
Receivable – Sales	59				955	1,014
Receivable - Investment Income	2,324				(26)	2,298
Payable - Purchases	(630)				81	(549)
	466,944	**156,080**	**(139,468)**	**48,268**	**2,381**	**534,205**

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.

The cost of purchases and the sales proceeds are inclusive of transaction costs, such as broker fees and taxes, amounting to £0.2 million (£0.2 million in 2012/13). In addition to transaction costs, 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.

Cash balances invested by the Authority on behalf of the Pension Fund are included within cash deposits. As at 31 March 2014 the Authority invested cash amounting to £1.4 million (£1.8 million at 31 March 2013).

The Fund Manager, Newton, seeks to benefit from the potentially greater returns available from investing in equities whilst minimising the risk of loss of value through adverse equity price movements. During the year the Fund bought a number of option contracts that help protect against the volatility of the stock markets.

	2012/13 £'000	2013/14 £'000
Equities		
UK Quoted	21,362	20,351
Overseas Quoted	78,521	75,259
	99,883	**95,610**
Fixed Interest Securities		
UK – Public Sector	58,164	65,249
Overseas – Public Sector	17,199	24,707
UK - Other	38,734	38,521
Overseas- Other	39,237	35,798
	153,334	**164,275**
Index Linked Securities		
UK – Public Sector	1,935	1,851
Overseas – Other	0	604
	1,935	**2,455**
Pooled Investment Vehicles		
Unit trusts – UK	120,093	130,731
Unit trusts – Overseas	91,875	96,459
	211,968	**227,190**
Property Unit Trusts		
UK	42,511	49,281
	42,511	**49,281**
Cash		
Sterling Deposits	18,272	13,923
	18,272	**13,923**
Commodities		
Commodities	5,152	3,902
	5,152	**3,902**
Derivatives		
Call Options	(837)	(486)
Put Options	375	576
	(462)	**90**
Investment Balances		
Investment Income Due	2,298	2,223
Outstanding Sales	1,014	258
Outstanding Purchases	(549)	(2,824)
	2,763	**(343)**

A summary of individual investments exceeding 5% of the Fund's total net assets is set out below:

Investment	**31 March 2014**	**% of net assets**
UK Equity Index Unit Trust	128,736	23.2%
North America Equity Index Unit Trust	34,616	6.2%
Europe ex UK Equity Index Unit Trust	30,918	5.6%

A summary of the options held at the year-end is set out below:

Notional Holding	Market Value as at 31.03.13 £'000	Asset	Expiring	Put/Call	Notional Holding	Market Value as at 31.03.14 £'000
0	0	S&P 500 Index	One Month	Put	139	7
0	0	S&P 500 Index	Two Month	Put	124	102
389	18	CBOE SPX Index	Two Month	Call	0	0
1,119	146	CBOE SPX Index	Three Month	Put	0	0
0	0	S&P 500 Index	Three Month	Put	184	508
116	50	FTSE 100	Three Month	Put	0	0
696	82	CBOE SPX Index	Four Month	Call	0	0
184	140	S&P 500 Index	Six Month	Put	0	0
116	128	FTSE 100	Six Month	Put	0	0
184	359	S&P 500 Index	Six Month	Put	0	0
	923					**617**

Notional Holding	Market Value as at 31.03.13 £'000	Liability	Expiring	Put/Call	Notional Holding	Market Value as at 31.03.14 £'000
0	0	S&P 500 Index	Two Month	Put	(124)	(41)
(116)	(49)	FTSE 100	Three Month	Call	0	0
(116)	(24)	FTSE 100	Three Month	Put	0	0
(184)	(85)	S&P 500 Index	Three Month	Put	0	0
(184)	(374)	S&P 500 Index	Three Month	Call	(184)	(486)
(116)	(76)	FTSE 100	Six Month	Put	0	0
(116)	(71)	FTSE 100	Six Month	Call	0	0
(184)	(264)	S&P 500 Index	Six Month	Put	0	0
(184)	(442)	S&P 500 Index	Six Month	Call	0	0
	(1,385)					**(527)**
	(462)	**NET**				**(90)**

Asset Value at 31.03.13 £'000	Liability Value at 31.03.13 £'000	Currency	Asset Value at 31.03.14 £'000	Liability Value at 31.03.14 £'000
55,733		Sterling	56,818	
	(8,096)	US Dollars		(17,937)
	(3,035)	Canadian Dollars		(2,323)
	(519)	Swiss Franc		(1,441)
	(6,943)	Australian Dollars		(6,742)
	(5,549)	Japanese Yen		(2,526)
	(6,303)	Norwegian Krone		(1,979)
4,108		Singapore Dollar	3,379	
	(4,043)	Swedish Kroner		(3,407)
	(1,853)	Danish Krone		(1,711)
	(24,651)	Euro		(21,520)
59,841	**(60,992)**		**60,197**	**(59,586)**

12(a) 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 of the financial assets and liabilities as at the 31 March 2014, by category and net asset statement heading. No financial assets were reclassified during the accounting period.

2012/13				2013/14		
Designated as fair value through profit & loss £'000	**Loans & Receivables £'000**	**Financial Liabilities at amortised cost £'000**		**Designated as fair value through profit & loss £'000**	**Loans & Receivables £'000**	**Financial Liabilities at amortised cost £'000**
			Financial Assets			
153,334			Fixed Interest Securities	164,275		
1,935			Index Linked Securities	2,455		
99,883			Equities	95,610		
211,968			Pooled Investments	227,190		
42,511			Pooled Property Investments	49,281		
5,152			Commodities	3,902		
923			Derivative contracts	576		
0			Currency Futures	611		
	18,272		Cash		13,923	
	3,493		Debtors		2,717	
515,706	**21,765**	**0**	**TOTAL**	**543,900**	**16,640**	**0**
			Financial Liabilities			
(1,385)			Derivative Contracts	(486)		
(1,151)			Currency Futures			
		(549)	Unsettled trades			(2,824)
		(658)	Creditors			(633)
(2,536)	**0**	**(1,207)**	**TOTAL**	**(486)**	**0**	**(3,457)**
513,170	**21,765**	**(1,207)**	**GRAND TOTAL**	**543,414**	**16,640**	**(3,457)**

12 (b) Net Gains and Losses on Financial Instruments

31.03.13 £'000		**31.03.14 £'000**
	Financial Assets	
48,738	Fair value through profit & loss	25,179
0	Loans and receivables	(667)
48,738		**24,512**
	Financial Liabilities	
(470)	Fair value through profit & loss	(14,665)
48,268	**TOTAL**	**9,847**

12 (c) Fair Value of Financial Instruments and Liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair value.

31.03.13 Carrying Value £'000	31.03.13 Fair Value £'000		31.03.14 Carrying Value £'000	31.03.14 Fair Value £'000
		Financial Assets		
435,701	515,706	Fair value through profit & loss	464,663	543,900
21,661	21,765	Loans and Receivables	16,639	16,640
457,362	**537,471**	**Total Financial Assets**	**481,302**	**560,540**
		Financial Liabilities		
(1,385)	(2,536)	Fair value through profit & loss	(486)	(486)
(1,207)	(1,207)	Financial Liabilities at amortised cost	(3,457)	(3,457)
(2,592)	**(3,743)**	**Total Financial Liabilities**	**(3,943)**	**(3,943)**

12 (d) Valuation of Financial Instruments carried at fair value

The valuation of financial instruments has been classified into two 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.

Values as at 31 March 2014	Level 1 £'000	Level 2 £'000	TOTAL £'000
Financial Assets			
Financial Assets at fair value through profit & loss	245,646	298,254	543,900
Loans and receivables	16,640	0	16,640
Total Financial Assets	**262,286**	**298,254**	**560,540**
Financial Liabilities			
Financial liabilities at fair value through profit & loss	(486)	0	(486)
Financial liabilities at amortised cost	(3,457)	0	(3,457)
Total Financial Liabilities	**(3,943)**	**0**	**(3,943)**
Net Financial Assets	**258,343**	**298,254**	**556,597**

Assets as at 31 March 2013	Level 1 £'000	Level 2 £'000	TOTAL £'000
Financial Assets			
Financial Assets at fair value through profit & loss	241,262	274,444	515,706
Loans and receivables	21,765	0	21,765
Total Financial Assets	**263,027**	**274,444**	**537,471**
Financial Liabilities			
Financial liabilities at fair value through profit & loss	(1,385)	(1,151)	(2,536)
Financial liabilities at amortised cost	(1,207)	0	(1,207)
Total Financial Liabilities	**(2,592)**	**(1,151)**	**(3,743)**
Net Financial Assets	**260,435**	**273,293**	**533,728**

12(e) Risk and Risk Management

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 Authority 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 Authority and the Fund's investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Exchange traded option contracts on individual securities are used periodically to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

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. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

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 Authority to ensure it is within limits specified in the fund's investment strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected instrument return movements during the financial year, in consultation with the fund's performance monitoring advisers, the Authority has determined that the following movements in market price risk are reasonably possible for the 2014/15 reporting period.

Asset Type:	**Potential Market movement (+/-)**
UK Equities	11.32%
Overseas Equities	9.79%
UK Government Bonds	8.64%
UK Corporate Bonds	7.46%
Overseas Bonds	6.81%
Index-Linked	9.66%
Property	1.72%
Commodities	18.92%
Cash	0.02%

If the market price of the fund investments had increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows:

Price Risk:

Asset Type	Value £'000	% Change *	Value on Increase £'000	Value on Decrease £'000
UK Equities	151,082	11.32%	168,184	133,980
Overseas Equities	171,719	9.79%	188,530	154,908
UK Government Bonds	65,249	8.64%	70,887	59,611
UK Corporate Bonds	38,520	7.46%	41,394	35,646
Overseas Bonds Inc. Hedging	60,505	6.81%	64,625	56,385
Index Linked	2,455	9.66%	2,692	2,218
Property	49,281	1.72%	50,129	48,433
Commodities	3,992	18.92%	4,747	3,237
Cash	13,794	0.02%	13,797	13,791

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. £Sterling.

A 4.88% fluctuation in the currency is considered reasonable based on the Fund's performance monitoring adviser's analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period.

A 4.88% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency Risk (by asset class):

Asset Type	Value £'000	% Change *	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	171,719	4.88%	180,099	163,339
Overseas Bonds	54,707	4.88%	57,377	52,037
Overseas Alternatives	3,992	4.88%	4,187	3,797

- % change has been rounded to 0.01 decimal point

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.

Contractual credit risk is represented by the net payment or receipt that remains outstanding and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Liquidity Risk
Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The Authority 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 Authority. The levels of cash held are reviewed by the Authority as part of the periodic cash-flow 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.

13. Fund Management

As at 31 March 2014, the fair value of assets under management was £557 million. 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. 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 Statement of Investment Principles, the asset allocation may be varied and rebalancing may be suspended at the discretion of the Pension Fund Investment Panel. As at 31 March 2014, the Fund was allocated as shown in the table below:

Manager	Mandate	Value of Portfolio £'000	% of the Fund %
Standard Life	Fixed Income Mandate	125,528	22.55%
Newton	High Alpha Mandate	141,694	25.46%
SSgA	Global Equity Index Tracking Mandate	205,544	36.93%
BlackRock	Asia Pacific Equity Mandate	13,503	2.43%
Schroders	Emerging Markets Equity Mandate	19,652	3.53%
BlackRock	Property	19,838	3.56%
Schroders	Property	29,787	5.35%
LBR	Cash	1,051	0.19%
		556,597	**100%**

14. Investments as at 31 March 2014

Investments: the Fund's asset mix was as follows:

	2012/13	2013/14
Equities	58%	57%
Bonds	29%	30%
Property	8%	9%
Cash and other investments	5%	4%
	100%	**100%**

15. Statement of Investment Principles

The Authority is required by law to prepare and publish a Statement of Investment Principles (SIP). 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 SIP can be found on the Authority's website www.redbridge.gov.uk.

16. Investment Management Expenses

The fees in respect of the Fund's general investment management have been accounted for on the basis contained within the appropriate management agreements. A proportion of relevant Authority officers' salaries, including on-costs, have been charged to the Fund in respect of time spent on investment related business.

	2012/13 £'000	2013/14 £'000
Fund Manager Fees	1,623	1,626
Custodian Fees	72	78
Performance Management Services	17	17
Other Advisory & Investment Fees	4	0
	1,716	**1,721**

17. Current Assets and Liabilities

	2012/13 £'000	2013/14 £'000
Contributions due	181	193
Prepaid Expenses	0	43
Total of Current Assets	**181**	**236**
Accrued benefits	(220)	(49)
Accrued expenses	(438)	(584)
Total of Current Liabilities	**(658)**	**(633)**

18. Stock Lending

The Fund does not participate in stock lending arrangements.

19. Related Party Transactions

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 Authority of the Pension Fund were £420,309 (£375,900 in 2012/13).
- Investment services undertaken by the Authority of the Pension Fund were £115,900 (£116,000 in 2012/13).

20. Actuarial Valuation

In 2013/14, the contribution paid by the Authority as an employer was determined following an actuarial valuation of the Fund as at the 31 March 2010. The valuation as at 31 March 2010 set the employer's contribution rates for the years 2011/12, 2012/13 and 2013/14. 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	2.8%
The rate of return on investments	4.8%
''Gilt-based'' discount rate	4.5%
The level of increase in earnings growth	4.6%

The result of the 2010 valuation was that the value of the Fund's assets was actuarially assessed as £397 million, which was sufficient to meet 71% 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 2010 valuation, those employers within the Fund that have funding shortfalls are required to make repayment over an agreed period in accordance with the policies set out in the Pension Fund's Funding Strategy Statement (available on the Authority's web site www.redbridge.gov.uk), and certified by the Actuary in the Actuarial Report. The new employer contribution rates and shortfall payments commenced from 1 April 2011.

21. Actuarial Present Value of Promised Retirement Benefits

The Fund's Actuary prepares reports for the purposes of IAS19 for the Authority and other employers participating in the Pension Fund upon request. Further information pertaining to the Authority is included at note 42 of the Notes to the Core Financial Statements on pages 73 to 77 of the Authority's accounts.

The Actuary has calculated that the liabilities at 31 March 2014 for the entire Fund comprises of:

Type of Member	**2012/13 Liability £'million**	**2013/14 Liability £'millions**
Employees	469	388
Deferred Members	135	150
Pensioners	258	327
Total	**862**	**865**

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 IAS19 information).

	31 March 2013 £'millions	**March 2014 £'millions**
Present value of funded obligations	(862)	(865)
Fair value of Fund Assets	534	557
Net Liability for the whole Fund	**(328)**	**(308)**

These calculations have been determined using the following financial assumptions:

Year Ended	**31 March 2013 % p.a.**	**31 March 2014 % p.a.**
Inflation / Pension Increase Rate	2.8	2.6
Salary Increase Rate	4.6	3.4
Discount Rate	4.5	4.1

22. Additional Voluntary Contributions (AVC's)

The Authority 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. The Authority has appointed Clerical Medical and Standard Life as joint AVC providers to provide a range of AVC fund options. A residual arrangement remains with the Authority's previous provider, Equitable Life, specifically for pension fund members who were contributing to this fund and wished to continue to do so. A total of 24 members of the Pension Fund contribute to the AVC schemes. In 2013/14 £49,139 of contributions were made to the AVC Scheme (£46,348 in 2012/13). The Authority, as employer, does not make any contribution to the AVC scheme and these funds do not form part of the Authority's Pension Fund accounts.

23. Contingent Liabilities

There were no material contingent liabilities or contractual commitments at the year-end (2013 - Nil).

Annual Governance Statement 2013/14

Each year the Authority is required by law to produce a statement that details the framework for making decisions and controlling the resources of the Authority. The statement covers both the Authority's governance arrangements as well as internal control issues. This statement should enable stakeholders to have an assurance that decisions are properly made and public money is being properly spent on citizens' behalf. The statement below complies with the Accounts and Audit Regulations 2011 as amended.

Scope of responsibility

Redbridge is responsible for ensuring that its business is conducted in accordance with the law and proper standards. That public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Redbridge also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these obligations, Redbridge is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Redbridge's local Code of Corporate Governance is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. A copy of the Code is on our website, forming part of the Constitution, or it can be obtained from the Authority's Monitoring Officer. This statement explains how Redbridge currently complies with the Code and also meets the requirements of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement.

The purpose of the Governance Framework

The Governance Framework comprises the systems, processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Redbridge's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Redbridge's governance framework is established through its systems, processes, cultures and values. The Authority's systems and controls are regularly reviewed to reflect changing needs. The local Code has been incorporated into the Constitution as a single point of reference for the Authority's framework for its Governance arrangements. The Governance Framework has been in place at Redbridge for the year ended 31 March 2014, and up to the date of approval of the Statement of Accounts.

The Governance Framework

The key elements of the systems and processes that comprise the Authority's governance arrangements are described in more detail in this statement.

Vision and Purpose

Redbridge Authority has the vision 'To make Redbridge a better place to live'. This is supported by six aims, that Redbridge should be 'A safer place to live', 'A cleaner, greener place to live', 'A better place to learn', 'A better place for care', 'A better place for business', and 'A better place to live together'.

The Redbridge Corporate Strategy 2012-2014 was agreed in November 2012. The Corporate Strategy sets out key achievements between 2010 and 2012 and priorities for 2012-2014. The eight priorities are: safer communities; enhancing the environment; improving health and wellbeing; economic growth; enabling independent living; educational excellence; supporting young people; and efficiency and transparency. These are underpinned by a shared set of themes to guide the way we work across the Authority and with our partners to ensure we continue to deliver on our priorities. These are: engagement; partnership; volunteering; innovation; prevention/early intervention; equalities; and efficiency.

To support the corporate priorities, the Authority has a service area planning process. Service Plans set out how the Service will contribute to the delivery of the Corporate Strategy, key objectives and deliverables in 2013/14 and key performance information. Also included is an indication of the capacity and resources available and a brief review of achievements. Plans are supported by team work programmes and individual performance plans that ensure that teams and individual members of staff all contribute to achieving the Authority's vision, aims and priorities.

A new corporate strategy will be developed for 2014 to run through to 2018 and be presented for approval at the Council meeting in November 2014.

Performance Management and Reporting

The performance management framework demonstrates how effective the actions being taken are and assists in monitoring progress in the way in which the Authority's strategies are translated into action. It also helps to identify if any risks are materialising when indicators do not show the level of progression anticipated. The performance management framework is therefore instrumental in identifying and mapping continuous improvement of services across the Authority.

The fundamentals of performance management are becoming increasingly embedded in the way the Authority operates. There is:

- a corporately defined process that ensures Service Plans are linked to corporate priorities, and in turn linked to arrangements for individual appraisal and personal development;
- an arrangement in all Clusters, whereby performance indicators (PIs) are tracked through Cluster management teams;
- a visible system introduced through the Authority's performance management system (Corvu) that ensures that the Authority has a clear and consistent picture of performance, using a 'traffic light' system to highlight good and poor performance; and
- a number of mechanisms whereby performance in individual areas is reported to Members in the Cabinet and Committees; this information is also available to all other Members through published reports.

Performance management arrangements and targets are reviewed annually using benchmarking information to set challenging targets. The priorities from the Corporate Strategy will be measured by a revised set of indicators, identified as part of the 2014/15 target setting exercise.

Authority Constitution

This sets out the roles and responsibilities of Members and Officers. It provides details about how decisions are made and who can make them. It also contains the rules for managing our finances and resources effectively. The Authority's rules and regulations form part of the Constitution. The Constitution, published on the Authority's website, sets out how the Authority operates, as detailed in documents such as Standing Orders and the Scheme of Delegation. The Scheme of Delegation states who is authorised to make decisions in particular areas. Alongside this the Authority has financial regulations, which provide details of officers' responsibilities for the Authority's control environment relating to income, expenditure, internal control, risk management and partnerships. To support officers when they are making purchases the Authority has developed Contract Standing Orders and a Procurement Code of Practice. The Scheme of Delegation and Financial Regulations are regularly kept under review.

Codes of Conduct

The Code of Conduct for Members, under the Localism Act 2011, was adopted by the Authority and came into effect from 1 July 2012. Training on the Code has been provided to Members, and further sessions are arranged as considered necessary by the Monitoring Officer. Members are required to complete a Declaration of Financial and Other Interests following the introduction of the new Code, or on taking Office, and to keep the Declaration up to date. Members were/are also required to declare at meetings any disclosable pecuniary, personal or prejudicial interests they have in matters under consideration by the committee. Members' Declarations of Financial and Other Interests (which will include any hospitality or gift they have received valued at £25 or more); together with details of interests they have declared at meetings, are available for inspection on the Authority's Website. To ensure that these arrangements are kept under vigorous review, the Standards Committee receives a schedule at each of its meetings containing information that enables it to monitor the operation of the Code of Conduct.

The Code of Conduct for Employees is available on the Authority's intranet site. It explains that citizens and service users expect high standards of all employees and provides guidance on how to achieve this. Employees are made aware of this Code of Conduct through the induction process.

Audit Committee functions
The Authority has an Audit Committee, established in January 2006, which complies with the relevant CIPFA guidance. The Audit Committee has a comprehensive work programme that covers Corporate Governance (including an overview of the Annual Governance Statement); Financial Management; Internal Control and Risk Management; Anti-Fraud and Whistleblowing and Internal and External Audit. The Audit Committee receives and challenges reports from management and auditors and has, where appropriate, called to account the relevant Chief Officers on key issues and high-risk areas in order to gain necessary assurances. Each year the Audit Committee assesses its effectiveness against CIPFA guidance and also produces an annual report summarising its work.

Risk Management
The Authority has embedded risk management processes throughout its structure. A Risk Management Policy and Strategy is agreed by Management Board and Cabinet on an annual basis and both receive regular reports on the progress made in managing those risks identified at a corporate level. Similarly, the Audit Committee also receive regular reports and are able to forward their comments to Cabinet for consideration.

At operational level, risk is assessed and managed both at cluster and service area levels on a regular basis. Risks identified at corporate level are used to inform the assessments at cluster and service area. Likewise, overarching risks from these areas can be used in the corporate assessment.

Risk identification and management processes are also in place for projects, partnerships and contracts. Given the growing use of partnerships to deliver services, the processes of risk identification and management have been enhanced to reflect the greater number and complexity of such arrangements.

Compliance with policies, laws and regulations
The constitution sets out the legal framework for making decisions and publishing them. There is a robust scrutiny system in place to ensure that the work of the Authority complies with all appropriate policies, laws and regulations. Committees have the power to call in and review any key decisions. They actively scrutinise the budget proposals made by Cabinet and they can refer certain matters to full Council.

The Authority has a number of statutory officers. The role of Head of Paid Service is undertaken by the Chief Executive; the role of Section 151 officer (Local Government Act 1972) is undertaken by the Director of Finance and Resources; and the role of Monitoring Officer are undertaken by the Borough Solicitor and Secretary. Each has the power to refer matters to full Council if a breach of regulation is possible. These officers form part of the Management Board. None of these officers have been required to use this specific power during the year. The statutory officers provide professional advice on all key decision-making reports to ensure legal, financial, risk management, procedure and equality implications are addressed.

Under the provisions of the Children Act 2004 the Local Authority also has a Statutory Officer with responsibility for Children's Services. This role is carried out by the Director of Children's Services. Likewise the Authority has a lead Member for Children Services in the Authority's Cabinet with this portfolio. The Authority has a Director with responsibility for Adult Social Services (Director of Adult Social Services and Housing) and also has a Director of Public Health. There are also elected Members with these portfolios' who are Members of Cabinet.

The Authority has a number of policies in place such as treasury management policies, money laundering policy and a variety of employment policies and procedures, which are kept under regular review and updated as necessary.

Counter Fraud including Whistle-blowing
The Authority has in place an Anti-Fraud and Corruption Strategy and Fraud Response Plan to ensure it remains effective and adaptive to emerging issues and risks. The key components that support this Strategy are:

- Whistleblowing arrangements that are publicised and are available to the general public, employees, contractors and partners. Reports on the outcomes of referrals are regularly submitted to management and the Audit Committee to ensure that all appropriate actions are taken to counter proven allegations. Surveys are periodically undertaken to gain an understanding of the perceptions and confidence of the Authority's whistleblowing arrangements;
- Delivering a programme of anti-fraud training and guidance, including a council wide e-learning tool which over 2,000 staff have participated in to date and which has been rolled out to schools. The Authority has participated in the National Fraud Authority's SPOT IT STOP IT fraud awareness campaign, to instil a culture and awareness that fraud will not be tolerated;
- Participating in the National Fraud Initiative (NFI), a computerised data matching exercise conducted by the Audit Commission, designed to detect fraud perpetrated on public bodies;
- Establishing a tenancy fraud sub-letting team to identify and investigate instances of fraudulent sub-letting.

Complaints process
The Authority has a recognised complaints process. This takes the form of a two-stage process enabling the public to escalate their complaints if they are dissatisfied with the answer they receive. Details of complaints are monitored by Members and Officers.

Members also receive enquiries and complaints via their surgeries, public meetings or by correspondence. The Authority has a team of staff supporting Members in addressing these queries to ensure that the public receive an appropriate answer.

If not satisfied by the Authority's process, members of the public can complain to the Local Government Ombudsman. Responding to these complaints is dealt with by Service Areas, but co-ordinated centrally.

Complaints are analysed and assessed so that the organisation can identify trends and issues and, if necessary, put in place changes and improvements to seek to prevent the problem recurring.

Information Governance
The Authority has strong arrangements to promote information governance across the Council. The Lead Member for Finance and Resources has incorporated information governance into their portfolio, and there are regular reports to Audit Committee. A report to Cabinet on Information Governance was taken on 8th April 2014. Elected members have been trained in information governance, and a session on data protection and information security was held for the new intake of members in June 2014. Additionally within the Authority there is a high-level Information Governance Board, regular reporting to Management Board, and numerous communications and training events. In 2013/14, the following successes were achieved:

- All staff have been set up with EGRESS mailboxes to ensure that they can communicate securely outside of the Authority;
- Nearly 1,000 staffs have undergone face to face training on data protection and information security. Many more have taken web-based training courses;
- The Information Security policy was deployed to all staff through the MetaCompliance online policy acceptance solution;
- Information Asset Owners have been identified, and work continues on an information audit to ensure strong risk management is applied to information in all formats.

Training and development
Members have a support officer and a development program to keep them up to date with changes and to support training needs. Training is supplemented by information through briefings, conferences and bulletins.

The Authority has a commitment that every member of staff receives a six monthly appraisal to discuss performance, targets and personal development. The Authority provides a range of training opportunities for managers and staff to ensure that they can deliver excellent service. In addition managers are required to undertake Discipline, Grievance and Dignity at Work training on the respective policies and procedures that are in place.

Communication and engagement
Communication is key to the Authority being able to carry out its core business efficiently and effectively. The Authority has a responsibility to ensure residents know how they can access important and essential information and are aware of local issues. Poor communication about services will lead to increased demand on the Customer Contact Centre and other information services. In a climate where the Authority is trying to reduce face-to-face and phone contact and drive residents online, it is even more important.

The Authority has a number of communication methods it uses to inform and collaborate with its residents. Redbridge Life is the Authority's quarterly printed publication which is distributed to all homes and businesses across the Borough. Redbridge I is the Authority's innovative and award-winning website. It has over 70,000 registered users and their number is increasing at an average of over 1,000 a month.

The website is interactive and allows local people to find information on a range of services including recycling, access to benefits, schools, planning issues and social care among many more.

Residents can also report street scene issues online such as potholes, faulty street lights and dog fouling and receive notification of progress on fixing them.

The Authority has a function on Redbridge I called Your Account which provides registered users with more detailed personalised information relating to the area in which they live. This means they can view their council tax accounts, find and view planning applications near their address, check rubbish collection dates and any changes, see local area committee meeting dates and apply for Redbridge jobs online.

The Authority has also developed a number of e-newsletters to target specific audiences about issues and information that they find interesting such as crime and community safety, business news and jobs and training opportunities. The flagship e-newsletter is Redbridge Live which is sent monthly to over 26,000 subscribers.

The Authority is becoming more reliant upon talking to and responding to residents' queries and concerns on social media channels and has a number of Twitter feeds and Facebook pages. These channels are an important way to reach many of our residents with news and updates about Council services and events in a timely manner.

The Authority is a major employer and has a responsibility to communicate effectively with its staff, which it does through a monthly e-bulletin and the cascade principle of communication through line managers.

Communications are also essential to encouraging residents to change their behaviour thereby enabling the Authority to meet key objectives and save money. For example recycling campaigns encourage people to recycle more while fostering campaigns are helping to increase the number of foster carers. Our Work Redbridge campaign is helping people back into work and training. The communication priorities are agreed annually and these form the basis of a work plan for the Marketing and Communications team.

Communicating the Authority's objectives and performance is an essential part of the democratic process. Local people have a right to know what their Council Tax is funding and how their Authority is performing. The Authority has developed an online tool called DataShare, which enables service areas to publish all their non-confidential data about finances and performances, including all transactions above £500. The Authority has taken a lead in open data, as part of the Government's push to make public data more accessible.

Communication is essential in encouraging people to get involved in the democratic process, attending meetings and giving their views through Council forums (such as the Schools Forum and the Business Community Forum). Effective communications are also crucial to managing and improving the Authority's image and reputation to local people and people outside the Borough.

Redbridge I provides online community engagement functions including E-forums and online surveys.

In recent years, the Authority has consulted a range of users on its budget plans using its own budget consultation tool, YouChoose. Budget Consultation demonstrates the Authority's commitment in engaging the many different communities in Redbridge. To help shape the annual budget, groups considered 'harder to reach' are directly engaged through a series of meetings, workshops and focus groups.

In addition, the Authority undertakes various user satisfaction surveys that provide services with feedback on the Authority's performance and are used to shape service delivery and policy. A number of services have also undertaken additional forms of consultation to further assess public opinion and gather feedback on customer experience.

Partnerships

Under the Health and Social Care Act 2012 the local authority was required to establish a Health and Wellbeing Board for the area. From April 2013 the Authority's Health and Wellbeing Board became a statutory committee of the Authority. This board differs significantly from other statutory committees in that the legislation also stipulates the statutory membership (which notably includes Council officers) of which this is the minimum requirement. It also has the authority to appoint other members to the board, which is up to 'local determination' by the Authority. This membership has now been agreed.

The Health and Wellbeing Committee will build on the success of previous partnership arrangements. Many themed partnership groups will continue to function.

The Redbridge Safer Communities Partnership Board, including the Police, Probation and Youth Justice Services, leads on reducing crime and making Redbridge a safer place to live.

The Authority also has a range of partnerships with other bodies, which help provide cohesive services to local residents. There are sound governance arrangements in place for the great majority of these partnerships; the Authority is keen to promote good practice in all partnerships.

The Authority works with its neighbours in East London in a group called "East London Solutions" which is dedicated to achieving efficiencies and improvements through joint working and procurement exercises across the six North East London Boroughs.

Equalities
Under the requirements of the Public Sector Equality Duty (PSED) the Authority has published its Equality Objectives for 2012 to 2016 as follows:

- Services are accessible and welcoming to all communities and are capable of responding to the different needs and aspirations our customers have;
- The Authority is a learning organisation which supports its workforce by providing guidance and training on Equalities issues;
- Equalities are taken in to account when making budget and policy decisions;
- The diversity of Redbridge is celebrated and the borough is an increasingly cohesive place where people from all communities get on well together;
- Vulnerable people are being protected from the harmful impact of crime and anti-social behaviour;
- Equality has been integrated into the work of services across the Authority and the Authority demonstrates its compliance with the Equality Duty.

Council services develop specific, measurable, achievable, realistic and timebound (SMART) objectives under the objectives that are relevant to them.

Information has also been published which shows how the Authority meets the PSED to:

- Eliminate discrimination;
- Promote Equality of Opportunity; and
- Promote positive relations between communities.

As part of its budget development process the Authority considers the impact of the decisions it makes in terms of equality and risk as set out within its key strategies and as required by statute. This includes requirements for consultation and equality impact assessments where these are necessary. Where necessary, action plans will be developed to mitigate adverse impacts.

Proposals contained in committee reports will also advise members of the equality implications on groups with protected characteristics under the Equality Act in order that their decisions are informed.

Review of effectiveness
Redbridge has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and Chief Officers within the Authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Directors and Chief Officers have responsibility for the development and maintenance of the internal control and governance environment. To support and reinforce routine review processes such as internal audit the Authority has an established overview assurance process. As part of this process a Management Working Group has been assigned responsibility for reviewing and helping to produce the Annual Governance Statement (AGS). Management Board members consider and agree the AGS before it is presented to the Audit Committee to endorse. The assurance provided by the Audit Committee enables the Policy and Resources Committee to approve the annual accounts. In this way the process involves internal controls and corporate governance arrangements being overviewed corporately and the ensuing Statement being subjected to both Member and Director Scrutiny.

Directors and Chief Officers, having made enquiries with relevant senior officers, are required to complete an assurance statement to confirm that proper governance and internal control arrangements are in place for their areas of responsibility. These statements should also identify any significant areas of concern or weakness within each cluster.

The AGS Working Group sought evidence to substantiate the assessment of controls as being sound. A Key Controls Diagnostic Checklist was used to undertake a review of the adequacy and effectiveness of the internal control arrangements grouped in the following areas:

- Risk Management;
- Organisational Processes;
- Operational Management;
- Finance; and
- Compliance Issues.

As part of this process some areas for improvement were identified but none were significant enough to be deemed as control weaknesses.

The Chief Internal Auditor's opinion is a contributory factor in reviewing the effectiveness of the Annual Governance Statement. Based on the audit work undertaken in 2013/14, and provided that recommendations are satisfactorily implemented, the Chief Internal Auditor concludes that the Authority has adequate and effective risk management, control and governance processes are in place, and also concludes that there is an effective system of internal control in place.

Role of the Chief Financial Officer

In statute the Chief Financial Officer (CFO) is the organisation's senior executive who is charged with leading and directing financial strategy and administration, occupying a pivotal role, both for external stakeholders and within the Leadership Team. At Redbridge the Director of Finance and Resources (DFR) holds this role. The Authority fully complies with the requirements and principles as set out in the CIPFA Statement on the Role of the Chief Financial Officer.

Internal Audit

Internal Audit and External Audit (PricewaterhouseCoopers LLP) operate a joint working arrangement to maximise the effectiveness of the audit scrutiny of the Authority. In accordance with the Audit Commission's Code of Audit Practice, External Audit seeks to place reliance upon Internal Audit's work in the assessment of risk, core accounting processes, and the effectiveness of internal control. An effective Internal Audit function is a core part of the Authority's arrangements to ensure the proper conduct of its financial affairs. Internal Audit priorities are risk based and agreed with the Director of Finance and Resources, following consultation with the Chief Executive, Directors, Chief Officers and External Audit as part of the annual planning process.

The Chief Internal Auditor is authorised to complete a programme of audit reviews within the Authority. To assist in the accomplishment of this programme, the Financial Regulations of the Authority give authority for Internal Auditors to have full, free and unrestricted access to all Authority assets, records, documents, correspondence and personnel for the purposes of that audit. Recommendations arising from the work of both internal and external auditors are discussed and agreed with management, including acceptable timescales for their implementation. The Chief Internal Auditor reports on the outcomes of the annual programme of audit work to management and Members, especially the Audit Committee. The Authority fully complies with the requirements and principles as set out in the CIPFA Statement on the Role of the Head of Internal Audit and there are no issues of significant non-conformance with the Public Sector Internal Audit Standards that need to be included in this statement.

Standards Committee

As a result of the Localism Act 2011 a new Standards regime was introduced in July 2012 along with the new Members Code of Conduct. The main role of the Standards Committee 2012 in the new regime is to promote and maintain high standards of conduct throughout the Authority. It promotes, educates and supports Members in following the highest standards of conduct. The Committee also advises the Authority on the adoption and revision of the Code of Conduct for Members, monitors the operation of the Code of Conduct and receives regular reports in relation to Member training. The Committee's remit also extends to the investigation of cases of alleged Member misconduct that are referred to it by the Monitoring Officer, in consultation with the Authority's Independent Person, for investigation, where these are not dealt with under the Monitoring Officer's delegated powers. The Committee has no direct sanction powers in respect of findings of Member misconduct made by it (or any of its investigation sub-committees), but will advise Council on these.

Scrutiny Function and relevant committees

From May 2013 a revised committee structure was introduced that includes an Overview Committee and 5 service committees which have both executive advisory and non- executive decision making functions as well as the ability to undertake a pre-decision review role. The five committees, which are Policy & Resources; Children and Young People, ; Neighbourhoods and Communities; Health Well Being Care and Older People; and Licensing, also have delegated decision making powers in respect of non-executive matters.

Overview Committee has a key role in the Authority's governance arrangements with a particular emphasis on cross cutting thematic scrutiny:

- Policy development - establishing working groups; receiving final reports; monitoring implementation and receiving updates;
- Considering cross cutting issues - potentially referred from Relevant Committees or Council;
- Budget and performance monitoring - to scrutinise operational service delivery and the Authority's annual budget revenue and capital budget proposals;
- Considering requisitioned items;
- Petitions - quarterly monitoring of the petitions scheme; receiving petitions to hold an officer to account; and considering appeals against a disputed petition outcome.

Overview Committee has two standing Panels, which deal respectively with Education and External Scrutiny:

- The Education Scrutiny Panel undertakes the scrutiny of education matters;
- The External Scrutiny Panel undertakes the scrutiny of the Authority's functions relating to crime and disorder and other external matters.

The Health Scrutiny Committee continues to exist and plays a key role in scrutinising health service providers and commissioners of services.

External Audit

The Authority's External Auditor, PricewaterhouseCoopers LLP, has an annual audit plan in place that is risk based and focuses on undertaking areas of work to enable them to carry out their duties in providing an opinion on the Authority's financial statements and whether or not we have appropriate arrangements in place to deliver value for money.

After the completion of the last Audit Plan, the Authority received an unqualified opinion on its statement of accounts and an unqualified value for money conclusion, providing further assurance of the arrangements that we have embedded within the organisation.

Governance and internal control issues requiring improvement

The AGS Management Working Group meets regularly to consider and assess the Authority's governance arrangements against the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. As part of their work, the Group also reviewed the progress in addressing areas for improvement that had been previously identified within the Annual Governance Statement for 2012/13. These areas concerned:

- Contract Management;
- Project Management;
- Business Continuity;
- Information Governance and Data Quality; and
- Risk Management

There have been further improvements to these areas in 2013/14 and although good progress has been made these continue to be included in the AGS action plan to ensure that the degree of progress is not lost and further improvements are delivered.

One of the key governance, risk management and internal control issues that carefully need to be assessed and monitored is the effect of the current financial constraints faced by the Authority as a result of Government grant funding reductions. The significant level of spending reductions that the Authority has, and will further need to impose, could potentially impact on systems of internal control and increase the risk of error, irregularities and fraud. It is essential therefore that the impact of savings and efficiencies are closely monitored to ensure that the anticipated outcomes are delivered without compromising control.

In addition some minor operational issues relating to some schools have been identified, including policies and procedures in some instances not always being kept up to date, compliance with proper treatment of self-employed status to meet tax regulations for engaging temporary workers in schools, and risk registers and business continuity plans not always being in place. Although schools in general continue to manage their finances well with sound controls in place it is recognised that greater compliance is required in some instances. However these issues are not deemed material in the context of the Authority's overall budget and therefore are not included in the Action Plan attached to this Statement.

The Action Plan attached to this Statement has been compiled by management to address the above and also other emerging issues, following an assessment against the Corporate Governance framework "Delivering Good Governance". The areas as identified in the action plan do not represent serious governance or control issues but are included to ensure continuous improvement.

In reviewing the Authority's overall governance arrangements, the working group considered a wide range of policies, procedures and documents in order to identify any significant governance issues for which further developments and strengthening as required. The Action Plan will help to address these issues and the actions identified will be led and regularly reviewed by Management Board. The Action Plan is predominantly intended to enable the Authority to respond to key legislative changes and challenges.

We propose over the coming year to take steps to address the matters raised in this Statement 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.

Signed

………………………………………………………………….. Leader of the Council

………………………………………………………………….. Chief Executive

……………………………………….`……………………….. Date

Annual Governance Statement 2013/14 Action Plan (actions for 2014/15)

Number	Area to develop	Ongoing Action	Timescales	Lead Officer
1	Continue to strengthen and embed Project management across the Authority.	• Management Board to continue to identify and monitor business critical projects • Key Corporate and Capital Projects to be reported to Management Board on a monthly basis. The information to be reported to better reflect the full costs of projects and to highlight more accurately any slippage. • Directors to continue to monitor and challenge their own projects within their Cluster. • Support and advice to be provided by the Corporate Policy and Performance Team to project managers as required on the application of the Authority's project management processes. • Guidance to be periodically updated and published on the Council's intranet. • Project Management training to be provided during 2014/15.	Ongoing	Pat Reynolds
2	Improve contract management monitoring.	• Strategic Procurement to continue to identify and provide training to officers across the Authority who have contract management and monitoring responsibilities, including the impact of new legislation relating to the Public Services (Social Value) Act 2012 and changes in EU Procurement Directives. • 70 days have been allocated in the 2014/15 Audit Plan to look at specific aspects of contract management including compliance with Contract Standing Orders, contract monitoring and the role of Strategic Procurement.	Ongoing March 2015	Geoff Pearce
3	Build upon the Authority's ability to respond to any incident that could impact upon its activities or disrupt service delivery.	• Services to continue to review and test their business continuity arrangements. This to be supported by the Emergency Planning and Business Continuity (BC) Team, and assurance provided via the Corporate BC Group. (Ongoing task). • Corporate arrangements to be reviewed by the EP and BC Team (To be completed end of October 2014). • A counter terrorism live exercise is envisaged for 2015.	Ongoing October 2014 March 2015	Simon Barry

Number	Area to develop	Ongoing Action	Timescales	Lead Officer
4	Continue to improve the systems and processes across the Authority around ensuring compliance with good practice relating to information governance and data quality.	Records Management, Freedom of Information, Information Security and Data quality. Directors and Chief Officers to ensure that good practice is applied in meeting their respective obligations to best practice. During 2014/15, we will continue protecting the Authority's information assets through; • The completion of the information audit and assigning Information Asset Owners to all manual and electronic assets. • Ensuring that all staff have completed web-based training in Data Protection. • Reviewing and publishing a revised Information Governance Framework ensuring all policies are up to date and available to all.	March 2015	Geoff Pearce
5	Ensuring that risk management continues to be embedded into our operations.	• Training to continue being provided to ensure that there is comprehensive awareness of the need to ensure that risk management arrangements are embedded into partnerships and contracts. This includes specific fraud risk training and enhanced risk management training for risk champions. • Regular monitoring of the GRACE risk management system to identify those partnerships and contracts where risk management arrangements need to be strengthened. • Appropriate engagement with key partners to drive forward the management of partnership risk at a strategic level.	Ongoing	Geoff Pearce
6	Ensure that the integrity of internal controls are not compromised following the significant level of spending reductions that the Authority has, and will further need to impose over the next few years which could potentially increase the risk of error, irregularities and fraud.	• Ensure that savings and efficiencies are closely monitored to ensure that the anticipated outcomes are delivered without compromising internal control systems. • Internal Audit to have a role in ensuring that key controls are not compromised as part of the 2014/15 Audit Plan.	Ongoing	Management Board

Glossary

Actuary
An independent consultant who advises the Authority on the financial impact and uncertainty of the Pension Fund.

Actuarial Valuation
The Actuary reviews the assets and liabilities of the Pension Fund and reports to the Authority on the fund's financial position and recommended employers' contribution rates.

Appropriation
The transfer of ownership of an asset, from one Service to another, at an agreed (usually market or outstanding debt) value.

Accruals
The amounts by which receipts or payments are increased in order to record the full income and expenditure incurred in an accounting period.

Amortisation
The writing off of a charge or loan balance over a period of time.

Balance Sheet
A statement of all the assets, liabilities and other balances of the Authority 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 Authority. 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 Charge
A depreciation charge to Service Revenue Accounts to reflect the cost of non-current or intangible assets used in the provision of the service.

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
A Statutory Account, which receives Council Tax, Non-Domestic Rates and Government Grants to cover the costs of services, provided by Redbridge and its precepting authorities.

Community Assets
Assets that the Local Authority 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 local authorities can charge on new developments in their area. The money can be used to support development by funding infrastructure that the Authority, local community and neighbourhoods want.

Comprehensive Income and Expenditure Statement
A Statement showing the net cost of the Authority's services during the year. It demonstrates how costs have been financed from general Government Grants and Income from Local Taxpayers.

Contingent Liability
Money set aside to fund future expenditure that is dependent upon the outcome of uncertain events.

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 Authority for goods and services received.

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 Authority by individuals and organisations.

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 loss in value of an asset due to age, wear and tear or deterioration.

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.

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.

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 Authority's services.

General Fund Working Balance
Revenue Funds that are uncommitted and available to support general funding pressures not otherwise specifically covered by planned budget or earmarked reserves.

Heritage Assets
Non-current assets held solely for cultural or educational purposes

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 Authority, for example purchased software licences.

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 bases 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 Current Replacement Cost
The current cost of replacing or recreating an asset in its existing use adjusted for the notional depreciation required to reflect the asset's existing condition and remaining useful life.

Net Realisable Value
The open market value of the asset less the expenses to be incurred in realising the asset.

Non Current Assets
Tangible Assets that yield benefits to the Local Authority and the services it provides for a period of more than one year.

Operating 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 Authority in the direct delivery of its service.

Outturn
The actual level of expenditure and income for the year.

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 Director of Finance and Resources.

Precept
The charge made by one Authority (e.g. Greater London Authority) on another Authority (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.

Registered Social Landlord
A not for profit organisation that owns and manages homes.

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 Authority must maintain as a matter of prudence.

Revaluation Reserve
Represents the increased value of the Authority's land and building assets from 1 April 2007.

Revenue Expenditure
The day-to-day expenditure of the Authority, e.g. pay, goods and services and capital financing charges.

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 are not Local Authority services in their own right, but support main front line services.

Abbreviations used in Accounts

AGS	Annual Governance Statement
BID	Business Improvement District
CFR	Capital Financing Requirement
C I ES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
CLG	Communities and Local Government
DFE	Department for Education
DSG	Dedicated Schools Grant
DWP	Department for Work and Pensions
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
LGPS	Local Government Pension Scheme
LPFA	London Pensions Fund Authority
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
SIP	Statement of Investment Principles
SORP	Statement of Recommended Practice
SSAP	Statement of Standard Accounting Practice
UCRR	Usable Capital Receipts Reserve
UITF	Urgent Issues Task Force