

# Statement of Accounts 2015/16





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## Narrative Report

The narrative report is a statement of a council's financial performance and demonstration of value for money of the use of its resources over the financial year. All local authorities in England are required to provide a narrative report with the Statement of Accounts under the Accounts and Audit Regulations 2015.

### Key Financial Statements

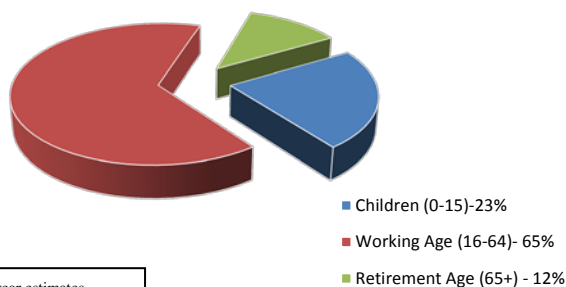
The Statement of Accounts for 2015/16 sets out the council's income and expenditure for the financial year ending 31 March 2016 along with a number of supplementary statements and disclosure notes. The financial statements have been prepared adhering to the CIPFA'S code of practice and the International Financial Reporting Standards. The key financial statements and disclosure notes contained in the Statement of Accounts for 2015/16 are as follow:

- **Movement in Reserves Statement (MiRS):** This statement provides a summary of the movement on the different reserves held by the council over the course of the financial year. These reserves represent the council's net worth and are divided into 'unusable', which must be set aside for specific purposes and 'usable', which are available to fund service improvements, capital projects or reduce Council Tax.
- **Comprehensive Income and Expenditure Statement (CIES):** This statement brings together all of the functions of the council and reports on the council's cost of services in accordance with the International Financial Reporting Standards and a CIPFA analysis enabling comparison between local authorities. The amount funded by Council Tax and Government Grants differs from this by a series of adjustments made in accordance with regulations.
- **Balance sheet:** This is a snap shot of the council's financial position at year-end. It shows the balances and reserves under the council's disposal, long term debt, net current assets and liabilities and summarises information on the non-current assets held.
- **Cash Flow Statement:** This is a summary of cash inflows and outflows arising from revenue and capital transactions with third parties.
- **Notes to the Financial Statements:** The notes will provide better understanding of the financial statements and give further detail about the items contained in the core financial statements along with details of accounting policies used by the council.
- **Housing Revenue Account (HRA):** This account records the council's statutory obligation to separately account for the cost of the ring fenced landlord function in respect of the provision of Council Housing.
- **Collection Fund:** The council is responsible for collecting Council Tax and National Non-Domestic Rates (NNDR). Council Tax is also collected and distributed on behalf of the Greater London Authority (GLA). From 1 April 2013, under the Business Rates Retention Scheme, the council is also responsible for collection and sharing of the NNDR proceeds with Central Government and GLA.
- **Group Accounts:** The council has a material interest in Vision – Redbridge Culture and Leisure (VRCL). The Group Accounts show the consolidated position of the activities of the council and VRCL.
- **Pension Fund:** The Pension Fund Accounts show the contributions from the council, participating employers and employees for the purpose of paying pensions. The Fund is separately managed by the council acting as a trustee and the accounts are not part of the council's accounts. The Pension Fund Accounts are included here to follow proper accounting practices.

## An Introduction to Redbridge

Redbridge is an outer north east London borough, with a culturally rich, well-educated community of nearly 300,000. Despite having many green affluent areas that people choose to move to, there are also areas of deprivation where our residents are struggling to manage the rising cost of living. The borough covers 5,652 hectares, combining a host of attractive parks, with historic buildings, busy town centres and well-established business and retail opportunities. The Borough has excellent rail, underground, bus and road links to central London, airports and motorway networks. Redbridge has the fourth most diverse community in England and Wales with over 90 languages spoken.

### Redbridge Population



ONS 2015 mid-year estimates

Some key factors:

- One third of the Borough is green belt with 40% of the Borough classified as open spaces.
- Housing: cheap by London standards, high levels of home ownership but increasing private rented and flats, and very low levels of social renting which is the second lowest in London.
- Crossrail: four stations are to be located within the Borough.
- Schools: excellent reputation and exam results.
- Employment: lower employment rate and higher unemployment than average for London, despite having more highly qualified population.
- Crime: levels are low with 60.8 offences per 1000 compared to 79.3 per 1000 for the rest of London.
- Health: below target funding levels for many years, have seen both Health Hospital Trusts in special measures with added pressures on child health services.

Redbridge council has, against a background of significant reductions in government grant support and increased demand for services, managed to deliver value for money services to its residents and ensuring the key priorities as set out (below) in the Corporate Strategy, "Ambitious for Redbridge" are met:

- Increase fairness and respond to the aspirations of the Borough;
- Empower our communities to help shape our Borough and the services we deliver;
- Improve the quality of life and civic pride amongst our communities;
- Transform our council in tough times to be dynamic and responsive to the challenges of the future.

The Local Government Financial Settlement announced in February 2016, confirmed the continuation of austerity measures that will see further reductions in government support and the end of Revenue Support Grant for Redbridge by 2021. Redbridge will face an extremely challenging financial environment with reduced resources and the requirement to meet statutory responsibilities including Adult Social Care, Children's Social Care and Housing in providing Temporary Accommodation for the homeless. Redbridge must maintain robust financial management and control, finding innovative solutions to meeting increasing demand for services successful delivery of the outturn resource constraints. The Medium Term Financial Strategy to 2021/22 outlines the financial position for the delivery of front line services and key priorities. Robust performance management, risk and financial management systems will ensure the delivery of cost effective services.

In the current financial climate, the council has sought to provide economic, efficient and effective services framework within which financial resources will be through delivering:

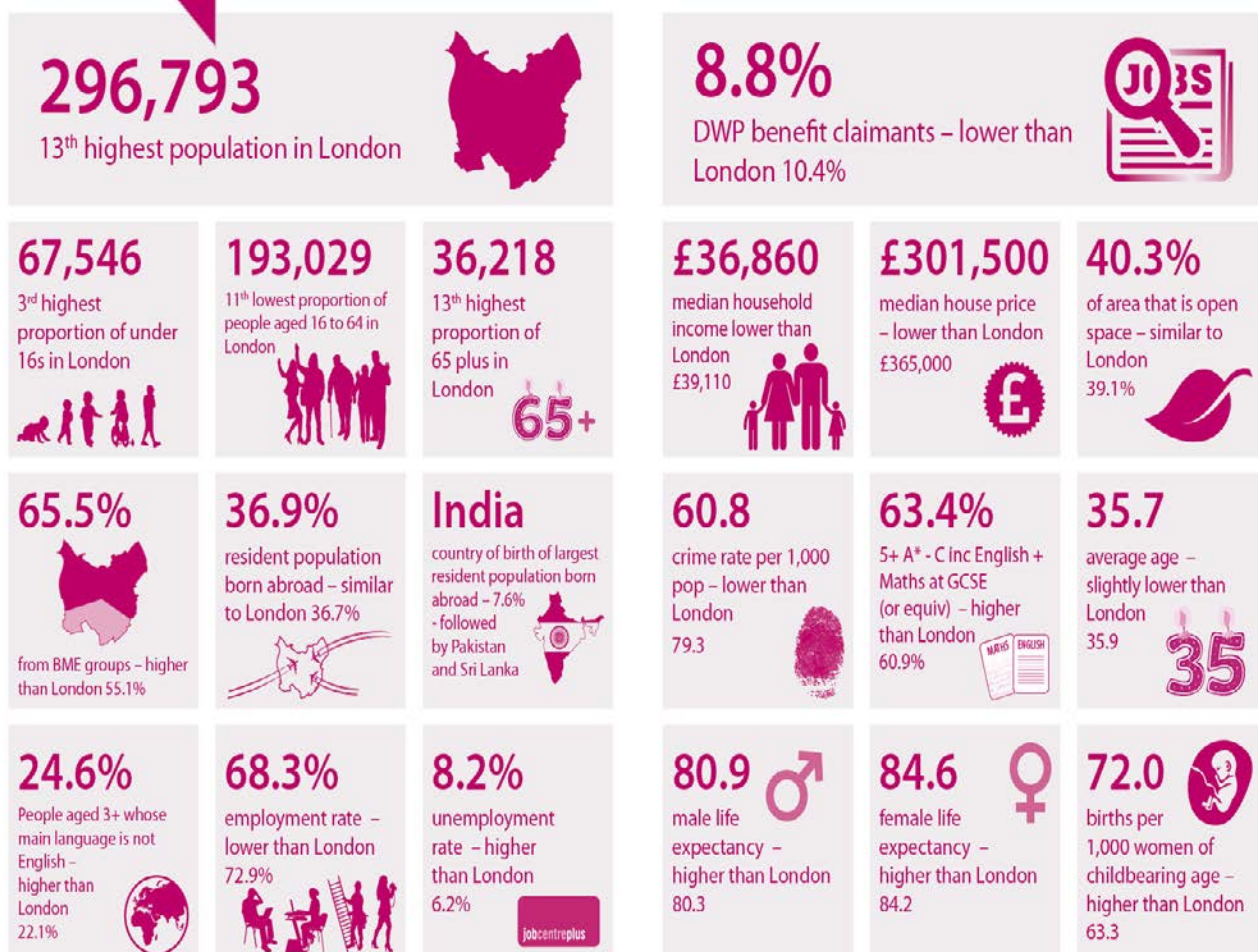
- efficiencies;
- service transformation;
- increased income.

The council's Transformation Programme will continue to develop new, innovative and cost effective service solutions. The successful delivery of the Transformation Programme is fundamental to financially sustainable quality service solutions over the long term.

## Redbridge



### Did you know?



Sources: ONS 2015 mid-year estimates; ONS 2011 Census; ONS Annual Population Survey Jan to Dec 2015

Sources: DWP Nov 2015; GLA 2012-13; Land Registry 2014; Greenspace info for greater London 2014; Met 2015-16; Dfe 2014/15; ONS 2015 mid-year estimates; ONS 2012-14; ONS 2014.

## Council's Performance

The new Civic Pride service with its mandate to improve cleanliness of streets, reduce crime and regenerate the Ilford Town centre means that satisfaction levels for Redbridge as a place to live in will continue to meet target levels. 58% of residents are satisfied to live in Redbridge compared to a target of 62%.

'Work Redbridge' has provided advice to over 1,000 unemployed and economically inactive people and 216 have found employment through this scheme.

The number of visits to the leisure facilities (1.017m visits against a target of 0.940m) and libraries (1.666m visits compared to a target of 1.500m) has increased to over a million a year, improving the health and well-being of residents.

The vast majority of planning applications are approved. The target is 85% and 78% of applications were approved during 2015/16. The emerging new Local Plan will provide greater clarity and guidance to ensure that applications comply with acceptable development in the Borough.

Volunteers have supported a wide range of activities in the Borough from guided tours of Valentines Mansion, woodland management and conservation work. The latest data shows that volunteers worked for more than 14,000 hours during 2015/16, exceeding the target of 13,600.

97.54% of all calls to Customer Contact Centre and 98.48% of enquiries at One Stop Shop are resolved at first point.

97.92% of abandoned vehicles are cleared within 72 hours. 99.53% of fly tips are cleared out within 24 hours. 100% of offensive graffiti is removed within the next working day.

The council took on average 5.3 days to process claims for Housing benefit and the Council Tax Reduction Scheme, which is better than 6.5 days target. 97.20% of Council Tax, 97.37% of Non-domestic rates and 98.73% of housing rent were collected by the council in 2015-16.

The Borough has 11.2% of its adults with learning difficulties in employment. This is high compared to the England average of 6% and the London average of 7.7%.

The council took an average 13.82 days to re-let its housing stock, compared with the target of 20 days. The number of households living in temporary accommodation is 2,205 in March 2016, which is below the target of 2,300. The number of affordable homes delivered is below the target, but it is planned to complete more during 2016/17.

63.4% of Redbridge pupils (decrease from previous year figure of 68.7%) achieved 5 or more A\* to C grades at GCSE or equivalent in English and Maths which is ranked 11<sup>th</sup> within the London Boroughs and 22 out of 151 nationally. The target is set at 71% to aspire to improved performance in the future.



## Financial Performance 2015/16

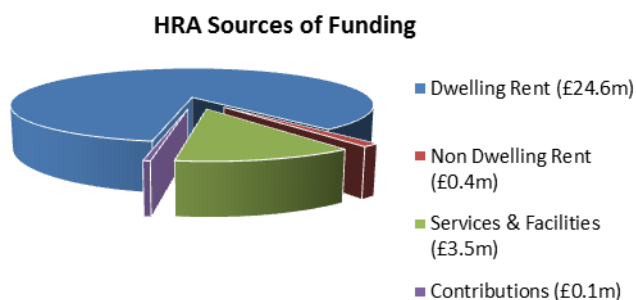
This section of the narrative report briefly explains some of the key features of the council's financial performance in 2015/16, covering revenue and capital outturn positions, borrowing and investment strategies.

**The General Fund revenue** budget relates to the day to day running expenses of the services that the council provides during the year. The General Fund outturn position against the budget is set out below together with the sources of income from which the council's net expenditure was financed. These figures are presented in a way that reflects the council's organisational and management structure that existed in 2015/16, showing expenditure by cluster (service areas). These figures are consistent with, but presented differently to the service headings reported within the Comprehensive Income and Expenditure Statement, which conform to the Chartered Institute of Public Finance and Accountancy (CIPFA) Accounting Code of Practice.

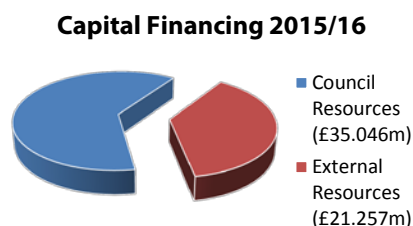
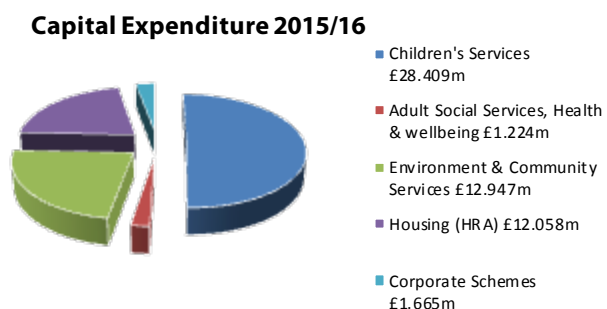
<b>Service Outturn</b>	<b>Budget 2015/16 £m</b>	<b>Actual 2015/16 £m</b>	<b>Variance 2015/16 £m</b>
Adult Social Services, Health & Wellbeing	77.68	77.68	-
Children's Services	54.34	55.36	1.02
Environment, Housing & Community Services	50.53	53.67	3.14
Finance & Resources	1.61	1.51	(0.10)
Chief Executive	0.29	0.32	0.03
Legal & Constitutional	2.68	2.46	(0.22)
Strategy & Performance	1.54	1.46	(0.08)
<b>Total Service Spend</b>	<b>188.67</b>	<b>192.46</b>	<b>3.79</b>
Borrowing Costs net of interest	12.17	11.20	(0.97)
Capital Charges to service areas	(19.49)	(19.49)	-
Levies	16.24	16.24	-
Corporate Non-ring fenced Grants	(8.73)	(8.73)	-
Other net Contributions	(3.66)	(6.52)	(2.86)
<b>Total General Fund - Net</b>	<b>185.20</b>	<b>185.16</b>	<b>(0.04)</b>
<b>Funded by:</b>			
Government Grant	91.48	91.48	
Council Tax	88.27	88.27	
Collection Fund	5.45	5.45	
<b>Total Funding</b>	<b>185.20</b>	<b>185.20</b>	
Surplus for the Year	-	(0.04)	
General Fund Working Balance 31/03/2015	(17.10)	(17.10)	
<b>Balance 31/03/2016</b>	<b>(17.10)</b>	<b>(17.14)</b>	

The final position for the year showed that services were delivered within approved budget with a net revenue underspend of £0.042m. The significant overspends within service areas are on Children's Services and Environment, Housing and Community Services. Over 88% of the £1.015m overspend within Children's Services relates to unaccompanied asylum children costs. The Environment, Housing Community budget overspend by £3.656m of which over £3m was within the Housing Needs function. This is as a direct result of the rising homeless population coupled with increased temporary accommodation costs from decreased supply of private sector leased properties (PSLs).

**The Housing Revenue Account (HRA)** is a ring fenced Income and Expenditure account within the Statement of Accounts, showing the provision for Council housing. The HRA made a surplus of £0.453m in 2015/16. The source of funding for the HRA is shown graphically below.



**Capital Expenditure** is defined as spending on the purchase, improvement or enhancement of fixed assets. The total capital expenditure incurred for the year was £56.303m with slippage due to delays in delivering projects amounting to £14.946m (26.5%). The slippage figure of £14.946m is approved capital expenditure for 2015/16, which will be carried forward and spent in 2016/17. As in the previous years, the most significant areas of expenditure in 2015/16 were for expansion of schools to meet the statutory responsibilities of the council to accommodate the growing demand for pupil places with expenditure totalling £28.402m (49.8% of total capital programme). Housing (HRA) capital expenditure of £12.580m has been used to improve the council's housing stock.



## Treasury Management & Strategy

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

The council's Annual Investment Strategy is incorporated within the Treasury Management Strategy and it aims to achieve optimum return on its investments whilst ensuring appropriate level of security of its assets and liquidity. It is considered prudent to keep investment periods within permitted limits and only invest with financial institutions that meet the council's approved creditworthiness criteria, which is regularly reviewed during the year to ensure it remains appropriate.

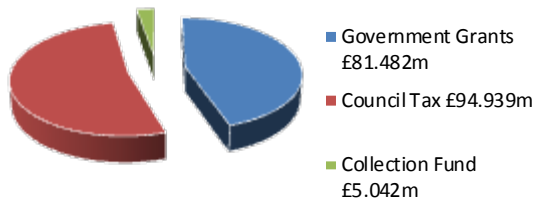
The use of cash balances to defer external borrowing to fund capital expenditure over the medium term will produce a reduction in cash held by the Council; this practice has to be monitored carefully to ensure mitigation against financial risks.

## Forward Plan 2016/17

### Revenue Budget

Redbridge's net revenue budget for 2016/17 was approved on 3 March 2016 and is £181.463m. This was achieved despite a reduction of £11.995m (12.8%) in the Council's core funding from the government and in the face of further reductions identified for the period up to 2019/20 including a reduction of £8.862m (10.8%) in 2017/18. The Chancellor of the Exchequer has reiterated that deficit reduction plans will continue.

#### Revenue Budget Funding 2016/17



To balance the budget, reductions in services spend in 2016/17 of £14.574m were approved, designed to protect the front-line wherever possible. These budgets will be proactively managed to ensure delivery. Savings have been identified through efficiencies, measures that impact on the back office and other savings related to frontline services. Examples include savings on highways maintenance budgets, savings from a review of assessment of need for care packages and savings from an internal review to minimise capital financing costs. The

spending plans also assume the delivery of £5.199m in 2016/17 and £13.236m by 2018/19 of transformation savings. These savings include improving the way the Council works by adopting smarter and lean working initiatives; identifying and implementing alternative service delivery models; and by making better use of assets.

The measures adopted have enabled the Council to limit the increase in Band D Council Tax to £43.69, or £0.84 per week, taking it up to £1,139.22 in 2016/17, this includes the 2% levy of £21.91 or £0.42 per week, as a result of the Chancellor's spending review, which must be used to fund adult social care. The increase in the council tax is the first increase for six years since 2010.

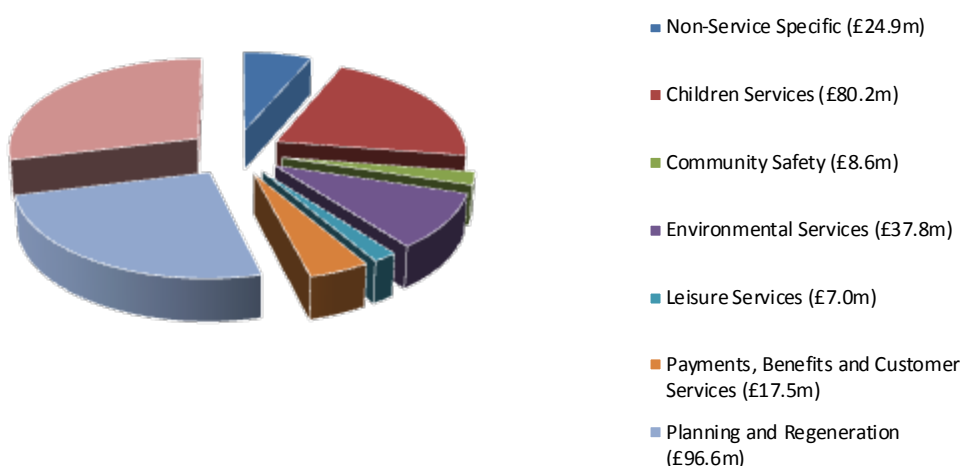
The Council carefully manages the level of reserves it holds, taking account of the risks it faces including cuts in future grant funding. The General Fund Reserve, the Council's financial safety net, stood at £17.1m at 31 March 2016, which is 9.42% of the 2016-17 net revenue budgets. In addition to this balance, the Council also holds earmarked reserves which are set aside for specific purposes. With regard to the Council's financial stability, reserves are used to manage risks and following the closing of accounts for 2015/16 the latest review of reserves conducted as part of the closing of accounts for 2015/16 recommended that the management of major corporate risks largely be consolidated into the Business Risk Reserve which stands at £9.2m as at 31 March 2016.

The major pressures facing the Council over the medium term are the reductions in grant support and also expenditure pressures relating to pay award and national insurance costs; inflation; the financing costs of capital projects; levies costs outside the Council's control; the volatility of business rates funding due to continuing uncertainty around backdated appeals; population changes leading to demand pressures.

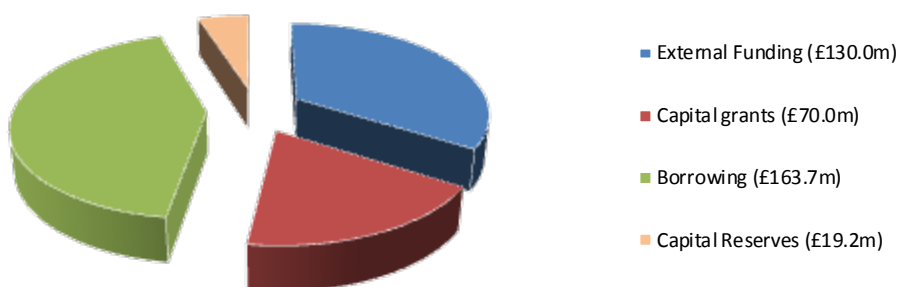
### Capital Programme 2016/17 to 2020/21

The Council's capital programme for the next 5 years is summarised below, totalling £382.9 m. Over the 5 years, the plan is to fund 66% of the programme internally as shown below.

### Capital Programme 2016/17 to 2020/21



### Capital Programme - Financing 2016/17 to 2020/21



The Council therefore continues with its robust financial controls to maintain financial stability. Spending projections for 2018/19 already show a shortfall in funding of £6.650m and as the financial planning timeline is rolled forward into 2019/20, the gap in funding will further increase as further grant losses, inflation and the growth in demand for services are added to the spending equation.

The Council is reviewing the current funding gap assumptions that underpin the Financial Strategy and is working on an extended five year medium term financial plan to deliver further savings and sustainable medium term spending plans. The Medium Term Financial Strategy update covering the period April 2017 to March 2022 was reported to Cabinet in July 2016. Together with this, the Council is putting an increased emphasis on partnership working, enabling Redbridge to take advantage of opportunities associated with the local government devolution agenda. Changes are also taking place in the working culture to enable staff to think and act entrepreneurially about efficiencies and future models of service delivery, whilst operating within the appropriate risk and governance framework.

## **Key Risks and Controls**

The Council has a structured approach to risk management, which includes maintaining and using a Corporate Risk Register along with monitoring risk at directorate and service levels with Members and Officers taking ownership of risks. The key risks are listed below and are contained on the Council's corporate risk register:

- Failure to safeguard vulnerable children from neglect, harm and abuse that the council has a duty to protect.
- Failure to safeguard vulnerable adults from abuse, injury or death.
- Lack of availability of suitable standard local housing-failure to meet statutory temporary accommodation duties to homeless households.
- Poor project and programme management skills and lack of access to acquiring these skills- failure to deliver on projects and Transformation programme.

## **Conclusion**

The Statement of Accounts provides a very detailed and comprehensive picture of the Council's performance for 2015/16 as required by statute.

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

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

**Maria G. Christofi, BA (Hons), FCCA, CPFA**  
**Corporate Director of Resources**  
**12 September 2016**

## **Statement of Responsibilities**

### **The council's responsibilities**

The council 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 council, that officer is the Corporate Director of Resources;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

### **The Corporate Director of Resources Responsibilities**

The Corporate Director of Resources is responsible for the preparation of the council'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 Corporate Director of Resources has:

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

The Corporate Director of 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.

### **Certification of Accounts**

I certify that the Statement of Accounts presents a true and fair view of the financial position of the council at the 31 March 2016 and of its income and expenditure for the year ending 31 March 2016.

**Maria G Christofi, BA (Hons), FCCA, CPFA**  
**Corporate Director of Resources**  
**12 September 2016**

### **Approval of Accounts**

The Statement of Accounts was approved by the London Borough of Redbridge Strategy and Resources Committee.

**Chair of the Strategy and Resources Committee**  
**12 September 2016**

## **Independent Auditors' Report to the Members of the London Borough of Redbridge (the "council")**

We have audited the financial statements of London Borough of Redbridge for the year ended 31 March 2016 on pages 15 to 112. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Corporate Director of Resources and auditor**

As explained more fully in the Statement of the Corporate Director of Resources' Responsibilities, the Corporate Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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 Authority and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporate Director of Resources; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement 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 financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2016 and of the Authority's and the Group's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2016 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2016 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

## **Matters on which we are required to report by exception**

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 113 to 120 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

## **Conclusion on London Borough of Redbridge's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's responsibilities**

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

### **Auditor's responsibilities**

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

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.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether London Borough of Redbridge had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether London Borough of Redbridge put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.



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, London Borough of Redbridge had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, London Borough of Redbridge put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

### **Certificate**

We certify that we have completed the audit of the financial statements of London Borough of Redbridge in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

**Philip Johnstone**

**For and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square  
Canary Wharf  
London  
E14 5GL

12 September 2016

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## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce taxation) and other reserves. The Surplus and Deficit on the Provision of Service line shows the true economic cost of providing the council's services, 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 council.

### 2015/16

	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 Reserves £'000
<b>Balance at 1 April 2015 brought forward</b>	(17,101)	(103,409)	(5,926)	(7,183)	(11,836)	(6,392)	(25,951)	(177,798)	(249,115)	(426,913)
<b>Movement in Reserves during 2015/16</b>										
Deficit / (Surplus) on the provision of services	25,539	-	(5,818)	-	-	-	-	19,721	-	19,721
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(256,396)	(256,396)
<b>Total Comprehensive Income and Expenditure</b>	<b>25,539</b>	<b>-</b>	<b>(5,818)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,721</b>	<b>(256,396)</b>	<b>(236,675)</b>
Adjustment between accounting basis and funding basis under regulations (Note 7)	(15,961)	-	2,883	-	(1,391)	(1,681)	3,272	(12,878)	12,878	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>9,578</b>	<b>-</b>	<b>(2,935)</b>	<b>-</b>	<b>(1,391)</b>	<b>(1,681)</b>	<b>3,272</b>	<b>6,843</b>	<b>(243,518)</b>	<b>(236,675)</b>
Transfers from / (to) Earmarked Reserves (Note 8)	(9,622)	9,622	2,483	(2,483)	-	-	-	-	-	-
<b>(Increase) / Decrease in the year</b>	<b>(44)</b>	<b>9,622</b>	<b>(452)</b>	<b>(2,483)</b>	<b>(1,391)</b>	<b>(1,681)</b>	<b>3,272</b>	<b>6,843</b>	<b>(243,518)</b>	<b>(236,675)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>(17,145)</b>	<b>(93,787)</b>	<b>(6,378)</b>	<b>(9,666)</b>	<b>(13,227)</b>	<b>(8,073)</b>	<b>(22,679)</b>	<b>(170,955)</b>	<b>(492,633)</b>	<b>(663,588)</b>

**2014/15 -  
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 Reserves £'000
<b>Balance at 1 April 2014 brought forward</b>	(17,084)	(109,440)	(4,916)	(5,296)	(7,896)	(4,816)	(40,975)	(190,423)	(219,883)	(410,306)
<b>Movement in Reserves during 2014/15</b>										
Deficit / (Surplus) on the provision of services	15,114	-	(2,093)	-	-	-	-	13,021	-	13,021
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(29,628)	(29,628)
<b>Total Comprehensive Income and Expenditure</b>	<b>15,114</b>	<b>-</b>	<b>(2,093)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,021</b>	<b>(29,628)</b>	<b>(16,607)</b>
Adjustment between accounting basis and funding basis under regulations (Note 7)	(9,100)	-	(804)	-	(3,940)	(1,576)	15,024	(396)	396	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>6,014</b>	<b>-</b>	<b>(2,897)</b>	<b>-</b>	<b>(3,940)</b>	<b>(1,576)</b>	<b>15,024</b>	<b>12,625</b>	<b>(29,232)</b>	<b>(16,607)</b>
Transfers from / (to) Earmarked Reserves (Note 8)	(6,031)	6,031	1,887	(1,887)	-	-	-	-	-	-
<b>(Increase) / Decrease in 2014/15</b>	<b>(17)</b>	<b>6,031</b>	<b>(1,010)</b>	<b>(1,887)</b>	<b>(3,940)</b>	<b>(1,576)</b>	<b>15,024</b>	<b>12,625</b>	<b>(29,232)</b>	<b>(16,607)</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>(17,101)</b>	<b>(103,409)</b>	<b>(5,926)</b>	<b>(7,183)</b>	<b>(11,836)</b>	<b>(6,392)</b>	<b>(25,951)</b>	<b>(177,798)</b>	<b>(249,115)</b>	<b>(426,913)</b>

## 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.

2014/15			2015/16			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Notes	Total Gross Expenditure £'000	Total Gross Income £'000	Net Expenditure £'000
47,790	(41,272)	6,518		42,781	(36,570)	6,211
14,136	(1,578)	12,558		13,803	(1,954)	11,849
22,269	(4,994)	17,275		22,330	(4,632)	17,698
6,316	(3,093)	3,223		7,231	(4,738)	2,493
358,113	(281,811)	76,302		347,894	(289,336)	58,558
36,314	(13,381)	22,933		40,698	(16,861)	23,837
27,626	(29,068)	(1,442)		23,221	(28,625)	(5,404)
201,382	(186,195)	15,187		200,860	(185,096)	15,764
93,349	(29,473)	63,876		93,316	(30,772)	62,544
11,411	(12,106)	(695)		14,101	(13,743)	358
6,218	(878)	5,340		5,303	(981)	4,322
2,185	-	2,185		5,317	-	5,317
<b>827,109</b>	<b>(603,849)</b>	<b>223,260</b>		<b>816,855</b>	<b>(613,308)</b>	<b>203,547</b>
		24,561	Other operating expenditure	<b>9</b>		13,098
		17,812	Financing and investment income and expenditure	<b>10</b>		16,824
		(252,612)	Taxation and non-specific grant income	<b>11</b>		(213,748)
		<b>13,021</b>	<b>Deficit on the provision of services</b>			<b>19,721</b>
		(59,411)	(Surplus) on revaluation of non-current assets	<b>29a</b>		(208,812)
		29,858	Actuarial losses / (gains) on pension assets / liabilities	<b>41</b>		(47,468)
		(75)	(Surplus) on revaluation of available for sale financial assets	<b>29h</b>		(116)
		<b>(29,628)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(256,396)</b>
		<b>(16,607)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(236,675)</b>

## Balance Sheet

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

<b>31 March 2015 £'000</b>		<b>Notes</b>	<b>31 March 2016 £'000</b>
821,125	Property, Plant & Equipment	12	1,042,998
25,804	Investment Property	14	25,128
275	Intangible Assets	15	352
10,161	Long Term Investments	22	10,188
2,340	Long Term Debtors	18	2,287
<b>859,705</b>	<b>Long Term Assets</b>		<b>1,080,953</b>
160,791	Short Term Investments	22	161,054
143	Inventories		158
32,594	Short Term Debtors	18	27,310
18,319	Cash and Cash Equivalents	19	947
<b>211,847</b>	<b>Current Assets</b>		<b>189,469</b>
(8,782)	Short Term Borrowing	22	(10,196)
(68,069)	Short Term Creditors	20	(58,159)
(6,029)	Provisions	21	(7,188)
(178)	Revenue Grants Receipts in advance		-
(1,030)	Capital Grants Receipts in Advance	24	(1,015)
<b>(84,088)</b>	<b>Current Liabilities</b>		<b>(76,558)</b>
(6,840)	Provisions	21	(6,646)
(184,064)	Long Term Borrowing	22	(188,542)
(369,647)	Other Long Term Liabilities	22 & 41	(335,088)
-	Capital Contributions Receipts in Advance		-
<b>(560,551)</b>	<b>Long Term Liabilities</b>		<b>(530,276)</b>
<b>426,913</b>	<b>Net Assets</b>		<b>663,588</b>
177,798	Usable Reserves	28	170,955
249,115	Unusable Reserves	29	492,633
<b>426,913</b>	<b>Total Reserves</b>		<b>663,588</b>

**Maria G Christofi, BA (Hons), FCCA, CPFA**  
**Corporate Director of Resources**  
**12 September 2016**

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during 2015/16. The Statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the council.

<b>2014/15</b> <b>£'000</b>		<i>Note</i>	<b>2015/16</b> <b>£'000</b>
(13,021)	Net deficit on the provision of services		(19,721)
93,926	Adjustments to net surplus or deficit on the provision of services for non- cash movements		53,080
(49,805)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(25,434)
<b>31,100</b>	<b>Net cash flows generated from Operating Activities</b>	<b>43a</b>	<b>7,925</b>
(45,247)	Investing Activities	<b>43b</b>	(31,255)
19,220	Financing activities	<b>43c</b>	5,958
<b>5,073</b>	<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(17,372)</b>
13,246	Cash and cash equivalents at the beginning of the reporting period	<b>19</b>	18,319
<b>18,319</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>19</b>	<b>947</b>

## Notes to the Accounts

### 1. Statement of Accounting Policies

#### General Principles

The Statement of Accounts summarises the council's and group transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16 (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. The Statement of Accounts has been prepared on a "going concern" basis.

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 99 to 101.

#### 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 council 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 council.
- Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that having originally been invested for no longer than three months are repayable on demand or readily convertible to known amounts of cash with insignificant risk of change in value. Fixed term deposits, excluding overnight deposits, are not considered to be readily convertible since they only become repayable at the point of maturity and cannot be traded or redeemed without penalty. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management strategy.

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

Council Tax and NDR income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, and the amount of revenue can be measured reliably.

Revenue relating to Council Tax and general rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

### **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 aid understanding of the council's financial performance.

### **Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement that is equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance. This 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**

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 council 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 council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructure.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

#### **▪ Post-Employment Benefits**

Employees of the council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by 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 worked for the council.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the council. These schemes are therefore accounted for as if they are defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education 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 council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

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

The assets of the London Borough of Redbridge Pension Fund attributable to the council are included in the Balance Sheet at their fair value:

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

The change in the net pension's 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 council. The change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, to the net defined benefit liability (asset) at the beginning of the period taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

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

Contributions paid to the London Borough of Redbridge Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

#### ▪ **Discretionary Benefits**

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

#### **Government Grants and Contributions**

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

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

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

#### **Revenue Expenditure Funded from Capital under Statute**

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

#### **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) 2015/16. 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 council'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 council and the cost of the item can be measured reliably. Expenditure that maintains but does not

add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### ▪ **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

- 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 (EUV-SH).
- 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).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – 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

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

The following asset classes will not be considered for componentisation:

- Equipment – as considered immaterial;
- Infrastructure – the adoption of the Code of Practice on Transport Infrastructure Assets in 2016/17 will require the separate valuation and depreciation of the components of the newly created Highways Network Asset;
- Asset classes that are not depreciated – such as land, investment property, surplus assets, community assets and assets held for sale.

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

- **General Fund** - The council will only consider assets with cost or fair value above £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 council 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 council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

#### ▪ **Schools**

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

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

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

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

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

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

PFI Schools are recognised on the council's Balance Sheet as it is considered that the council controls the assets through the PFI agreement.

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

Other assets owned by the council 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 / or valuations cannot be obtained at a cost which is commensurate with the benefits derived. Consequently these assets are not recognised on the council's Balance Sheet.

#### ▪ **Intangible Assets**

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

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

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

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

### **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.

### **Community Infrastructure Levy**

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

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

### **Leases**

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

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

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

## The Council as Lessee

### ▪ Finance Leases

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

Lease payments are apportioned between:

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

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

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

### ▪ Operating Leases

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

## The Council as Lessor

### ▪ Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element 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 council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **Private Finance Initiative (PFI) and Similar Contracts**

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

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

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.

## **Financial Instruments**

### ▪ **Financial Liabilities**

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

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

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 council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### ▪ **Financial Assets**

Financial assets are classified 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 council 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 council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The council 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 council 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 council.

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.

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

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

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).

### **Business Improvement Districts**

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

### **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.

### **Provisions, Contingent Liabilities and Contingent Assets**

#### **Provisions**

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

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

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

#### **Contingent Liabilities**

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

#### **Contingent Assets**

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

### **Reserves**

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance 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 council – the reasons for these reserves are explained in the relevant policies.

#### **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.

#### **Foreign Currency Translation**

Where the council 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.

#### **Interests in Companies and Other Entities**

An assessment of the council's interests has been carried out to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the council's control over the company or entity and the materiality of the interest. The council considers that it has a material interest in Vision Redbridge Culture and Leisure and has classified it as a subsidiary. Accordingly Group Accounts are prepared. In consolidating the accounts, all transactions and balances between the council and the subsidiary are eliminated in full.

#### **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

There are no material prior period adjustments for 2015/16.

#### **Events after the Balance Sheet Date**

This version of the Statement of Accounts was authorised for issue by the Corporate Director of Resources on the 24 June 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted by the Code. This applies to the adoption of the following new or amended standards within the 2016/17 Code.

- IAS 1 Presentation of Financial Statements; this standard provides guidance on the form of the financial Statements. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.
- Other changes due to the annual improvements to IFRSs, IFRS 11 Joint Arrangements, IAS 16 Property Plant and Equipment, IAS 38 Intangible Assets, and a change to IAS 19 Employee Benefits are minor and not expected to have a material effect on the council's Statement of Accounts.

In addition, the 2016/17 Code of Practice will introduce changes in accounting for the Highways Network Asset. The Code requires implementation from 1 April 2016 and therefore has no impact on the 2015/16 Statement of Accounts.

## **3. Critical Judgements in applying Accounting Policies**

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

#### **Accounting for Schools – Balance Sheet Recognition**

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

#### **Accounting for Schools - Academies**

When a school that is held on the council's balance sheet transfers to Academy status, the council accounts for this as a disposal for nil consideration on the date that the schools converts to Academy status, rather than as an impairment on the date that approval to transfer to Academy status is announced. During 2015/16, no maintained school converted to academy status

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

### Funding

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

### Group Boundaries

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the council's Balance Sheet at 31 March 2016 for which there are significant risks of material adjustment in the forthcoming financial year are as follows:

**Arears** – At 31 March 2016, the council had a balance of sundry debtors of £51.1million. A review of significant balances suggests that impairment for doubtful debts of £33.4 million was appropriate. However in the current economic climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate an increase in the amount of the impairment for doubtful debts would be required.

**Business Rates** – The Business Rate Retention Scheme was introduced from 1 April 2013. The council must meet its relevant share of backdated business rate appeals. The outcome of successful appeals is always very difficult to estimate and cannot be predicted. The council has estimated that a provision of £1million, formulated from Valuation Office data and historical experience available at the end of the reporting period, should be adequate to meet future potential claims. However this provision may not be sufficient to meet claims arising if greater success rates are achieved than previously experienced. The council's share of the provision is £0.3 million (£0.3million in 2014/15).

**Fair Value Estimations** – When the fair values of investment properties and surplus assets cannot be measured based on quoted prices in active markets (i.e. level 1 inputs) their fair value is measured using the following valuation techniques Where possible, the inputs to these valuation techniques are based on observable data (level 2 inputs), but where this is not possible, (unobservable data), judgement is required in establishing fair values (level 3 inputs). These judgements typically include considerations such as uncertainty and risk. Where level 1 inputs, are not available the council employs relevant professional experts to identify the most appropriate valuation techniques. The council uses a combination of techniques to measure fair value under IFRS13 depending on which is considered most appropriate. Changes in any of the unobservable data used could significantly affect the fair value of the council's assets and liabilities.

**Pensions Liability** - Estimates of the net liability to pay pensions depends on a number of complex judgements including those relating to the discount rate used, the rate at which salaries are projected to increase, the rate at which pensions are projected to increase, longevity rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the council with expert advice about the assumptions to be applied. The effects on the net pension's liability of changes in individual assumptions can be measured e.g. a 0.5% decrease in the discount rate would increase the net liability by £86.6 million, a 1 year increase in member life expectancy would increase the net liability by £27.4 million and a 0.5% increase in the pension increase rate would add £64.5 million to the net liability. However, the assumptions interact in complex ways. As at the 31 March 2016, the council's actuaries advised that the net pension's liability had decreased by £34 million (2014/15 – increased by £42 million), as a result of updating estimates to reflect current market conditions.

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

**Provisions** - The outcome of outstanding insurance claims is always very difficult to estimate. The council engages experts to assess appropriate provisions for self-insured liability motor and property losses based on the council's risk profile and historical claims experience. However, certain claims such as severe weather or environmental issues cannot be predicted far in advance and can have a significant impact. These are considered to be relatively infrequent. In addition to the insurance provision that is held to meet existing claims, the council holds an Insurance Reserve of £7.8 million (£6.8 million 2014/15) which is deemed adequate to meet future potential claims.

## 5. Material Items of Income and Expenditure

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

## 6. Events after the reporting period Balance Sheet date

The draft Statement of Accounts was authorised for issue by the Corporate Director of Resources on 12 September 2016. 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 2016, 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 council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

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

**Housing Revenue Account (HRA) Balance** – The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for Local Authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the council's landlord function.

**Major Repairs Reserve** – The council is required to maintain the Major Repairs Reserve, which controls 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 holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The 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.

**2015/16**

	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
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(23,209)	-	-	-	-	23,209
Revaluation losses on Property, Plant and Equipment	(6,569)	(4,502)	-	-	-	11,071
Movements in the market value of Investment Properties	(816)	-	-	-	-	816
Amortisation of intangible assets	(87)	-	-	-	-	87
Capital Grants and Contributions applied	-	-	-	-	23,338	(23,338)
Revenue expenditure funded from capital under statute	(1,419)	-	-	-	-	1,419
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	(2,657)	-	-	-	2,657
Statutory provision for the financing of capital investment	6,529	-	-	-	-	(6,529)
Capital expenditure charged in year to the General Fund and HRA Balances	2,060	5,043	-	-	-	(7,103)
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	20,006	60	-	-	(20,066)	-
Transfer of cash sale proceeds credited as part of gains/losses on disposal to the Comprehensive Income and Expenditure Statement	-	5,368	(5,368)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	3,384	-	-	(3,384)
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool	(598)	-	598	-	-	-
Capital receipts received in respect of repayment of grants, advances and distributions	112	-	(112)	-	-	-
Contribution from the Capital Receipts Reserve towards administrative costs on non-current asset disposals	-	(145)	145	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipts of cash	-	-	(38)	-	-	38
Reversal of Major Repairs Allowance	-	-	-	(5,340)	-	5,340
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	3,659	-	(3,659)
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 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	(758)	-	-	-	-	758
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(39,524)	(831)	-	-	-	40,355
Employer's pension contributions and direct payments to pensioners payable in year	26,463	547	-	-	-	(27,010)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,850	-	-	-	-	(1,850)
<b>Total Adjustments</b>	<b>(15,961)</b>	<b>2,883</b>	<b>(1,391)</b>	<b>(1,681)</b>	<b>3,272</b>	<b>12,878</b>

## 2014/15 - 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
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(23,144)					23,144
Revaluation losses on Property, Plant and Equipment	(11,931)	(7,911)				19,842
Movements in the market value of Investment Properties	12					(12)
Amortisation of intangible assets	(121)					121
Capital Grants and Contributions applied					59,731	(59,731)
Revenue expenditure funded from capital under statute	(7,555)					7,555
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	(12,833)	(2,783)				15,616
Statutory provision for the financing of capital investment	6,720					(6,720)
Capital expenditure charged in year to the General Fund and HRA Balances	2,968	4,433				(7,401)
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	43,884	823			(44,707)	
Transfer of cash sale proceeds credited as part of gains/losses on disposal to the Comprehensive Income and Expenditure Statement	457	5,069	(5,526)			
Use of the Capital Receipts Reserve to finance new capital expenditure				1,000		(1,000)
Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool	(537)		537			
Capital receipts received in respect of repayment of grants, advances and distributions	56		(56)			
Contribution from the Capital Receipts Reserve towards administrative costs on non-current asset disposals		(160)	160			
Transfer from Deferred Capital Receipts Reserve upon receipts of cash			(55)			55
Reversal of Major Repairs Allowance				(5,440)		5,440
Use of the Major Repairs Reserve to finance new capital expenditure				3,864		(3,864)
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	5,229					(5,229)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(36,042)	(856)				36,898
Employer's pension contributions and direct payments to pensioners payable in year	24,193	581				(24,774)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(456)					456
<b>Total Adjustments</b>	<b>(9,100)</b>	<b>(804)</b>	<b>(3,940)</b>	<b>(1,576)</b>	<b>15,024</b>	<b>396</b>



## 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 2015/16.

	Balance at 31 March 2014 £'000	Net Transfers £'000	Balance at 31 March 2015 £'000	Net Transfers £'000	Balance at 31 March 2016 £'000
<b>General Fund:</b>					
Resource Reserve	18,160	1,030	19,190	3,838	23,028
Schools Balances	12,377	67	12,444	2,666	15,110
Business Risk Reserve	-	-	-	9,228	9,228
Insurance Fund Reserve	5,223	1,624	6,847	915	7,762
Transformation Reserve	2,429	3,744	6,173	(176)	5,997
Repairs and Renewals Reserve	3,475	(10)	3,465	(105)	3,360
Capital Reserve	25,492	(4,105)	21,387	(18,253)	3,134
Redundancy & Early Retirement Reserve	2,641	2,170	4,811	(2,935)	1,876
Building Maintenance Reserve	2,418	(826)	1,592	171	1,763
Schools Insurance Fund Reserve	10	465	475	671	1,146
Concessionary Fares Reserve	1,615	(244)	1,371	(275)	1,096
Housing Benefit Reserve	1,093	58	1,151	(61)	1,090
Invest to Save Reserve	-	-	-	1,000	1,000
<b>Other Corporate Reserves</b>	8,331	(2,329)	6,002	(4,215)	1,787
<b>Service Area Reserves</b>	10,196	(4,252)	5,944	(529)	5,415
	<b>93,460</b>	<b>(2,608)</b>	<b>90,852</b>	<b>(8,060)</b>	<b>82,792</b>
Revenue Grants Unapplied	15,980	(3,423)	12,557	(1,562)	10,995
<b>TOTAL GENERAL FUND</b>	<b>109,440</b>	<b>(6,031)</b>	<b>103,409</b>	<b>(9,622)</b>	<b>93,787</b>
Housing Revenue Account	5,296	1,887	7,183	2,483	9,666
<b>TOTAL</b>	<b>114,736</b>	<b>(4,144)</b>	<b>110,592</b>	<b>(7,139)</b>	<b>103,453</b>

### Purpose of Earmarked Reserves and Balances

The **Resource Reserve** has been established to help meet the future cost pressures on the council resulting from the reduction in funding and to smooth the implementation of budget savings.

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

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

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

The **Transformation Reserve** has been established to facilitate the promotion of innovation and efficiency in the delivery of services across the council.

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

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

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

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

The **Schools Insurance Fund** is an internal schools insurance scheme to provide specified cover for schools.

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

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

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

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

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

## 9. Other Operating Expenditure

2014/15 £'000		2015/16 £'000
13,990	Levies	15,323
537	Payments to the Government Housing Capital Receipts Pool	598
10,034	Losses/(Gains) on the disposal of non-current assets	(2,823)
<b>24,561</b>	<b>Total</b>	<b>13,098</b>

## 10. Financing and Investment Income and Expenditure

2014/15 £'000		2015/16 £'000
8,191	Interest payable and similar charges	8,520
12,865	Net Interest on the net defined benefit liability	11,073
(1,672)	Interest receivable and similar income	(2,018)
(1,572)	Income and expenditure in relation to investment properties and changes in their fair value	(751)
<b>17,812</b>	<b>Total</b>	<b>16,824</b>

## 11. Taxation and Non Specific Grant Income

2014/15 £'000		2015/16 £'000
(90,897)	Council Tax Income	(88,072)
0	Collection Fund Surplus	(5,450)
(15,364)	Non domestic rates income	(15,162)
(101,644)	Non-ring fenced government grants	(84,998)
(44,707)	Capital grants and contributions	(20,066)
<b>(252,612)</b>	<b>Total</b>	<b>(213,748)</b>

## 12. Property, Plant and Equipment

### Movements in 2015/16

	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
<b>Cost or Valuation</b>									
<b>At 1 April 2015</b>	<b>236,124</b>	<b>496,797</b>	<b>53,190</b>	<b>153,275</b>	<b>13,005</b>	<b>306</b>	<b>12,416</b>	<b>965,113</b>	<b>10,940</b>
Additions	11,808	30,067	4,263	8,603	92	-	488	55,321	
Revaluation increases / (decreases) recognised in the Revaluation Reserve 01/04/15	16,959	12,837	-	-	-	841	-	30,637	(2,179)
Revaluation increases / (decreases) recognised in the Revaluation Reserve 31/03/16	-	151,046	-	-	-	-	-	151,046	-
Revaluation increases / (decreases) recognised in the Surplus (Deficit) on the provision of services	(4,361)	(6,569)	-	-	-	-	-	(10,930)	-
Derecognition- Disposals	(2,714)	-	-	-	-	-	-	(2,714)	-
Reclassified Assets	-	6,908	-	-	-	47	(6,955)	-	-
<b>At 31 March 2016</b>	<b>257,816</b>	<b>691,086</b>	<b>57,453</b>	<b>161,878</b>	<b>13,097</b>	<b>1,194</b>	<b>5,949</b>	<b>1,188,473</b>	<b>8,761</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2015</b>	<b>5,302</b>	<b>15,527</b>	<b>41,961</b>	<b>74,751</b>	<b>6,439</b>	<b>8</b>	<b>-</b>	<b>143,988</b>	<b>320</b>
Adjustments	(29)	15	-	-	-	7	-	(7)	-
Depreciation charge	5,266	12,015	3,291	7,364	613	2	-	28,551	322
Accumulated Write Back on Revaluation	(5,305)	(21,689)	-	-	-	(7)	-	(27,001)	(642)
Derecognition- Disposals	(56)	-	-	-	-	-	-	(56)	-
<b>At 31 March 2016</b>	<b>5,178</b>	<b>5,868</b>	<b>45,252</b>	<b>82,115</b>	<b>7,052</b>	<b>10</b>	<b>-</b>	<b>145,475</b>	<b>-</b>
<b>Net Book Value</b>									
<b>At 31 March 2016</b>	<b>252,638</b>	<b>685,218</b>	<b>12,201</b>	<b>79,763</b>	<b>6,045</b>	<b>1,184</b>	<b>5,949</b>	<b>1,042,998</b>	<b>8,761</b>
<b>At 31 March 2015</b>	<b>230,822</b>	<b>481,270</b>	<b>11,229</b>	<b>78,524</b>	<b>6,566</b>	<b>298</b>	<b>12,416</b>	<b>821,125</b>	<b>10,620</b>

**Comparative figures  
2014/15**

	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
<b>Cost or Valuation</b>									
<b>At 1 April 2014</b>	<b>230,647</b>	<b>460,787</b>	<b>49,010</b>	<b>143,684</b>	<b>12,903</b>	<b>685</b>	<b>2,147</b>	<b>899,863</b>	<b>12,195</b>
Prior year adjustments	-	-	-	-	-	-	-	-	-
<b>Balances at 1 April 2014</b>	<b>230,647</b>	<b>460,787</b>	<b>49,010</b>	<b>143,684</b>	<b>12,903</b>	<b>685</b>	<b>2,147</b>	<b>899,863</b>	<b>12,195</b>
Adjustments	185	(434)	-	160	-	-	-	(89)	-
Additions	8,733	31,639	4,180	9,420	102	-	11,611	65,685	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	7,282	28,143	-	-	-	(11)	-	35,414	(1,255)
Revaluation increases / (decreases) recognised in the Surplus (Deficit) on the provision of services	(7,911)	(11,931)	-	-	-	-	-	(19,842)	-
Derecognition– Disposals	(2,850)	(156)	-	-	-	(185)	-	(3,191)	-
Derecognition– Other	-	(12,727)	-	-	-	-	-	(12,727)	-
Reclassified Assets	38	1,476	-	11	-	(183)	(1,342)	-	-
<b>At 31 March 2015</b>	<b>236,124</b>	<b>496,797</b>	<b>53,190</b>	<b>153,275</b>	<b>13,005</b>	<b>306</b>	<b>12,416</b>	<b>965,113</b>	<b>10,940</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2014</b>	<b>5,186</b>	<b>23,580</b>	<b>37,420</b>	<b>67,787</b>	<b>5,813</b>	<b>20</b>	<b>-</b>	<b>139,806</b>	<b>1,019</b>
Adjustment	-	-	(12)	-	-	-	-	(12)	-
Depreciation charge	5,368	11,071	4,553	6,964	626	6	-	28,588	321
Accumulated Write Back on Revaluation	(5,186)	(18,843)	-	-	-	(12)	-	(24,041)	(1,020)
Derecognition– Disposals	(66)	(281)	-	-	-	(6)	-	(353)	-
<b>At 31 March 2015</b>	<b>5,302</b>	<b>15,527</b>	<b>41,961</b>	<b>74,751</b>	<b>6,439</b>	<b>8</b>	<b>-</b>	<b>143,988</b>	<b>320</b>
<b>Net Book Value</b>									
<b>At 31 March 2015</b>	<b>230,822</b>	<b>481,270</b>	<b>11,229</b>	<b>78,524</b>	<b>6,566</b>	<b>298</b>	<b>12,416</b>	<b>821,125</b>	<b>10,620</b>
<b>At 1 April 2014</b>	<b>225,461</b>	<b>437,207</b>	<b>11,590</b>	<b>75,897</b>	<b>7,090</b>	<b>665</b>	<b>2,147</b>	<b>760,057</b>	<b>11,176</b>

### Fair Value Measurement of Surplus Assets

Details of surplus assets and information about the fair value hierarchy as at 31 March 2016, is as follows:

Recurring Fair Value measurement use 31.03.2016	Quoted price for similar assets in active market Level 2 £'000
Surplus Buildings	168
Surplus Land	1,748
<b>Total</b>	<b>1,916</b>

March 2015 Comparative Figures:

Recurring Fair Value measurement use 31.03.2015	Quoted price for similar assets in active market Level 2 £'000
Surplus Buildings	107
Surplus Land	191
<b>Total</b>	<b>298</b>

### 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 2016, the council was committed to a number of major capital projects which are due for completion over the next two years. The outstanding commitments are approximately £17.756 million, all relating to education.

Education	2015/16 £'000	Year of completion
Mayfield High School (school expansion)	233	2016/17
Woodbridge High School (school expansion)	3,863	2017/18
Ilford County High School (school expansion)	9,659	2017/18
Redbridge High School (school expansion)	1,889	2017/18
Little Heath Special School (school expansion)	2,112	2017/18
	<b>17,756</b>	

## Revaluations

Freehold and Leasehold properties, which comprise the council's property portfolio, are valued on a five-year rolling basis (approximately 20% at the beginning of each financial year) by its Appointed Contractors, Wilks Head & Eve LLP. Valuations have been undertaken in accordance with the RICS Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors, except those not considered by the valuer to be necessary for the purposes of the valuation. Plant and Machinery that are normally associated with a building, such as lifts, have been reflected in the valuation.

At the year-end a review is undertaken to ensure that property values are materially correct. This resulted in the revaluation of a number of assets and the recognition of £144.4 million in net revaluation reserves. These are detailed in Note 12 (movement in PPE) under revaluation gains & losses as at 31<sup>st</sup> March 2016 and recognised in Surplus/ Deficit on provision of services.

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

In Accordance with IFRS13 valuation of non-operational (surplus) assets and investment properties were based on Fair value and categorised as either level 1 inputs, level 2 inputs or level 3 inputs.

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

During 2015-16 several Investment properties we reclassified from investment properties to PPE and derecognised as investment properties at a value of £1.2 million. The Assets were subsequently revalued under their new classification of PPE at a value of £0.7 million. These assets are recognised within the main PPE note under "Revaluation Increases and decreases".

The following statement shows the council'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.

	<b>Council Dwelling £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture and Equipment £'000</b>	<b>Surplus Assets £'000</b>	<b>Total £'000</b>
<b>Carried at historical cost</b>	-	-	12,201	-	12,201
<b>Valued at fair value as at:</b>					
<b>31 March 2016</b>	<b>252,638</b>	<b>684,484</b>	-	<b>1,918</b>	<b>939,040</b>
31 March 2015	230,822	481,270	-	298	712,390
31 March 2014	225,461	437,207	-	665	663,333
31 March 2013	221,792	474,044	-	326	696,162
31 March 2012	239,679	467,595	-	320	707,594

### 13. Information on Assets Held

Assets owned by the council include the following:

<b>Number as at 31 March 2015</b>		<b>Number as at 31 March 2016</b>
4,511		4,476
	<b>Council Dwellings</b>	
	<b>Operational Buildings</b>	
1	Town Hall	1
7	Other Offices	6
3	Adult Social Services Homes and Hostels	4
7	Adult Social Services Day Centres	7
3	Adult Social Services Other/Offices	3
1	Children's Services Homes and Hostels	1
7	Children's Services Day Centres	7
1	Children's Services Other/Offices	2
1	Sports Centres	2
1	Swimming Pools	1
10	Libraries	10
42	Primary Schools	41
9	Secondary Schools	9
4	Special Schools	4
1	Depots	1
18	Surface Car Parks	19
1	Multi-storey Car Parks	1
5	Cemeteries	5
2	Hall and Theatre	2
	<b>Infrastructure Assets</b>	
529	Highways (km)	529
22	Bridges	22
6	Subways	6
20,965	Street Lights	20,965
	<b>Community Assets</b>	
815 hectares	Parks, Open Spaces and Country Parks	815 hectares
137 hectares	Allotments and Golf Courses	137 hectares
	<b>Other Assets</b>	
45	Investment Properties	38
7	Surplus Assets held for Disposal	9

### 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:

	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
Rental income from investment property	1,968	1,958
Direct operating expenses arising from investment property	(408)	(391)
<b>Net gain</b>	<b>1,560</b>	<b>1,567</b>

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

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

	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of the year</b>	<b>25,792</b>	<b>25,804</b>
Enhancement	-	140
Net gain from fair value adjustments	12	430
<b>Other movement:</b>		
Transfer to PPE	-	(1,246)
<b>Balance at end of the year</b>	<b>25,804</b>	<b>25,128</b>

### Fair Value Measurement of Investment Properties

Details of the investment properties and information on the fair value hierarchy as at 31 March 2016 are as follows:

<b>Fair Value measurement use</b>	<b>Quoted price for similar assets in active market</b>
<b>31.03.2016</b>	<b>Level 2</b>
	<b>£'000</b>
Land & Farms	7,169
Office Units	5,941
Commercial Units	12,018
<b>Total</b>	<b>25,128</b>

March 2015 Comparative Figures:

<b>Fair Value measurement use</b>	<b>Quoted price for similar assets in active market</b>
<b>31.03.2015</b>	<b>Level 2</b>
	<b>£'000</b>
Land & Farms	7,228
Office Units	5,970
Commercial Units	12,606
<b>Total</b>	<b>25,804</b>

## 15. Intangible Assets

The council 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 council. The useful life assigned to the software licences used by the council 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:

	<b>2014/15</b>	<b>2015/16</b>
	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of year:</b>		
Gross cost amounts	2,013	2,150
Accumulated amortisation	(1,754)	(1,875)
<b>Net carrying amount at start of year</b>	<b>259</b>	<b>275</b>
<b>Additions:</b>		
Purchases	137	164
Amortisation for the period	(121)	(87)
<b>Net carrying amount at end of year</b>	<b>275</b>	<b>352</b>
<b>Comprising:</b>		
Gross cost amounts	2,150	2,314
Accumulated amortisation	(1,875)	(1,962)
<b>Total</b>	<b>275</b>	<b>352</b>

## 16. Impairment Losses

During 2015/16, the council has recognised an impairment loss of £4.5 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 £4.5 million

## 17. Private Finance Initiative

### Oaks Park High School – Scheme Details

2015/16 was the fourteenth year of a 30 year PFI contract for the construction, maintenance and operation of Oaks Park Secondary School.

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

Under the terms of the PFI, the council has leased a vacant site at Barley Mow to the PFI contractor for the period of the contract – 30 years.

Under the PFI contract, the council pays an agreed charge, which has been accounted for as outlined in the council'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: -

	<b>£'000</b>
Total Scheme Capital Expenditure	15,999
Current residual asset value as at 31 March 2016	8,761
Residual asset value as at 31 March 2015	10,620
Estimated asset life	35 years

## Property Plant and Equipment

The building used to provide services at the school is recognised on the council's Balance Sheet. Movements in its value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment in Note 12.

## Payments

The council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract as at 31 March 2016 (excluding any estimation of inflation and availability / performance deductions) are as follows:

	<b>Services Charges £'000</b>	<b>Principal Repayments £'000</b>	<b>Interest Payments £'000</b>	<b>Total £'000</b>
Repayable within 1 year	987	416	1,026	2,429
Repayable in 2 to 5 years	3,948	2,046	3,722	9,716
Repayable in 6 to 10 years	4,935	3,697	3,512	12,144
Repayable in 11 to 15 years	4,935	5,555	1,655	12,145
Repayable in 16 to 20 years	987	1,045	36	2,068
<b>Total</b>	<b>15,792</b>	<b>12,759</b>	<b>9,951</b>	<b>38,502</b>

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

	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
Balance outstanding at start of the year	13,499	13,146
Payments during the year	(353)	(383)
<b>Balance outstanding at year-end</b>	<b>13,146</b>	<b>12,763</b>

## 18. Debtors

<b>31 March 2015 £'000</b>		<b>31 March 2016 £'000</b>
1,703	<b>Long Term</b>	1,687
141	Leased Asset – Clements Road Car Park	132
468	Mortgages	468
28	Improvement Loans	-
<b>2,340</b>	Lease Premium	<b>2,287</b>
	<b>Total</b>	
<b>31 March 2015 £'000</b>		<b>31 March 2016 £'000</b>
2,692	<b>Short Term</b>	2,538
4,523	Central Government Bodies	4,322
13	NHS bodies	13
15,688	Public corporations and trading funds	
2,709	Other Debtors:	
7,363	Council Tax payers	15,713
8,782	NDR Tax Payers	2,764
4,295	Housing Tenants	6,335
2,285	Housing Benefit Recoveries	10,880
19,732	VAT	3,874
(35,488)	Payment in Advance	2,025
<b>32,594</b>	Other Entities & Individuals	15,455
	Bad Debts Provision	(36,609)
	<b>Total</b>	<b>27,310</b>

## 19. Cash and Cash Equivalents

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

31 March 2015 £'000		31 March 2016 £'000
22,209	Short Term Deposits	3,000
(3,890)	Bank Overdraft	(2,053)
<b>18,319</b>	<b>Total Cash and Cash Equivalents</b>	<b>947</b>

## 20. Creditors

31 March 2015 £'000		31 March 2016 £'000
3,545	Central Government Bodies	2,509
4,545	Other Local Authorities	3,218
768	NHS Bodies	603
201	Public corporations	215
	Other Creditors:	
4,397	Capital Creditors	3,866
5,434	Trade Creditors	4,122
1,022	Housing Prepayments	1,223
1,998	Council Tax Prepayments	2,189
733	NDR Prepayments	404
5,107	Income & Receipts Received in Advance	4,012
40,319	Other Entities and Individuals	35,798
<b>68,069</b>	<b>Total</b>	<b>58,159</b>

## 21. Provision

### Short-term

	Insurance Provision £'000	Redundancy and Early Retirement Provision £'000	Other Provisions £'000	Total £'000
<b>Balance 1 April 2015</b>	<b>5,100</b>	<b>432</b>	<b>497</b>	<b>6,029</b>
Additional Provision made in 2015/16	808	2,070	40	<b>2,918</b>
Amounts used in 2015/16	(908)	(419)	(432)	<b>(1,759)</b>
<b>Balance at 31 March 2016</b>	<b>5,000</b>	<b>2,083</b>	<b>105</b>	<b>7,188</b>

### Long-term

	Insurance Provision £'000	Redundancy and Early Retirement Provision £'000	Other Provisions £'000	Total £'000
<b>Balance 1 April 2015</b>	<b>6,646</b>	-	<b>194</b>	<b>6,840</b>
Unused amounts reversed in 2015/16	-	-	(194)	<b>(194)</b>
<b>Balance at 31 March 2016</b>	<b>6,646</b>	-	-	<b>6,646</b>

**Purpose:**

**Insurance Provision:** The council 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 council's insurance assessors, JLT Reinsurance Brokers Ltd, have advised that the provisional value of expected settlements relating to liability, together with actual property claims notified but not yet settled, amount to £11.6 million.

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

**Other Provisions:** £65,000 for potential repair costs to Chigwell Road Bridge and £40,000 to meet HRA ground maintenance costs.

## 22. Financial Instruments

### Categories of Financial Instruments

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

31 March 2015			31 March 2016	
Long Term	Short Term		Long Term	Short Term
£'000	£'000		£'000	£'000
10,161	130,590	Loans and receivables	10,188	120,550
-	30,201	Available for sale of financial assets	-	40,504
<b>10,161</b>	<b>160,791</b>	<b>Total Investments</b>	<b>10,188</b>	<b>161,054</b>
2,340	32,594	Debtors	2,287	27,310
<b>2,340</b>	<b>32,594</b>	<b>Total Debtors</b>	<b>2,287</b>	<b>27,310</b>
148,796	6,287	PWLB at amortised cost	153,284	5,887
35,268	503	Market Loans	35,258	508
-	1,992	Temporary Borrowing	-	3,801
<b>184,064</b>	<b>8,782</b>	<b>Total Financial Liabilities</b>	<b>188,542</b>	<b>10,196</b>
-	(68,069)	Creditors	-	(58,159)
-	<b>(68,069)</b>	<b>Total Creditors</b>	-	<b>(58,159)</b>
123	-	Finance lease liabilities	70	-
13,146	-	PFI liabilities	12,763	-
<b>13,269</b>	-	<b>Other Long Liabilities</b>	<b>12,833</b>	-

**Income, Expense, Gains and Losses**

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

31 March 2015				31 March 2016		
Financial Liabilities Measured at amortised cost £'000	Financial Assets: Loan & Receivables £'000	Financial Assets: available for sale £'000		Financial Liabilities Measured at amortised cost £'000	Financial Assets: Loan & Receivables £'000	Financial Assets: available for sale £'000
8,191	-	-	Interest Expenses	8,520	-	-
<b>8,191</b>	-	-	<b>Total Expenses in Surplus/Deficit on the Provision of Services</b>	<b>8,520</b>	-	-
-	(1,555)	(117)	Interest Income	-	(1,930)	(88)
-	<b>(1,555)</b>	<b>(117)</b>	<b>Total Interest in Surplus/Deficit on the Provision of Services</b>	-	<b>(1,930)</b>	<b>(88)</b>
<b>8,191</b>	<b>(1,555)</b>	<b>(117)</b>	<b>Net Gain/(Loss) for the year</b>	<b>8,520</b>	<b>(1,930)</b>	<b>(88)</b>

**Fair Values of Financial Assets and Financial Liabilities**

The Fair value of Public Works loan Board (PWLB) loans is calculated using the premature repayment rate published by the PWLB on the 31 March 2016. For the non-PWLB loans the fair value is calculated using both the PWLB redemption and the new market loan discount rate. The long-term debtors and creditors are carried in the Balance Sheet at amortised cost.

- Estimated ranges of interest rates at 31 March 2016 of 1.40% to 3.39% 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.

31 March 2015			31 March 2016	
Carrying amount £'000	Fair Value £'000		Carrying amount £'000	Fair Value £'000
155,083	188,911	Financial Liabilities at amortised cost – PWLB Loan	159,170	193,705
35,771	41,824	Market Loans	35,766	42,680
<b>190,854</b>	<b>230,735</b>	<b>Total Financial Liabilities</b>	<b>194,936</b>	<b>236,385</b>
148,908	148,908	Loans and Receivables	121,497	121,497
40,362	40,362	Available for Sale Financial Assets	50,501	50,691
2,340	2,340	Debtors	2,287	2,287
<b>191,610</b>	<b>191,610</b>	<b>Total Financial Assets</b>	<b>174,285</b>	<b>174,475</b>

Fair Value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2015 Fair Value £'000	31 March 2016 Fair Value £'000
<b>Available for sale:</b>				
Certificate of Deposit	Level 2	Inputs other than quoted prices that are observable for the financial asset	40,362	50,691
<b>Total</b>			<b>40,362</b>	<b>50,691</b>

The council has Available for Sale Financial Assets totalled investment of, £50 million in Certificates of Deposit. These are comprised of Standard Chartered Bank (£15m), Royal Bank of Scotland (£25m) and Toronto Dominion (£10m) At

balance sheet date, the council reviewed the fair value by reference to observable data provided by Capita Treasury Consultants and King & Shaxson to assess for any material or significant changes in the investments' fair value. As at 31st March 2016 the movement between the carrying amount and the Fair value of the deposit was £191k (unrealised gain) which was credited to the Available for Sale Reserve.

The council has an investment of £10m with RBS that is one year to maturity at balance sheet date.

### Soft Loans

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

31 March 2015			31 March 2016		
Social Services High Dependency Accommodation Debtors		Car Loans		Social Services High Dependency Accommodation Debtors	
£'000	£'000			£'000	£'000
539	149	Balance brought forward		523	126
181	42	New Loans granted		41	-
(197)	(65)	Loans repaid		(232)	(34)
<b>523</b>	<b>126</b>	<b>Balance carried forward</b>		<b>332</b>	<b>92</b>

The council holds collateral in relation to the following loans:

31 March 2015		31 March 2016
£'000		£'000
133	Mortgages	131
2,183	Social Services – High Dependency Accommodation	1,800
<b>2,316</b>		<b>1,931</b>

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

As at 31 March 2016 the council had not entered into any financial guarantees.

## 23. Nature and Extent of Risks arising from Financial Instruments

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the council.
- Liquidity Risk – the possibility that the council might not have funds available to meet its commitments to make payments.
- Refinancing and Maturity Risk – the possibility that the council 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 council as a result of changes in such measures as interest rates and stock market movements.

The council'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 council in the Annual Treasury Management Strategy. The council provides written principles for treasury risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

## Overall Procedures for Managing Risk

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

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

- by formally adopting and following the requirements of the Code of Practice;
- by approving annually in advance Prudential Indicators for the following three years limiting:
  - the council's overall borrowing;
  - maximum and minimum 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 council's investments over the investment yield. Prior to being approved by full council, the Strategy is scrutinised by the council's Audit Committee. Performance is reported bi-annually to council. An annual report is also required. The Annual Investment Strategy for 2015/16 was approved by full council on the 5 March 2015 and is available to view on the council's website – [www.redbridge.gov.uk](http://www.redbridge.gov.uk).

## Credit Risk

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

### Credit risk arising from deposits with Banks and Financial Institutions

The Annual Investment Strategy (details of which are available on the council's website) requires the council to maintain a counterparty list that follows the criteria set out in the Treasury Management Practices. Creditworthiness is assessed by the use of credit ratings provided by Fitch Ratings, Moody's and Standard and Poor's, to assess an institution's long and short-term financial strength 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 rating parameters to monitor each individual institution against the council's credit worthiness 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, and Credit Default Swap prices to give early warning of likely changes in credit ratings and sovereign ratings.

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

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

- Banks and UK Part Nationalised Banks;
- UK Building Societies with assets in excess of £3billion;
- AAA Money Market Funds;
- UK Government (Debt Management Office);
- Enhanced Cash Funds;
- Non UK Government and Supranational Institutions;
- Other Local Authorities.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies of £173 million can be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits; there was no evidence at the 31 March 2016 that this was likely to materialise.

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

#### Asset Class Percentages:

Type of Asset	% of Total Investment as set by 2015/16 Treasury Management Strategy	% of Total Investment as at 31 March 2016
	%	%
UK Government and Local Authorities	100	-
Banks - Specified	100	55
Money Market Funds - Specified	75	1
Building Societies - Specified	50	12
Total Unspecified Investments	50	20
Non UK Banks - Specified	35	12
Non UK Government and Supranational Bonds	35	-

The asset class percentages are well within the upper limits prescribed in the council's Treasury Management Strategy for 2015/16. As at the 31 March 2016, the council has one long term investment of £10 million with the Royal Bank of Scotland maturing in the 13<sup>th</sup> July 2017.

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

#### Credit Risk arising from the council's exposure to other debtors

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

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

	Amount at 31 March 2016 £'000	Historical experience of default	Historical experience of adjustment for market conditions at 31 March 2016	Estimated maximum exposure at 31 March 2016 £'000
<b>Other Debtors</b>	46,530	5%	1%	2,326

Payments for services are either required in advance or due at the time the service is provided. As at 31 March 2016, approximately £46.5 million (£50.4 million as at 31 March 2015) is due to the council 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:

Aged Debtors Analysis	31 March 2015 £'000	31 March 2016 £'000
Less than three months	10,583	5,547
Three to six months	1,782	847
Six months to one year	1,104	1,650
Over one year	37,023	38,486
<b>Total</b>	<b>50,492</b>	<b>46,530</b>

#### Liquidity Risk

The council manages its liquidity position through the risk management procedures above (the setting and approval of Prudential Indicators and the approval of the treasury and investment strategy reports), as well as through a



comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The council has ready access to the Public Works Loans Board (PWLB). The PWLB provides access to longer-term funds and acts as lender of last resort to councils. Therefore there is no significant risk that the council will be unable to raise finance to meet its commitments. As at 31 March 2016 82% (80% as at 31 March 2015) of the council's loans outstanding were with the PWLB and 18% provided by the Money Market.

Through the Local Government Finance Act 1992, the council is required to provide a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. The council 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 council will be unable to raise finance to meet its commitments.

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

### Refinancing and Maturity Risk

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

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or rescheduling existing debt;
- Monitoring the maturity of investments to ensure that there is sufficient liquidity available for the council's day-to-day cash flow needs (this is set at £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:

<b>Renewal Period</b>	<b>Loans Outstanding as at 31 March 2016 £'000's</b>	<b>Limit of projected Fixed rate Borrowing %</b>	<b>% of Total Borrowing 31 March 2016 %</b>	<b>% of Total Borrowing 31 March 2015 %</b>
Less than one Year	35,769	30	18	14
Between one and two years	6,013	45	3	8
Between two and five years	20,538	60	11	9
Between five and ten years	11,063	80	6	9
More than 10 Years	120,671	100	62	60
<b>Total</b>	<b>194,054</b>		<b>100</b>	<b>100</b>

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

### Market Risk

#### Interest Rate Risk

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

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

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

The council has a number of strategies for managing interest rate risk. Their policy allows for a maximum of 25% of its borrowings to be held if appropriate in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses.

The Finance Service has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

#### Impact of 1% increase in interest rates

	<u>£'000</u>
Increase in interest payable on variable rate borrowings	-
Increase in Interest receivable on variable rate investments	-
Increase in government grant receivables for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	-
Share of overall impact debited to the HRA	-
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit) on the provision of Services or Other Comprehensive Income and Expenditure)	1,211
	<u>1,211</u>

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

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

#### Price Risk

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

#### Foreign Exchange Risk

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

## 24. Grant Income

The council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2015/16:

	2014/15 £'000	2015/16 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Recognised Capital Grants and contributions	44,707	20,066
Council Tax/Collection Fund	90,897	93,522
NDR	15,364	15,162
RSG	88,905	74,385
NDR S.31 Compensation Grant	1,931	1,375
New Homes Bonus Grant	3,470	2,998
Education Support Services Grant	5,754	4,697
Council Tax Freeze Grant	1,030	1,041
Other Revenue Grant	554	502
<b>Total</b>	<b>252,612</b>	<b>213,748</b>
<b>Credited to Services</b>		
Department of Work & Pensions	152,168	151,190
Department for Education	255,719	261,641
Other Miscellaneous Grants	33,397	33,445
<b>Total</b>	<b>441,284</b>	<b>446,276</b>

The council 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:

	2014/15 £'000	2015/16 £'000
<b>Capital Grants Receipts in Advance</b>		
<b>Short Term</b>		
Devolved Formula Capital Grant	1,030	1,015
<b>Total</b>	<b>1,030</b>	<b>1,015</b>
<b>Revenue Grants Receipts in Advance</b>		
Sixth Form Funding Grant	178	-
<b>Total</b>	<b>178</b>	<b>-</b>

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.

	2014/15 £'000	2015/16 £'000
<b>Revenue Grants Unapplied</b>		
Housing Grant	595	476
Department of Health Grant	2,889	1,428
Children's Services Grant	1,937	2,544
Planning Delivery Grant	302	861
DCLG Grant	286	143
Climate Change Grant	154	67
Highways Grant	331	395
Safer Community Grant	133	254
Department for Communities and Local Government	4,164	4,497
<b>Total</b>	<b>10,791</b>	<b>10,665</b>
Section 106	1,766	330
<b>Total</b>	<b>12,557</b>	<b>10,995</b>

	2014/15 £'000	2015/16 £'000
<b>Capital Grants and Contributions Unapplied</b>		
Housing Grant	1,208	912
Standards Fund – Children’s Services	1	-
Planning Delivery Grant	50	32
Public Art Grant	38	10
Department for Communities and Local Government	16,829	16,276
	<b>18,126</b>	<b>17,230</b>
Section 106	3,839	2,225
Community Infrastructure Levy	3,936	3,215
Other Capital Contributions	50	9
<b>Total</b>	<b>25,951</b>	<b>22,679</b>

## 25. Disclosure of Deployment of Dedicated Schools Grant in 2015/16

The council’s expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2014. The Schools Budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2015/16 are as follows:

	Central Expenditure £'000	Individual Schools Budget (ISB) £'000	Total £'000
Final DSG for 2015/16 before Academy recoupment			269,714
Academy figure recouped for 2015/16			(42,911)
<b>Total DSG after Academy recoupment for 2015/16</b>			<b>226,803</b>
Plus: Brought forward from 2014/15			572
<b>Total DSG including Brought Forward</b>			<b>227,375</b>
Agreed initial budgeted distribution in 2015/16	43,273	184,102	227,375
In year adjustments	-	190	190
<b>Final budget distribution for 2015/16</b>	<b>43,273</b>	<b>184,292</b>	<b>227,565</b>
Less: Actual central expenditure	(41,971)	-	(41,971)
Less: Actual ISB deployed to schools		(184,292)	(184,292)
Plus Local Authority contribution for 2015/16	24	-	24
<b>Carry forward to 2016/17</b>	<b>1,326</b>	<b>-</b>	<b>1,326</b>

## 26. Leases

### The council as Lessee

#### Finance Leases

The council 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:

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£'000</b>	<b>£'000</b>
Vehicles, Plant, Furniture and Equipment	216	110
	<b>216</b>	<b>110</b>

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

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£'000</b>	<b>£'000</b>
Finance lease liabilities (net present value of minimum lease payments):		
Current	60	26
Non- current	75	50
Finance costs payable in future years	(14)	(8)
<b>Finance lease payments</b>	<b>121</b>	<b>68</b>

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Payments</b>	
	<b>31 March 2015</b>	<b>31 March 2016</b>	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Not later than one year	60	25	53	21
Later than one year and not later than five years	75	50	68	46
<b>Total</b>	<b>135</b>	<b>75</b>	<b>121</b>	<b>67</b>

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 2015/16, £0 contingent rents were payable by the council (2014/15 - £0).

#### Operating Leases

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

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	177	122
Later than one year and not later than five years	487	457
Later than five years	91	-
<b>Total</b>	<b>755</b>	<b>579</b>

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

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£'000</b>	<b>£'000</b>
Minimum lease payments	653	253
<b>Total</b>	<b>653</b>	<b>253</b>

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

## The council as Lessor

### Finance Leases

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

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

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£'000</b>	<b>£'000</b>
Finance lease debtor (net present value of minimum lease payments):		
Current	97	97
Non- current	10,789	10,692
Unearned finance income	(9,183)	(9,102)
Unguaranteed residual value of property	161	174
<b>Gross investment in the lease</b>	<b>1,864</b>	<b>1,861</b>

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Payments</b>	
	<b>31 March 2015</b>	<b>31 March 2016</b>	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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	1,626	1,611	1,788	1,785
<b>Total</b>	<b>1,702</b>	<b>1,687</b>	<b>1,864</b>	<b>1,861</b>

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 2015/16, contingent rents of £49,908 were receivable by the council (£45,670 in 2014/15).

### Operating Leases

The council 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:

	<b>31 March 2015</b> <b>£'000</b>	<b>31 March 2016</b> <b>£'000</b>
Not later than one year	5	5
Later than one year and not later than five years	20	20
Later than five years	547	542
<b>Total</b>	<b>572</b>	<b>567</b>

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 2015/16, contingent rents of £2,627 were receivable by the council (2014/15 - £2,404).

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

	<b>2014/15</b> <b>£'000</b>	<b>2015/16</b> <b>£'000</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	65,685	55,321
Investment Property	-	141
Intangible Assets	137	164
Revenue Expenditure Funded from Capital under Statute	7,555	1,419
<b>Total</b>	<b>73,377</b>	<b>57,045</b>
<b>Sources of Finance</b>		
Capital Receipts	(1,000)	(3,384)
Government grants and other contributions	(59,731)	(23,338)
Capital expenditure charged against the General Fund and HRA reserves and balances	(7,401)	(7,103)
Contributions from MRR	(3,864)	(3,659)
	<b>(71,996)</b>	<b>(37,484)</b>
Increase in underlying need to borrow unsupported by government financial assistance	(1,381)	(19,561)
<b>Total</b>	<b>(73,377)</b>	<b>(57,045)</b>

	<b>2014/15</b> <b>£'000</b>	<b>2015/16</b> <b>£'000</b>
<b>Capital Financing Requirement</b>		
Total Assets	847,204	1,068,478
Less Revaluation Reserve	(182,015)	(390,364)
Less Capital Adjustment Account	(421,914)	(421,789)
<b>Closing Capital Financing Requirements</b>	<b>243,275</b>	<b>256,325</b>

## 28. Usable Reserves

Movements in the council's usable reserves are detailed in the movement in Reserves Statement on pages 15 and 16 and in Note 8.

## 29. Unusable Reserves

31 March 2015 £'000		31 March 2016 £'000
182,015	Revaluation Reserve	390,364
421,914	Capital Adjustment Account	421,789
(237)	Financial Instruments Adjustment Account	(236)
75	Financial Instruments Available for Sale Reserve	191
(356,378)	Pensions Reserve	(322,255)
161	Deferred Capital Receipts	123
(5,001)	Accumulated Absences Account	(3,151)
6,566	Collection Fund Adjustment Account	5,808
<b>249,115</b>	<b>Total Unusable Reserves</b>	<b>492,633</b>

### 29 (a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment (and intangible assets). The balance is reduced when assets with accumulated gains are:

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

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

31 March 2015 £'000		31 March 2016 £'000
<b>128,687</b>	<b>Balance at 1 April</b>	<b>182,015</b>
73,987	Upwards revaluation of assets	218,611
(14,576)	Downward revaluation of assets and impairment losses not charged to surplus/deficit on the Provision of Services	(9,799)
<b>59,411</b>	<b>(Deficit) or Surplus on revaluation of non-current assets not posted to the surplus/deficit on the Provision of Services</b>	<b>208,812</b>
(4,812)	Difference between fair value depreciation and historical cost depreciation	(4,508)
-	Accumulated gains on assets sold or scrapped	(463)
(1,271)	Adjusting amounts written out to the Capital Adjustment Account	4,508
<b>182,015</b>	<b>Balance at 31 March</b>	<b>390,364</b>



## 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 council 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 council.

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.

<b>31 March 2015 £'000</b>		<b>31 March 2016 £'000</b>
<b>408,821</b>	<b>Balance at 1 April</b>	<b>421,914</b>
	<b>Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(23,772)	Charges for depreciation and impairment of non-current assets	(23,209)
(19,842)	Revaluation losses on Property, Plant and Equipment	(11,071)
(121)	Amortisation of intangible assets	(87)
(7,555)	Revenue expenditure funded from capital under statute	(1,419)
(15,616)	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	(2,657)
<b>(66,906)</b>		<b>(38,443)</b>
1,271	Adjusting amounts written out of the Revaluation Reserve	(4,879)
<b>(65,635)</b>	<b>Written out of the cost of non-current assets consumed in the year</b>	<b>(43,322)</b>
	<b>Capital financing applied in the year:</b>	
1,000	Use of the Capital Receipts Reserve to finance new capital expenditure	3,384
3,864	Use of the Major Repairs Reserve to finance new capital expenditure	3,659
59,731	Application of grants to capital financing from the Capital Grants and Contributions Unapplied Account	23,338
6,720	Statutory provisions for the financing of capital investment charged against the General Fund	6,529
7,401	Capital expenditure charged against the General Fund and HRA balances	7,103
<b>78,716</b>		<b>44,013</b>
12	Movements in the market value of Investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(816)
<b>421,914</b>	<b>Balance at 31 March</b>	<b>421,789</b>

## 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 council 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.

<b>31 March 2015 £'000</b>		<b>31 March 2016 £'000</b>
<b>(237)</b>	<b>Balance at 1 April</b>	<b>(237)</b>
8	Interest adjustment on staggered rate loans	9
(8)	Proportion of premiums incurred in previous financial years	(8)
	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
<b>(237)</b>	<b>Balance at 31 March</b>	<b>(236)</b>

## 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 council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensue that funding will have been set aside by the time the benefits come to be paid.

<b>31 March 2015 £'000</b>		<b>31 March 2016 £'000</b>
<b>(314,396)</b>	<b>Balance at 1 April</b>	<b>(356,378)</b>
(29,858)	Actuarial (losses)/gains on pensions assets and liabilities	47,468
(36,898)	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	(40,355)
24,774	Employer's pensions contributions and direct payments to pensioners payable in the year	27,010
<b>(356,378)</b>	<b>Balance at 31 March</b>	<b>(322,255)</b>

## 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 council 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.

31 March 2015 £'000		31 March 2016 £'000
<u>216</u>	<b>Balance at 1 April</b>	<u>161</u>
(55)	Transfer to the Capital Receipts Reserve upon receipt of cash	(38)
<u>161</u>	<b>Balance at 31 March</b>	<u>123</u>

## 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.

31 March 2015 £'000		31 March 2016 £'000
<u>(4,545)</u>	<b>Balance at 1 April</b>	<u>(5,001)</u>
4,545	Settlement or cancellation of accrual made at the end of the preceding year	5,001
(5,001)	Amounts accrued at the end of the current year	(3,151)
(456)	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	1,850
<u>(5,001)</u>	<b>Balance at 31 March</b>	<u>(3,151)</u>

## 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.

31 March 2015 £'000		31 March 2016 £'000
<u>1,337</u>	<b>Balance at 1 April</b>	<u>6,566</u>
5,229	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	(758)
<u>6,566</u>	<b>Balance at 31 March</b>	<u>5,808</u>

## 29 (h) Financial Instruments Available for Sale

The Financial Instruments Available for Sale Reserve contains the gains made by the council arising from increase in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are: -

- Revalued downwards or impaired and the gains are lost.
- Disposed of and the gains are realised.

31 March 2015 £'000		31 March 2016 £'000
-	<b>Balance at 1 April</b>	<b>75</b>
75	Upward Revaluation of Certificates of Deposits	116
<b>75</b>	<b>Balance at 31 March</b>	<b>191</b>

## 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 2015/16*. However, decisions about resource allocation are taken by the council'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.

In 2015/16, following a restructure of service departments, the composition of clusters was changed. This mainly affected the Adult Social Services and Housing, Environment, and Finance and Resources clusters. The 14/15 cluster income and expenditure statement has been restated to reflect the new cluster arrangements. The income and expenditure of the council's principal clusters recorded in the budget reports for the year is as follows:

Cluster Income and Expenditure 2015/16	Children's Services £'000	Adult Social Services, Health & Wellbeing £'000	Environment, Housing & Community Services £'000	Finance & Resources £'000	CEO, Legal & Constitutional Services £'000	Total £'000
Fees, charges & other service income	(24,479)	(33,121)	(236,672)	(15,039)	(5,458)	<b>(314,769)</b>
Government grants	(264,237)	(17,390)	(3,067)	(120)	(153)	<b>(284,967)</b>
<b>Total Income</b>	<b>(288,716)</b>	<b>(50,511)</b>	<b>(239,739)</b>	<b>(15,159)</b>	<b>(5,611)</b>	<b>(599,736)</b>
Employee expenses	213,640	21,659	41,992	10,763	5,410	<b>293,464</b>
Other service expenses	118,440	101,909	240,392	3,380	2,755	<b>466,876</b>
Support service recharges	11,991	4,628	11,030	2,524	1,689	<b>31,862</b>
<b>Total Expenditure</b>	<b>344,071</b>	<b>128,196</b>	<b>293,414</b>	<b>16,667</b>	<b>9,854</b>	<b>792,202</b>
<b>Net Expenditure</b>	<b>55,355</b>	<b>77,685</b>	<b>53,675</b>	<b>1,508</b>	<b>4,243</b>	<b>192,466</b>

**Restated - Cluster  
Income and Expenditure  
Figures 2014/15**

	<b>Children's Services £'000</b>	<b>Adult Social Services, Health &amp; Wellbeing £'000</b>	<b>Environment, Housing &amp; Community Services £'000</b>	<b>Finance &amp; Resources £'000</b>	<b>CEO, Legal &amp; Constitutional Services £'000</b>	<b>Total £'000</b>
Fees, charges & other service income	(21,175)	(35,542)	(236,244)	(15,865)	(4,613)	<b>(313,439)</b>
Government grants	(259,134)	(14,459)	(2,674)	(94)	(126)	<b>(276,487)</b>
<b>Total Income</b>	<b>(280,309)</b>	<b>(50,001)</b>	<b>(238,918)</b>	<b>(15,959)</b>	<b>(4,739)</b>	<b>(589,926)</b>
Employee expenses	210,933	22,350	42,086	11,244	3,792	<b>290,405</b>
Other service expenses	117,698	106,179	234,306	3,857	2,342	<b>464,382</b>
Support service recharges	12,801	5,722	10,688	2,774	1,789	<b>33,774</b>
<b>Total Expenditure</b>	<b>341,432</b>	<b>134,251</b>	<b>287,080</b>	<b>17,875</b>	<b>7,923</b>	<b>788,561</b>
<b>Net Expenditure</b>	<b>61,123</b>	<b>84,250</b>	<b>48,162</b>	<b>1,916</b>	<b>3,184</b>	<b>198,635</b>

**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.

	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
Net expenditure in the Cluster Analysis	198,635	192,466
Net expenditure of services and support services not included in the Analysis	460	1,591
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	24,165	9,490
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>223,260</b>	<b>203,547</b>

## 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.

2015/16

	Cluster Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to Management for decision making £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(314,769)	(1,453)	(26,522)	14,403	(328,341)	(1,958)	(330,299)
Interest and investment income	-	-	-	-	-	(2,018)	(2,018)
Income from council tax	-	-	-	-	-	(93,522)	(93,522)
Government grants and contribution	(284,967)	-	-	-	(284,967)	(120,226)	(405,193)
<b>Total Income</b>	<b>(599,736)</b>	<b>(1,453)</b>	<b>(26,522)</b>	<b>14,403</b>	<b>(613,308)</b>	<b>(217,724)</b>	<b>(831,032)</b>
Employee expenses	293,464	-	(1,850)	-	291,614	-	291,614
Other service expenses	466,876	3,044	27,364	(14,403)	482,881	279	483,160
Support services recharges	31,862	-	-	-	31,862	-	31,862
Depreciation, amortisation & impairment	-	-	10,498	-	10,498	-	10,498
Interest payments	-	-	-	-	-	19,593	19,593
Levies	-	-	-	-	-	15,323	15,323
Payments to Housing Capital Receipts Pool	-	-	-	-	-	598	598
Gain on Disposal of Assets	-	-	-	-	-	(1,895)	(1,895)
<b>Total Expenditure</b>	<b>792,202</b>	<b>3,044</b>	<b>36,012</b>	<b>(14,403)</b>	<b>816,855</b>	<b>33,898</b>	<b>850,753</b>
<b>Deficit / Surplus in the provision of services</b>	<b>192,466</b>	<b>1,591</b>	<b>9,490</b>	<b>-</b>	<b>203,547</b>	<b>(183,826)</b>	<b>19,721</b>

**2014/15 -  
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	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(313,439)	(1,531)	(27,168)	14,776	(327,362)	(1,968)	(329,330)
Interest and investment income	-	-	-	-	-	(1,672)	(1,672)
Income from council tax	-	-	-	-	-	(90,897)	(90,897)
Government grants and contribution	(276,487)	(1,531)	-	-	(276,487)	(161,714)	(438,201)
<b>Total Income</b>	<b>(589,926)</b>	<b>(1,531)</b>	<b>(27,168)</b>	<b>14,776</b>	<b>(603,849)</b>	<b>(256,251)</b>	<b>(860,100)</b>
Employee expenses	290,405	-	456	-	290,861	-	295,562
Other service expenses	464,382	1,991	38,946	(14,776)	490,543	351	519,967
Support services recharges	33,774	-	-	-	33,774	-	-
Depreciation, amortisation & impairment	-	-	11,931	-	11,931	(12)	11,919
Interest payments	-	-	-	-	-	21,056	21,056
Levies	-	-	-	-	-	13,990	13,990
Payments to Housing Capital Receipts Pool	-	-	-	-	-	537	537
Loss on Disposal of Assets	-	-	-	-	-	10,090	10,090
<b>Total Expenditure</b>	<b>788,561</b>	<b>1,991</b>	<b>51,333</b>	<b>(14,776)</b>	<b>827,109</b>	<b>46,012</b>	<b>873,121</b>
<b>Deficit / (Surplus) in the provision of services</b>	<b>198,635</b>	<b>460</b>	<b>24,165</b>	<b>-</b>	<b>223,260</b>	<b>(210,239)</b>	<b>13,021</b>

## 31. Termination Benefits

The council agreed to terminate the contracts of a number of employees in 2015/16, incurring liabilities of £5.9 million (£0.8 million in 2014/15). There were a total of 260 redundancies in 2015/16 (48 in 2014/15).

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. Of these redundancies 226 related to officers and 34 related to staff in schools (30 officers and 18 schools in 2014/15).

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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15 £'000	2015/16 £'000
<b>£0 - £20,000</b>	18	51	15	94	33	145	£270	£1,340
<b>£20,001 - £40,000</b>	4	7	8	69	12	76	£303	£1,935
<b>£40,001 - £60,000</b>	-	1	1	20	1	21	£44	£1,044
<b>£60,001 - £80,000</b>	1	-	1	11	2	11	£143	£761
<b>£80,001 - £100,000</b>	-	1	-	4	-	5	-	£454
<b>£100,001 - £150,000</b>	-	-	-	1	-	1	-	£140
<b>£200,001 - £250,000</b>	-	-	-	1	-	1	-	£234
<b>Total</b>	<b>23</b>	<b>60</b>	<b>25</b>	<b>200</b>	<b>48</b>	<b>260</b>	<b>£760</b>	<b>£5,908</b>

## 32. Officers' Remuneration

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

		Note	Salary £	Expenses Allowances £	Compensation due to loss of office £	Pension Contribution £	Total £
<b>Roger Hampson Chief Executive</b>	2015/16 2014/15	1	68,810 108,956	- -	44,654 -	- -	113,464 108,956
<b>Andrew Donald Chief Executive</b>	2015/16 2014/15	2	38,746 -	- -	- -	9,725 -	48,471 -
<b>Director of Finance and Resources</b>	2015/16 2014/15	3	See overleaf 106,586	- -	- -	- -	106,586
<b>Patricia Reynolds - Director of Children's Services</b>	2015/16 2014/15		133,209 133,209	- -	- -	34,261 32,103	167,470 165,312
<b>Simon Goodwin - Borough Solicitor and Secretary</b>	2015/16 2014/15	5	113,568 111,627	1,451 -	12,469 -	28,506 26,902	155,994 138,529
<b>Simon Barry - Director of Environment &amp; Community Services</b>	2015/16 2014/15	5	133,209 131,205	3,337 3,291	61,582 -	34,262 31,620	232,390 166,116
<b>John Powell - Director of Adult Social Services</b>	2015/16 2014/15		133,963 131,205	2,669 4,027	- -	34,262 31,620	170,894 166,852
<b>Director of Public Health</b>	2015/16 2014/15		113,510 113,338	- -	- -	28,433 21,582	141,943 134,920
<b>Chief Financial Services Officer – Section 151 officer</b>	2015/16 2014/15	4	108,275 94,959	2,742 2,682	- -	26,598 22,875	137,615 120,516



**Note 1** – In December 2015 the council agreed the retirement of the Chief Executive. Compensation due to loss of office equated to contractual entitlements due to the original contract termination date. The annualised salary for 2015/16 and 2014/15 was £181,542.

**Note 2** – In January 2016, Andrew Donald was appointed as the new Chief Executive. Annualised salary for the 2015/16 was £161,751.

**Note 3** – Following the retirement of the Director of Finance and Resources in January 2015, the post was covered by an Interim Director until December 2015. If the post had been filled by a council employee during 2015-16 the salary range would have been between £121,191 and £137,214. An appointment to the re-designated post of Director of Corporate Resources was made on the 31<sup>st</sup> March 2016.

**Note 4** – Following the retirement of the Director and Resources the role of the Section 151 Officer was delegated to the Chief Financial Services Officer.

**Note 5** – In March 2016, the council approved changes to the management structure which resulted in the termination of the contracts of the Director of Environment and Community Services and the Borough Solicitor on 31 March 2016 and 31 July 2016 respectively. The cost to the council of terminating the contracts is £234,052 and £55,897 respectively.

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:

2014/15				Earning Band	2015/16			
Officers	Teachers	VA Schools	Total		Officers	Teachers	VA Schools	Total
64	86	16	166	£50,000 - £54,999	63	90	24	177
36	41	11	88	£55,000 - £59,999	30	50	9	89
20	34	5	59	£60,000 - £64,999	16	31	5	52
6	17	4	27	£65,000 - £69,999	13	21	3	37
4	13	2	19	£70,000 - £74,999	10	15	-	25
4	14	1	19	£75,000 - £79,999	5	13	1	19
-	8	4	12	£80,000 - £84,999	-	10	1	11
8	4	6	18	£85,000 - £89,999	3	3	5	11
6	7	1	14	£90,000 - £94,999	3	11	1	15
1	4	-	5	£95,000 - £99,999	4	6	-	10
2	1	-	3	£100,000 - £104,999	1	2	-	3
1	-	-	1	£105,000 - £109,999	1	1	-	2
1	4	1	6	£110,000 - £114,999	3	4	-	7
-	2	-	2	£115,000 - £119,999	1	1	-	2
-	-	-	-	£120,000 - £124,999	-	-	-	-
-	-	-	-	£125,000 - £129,999	-	1	-	1
2	-	-	2	£130,000 - £134,999	1	-	-	1
1	-	-	1	£135,000 - £139,999	2	-	-	2
-	-	-	-	£140,000 - £144,999	-	-	-	-
-	-	-	-	£145,000 - £149,999	-	-	-	-
-	-	-	-	£150,000 - £154,999	-	-	-	-
-	-	-	-	£155,000 - £159,999	-	-	-	-
-	-	1	1	£160,000 - £164,999	-	-	1	1
<b>156</b>	<b>235</b>	<b>52</b>	<b>443</b>	<b>Total</b>	<b>156</b>	<b>259</b>	<b>50</b>	<b>465</b>

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

There has been an increase of Teachers within the Voluntary Aided Schools within the £50k to £55k banding which is predominately due to pay awards.

The cost of compensatory amounts for loss of employment has inflated the number of employees in the various bandings, particularly in respect of Officers.

### 33. Members' Allowances

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

	2014/15 £'000	2015/16 £'000
Allowances	961	910
<b>Total</b>	<b>961</b>	<b>910</b>

The cost of Member's allowances in 2015/16 was lower than in the previous year due to the decision of one Member to decline the attendance allowance and maternity leave of another Member.

## 34. Related Parties

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

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

- **Central Government**

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

- **Elected Members of the council**

Members of the council have direct control over the council's financial and operating policies. The total of Members' allowances paid in 2015/16 is shown in Note 33.

During 2015/16 works and services to the value of £72,129 were commissioned from a company in which one Member had an interest. The contract was entered into in full compliance with the council's standing orders.

The Members' Register of Interests is available on the council's web site, Redbridge-i ([www.redbridge.gov.uk](http://www.redbridge.gov.uk)).

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

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

- **Other Public Bodies**

### **East London Waste Authority**

#### *Nature of Business and Relationship with the council*

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

#### *Financial Performance*

The levy payments paid by the council to ELWA amounted to £14,591,000 (£13,252,000 in 2014/15).

#### *Related Party Officers/Members*

Two members of the council are Board Members of ELWA: councillor S. Bain and councillor B. Nijjar.

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

The council has the following interest in organisations listed below:

### **Vision Redbridge Culture and Leisure**

#### *Nature of Business and Relationship with the council*

Vision Redbridge Culture & Leisure (VRCL) is a Leisure Trust which was incorporated as a company limited by guarantee under the Companies Act on 19 December 2007, and registered as a charity on 11 February 2008. Originally set up to manage the council's leisure centres, in 2011/12 VRCL's remit was widened to incorporate responsibility for the management of the services previously managed in-house by the Culture, Sport & Community Leisure service area. Under both IFRS and the CIPFA Code of Practice on Local Authority accounting in the United Kingdom 2014/15, VRCL is deemed to be a subsidiary of the London Borough of Redbridge as the council has the power to govern VRCL's financial and operating policies.

*Financial Performance*

The council made payments of £10.085 million in 2015/16 (£9.94 million in 2014/15) to VRCL for the management of these services.

*Related Party Officers/Members*

Three members of the council are Board Members at VRCL: councillor D. Kaur-Thiara, councillor M. Santos and councillor R. Turbefeild.

**Redbridge Theatre Company Limited***Nature of Business and Relationship with the council*

The principal activity of this Company is the operation of a theatre. The Company is registered charity and carries on business as a Theatrical Charitable Trust. The Company is limited by guarantee and has no share capital.

*Financial Performance*

The council grants aid to the Company and during 2015/16 this amounted to £157,529 (£157,529 in 2014/15). The net assets of the Company for the year ending July 2015 totalled £167,258 (£204,698 year ending July 2014). The Company made a net loss for the year ending July 2015 of £37,440 (net surplus of £10,128 for the year ending July 2014).

At the time of the production of this year's Accounts, the 2015/16 Accounts for the Redbridge Theatre Company Limited have not been produced as its year end is 31 July 2016. 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 Finance Department (London Borough of Redbridge, Lynton House, 255-259 High Road, Ilford, Essex, IG1 1NN).

*Related Party Officers/Members*

Eight members of the council are Board Members of Redbridge Theatre Company Limited: councillor M. Ahmed, councillor K. Chowdhury, councillor R. Cole, councillor K. Flint, councillor R. Littlewood, councillor S. Nolan, councillor J. Ryan and councillor B. White.

As at 31 March 2016 the Chief Financial Services Officer was also the acting Honorary Treasurer for the Theatre and the Borough Solicitor and Secretary was the Honorary Secretary for the Theatre.

**Other**

During the financial year, the council charged the Pension Fund £428,974 for expenses incurred administering the Pension Fund (£449,732 in 2014/15) and £119,000 for expenses incurred for investment services (£117,100 in 2014/15).

**35. External Audit Costs**

The council 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 council's external auditors:

	<b>2014/15</b> <b>£'000</b>	<b>2015/16</b> <b>£'000</b>
Fees payable with regard to external audit services carried out by the appointed auditor.	186	139
Fees payable for external audit services carried out by the appointed auditors in respect of the Pension Fund	21	21
Fees payable to external auditors for the certificate of grant claims and returns for the year.	21	13
<b>Total</b>	<b>228</b>	<b>173</b>

The external auditors appointed with effect from the financial year 2015/16 were KPMG LLP. The council's previous auditors were PricewaterhouseCoopers LLP (PWC).

## 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.

		<b>2014/15</b>	<b>2015/16</b>	
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Conveniences</b>				
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	309	334	
	Expenditure	(310)	(327)	
	Surplus/(Deficit)			7
		(1)		
<b>Civic Catering</b>				
The Staff and Civic Catering team are responsible for the provision of routine refreshments and canteen services to Members, visitors and staff.	Turnover	418	396	
	Expenditure	(435)	(429)	
	Deficit			(33)
		(17)		
<b>Street Cleansing</b>				
The Street Cleansing team is responsible for sweeping all the council's roads, emptying of litter bins and removal of fly tipping.	Turnover	4,659	4,634	
	Expenditure	(4,597)	(4,570)	
	Surplus			64
		62		
<b>Transport</b>				
Transport Services provides the council'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	8,784	8,567	
	Expenditure	(8,883)	(8,514)	
	Surplus/(Deficit)			53
		(99)		
<b>Total</b>				
		<b>(55)</b>		<b>91</b>

## 37. Agency Services

### East London Waste Authority (ELWA)

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

	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Service Level Agreement	185	187

## Business Improvement Districts

The council 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.

	2014/15 £'000	2015/16 £'000
<b>Ilford BID</b>		
Amount Brought Forward	(103)	(171)
Cash Collection in 2014/15	(415)	(231)
Levy Payment	347	322
<b>Balance carried forward</b>	<b>(171)</b>	<b>(80)</b>
<b>Hainault BID</b>		
Amount Brought Forward	(51)	(43)
Cash Collection in 2014/15	(109)	(121)
Levy Payment	117	113
<b>Balance carried forward</b>	<b>(43)</b>	<b>(51)</b>

## 38. Pooled Budgets

The council is involved with three pooled arrangements as set out below:

### (a) Learning Disability Partnership

The council has a partnership arrangement under section 75 of the National Health Service Act 2006. The partners to the agreement are the London Borough of Redbridge, NHS Redbridge and the North East London Foundation Trust. 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:

2014/15 Net Expenditure £'000		2015/16		
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
18,967	London Borough of Redbridge	22,498	(1,515)	20,983
3,756	NHS Redbridge	4,040	-	4,040
736	North East London Foundation Trust	806	-	806
<b>23,459</b>	<b>Total</b>	<b>27,344</b>	<b>(1,515)</b>	<b>25,829</b>

**(b) Mental Health Partnership**

The council 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.

<b>2014/15</b>		<b>2015/16</b>		
<b>Net</b>		<b>Gross</b>	<b>Gross</b>	<b>Net</b>
<b>Expenditure</b>		<b>Expenditure</b>	<b>Income</b>	<b>Expenditure</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
5,161	London Borough of Redbridge	5,579	(269)	5,310
4,101	North East London Foundation Trust	4,204	-	4,204
<b>9,262</b>	<b>Total</b>	<b>9,783</b>	<b>(269)</b>	<b>9,514</b>

**(c) Better Care Fund**

The Better Care Fund (BCF) commenced on 1st April 2015 with the purpose of supporting integrated health and social care and promoting joint planning of care provision in the local health area.

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

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

<b>2014/15</b>		<b>2014/15</b>
<b>Pooled Budget</b>		<b>Pooled Budget</b>
<b>£'000</b>		<b>£'000</b>
-	London Borough of Redbridge	5,115
-	Disabled Facilities	1,517
-	Redbridge CCG	10,917
<b>-</b>		<b>17,549</b>

**39. Other Funds**

The council 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 2016 was £2 million (£2 million as at 31 March 2015).

**40. Pension Scheme Accounted for as a Defined Contribution Scheme**

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

The Scheme is 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 council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for as a defined contribution scheme.

In 2015/16, contributions amounting to £12.8 million were paid by the council to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% until August 2015 then increasing to 16.48% of pensionable pay from September 2015. This sum includes the contributions for March 2016 which were paid in April. The figures for 2014/15 were £12.7 million and 14.1%.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 41.

### **NHS Staff Pension Scheme**

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

The scheme is an unfunded defined benefit scheme. As with the Teacher's Pension Scheme, the council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for as a defined contribution scheme.

In 2015/16, the council paid £0.1 million to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.3% of pensionable pay. The figures for 2014/15 were £0.2 million and 14%. There were no contributions remaining payable at the year end.

## **41. Defined Benefit Pension Scheme**

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

The council participates in two post-employment arrangements:

- The Local Government Pension Scheme, administered locally by the London Borough of Redbridge – this is a funded defined benefit salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be met by the council 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 council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, so the actuarial cost of post-employment/retirement benefit is reversed out of the General Fund via the Movement in Reserves Statement.

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

	<b>Local Government Pension Scheme</b>	
	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current Service Cost	23,472	26,643
Past Service Costs	561	2,639
<b>Total Post-Employment Benefits charged to the Deficit on the provision of Services</b>	<b>24,033</b>	<b>29,282</b>
Interest Income on scheme assets	(20,884)	(18,006)
Interest cost on defined benefit obligation	33,749	29,079
<b>Total defined benefit cost recognised in profit or (loss)</b>	<b>36,898</b>	<b>40,355</b>
<b>Re-measurement of the net defined benefit liability</b>		
Change in financial assumptions	81,800	(46,547)
Other experience	(2,928)	(11,597)
Return on assets excluding amounts included in net interest	(49,014)	10,676
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>29,858</b>	<b>(47,468)</b>
<b>Movement in Reserve Statement:</b>		
Reversal of net charges made to the Surplus on the provision of Services for post-employment benefits in accordance with the code	(12,124)	(13,345)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employer's contributions payable to scheme	22,636	24,898
Employer's discretionary contributions payable	2,138	2,112
Retirement benefits payable to pensioners	(30,110)	(28,081)
Discretionary benefits payable to pensioners	(2,138)	(2,112)



**Assets and Liabilities in Relation to Post-Employment Benefits**

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

**Scheme Liabilities**

	<b>Local Government Pension Scheme</b>	
	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Opening Balance at 1 April	824,681	935,436
Current Service Cost	23,472	26,643
Interest Cost	33,749	29,079
Contributions by scheme participants	6,285	6,145
Actuarial (gains)/losses	78,936	(57,535)
Benefits paid	(30,110)	(28,081)
Discretionary Benefits	(2,138)	(2,112)
Past Services Cost	561	2,639
<b>Closing Balance at 31 March</b>	<b>935,436</b>	<b>912,214</b>

**Scheme Assets**

Reconciliation of fair value of the scheme:

	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Opening Balance at 1 April	510,285	579,058
Interest Income	20,884	18,006
Re-measurement gain/(loss)	49,078	(10,067)
Employer contributions	22,636	24,898
Contributions by scheme participants	6,285	6,145
Benefits paid	(30,110)	(28,081)
<b>Closing Balance at 31 March</b>	<b>579,058</b>	<b>589,959</b>

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**

	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Present value of liabilities:</b>		
Local Government Pension Scheme	(935,436)	(912,214)
Fair value of assets in the Local Government Pension Scheme	579,058	589,959
<b>Total Deficit in the Scheme</b>	<b>(356,378)</b>	<b>(322,255)</b>

The liabilities show the underlying commitments that the council has in the long run to pay post-employment (retirement) benefits. The total liability of £322.3 million has a substantial impact on the net worth of the council as recorded in the Balance Sheet, resulting in a reduction in the council's net worth of 39.5% as at the 31 March 2016 (45.1% as at 31 March 2015). However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions from employees and employers plus investment returns over 20 years as set out in the 2013 Triennial Valuation.
- There is only a requirement for the council to fund discretionary benefits that are awarded when the pensions are actually paid.

### 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:

	<b>Local Government Pension Scheme</b>	
	<b>2014/15</b>	<b>2015/16</b>
<b>Mortality assumptions</b>		
<b>Longevity at 65 for current pensioners:</b>		
Men	22.0 years	22.0 years
Women	24.1 years	24.1 years
<b>Longevity at 65 for future pensioners:</b>		
Men	24.3 years	24.3 years
Women	26.7 years	26.7 years
Rate of inflation	2.1%	2.1%
Rate of increase in salaries	3.0%	3.1%
Rate of increase in pensions	2.1%	2.1%
Rate for discounting scheme liabilities	3.1%	3.4%
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:

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Equity Securities</b>		
Consumer	20,643	-
Energy and Utilities	10,463	-
Financial Institutions	11,712	-
Health and Care	16,555	-
Information Technology	20,935	-
Other	18,236	-
<b>Sub-total Equities</b>	<b>98,544</b>	<b>-</b>
<b>Bonds</b>		
Corporate	73,748	-
Government	78,414	-
Other	26,636	-
<b>Sub-total Bonds</b>	<b>178,798</b>	<b>-</b>
<b>Property</b>		
UK Property	55,498	54,387
<b>Investment Funds and Unit Trusts</b>		
Equities	225,619	263,217
Bonds	-	139,650
Real Return	-	130,127
Commodities	6,180	-
Other	2,070	-
<b>Sub-total</b>	<b>233,869</b>	<b>532,994</b>
<b>Derivatives</b>		
Other Derivatives	(26,448)	-
<b>Cash and Cash Equivalents</b>		
Cash	38,797	2,578
<b>Total Assets</b>	<b>579,058</b>	<b>589,959</b>

### Impact on the council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. At the 2013 Triennial Valuation, the council 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 2015. 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 council is projected to pay £22.9 million employer contributions to the scheme in 2016/17.

## 42. Contingent Liabilities and Assets

As at 31 March 2016, there were no material contingent liabilities or assets.

## 43. Notes to the Cashflow Statement

### (a) Cash Flow Statement – Operating Activities

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

2014/15 £'000		2015/16 £'000
(13,021)	<b>The cash flows for operating activities include the following items</b>	(19,721)
	Net Deficit on the provision of services	
	<b>Adjust net deficit on the provision of services for non-cash movements</b>	
23,144	Depreciation	23,209
19,842	Impairment and downward valuations	11,071
121	Amortisation	87
3,574	Increase/(decrease) in creditors	(8,945)
11,236	(Increase)/decrease in debtors	5,337
32	Decrease in inventories	(15)
12,124	Movement in pension liability	13,345
15,616	Carrying amount of non-current assets sold or derecognised	2,657
8,237	Other non-cash items	6,334
<b>93,926</b>		<b>53,080</b>
	<b>Adjust for items included in net deficit on the provision of services that are investing or financing activities</b>	
(44,707)	Capital Grants	(20,066)
(5,098)	Proceeds from the sale of property, plant and equipment	(5,368)
<b>(49,805)</b>		<b>(25,434)</b>
<b>31,100</b>	<b>Net cash flows generated from operating activities</b>	<b>7,925</b>

The cash flows for operating activities include the following items:

2014/15 £'000		2015/16 £'000
1,555	Interest Received	1,930
(7,222)	Interest Paid	(7,699)

**(b) Cash Flow Statement – Investing Activities**

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
(62,152)	Purchase of property, plant and equipment, investment property and intangible assets	(55,095)
16,145	Purchase of short term and long term investments	(93,275)
(7,555)	Other payments for investing activities	(1,419)
5,098	Proceeds from the sale of property, plant, equipment, investment property and intangible assets	5,368
(41,490)	Proceeds / (Purchases) from short term and long term investments	93,100
44,707	Other receipts from investing activities	20,066
<b>(45,247)</b>	<b>Net cash flows from investing activities</b>	<b>(31,255)</b>

**(c) Cash Flow Statement – Financing Activities**

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
25,000	Cash receipts from short term and long term borrowing	11,809
539	Other receipts from financing activities	598
(470)	Cash payments for the reduction of outstanding liabilities relating to finance leases on balance sheet PFI contracts	(436)
(5,849)	Repayments of short term and long term borrowing	(6,013)
<b>19,220</b>	<b>Net cash flows from financing activities</b>	<b>5,958</b>

## 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.

2014/15 £'000	<b>Housing Revenue Account Income and Expenditure Account</b>	<i>Notes</i>	2015/16 £'000
	<b>Expenditure</b>		
5,991	Repairs and Maintenance		5,924
7,580	Supervision and Management		6,755
699	Rents, Rates, Taxes and Other Charges		700
6	Movement in the allowance for bad debts		-
13,350	Depreciation and impairment of fixed assets	5	9,842
<b>27,626</b>	<b>Total Expenditure</b>		<b>23,221</b>
	<b>Income</b>		
(24,115)	Dwelling Rents		(24,640)
(348)	Non-Dwelling Rents		(364)
(4,434)	Charges for Services and Facilities		(3,481)
(171)	Contributions towards expenditure		(140)
<b>(29,068)</b>	<b>Total Income</b>		<b>(28,625)</b>
<b>(1,442)</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(5,404)</b>
<b>(1,442)</b>	<b>Net Expenditure / (Income) on HRA Services</b>		<b>(5,404)</b>
	<b>HRA Share of the operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
(2,286)	Gain on sale of HRA non-current assets		(2,711)
2,367	Interest payable and similar charges		2,370
(212)	Interest and investment income		(257)
303	Pensions interest cost and expected return on pension assets		244
(823)	Capital grants and contributions receivable		(60)
<b>(2,093)</b>	<b>Deficit or (Surplus) for the year on HRA services</b>		<b>(5,818)</b>

**Movement on the Housing Revenue Account Statement**

<b>2014/15</b> <b>£'000</b>		<b>2015/16</b> <b>£'000</b>
<b>(4,916)</b>	<b>Balance on the HRA at the end of the previous year</b>	<b>(5,926)</b>
(2,093)	Deficit or (Surplus) for the year on the HRA Income and Expenditure Statement	(5,818)
(804)	Adjustment between accounting basis and funding basis under statute	2,883
<b>(2,897)</b>	<b>Net decrease before transfers to or from reserves</b>	<b>(2,935)</b>
1,887	Transfers to reserves	2,483
(1,010)	Increase in year on the HRA	(452)
<b>(5,926)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(6,378)</b>

**Note to the Movement on the HRA Statement**

<b>2014/15</b> <b>£'000</b>		<i>Notes</i>	<b>2015/16</b> <b>£'000</b>
	<b>Adjustments between accounting basis and funding basis under regulations</b>		
2,286	Gain on sale of HRA non-current assets		2,711
(275)	HRA share of contributions to or from the Pension Reserve		(284)
(7,911)	Impairment of Fixed Assets	5	(4,502)
(160)	Capital Receipts cost of sales		(145)
823	Capital Grants and contributions receivable		60
3,689	Capital expenditure funded by the HRA		4,945
744	Transfer from reserves		98
<b>(804)</b>			<b>2,883</b>
	<b>Transfers (from) / to reserves</b>		
(1,887)	Movement to earmarked reserves	7	2,483
<b>(1,887)</b>			<b>2,483</b>

## 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 0.38% of rent was lost because of properties that were vacant (0.48% in 2014/15). The average rent for all stock was £105.38 per week in 2015/16 and £102.67 in 2014/15.

### 2. Housing Stock

The council is responsible for managing a Housing Revenue Account stock of 4,476 properties at 31 March 2016 (4,511 at 31 March 2015). An analysis is shown below. The council is also a freeholder of 2,438 leased properties.

2014/15 Number		2015/16 Number
1,606	General Needs	1,589
1,329	- One or less Bedrooms	1,319
1,341	- Two Bedrooms	1,333
235	- Three or More Bedrooms	235
<b>4,511</b>	Sheltered Housing Units	<b>4,476</b>
	<b>Total</b>	

### 3. Rent Arrears

The provision for doubtful debts against arrears was £0.494 million at 31 March 2016 (£0.745 million at 31 March 2015).

2014/15 £'000		2015/16 £'000
312	Arrears due from	247
546	- Current tenants	351
<b>858</b>	- Former tenants	<b>598</b>
	<b>Total</b>	
3.55%	Total as a % of gross debt	2.43%

### 4. Balance Sheet Value of HRA Assets

2014/15 £'000		2015/16 £'000
230,822	Dwellings	252,638
4,990	Other Land and Buildings	6,230
<b>235,812</b>	<b>Total</b>	<b>258,868</b>

The vacant possession value of dwellings within the HRA as at 1 April 2015 was £998 million (£921 million as at 1 April 2014). The difference of £745 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 2015/16.

2014/15 £'000		2015/16 £'000
5,369	Operational Assets - dwellings	5,267
70	Operational Assets – other land and buildings	73
7,911	Impairment of fixed assets - dwellings	4,502
<b>13,350</b>	<b>Total</b>	<b>9,842</b>

The charge for impairment in 2015/16 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.

2014/15 £'000		2015/16 £'000
(4,816)	Balance Brought Forward	(6,392)
(5,370)	Major Repairs Allowance (MRA)	(5,267)
(70)	Non-dwellings depreciation	(73)
3,864	Capital Expenditure funded from the MRR	3,659
<b>(6,392)</b>	<b>Balance on the Major Repairs Reserves as at 31 March</b>	<b>(8,073)</b>

## 7. Movement in Earmarked Reserves

The following movements in earmarked reserves occurred in 2015/16:

2014/15 £'000		2015/16 £'000
38	Quality of Life Reserve – Revenue/Capital	124
(65)	Week 53 Reserve	(370)
-	HRA IT Reserve	241
290	Non-Dwellings Depreciation and Impairment	377
108	Former Tenant Arrears	-
-	Asbestos Survey & GIS work	101
1,516	Earmarked Capital Reserves	2,010
<b>1,887</b>	<b>Total</b>	<b>2,483</b>

## 8. HRA Capital Financing

2014/15 £'000		2015/16 £'000
<b>9,949</b>	<b>HRA Capital Expenditure - Dwellings</b>	<b>12,058</b>
	<b>Financed by:</b>	
823	Government Grants	50
3,689	Contribution from Revenue	4,945
3,864	Net Contribution from Major Repairs Reserve	3,659
744	Contribution from Other Reserves	120
829	Capital Receipts	3,284
<b>9,949</b>	<b>Total Funding</b>	<b>12,058</b>

**9. Capital Receipts**

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
	<b>HRA Capital Receipts</b>	
5,069	Properties	5,368
27	Land and Garages	9
<b>5,096</b>		<b>5,377</b>

**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 council has been consolidated with the council's main accounts. The Accounts have been prepared on an accruals basis.

### Income and Expenditure Account

2014/15 £'000		2015/16 £'000 Council Tax	2015/16 £'000 NDR	2015/16 £'000 BRS	2015/16 £'000 Total
	<b>Income</b>				
115,711	Council Tax Payers	117,971	-	-	117,971
53,396	Income from Business Ratepayers	-	53,144	1,099	54,243
131	Transitional Protection–Central Government	-	(58)	-	(58)
	<b>Contribution to previous years collection fund deficit:</b>				
439	Central Government	-	-	-	-
263	London Borough of Redbridge	-	52	-	52
175	GLA	-	-	-	-
<b>170,115</b>	<b>Total Income</b>	<b>117,971</b>	<b>53,138</b>	<b>1,099</b>	<b>172,208</b>
	<b>Expenditure</b>				
	<b>Precepts:</b>				
86,280	London Borough of Redbridge	88,267	-	-	88,267
23,654	Greater London Authority	23,768	-	-	23,768
	<b>Business Rates:</b>				
14,335	London Borough of Redbridge	-	15,725	-	15,725
10,557	Greater London Authority	-	10,484	1,094	11,578
23,892	Central Government	-	26,209	-	26,209
286	Costs of Collection	-	281	5	286
	<b>Apportionment of previous years estimated collection fund surplus:</b>				
400	Estimated Surplus Distribution – LBR	5,450	298	-	5,748
	LBR Surplus bought forward	400	-	-	400
106	Estimated Surplus Distribution – GLA	1,384	198	-	1,582
	Central Government Surplus bought forward	-	548	-	548
	<b>Bad and Doubtful Debts</b>				
(631)	Provisions	(2,188)	665	-	(1,523)
2,919	Write-offs	1,226	605	-	1,831
(465)	Provisions for appeals	-	-	-	-
<b>161,333</b>	<b>Total Expenditure</b>	<b>118,307</b>	<b>55,013</b>	<b>1,099</b>	<b>174,419</b>
<b>8,782</b>	<b>(Deficit)/Surplus for the year</b>	<b>(336)</b>	<b>(1,875)</b>	<b>-</b>	<b>(2,211)</b>
1,237	(Deficit)/Surplus bought forward at 1 April	7,418	2,601	-	10,019
<b>10,019</b>	<b>(Deficit)/Surplus carried forward at 31 March</b>	<b>7,082</b>	<b>726</b>	<b>-</b>	<b>7,808</b>
	<b>Allocated to:</b>				
6,566	London Borough of Redbridge	5,591	218	-	5,809
2,152	Greater London Authority	1,491	145	-	1,636
1,301	Central Government	-	363	-	363
<b>10,019</b>	<b>Total</b>	<b>7,082</b>	<b>726</b>	<b>-</b>	<b>7,808</b>

## 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 council set the level of Council Tax for 2015/16 at £1,390.53 for band D properties (this includes £295.00 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	<b>2014/15 Number of Properties</b>	<b>2015/16 Number of Properties</b>
A	1,073	1,115
B	8,629	8,700
C	20,900	21,098
D	29,987	30,099
E	22,159	22,229
F	10,016	10,090
G	4,983	5,015
H	334	336
Council Tax base collection allowance adjustment	(1,674)	(1,496)
Allowance for estimated full value of exemptions (inc disabled)	(2,432)	(2,163)
Local Authority Tax Support Scheme	(15,219)	(14,453)
<b>Total</b>	<b>78,756</b>	<b>80,570</b>

### 2. Local Authority Tax Support Scheme

Council Tax Benefit ceased from 1 April 2013, replaced by the Local Authority Tax Support Scheme.

### 3. Income from Business Rates

The council collects business rates for its area based on rateable values (as determined by the Valuation Office Agency) and multipliers set by central government. The multipliers for 2015/16 were 48p for qualifying Small Businesses, with the standard multiplier being 49.3p for all other businesses (47.1p and 48.2p respectively in 2014/15).

The total rateable value for business premises as at the end of March 2016 was £136,592.194.

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

<b>2014/15 £'000</b>		<b>2015/16 £'000</b>
62,079	Gross NDR due in the year	64,856
(9,689)	Less: Allowances and other adjustments	(13,322)
<b>52,390</b>		<b>51,534</b>

In addition to NDR collected on behalf of the Government, the council has collected the sum of £1.1 million 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 council 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 2016 the balance repayable by the GLA is £79,208 (£239,000 in 2014/15).

### 5. Transitional Protection Payments

The council did not receive transitional relief in 2015-16 to reflect the financial impact of transitional arrangements to the business rate retention scheme.

### 6. NDR - Provision for Appeals

The Fund has a provision for appeals made to the Valuation Office against rating valuations but not settled as at 31 March 2016. As at 31 March 2016 a provision of £1 million (£1m in 2014/15) was charged to the Collection Fund. The provision for appeals is provided for in proportion to the precepting shares. The council's proportionate share of this provision is £0.3 million.

## **Group Accounts**

### **Basis of Consolidation**

#### **Vision Redbridge Culture and Leisure**

The council has an interest in 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 council's leisure centres, however during 2011 its remit was widened and it is now responsible for the management of the services previously managed in-house by the Culture, Sport & Community Leisure service area.

Under both IFRS and the CIPFA Code of Practice on Local Authority accounting in the United Kingdom 2015/16 VRCL is deemed to be a subsidiary of the London Borough of Redbridge as the council has the power to govern VRCL's financial and operating policies.

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

The council or VRCL has no minority interest or contractual arrangement with respect to, providing financial support to other entities that would require reporting.

## Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the council 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 council'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 council and its subsidiaries.

	General Fund Balance	Earmarked General Fund Reserves	HRA Balance	HRA Earmarked Reserves	Other Usable Reserves	Total Usable Reserves	Unusable Reserves	Total council Reserves	council's share of Reserves of Subsidiaries, Associates and Joint Ventures	Total Group Reserves
Restated	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2014</b>	(17,084)	(109,440)	(4,916)	(5,296)	(53,687)	(190,423)	(219,883)	(410,306)	2,875	(407,431)
<b>Movement in reserves during 2014/15</b>										
Surplus or (deficit) on the provision of services	15,114	-	(2,093)	-	-	13,021	-	13,021	798	13,819
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	(29,628)	(29,628)	2,618	(27,010)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>15,114</b>	<b>-</b>	<b>(2,093)</b>	<b>-</b>	<b>-</b>	<b>13,021</b>	<b>(29,628)</b>	<b>(16,607)</b>	<b>3,416</b>	<b>(13,191)</b>
<b>Net (Increase)/Decrease before transfers</b>	<b>15,114</b>	<b>-</b>	<b>(2,093)</b>	<b>-</b>	<b>-</b>	<b>13,021</b>	<b>(29,628)</b>	<b>(16,607)</b>	<b>3,416</b>	<b>(13,191)</b>
Adjustments between accounting basis and funding basis under regulations	(9,100)	-	(804)	-	9,508	(396)	396	-	-	-
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>6,014</b>	<b>-</b>	<b>(2,897)</b>	<b>-</b>	<b>9,508</b>	<b>12,625</b>	<b>(29,232)</b>	<b>(16,607)</b>	<b>3,416</b>	<b>(13,191)</b>
Transfers to/from Earmarked Reserves	(6,031)	6,031	1,887	(1,887)	-	-	-	-	-	-
<b>(Increase)/Decrease in 2014/15</b>	<b>(17)</b>	<b>6,031</b>	<b>(1,010)</b>	<b>(1,887)</b>	<b>9,508</b>	<b>12,625</b>	<b>(29,232)</b>	<b>(16,607)</b>	<b>3,416</b>	<b>(13,191)</b>
<b>Balance at 31 March 2015</b>	<b>(17,101)</b>	<b>(103,409)</b>	<b>(5,926)</b>	<b>(7,183)</b>	<b>(44,179)</b>	<b>(177,798)</b>	<b>(249,115)</b>	<b>(426,913)</b>	<b>6,291</b>	<b>(420,622)</b>
<b>Movement in reserves during 2015/16:</b>										
(Surplus) or deficit on provision of services	25,539	-	(5,818)	-	-	19,721	-	19,721	(283)	19,438
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	(256,396)	(256,396)	(2,499)	(258,895)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>25,539</b>	<b>-</b>	<b>(5,818)</b>	<b>-</b>	<b>-</b>	<b>19,721</b>	<b>(256,396)</b>	<b>(236,675)</b>	<b>(2,782)</b>	<b>(239,457)</b>
Adjustment between Group Accounts and council Accounts	-	-	-	-	-	-	-	-	-	-
<b>Net (Increase)/Decrease before transfers</b>	<b>25,539</b>	<b>-</b>	<b>(5,818)</b>	<b>-</b>	<b>-</b>	<b>19,721</b>	<b>(256,396)</b>	<b>(236,675)</b>	<b>(2,782)</b>	<b>(239,457)</b>
Adjustments between accounting basis and funding basis under regulations	(15,961)	-	2,883	-	200	(12,878)	12,878	-	-	-
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>9,578</b>	<b>-</b>	<b>(2,935)</b>	<b>-</b>	<b>200</b>	<b>6,843</b>	<b>(243,518)</b>	<b>(236,675)</b>	<b>(2,782)</b>	<b>(239,457)</b>
Transfers to/(from) Earmarked Reserves	(9,622)	9,622	2,483	(2,483)	-	-	-	-	-	-
<b>(Increase)/Decrease in 2015/16</b>	<b>(44)</b>	<b>9,622</b>	<b>(452)</b>	<b>(2,483)</b>	<b>200</b>	<b>6,843</b>	<b>(243,518)</b>	<b>(236,675)</b>	<b>(2,782)</b>	<b>(239,457)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>(17,145)</b>	<b>(93,787)</b>	<b>(6,378)</b>	<b>(9,666)</b>	<b>(43,979)</b>	<b>(170,955)</b>	<b>(492,633)</b>	<b>(663,588)</b>	<b>3,509</b>	<b>(660,079)</b>

## 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 2015			31 March 2016			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
47,790	(41,272)	6,518	Central Services to the Public	42,781	36,570	6,211
21,581	(8,253)	13,328	Cultural and Related Services	21,172	9,385	11,787
22,269	(4,994)	17,275	Environmental and Regulatory Services	22,330	4,632	17,698
6,316	(3,093)	3,223	Planning Services	7,231	4,738	2,493
358,113	(281,811)	76,302	Education and Children's Services	347,894	289,336	58,558
36,314	(13,381)	22,933	Highways and Transport Services	40,698	16,861	23,837
27,626	(29,068)	(1,442)	Local Authority Housing (HRA)	23,221	28,625	(5,404)
201,382	(186,195)	15,187	Other Housing Services	200,860	185,096	15,764
93,349	(29,473)	63,876	Adult Social Care	93,316	30,772	62,544
11,411	(12,106)	(695)	Public Health	14,101	13,743	358
6,218	(878)	5,340	Corporate and Democratic Core	5,303	981	4,322
2,185	-	2,185	Non distributed costs	5,317	-	5,317
<b>834,554</b>	<b>(610,524)</b>	<b>224,030</b>	<b>Cost of Services</b>	<b>824,224</b>	<b>620,739</b>	<b>203,485</b>
		24,561	Other Operating Expenditure (note 2)			13,098
		17,840	Financing and Investment Income and Expenditure (note 3)			16,603
		(252,612)	Taxation and Non-Specific Grant Income (note 4)			(213,748)
		<b>13,819</b>	<b>Group (Surplus) or Deficit on Provision of Services</b>			<b>19,438</b>
		(59,411)	Surplus or deficit on revaluation of non-current assets			(208,812)
		(75)	Surplus or deficit on revaluation of available for sale financial assets			(116)
		32,476	Actuarial Gains/Losses on Pension Fund Assets & Liabilities			(49,967)
		<b>(27,010)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(258,895)</b>
		<b>(13,191)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(239,457)</b>

**Group Balance Sheet as at 31 March 2016**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council and its subsidiaries. The net assets of the council and its subsidiaries (assets less liabilities) are matched by the reserves held by the council and its subsidiaries. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the council and its 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'.

<b>Restated 31 March 2015 £'000</b>		<b>31 March 2016 £'000</b>
821,667	Property, Plant and Equipment	1,043,390
25,804	Investment Property	25,128
275	Intangible Assets	352
10,161	Long-term Investments	10,188
2,340	Long-term Debtors	2,287
<b>860,247</b>	<b>Long-term Assets</b>	<b>1,081,345</b>
160,791	Short-term Investments	161,054
217	Inventories	226
32,679	Short-term Debtors	27,713
20,263	Cash and Cash Equivalents	3,807
<b>213,950</b>	<b>Current Assets</b>	<b>192,800</b>
(8,782)	Short-term Borrowing	(10,196)
(69,700)	Short-term Creditors	(59,960)
(6,029)	Provisions	(7,188)
(178)	Revenue Grants Receipts in Advance	-
(1,030)	Capital Grants Receipts in Advance	(1,015)
<b>(85,719)</b>	<b>Current Liabilities</b>	<b>(78,359)</b>
(6,840)	Provisions	(6,646)
(184,064)	Long-term Borrowing	(188,542)
(376,952)	Other Long-term Liabilities	(340,519)
<b>(567,856)</b>	<b>Long-term Liabilities</b>	<b>(535,707)</b>
<b>420,622</b>	<b>Net Assets</b>	<b>660,079</b>
<b>171,507</b>	<b>Usable Reserves</b>	<b>167,446</b>
<b>249,115</b>	<b>Unusable Reserves</b>	<b>492,633</b>
<b>420,622</b>	<b>Total Reserves</b>	<b>660,079</b>

**Maria G. Christofi, BA (Hons), FCCA, CPFA**  
**Corporate Director of Resources**  
**12 September 2016**



## Group Cash Flow Statement

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

2014/15 £'000		2015/16 £'000
(13,819)	Net deficit on the provision of services	(19,438)
94,932	Adjustments to net deficit on the provision of services for non-cash movements	53,714
(49,805)	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	(25,434)
<b>31,308</b>	<b>Net cash flows from operating activities</b>	<b>8,842</b>
(45,247)	Investing activities	(31,255)
19,220	Financing activities	5,957
<b>5,281</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>(16,456)</b>
14,982	Cash and cash equivalents at the beginning of the reporting year	20,263
<b>20,263</b>	<b>Cash and cash equivalents at the end of the reporting year</b>	<b>3,807</b>

### Cash Flow Statement – Operating Activities

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

2014/15 £'000		2015/16 £'000
	<b>The cash flows for operating activities include the following items:</b>	
(13,819)	Net deficit on the provision of services	(19,438)
	<b>Adjust net deficit on the provision of services for non-cash movements</b>	
24,289	Depreciation	23,356
19,842	Impairment and downward valuations	11,071
121	Amortisation	87
2,645	Increase/decrease in creditors	(8,867)
11,506	Increase in debtors	5,059
38	Decrease in inventories	(21)
15,052	Movement in pension liability	11,471
15,616	Carrying amount of non-current assets sold or derecognised	2,657
5,823	Other non-cash items	8,901
<b>94,932</b>		<b>53,714</b>
	<b>Adjust for items included in net deficit on the provision of services that are investing or financing activities</b>	
(44,707)	Capital Grants	(20,066)
(5,098)	Proceeds from the sale of property, plant and equipment	(5,368)
<b>(49,805)</b>		<b>(25,434)</b>
<b>31,308</b>	<b>Net cash flows from operating activities</b>	<b>8,842</b>

The cash flows for operating activities include the following items:

<b>2014/15</b> <b>£'000</b>		<b>2015/16</b> <b>£'000</b>
1,563	Interest Received	1,937
(7,222)	Interest Paid	(7,699)

### Cash Flow Statement – Investing Activities

<b>2014/15</b> <b>£'000</b>		<b>2015/16</b> <b>£'000</b>
(62,152)	Purchase of property, plant and equipment, investment property and intangible assets	(55,095)
16,145	Purchase of short term and long term investments	(93,275)
(7,555)	Other payments for investing activities	(1,419)
5,098	Proceeds from the sale of property, plant, equipment, investment property and intangible assets	5,368
(41,490)	Proceeds from short term and long term investments	93,100
44,707	Other receipts from investing activities	20,066
<b>(45,247)</b>	<b>Net cash flows from investing activities</b>	<b>(31,255)</b>

### Cash Flow Statement – Financing Activities

<b>2014/15</b> <b>£'000</b>		<b>2015/16</b> <b>£'000</b>
25,000	Cash Receipts of short term and long term borrowing	11,809
539	Other receipts from financing activities	597
(470)	Cash payments for the reduction of the outstanding liabilities relating to the finance leases on balance sheet PFI contracts	(436)
(5,849)	Repayments of short term and long term borrowing	(6,013)
<b>19,220</b>	<b>Net cash flows from financing activities</b>	<b>5,957</b>

## Notes to the Group Financial Statements

### 1. Accounting Policies

Vision Redbridge Culture and Leisure is a private company limited by guarantee under the Companies Act; as such they have no share capital. The council is required to prepare Group Accounts where it has interests in subsidiaries, associates and joint ventures. It has determined that the interest held in Vision Redbridge Culture and Leisure is such that it requires Group Accounts to be prepared. The Financial Statements in the Group Accounts are prepared in accordance with the policies set out in the statement of accounting policies on pages 20 - 32.

### 2. Other Operating Expenditure

2014/15 £'000		2015/16 £'000
13,990	Levies	15,323
537	Payments to the Government Housing Capital Receipts Pool	598
10,034	Losses/(Gains) on the disposal of non-current assets	(2,823)
<b>24,561</b>	<b>Total</b>	<b>13,098</b>

### 3. Financing and Investment Income and Expenditure

2014/15 £'000		2015/16 £'000
8,191	Interest payable and similar charges	8,520
12,885	Net interest on the net defined benefit liability	10,852
(1,664)	Interest receivable and similar charges	(2,018)
(1,572)	Expenditure and (income) in relation to investment properties and changes in their fair value	(751)
<b>17,840</b>	<b>Total</b>	<b>16,603</b>

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

2014/15 £'000		2015/16 £'000
(90,897)	council tax/Collection fund income	(93,522)
(15,364)	Non-domestic rates income	(15,162)
(101,644)	Non ring fenced government grants	(84,998)
(44,707)	Capital grants and contributions	(20,066)
<b>(252,612)</b>	<b>Total</b>	<b>(213,748)</b>

### 5. Results of Vision Redbridge Culture and Leisure Operations

The net liabilities of the company for year ended 31 March 2016 totalled £3.509 million (£6.291 million for year ended 2014/15). The company made a net loss in 2015/16 of £0.283 million (a loss of £0.798 million for year ended 2014/15).

## 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 council's cash management.

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

<b>31 March 2015</b> <b>£'000</b>		<b>31 March 2016</b> <b>£'000</b>
24,153	Short Term Deposits	5,860
(3,890)	Bank Overdraft	(2,053)
<b>20,263</b>	<b>Total Cash and Cash Equivalents</b>	<b>3,807</b>

## 7. Other Information

### Vision Redbridge Culture and Leisure

These group accounts have been prepared from the 2015/16 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 2016

2014/15 £'000		Notes	2015/16 £'000
	<b>Dealings with members, employers and other directly involved in the Fund.</b>		
33,020	Contributions receivable	6	35,266
2,519	Transfers in	7	1,568
<b>35,539</b>			<b>36,834</b>
	<i>Less:</i>		
(27,244)	Benefits payable	8	(31,074)
(1,577)	Leavers	9	(1,718)
<b>(28,821)</b>			<b>(32,792)</b>
<b>6,718</b>	<b>Net additions from dealings with members</b>		<b>4,042</b>
<b>(2,452)</b>	<b>Management Expenses</b>	10	<b>(2,515)</b>
	<b>Returns on Investments</b>		
13,384	Investment income	11	9,534
(491)	Irrecoverable withholding tax	11	(322)
62,526	Change in market value of investments	12(b)	(12,947)
<b>75,419</b>	<b>Net returns on Investments</b>		<b>(3,735)</b>
<b>79,685</b>	<b>Net increase in the Fund during the year</b>		<b>(2,208)</b>
<b>556,597</b>	<b>Net Assets of the scheme at 1 April 2015</b>		<b>636,282</b>
<b>636,282</b>	<b>Net Assets of the scheme at 31 March 2016</b>		<b>634,074</b>

### Net Assets Statement as at 31 March 2016

2014/15 £'000		Notes	2015/16 £'000
641,464	Investment Assets	12	634,600
<b>(4,811)</b>	Investment Liabilities	12	-
<b>636,653</b>			<b>634,600</b>
130	Current Assets	16	141
(501)	Current Liabilities	16	(667)
<b>636,282</b>	<b>Net Assets of the Scheme at 31 March 2016</b>		<b>634,074</b>

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. The actuarial present value of promised retirement benefits is disclosed at Note 20.

I certify that the Pension Fund Account and Net Assets Statement present a true and fair view of the income and expenditure in 2015/16 and the Pension Fund's financial position as at 31 March 2016.

**Maria G Christofi, BA (Hons), FCCA, CPFA**  
**Corporate Director of Resources**  
**12 September 2016**

## Notes to the Pension Fund Account

### 1. Introduction

The Pension Fund is a funded, defined benefit occupational pension scheme set up under the Superannuation Act 1972 and is administered in accordance with the Local Government Pension Scheme (LGPS) Regulations by the London Borough of Redbridge. The scheme is a contributory defined benefit pension scheme that provides pensions and other benefits to former council employees (except teachers, who have a separate scheme) and to various scheduled and admitted bodies.

During 2015/16 the council out-sourced a number of services which resulted in an increase to the number of admitted bodies in the scheme.

The scheduled bodies in the scheme as at 31 March 2016 were: Redbridge College, Chadwell Heath Academy, Mayfield School, Ilford Ursuline Academy, Little Heath School, Palmer Academy, Isaac Newton Academy, Aldborough Free School, Loxford Academy, St Aidan's Academy and Beal Multi Academy.

The admitted bodies in the scheme as at 31 March 2016 were: Redbridge Theatre Company Limited, Morrison Facility Management Limited, Vision-Redbridge Culture & Leisure, Imagine Independence Ltd, Dizzy Ducks Nursery, Chestnuts Nursery, Barney Bears Nursery, Lewis & Graves, Caterlink Ltd, Town & Country Cleaners Ltd and Blenheim CPD.

As at 31 March 2016 the membership of the scheme was as follows:

<b>Active Members</b>	<b>As at 31 March 2015</b>	<b>As at 31 March 2016</b>
Redbridge council	4,818	4,654
Scheduled Bodies	562	642
Admitted Bodies	199	240
<b>TOTAL</b>	<b>5,579</b>	<b>5,536</b>

<b>Pensioners</b>	<b>As at 31 March 2015</b>	<b>As at 31 March 2016</b>
Redbridge council	4,339	4,514
Scheduled Bodies	106	119
Admitted Bodies	56	63
<b>TOTAL</b>	<b>4,501</b>	<b>4,696</b>

<b>Deferred Members</b>	<b>As at 31 March 2015</b>	<b>As at 31 March 2016</b>
Redbridge council	4,686	5,212
Scheduled Bodies	331	489
Admitted Bodies	60	87
<b>TOTAL</b>	<b>5,077</b>	<b>5,788</b>

The Fund is financed by contributions as well as interest, dividends and profits from realised investments. The contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employee contributions are matched by employers' contributions which are set on triennial actuarial funding valuations. The funding policy is to ensure that over time the assets held by the Fund are adequate to meet future pension scheme liabilities.

Five councillors are appointed annually by the council to the Pension Fund 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.

In line with the provisions of the Public Service Pension Act 2013 the council has set up a Local Pension Board to oversee the governance arrangements of the Pension Fund. The Board meets quarterly and has its own Terms of Reference. The Board Members are independent of the Pension Fund Investment Panel.

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 2015/16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2015/16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The accounting requirement under International Accounting Standard (IAS) 26 is disclosed at Note 20.

## 3. Summary of Significant Accounting Policies

### Fund account – revenue recognition

- A) **Contribution Income** – Normal contributions, both from members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employer's augmentation and pension strain contributions are accounted for in the period that the liability arises. Any amount due in year but unpaid is treated as a current financial asset.

- B) **Transfers to and from other schemes** – Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid.

- 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) **Management Expenses** – Pension Fund management expenses are accounted for in accordance with the CIPFA Guidance Accounting for Local Government Pension Scheme Management Costs. All administrative expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged direct to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with the council's policy.
- 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.
- I) **Oversight and Governance Costs** - The cost of obtaining investment advice from external consultants is included in oversight and governance charges.

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

#### Net assets statement

- J) **Financial Assets** – financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the assets are recognised by the fund.

The values of investments as shown in the net assets statement have been determined as follows:

- i) Market quoted investments – the value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
  - ii) Fixed Interest Securities – are recorded at net market value based on their bid price.
  - iii) Pooled Investment Vehicles – these are valued at either the closing bid price where a bid price exists or on the single unit price provided by the investment managers.
  - iv) Cash – the cash held in the Pension Fund current account is invested by the council in accordance with its Treasury Management policy.
- K) **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.
- L) **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.
- The value of forward foreign exchange contracts is based on market forward exchange rates at the year-end and determined as the gain or loss that would arise if the contract were matched at the year-end with an equal and opposite contract.
- Derivatives were used by the Fund Managers as part of their investment strategy to enable them to achieve our investment mandate objective.
- K) **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.



- L) **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.
- M) **Actuarial present value of promised retirement benefits** – the actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.
- As permitted under the code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).
- N) **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 21).

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

**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 19. 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 2016 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 12.5% of pensionable pay. The Fund's Actuary determines employer contribution rates (as a percentage of pensionable pay) which currently range from 12.5% to 24.1% 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.

	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Employers</b>		
LBR	22,636	24,898
Scheduled Bodies	1,977	2,075
Admitted Bodies	1,117	1,108
	<b>25,730</b>	<b>28,081</b>
<b>Members</b>		
LBR	6,285	6,145
Scheduled Bodies	648	686
Admitted Bodies	357	354
	<b>7,290</b>	<b>7,185</b>
	<b>33,020</b>	<b>35,266</b>

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

	<b>2014/15</b> <b>£'000</b>	<b>2015/16</b> <b>£'000</b>
Normal Employer Contributions	20,394	20,924
Deficit Payments *	5,153	5,690
Cessation Payment	-	-
Augmentation (Early Retirements)	183	1,467
	<b>25,730</b>	<b>28,081</b>

\* 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.

	<b>2014/15</b> <b>£'000</b>	<b>2015/16</b> <b>£'000</b>
Individual Transfers from other schemes – LBR	2,519	1,568
	<b>2,519</b>	<b>1,568</b>

## 8. Benefits Payable

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

	<b>2014/15</b> <b>£'000</b>	<b>2015/16</b> <b>£'000</b>
Pensions - LBR	21,090	22,132
- Scheduled Bodies	517	585
- Admitted Bodies	700	732
Commutation of Pensions and Lump Sum Retirement Benefits	4,359	6,772
Lump Sum Death Benefit	559	840
Interest	19	13
	<b>27,244</b>	<b>31,074</b>

## 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.

	<b>2014/15</b> <b>£'000</b>	<b>2015/16</b> <b>£'000</b>
Refunds to members	15	32
Individual Transfers to other Schemes	1,562	1,686
	<b>1,577</b>	<b>1,718</b>

## 10. Management Expenses

The table below shows a breakdown of the management expenses incurred during the year. The London Borough of Redbridge carries out the administrative function in-house.

	<b>2014/15</b> <b>£'000</b>	<b>2015/16</b> <b>£'000</b>
Administrative Costs	594	700
Investment Management Expenses	1,585	1,522
Oversight and Governance	252	272
Audit Fees	21	21
	<b>2,452</b>	<b>2,515</b>

## 11. Investment Income

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

	<b>2014/15</b> <b>£'000</b>	<b>2015/16</b> <b>£'000</b>
Fixed interest securities	7,194	4,106
Index Linked	66	71
Equities	3,528	3,008
Property Unit Trusts	2,394	1,836
Cash Deposits	30	25
Other Investment Income	172	488
	<b>13,384</b>	<b>9,534</b>
Less irrecoverable withholding tax	(491)	(322)
	<b>12,893</b>	<b>9,212</b>

## 12. Investments

During 2015-16 the Pension Fund implemented a new strategy which resulted in the transfer of three segregated funds into three pooled unit funds.

The table below shows the Fund's investments by asset class reflecting the change to pooled units:

	<b>2014/15</b> <b>£'000</b>	<b>2015/16</b> <b>£'000</b>
<b>Investment Assets</b>		
Fixed interest securities (including index-linked)	208,226	136
Equities	95,942	-
Pooled Investments	255,081	575,636
Pooled Property Investments	59,824	55,806
Derivatives		
Options	249	-
Currency Forwards	2,481	-
Commodities	6,887	-
Cash Deposits	10,548	2,833
Investment Income Due	2,188	189
Amounts Receivable for sales	38	-
<b>Total Investment Assets</b>	<b>641,464</b>	<b>634,600</b>
<b>Investment Liabilities</b>		
Derivatives		
Options	(247)	-
Index Futures	(176)	-
Currency Forwards	(1,861)	-
Amounts Payable for purchases	(2,527)	-
<b>Total Investment Liabilities</b>	<b>(4,811)</b>	<b>-</b>
<b>Net Investment Assets</b>	<b>636,653</b>	<b>634,600</b>

The table below shows a detailed analysis of the investments held by the Fund as at 31 March 2016 with comparison table showing detailed analysis of the investments held by the Fund as at 31 March 2015.

	Value at 31/03/15 £'000	Purchases at cost £'000	Sales Proceeds £'000	Change in Fair value £'000	Cash movement £'000	Value at 31/03/16 £'000
Equities	95,942	30,925	(124,658)	(2,209)	-	-
Fixed Interest Securities	205,604	125,401	(322,263)	(8,742)	-	-
Index Linked	2,622	751	(3,149)	(88)	-	136
Pooled Equity Unit Trusts	255,081	326,808	(2,157)	(4,096)	-	575,636
Property Unit Trusts	59,824	16,320	(23,237)	2,899	-	55,806
Commodities	6,887	2,633	(9,994)	474	-	-
	<b>625,960</b>	<b>502,838</b>	<b>(485,458)</b>	<b>(11,762)</b>	-	<b>631,578</b>
<b>Derivative Contracts</b>						
Options & Index Futures	(174)	139,598	(139,556)	132	-	-
Currency Forwards	620	798,704	(796,802)	(2,522)	-	-
	<b>626,406</b>	<b>1,441,140</b>	<b>(1,421,816)</b>	<b>(14,152)</b>	-	<b>631,578</b>
<b>Other Balances</b>						
Cash Deposits	10,548	-	-	1,205	(8,920)	2,833
Receivable – Sales	38				(38)	-
Receivable - Investment						
Income	2,188				(1,999)	189
Payable - Purchases	(2,527)				2,527	0
	<b>636,653</b>	<b>1,441,140</b>	<b>(1,421,816)</b>	<b>(12,947)</b>	<b>(8,430)</b>	<b>634,600</b>

	Value at 31/03/14 £'000	Purchases at cost £'000	Sales Proceeds £'000	Change in Fair value £'000	Cash movement £'000	Value at 31/03/15 £'000
Equities	95,610	53,090	(60,541)	7,783	-	95,942
Fixed Interest Securities	164,275	122,609	(107,005)	25,725	-	205,604
Index Linked	2,455	-	-	167	-	2,622
Pooled Equity Unit Trusts	227,190	2,112	-	25,779	-	255,081
Property Unit Trusts	49,281	4,600	-	5,943	-	59,824
Commodities	3,902	2,728	-	257	-	6,887
	<b>542,713</b>	<b>185,139</b>	<b>(167,546)</b>	<b>65,654</b>	-	<b>625,960</b>
<b>Derivative Contracts</b>						
Options	90	5,528	(2,063)	(3,553)	-	2
Index Futures	-	121,283	(140,309)	18,850	-	(176)
Currency Forwards	611	152,532	(152,532)	(20,422)	20,431	620
	<b>543,414</b>	<b>464,482</b>	<b>(462,450)</b>	<b>60,529</b>	<b>20,431</b>	<b>626,406</b>
<b>Other Balances</b>						
Cash Deposits	13,923	-	-	1,997	(5,372)	10,548
Receivable – Sales	258				(220)	38
Receivable - Investment						
Income	2,223				(35)	2,188
Payable - Purchases	(2,824)				297	(2,527)
	<b>556,994</b>	<b>464,482</b>	<b>(462,450)</b>	<b>62,526</b>	<b>15,101</b>	<b>636,653</b>

The change in fair value of investments during the year comprises all increases and decreases in the value of investments held at any time during the year, including profits and losses realised on sales of 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 £0.1 million (£0.2 million in 2014/15). 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.

As shareholders of the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London), the Fund has purchased £150,000 of regulatory capital. It is anticipated that during 2016/17 some of the investment portfolio will be transferred to the London Collective Investment Vehicle (CIV).

Cash balances invested by the council on behalf of the Pension Fund are included within cash deposits. As at 31 March 2016 the council invested cash amounting to £1.8 million (£3.3 million at 31 March 2015).

	<b>2014/15</b> <b>£'000</b>	<b>2015/16</b> <b>£'000</b>
<b>Equities</b>		
UK Quoted	17,786	-
Overseas Quoted	78,156	-
	<b>95,942</b>	<b>-</b>
<b>Fixed Interest Securities</b>		
UK – Public Sector	100,303	-
Overseas – Public Sector	27,419	-
UK - Other	42,105	-
Overseas- Other	35,777	-
	<b>205,604</b>	<b>-</b>
<b>Index Linked Securities</b>		
UK – Public Sector	1,972	136
Overseas – Other	650	-
	<b>2,622</b>	<b>136</b>
<b>Pooled Investment Vehicles</b>		
Unit trusts – UK Equities	139,590	132,277
Unit trusts – Overseas Equities	115,491	155,017
Fixed Income (Absolute Return Fund)	-	73,728
Index Linked Fund	-	75,619
Real Return Fund	-	138,845
London CIV	-	150
	<b>255,081</b>	<b>575,636</b>
<b>Property Unit Trusts</b>		
UK	59,824	55,806
	<b>59,824</b>	<b>55,806</b>
<b>Cash</b>		
Sterling Deposits	10,548	2,833
	<b>10,548</b>	<b>2,833</b>
<b>Commodities</b>		
Commodities	6,887	-
	<b>6,887</b>	<b>-</b>
<b>Investment Balances</b>		
Investment Income Due	2,188	-
Outstanding Sales	38	-
Outstanding Purchases	(2,527)	-
	<b>(301)</b>	<b>-</b>

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

<b>Investment</b>	<b>31 March</b> <b>2016</b>	<b>% of net</b> <b>assets</b>
UK Equity Index Unit Trust	132,277	20.9%
North America Equity Index Unit Trust	44,883	7.1%
Europe ex UK Equity Index Unit Trust	31,773	5.0%
Global Equity Index Unit Trust	42,441	6.7%
Absolute Return Fund (Fixed Income)	73,728	11.6%
Index Linked Bond Fund	75,618	11.9%
Real Return Fund	138,845	21.9%
Schroder Property Fund	38,958	6.1%

**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 amounts of financial assets and liabilities by category and net asset statement heading. No financial assets were reclassified during the accounting period.

2014/15			2015/16		
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
			<b>Financial Assets</b>		
205,604					
2,622					
95,942					
255,081					
59,824					
6,887					
249					
2,481					
	10,548				
	2,356				
<b>628,690</b>	<b>12,904</b>	<b>-</b>	<b>631,578</b>	<b>3,163</b>	<b>-</b>
			<b>Financial Liabilities</b>		
(247)					
(176)					
(1,861)					
		(2,527)			
		(501)			
<b>(2,284)</b>	<b>-</b>	<b>(3,028)</b>	<b>-</b>	<b>-</b>	<b>(667)</b>
<b>626,406</b>	<b>12,904</b>	<b>(3,028)</b>	<b>631,578</b>	<b>3,163</b>	<b>(667)</b>
<b>-</b>	<b>636,282</b>	<b>-</b>	<b>-</b>	<b>634,074</b>	<b>-</b>

**12 (b) Net Gains and Losses on Financial Instruments**

31.03.15 £'000	Financial Assets	31.03.16 £'000
84,504	Fair value through profit & loss	(11,763)
1,997	Loans and receivables	1,205
<b>86,501</b>		<b>(10,558)</b>
(23,975)	<b>Financial Liabilities</b>	(2,389)
<b>62,526</b>	Fair value through profit & loss	<b>(12,947)</b>
	<b>TOTAL</b>	

**12 (c) Fair Values 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.

31.03.15 Carrying Value £'000	31.03.15 Fair Value £'000		31.03.16 Carrying Value £'000	31.03.16 Fair Value £'000
		<b>Financial Assets</b>		
493,580	628,690	Fair value through profit & loss	540,499	631,578
12,774	12,774	Loans and Receivables	3,022	3,022
<b>506,354</b>	<b>641,464</b>	<b>Total Financial Assets</b>	<b>543,521</b>	<b>634,600</b>
		<b>Financial Liabilities</b>		
(2,284)	(2,284)	Fair value through profit & loss	-	-
(2,527)	(2,527)	Financial Liabilities at amortised cost	-	-
<b>(4,811)</b>	<b>(4,811)</b>	<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>
<b>501,543</b>	<b>636,653</b>		<b>543,521</b>	<b>634,600</b>

**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 2016	Level 1 £'000	Level 2 £'000	TOTAL £'000
<b>Financial Assets</b>			
Financial Assets at fair value through profit & loss	287,294	344,284	631,578
Loans and receivables	3,022	-	3,022
<b>Total Financial Assets</b>	<b>290,316</b>	<b>344,284</b>	<b>634,600</b>
<b>Financial Liabilities</b>			
Financial liabilities at fair value through profit & loss	-	-	-
Financial liabilities at amortised cost	-	-	-
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Financial Assets</b>	<b>290,316</b>	<b>344,284</b>	<b>634,600</b>

Assets as at 31 March 2015	Level 1 £'000	Level 2 £'000	TOTAL £'000
<b>Financial Assets</b>			
Financial Assets at fair value through profit & loss	362,298	266,392	628,690
Loans and receivables	12,774	-	12,774
<b>Total Financial Assets</b>	<b>375,072</b>	<b>266,392</b>	<b>641,464</b>
<b>Financial Liabilities</b>			
Financial liabilities at fair value through profit & loss	(2,284)	-	(2,284)
Financial liabilities at amortised cost	(2,527)	-	(2,527)
<b>Total Financial Liabilities</b>	<b>(4,811)</b>	<b>-</b>	<b>(4,811)</b>
<b>Net Financial Assets</b>	<b>370,261</b>	<b>266,392</b>	<b>636,653</b>

## 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 council manages these investment risks as part of its overall pension fund risk management programme.

### Market Risks

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sector and individual securities. To mitigate market risk, the council and the Fund's investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Exchange traded option contracts on individual securities were used during 2015-16 to manage market risk on equity investments.

### Other Price Risk

Other price risk represents the risk that the value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital.

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

### Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected instrument return movements during the financial year, in consultation with the fund's performance monitoring advisers, the council has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period.

<b>Asset Type:</b>	<b>Potential Market movement (+/-)</b>
UK Equities	10.11%
Overseas Equities	9.17%
Fixed Income	7.31%
Real Return Fund	4.70%
Property	2.08%
Cash	0.01%



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	132,427	10.11%	145,815	119,039
Overseas Equities	155,017	9.17%	169,232	140,802
Fixed Income	149,483	7.31%	160,410	138,556
Real Return Fund	138,845	4.70%	145,371	132,319
Property	55,806	2.08%	56,967	54,645
Cash	2,833	0.01%	2,833	2,833

#### 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 6.01% 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 6.01% 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	155,017	6.01%	164,327	145,707

\* % 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 council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments.

The pension fund has immediate access to its cash holdings that are invested by the council. The levels of cash held are reviewed by the council as part of the periodic 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 2015, the fair value of assets under management was £634 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 in the longer term. The structure of the Fund resulted in a strategic benchmark of 80% equities (including property and cash) and 20% bonds. As set out in the Pension Fund's 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 2016, the Fund was allocated as shown in the table below:

Manager	Mandate	Value of	% of the Fund
		Portfolio £'000	%
Standard Life	Fixed Income Mandate	149,347	23.6
Newton	Real Return Mandate	138,981	21.9
SSgA	Global Equity Index Tracking Mandate	265,214	41.8
Schroders	Emerging Markets Equity Mandate	22,080	3.5
Schroders	Property	56,056	8.8
LBR	Cash	2,396	0.4
		<b>634,074</b>	<b>100</b>

### 14. Investments as at 31 March 2016

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

	2014/15	2015/16
Equities	55%	66 %
Bonds	33%	24 %
Property	9%	9 %
Cash and other investments	3%	1 %
	<b>100%</b>	<b>100%</b>

### 15. Statement of Investment Principles

The council 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 council's website [www.redbridge.gov.uk](http://www.redbridge.gov.uk).

### 16. Current Assets and Liabilities

	2014/15 £'000	2015/16 £'000
Contributions due	130	129
Prepaid Expenses	-	12
<b>Total of Current Assets</b>	<b>130</b>	<b>141</b>
Accrued benefits	(50)	(150)
Accrued expenses	(451)	(517)
<b>Total of Current Liabilities</b>	<b>(501)</b>	<b>(667)</b>

### 17. Stock Lending

The Fund does not participate in stock lending arrangements.

## 18. Related Party Transactions

The London Borough of Redbridge is the single largest employer of members in the Pension Fund and contributed £24.898m to the Fund in 2015/16 (£22.636m in 2014/15).

During the year no councillors or Chief Officers with direct responsibility for Pension Fund issues have undertaken any declarable transactions with the Pension Fund, other than the following.

- Administrative services undertaken by the council of the Pension Fund were £428,974 (£449,732 in 2014/15).
- Investment services undertaken by the council of the Pension Fund were £119,000 (£117,100 in 2014/15).

There is one member of the Pension Fund Investment Panel (councillor O'Shea) that is in receipt of pension benefits from the Redbridge Pension Fund. Each member of the Pension Fund Investment Panel is required to disclose their interest at each meeting.

## 19. Actuarial Valuation

In 2015/16, the contribution paid by the council as an employer was determined following an actuarial valuation of the Fund as at the 31 March 2013. The valuation as at 31 March 2013 set the employer's contribution rates for the years 2014/15, 2015/16 and 2016/17. 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

The rate of increase in pensionable earnings  
 "Gilt-based" discount rate  
 The level of increase in earnings growth

<u>Rate</u>
2.5%
5.0%
<u>3.3%</u>

The result of the 2013 valuation was that the value of the Fund's assets was actuarially assessed as £534 million, which was sufficient to meet 77% 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 2013 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 council's web site [www.redbridge.gov.uk](http://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 2014.

## 20. Actuarial Present Value of Promised Retirement Benefits

The Fund's Actuary prepares reports for the purposes of IAS19 for the council and other employers participating in the Pension Fund upon request. Further information pertaining to the council is included at note 41 of the Notes to the Core Financial Statements on pages 75 to 79 of the council's Accounts.

The Actuary has calculated that the liabilities at 31 March 2016 for the entire Fund comprises of:

<b>Type of Member</b>	<b>2014/15 Liability £'million</b>	<b>2015/16 Liability £'millions</b>
Employees	486	503
Deferred Members	172	160
Pensioners	330	304
<b>Total</b>	<b>988</b>	<b>967</b>

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).

	<b>31 March 2015 £'millions</b>	<b>31 March 2016 £'millions</b>
Present value of funded obligations	(988)	(967)
Fair value of Fund Assets	636	634
<b>Net Liability for the whole Fund</b>	<b>(352)</b>	<b>(333)</b>

These calculations have been determined using the following financial assumptions:

<b>Year Ended</b>	<b>31 March 2015 % p.a.</b>	<b>31 March 2016 % p.a.</b>
Inflation / Pension Increase Rate	2.1	2.2
Salary Increase Rate	3.0	3.2
Discount Rate	3.1	3.5

## 21. Additional Voluntary Contributions (AVC's)

The council has a statutory obligation to provide an additional voluntary contribution (AVC) facility. This facility provides the means for members of the Pension Fund to pay contributions into a policy, which will be used to buy additional pension benefits when the member retires. A total of 19 members of the Pension Fund contribute to the AVC schemes. In 2015/16 £43,658 of contributions were made to the AVC Scheme (£38,964 in 2014/15).

<b>Market Value 31 March 2015 £'000</b>	<b>AVC Provider</b>	<b>Market Value 31 March 2016 £'000</b>
260	Equitable Life	167
242	Clerical Medical	123
341	Standard Life	237
<b>843</b>	<b>TOTAL</b>	<b>527</b>

The council, as employer, does not make any contribution to the AVC scheme and these funds do not form part of the council's Pension Fund accounts.

## 22. Contingent Liabilities

There were no material contingent liabilities or contractual commitments at the year-end.

## Annual Governance Statement 2015/16

Each year the Council is required by law to produce a statement that details the framework for making decisions and controlling the resources of the Council. The statement covers both the Council'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 taxpayers' behalf. The statement below complies with the Accounts and Audit Regulations 2015 as amended.

### Scope of responsibility

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

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

The Council 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.

### The purpose of the Governance Framework

The Governance Framework comprises the systems, processes, culture and values, by which the Council conducts its activities to meet its objectives.

The Council'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 Council's framework for its Governance arrangements. The Governance Framework has been in place for the year ended 31 March 2016, and up to the date of approval of the Statement of Accounts. It is designed to manage risk to a reasonable level but 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.

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

### Vision and Purpose

The Corporate Strategy 2014-18 was agreed in November 2014. The strategy sets the vision "Ambitious for Redbridge". Underlying this there are four corporate priorities:

1. Increase fairness and respond to the aspirations of the Borough.
2. Empower our communities to help shape our Borough and the services we deliver.
3. Improve quality of life and civic pride amongst our communities.
4. Transform our Council in tough times to be dynamic and responsive to the challenges of the future.

The vision and priorities provide the strategic direction and values for the Council, linking the strategies for delivery, service planning and individual performance planning. The vision and priorities provide the strategic direction and values for the Council, linking the strategies for delivery, service planning and individual performance planning. In early 2016 a review of the progress made on delivering the first two years of the Corporate Strategy 2014- 2018 was undertaken. Following this a refreshed Corporate Strategy 2016 – 2018 has been produced which incorporates the recommendations and actions arising from the Fairness Commission which reported its findings in late 2015. The updated Corporate Strategy retains the four corporate priorities established in 2014 but also reflects actions to respond to merging issues, opportunities and challenges now facing the borough. The Corporate Strategy 2016 – 2018 will be presented to the Cabinet in July 2016.

Service Plans set out how services will contribute to the delivery of the Corporate Strategy within that year, along with resource and key performance information. Service Plans are supported by team work programmes and individual performance plans that ensure that all members of staff contribute to achieving the objectives within the Corporate Strategy.

### **Performance Management and Reporting**

The performance management framework assists in monitoring progress in the way in which the Council's strategies are translated into action and demonstrates the effectiveness of those actions. It also helps to identify if any risks are materialising when indicators do not show the level of progression anticipated.

Through the service planning process, performance indicators are reviewed annually to ensure they remain fit for purpose, and challenging targets are set using past performance and benchmarking information. The priorities from the Corporate Strategy will be measured by the performance indicators, identified as part of the annual target setting exercise. An updated set of corporate health indicators are being developed to reflect the key actions and ambitions of the refreshed corporate strategy and these will be reported to Management Team and Members on a regular basis.

The fundamentals of performance management are embedded in the way the Council operates:

- There is a corporately defined process that ensures Service Plans are linked to corporate priorities, and in turn are linked to arrangements for individual appraisal and personal development.
- The performance management system (Corvu) ensures that the Council has a clear and consistent picture of performance, using a 'traffic light' system to highlight performance.
- All departmental Management Teams manage service delivery and monitor their performance indicators (PIs).
- Management Team, Cabinet Members and Overview Committee receive regular performance reports that highlight where performance is below target and the actions being taken to improve.

### **The 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 Council's rules and regulations form part of the Constitution. The Constitution, published on the Council's website, sets out how the Council operates, as detailed in documents such as Standing Orders and the Scheme of Officer Delegation. The Scheme of Delegation states who is authorised to make decisions in particular areas. Alongside this the Council has Financial Regulations, which provide details of officers' responsibilities for the Council's control environment relating to income, expenditure, internal control, risk management and partnerships. To support officers when they are making purchases the Council has developed Contract Standing Orders. The Officer Scheme of Delegations, Contract Standing Orders and Financial Regulations were reviewed and updated during 2015/16 and will be regularly kept under review.

### **Codes of Conduct**

The Code of Conduct for Members, under the Localism Act 2011, was adopted by the Council and came into effect from 1<sup>st</sup> 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 are also required to declare at meetings any disclosable pecuniary, personal or prejudicial interests they have in matters under consideration by any 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 Council Website. 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 Council'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**

The terms of reference for the Council's Audit Committee were reviewed against the revised CIPFA guidance during the year and found to be in line with current good practice for audit committees. 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; Internal Audit performance; Anti-Fraud and Whistleblowing; scrutiny of the Treasury Management Strategy and policies; and External Audit performance and quality. The Audit Committee receives and challenges reports from management and auditors. Each year the Audit Committee assesses its effectiveness against CIPFA guidance and also produces an annual report summarising its work. The latest annual report can be found on the Council's website.

### **Risk Management**

The council continues to embed risk management throughout its structure, the risk management policy was updated and agreed by management team and cabinet and is a document that will continue to be updated in accordance with the demand and changes of the organisation.

Risks registers and reports are reviewed at each Audit Committee and the committee are able to put their comments to Cabinet for consideration, Risk management is regularly reviewed by internal audit. Risk Champions meet bi-monthly to review risk registers and outstanding actions.

JCAD Core is utilised to manage the councils risk registers, allowing linkage between corporate risks, directorate risks and service area risks. It enables partnership, contract and project risk registers to be managed more effectively.

Risk Champions representing each service area have qualified in the Foundation certificate in Management of Risk providing a uniform approach to risk management throughout the council.

### **Compliance with policies, laws and regulations**

The Council 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 Corporate Director of Resources (or in his absence by the Head of Financial Services); and the role of Monitoring Officer is undertaken by the Head of legal and Constitutional Services. Each has the power, and in some circumstances the duty, to refer matters to Cabinet or the Council if a breach of statutory requirements is likely. 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.

During the year, a governance group was formed with the remit of having oversight of key risk, control and governance issues affecting the Council and determining appropriate actions to be taken. Membership of the group consists of the Corporate Director of Resources, the Head of Legal and Constitutional Services and the Head of Audit.

Under the provisions of the Children Act 2004 the Local Council 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 Council has a lead Member for Children Services in the Council's Cabinet with this portfolio. The Council has a Director, and a Lead Member, with responsibility for Adult Social Services (Director of Adult Social Services and Housing) to meet its requirements under the Local Authorities (Social Services) Act 1970, and a Director of Public Health, and Cabinet Member responsible for Public Health matters, to meet its obligations under the Health and Social Care Act 2012. The Council also has a Statutory Scrutiny officer.

The Council 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 Whistleblowing**

The Council's Anti-Fraud and Corruption Strategy reflects the requirements of CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption.

The key components that support this Strategy are:

- Whistleblowing arrangements that are publicised on the intranet for employees and a fraud reporting hotline published on the website for use by the general public. Reports on the outcomes of referrals are regularly submitted to management and the Audit Committee to ensure that appropriate actions are taken to counter proven allegations.
- Delivering a programme of anti-fraud training and guidance, including a council wide e learning tool which has been rolled out to schools.
- Participation in the National Fraud Initiative (NFI), a computerised data matching exercise conducted by the Cabinet Office, designed to detect fraud perpetrated on public bodies.
- The tenancy fraud sub-letting team use data matching and referrals to identify and investigate instances of fraudulent sub-letting.

The Council's Whistleblowing policy was revised during the year to reflect changes in legislation.

### **Complaints process**

The Council has a recognised, accessible complaints process which provides valuable feedback. The complaints process is in two stages, to enable 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 Council 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 Council'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 Council has strong arrangements to promote information governance across its services. The Lead Member for Finance and Support Services has incorporated information governance into his Portfolio, and there are regular reports to Audit Committee. Elected members have been trained in information governance. Additionally within the Council there is a high-level Information Governance Board, reporting into the Council's Management Team. In 2015/16 we consolidated our achievements from 2014/15 through the development and delivery of a targeted action plan to improve Data Protection arrangements. We will continue to develop our information governance capability through 2016/17.

The Council has been offered and accepted an audit by the Information Commissioner's office to be undertaken in June 2016. This is an opportunity for us benchmark our work against best practice and learn from the experience of others in the delivery of effective information governance. The results of this audit will form the basis of the forward work plan.

### **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 Council has a commitment that every member of staff receives a six monthly appraisal to discuss performance, targets and personal development. The Council 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.

The Council launched a People Strategy in 2014/15 which sets out how employee's productivity can be maximised to help deliver key priorities. The People Strategy can be found on the Council's website.

### **Communication and engagement**

Communication is key to the Council being able to:

- carry out its core business efficiently and effectively;
- ensure residents know how they can access important and essential information and are aware of local issues;
- encourage residents to change their behaviour to meet our key objectives and save money;
- let local people know what their Council Tax is funding and how we are performing;
- encourage people to get involved in the democratic process, attend meetings and give their views.

The Council has a number of communication methods it uses to inform and collaborate with its residents:

- Redbridge Life is the quarterly printed publication which is distributed to all homes and businesses across the Borough.
- Our website Redbridge i has over 123,000 registered users, which is increasing by an average of over 2,400 a month. The website is interactive and allows local people to find information on all our services as well as pay bills, apply for school places and report local street scene issues. The Your Account function provides registered users with more detailed personalised information relating to the area in which they live.
- A number of e-newsletters have been developed 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. Redbridge Live is the flagship e-newsletter which is sent monthly to over 34,000 subscribers.
- Using social media increasingly to talk to and respond to residents' queries and concerns through a number of Twitter feeds and Facebook pages.
- DataShare is our online tool which enables service areas to publish all their non-confidential data about finances and performance, including transactions above £500.



The Council's website, Redbridge i provides online community engagement functions including E-forums and online surveys. The Council exercises a 'digital by design' approach to consultation, however where necessary, services use a wide range of consultation methods to further assess public opinion and gather feedback on customer experience. The Authority also undertakes an annual online user satisfaction survey that provides services with feedback on the Council's performance and is used to inform service delivery and policy development.

In recent years, the Council has consulted a range of users on its Budget plans using its own Budget consultation tool, YouChoose. Budget Consultation demonstrates the Council's commitment in engaging the many different communities in Redbridge. To help shape the annual budget, groups that we do not regularly engage with are targeted directly through a series of meetings, workshops and focus groups.

The monthly Local Forum programme offers a new form of community participation to involve residents and communities in decision making. Local Forums combine informal and formal opportunities for residents to engage with and question Members and officers from the Council, Public and Third Sector services, and are designed to maximise outcomes for attendees.

### **Partnerships**

#### *Health & Adult Social Services (HASS)*

The service delivery of adult social care and community health services in Redbridge was reviewed by the Council and our health partner North East London Foundation Trust (NELFT) during 2015/16. As a result, in partnership, the Council and NELFT agreed to integrate these services. This new configuration of services has resulted in four locality teams which align with the four GP clusters within the Borough. Throughout the year significant work was undertaken by the Council and NELFT in preparation for the delivery of this new integrated model of health and social care.

#### *East London solutions (ELS)*

The Council continues to deliver improvements through the East London Solutions network. In 2015/16 the group continued to run the 'Quality Mark' project, which seeks to develop the local offer for those with individual budgets and carry out 'light touch' quality assurance work. To support this work, the Group has produced a catalogue that can be offered to those in a position to purchase services. As part of this work, ELS has also produced an accessible service user guide for those purchasing their services through an individual budget to support them in their role as an employer. They have also jointly commissioned an online training programme for Personal Assistants which are currently being designed and co-produced with service users.

#### *The Local London Partnership*

The Local London Partnership was established in February 2016 as the successor to the North East London Strategic Alliance (NELSA). Membership is currently made up of eight London Boroughs; Barking & Dagenham, Bexley, Enfield, Greenwich, Havering, Newham, Redbridge and Waltham Forest. Members of Local London work in partnership with the aim of delivering growth and to identify opportunities for devolution to the sub London region.

Local London Partnership Members work with the Greater London Council and National Government to seek devolution deals which will result in benefits for both local economies and residents. The Local London Partnership will deliver on appropriate responsibilities transferred to them and any specified devolved matters given to its members. A draft Local London constitution was proposed at the Local London Leaders, Mayors and Chief Executives Strategy Group meeting on the 19th January 2016. It outlined the objectives and powers of the Local London Partnership. These arrangements have since been incorporated into the draft Local London Inter Council Agreement, agreed by Local London Members in March 2016. This Agreement is being formally presented for approval by the executive bodies of each Local London Member. This this effect, our Cabinet approved the Agreement at its meeting in June 2016. The decision to appoint a Director of Local London to oversee the work of the Local London Partnership Programme was also agreed at that meeting.

### **Equalities**

A new Equality and Diversity Strategy was published in December 2015 and is available on the council's website. Under the requirements of the Public Sector Equality Duty (PSED), the Council has set equality objectives for 2016 to 2020, which are included within the strategy. Service areas develop actions to align to these objectives. The objectives are also reflected in strategies and action plans across services.

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

- Eliminate unlawful discrimination, harassment and victimisation;
- Promote Equality of Opportunity; and
- Promote positive relations between communities.

As part of its budget development process the Council 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 necessary, including action plans to mitigate adverse impacts.

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

### **Role of the Chief Financial Officer**

The Council fully complies with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Section 151 Officer is a qualified and suitably experienced accountant who is responsible for the proper administration of the Council's financial affairs, and for ensuring the lawfulness and financial prudence of the financial transactions. During 2015/16 the Section 151 Officer role was undertaken by the Chief Financial Services Officer. From April 2016 this role is undertaken by Corporate Director of Resources.

### **Internal and External Audit**

Internal Audit and External Audit (KMPG for 2016/17 financial year) operate an effective co-ordination arrangement to maximise the assurance derived from the audit scrutiny of the Council. An effective Internal Audit function is a core part of the Council's arrangements to ensure the proper conduct of its financial affairs. Internal Audit's priorities are risk based and agreed with the Corporate Director of Resources, following consultation with the Chief Executive, Directors, Operational Directors, Heads of Service and External Audit as part of the annual planning process.

The Head of Audit is authorised to complete a programme of audit reviews within the Council. To assist in the accomplishment of this programme, the Financial Regulations of the Council give Council for Internal Auditors to have full, free and unrestricted access to all Council assets, records, documents, correspondence and personnel for the purposes of that audit. Recommendations arising from the work of both internal and external audit are discussed and agreed with management, including acceptable timescales for their implementation. The Head of Audit reports on the outcomes of the annual programme of audit work to management and Members, especially the Audit Committee. The Council fully complies with the requirements and principles as set out in the CIPFA Statement on the Role of the Head of Internal Audit. During 2015/16 an independent review of Internal Audit was performed by an external assessor who reported that there are no issues of significant non-conformance with the Public Sector Internal Audit Standards that need to be included in this statement.

The Council's new External Auditor, KPMG who took over from PricewaterhouseCoopers, 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 Council'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 Council 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.

### **Scrutiny Function and Relevant Committees**

The committee structure includes an Overview Committee, the Health Scrutiny Committee and 5 service committees which have an advisory roles e.g. advising on executive functions, and non- executive decision making functions as well as the ability to undertake a pre-decision review role. The five committees, which are Strategy and Resources; Children and Young People; Neighbourhoods; Health, Social Care & Civic Pride; and Licensing, also have delegated decision making powers in respect of non-executive matters. The roles of the Committees and Panels can be found on the Council's website.

### **Review of effectiveness**

The Council regularly reviews 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 Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Directors and Heads of Service, 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 directorate.

The Head of Internal Audit's opinion is a contributory factor in reviewing the effectiveness of the Annual Governance Statement. Based on the programme of planned Internal Audit work and other reactive audit reviews performed during the year, other than in respect of a small number of significant control issues that have arisen during the year,

the Internal Audit opinion is that the Council's systems of governance, risk management and internal control are generally sound and operate reasonably consistently across service areas.'

#### **Governance and internal control issues requiring improvement**

The areas identified for improvement identified in the 2014/15 AGS were monitored during the year and appropriate actions taken to address concerns. Internal Audit reflected these areas within their audit coverage for 2015/16. There has been significant improvement in most of the areas. However, both Contract Management and Information Governance have been identified as areas of increased concern, as highlighted in the Head of Internal Audit Annual Report for 2015/16 and these continue to be included in the Action Plan attached to this Statement.

Other improvements made during 2015/16 to Governance arrangements include:

- The establishment of a Governance Group consisting of the Corporate Director of Resources, the Head of Finance, the Borough Solicitor and Secretary, and the Head of Internal Audit.
- Development of a Corporate Assurance Framework.
- Establishment of a Pensions Board.

The Council has recently appointed a new Chief Executive and Chief Finance Officer along with a number of other chief officers and the Monitoring Officer. It will be necessary to ensure that there is sufficient corporate knowledge and continuity within the organisation to allow the new post-holders to make a smooth transition into their new roles with minimal impact on services.

An Action Plan attached to this Statement sets out areas of further improvements to the internal controls in 2016/17 that will be monitored by the Audit Committee during the year.

Overall based on the above, we are able to report that there were no significant weaknesses in the Council's governance and control framework that affected achievement of our strategic objectives in 2015/16.

**Annual Governance Statement 2015/16 Action Plan (actions for 2016/17)**

<b>Number</b>	<b>Area to develop</b>	<b>Actions</b>	<b>Timescales</b>	<b>Lead Officer</b>
1	Improve contract management and monitoring.	<ul style="list-style-type: none"> <li>A consistent approach to contract management developed and implemented including training, templates and toolkits</li> </ul>	March 2017	Head of Finance (Deputy S151 Officer)
2	Build upon the Council's ability to respond to any incident that could impact upon its activities or disrupt service delivery.	<ul style="list-style-type: none"> <li>Business Continuity Plans to be refreshed and tested during the year</li> </ul>	March 2017	Director of Place
3	Continue to improve systems and processes across the Council around ensuring compliance with good practice relating to information governance.	<ul style="list-style-type: none"> <li>Implement the recommendations of the ICO Audit</li> </ul>	March 2017	Senior Information Risk Officer
4	Ensuring that risk management continues to be embedded into our operations.	<ul style="list-style-type: none"> <li>Ensure risks are reviewed and updated regularly throughout the year</li> <li>Quarterly reporting to Management Team and Audit Committee of the Corporate Risk Register</li> </ul>	March 2017	Head of Finance (Deputy S151 Officer)
5	Ensure that there is close monitoring of the impact of spending reductions that the Council has and will further need to impose over the next few years.	<ul style="list-style-type: none"> <li>Savings delivery tracked on a monthly basis and reported to Management Team, Service Committees and Cabinet</li> </ul>	March 2017	Corporate Director of Resources

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**Signed**

..... **Leader of the Council**

..... **Chief Executive**

..... **Date**

## Glossary

### **Actuary**

An independent consultant who advises the council 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 council 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 council at the end of an accounting period.

### **Business Improvement District**

A defined area within which businesses pay additional business rates in order to fund improvements within the districts boundary.

### **Budget**

A forecast of future expenditure plans for the council. Detailed revenue budgets are prepared each year and it is on the basis of these figures that the Council Tax is set. Budgets are revised towards the year-end to take account of inflation, changes in patterns of services, and other factors.

### **Capital 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 council, local community and neighbourhoods want.

**Comprehensive Income and Expenditure Statement**

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

**Contingent Liability**

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 council for goods and services received.

**Curtailement**

For a defined benefit pension scheme, an event that reduces the expected years of future service of employees or for a number of employees, the accrual of defined benefit for some or all of their entitlement. Examples include: -

- Termination of employees' services earlier than expected (for example as a result of discontinued operations); and
- Termination of, or amendments, to the terms of a defined benefit scheme, so that some or all future services by current employees no longer qualify for benefits or will qualify for reduced benefits.

**Debtors**

Amount of money owed to the council by individuals and organisations.

**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 council'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 council, 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 council 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 Chief Financial Services Officer.

**Precept**

The charge made by one Authority (e.g. Greater London Authority) on another council (e.g. Redbridge) to finance its net expenditure.

**Private Finance Initiative**

A Central Government initiative whereby contracts are let to private sector suppliers for both services and capital investment in return for a unitary payment, which may be reduced if performance targets are not met.

**Projected Unit Method**

Actuarial valuation method whose key feature is to assess future service cost; the Actuary calculates the employer's contribution rate, which will meet the cost of benefits accruing in the year after the valuation date. This method is considered appropriate for a Pension Fund open to new members.

**Provisions**

Amounts set aside for liabilities and losses, which are certain or very likely to occur but where the exact amount or timing of the payment are uncertain.

**Public Works Loans Board (PWLB)**

Central Government Agency, which funds much of Local Government borrowing.

**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 council must maintain as a matter of prudence.

**Revaluation Reserve**

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

**Revenue Expenditure**

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

**Revenue 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

<b>AGS</b>	Annual Governance Statement
<b>BID</b>	Business Improvement District
<b>CFR</b>	Capital Financing Requirement
<b>CIES</b>	Comprehensive Income and Expenditure Statement
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy
<b>CLG</b>	Communities and Local Government
<b>DFE</b>	Department for Education
<b>DSG</b>	Dedicated Schools Grant
<b>DWP</b>	Department for Work and Pensions
<b>ELWA</b>	East London Waste Authority
<b>FIAA</b>	Financial Instruments Adjustments Account
<b>FRS</b>	Financial Reporting Standard
<b>GLA</b>	Greater London Authority
<b>HRA</b>	Housing Revenue Account
<b>IAS</b>	International Accounting Standard
<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>IFRS</b>	International Financial Reporting Standard
<b>LASAAC</b>	Local Authority (Scotland) Accounts Advisory Committee
<b>LBR</b>	London Borough of Redbridge
<b>LGPS</b>	Local Government Pension Scheme
<b>LPFA</b>	London Pensions Fund Authority
<b>MRA</b>	Major Repairs Allowance
<b>MRP</b>	Minimum Revenue Provision
<b>NDR</b>	Non-Domestic Rates
<b>PFI</b>	Private Finance Initiative
<b>PWLB</b>	Public Works Loans Board
<b>RICS</b>	Royal Institute of Chartered Surveyors
<b>RSG</b>	Revenue Support Grant
<b>SeRCOP</b>	Service Reporting Code of Practice
<b>SIP</b>	Statement of Investment Principles
<b>SORP</b>	Statement of Recommended Practice
<b>SSAP</b>	Statement of Standard Accounting Practice
<b>UCRR</b>	Usable Capital Receipts Reserve
<b>UITF</b>	Urgent Issues Task Force