

Statement of Accounts 2017/18





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Narrative Report

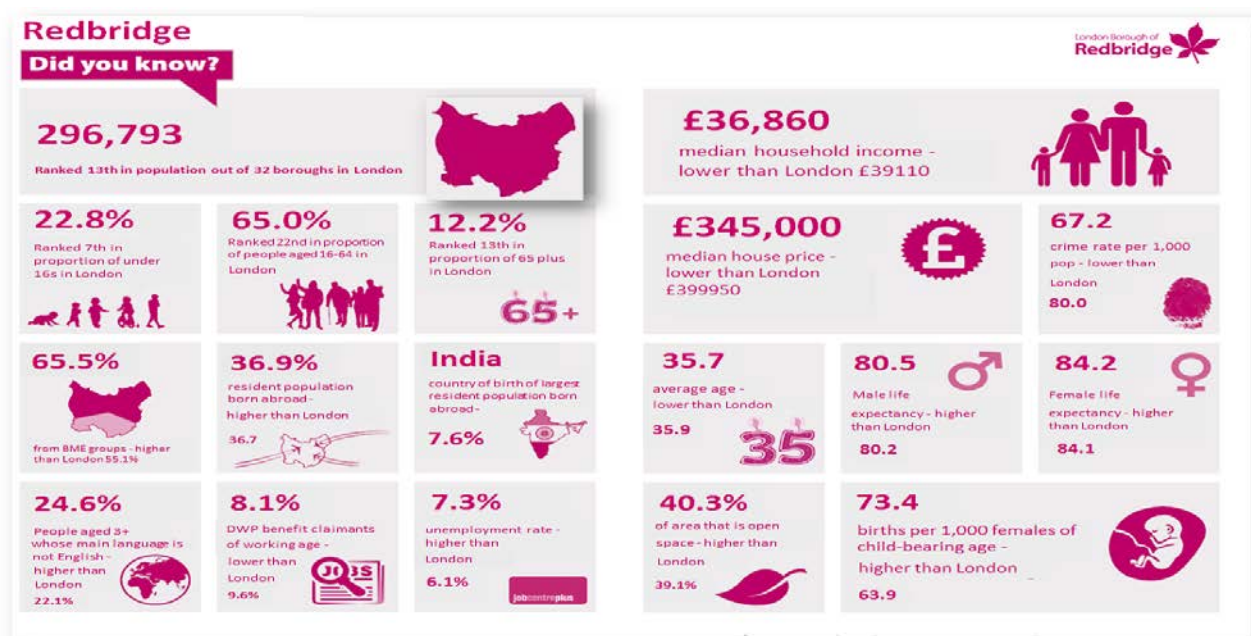
The narrative report provides information on the Council’s financial performance, its main objectives and strategies, the principal risks that it faces, as well as providing a commentary on how the Council has used its resources to achieve its desired outcomes, demonstrating value for money in the use of its resources.

Introduction to Redbridge

Redbridge is an outer north east London borough with a culturally diverse community with a population of nearly 300,000¹.

Some keys facts about Redbridge’s communities include:

- The Redbridge population is expected to grow by over 40,000 people in the 10 years between 2016 and 2026². The groups that are expected to grow by the biggest percentages are the under 20s and the over 65s. By 2021, the proportion of the population under 20 is expected to be 28%³.
- There is significant divergence between green, affluent areas and areas of urban deprivation where residents are struggling to manage the rising cost of living. Redbridge has 11 areas that are in the 20% most deprived in the country and 11 areas in the 20% least deprived⁴.
- Redbridge has the third most diverse community in London⁵, with 60.7% of the population from Black, Asian and Minority Ethnic (BAME) groups⁶ and over 90 languages spoken⁷.



Introduction to Redbridge Council

The current service structure comprises of:

- People
- Place
- Resources
- Strategy

¹ GLA Intelligence estimates 2015

² GLA Intelligence estimates 2015

³ GLA population estimates 2015

⁴ 2015 IMD

⁵ 2013 GLA

⁶ 2013 GLA

⁷ 2011 Census

2016 saw a significant restructure of Council services and senior management. Over 2017/18 the Council has focused on integrating service provision and empowering staff to think innovatively about the way services are delivered to customers.

The workforce at Redbridge Council is expected to follow the principles contained in the staff manual as follows:

Values:

- Honesty
- Fairness
- Excellence
- Collaboration

Design Principles:

- A council that responds rapidly to changing external circumstances
- A council that organises itself around the needs and strengths of residents
- A council that promotes local democracy
- A borough which secures financial self sufficiency

Over the past year, Redbridge has also implemented a SMART programme to help staff work more efficiently and effectively. The working environment for staff is more flexible and agile, freeing up office space for other uses.

Redbridge Council is also keen to make all interactions and transactions with its customers as simple and easy as possible, and has opened a new Customer Contact Centre to act as a single point of entry for all face-to-face contact and ensures that customers are seen quickly and effectively whatever their needs.

Redbridge is keen to invest in and develop the competencies of its staff. To help achieve this there is a constant programme of development opportunities for staff.

Key Partnerships

Redbridge Council works closely with a wide variety of statutory and non-statutory partners. Recently key partners have worked with Redbridge Council to look at the future of the borough these include Redbridge Council for Voluntary Service (CVS), Redbridge College, Barking, Havering and Redbridge CCG and the Metropolitan Police.

Further key partnerships include Vision RCL, who run the Council's sports, cultural and leisure facilities and Redbridge's parks and open spaces. The Council has partnership arrangements with NHS bodies such as North East London NHS Foundation Trust (NELFT), who are the Council's key partner in the provision of fully integrated health and social care across the borough, with a single point of access and joint crisis intervention. Other partners include, Local London (the east London devolution partnership), local business forums and London Borough of Waltham Forest, with whom the Council shares procurement services

The Council works closely with the voluntary sector partners providing grant funding to help maintain strong communities.

Redbridge is committed to radically overhauling the way it works in order to put communities in the lead. The Council is currently reviewing its various processes in order to better support residents to live happy fulfilling lives where they can help themselves, and each other.

Plans and Strategies

The Council's Corporate Strategy, 'Ambitious for Redbridge' is now under review. It was written to run from 2014-18 and set out an ambition to continue to deliver value for money services to residents despite a backdrop of significant reductions in government grant support and increased demand for services. It set out four key themes:

- 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

Work is currently on-going to create a new corporate strategy for 2018 onwards. Most significantly, work has taken place over the past year to lay the groundwork for the creation of a Borough Plan in 2018. This is an overarching plan for the borough developed and owned by a number of key strategic partners including the Council. The Council engaged with over 1,000 residents in 2017 to understand priorities for the Borough until 2025. Through a process of scenario planning, residents were asked to discuss the strengths and weaknesses of different scenarios for the possible future of the Borough.

Key Achievements

Some key outcomes that Redbridge has achieved over the past year include:

- **Budget:** Despite a backdrop of significant reductions in government grant support and increased demand for services, Redbridge agreed a balanced budget in February 2018 without the use of reserves. This included a significant rebasing of budgets to deliver significant additional funding to adult and children's services in recognition of the greatly increased demand in these service areas.
- **Regeneration and Development:** The Council has achieved a number of milestones for increasing and improving regeneration and development in the borough over the past year. In January 2017, the Council launched the 'Ilford Manifesto' setting out a vision for a regenerated Ilford. In December 2017, the Council published a Regeneration Strategy which set out the Council's regeneration ambitions for the borough over the next 10 years. In March 2018 the Redbridge Local Plan was formally adopted after several years' worth of work, which sets out a framework to implement the Council's strategic priorities for growth and regeneration until 2030.
- **Schools:** Redbridge schools continue to be some of the best in London. 96% of schools in the borough have been rated 'good' or 'outstanding' by Ofsted. The Council is currently also investing in school expansion to meet the needs of Redbridge's growing population.
- **Health and Social Care:** Adult social care is an area where demand for services continues to increase. To help cope with this increased pressure and to ensure that residents receive the best possible service, Redbridge implemented the 'Three Conversations' model whereby the Council supports people to continue to live independent lives wherever possible and only turning to financial support packages as a last resort.
- **Children's Services:** The Council continues to make a convincing response to changing patterns of need and new policy within Children's Services. This includes the creation of a Family Intervention Team which launched on 3 April 2018 to work to support families and individuals to prevent children entering the formal care system, and to support young people to reunite with their families. Numbers of looked after children remain comparatively low compared to statistical neighbours at 29.7 per 10,000 population (compared to a national average of 46), and placements are relatively stable with only 9.3% of looked after children have three or more placements within 12 months.
- **Housing and Homelessness:** At the latest London count, 70% of Redbridge's rough sleepers have no recourse to public funds (NRPF), meaning that they are not eligible for mainstream welfare or housing benefits, and 60% have been on the street for over 2 years. The Council has begun working with the Salvation Army on 'Project Malachi', an ambitious project to build new temporary accommodation units for people with NRPF and others. Despite Redbridge having the second lowest level of social housing in London and an increasing number of households living in temporary accommodation, in February 2018 Redbridge's housing teams achieved their target of zero homeless families in bed and breakfast accommodation for more than 6 weeks.
- **Devolution:** Local London is the devolved body for East London Councils (Redbridge, Newham, Barking & Dagenham, Enfield, Waltham Forest, Bexley, Greenwich and Havering), of which Redbridge is the accountable body. The Local London Work and Health Programme (LLWHP) successfully commenced delivery on the 1 March 2018, and will support over 14,000 people into sustainable employment over its lifetime.
- **Equality and diversity:** The Council takes equality and diversity very seriously and is committed to continuing to work towards a fairer society. In March 2018, Redbridge became the first Council in the country to announce a negative gender pay gap (3% in favour of women). The Council also announced that women are in 55% of senior leadership positions and that the ratio between the chief executive and the lowest paid member of staff is 1:9 – lower than the average for local government and well below the guidance of the Hutton review of 1:20.

- **Customers and communities:** Over the past year, Redbridge has put a new focus on improving the relationship between the Council and its residents. This has included a number of projects, including the opening of a brand new Customer Contact Centre at Lynton House in March 2018. The Council has also employed a number of new community engagement officers working across a number of service areas to ensure that communities feel listened to and engaged.
- **Digital:** The Council has worked to capitalise on new digital developments to make it easier for residents to contact us, find information and complete transactions online. The next step is to find new ways of engaging residents digitally and to move more of the Council's transactions and enquiries online to empower residents and to free up officer time to deal with complex cases or more vulnerable customers

Overview of Performance

Corporate performance management is carried out using a selection of the top 50 performance indicators from across the Council. They are monitored by individual service areas and reported to Cabinet on a quarterly basis.

The following list provides an overview of the Council's performance from the top 50 over 2017/18:

- Redbridge schools continue to perform well with over 96% of schools rated good or outstanding by Ofsted, although this is a slight drop from 98% last year. The number of early years settings that are rated good or outstanding by Ofsted has dropped to 94.5% (against a target of 97%) due to a reduction in grant funding for this area.
- Only 48.2% of care leavers aged 19-21 are in education, employment or training (target 62%) and 73.7% are in suitable accommodation (target 93%).
- 99.97% of reported fly-tips were cleared out within 24 hours, and the number of fly-tipping prosecutions is well above target at 650. This is 508 more than the previous year.
- The Council has maintained 100% performance in roads and pavements repaired within timescales and abandoned vehicles removed within 72 hours, and is at 99.7% for street lights working as planned.
- The Council has achieved a reduction in the number of householders in temporary accommodation.
- All categories of planning application are being processed within timescales.

Work has begun to develop a new performance framework for 2018 onwards. This will replace a list of largely quantitative top 50 indicators divided between operational directorates with approximately five outcome focused thematic areas. These will reflect joint working and deliverables between operational Directorates to deliver their respective business plans. The new framework is a clear departure from a quantitative and service silo approach currently practiced within the organisation and moving towards collecting further qualitative information to reflect outcomes delivered for residents by the Council.

Overview of Financial Performance

The sections below briefly explain some of the key features of the Council's financial performance in 2017/18, covering revenue and capital outturn positions, borrowing and investment strategies.

General Fund Revenue Budget

The General Fund revenue budget relates to the day to day running expenses of the services that the Council provides during the year. The General Fund outturn position against the budget is set out below, together with the sources of funding which finance the Council's net expenditure. The presentation of the figures reflects the Council's organisational structure, showing expenditure by directorate and the main operational service areas. The figures are consistent with service headings reported within the new Expenditure and Funding Analysis Statement at Note 7 in the Statement of Accounts.

2017/18 Outturn position

| Service | 2017/18 | | |
|--|----------------|-----------------|----------------|
| | Budget | Actual | Variance |
| | £m | £m | £m |
| Adult Social Care | 53.213 | 63.095 | 9.882 |
| Public Health | (0.173) | (0.173) | - |
| Children & Families | 35.954 | 36.088 | 0.134 |
| Standards Achievement and Inclusion | 8.787 | 8.358 | (0.429) |
| People Total | 97.781 | 107.368 | 9.587 |
| Civic Pride | 10.898 | 11.125 | 0.227 |
| Director of Place | 0.605 | 0.534 | (0.071) |
| Housing - General Fund | 7.901 | 7.685 | (0.216) |
| Leisure Client | 8.710 | 8.917 | 0.207 |
| Regeneration & Property | 4.045 | 4.040 | (0.005) |
| Place Total | 32.159 | 32.301 | 0.142 |
| Assurance | 3.064 | 3.503 | 0.439 |
| Finance, Business Support and Enablement | 4.185 | 4.266 | 0.081 |
| Revenue, Benefits and Transactional Centre | 7.295 | 6.485 | (0.810) |
| Resources Total | 14.544 | 14.254 | (0.290) |
| Change Team | 0.067 | 0.427 | 0.360 |
| Communications | 0.529 | 0.533 | 0.004 |
| Customer Services | 1.365 | 1.580 | 0.215 |
| Director of Strategy | 0.311 | 0.225 | (0.086) |
| Policy, Equalities and Communities | 2.209 | 2.136 | (0.073) |
| Chief Executive | 2.279 | 2.223 | (0.056) |
| Strategy Total | 6.760 | 7.124 | 0.364 |
| TOTAL SERVICE SPEND | 151.244 | 161.047 | 9.803 |
| Corporate items | 28.285 | 18.454 | (9.831) |
| TOTAL GENERAL FUND | 179.529 | 179.501 | (0.028) |
| Funded by: | | | |
| Revenue Support Grant | 23.224 | 23.224 | |
| Business Rate Top-Up Grant | 31.784 | 31.784 | |
| Business Rate Retention | 17.605 | 17.605 | |
| Collection Fund Surplus | 4.500 | 4.500 | |
| Council Tax | 102.416 | 102.416 | |
| TOTAL FUNDING | 179.529 | 179.529 | |
| (Surplus)/Deficit for the year | | (0.028) | |
| General Fund Balance 31/03/17 | | (17.193) | |
| BALANCE 31/03/18 | | (17.221) | |

The final net outturn position for the year showed an overspend of £9.803m from Service Directorate revenue budgets which was offset by an underspend of £9.831m from Corporate budgets resulting in an overall surplus of £0.028m. The national issues facing local government which are prevalent in London are the main contributors to the overspend with a particularly significant impact on Adult Social Care. The Adults Social Services overspend is largely due to a significant reduction in Continuing Healthcare (CHC) government funding being agreed which has led to significant additional cost burden, particularly in Learning Difficulties. The process of how CHC is agreed is being challenged with the Clinical Commissioning Group (CCG). This is coupled with an increase in demand within residential care, increase in Deprivation of Liberty Safeguards, a residual balance of additional 10% savings not achieved in 2017/18 and difficulty in recruiting and retaining social work staff, leading to more use of agency staff.

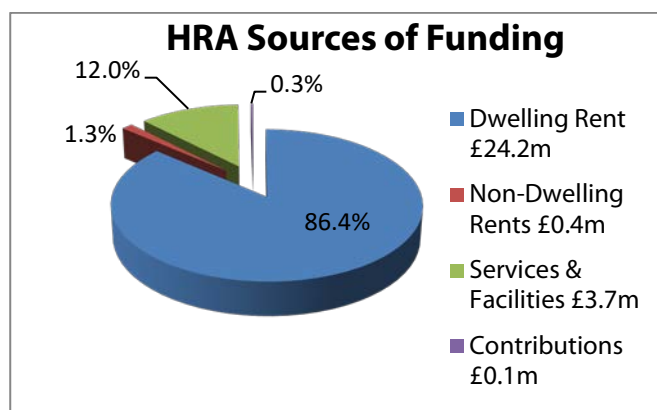
Offsetting this, there is a number of areas of significant underspend within service budgets. Within Revenues, Benefits and Transactional Centre, there is a net underspend of £0.810m, mainly due to an estimated higher than expected housing benefits subsidy grant and a reduced need for the housing benefit overpayment debt provision due to the Council recovering more outstanding debt than expected, both factors are one off in nature.

The underspend of £9.831m within Corporate budgets is mainly due to changes in the Council's Minimum Revenue Provision (MRP) calculation, a reduction in capital financing due to capital programme slippage, central contingency and additional Corporate grant income, mainly Section 31 Business Rates.

Increasing pressure on service costs was reported to the Cabinet and Service Committees throughout the year. The key pressures include social care demand and spending, delivery of estimated savings from departments and the transformation programme and population growth resulting in extra demands on services. Management action to address these pressures and budget underspends have been utilised to cover these cost pressures. Whilst Redbridge has managed the cost of these demands in 2017/18 they represent on-going pressures that will need to be addressed in future years.

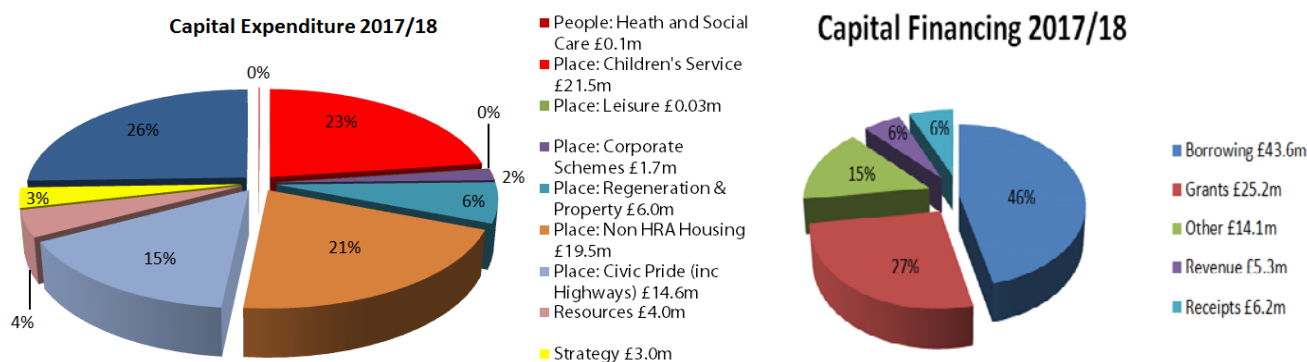
Housing Revenue Account

The Housing Revenue Account (HRA) is a ring fenced Income and Expenditure account within the Statement of Accounts, showing the provision for Council housing. The HRA had a surplus of £6.110m in 2017/18. This is due to underspend on interest on borrowing (£1.100m), repairs and maintenance expenditure being lower than anticipated (£0.800m) and lower revenue contribution to capital (£3.800m). The source of funding for the HRA is shown graphically below.



Capital Expenditure

Capital Expenditure is defined as spending on the purchase, improvement or enhancement of fixed assets. The total capital expenditure incurred for the year was £94.5m. The most significant area of expenditure in 2017/18 was on Temporary Accommodation, which addresses the high revenue cost due to increasing homelessness in the Borough (£19.5m which is 18% of the capital programme). As in the previous years, another significant area of expenditure is within schools expenditure totalling £18.370m (17% of total capital programme). This was mainly for the expansion of schools to meet the statutory responsibilities of the Council to accommodate the growing demand for pupil places. Housing (HRA) capital expenditure of £24.1m (23% of the total capital programme) has been used mainly to improve the Council’s housing stock.



Pension Liabilities

The Council has a pension deficit of £411m as at 31 March 2018 calculated in accordance with Accounting requirements. This means that the value of pension’s liabilities exceeds the value of the fund assets by this amount. The existence of a pension liability balance is consistent with other local authorities. The Council is responsible for funding this deficit over time. This is not a concern as the liabilities are long term in nature and represent the future commitment to pay retirement pensions. The Pension Fund’s funding level at the last triennial valuation was 80% and current contribution levels remained at 25.1%. The deficit on the local government scheme will be made good by contributions from employees and employers plus investment returns over 17 years as set out in the 2016 Triennial Valuation.

Net Assets

The Council maintains a strong balance sheet despite the financial challenges:

Net Assets at 31 March 2017:

| | | |
|---|---|--------------------------------------|
| Non-Current Assets (property and long term debtors) | Net Current assets (debtors, stock and cash less creditors and current liabilities) | Long term liabilities and provisions |
| £1,078m | £105m | (£634m) |
| Funded by: | | |
| Usable Reserves | Unusable Reserves | |
| £166m | £384m | |

Net Assets at 31 March 2018:

| | | |
|---|---|--------------------------------------|
| Non-Current Assets (property and long term investments and debtors) | Net Current assets (debtors, stock and cash less creditors and current liabilities) | Long term liabilities and provisions |
| £1,171m | £51m | (£636m) |
| Funded by: | | |
| Usable Reserves | Unusable Reserves | |
| £166m | £420m | |

Treasury Management Strategy

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

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.

As at 31 March 2018, the Council had a long term borrowing balance of £202m which is consistent with prior year, £203m as at 31 March 2017. Investments portfolio held by the LB of Redbridge have decreased from £147m to £110m.

The Council has revised its MRP policy in 2017/18, taking into account of two important factors. The first is that the MRP is better aligned with the life of the assets financed by the Council. The second is that the Council has adopted a straight line approach which means that the MRP will fully recover the Capital financing costs from revenue over the asset life rather the reduced balance approach which does not ensure full recovery over the asset life. Both these factors have resulted in a more prudent approach being taken by the Council.

Further technical changes have also been made to the MRP calculation in relation to MRP made in previous years. As a result of these changes the 2017/18 MRP calculation has been reduced from £7m to £0.001m.

The Council prudently manages the level of reserves it holds, taking account of the risks, it faces including cuts in future government grant funding. The General Fund Balance, the Council's financial safety net, stood at £17.2m at 31 March 2018, which is 9.6% of the 2018/19 net revenue budgets. In addition to this balance, the Council also holds Earmarked Reserves which are set aside for specific purposes. With regard to the Council's financial stability, reserves are used to manage corporate risks for which a Business Risk Reserve was increased to £18.0m as at 31 March 2018 to reflect the additional risks of service provision associated with increasing demand pressures and reductions in funding. The Council also created a Commercial Income Smoothing Reserve of £1.2m to allow for fluctuations in investment return between years.

Key Financial Statements

The Statement of Accounts for 2017/18 sets out the Council's income and expenditure for the financial year ending 31 March 2018 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 2017/18 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', and 'usable' (i.e. those that can currently be used to fund expenditure or support local taxation).
- **Comprehensive Income and Expenditure Statement (CIES):** This statement brings together all of the functions of the Council and reports on the Council's income and expenditure in accordance with International Financial Reporting Standards (IFRS) rather than just the amount to be funded from local taxes, rents and government grants. This difference is accounted for by a series of adjustments made in accordance with regulations. The cost of services within the Comprehensive Income and Expenditure Statement (CIES) follows the reporting structure used by the Council.
- **Balance sheet:** This is a snap shot of the Council's financial position at year-end. It shows the balances and reserves under the Council's disposal, long term debt, net current assets and liabilities and summarises information on the non-current assets held.
- **Cash Flow Statement:** This is a summary of cash inflows and outflows arising from revenue and capital transactions with third parties.
- **Expenditure Funding Analysis (EFA):** The Expenditure and Funding Analysis brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund (including the HRA). The Expenditure and Funding Analysis takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement.
- **Notes to the Financial Statements:** The notes provide a better understanding of the financial statements and give further detail about the items contained in the core financial statements along with details of accounting policies used by the Council.
- **Housing Revenue Account (HRA):** This account records the Council's statutory obligation to separately account for the cost of the ring fenced landlord function in respect of the provision of Council Housing.
- **Collection Fund:** The Council is responsible for collecting Council Tax and National Non-Domestic Rates (NNDR). Council Tax is also collected and distributed on behalf of the Greater London Authority (GLA)., Under the Business Rates Retention Scheme, the Council is also responsible for collection and sharing of the NNDR proceeds with Central Government and GLA.
- **Group Accounts:** The Council has a material interest in Vision – Redbridge Culture and Leisure (VRCL). The Group Accounts show the consolidated position of the activities of the Council and VRCL.
- **Pension Fund:** The Pension Fund Accounts show the contributions from the Council, participating employers and employees for the purpose of paying pensions. The Fund is separately managed by the Council acting as a trustee and the accounts are not part of the Council's accounts. The Pension Fund Accounts are included here to follow proper accounting practices.

Forward Plan 2018/19 - 2022/23

Redbridge’s net revenue budget for 2018/19 was approved on 22 February 2018 and is £178.6m. This was achieved despite a reduction of £4.9m (6.8%) in the Council’s core funding from the government.

The context in which the Council’s Budget is set is influenced by:

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

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

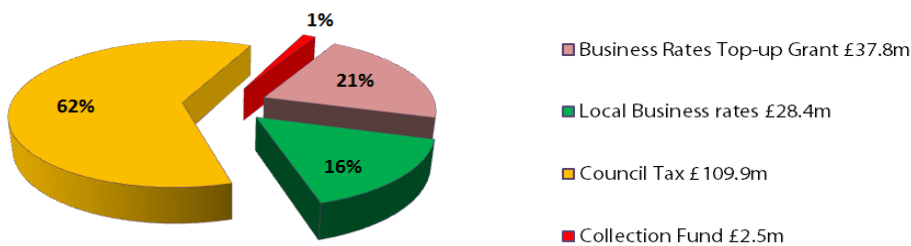
Setting the budget

Redbridge has increased Council Tax above CPI since 2016/17 due to the move of the burden of increasing cost of social care from the government to local tax payers using the Adult Social Care precept.

In 2018/19 general Council Tax will rise by 2.99% (£35.76 or 69p a week increase for a Band D taxpayer) which is in line with the government’s inflation forecasts. However, to maintain social care services a there is a further increase of 2% adult social care precept (£23.92 or 46p a week increase for a Band D taxpayer). The money raised by the 2% is used solely to support the most vulnerable residents in a time of ever increasing financial pressure.

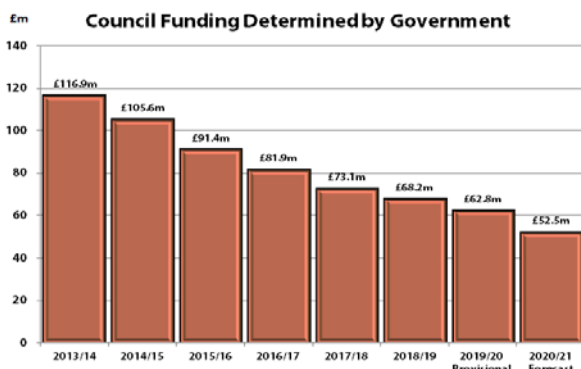
Main source of funding for the 2018/19 budget is Council Tax income providing 62% of core funding following by Business rates providing 37% of the core funding.

Revenue Budget Funding 2018/19 (£178.6m)



Other Challenges

Redbridge continues to face an uncertain and challenging financial future. The graph below sets out the annual reduction in funding determined by the government since 2013/14 resulting in a cut of over 42% by 2018/19 and is forecast to increase to 55% by 2021/22. 2018/19 is also the year that London Borough of Redbridge is part of the London Business Rates Pilot Pool, with the main unconditional grant received by the Council being dropped out for one year only and with RSG reinstated in 2019/20 with business rates reducing by a compensating amount. Based on current trends it is assumed that RSG will be nil by 2020.



Since 2011, Redbridge's population has risen by nearly 20,000 and between 2017 and 2026 it is predicted to rise by around a further 40,000. The borough needs more homes, schools, health and social care and services including cleansing, roads and highways. Arising from changing demographics and growing population there is an increasing demand for care services (Adults and Children's) which are subject to significant volatility, where a small change can give rise to significant cost increases. In response to this national pressure on adult social care services the Government has provided Councils with additional funds for the Improved Better Care Fund (iBCF) coupled with the introduction of the Adult Social Care Precept to help meet the costs of increasing demand in the short term. The increasing homeless population is creating significant demand increases in Temporary Accommodation. The high demand for pupil places within Borough Schools continues to place pressure on the Council's Capital programme.

Since 2013, Central Government has frozen the distribution of funding between local authorities. This penalises Redbridge relative to other authorities as it ignores the ever increasing divergence between population increases and funding reductions.

Achieving a balanced 2018/19 Budget

The Council's strategy, from the outset of Central Government's austerity programme, has sought to protect front line services wherever possible and has concentrated on the delivery of efficiency savings, transformation initiatives and additional income generation. The strategy has evolved over time and savings are identified under these categories so that they can be weighed up against overall Council priorities:

- Reducing costs through efficiencies;
- Achieving savings through managing demand;
- Maximising savings via the Council transformation programme;
- Income generation; and
- Savings from reducing services.

To balance the budget for 2018/19, new net savings of £26.519m were agreed, in addition to already agreed savings from previous budget rounds. Savings have been identified through efficiencies, income generation, service reduction, transformation and demand management. Commercial income opportunities represent 25% of the new savings identified as part of the 2018/19 budget setting. These specifically include the return on capital investment as set out in the Property Investment Strategy and the setting up of the Development Company and potential financial return with delivering housing on Council owned land contributing to the aim to maximise the value of the Council's asset base.

The spending plans assume the delivery of £31.622m in 2018/19 and a further £19.704m by 2022/23. These savings include improving the way the Council works by adopting smarter and lean working initiatives, transforming services, identifying and implementing alternative service delivery models and by making better use of assets.

Without a change in the way the Government funding is distributed to recognise the increasing demands and pressures, the Council is facing an increasing difficult challenge to continue delivering all its services. The Council must continue to manage the pressures from reduced resources, increasing demand across services, and the need to continue to deliver the good-quality frontline services that meet residents' needs and continuing to care for the Borough's most vulnerable residents. Redbridge must maintain robust financial management and control, alongside strong performance management, risk and financial management systems in order to ensure the delivery of cost effective services.

MTFS 2018/19-2022/23 – reported to Council Feb 2018

| Movements | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | Total* |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| | £m | £m | £m | £m | £m | £m |
| Service Base Budgets | 179.528 | 178.578 | 174.579 | 165.071 | 165.735 | 179.528 |
| Pressures, Risks & Growth | 35.156 | 14.568 | 12.924 | 9.301 | 9.075 | 81.024 |
| Grants | (7.800) | 3.427 | 9.609 | 0.959 | - | 6.195 |
| Savings | (37.920) | (5.862) | (4.355) | (0.575) | (1.967) | (50.679) |
| Movement in Reserves | 9.614 | (1.981) | - | - | - | 7.633 |
| Budget Gap | - | (14.151) | (27.686) | (9.021) | (7.075) | (57.933) |
| Service Budgets | 178.578 | 174.579 | 165.071 | 165.735 | 165.768 | 165.768 |
| Funding | | | | | | |
| Revenue Support Grant | - | (10.234) | - | - | - | - |
| Business Rates Top-Up | (28.400) | (33.476) | (33.485) | (33.486) | (33.486) | (33.486) |
| Locally Retained Business Rates | (37.820) | (19.696) | (19.686) | (19.686) | (19.686) | (19.686) |
| Collection Fund Surplus | (2.500) | - | - | - | - | - |
| Council Tax | (109.858) | (111.173) | (111.900) | (112.563) | (112.596) | (112.596) |
| Total Income from Grants & Council Tax | (178.578) | (174.579) | (165.071) | (165.735) | (165.768) | (165.768) |

*Position by the end of 2022/23 using 2018/19 Service Base Budgets.

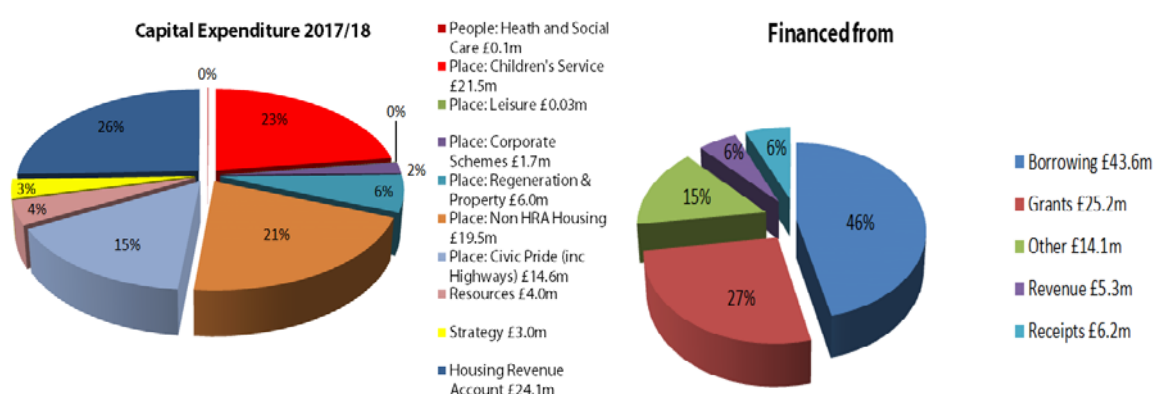
Based on the reported Medium Term Financial Strategy (MTFS) to Council in February 2018 spending projections for 2022/23 indicate a gap in funding of £57.9m after taking account of total savings proposals of £51.3m between 2018/19 and 2022/23. Assumptions and risks underpinning the MTFS include interest rates, inflation and the growth in demand for services, detailed as below:

- Inflation is expected to increase to 2.9% and then estimated to fall back to 2% Government target by 2019.
- It is unclear how the 75% Business Rate Retention will operate in 2020/21, the MTFS projects an unchanged business rates trend after 2019/20. This is a major risk due to continuing uncertainty around voids, impact of backdated appeals, revaluations and bad debt. For 2018/19 a new Business Rates Smoothing Reserve of £2.010m has been created to meet potential reductions in future business rates income.
- The National Joint Council has offered a 2% pay increase in each of the next two financial years, estimated to add 5.6% to the national pay bill over the next two years.
- The Council is positive about the London Living Wage (LLW), as being the right course of action and is committed to paying it as soon as financial possible.
- A provision has been built in for the next Actuarial valuation review in respect of 2019 with changes being implemented in 2020/21.
- An increase in levy from East London Waste Authority as a result of increasing landfill tax and tonnage.
- The adoption of IFRS 9 Financial Instruments into Local Authority Accounting Code will result in gains and losses arising from changes in the value of some categories of investments which will have to be recognised in authorities' revenue account, having a consequent impact on the general fund. At the moment this has been treated as a risk that can be dealt with through reserves to even out between year fluctuations in investment value.
- The ability to set and deliver a sustainable budget in 2018/19 onwards is highly dependent on delivering the identified savings. Close monitoring therefore continues via monthly savings tracker and regular reporting to Cabinet via the budgetary control report to ensure delivery of all previously agreed savings
- In addition to revenue savings, operational and investment portfolio reviews also include £2m capital receipts to be generated between 2018/19 and 2020/21. There are many risks including the health of the property markets and the lack of control over the timing of disposals.

There remains a savings gap in future years that must be addressed to ensure a sustainable and financially resilient MTFS.

Capital Programme 2017/18 to 2021/22

The Council's capital programme and financing for the next 5 years is summarised below, totalling £440.6m, which has been approved by Council 23 February 2018.



Key Risks and Controls

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

The Risk Management Strategy and Policy were review and agreed by Governance and Assurance Committee and Cabinet.

The Strategic Risk Register is a live register which depicts the strategic risks the organisation is facing. The risk owners are Corporate Directors and the Chief Executive to ensure that there is responsibility and ownership for the risks. They are reviewed quarterly by the Council, Management Team and also presented for review to the Governance and Assurance Committee.

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

A forum of risk champions exist who represent their service areas. The forum horizon scans and identifies potential threats and opportunities which are then assessed in line with the risk management policy. The latest reported risk register is available on the Council's website: [Governance and Assurance Committee](#).

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

What's next?

The Council must now move forward to continue to deliver on its corporate priorities and statutory responsibilities, as well as grasping new opportunities offered by regeneration, investment and technology. Redbridge has an opportunity to respond to these challenges with a thorough reinvention of relationships with staff, partners, citizens and businesses. This will involve continuing to change the way that Redbridge works to become more effective and efficient with the resources that are available.

The current Corporate Strategy will take Redbridge to 2019. However, the Council recognises that it cannot continue to deliver the same high quality of services in isolation. A Borough Plan will be co-produced with strategic partners, and will be an outcomes-focused document, outlining what the future of the Borough might look like and how partners will work together to get there. This work will help to inform how services will be delivered effectively for residents in the future.

Conclusion

The Statement of Accounts provides a very detailed and comprehensive picture of the Council's performance for 2017/18 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 Redbridge faces. I hope the Members of the Council, residents of the Borough and other readers find this document useful.

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

Maria G. Christofi, BA (Hons), FCCA, CPFA
Corporate Director of Resources
23 July 2018

Statement of Responsibilities

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Section 151 Officer) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Section 151 Officer's responsibilities

The Section 151 Officer is responsible for the preparation of the Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Council's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error,

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2018 and of its income and expenditure for the year then ended.

Maria G Christofi, BA (Hons), FCCA, CPFA
Corporate Director of Resources and Section 151 Officer
23 July 2018

Approval of Accounts

The Statement of Accounts was approved by the London Borough of Redbridge Governance and Assurance Committee.

Chair of the Governance and Assurance Committee
23 July 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF REDBRIDGE

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of London Borough of Redbridge ('the Authority') for the year ended 31 March 2018 which comprise the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Movement in Reserves Statements, the Authority and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund, the Fund Account and Net Assets Statement for the London Borough of Redbridge Pension Fund and the related notes, including the accounting policies in note 1 and the Pension Fund accounting policies in note 3.

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 2018 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 London Borough of Redbridge Pension Fund during the year ended 31 March 2018 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2018 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 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the financial statements

The Corporate Director of Resources is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

Corporate Director of Resources' responsibilities

As explained more fully in the statement set out on page 13, the Corporate Director of Resources is responsible for: the preparation of the Authority's 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 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, 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 2018.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, 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 Comptroller and Auditor General 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 2018.

Statutory reporting matters

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

- 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;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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.

CERTIFICATE OF COMPLETION OF THE AUDIT

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.

Neil Hewitson
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square
Canary Wharf
London
E14 5GL

30 July 2018

Comprehensive Income and Expenditure Statement

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

| 2016/17 | | | | 2017/18 | | | |
|---------------------------|----------------------------|-------------------------|---|---------|---------------------------------|----------------------------|-------------------------|
| Gross Expenditure £000 | Total Gross Income £000 | Net Expenditure £000 | | Notes | Total Gross Expenditure £000 | Total Gross Income £000 | Net Expenditure £000 |
| 459,174 | (319,187) | 139,987 | People | | 466,686 | (329,387) | 137,299 |
| 137,636 | (79,247) | 58,389 | Place | | 146,046 | (83,020) | 63,026 |
| 179,780 | (165,434) | 14,346 | Resources | | 173,042 | (158,926) | 14,116 |
| 7,012 | (965) | 6,047 | Strategy | | 12,125 | (2,058) | 10,067 |
| 14,731 | (295) | 14,436 | Corporate | | 13,322 | (1,047) | 12,275 |
| 19,793 | (28,126) | (8,333) | Local Authority Housing (HRA) | | 28,482 | (28,165) | 317 |
| 818,126 | (593,254) | 224,872 | Cost of Services | | 839,703 | (602,603) | 237,100 |
| | | 36,493 | Other operating expenditure | 10 | | | 47,247 |
| | | 15,148 | Financing and investment income and expenditure | 11 | | | 15,141 |
| | | (224,909) | Taxation and non-specific grant income | 12 | | | (230,795) |
| | | 51,604 | Deficit on the provision of services | | | | 68,693 |
| | | (14,943) | (Surplus) on revaluation of non-current assets | 30 | | | (84,848) |
| | | 76,731 | Re-measurement of the net defined Benefit liability | 40 | | | (20,766) |
| | | 156 | (Surplus) on revaluation of available for sale financial assets | | | | 562 |
| | | 61,944 | Other Comprehensive Income and Expenditure | | | | (105,052) |
| | | 113,548 | Total Comprehensive Income and Expenditure | | | | (36,359) |

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce taxation) and other unusable reserves. The statement shows how the movement in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and statutory adjustments required to return to the amounts chargeable to Council Tax or rents for the year. The net increase/decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

2016/17- Comparative Figures

| | General Fund £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Contributions Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Reserves £000 |
|--|----------------------|------------------------------------|-------------------------------------|-------------------------------|---|-------------------------------|---------------------------|------------------------|
| Balance at 31 March 16 brought forward | (110,932) | (16,044) | (13,227) | (8,073) | (22,679) | (170,955) | (492,633) | (663,588) |
| Movement in Reserves during 2016/17 | | | | | | | | |
| Total Comprehensive Income and Expenditure | 61,276 | (9,672) | - | - | - | 51,604 | 61,944 | 113,548 |
| Adjustment between accounting basis and funding basis under regulations (<i>Note 8</i>) | (45,935) | 6,923 | (1,922) | 4,564 | (10,017) | (46,387) | 46,387 | - |
| Net (Increase) / Decrease | 15,341 | (2,749) | (1,922) | 4,564 | (10,017) | 5,217 | 108,331 | 113,548 |
| Balance at 31 March 17 carried forward | (95,591) | (18,793) | (15,149) | (3,509) | (32,696) | (165,738) | (384,302) | (550,040) |
| 2017/18 | | | | | | | | |
| Movement in Reserves during 2017/18 | | | | | | | | |
| Total Comprehensive Income and Expenditure | 67,695 | 998 | - | - | - | 68,693 | (105,052) | (36,359) |
| Adjustment between accounting basis and funding basis under regulations (<i>Note 8</i>) | (57,537) | 2,034 | (1,499) | 3,266 | (15,180) | (68,916) | 68,916 | - |
| Net (Increase) / Decrease | 10,158 | 3,032 | (1,499) | 3,266 | (15,180) | (223) | (36,136) | (36,359) |
| Balance at 31 March 18 carried forward | (85,433) | (15,761) | (16,648) | (243) | (47,876) | (165,961) | (420,438) | (586,399) |

Balance Sheet

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

| Restated 31 March 2017 £000 | | Notes | 31 March 2018 £000 |
|--|------------------------------------|--------------|-----------------------------------|
| 1,049,184 | Property, Plant & Equipment | 13 | 1,123,562 |
| 26,337 | Investment Property | 14 | 34,476 |
| 676 | Intangible Assets | 15 | 1,242 |
| - | Long Term Investments | 23 | 9,481 |
| 2,244 | Long Term Debtors | 19 | 2,211 |
| 1,078,441 | Long Term Assets | | 1,170,972 |
| - | Assets Held for Sale | 18 | 800 |
| 135,741 | Short Term Investments | 23 | 60,314 |
| 81 | Inventories | | 95 |
| 25,829 | Short Term Debtors | 19 | 30,909 |
| 13,696 | Cash and Cash Equivalents | 20 | 42,235 |
| 175,347 | Current Assets | | 134,353 |
| (9,688) | Short Term Borrowing | 23 | (18,947) |
| (57,411) | Short Term Creditors | 21 | (62,618) |
| (2,240) | Provisions | 22 | (1,241) |
| (445) | Revenue Grants Receipts in advance | 25 | - |
| (113) | Capital Grants Receipts in Advance | 25 | (103) |
| (69,897) | Current Liabilities | | (82,909) |
| (10,220) | Provisions | 22 | (10,998) |
| (202,520) | Long Term Borrowing | 23 | (202,499) |
| (421,111) | Other Long Term Liabilities | 23 & 40 | (422,520) |
| (633,851) | Long Term Liabilities | | (636,017) |
| 550,040 | Net Assets | | 586,399 |
| 165,738 | Usable Reserves | 29 | 165,961 |
| 384,302 | Unusable Reserves | 30 | 420,438 |
| 550,040 | Total Reserves | | 586,399 |

Maria G Christofi, BA (Hons), FCCA, CPFA
Corporate Director of Resources
23 July 2018

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during 2017/18. 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.

| 2016/17 £000 | | <i>Note</i> | 2017/18 £000 |
|-------------------------------|---|-------------|-------------------------------|
| (51,604) | Net deficit on the provision of services | | (68,693) |
| 91,144 | Adjustments to net surplus or deficit on the provision of services for non- cash movements | | 116,580 |
| (42,159) | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | | (49,865) |
| (2,619) | Net cash flows generated from Operating Activities | 42a | (1,978) |
| 1,696 | Investing Activities | 42b | 22,924 |
| 13,672 | Financing activities | 42c | 7,593 |
| 12,749 | Net (decrease)/increase in cash and cash equivalents | | 28,539 |
| 947 | Cash and cash equivalents at the beginning of the reporting period | 20 | 13,696 |
| 13,696 | Cash and cash equivalents at the end of the reporting period | | 42,235 |

Notes to the Accounts

1. Statement of Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's and group transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18 (the Code), 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.

ii. Accruals of Income and Expenditure

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

- Revenue from 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.

iii. Cash and Cash Equivalents

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

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

iv. Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement that is equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This provision is known as the Minimum Revenue Provision (MRP). Depreciation,

reevaluation and impairment losses and amortisations are therefore replaced by the MRP in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

v. Council Tax and Non Domestic Rates

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

Council Tax

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

Non Domestic Rates (NDR)

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

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

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.

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

vi. 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 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 NHS Business Service Authority.
- 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 People's Directorate line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pensions Scheme and the NHS Pension Scheme in the year.

▪ **The Local Government Pension Scheme**

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

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

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

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

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

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;
- 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 Statement;
- Actuarial gains and losses, changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are

transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

▪ *Discretionary Benefits*

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

vii. Events after the Reporting Period

This version of the Statement of Accounts was authorised for issue by the Corporate Director of Resources on the 23 July 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

viii. Financial Instruments

▪ *Financial Liabilities*

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

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

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).

ix. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or

contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

▪ **Business Improvement Districts**

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

▪ **Community Infrastructure Levy**

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

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

▪ **Section 106 Agreements**

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

x. 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.

xi. 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.

xii. Inventories and Long Term Contracts

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

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xiii. Investment Property

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

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

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

xiv. Leases

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

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

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

The Council as Lessee

▪ Finance Leases

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to

such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

▪ *Operating Leases*

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

The Council as Lessor

▪ *Finance Leases*

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

Lease rentals receivable are apportioned between:

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

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

xv. Overheads and Support Services

Costs of overheads and support services are not charged to service segments and they are treated as non-controllable Expenditure/Income.

xvi. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the

item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

- Infrastructure and community assets - depreciated historical cost;
- Assets under construction – historic cost;
- Dwellings - current value, determined using the basis of existing use value for social housing (EUV-SH);
- Surplus assets – current value measurement base is fair value, estimated at highest and best use from a market participant's perspective (see Investment Property for further details on Fair Value Measurements);
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value;
- All other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives, low value, or both, depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five year. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings – straight line allocation over the weighted average useful life of the property as estimated by the valuer;
- 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;
- 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 £4m 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as property fund holdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

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

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

xviii. Private Finance Initiative (PFI) and Similar Contracts

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

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

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into four elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement,
- Finance cost – an interest charge of 8.16% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

xix. 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.

xx. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments local taxation, and retirement and employee benefits and do not represent usable resources for the Council – the reasons for these reserves are explained in the relevant policies.

xxi. 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.

xxii. 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 Council's Balance Sheet.

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

xxiii. Value Added Tax (VAT)

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (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 2018/19 Code.

- IFRS 9 Financial Instruments - introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Council's current financial instruments, indicate the possibility of an impairment which could have an impact on the consolidated income and expenditure account. This is currently difficult to determine and may also be subject to possible revision of regulations.
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers. The main principle is to recognised revenue to depict transfer of goods/services, over time or at a point in time. This will not have a substantial impact on the Council.
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses. This applies to deferred tax assets related to debt instruments measured at fair value. Neither of the Council's subsidiary companies in the Group Accounts has such debt instruments. This has no impact on the Council.
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative. Improved disclosures about liabilities from financing activities. The Council does not have activities which would require additional disclosure.

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 2017/18, three maintained schools converted to academy status, which have been treated as a disposal at nil consideration.

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 2018 for which there are significant risks of material adjustment in the forthcoming financial year are as follows:

Arrears – At 31 March 2018, the Council had a balance of debtors of £67.441m. A review of significant balances suggests that impairment for doubtful debts of £36.532m 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.

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 £100.8m, a 0.5% increase in the salary increase rate would increase the net liability by £10.8m and a 0.5% increase in the pension increase rate would add £88.9m to the net liability. However, the assumptions interact in complex ways. As at the 31 March 2018, the Council's actuaries advised that the net pension's liability had increased by £1.883m (2016/17 – increased by £86m), 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.

Provision

- **Insurance** 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. As at 31 March 2018 the Council has a provision of £9.7m (£11.1m in 2016/17). In addition to the insurance provision that is held to meet existing claims, the Council holds an Insurance Reserve of £9.007m (£6.002m 2016/17) which is deemed adequate to meet future potential claims.
- **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 total provision of £7.736m, formulated from Valuation Office data and historical experience available at the end of the reporting period should be adequate to meet future potential claims. The Council's share of the provision is £2.231m (£0.165m in 2016/17). However, this provision may not be sufficient to meet claims arising if greater success rates are achieved than previously experienced.

Fair Value Estimations - When the fair values of investment properties, surplus assets and certain financial instruments cannot be measured based on quoted prices in active markets (i.e. level 1 input) 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.

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 Statement of Accounts was authorised for issue by the Corporate Director of Resources on 23 July 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (Government grants, rents, Council Tax and Business Rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It shows how this expenditure is allocated for decision making purposes between Council's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. The table below reconciles the reported outturn position on page 5 to the EFA statement below. The main adjustments relate to the use of reserves and other corporate items which have been reclassified from Corporate to Other Income and Expenditure (i.e. Levies, non-ring-fenced grants).

Reconciliation of outturn to statutory requirements

| 2017/18 | Outturn | Use of Reserves | Other | EFA |
|--|------------------|-----------------|-----------------|------------------|
| | £000 | £000 | £000 | £000 |
| Directorate | | | | |
| People | 107,368 | 5,730 | - | 113,098 |
| Place | 32,301 | 800 | - | 33,101 |
| Resources | 14,254 | (1,594) | - | 12,660 |
| Strategy | 7,124 | 2,962 | - | 10,086 |
| Corporate | 18,454 | 2,766 | (10,155) | 11,065 |
| HRA | (6,110) | 9,142 | - | 3,032 |
| Cost of Services | 173,391 | 19,806 | (10,155) | 183,042 |
| Other Income and Expenditure | (179,529) | (478) | 10,155 | (169,852) |
| Surplus or Deficit on Provision of Services | (6,138) | 19,328 | - | 13,190 |

Expenditure and Funding Analysis

| 2016/17 | | | 2017/18 | | |
|--|--|---|--|--|---|
| Net Expenditure Chargeable to the General Fund and HRA Balance | Total Adjustments between the funding and accounting basis | Net Expenditure in the Comprehensive Income and Expenditure Statement | Net Expenditure Chargeable to the General Fund and HRA Balance | Total Adjustments between the funding and accounting basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| £000 | £000 | £000 | £000 | £000 | £000 |
| 103,616 | 36,371 | 139,987 | 113,098 | 24,201 | 137,299 |
| 43,129 | 15,260 | 58,389 | 33,101 | 29,925 | 63,026 |
| 14,074 | 272 | 14,346 | 12,660 | 1,456 | 14,116 |
| 6,074 | (27) | 6,047 | 10,086 | (19) | 10,067 |
| 13,185 | 1,251 | 14,436 | 11,065 | 1,210 | 12,275 |
| (2,749) | (5,584) | (8,333) | 3,032 | (2,715) | 317 |
| 177,329 | 47,543 | 224,872 | 183,042 | 54,058 | 237,100 |
| (164,737) | (8,531) | (173,268) | (169,852) | 1,445 | (168,407) |
| 12,592 | 39,012 | 51,604 | 13,190 | 55,503 | 68,693 |
| (126,976) | | Opening General Fund and HRA Balance | (114,384) | | |
| 12,592 | | Less/Plus Surplus or (deficit) on General Fund and HRA Balance in year | 13,190 | | |
| (114,384) | | Closing General Fund and HRA Balance as at 31 March 18 * | (101,194) | | |

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

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

| Adjustment for capital purposes £000 | 2016/17 Net charges for the Pension Fund | | | | 2017/18 Net charges for the Pension Fund | | | |
|---|---|---------------------------|----------------|-------------------------------------|---|---------------------|---------------------------|---------------|
| | Adjustments £000 | Other Differences £000 | Total £000 | | Adjustment for capital purposes £000 | Adjustments £000 | Other Differences £000 | Total £000 |
| 36,594 | (1,212) | 989 | 36,371 | People | 18,501 | 7,881 | (2,181) | 24,201 |
| 14,390 | (743) | 1,613 | 15,260 | Place | 25,928 | 1,972 | 2,025 | 29,925 |
| 745 | (463) | (10) | 272 | Resources | 607 | 851 | (2) | 1,456 |
| - | (42) | 15 | (27) | Strategy | - | (21) | 2 | (19) |
| - | 1,251 | - | 1,251 | Corporate | - | 1,236 | (26) | 1,210 |
| (3,525) | 7 | (2,066) | (5,584) | HRA | (920) | 365 | (2,160) | (2,715) |
| 48,204 | (1,202) | 541 | 47,543 | Net Cost of Services | 44,116 | 12,284 | (2,342) | 54,058 |
| (22,734) | 10,931 | 3,272 | (8,531) | Other Income and Expenditure | (13,386) | 10,365 | 4,466 | 1,445 |
| 25,470 | 9,729 | 3,813 | 39,012 | Surplus or Deficit | 30,730 | 22,649 | 2,124 | 55,503 |

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other Operating Expenditure – adjusts for capital disposals with a transfer for income on disposal of assets and the amounts written off for those assets.
- Financing and Investment Income and Expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other Revenue Contributions are deducted from other Income and Expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and Non-Specific Grant Income and Expenditure – Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue Grants are adjusted from those receivable in the year to those receivable to without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pension Adjustments

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

- For services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and Investment Income and Expenditure – the net interest on the defined benefit liability is charged to the CIES.

Other Differences

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

- For Financing and Investment Income and Expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and Non-Specific Grant Income and Expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the code. This is a timing difference as any difference will be brought forward in future surpluses or deficits in the Collection Fund.

7 (b) Expenditure and Income Analysed by Category

| 2016/17 Total £000 | Expenditure/Income | 2017/18 Total £000 |
|-----------------------|--|-----------------------|
| | Expenditure | |
| 301,037 | Employee Benefits Expenses | 297,495 |
| 460,565 | Other Services Expenses | 485,675 |
| 56,619 | Depreciation, Amortisation, Impairment | 56,527 |
| 20,375 | Interest and Financing Payments | 20,645 |
| 16,300 | Precept and Levies | 17,643 |
| 607 | Payments to Housing Capital Receipts Pool | 581 |
| 19,586 | Losses/(Gains) on the disposal of non-current assets | 29,023 |
| 875,089 | Total Expenditure | 907,589 |
| | Income | |
| (152,492) | Fees, Charges and Other Service Income | (167,766) |
| (5,228) | Interest and Investment Income | (5,504) |
| (115,347) | Income from Council Tax and Non-Domestic Rates | (121,657) |
| (550,418) | Government Grants and Contribution | (543,969) |
| (823,485) | Total Income | (838,896) |
| 51,604 | Surplus/Deficit on the Provision of Services | 68,693 |

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

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

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

Capital Receipts Reserve – The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at year end.

Capital Grants Unapplied – The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

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

2017/18

| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|---|-------------------------|-------------------------------|--------------------------------|--------------------------|--------------------------------|-------------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non-current assets | (26,575) | - | - | - | - | 26,575 |
| Revaluation losses on Property, Plant and Equipment | (16,043) | (8,416) | - | - | - | 24,459 |
| Movements in the market value of Investment Properties | 893 | - | - | - | - | (893) |
| Amortisation of intangible assets | (173) | - | - | - | - | 173 |
| Capital Grants and Contributions applied | - | - | - | - | 26,443 | (26,443) |
| Revenue expenditure funded from capital under statute | (2,500) | (11) | - | - | - | 2,511 |
| 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 | (30,595) | (6,725) | - | - | - | 37,320 |
| Statutory provision for the financing of capital investment | 475 | - | - | - | - | (475) |
| Capital expenditure charged in year to the General Fund and HRA Balances | 255 | 9,359 | - | - | - | (9,614) |
| Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement | 41,158 | 465 | - | - | (41,623) | - |
| Transfer of cash sale proceeds credited as part of gains/losses on disposal to the Comprehensive Income and Expenditure Statement | 216 | 8,026 | (8,242) | - | - | - |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | 6,223 | - | - | (6,223) |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool | (581) | - | 581 | - | - | - |
| Capital receipts received in respect of repayment of grants, advances and distributions | 55 | 139 | (194) | - | - | - |
| Contribution from the Capital Receipts Reserve towards administrative costs on non-current asset disposals | - | (151) | 151 | - | - | - |
| Transfer from Deferred Capital Receipts Reserve upon receipts of cash | - | - | (18) | - | - | 18 |
| Reversal of Major Repairs Allowance | - | - | - | (5,319) | - | 5,319 |
| Use of the Major Repairs Reserve to finance new capital expenditure | - | - | - | 8,585 | - | (8,585) |
| 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 | (2,864) | - | - | - | - | 2,864 |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (47,536) | (1,321) | - | - | - | 48,857 |
| Employer's pension contributions and direct payments to pensioners payable in year | 25,539 | 669 | - | - | - | (26,208) |
| 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 | 740 | - | - | - | - | (740) |
| Total Adjustments | (57,537) | 2,034 | (1,499) | 3,266 | (15,180) | 68,916 |

2016/17- Comparative Figures

| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|---|-------------------------|----------------------------|-----------------------------|--------------------------|-----------------------------|-------------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non-current assets | (26,535) | - | - | - | - | 26,535 |
| Revaluation losses on Property, Plant and Equipment | (23,503) | (924) | - | - | - | 24,427 |
| Movements in the market value of Investment Properties | 1,185 | - | - | - | - | (1,185) |
| Amortisation of intangible assets | (101) | - | - | - | - | 101 |
| Capital Grants and Contributions applied | - | - | - | - | 25,005 | (25,005) |
| Revenue expenditure funded from capital under statute | (3,170) | - | - | - | - | 3,170 |
| 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 | (23,546) | (3,246) | - | - | - | 26,792 |
| Statutory provision for the financing of capital investment | 6,719 | - | - | - | - | (6,719) |
| Capital expenditure charged in year to the General Fund and HRA Balances | 1,580 | 4,600 | - | - | - | (6,180) |
| Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement | 34,992 | 30 | - | - | (35,022) | - |
| Transfer of cash sale proceeds credited as part of gains/losses on disposal to the Comprehensive Income and Expenditure Statement | 240 | 6,897 | (7,137) | - | - | - |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | 4,553 | - | - | (4,553) |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government's capital receipts pool | (607) | - | 607 | - | - | - |
| Capital receipts received in respect of repayment of grants, advances and distributions | 69 | - | (69) | - | - | - |
| Contribution from the Capital Receipts Reserve towards administrative costs on non-current asset disposals | - | (151) | 151 | - | - | - |
| Transfer from Deferred Capital Receipts Reserve upon receipts of cash | - | - | (27) | - | - | 27 |
| Reversal of Major Repairs Allowance | | | | (5,555) | | 5,555 |
| Use of the Major Repairs Reserve to finance new capital expenditure | - | - | - | 10,119 | - | (10,119) |
| 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 | (1,366) | - | - | - | - | 1,366 |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (35,038) | (876) | - | - | - | 35,914 |
| Employer's pension contributions and direct payments to pensioners payable in year | 25,592 | 593 | - | - | - | (26,185) |
| 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 | (2,445) | - | - | - | - | 2,445 |
| Total Adjustments | (45,935) | 6,923 | (1,922) | 4,564 | (10,017) | 46,387 |

9. Transfers to/from Reserves and Balances

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

| | Balance at 31 March 2016 £000 | Net Transfers £000 | Balance at 31 March 2017 £000 | Net Transfers £000 | Balance at 31 March 2018 £000 |
|---|--|--------------------------|--|--------------------------|--|
| General Fund: | | | | | |
| General Fund Balance | 17,145 | 48 | 17,193 | 28 | 17,221 |
| Total | 17,145 | 48 | 17,193 | 28 | 17,221 |
| Earmarked Reserves | | | | | |
| Business Risk Reserve | 9,228 | 6,118 | 15,346 | 2,680 | 18,026 |
| Insurance Fund Reserve | 7,762 | (1,760) | 6,002 | 3,005 | 9,007 |
| Invest to Save Reserve | 1,000 | 120 | 1,120 | 1,600 | 2,720 |
| Repairs & Renewals Reserve | 3,360 | (2,260) | 1,100 | 619 | 1,719 |
| Invest to Earn Reserve | - | - | - | 1,000 | 1,000 |
| Transformation Reserve | 5,998 | (2,001) | 3,997 | (2,624) | 1,373 |
| Pension Fund Reserve | - | - | - | 1,200 | 1,200 |
| Commercial Income Smoothing Reserve | - | - | - | 1,200 | 1,200 |
| Other Corporate Reserves | 32,574 | (15,156) | 17,418 | (14,942) | 2,476 |
| Service Directorate Reserves | 7,760 | (4,972) | 2,788 | (246) | 2,542 |
| Schools Balances | 15,110 | 951 | 16,061 | (413) | 15,648 |
| Dedicated Schools Grant | 1,326 | 7,079 | 8,405 | (5,783) | 2,622 |
| Total | 84,118 | (11,881) | 72,237 | (12,704) | 59,533 |
| Revenue Grants and Contributions Unapplied | 9,669 | (3,508) | 6,161 | 2,518 | 8,679 |
| | 110,932 | (15,341) | 95,591 | (10,158) | 85,433 |
| Housing Revenue Account | | | | | |
| HRA Balance | 6,378 | 955 | 7,333 | 6,110 | 13,443 |
| Total | 6,378 | 955 | 7,333 | 6,110 | 13,443 |
| Earmarked Reserves | 9,666 | 1,794 | 11,460 | (9,142) | 2,318 |
| Total | 16,044 | 2,749 | 18,793 | (3,032) | 15,761 |
| Total General Fund and HRA Reserves and Balances | 126,976 | (12,592) | 114,384 | (13,190) | 101,194 |

Purpose of Earmarked Reserves and Balances

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

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

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

The **Repairs and Renewals Reserve** exists to enable resources to be set aside for to meet the costs and future funding of the replacement of vehicles.

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

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

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

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

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

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

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

The **Dedicated Schools Grant Reserve** is a ring-fenced reserve that can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2015.

10. Other Operating Expenditure

| 2016/17 £000 | | 2017/18 £000 |
|-----------------|--|-----------------|
| 16,300 | Levies | 17,643 |
| 607 | Payments to the Government Housing Capital Receipts Pool | 581 |
| 19,586 | Losses/(Gains) on the disposal of non-current assets | 29,023 |
| 36,493 | Total | 47,247 |

11. Financing and Investment Income and Expenditure

| 2016/17 £000 | | 2017/18 £000 |
|-----------------|---|-----------------|
| 8,343 | Interest payable and similar charges | 8,659 |
| 10,931 | Net Interest on the net defined benefit liability | 10,365 |
| (1,453) | Interest receivable and similar income | (1,109) |
| (2,673) | Income and expenditure in relation to investment properties and changes in their fair value | (2,774) |
| 15,148 | Total | 15,141 |

12. Taxation and Non Specific Grant Income

| 2016/17 £000 | | 2017/18 £000 |
|------------------|-----------------------------------|------------------|
| (93,862) | Council Tax Income | (102,269) |
| (5,042) | Collection Fund Surplus | (4,500) |
| (16,443) | Non domestic rates income | (14,888) |
| (74,540) | Non-ring fenced government grants | (67,515) |
| (35,022) | Capital grants and contributions | (41,623) |
| (224,909) | Total | (230,795) |

13. Property, Plant and Equipment

Movements in 2017/18

| | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture and Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets under Construction | Total Property, Plant and Equipment | PFI Assets included in property, Plant and Equipment |
|--|----------------------|-----------------------------|--|--------------------------|---------------------|----------------|------------------------------|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | | | | | |
| At 1 April 2017 | 294,180 | 639,493 | 62,059 | 174,234 | 14,030 | 2,354 | 20,059 | 1,206,409 | 13,905 |
| Additions | 20,013 | 14,656 | 4,175 | 12,115 | 29 | - | 33,002 | 83,990 | 135 |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve 01/04/17 | 3,503 | (3,931) | - | - | - | (142) | - | (570) | 841 |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve 31/03/18 | (12,721) | 53,932 | - | - | - | - | - | 41,211 | - |
| Revaluation increases / (decreases) recognised in the Surplus (Deficit) on the provision of services | - | - | - | - | - | - | - | - | - |
| Derecognition- Disposals | (3,446) | (111) | - | - | - | - | - | (3,557) | - |
| Derecognition- Other | (1,908) | (32,135) | (39,495) | - | (18) | - | (8,090) | (81,646) | - |
| Reclassified | - | (381) | - | - | (2,165) | 4,401 | (1,632) | 223 | - |
| At 31 March 2018 | 299,621 | 671,523 | 26,739 | 186,349 | 11,876 | 6,613 | 43,339 | 1,246,060 | 14,881 |
| Accumulated Depreciation and Impairment | | | | | | | | | |
| At 1 April 2017 | 5,351 | 5,489 | 48,594 | 89,916 | 7,839 | 36 | - | 157,225 | - |
| Adjustments | (75) | - | - | - | - | - | - | (75) | - |
| Depreciation charge | 5,234 | 14,113 | 4,060 | 7,885 | 578 | 22 | - | 31,892 | 515 |
| Accumulated Write Back on Revaluation | (10,531) | (17,100) | (38,954) | - | - | (26) | - | (66,611) | (513) |
| Depreciation - Transfers | - | 778 | - | - | (778) | - | - | - | - |
| Derecognition- Disposals | 67 | - | - | - | - | - | - | 67 | - |
| At 31 March 2018 | 46 | 3,280 | 13,700 | 97,801 | 7,639 | 32 | - | 122,498 | 2 |
| Net Book Value | | | | | | | | | |
| At 31 March 2018 | 299,575 | 668,243 | 13,039 | 88,548 | 4,237 | 6,581 | 43,339 | 1,123,562 | 14,879 |
| At 31 March 2017 | 288,829 | 634,004 | 13,465 | 84,318 | 6,191 | 2,318 | 20,059 | 1,049,184 | 13,905 |

**Comparative figures
2016/17**

| | Council Dwellings £000 | Other Land and Buildings £000 | Vehicles, Plants, Furniture and Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets under Construction £000 | Total Property, Plant and Equipment £000 | PFI Assets included in property, Plant and Equipment £000 |
|---|---------------------------|----------------------------------|--|-------------------------------|--------------------------|------------------------|-----------------------------------|--|--|
| Cost or Valuation | | | | | | | | | |
| At 1 April 2016 | 257,816 | 691,086 | 57,453 | 161,878 | 13,097 | 1,194 | 5,949 | 1,188,473 | 14,783 |
| Prior year adjustments | - | - | - | - | - | - | - | - | - |
| Balances at 1 April 2016 | 257,816 | 691,086 | 57,453 | 161,878 | 13,097 | 1,194 | 5,949 | 1,188,473 | 14,783 |
| Additions | 8,108 | 35,943 | 4,606 | 11,773 | - | - | 14,110 | 74,540 | 62 |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve 01/04/16 | 32,488 | 742 | - | - | - | (542) | - | 32,688 | (940) |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve 31/03/17 | - | (37,146) | - | - | - | - | - | (37,146) | - |
| Revaluation increases / (decreases) recognised in the Surplus (Deficit) on the provision of services | (924) | (23,503) | - | - | - | - | - | (24,427) | - |
| Derecognition– Disposals | (3,308) | (24,411) | - | - | - | - | - | (27,719) | - |
| Reclassified Assets | - | (3,218) | - | 583 | 933 | 1,702 | - | - | - |
| At 31 March 2017 | 294,180 | 639,493 | 62,059 | 174,234 | 14,030 | 2,354 | 20,059 | 1,206,409 | 13,905 |
| Accumulated Depreciation and Impairment | | | | | | | | | |
| At 1 April 2016 | 5,178 | 5,868 | 45,252 | 82,115 | 7,052 | 10 | - | 145,475 | - |
| Adjustment | (2) | 12 | - | - | - | - | - | 10 | - |
| Depreciation charge | 5,443 | 14,686 | 3,342 | 7,801 | 787 | 28 | - | 32,087 | 527 |
| Accumulated Write Back on Revaluation | (5,206) | (14,914) | - | - | - | - | - | (20,120) | (527) |
| Derecognition– Disposals | (62) | (163) | - | - | - | (2) | - | (227) | - |
| At 31 March 2017 | 5,351 | 5,489 | 48,594 | 89,916 | 7,839 | 36 | - | 157,225 | - |
| Net Book Value | | | | | | | | | |
| At 31 March 2017 | 288,829 | 634,004 | 13,465 | 84,318 | 6,191 | 2,318 | 20,059 | 1,049,184 | 13,905 |
| At 1 April 2016 | 252,638 | 685,218 | 12,201 | 79,763 | 6,045 | 1,184 | 5,949 | 1,042,998 | 14,783 |

Fair Value Measurement of Surplus Assets

Details of surplus assets and information about the fair value hierarchy as at 31 March 2018, is as follows:

| Recurring Fair Value measurement use | Quoted price for similar assets in active market |
|---|---|
| 31/03/18 | Level 2 £000 |
| Surplus Buildings | 3,787 |
| Surplus Land | 2,826 |
| Total | 6,613 |

March 2017 Comparative Figures:

| Recurring Fair Value measurement use | Quoted price for similar assets in active market |
|---|---|
| 31/03/17 | Level 2 £000 |
| Surplus Buildings | 993 |
| Surplus Land | 1,417 |
| Total | 2,410 |

Depreciation

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

Existence of Assets

During 2017/18 an exercise has been carried out to confirm the existence of assets. This has resulted in the derecognition of £40.474m of assets of which £39.494m related to vehicles, plant and equipment and £1.252m to other land and buildings.

Capital Commitments

As at 31 March 2018, the Council was committed to a number of capital projects amounting to £5.9m. These schemes are due to be completed in the next two years. The major schemes are shown below:

| | 2017/18 £000 | Year of completion |
|---------------------------------------|-------------------------|---------------------------|
| Education | | |
| Al Noor Primary School (New building) | 1,403 | 2018/19 |
| Mayfield Swimming Pool | 1,356 | 2018/19 |
| HRA Gen Fund | | |
| Temporary Accommodation | 3,107 | 2018/19 |
| | 5,866 | |

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 an increase revaluation of £41.2m in net revaluation reserves. These are detailed in Note 13 (movement in PPE) under revaluation gains & losses as at 31 March 2018 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.

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.

| | Council Dwelling £000 | Other Land and Buildings £000 | Vehicles, Plant, Furniture and Equipment £000 | Surplus Assets £000 | Total £000 |
|------------------------------------|----------------------------------|--|--|--------------------------------|-----------------------|
| Carried at historical cost | - | - | 130,040 | - | 130,040 |
| Valued at fair value as at: | | | | | |
| 31 March 2018 | 294,438 | 667,318 | - | 6,581 | 968,337 |
| 31 March 2017 | 288,829 | 634,004 | - | 2,318 | 925,151 |
| 31 March 2016 | 252,638 | 684,484 | - | 1,918 | 939,040 |
| 31 March 2015 | 230,822 | 481,270 | - | 298 | 712,390 |
| 31 March 2014 | 225,461 | 437,207 | - | 665 | 663,333 |

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:

| | 2016/17 £000 | 2017/18 £000 |
|--|-------------------------|-------------------------|
| Rental income from investment property | 1,903 | 2,180 |
| Direct operating expenses arising from investment property | (415) | (299) |
| Net gain | 1,488 | 1,881 |

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:

| | 2016/17 £000 | 2017/18 £000 |
|--------------------------------------|-------------------------|-------------------------|
| Balance at start of the year | 25,128 | 26,337 |
| Enhancement | 24 | - |
| Additions | - | 7,246 |
| Net gain from fair value adjustments | 1,185 | 1,116 |
| Other movement: | | |
| Transfer to PPE | - | (223) |
| Balance at end of the year | 26,337 | 34,476 |

Fair Value Measurement of Investment Properties

Details of the investment properties and information on the fair value hierarchy as at 31 March 2018 are as follows:

| Fair Value measurement use 31/03/18 | Quoted price for similar assets in active market Level 2 £000 |
|--|---|
| Land & Farms | 2,938 |
| Office Units | 3,425 |
| Commercial Units | 28,113 |
| Total | 34,476 |

March 2017 Comparative Figures:

| Fair Value measurement use 31/03/17 | Quoted price for similar assets in active market Level 2 £000 |
|--|---|
| Land & Farms | 5,474 |
| Office Units | 7,919 |
| Commercial Units | 12,944 |
| Total | 26,337 |

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:

| | 2016/17 £000 | 2017/18 £000 |
|---|-----------------|-----------------|
| Balance at start of year: | | |
| Gross cost amounts | 2,314 | 2,738 |
| Accumulated amortisation | (1,962) | (2,062) |
| Net carrying amount at start of year | 352 | 676 |
| Additions: | | |
| Purchases | 424 | 739 |
| Amortisation for the period | (100) | (173) |
| Net carrying amount at end of year | 676 | 1,242 |
| Comprising: | | |
| Gross cost amounts | 2,738 | 3,477 |
| Accumulated amortisation | (2,062) | (2,235) |
| Total | 676 | 1,242 |

16. Impairment Losses

During 2017/18, the Council has recognised a net impairment loss of £9.218m in relation to Council Dwellings.

Housing Revenue Account

Council Dwellings £9.218m

17. Private Finance Initiative

Oaks Park High School – Scheme Details

2017/18 was the sixteenth 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. The school reverts to the Council at the end of the period.

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

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

| | |
|--|-------------|
| | £000 |
| Total Scheme Capital Expenditure | 15,999 |
| Current residual asset value as at 31 March 2018 | 14,879 |
| Residual asset value as at 31 March 2017 | 13,905 |
| Estimated asset life | 35 years |

Property Plant and Equipment

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

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract as at 31 March 2018 (excluding any estimation of inflation and availability / performance deductions) are as follows:

| | Services Charges £000 | Principal Repayments £000 | Interest Payments £000 | Total £000 |
|-----------------------------|--------------------------------------|--|---------------------------------------|-----------------------|
| Repayable within 1 year | 1,092 | 490 | 953 | 2,535 |
| Repayable in 2 to 5 years | 4,366 | 2,408 | 3,361 | 10,135 |
| Repayable in 6 to 10 years | 5,458 | 4,352 | 2,860 | 12,670 |
| Repayable in 11 to 15 years | 4,366 | 4,646 | 763 | 9,775 |
| Total | 15,282 | 11,896 | 7,937 | 35,115 |

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:

| | 2016/17 £000 | 2017/18 £000 |
|--|-----------------|-----------------|
| Balance outstanding at start of the year | 12,763 | 12,347 |
| Payments during the year | (416) | (451) |
| Balance outstanding at year-end | 12,347 | 11,896 |

18. Assets held for sale

This is a surplus asset that is expected to be disposed of within the next 12 months.

| | 31 March 2017 £000 | 31 March 2018 £000 |
|---|-----------------------|-----------------------|
| Balance outstanding at start of year | - | - |
| Assets newly classified as held for sale: Property Plant & Equipment | - | 800 |
| Balance at the end of the year | - | 800 |

19. Debtors

| 31 March 2017 £000 | Long Term | 31 March 2018 £000 |
|-------------------------------|---------------------------------------|-------------------------------|
| 1,672 | Leased Asset – Clements Road Car Park | 1,657 |
| 104 | Mortgages | 86 |
| 468 | Improvement Loans | 468 |
| 2,244 | Total | 2,211 |
| Restated | Short Term | 31 March 2018 £000 |
| 31 March 2017 £000 | Central Government Bodies | 2,979 |
| 897 | NHS bodies | 193 |
| 2,959 | Public corporations and trading funds | 1,468 |
| 4,066 | Other Debtors: | |
| 16,649 | Council Tax payers | 16,466 |
| 2,814 | NDR Tax Payers | 2,785 |
| 5,169 | Housing Tenants | 5,458 |
| 11,785 | Housing Benefit Recoveries | 11,224 |
| 4,100 | VAT | 3,692 |
| 1,949 | Payment in Advance | 2,983 |
| 13,564 | Other Entities & Individual | 20,193 |
| 63,952 | Total Debtors | 67,441 |
| (15,024) | Less Bad Debts Provision | |
| (15,808) | Housing including Housing Benefits | (15,073) |
| (2,504) | Council Tax | (14,291) |
| (4,787) | NNDR | (2,324) |
| (38,123) | Other | (4,844) |
| 25,829 | Total Bad Debts Provision | (36,532) |
| | Total | 30,909 |

20. Cash and Cash Equivalents

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

| 31 March 2017 £000 | | 31 March 2018 £000 |
|-----------------------|--|-----------------------|
| 11,450 | Short Term Deposits | 40,000 |
| 2,246 | Bank Balance surplus | 2,235 |
| 13,696 | Total Cash and Cash Equivalents | 42,235 |

21. Creditors

| 31 March 2017 £000 | | 31 March 2018 £000 |
|-----------------------|---------------------------------------|-----------------------|
| 2,518 | Central Government Bodies | 1,933 |
| 2,439 | Other Local Authorities | 2,600 |
| 509 | NHS Bodies | 551 |
| 3,090 | Public corporations | 3,643 |
| | Other Creditors: | |
| 6,212 | Capital Creditors | 5,134 |
| 3,144 | Trade Creditors | 4,373 |
| 1,606 | Housing Prepayments | 1,583 |
| 2,690 | Income & Receipts Received in Advance | 3,666 |
| 35,203 | Other Entities and Individuals | 39,135 |
| 57,411 | Total | 62,618 |

22. Provision

Short-term

| | Insurance Provision £000 | Redundancy and Early Retirement Provision £000 | Total £000 |
|---|--------------------------------|--|---------------|
| Balance 1 April 2017 | 1,041 | 1,199 | 2,240 |
| Increase (Decrease) Provision made in 2017/18 | 784 | 329 | 1,113 |
| Amounts used in 2017/18 | (921) | (1,191) | (2,112) |
| Balance at 31 March 2018 | 904 | 337 | 1,241 |

Long-term Restated

| | Insurance Provision £000 | NDR Appeals Provision £000 | Total £000 |
|------------------------------------|--------------------------------|----------------------------------|---------------|
| Balance 1 April 2017 | 10,055 | 165 | 10,220 |
| Additional Provision in 2017/18 | - | 2,066 | 2,066 |
| Unused amounts reversed in 2017/18 | (1,288) | - | (1,288) |
| Balance at 31 March 2018 | 8,767 | 2,231 | 10,998 |

Purpose:

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

The Council utilises an independent actuary who assesses and advises on the financial impact and potential values of losses to the council. For 2017/18 the provision has been set at £9.671m.

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

Provision for Business Rates Appeals: Due to the localisation of Business Rates, which became effective from 1 April 2013, the Council has set aside a provision for its share of any potential liabilities as a result of Business Rate payers' appeals against rateable valuations. The provision includes an amount for appeals lodged to date but yet to be determined by the Valuation Office Agency (VOA) plus an amount for appeals expected but not yet lodged with VOA which has been estimated based on experience and analysis of the appeals listing from the VOA. It is expected that the majority of appeals will be settled by the VOA by 2020/21, but the Council cannot be certain as to when the appeals will be resolved because the timing of resettlement depends on the VOA.

23. Financial Instruments

Categories of Financial Instruments

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

| 31 March 2017 | | | 31 March 2018 | |
|------------------|-----------------|--|------------------|-----------------|
| Long Term | Short Term | | Long Term | Short Term |
| £000 | £000 | | £000 | £000 |
| - | 120,357 | Loans and receivables | - | 40,228 |
| - | 15,384 | Available for sale of financial assets | 9,481 | 20,086 |
| - | 135,741 | Total Investments | 9,481 | 60,314 |
| 2,244 | 25,664 | Debtors | 2,211 | 24,391 |
| 2,244 | 25,664 | Total Debtors | 2,211 | 24,391 |
| (167,271) | (6,387) | PWLB at amortised cost | (167,259) | (6,384) |
| (35,249) | (507) | Market Loans | (35,240) | (506) |
| - | (2,794) | Temporary Borrowing | - | (12,057) |
| (202,520) | (9,688) | Total Financial Liabilities | (202,499) | (18,947) |
| - | (57,411) | Creditors | - | (52,099) |
| - | (57,411) | Total Creditors | - | (52,099) |
| (49) | - | Finance lease liabilities | (26) | - |
| (12,347) | - | PFI liabilities | (11,896) | - |
| (12,396) | - | Other Long Liabilities | (11,922) | - |

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 2017 | | | 31 March 2018 | | | |
|--|--|--|---|--|--|--|
| 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 |
| 8,343 | - | - | Interest Expenses | 8,659 | - | - |
| 8,343 | - | - | Total Expenses in Surplus/Deficit on the Provision of Services | 8,659 | - | - |
| - | (1,233) | (220) | Interest Income | - | (662) | (447) |
| - | (1,233) | (220) | Total Interest in Surplus/Deficit on the Provision of Services | - | (662) | (447) |
| - | - | 156 | Losses on Revaluation | - | - | 562 |
| - | - | 156 | Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income & Expenditure | - | - | 562 |
| 8,343 | (1,233) | (64) | Net Gain/(Loss) for the year | 8,659 | (662) | (115) |

Fair Values of Financial Assets and Financial Liabilities

The Fair value of Public Works loan Board (PWLB) loans is calculated using the premature repayment rate published by the PWLB on 31 March 2018. 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 2018 of 1.47% to 2.57% 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 2017 | | 31 March 2018 | |
|-------------------------|--------------------|-------------------------|--------------------|
| Carrying amount £000 | Fair Value £000 | Carrying amount £000 | Fair Value £000 |
| 173,642 | 220,418 | 173,642 | 193,583 |
| 35,746 | 49,241 | 43,247 | 55,789 |
| 57,411 | 57,411 | 52,099 | 52,099 |
| 266,799 | 327,070 | 268,988 | 301,471 |
| 121,304 | 121,304 | 80,228 | 80,228 |
| 15,350 | 15,384 | 29,567 | 29,567 |
| 2,244 | 2,244 | 26,602 | 26,602 |
| 138,898 | 138,932 | 136,397 | 136,397 |

| Fair Value measurements | Input level in fair value hierarchy | Valuation technique used to measure fair value | 31 March 2017 | 31 March 2018 |
|-------------------------------|-------------------------------------|---|--------------------|--------------------|
| | | | Fair Value £000 | Fair Value £000 |
| Available for sale: | | | | |
| Certificate of Deposit | Level 2 | Inputs other than quoted prices that are observable for the financial asset | 15,384 | 20,086 |
| Local Authority Property Fund | Level 2 | Inputs other than quoted prices that are observable for the financial asset | - | 9,481 |
| Total | | | 15,384 | 29,567 |

The Council has Available for Sale Financial Assets totalled investments of £20.0m in Certificates of Deposits with Royal Bank of Scotland. At balance sheet date, the Council reviewed the fair value by reference to published price quotations and estimation techniques offered by Link Treasury Consultant and King & Shaxson to assess for any material or significant changes in the investments' fair value. As at 31 March 2018 the movement between the carrying amounts and the Fair value of the deposit is £0.009m (unrealised loss) which is debited to the Available for Sale Reserve. In 2017/18 the Council also invested £10.0m within the Local Authorities Property Fund with CCLA. At balance sheet date, this investment is valued at fair value which is based on the bid price. As at 31 March 2018 the fair value of the Local Authorities Property Fund was £9.481m, the difference between the carrying value and the fair value, £0.519m has been debited to the Available for Sale reserve as an unrealised loss.

Soft Loans

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

| 31 March 2017 | | | | 31 March 2018 | | |
|---|-------------------|--|--------------------------------|---|-------------------|--|
| Social Services High Dependency Accommodation Debtors £000 | Car Loans £000 | | | Social Services High Dependency Accommodation Debtors £000 | Car Loans £000 | |
| 248 | 36 | | Balance carried forward | 279 | 25 | |

The Council holds collateral in relation to the following loans:

| 31 March 2017 £000 | | 31 March 2018 £000 |
|-----------------------|---|-----------------------|
| 104 | Mortgages | 86 |
| 1,472 | Social Services – High Dependency Accommodation | 1,227 |
| 1,576 | | 1,313 |

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 2018 the Council had not entered into any material financial guarantees.

24. Nature and Extent of Risks arising from Financial Instruments

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

- 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 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 Governance and Assurance Committee. Performance is reported bi-annually to Council. An annual report is also required. The Annual Investment Strategy for 2017/18 was approved by full Council on 22 February 2018 and is available to view on the Council's website – 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 £3bn;
- AAA Money Market Funds;
- UK Government (Debt Management Office);
- Enhanced Cash Funds;
- Equity/Bond/Multi Asset Funds;
- Non UK Government and Supranational Institutions;

- Other Local Authorities;
- Property Funds.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £110m 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 2018 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 2017/18 Treasury Management Strategy | % of Total Investment as at 31 March 2018 |
|---|--|--|
| | % | % |
| UK Government and Local Authorities | 100 | 5 |
| Banks – Specified | 100 | 36 |
| Money Market Funds – Specified | 75 | 36 |
| Enhanced Cash Funds | 25 | - |
| Building Societies - Specified | 50 | - |
| Total Unspecified Investments | 50 | 5 |
| Non UK Banks - Specified | 35 | 9 |
| Non UK Government and Supranational Bonds | 35 | - |
| Total Group Non UK Investments | 40 | - |
| Corporate Bonds | 15 | - |
| Property Funds | 10 | 9 |

The asset class percentages are well within the upper limits prescribed in the Council's Treasury Management Strategy for 2017/18.

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 2018 £000 | Historical experience of default | Historical experience of adjustment for market conditions at 31 March 2018 | Estimated maximum exposure at 31 March 2018 £000 |
|----------------------|------------------------------------|--|--|--|
| Other Debtors | 56,125 | 5% | 1% | 2,806 |

Payments for services are either required in advance or due at the time the service is provided. As at 31 March 2018, approximately £64.9m (£49.9m as at 31 March 2017) 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 2017 £000 | 31 March 2018 £000 |
|------------------------|-----------------------|-----------------------|
| Less than three months | 5,562 | 5,195 |
| Three to six months | 657 | 719 |
| Six months to one year | 401 | 859 |
| Over one year | 43,361 | 49,352 |
| Total | 49,981 | 56,125 |

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 2018 80% (83% as at 31 March 2017) of the Council's loans outstanding were with the PWLB and 17% provided by the Money Market and 3% provided by other Local Authorities.

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 £25m in the Treasury Strategy), and the spread of long term investments provides stability of maturities and returns in relation to long term cash flow needs; and
- On a short-term basis internal balances are available to be used for finance should market interest rates be unfavourable at the time of refinancing.

The maturity analysis for borrowing is as follows:

| Renewal Period | Loans Outstanding as at 31 March 2018 £000 | Limit of projected Fixed rate Borrowing % | % of Total Borrowing 31 March 2018 % | % of Total Borrowing 31 March 2017 % |
|----------------------------|---|--|---|---|
| Less than one Year | 32,500 | 30 | 15 | 13 |
| Between one and two years | 3,500 | 45 | 2 | 5 |
| Between two and five years | 13,000 | 60 | 6 | 6 |
| Between five and ten years | 15,500 | 80 | 7 | 7 |
| More than 10 Years | 151,271 | 100 | 70 | 69 |
| Total | 215,771 | | 100 | 100 |

Market loans, where applicable, 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 50% of its borrowings to be held if appropriate in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses.

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

According to this assessment strategy, at 31 March 2018, 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

| | £000 |
|---|-------------|
| Increase in interest payable on variable rate borrowings | - |
| Increase in Interest receivable on variable rate investments | - |
| Increase in government grant receivables for financing costs | - |
| Impact on Surplus or Deficit on the Provision of Services | - |
| Share of overall impact debited to the HRA | - |
| Decrease in fair value of fixed rate investment assets | - |
| Impact on Other Comprehensive Income and Expenditure | - |
| Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit) on the provision of Services or Other Comprehensive Income and Expenditure) | 2,567 |

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

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

Price Risk

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

Foreign Exchange Risk

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

25. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2017/18:

| | 2016/17 £000 | 2017/18 £000 |
|---|-----------------|-----------------|
| Credited to Taxation and Non Specific Grant Income | | |
| Recognised Capital Grants and contributions | 35,022 | 41,623 |
| Council Tax/Collection Fund | 98,904 | 106,769 |
| NDR | 16,443 | 14,888 |
| RSG | 64,750 | 55,309 |
| NDR S.31 Compensation Grant | 863 | 2,129 |
| Improved Better Care Fund | - | 4,882 |
| New Homes Bonus Grant | 4,534 | 2,708 |
| Education Support Services Grant | 4,265 | - |
| Transitional relief 2017-18 (education) | - | 1,248 |
| Council Tax Freeze Grant | 1 | - |
| Other Revenue Grant | 127 | 1,239 |
| Total | 224,909 | 230,795 |
| Credited to Services | | |
| Department of Work & Pensions | 149,347 | 146,108 |
| Department for Education | 265,778 | 258,384 |
| Other Miscellaneous Grants | 25,731 | 30,338 |
| Total | 440,856 | 434,830 |

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:

| | 2016/17 £000 | 2017/18 £000 |
|---|-----------------|-----------------|
| Capital Grants Receipts in Advance | | |
| Devolved Formula Capital Grant | 113 | 103 |
| Total | 113 | 103 |
| Revenue Grants in Advance | | |
| Section 31 - BRMC | 402 | - |
| Community Housing Fund | 43 | - |
| Total | 445 | - |

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.

| | 2016/17 £000 | 2017/18 £000 |
|--|-----------------|-----------------|
| Revenue Grants and Contributions Unapplied | | |
| Housing Grant | 321 | 736 |
| Department of Health Grant | 40 | - |
| Children's Services Grant | 1,232 | 1,989 |
| Planning Delivery Grant | 245 | 25 |
| Cleansing Client Grants and Reserves | 63 | - |
| Climate Change Grant | 67 | - |
| Highways Grant | 446 | 507 |
| Safer Community Grant | 254 | 901 |
| Ministry for Housing, Communities and Local Government | 3,030 | 3,743 |
| Total | 5,698 | 7,901 |
| Section 106 | 463 | 777 |
| Total | 6,161 | 8,678 |

| | 2016/17 £000 | 2017/18 £000 |
|--|-----------------|-----------------|
| Capital Grants and Contributions Unapplied | | |
| Housing Grant | 867 | 759 |
| Education Funding Agency | - | 20,785 |
| GLA Grants | 40 | 325 |
| Ministry for Housing, Communities and Local Government | 18,979 | 14,045 |
| Total | 19,886 | 35,914 |
| Section 106 | 8,813 | 8,093 |
| Community Infrastructure Levy | 3,988 | 3,733 |
| Other Capital Contributions | 9 | 136 |
| Total | 32,696 | 47,876 |

26. Disclosure of Deployment of Dedicated Schools Grant in 2017/18

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

Details of the deployment of DSG receivable for 2017/18 are as follows:

| | Central Expenditure £000 | Individual Schools Budget (ISB) £000 | Total £000 |
|---|--------------------------------|---|----------------|
| Final DSG for 2017/18 before Academy recoupment | | | 284,657 |
| Academy figure recouped for 2017/18 | | | (55,554) |
| Total DSG after Academy recoupment for 2017/18 | | | 229,103 |
| Plus: Brought forward from 2016/17 | | | 8,405 |
| Total DSG including Brought Forward | | | 237,508 |
| Agreed initial budgeted distribution in 2017/18 | 50,448 | 187,060 | 237,508 |
| In year adjustments | - | (1,298) | (1,298) |
| Final budget distribution for 2017/18 | 50,448 | 185,762 | 236,210 |
| Less: Actual central expenditure | (49,503) | - | (49,503) |
| Less: Actual ISB deployed to schools | | (185,762) | (185,762) |
| Carry forward to 2018/19 | 945 | - | 945 |

27. Leases

The Council as Lessee

Operating Leases

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

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

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

| | 31 March 2017 £000 | 31 March 2018 £000 |
|---|-----------------------|-----------------------|
| Not later than one year | 1,502 | 2,118 |
| Later than one year and not later than five years | 5,857 | 8,200 |
| Later than five years | 12,737 | 17,220 |
| Total | 20,096 | 27,538 |

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

| | 31 March 2017 £000 | 31 March 2018 £000 |
|------------------------|-----------------------|-----------------------|
| Minimum lease payments | 1,191 | 1,556 |
| Total | 1,191 | 1,556 |

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

The Council as Lessor

Finance Leases

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

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

| | 31 March 2017 £000 | 31 March 2018 £000 |
|--|-----------------------|-----------------------|
| Finance lease debtor (net present value of minimum lease payments): | | |
| Current | 97 | 97 |
| Non-current | 10,594 | 10,497 |
| Unearned finance income | (9,019) | (8,937) |
| Unguaranteed residual value of property | 185 | 198 |
| Gross investment in the lease | 1,857 | 1,855 |

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

| | Minimum Lease Payments | | Finance Lease Payments | |
|---|------------------------|-----------------------|------------------------|-----------------------|
| | 31 March 2017 £000 | 31 March 2018 £000 | 31 March 2017 £000 | 31 March 2018 £000 |
| Not later than one year | 15 | 15 | 15 | 15 |
| Later than one year and not later than five years | 60 | 61 | 61 | 61 |
| Later than five years | 1,596 | 1,581 | 1,781 | 1,779 |
| Total | 1,671 | 1,657 | 1,857 | 1,855 |

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 2017/18, contingent rents of £53,384 were receivable by the Council (£54,135 in 2016/17).

28. Capital Expenditure and Capital Financing

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

| | 2016/17 £000 | 2017/18 £000 |
|--|-----------------|-----------------|
| Capital Investment | | |
| Property, Plant and Equipment | 74,540 | 83,990 |
| Investment Property | 24 | 7,246 |
| Intangible Assets | 424 | 739 |
| Revenue Expenditure Funded from Capital under Statute | 3,170 | 2,511 |
| Total | 78,158 | 94,486 |
| Sources of Finance | | |
| Capital Receipts | (4,553) | (6,223) |
| Government grants and other contributions | (25,005) | (26,443) |
| Capital expenditure charged against the General Fund and HRA reserves and balances | (6,180) | (9,614) |
| Contributions from MRR | (10,119) | (8,585) |
| | (45,857) | (50,865) |
| Increase in underlying need to borrow unsupported by government financial assistance | (32,301) | (43,621) |
| Total | (78,158) | (94,486) |
| | | |
| | 2016/17 £000 | 2017/18 £000 |
| Capital Financing Requirement | | |
| Total Assets | 1,076,197 | 1,159,834 |
| Less Revaluation Reserve | (383,662) | (444,443) |
| Less Capital Adjustment Account | (410,614) | (390,555) |
| Closing Capital Financing Requirements | 281,921 | 324,836 |

29. Usable Reserves

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

30. Unusable Reserves

| 31 March 2017 £000 | | 31 March 2018 £000 |
|-----------------------|--|-----------------------|
| 383,662 | Revaluation Reserve | 444,443 |
| 410,614 | Capital Adjustment Account | 390,555 |
| (408,715) | Pensions Reserve | (410,598) |
| (5,596) | Accumulated Absences Account | (4,856) |
| 4,442 | Collection Fund Adjustment Account | 1,578 |
| (235) | Financial Instruments Adjustment Account | (234) |
| 34 | Financial Instruments Available for Sale Reserve | (528) |
| 96 | Deferred Capital Receipts | 78 |
| 384,302 | Total Unusable Reserves | 420,438 |

30 (a) Revaluation Reserve

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

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

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

| 31 March 2017 £000 | | 31 March 2018 £000 |
|--------------------------|---|--------------------------|
| 385,856 | Balance at 1 April | 383,662 |
| 49,508 | Upwards revaluation of assets | 98,432 |
| (34,565) | Downward revaluation of assets and impairment losses not charged to surplus/deficit on the Provision of Services | (13,584) |
| 14,943 | (Deficit) or Surplus on revaluation of non-current assets not posted to the surplus/deficit on the Provision of Services | 84,848 |
| (6,969) | Difference between fair value depreciation and historical cost depreciation | (5,456) |
| (10,168) | Adjusting amounts written out to the Capital Adjustment Account | (18,611) |
| 383,662 | Balance at 31 March | 444,443 |

30 (b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing difference arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisitions, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties.

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

| 31 March 2017 £000 | | 31 March 2018 £000 |
|-----------------------------------|--|-----------------------------------|
| 426,297 | Balance at 1 April | 410,614 |
| | Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | |
| (26,535) | Charges for depreciation and impairment of non-current assets | (26,575) |
| (24,427) | Revaluation losses on Property, Plant and Equipment | (24,459) |
| (101) | Amortisation of intangible assets | (173) |
| (3,170) | Revenue expenditure funded from capital under statute | (2,511) |
| (5,555) | Reversal of Major Repairs Allowance | (5,319) |
| (26,792) | 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 | (37,320) |
| (86,580) | | (96,357) |
| 17,136 | Adjusting amounts written out of the Revaluation Reserve | 24,065 |
| (69,444) | Written out of the cost of non-current assets consumed in the year | (72,292) |
| | Capital financing applied in the year: | |
| 4,553 | Use of the Capital Receipts Reserve to finance new capital expenditure | 6,223 |
| 10,119 | Use of the Major Repairs Reserve to finance new capital expenditure | 8,585 |
| 25,005 | Application of grants to capital financing from the Capital Grants and Contributions Unapplied Account | 26,443 |
| 6,719 | Statutory provisions for the financing of capital investment charged against the General Fund | 475 |
| 6,180 | Capital expenditure charged against the General Fund and HRA balances | 9,614 |
| 52,576 | | 51,340 |
| 1,185 | Movements in the market value of Investment properties debited or credited to the Comprehensive Income and Expenditure Statement | 893 |
| 410,614 | Balance at 31 March | 390,555 |

30 (c) Pension Reserve

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

| 31 March 2017 £000 | | 31 March 2018 £000 |
|-----------------------------------|--|-----------------------------------|
| (322,255) | Balance at 1 April | (408,715) |
| (76,731) | Actuarial (losses)/gains on pensions assets and liabilities | 20,766 |
| (35,914) | 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 | (48,857) |
| 26,185 | Employer's pensions contributions and direct payments to pensioners payable in the year | 26,208 |
| (408,715) | Balance at 31 March | (410,598) |

30 (d) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise in the General Fund Balance from accruing for compensated absence earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2018. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| 31 March 2017 £000 | | 31 March 2018 £000 |
|-----------------------------------|--|-----------------------------------|
| (3,151) | Balance at 1 April | (5,596) |
| 3,151 | Settlement or cancellation of accrual made at the end of the preceding year | 5,596 |
| (5,596) | Amounts accrued at the end of the current year | (4,856) |
| (2,445) | 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 | 740 |
| (5,596) | Balance at 31 March | (4,856) |

30 (e) Collection Fund Adjustment Account

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

| 31 March 2017 £000 | | 31 March 2018 £000 |
|-----------------------------------|---|-----------------------------------|
| 5,808 | Balance at 1 April | 4,442 |
| (1,366) | 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 | (2,864) |
| 4,442 | Balance at 31 March | 1,578 |

30 (f) Financial Instruments available for Sale Reserve

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 2017 £000 | | 31 March 2018 £000 |
|-----------------------------------|---|-----------------------------------|
| 191 | Balance at 1 April | 34 |
| 34 | Upward Revaluation of Certificates of Deposit | - |
| - | Downward Revaluation of investments not charged to the Surplus / Deficit on the Provision of Services | (528) |
| (191) | Accumulated gains on maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income | (528) (34) |
| 34 | Balance at 31 March | (528) |

31. Termination Benefits

The Council agreed to terminate the contracts of a number of employees in 2017/18, incurring liabilities of £2.40m (£1.77m in 2016/17). There was a total of 191 redundancies in 2017/18 (95 in 2016/17).

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 148 related to officers and 43 related to school staff (53 officers and 42 schools in 2016/17).

| 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 | |
|--|-----------------------------------|-----------|-----------------------------------|-----------|--|------------|--|-----------------|
| | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 £000 | 2017/18 £000 |
| £0 - £20,000 | 45 | 79 | 28 | 90 | 73 | 169 | 548 | 1,613 |
| £20,001 - £40,000 | 6 | 10 | 9 | 8 | 15 | 18 | 429 | 479 |
| £40,001 - £60,000 | 1 | 1 | 3 | - | 4 | 1 | 189 | 40 |
| £60,001 - £80,000 | - | - | - | - | - | - | - | - |
| £80,001 - £100,000 | - | 2 | - | - | - | 2 | - | 164 |
| £100,001 - £150,000 | - | 1 | 1 | - | 1 | 1 | 129 | 116 |
| £200,001 - £250,000 | - | - | 2 | - | 2 | - | 480 | - |
| Total | 52 | 93 | 43 | 98 | 95 | 191 | 1,775 | 2,412 |

32. Officers' Remuneration

The Council implemented an organisational restructure which was completed in 2017/18. The following table sets out the remuneration paid to the Council's senior employees:

| | | Note | Salary inc honorarium £000 | Expenses Allowances £000 | Pension Contribution £000 | Total £000 |
|--|---------|------|----------------------------------|--------------------------------|---------------------------------|---------------|
| Andrew Donald Chief Executive | 2017/18 | | 171,813 | - | 43,125 | 214,938 |
| | 2016/17 | | 165,497 | - | 41,540 | 207,037 |
| Corporate Director of Resources | 2017/18 | 1 | 132,710 | - | 33,310 | 166,020 |
| | 2016/17 | | 127,647 | - | 32,039 | 159,686 |
| Corporate Director of Strategy | 2017/18 | 2 | 125,656 | - | 31,540 | 157,196 |
| | 2016/17 | | 60,543 | - | 15,196 | 75,739 |
| Corporate Director of Place | 2017/18 | 3 | 139,971 | - | 35,133 | 175,104 |
| | 2016/17 | | 80,841 | - | 20,291 | 101,132 |
| Corporate Director of People | 2017/18 | 4 | 139,971 | 343 | 35,133 | 175,447 |
| | 2016/17 | | 65,940 | - | 16,551 | 82,491 |
| Assistant Director of Assurance | 2017/18 | 5 | 96,171 | - | 24,139 | 120,310 |
| | 2016/17 | | 34,385 | - | 8,631 | 43,016 |
| Director of Public Health | 2017/18 | 6 | 96,295 | - | 24,170 | 120,465 |
| | 2016/17 | | 114,411 | 86 | 28,717 | 143,214 |
| Director Of Children's Services (left Aug 2016) | 2017/18 | | - | - | - | - |
| | 2016/17 | | 56,059 | - | 14,071 | 70,130 |
| Borough Solicitor & Secretary (left Aug 2016) | 2017/18 | | - | - | - | - |
| | 2016/17 | | 38,892 | 574 | 9,762 | 49,228 |
| Director of Adult Social Services (left Aug 2016) | 2017/18 | | - | - | - | - |
| | 2016/17 | | 56,059 | 1,460 | 14,071 | 71,590 |

1. The Corporate Director of Resources receives an honorarium payment of £5,000 with regards to the work undertaken on behalf of East London Waste Authority which is included within the salary.
2. The Corporate Director of Strategy was appointed in October 2016. Annualised salary for 2016/17 was 121,087.
3. The Corporate Director of Place was appointed in September 2016. Annualised salary for 2016/17 was 138,585.
4. The Corporate Director of People was appointed in October 2016. Annualised salary for 2016/17 was 138,585.
5. The Assistant Director - Assurance was appointed in November 2016. Annualised salary for 2016/17 was £95,220.
6. The Director of Public Health left the Council in January 2018. The Annualised salary for 2017/18 was £115,554.

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

| 2016/17 | | | | Earning Band | 2017/18 | | | |
|------------|------------|---------------|------------|---------------------|------------|------------|---------------|------------|
| Officers | Teachers | VA Schools | Total | | Officers | Teachers | VA Schools | Total |
| 53 | 122 | 29 | 204 | £50,000 - £54,999 | 57 | 130 | 38 | 225 |
| 22 | 42 | 9 | 73 | £55,000 - £59,999 | 35 | 66 | 12 | 113 |
| 21 | 41 | 5 | 67 | £60,000 - £64,999 | 21 | 38 | 5 | 64 |
| 11 | 24 | 5 | 40 | £65,000 - £69,999 | 6 | 21 | 2 | 29 |
| 8 | 18 | 2 | 28 | £70,000 - £74,999 | 11 | 18 | 3 | 32 |
| 7 | 14 | - | 21 | £75,000 - £79,999 | 8 | 17 | - | 25 |
| 1 | 11 | 2 | 14 | £80,000 - £84,999 | - | 10 | 1 | 11 |
| 2 | 4 | 3 | 9 | £85,000 - £89,999 | 1 | 4 | 2 | 7 |
| 1 | 9 | 1 | 11 | £90,000 - £94,999 | 2 | 5 | 4 | 11 |
| 2 | 4 | - | 6 | £95,000 - £99,999 | 1 | 4 | 1 | 6 |
| - | 4 | - | 4 | £100,000 - £104,999 | 2 | 9 | - | 11 |
| 1 | 1 | - | 2 | £105,000 - £109,999 | 2 | - | - | 2 |
| - | 2 | - | 2 | £110,000 - £114,999 | 1 | - | - | 1 |
| 1 | 4 | - | 5 | £115,000 - £119,999 | - | 3 | - | 3 |
| - | - | - | - | £120,000 - £124,999 | - | 1 | - | 1 |
| 1 | - | - | 1 | £125,000 - £129,999 | - | - | - | - |
| - | - | - | - | £130,000 - £134,999 | - | - | - | - |
| - | - | - | - | £135,000 - £139,999 | - | - | - | - |
| - | - | 1 | 1 | £160,000 - £164,999 | - | - | 1 | 1 |
| 131 | 300 | 57 | 488 | Total | 147 | 326 | 69 | 542 |

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

There has been an increase of Teachers within the Voluntary Aided Schools predominately within the £50,000 to £55,000 banding which is mainly due to payawards.

33. Members' Allowances

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

| | 2016/17 £000 | 2017/18 £000 |
|--------------|-----------------|-----------------|
| Allowances | 921 | 918 |
| Total | 921 | 918 |

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).

- **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 2017/18 is shown in Note 33.

During 2017/18 works and services to the value of £0.063m 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 (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 £16.917m (£15.567m in 2016/17).

Related Party Officers/Members

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

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

The Council has the following interest in organisations listed below:

Vision Redbridge Culture and Leisure

Nature of Business and Relationship with the Council

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

Financial Performance

The Council made payments of £9.864m in 2017/18 (£10.602m in 2016/17) 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 D. Sharma and Councillor R. Turbefeild.

Other

During the financial year, the Council charged the Pension Fund £0.415m for expenses incurred administering the Pension Fund (£0.499m in 2016/17) and £0.120 for expenses incurred for investment services (£0.120m in 2016/17).

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:

| | 2016/17 £000 | 2017/18 £000 |
|---|-------------------------|-------------------------|
| Fees payable with regard to external audit services carried out by the appointed auditor. | 139 | 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. | 16 | 14 |
| Total | 176 | 174 |

The Council's auditors are KPMG LLP.

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. Conveniences and Street Cleansing have been removed as they no longer operate internal trading accounts.

| | | 2016/17 £000 | 2016/17 £000 | 2017/18 £000 | 2017/18 £000 |
|-----------------------|-------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Civic Catering | Turnover | 357 | | 184 | |
| | Expenditure | (411) | | (398) | |
| | Deficit | | (54) | | (214) |
| Transport | Turnover | 10,243 | | 12,320 | |
| | Expenditure | (9,994) | | (11,626) | |
| | Surplus | | 249 | | 694 |
| Total | | | 195 | | 480 |

37. Pooled Budgets

The Council is involved with one pooled arrangement as set out below:

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.

| 2016/17 Pooled Budget £000 | | 2017/18 Pooled Budget £000 |
|---|-----------------------------|---|
| 5,203 | London Borough of Redbridge | 5,296 |
| 1,659 | Disabled Facilities | 1,822 |
| 9,642 | Redbridge CCG | 9,815 |
| 16,504 | | 16,933 |

38. 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 2018 was £1.186m (£1.357m as at 31 March 2017).

39. 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 2017/18, contributions amounting to £13.7m were paid by the Council to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. This sum includes the contributions for March 2018 which were paid in April. The figures for 2016/17 were £13.7m and 16.48%.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 40.

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 2017/18, the Council paid £0.06m to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.4% of pensionable pay. The figures for 2016/17 were £0.06m and 14.4%. There were no contributions remaining payable at the year end.

40. Defined Benefit Pension Scheme

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

The Council participates in two post-employment arrangements:

- The Local Government Pension Scheme, administered locally by the London Borough of Redbridge – this is a funded defined benefit 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 is 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.

Transaction Relating to Post-Employment Benefits

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

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

| | Local Government Pension Scheme | |
|---|--|-------------------------|
| | 2016/17 £000 | 2017/18 £000 |
| Comprehensive Income and Expenditure Statement | | |
| Cost of Services: | | |
| Current Service Cost | 23,732 | 37,256 |
| Past Service Costs | 1,251 | 1,236 |
| Total Post-Employment Benefits charged to the Deficit on the provision of Services | 24,983 | 38,492 |
| Interest Income on scheme assets | (20,010) | (16,596) |
| Interest cost on defined benefit obligation | 30,941 | 26,961 |
| Total defined benefit cost recognised in profit or (loss) | 35,914 | 48,857 |
| Re-measurement of the net defined benefit liability | | |
| Change in demographic assumptions | (13,500) | - |
| Change in financial assumptions | 177,364 | (19,371) |
| Other experience | (30,980) | (268) |
| Return on assets excluding amounts included in net interest | (56,153) | (1,127) |
| Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement | 76,731 | (20,766) |
| Movement in Reserve Statement: | | |
| Reversal of net charges made to the Surplus on the provision of Services for post-employment benefits in accordance with the code | (9,729) | (22,649) |
| Actual amount charged against the General Fund Balance for pensions in the year: | | |
| Employer's contributions payable to scheme | 24,131 | 24,233 |
| Employer's discretionary contributions payable | 2,054 | 1,975 |
| Retirement benefits payable to pensioners | (31,967) | (29,412) |
| Discretionary benefits payable to pensioners | (2,054) | (1,975) |

Assets and Liabilities in Relation to Post-Employment Benefits

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

Scheme Liabilities

| | Local Government Pension Scheme | |
|--------------------------------------|--|------------------|
| | 2016/17 | 2017/18 |
| | £000 | £000 |
| Opening Balance at 1 April | 912,214 | 1,072,761 |
| Current Service Cost | 23,732 | 37,256 |
| Interest Cost | 30,941 | 26,961 |
| Contributions by scheme participants | 5,894 | 5,743 |
| Actuarial (gains)/losses | | |
| - change in demographic assumptions | (13,500) | - |
| - change in financial assumptions | 177,364 | (19,371) |
| - change in other assumptions | (31,114) | (336) |
| Benefits paid | (31,967) | (29,412) |
| Discretionary Benefits | (2,054) | (1,975) |
| Past Services Cost | 1,251 | 1,236 |
| Closing Balance at 31 March | 1,072,761 | 1,092,863 |

Scheme Assets

Reconciliation of fair value of the scheme:

| | 2016/17 | 2017/18 |
|--------------------------------------|----------------|----------------|
| | £000 | £000 |
| Opening Balance at 1 April | 589,959 | 664,046 |
| Interest Income | 20,010 | 16,596 |
| Re-measurement gain/(loss) | 56,019 | 1,059 |
| Employer contributions | 24,131 | 24,233 |
| Contributions by scheme participants | 5,894 | 5,743 |
| Benefits paid | (31,967) | (29,412) |
| Closing Balance at 31 March | 664,046 | 682,265 |

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

| | 2016/17 | 2017/18 |
|---|------------------|------------------|
| | £000 | £000 |
| Present value of liabilities: | | |
| Local Government Pension Scheme | (1,072,761) | (1,092,863) |
| Fair value of assets in the Local Government Pension Scheme | 664,046 | 682,265 |
| Total Deficit in the Scheme | (408,715) | (410,598) |

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £411m 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 41.2% as at the 31 March 2018 (41.9% as at 31 March 2017). 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 17 years as set out in the 2016 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 2016.

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

| | Local Government Pension Scheme | |
|---|--|----------------|
| | 2016/17 | 2017/18 |
| Mortality assumptions | | |
| Longevity at 65 for current pensioners: | | |
| Men | 22.1 years | 22.1 years |
| Women | 24.2 years | 24.3 years |
| Longevity at 65 for future pensioners: | | |
| Men | 23.9 years | 23.9 years |
| Women | 26.3 years | 26.3 years |
| Rate of inflation | 2.4% | 2.4% |
| Rate of increase in salaries | 2.4% | 2.4% |
| Rate of increase in pensions | 2.4% | 2.4% |
| Rate for discounting scheme liabilities | 2.5% | 2.6% |
| Take up of option to convert some annual pension into retirement lump sum | 50% | 50% |

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

| | 31 March 2017 | 31 March 2018 |
|---|----------------------|----------------------|
| | £000 | £000 |
| Property | | |
| UK Property | 55,487 | 58,313 |
| Investment Funds and Unit Trusts | | |
| Equities | 462,816 | 487,028 |
| Bonds | 143,852 | 135,361 |
| Sub-total | 606,668 | 622,389 |
| Cash and Cash Equivalents | | |
| Cash | 1,891 | 1,563 |
| Total Assets | 664,046 | 682,265 |

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 2016 Triennial Valuation, the Council agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 17 years. Funding levels are reviewed on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

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 £22.1m employer contributions to the scheme in 2018/19.

41. Contingent Liabilities and Assets

As at 31 March 2018, there were no material contingent liabilities or assets.

42. 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.

| 2016/17 £000 | | 2017/18 £000 |
|-----------------|---|-----------------|
| (51,604) | The cash flows for operating activities include the following items | |
| | Net Deficit on the provision of services | (68,693) |
| | Adjust net deficit on the provision of services for non-cash movements | |
| 26,535 | Depreciation | 26,575 |
| 24,427 | Impairment and downward valuations | 24,459 |
| 101 | Amortisation | 173 |
| (2,289) | Increase/(decrease) in creditors | 5,151 |
| 1,689 | (Increase)/decrease in debtors | (5,212) |
| 77 | Decrease in inventories | (14) |
| 9,729 | Movement in pension liability | 22,649 |
| 26,792 | Carrying amount of non-current assets sold or derecognised | 37,320 |
| 4,083 | Other non-cash items | 5,479 |
| 91,144 | | 116,580 |
| | Adjust for items included in net deficit on the provision of services that are investing or financing activities | |
| (35,022) | Capital Grants | (41,623) |
| (7,137) | Proceeds from the sale of property, plant and equipment | (8,242) |
| (42,159) | | (49,865) |
| (2,619) | Net cash flows generated from operating activities | (1,978) |

The cash flows for operating activities include the following items:

| 2016/17 £000 | | 2017/18 £000 |
|-----------------|-------------------|-----------------|
| 1,396 | Interest Received | 1,062 |
| (7,572) | Interest Paid | (7,759) |

(b) Cash Flow Statement – Investing Activities

| 2016/17 | | 2017/18 |
|----------------|---|----------------|
| £000 | | £000 |
| (72,641) | Purchase of property, plant and equipment, investment property and intangible assets | (91,975) |
| 51,448 | Purchase of short term and long term investments | - |
| (3,170) | Other payments for investing activities | - |
| 7,137 | Proceeds from the sale of property, plant, equipment, investment property and intangible assets | 8,242 |
| (16,100) | Proceeds / (Purchases) from short term and long term investments | 65,034 |
| 35,022 | Other receipts from investing activities | 41,623 |
| 1,696 | Net cash flows from investing activities | 22,924 |

(c) Cash Flow Statement – Financing Activities

| 2016/17 | | 2017/18 |
|----------------|--|----------------|
| £000 | | £000 |
| 18,993 | Cash receipts from short term and long term borrowing | 13,500 |
| 607 | Other receipts from financing activities | 581 |
| (416) | Cash payments for the reduction of outstanding liabilities relating to finance leases on balance sheet PFI contracts | (475) |
| (5,512) | Repayments of short term and long term borrowing | (6,013) |
| 13,672 | Net cash flows from financing activities | 7,593 |

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.

| 2016/17 £000 | | Notes | 2017/18 £000 |
|-----------------|--|-------|-----------------|
| | Expenditure | | |
| 5,184 | Repairs and Maintenance | | 5,243 |
| 7,320 | Supervision and Management | | 8,328 |
| 682 | Rents, Rates, Taxes and Other Charges | | 934 |
| 128 | Movement in the allowance for bad debts | | 242 |
| 6,479 | Depreciation and impairment of fixed assets | 5 | 13,735 |
| 19,793 | Total Expenditure | | 28,482 |
| | Income | | |
| (24,417) | Dwelling Rents | | (24,203) |
| (399) | Non-Dwelling Rents | | (378) |
| (3,226) | Charges for Services and Facilities | | (3,366) |
| (84) | Contributions towards expenditure | | (79) |
| 0 | Repayment of capital grants/advances | | (139) |
| (28,126) | Total Income | | (28,165) |
| (8,333) | Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement | | 317 |
| (8,333) | Net Expenditure / (Income) on HRA Services | | 317 |
| | HRA Share of the operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement: | | |
| (3,651) | Gain on sale of HRA non-current assets | | (1,301) |
| 2,377 | Interest payable and similar charges | | 2,377 |
| (311) | Interest and investment income | | (217) |
| 276 | Pensions interest cost and expected return on pension assets | | 287 |
| (30) | Capital grants and contributions receivable | | (465) |
| (9,672) | Deficit or (Surplus) for the year on HRA services | | 998 |

Movement on the Housing Revenue Account Statement

| 2016/17 £000 | | 2017/18 £000 |
|-----------------|---|-----------------|
| (6,378) | Balance on the HRA at the end of the previous year | (7,333) |
| (9,672) | Deficit or (Surplus) for the year on the HRA Income and Expenditure Statement | 998 |
| 6,923 | Adjustment between accounting basis and funding basis under statute | 2,034 |
| (2,749) | Net decrease before transfers to or from reserves | 3,032 |
| 1,794 | Transfers to reserves | (9,142) |
| (955) | Increase in year on the HRA | (6,110) |
| (7,333) | Balance on the HRA at the end of the current year | (13,443) |

Note to the Movement on the HRA Statement

| 2016/17 £000 | | Notes | 2017/18 £000 |
|-----------------|---|-------|-----------------|
| | Adjustments between accounting basis and funding basis under regulations | | |
| 3,651 | Gain on sale of HRA non-current assets | | 1,301 |
| - | Repayment of capital/advances | | 139 |
| (283) | HRA share of contributions to or from the Pension Reserve | | (652) |
| (924) | Impairment of Fixed Assets | 5 | (8,416) |
| (151) | Capital Receipts cost of sales | | (151) |
| 4,600 | Capital expenditure funded by the HRA | | 9,359 |
| 30 | Capital Grants and contributions receivable | | 465 |
| - | Revenue Expenditure funded from capital under statute | | (11) |
| 6,923 | | | 2,034 |
| | Transfers (from) / to reserves | | |
| 1,794 | Movement to earmarked reserves | 7 | (9,142) |
| 1,794 | | | (9,142) |

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 0.65% of rent was lost because of properties that were vacant (0.40% in 2016/17). The average rent for all stock was £104.52 per week in 2017/18 and £105.59 per week in 2016/17.

2. Housing Stock

The Council is responsible for managing a Housing Revenue Account stock of 4,445 properties at 31 March 2018 (4,461 at 31 March 2017). An analysis is shown below. The Council is also a freeholder of 2,480 leased properties.

| 2016/17 Number | | 2017/18 Number |
|-------------------|--------------------------|-------------------|
| 1,571 | General Needs | 1,674 |
| 1,332 | - One or less Bedrooms | 1,330 |
| 1,323 | - Two Bedrooms | 1,316 |
| 235 | - Three or More Bedrooms | 125 |
| 4,461 | Sheltered Housing Units | 4,445 |
| | Total | |

3. Rent Arrears

| 2016/17 £000 | | 2017/18 £000 |
|-----------------|----------------------------|-----------------|
| 322 | Arrears due from | 521 |
| 350 | - Current tenants | 348 |
| 672 | - Former tenants | 869 |
| | Total | |
| 2.76% | Total as a % of gross debt | 3.57% |

The provision for doubtful debts against arrears was £0.776m at 31 March 2018 (£0.570m at 31 March 2017).

4. Balance Sheet Value of HRA Assets

| 2016/17 £000 | | 2017/18 £000 |
|-----------------|--------------------------|-----------------|
| 288,829 | Dwellings | 299,575 |
| 21,398 | Other Land and Buildings | 13,985 |
| 310,227 | Total | 313,560 |

The vacant possession value of dwellings within the HRA as at 1 April 2017 was £1,182m (£1,150m as at 1 April 2016). The difference of £888m between the vacant possession value and the Balance Sheet value of dwellings (£294m) 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 2017/18.

| 2016/17 £000 | | 2017/18 £000 |
|-----------------|---|-----------------|
| 5,442 | Depreciation Operational Assets - dwellings | 5,234 |
| 113 | Depreciation Operational Assets – other land and buildings | 85 |
| 924 | Impairment of fixed assets – dwellings and other land and buildings | 8,416 |
| 6,479 | Total | 13,735 |

6. Major Repairs Reserve

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

| 2016/17 £000 | | 2017/18 £000 |
|-----------------|---|-----------------|
| (8,073) | Balance Brought Forward | (3,509) |
| (5,442) | Major Repairs Allowance (MRA) | (5,234) |
| (113) | Non-dwellings depreciation | (85) |
| 10,119 | Capital Expenditure funded from the MRR | 8,585 |
| (3,509) | Balance on the Major Repairs Reserves as at 31 March | (243) |

7. Movement in Earmarked Reserves

The following movements in earmarked reserves occurred in 2017/18:

| 2016/17 £000 | | 2017/18 £000 |
|-----------------|--|-----------------|
| - | HRA – Voluntary Set Aside | 4,856 |
| 464 | HRA – Leaseholders (Non RTB) | 2,015 |
| - | HRA – Minor works | 881 |
| - | HRA – Capital Reserve | 1,429 |
| 1,230 | HRA New Provision Receipts (admin RTB) | (148) |
| 100 | HRA – IT Reserve | 109 |
| 1,794 | Total | 9,142 |

8. HRA Capital Financing

| 2016/17 £000 | | 2017/18 £000 |
|-----------------|--|-----------------|
| 18,429 | HRA Capital Expenditure - Dwellings | 24,103 |
| - | Financed by: | |
| - | Government Grants | 180 |
| 4,600 | Contribution from Revenue | - |
| 10,119 | Major Repairs Reserve | 8,585 |
| - | Contribution from Other Reserves | 9,359 |
| 3,710 | Capital Receipts | 5,979 |
| 18,429 | Total Funding | 24,103 |

9. Capital Receipts

| 2016/17 | | 2017/18 |
|----------------|-----------------------------|----------------|
| £000 | | £000 |
| 6,898 | HRA Capital Receipts | 8,232 |
| 27 | Properties | - |
| | Land and Garages | |
| 6,925 | | 8,232 |

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

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

Collection Fund

This statement reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection fund from taxpayers and distributions to 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

| 2016/17 Total £000 | | 2017/18 Council Tax £000 | 2017/18 NDR £000 | 2017/18 BRS £000 | 2017/18 Total £000 |
|--------------------------|---|--------------------------------|------------------------|------------------------|--------------------------|
| | Income | | | | |
| 123,802 | Council Tax Payers | 131,564 | - | - | 131,564 |
| 55,374 | Income from Business Ratepayers | - | 53,288 | 1,186 | 54,474 |
| (70) | Transitional Protection–Central Government | - | 3,805 | - | 3,805 |
| 179,106 | Total Income | 131,564 | 57,093 | 1,186 | 189,843 |
| | Expenditure | | | | |
| | Precepts: | | | | |
| 94,939 | London Borough of Redbridge | 102,416 | - | - | 102,416 |
| 23,001 | Greater London Authority | 24,977 | - | - | 24,977 |
| | Business Rates: | | | | |
| 16,732 | London Borough of Redbridge | - | 17,667 | - | 17,667 |
| 12,284 | Greater London Authority | - | 21,789 | 1,179 | 22,968 |
| 27,886 | Central Government | - | 19,433 | - | 19,433 |
| 286 | Costs of Collection | - | 281 | 7 | 288 |
| | Apportionment of previous years estimated collection fund surplus: | | | | |
| 4,871 | Estimated Surplus Distribution – LBR | 4,125 | (62) | - | 4,063 |
| 400 | LBR Surplus bought forward | - | - | - | - |
| 1,244 | Estimated Surplus Distribution – GLA | 999 | (41) | - | 958 |
| (285) | Central Government Surplus bought forward | - | (103) | - | (103) |
| | Bad and Doubtful Debts- | | | | |
| (1,184) | Provisions | (1,851) | (843) | - | (2,694) |
| 1,856 | Write-offs | 1,079 | 1,144 | - | 2,223 |
| (450) | Provisions for appeals | - | 6,886 | - | 6,886 |
| 181,580 | Total Expenditure | 131,745 | 66,151 | 1,186 | 199,082 |
| (2,474) | (Deficit)/Surplus for the year | (181) | (9,058) | - | (9,239) |
| 7,808 | (Deficit)/Surplus bought forward at 1 April | 5,570 | (236) | - | 5,334 |
| 5,334 | (Deficit)/Surplus carried forward at 31 March | 5,389 | (9,294) | - | (3,905) |
| | Allocated to: | | | | |
| 4,442 | London Borough of Redbridge | 4,366 | (2,788) | - | 1,578 |
| 1,010 | Greater London Authority | 1,023 | (3,434) | - | (2,411) |
| (118) | Central Government | - | (3,072) | - | (3,072) |
| 5,334 | Total | 5,389 | (9,294) | - | (3,905) |

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 2017/18 at £1,476.09 for band D properties (this includes £28.02 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 | 2016/17 Number of Properties | 2017/18 Number of Properties |
|---|---|---|
| A | 1,157 | 1,285 |
| B | 8,875 | 9,029 |
| C | 21,346 | 21,500 |
| D | 30,202 | 30,162 |
| E | 22,373 | 22,436 |
| F | 10,153 | 10,246 |
| G | 5,024 | 5,062 |
| H | 338 | 339 |
| Council Tax base collection allowance adjustment | (1,226) | (1,119) |
| Allowance for estimated full value of exemptions (inc disabled) | (1,793) | (1,583) |
| Local Authority Tax Support Scheme | (13,112) | (11,730) |
| Total | 83,337 | 85,627 |

2. Council Tax Reduction Scheme

Council Tax Benefit ceased from 1 April 2013, replaced by the Council Tax Reduction 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 2017/18 were 46.6p for qualifying Small Businesses, with the standard multiplier being 47.9p for all other businesses (48.4p and 49.7p respectively in 2016/17).

The total rateable value for business premises as at the end of March 2018 was £154.005m. Under these arrangements the amounts included in these Accounts are analysed as follows:

| 2016/17 £000 | | 2017/18 £000 |
|-------------------------|--|-------------------------|
| 65,365 | Gross NDR due in the year | 68,307 |
| (11,125) | Less: Allowances and other adjustments | (18,683) |
| 54,240 | | 49,624 |

In addition to NDR collected on behalf of the Government, the Council has collected the sum of £1.18m 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 2018 the balance repayable by the GLA is £0.137m (£0.037m in 2016/17).

5. Transitional Protection Payments

The Council did not receive transitional relief in 2017/18 to reflect the financial impact of transitional arrangements to the business rate retention scheme.

6. 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 2018. As at 31 March 2018 a provision of £7.736m (£0.550m in 2016/17) was charged to the Collection Fund. The provision for appeals is provided for in proportion to the precepting shares. The Council's proportionate share of this provision is £2.231m.

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 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

Group Movement in Reserves shows the movement in the year on the Council's single entity useable and unuseable reserves together with the Council's share of the Group's reserves.

2016/17 - Comparative Figures

| | General Fund | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Contributions Unapplied | Total Usable Reserves | Unusable Reserves | Total Reserves | Group's share of Reserves of Subsidiaries, Associates and Joint Ventures | Total Reserves |
|---|--------------|-------------------------|--------------------------|-----------------------|--|-----------------------|-------------------|----------------|--|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 March 16 brought forward | (110,932) | (16,044) | (13,227) | (8,073) | (22,679) | (170,955) | (492,633) | (663,588) | 3,509 | (660,079) |
| Movement in Reserves during 2016/17 | | | | | | | | | | |
| Total Comprehensive Income and Expenditure | 61,276 | (9,672) | - | - | - | 51,604 | 61,944 | 113,548 | 155 | 113,703 |
| Adjustment between accounting basis and funding basis under regulations | (45,935) | 6,923 | (1,922) | 4,564 | (10,017) | (46,387) | 46,387 | - | - | - |
| Net (Increase) / Decrease | 15,341 | (2,749) | (1,922) | 4,564 | (10,017) | 5,217 | 108,331 | 113,548 | 155 | 113,703 |
| Balance at 31 March 17 carried forward | (95,591) | (18,793) | (15,149) | (3,509) | (32,696) | (165,738) | (384,302) | (550,040) | 3,664 | (546,376) |
| 2017/18 | | | | | | | | | | |
| Movement in Reserves during 2017/18 | | | | | | | | | | |
| Total Comprehensive Income and Expenditure | 67,695 | 998 | - | - | - | 68,693 | (105,052) | (36,359) | 463 | (35,896) |
| Adjustment between accounting basis and funding basis under regulations | (57,537) | 2,034 | (1,499) | 3,266 | (15,180) | (68,916) | 68,916 | - | - | - |
| Net (Increase) / Decrease | 10,158 | 3,032 | (1,499) | 3,266 | (15,180) | (223) | (36,136) | (36,359) | 463 | (35,896) |
| Balance at 31 March 18 carried forward | (85,433) | (15,761) | (16,648) | (243) | (47,876) | (165,961) | (420,438) | (586,399) | 4,127 | (582,272) |

Group Comprehensive Income and Expenditure Statement

The Group Comprehensive Income and Expenditure Statement summarises the resources that have been generated and consumed in providing services and managing the Group during the year.

| 31 March 2017 | | | 31 March 2018 | | | |
|---------------------------|----------------------|-------------------------|--|---------------------------|----------------------|-------------------------|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 459,174 | (319,187) | 139,987 | People | 466,686 | (329,387) | 137,299 |
| 147,812 | (89,684) | 58,128 | Place | 148,472 | (84,299) | 64,173 |
| 179,780 | (165,434) | 14,346 | Resources | 173,042 | (158,926) | 14,116 |
| 7,012 | (965) | 6,047 | Strategy | 12,125 | (2,058) | 10,067 |
| 14,731 | (295) | 14,436 | Corporate | 13,322 | (1,047) | 12,275 |
| 19,793 | (28,126) | (8,333) | Local Authority Housing (HRA) | 28,482 | (28,165) | 317 |
| 828,302 | (603,691) | 224,611 | Cost of Services | 842,129 | (603,882) | 238,247 |
| | | 36,493 | Other Operating Expenditure (note 2) | | | 47,247 |
| | | 15,148 | Financing and Investment Income and Expenditure (note 3) | | | 15,141 |
| | | (224,909) | Taxation and Non-Specific Grant Income (note 4) | | | (230,795) |
| | | 51,343 | Group (Surplus) or Deficit on Provision of Services | | | 69,840 |
| | | (14,943) | Surplus or deficit on revaluation of non-current assets | | | (84,848) |
| | | 156 | Surplus or deficit on revaluation of available for sale financial assets | | | 562 |
| | | 77,147 | Actuarial Gains/Losses on Pension Fund Assets & Liabilities | | | (21,450) |
| | | 62,360 | Other Comprehensive Income and Expenditure | | | (105,736) |
| | | 113,703 | Total Comprehensive Income and Expenditure | | | (35,896) |

Group Balance Sheet as at 31 March 2018

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

| 31 March 2017 £000 | | 31 March 2018 £000 |
|-----------------------------------|------------------------------------|-----------------------------------|
| 1,049,434 | Property, Plant and Equipment | 1,124,052 |
| 26,337 | Investment Property | 34,476 |
| 676 | Intangible Assets | 1,242 |
| - | Long-term Investments | 9,481 |
| 2,244 | Long-term Debtors | 2,211 |
| 1,078,691 | Long-term Assets | 1,171,462 |
| - | Assets Held for Sale | 800 |
| 135,741 | Short-term Investments | 60,314 |
| 115 | Inventories | 125 |
| 26,053 | Short-term Debtors | 30,540 |
| 17,078 | Cash and Cash Equivalents | 45,915 |
| 178,987 | Current Assets | 137,694 |
| (9,688) | Short-term Borrowing | (18,947) |
| (58,838) | Short-term Creditors | (64,193) |
| (2,240) | Provisions | (1,241) |
| (445) | Revenue Grants Receipts in Advance | - |
| (113) | Capital Grants Receipts in Advance | (103) |
| (71,324) | Current Liabilities | (84,484) |
| (10,055) | Provisions | (10,998) |
| (202,520) | Long-term Borrowing | (202,499) |
| (427,403) | Other Long-term Liabilities | (428,903) |
| (639,978) | Long-term Liabilities | (642,400) |
| 546,376 | Net Assets | 582,272 |
| 162,074 | Usable Reserves | 161,834 |
| 384,302 | Unusable Reserves | 420,438 |
| 546,376 | Total Reserves | 582,272 |

Maria G. Christofi, BA (Hons), FCCA, CPFA
Corporate Director of Resources
23 July 2018

Group Cash Flow Statement

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

| 2016/17 £000 | | 2017/18 £000 |
|-----------------|--|-----------------|
| (51,343) | Net deficit on the provision of services | (69,840) |
| 91,405 | Adjustments to net deficit on the provision of services for non-cash movements | 118,507 |
| (42,159) | Adjustments for items included in the net deficit on the provision of services that are investing and financing activities | (49,865) |
| (2,097) | Net cash flows from operating activities | (1,198) |
| 1,696 | Investing activities | 22,442 |
| 13,672 | Financing activities | 7,593 |
| 13,271 | Net increase or decrease in cash and cashequivalents | 28,837 |
| 3,807 | Cash and cash equivalents at the beginning of the reporting year | 17,078 |
| 17,078 | Cash and cash equivalents at the end of the reporting year | 45,915 |

Cash Flow Statement – Operating Activities

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

| 2016/17 £000 | | 2017/18 £000 |
|---|--|-----------------|
| The cash flows for operating activities include the following items: | | |
| (51,343) | Net deficit on the provision of services | (69,840) |
| Adjust net deficit on the provision of services for non-cash movements | | |
| 26,677 | Depreciation | 26,819 |
| 24,427 | Impairment and downward valuations | 24,459 |
| 101 | Amortisation | 173 |
| (2,785) | Increase/decrease in creditors | 6,457 |
| 1,825 | Increase in debtors | (5,612) |
| 43 | Decrease in inventories | (10) |
| 10,590 | Movement in pension liability | 23,424 |
| 26,792 | Carrying amount of non-current assets sold or derecognised | 37,320 |
| 3,735 | Other non-cash items | 5,477 |
| 91,405 | | 118,507 |
| Adjust for items included in net deficit on the provision of services that are investing or financing activities | | |
| (35,022) | Capital Grants | (41,623) |
| (7,137) | Proceeds from the sale of property, plant and equipment | (8,242) |
| (42,159) | | (49,865) |
| (2,097) | Net cash flows from operating activities | (1,198) |

The cash flows for operating activities include the following items:

| 2016/17 | | 2017/18 |
|----------------|-------------------|----------------|
| £000 | | £000 |
| 1,401 | Interest Received | 1,064 |
| (7,572) | Interest Paid | (7,759) |

Cash Flow Statement – Investing Activities

| 2016/17 | | 2017/18 |
|----------------|---|----------------|
| £000 | | £000 |
| (72,641) | Purchase of property, plant and equipment, investment property and intangible assets | (92,459) |
| 51,448 | Purchase of short term and long term investments | - |
| (3,170) | Other payments for investing activities | - |
| 7,137 | Proceeds from the sale of property, plant, equipment, investment property and intangible assets | 8,242 |
| (16,100) | Proceeds from short term and long term investments | 65,034 |
| 35,022 | Other receipts from investing activities | 41,625 |
| 1,696 | Net cash flows from investing activities | 22,442 |

Cash Flow Statement – Financing Activities

| 2016/17 | | 2017/18 |
|----------------|--|----------------|
| £000 | | £000 |
| 18,993 | Cash Receipts of short term and long term borrowing | 13,500 |
| 607 | Other receipts from financing activities | 581 |
| (416) | Cash payments for the reduction of the outstanding liabilities relating to the finance leases on balance sheet PFI contracts | (475) |
| (5,512) | Repayments of short term and long term borrowing | (6,013) |
| 13,672 | Net cash flows from financing activities | 7,593 |

Notes to the Group Financial Statements

1. Accounting Policies

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

2. Other Operating Expenditure

| 2016/17 £000 | | 2017/18 £000 |
|-----------------|--|-----------------|
| 16,300 | Levies | 17,643 |
| 607 | Payments to the Government Housing Capital Receipts Pool | 581 |
| 19,586 | Losses/(Gains) on the disposal of non-current assets | 29,023 |
| 36,493 | Total | 47,247 |

3. Financing and Investment Income and Expenditure

| 2016/17 £000 | | 2017/18 £000 |
|-----------------|---|-----------------|
| 8,343 | Interest payable and similar charges | 8,659 |
| 10,931 | Net interest on the net defined benefit liability | 10,365 |
| (1,453) | Interest receivable and similar charges | (1,109) |
| (2,673) | Expenditure and (income) in relation to investment properties and changes in their fair value | (2,774) |
| 15,148 | Total | 15,141 |

4. Taxation and Non-Specific Grant Income

| 2016/17 £000 | | 2017/18 £000 |
|------------------|-----------------------------------|------------------|
| (93,862) | Council Tax | (102,269) |
| (5,042) | Collection fund income | (4,500) |
| (16,443) | Non-domestic rates income | (14,888) |
| (74,540) | Non ring fenced government grants | (67,515) |
| (35,022) | Capital grants and contributions | (41,623) |
| (224,909) | Total | (230,795) |

5. Results of Vision Redbridge Culture and Leisure Operations

The net liabilities of the company for year ended 31 March 2018 totalled £4.127m (£3.664m for year ended 2016/17). The company made a net loss in 2017/18 of £0.463m (a loss of £0.261m for year ended 2016/17).

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:

| 31 March 2017 | | 31 March 2018 |
|----------------------|--|----------------------|
| £000 | | £000 |
| 14,832 | Short Term Deposits | 40,000 |
| 2,246 | Bank Balance surplus | 5,915 |
| 17,078 | Total Cash and Cash Equivalents | 45,915 |

7. Expenditure and Income Analysed by Category

| 2016/17 | Expenditure/Income | 2017/18 |
|-------------------|---|-------------------|
| Total £000 | | Total £000 |
| | Expenditure | |
| 312,764 | Employee Benefits Expenses | 309,881 |
| 457,439 | Other Services Expenses | 474,343 |
| 1,575 | Support Services recharges | 1,372 |
| 56,619 | Depreciation, Amortisation, Impairment | 56,527 |
| 20,375 | Interest and Financing Payments | 20,645 |
| 16,300 | Precept and Levies | 17,643 |
| 607 | Payments to Housing Capital Receipts Pool | 581 |
| 19,586 | Gain on the disposal of assets | 29,023 |
| 885,265 | Total Expenditure | 910,015 |
| | Income | |
| (161,727) | Fees, Charges and Other Service Income | (168,122) |
| (5,228) | Interest and Investment Income | (5,504) |
| (115,347) | Income from Council Tax and Non-Domestic Rates | (121,657) |
| (551,620) | Government Grants and Contribution | (544,892) |
| (833,922) | Total Income | (840,175) |
| 51,343 | Surplus/Deficit on the Provision of Services | 69,840 |

8. Other Information

Vision Redbridge Culture and Leisure

These group accounts have been prepared from the 2017/18 draft unaudited accounts of Vision Redbridge Culture & Leisure.

Vision Redbridge Culture & Leisure, Auditors – Kingston Smith LLP, Devonshire House, 60 Goswell Road, London, EC1M 7AD.

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 2018

| 2016/17 £000 | | Notes | 2017/18 £000 |
|-----------------|--|-------|-----------------|
| | Dealings with members, employers and other directly involved in the Fund. | | |
| 34,508 | Contributions receivable | 6 | 35,312 |
| 1,438 | Transfers in | 7 | 2,958 |
| 35,946 | | | 38,270 |
| | <i>Less:</i> | | |
| (31,839) | Benefits payable | 8 | (33,851) |
| (1,055) | Leavers | 9 | (1,850) |
| (32,894) | | | (35,701) |
| 3,052 | Net additions from dealings with members | | 2,569 |
| (2,841) | Management Expenses | 10 | (3,203) |
| | Returns on Investments | | |
| 2,397 | Investment income | 11 | 7,540 |
| - | Irrecoverable withholding tax | 11 | - |
| 106,741 | Change in market value of investments | 12(b) | 21,795 |
| 109,138 | Net returns on Investments | | 29,335 |
| 109,349 | Net increase in the Fund during the year | | 28,701 |
| 634,074 | Net Assets of the scheme at 1 April 2017 | | 743,423 |
| 743,423 | Net Assets of the scheme at 31 March 2018 | | 772,124 |

Net Assets Statement as at 31 March 2018

| 2016/17 £000 | | Notes | 2017/18 £000 |
|-----------------|--|-------|-----------------|
| 743,257 | Investment Assets | 12 | 772,014 |
| - | Investment Liabilities | 12 | - |
| 743,257 | | | 772,014 |
| 500 | Current Assets | 16 | 501 |
| (334) | Current Liabilities | 16 | (391) |
| 743,423 | Net Assets of the Scheme at 31 March 2018 | | 772,124 |

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 2017/18 and the Pension Fund's financial position as at 31 March 2018.

Maria G Christofi, BA (Hons), FCCA, CPFA
Corporate Director of Resources
23 July 2018

Notes to the Pension Fund Account

1. Introduction

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

The scheduled bodies in the scheme as at 31 March 2018 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, Beacon Multi Academy (formerly Beal Multi Academy), Atam Academy, Winston Way Academy, Astrum Academy and Strive4 Academy. Redbridge College is in the process of merging with another college and will therefore cease to be an employer in the Redbridge Fund.

The admitted bodies in the scheme as at 31 March 2018 were: Morrison Facility Management Limited, Vision-Redbridge Culture & Leisure, Imagine Independence Ltd, Dizzy Ducks Nursery, Lewis & Graves, Caterlink Ltd, Town & Country Cleaners Ltd and Blenheim CPD.

As at 31 March 2018 the membership of the scheme was as follows:

| Active Members | As at 31 March 2017 | As at 31 March 2018 |
|-----------------------|----------------------------|----------------------------|
| Redbridge Council | 4,551 | 4,477 |
| Scheduled Bodies | 694 | 719 |
| Admitted Bodies | 232 | 207 |
| TOTAL | 5,477 | 5,403 |

| Pensioners | As at 31 March 2017 | As at 31 March 2018 |
|-------------------|----------------------------|----------------------------|
| Redbridge Council | 4,674 | 4,858 |
| Scheduled Bodies | 135 | 145 |
| Admitted Bodies | 90 | 103 |
| TOTAL | 4,899 | 5,106 |

| Deferred Members | As at 31 March 2017 | As at 31 March 2018 |
|-------------------------|----------------------------|----------------------------|
| Redbridge Council | 6,292 | 6,579 |
| Scheduled Bodies | 565 | 576 |
| Admitted Bodies | 101 | 110 |
| TOTAL | 6,958 | 7,265 |

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

Five Councillors are appointed annually by the Council to the Pension Fund Committee, which has the role of dealing with the management of the Pension Fund's investments in accordance with regulations laid down in statute and the Fund's Investment Strategy Statement.

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

The administration of the scheme is managed in-house by the London Borough of Redbridge.

The Pension Fund's financial statements provide a stewardship report on the Fund, together with a statement of the assets position at the financial year-end.

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2017/18 financial year and its position at year-end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2017/18 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.
- A proportion of the Council's costs for management time spent by officers on investment management is charged to the fund and is included within oversight and governance costs.

Net assets statement

- 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 exchange 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 2016, 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 2018 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 30.5% 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.

| | | 2016/17 | 2017/18 |
|------------------|------------------|----------------|----------------|
| | | £000 | £000 |
| Employers | | | |
| | LBR | 24,329 | 24,233 |
| | Scheduled Bodies | 2,148 | 2,928 |
| | Admitted Bodies | 1,093 | 1,163 |
| | | 27,570 | 28,324 |
| Members | | | |
| | LBR | 5,894 | 5,819 |
| | Scheduled Bodies | 706 | 856 |
| | Admitted Bodies | 338 | 313 |
| | | 6,938 | 6,988 |
| | | 34,508 | 35,312 |

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

| | 2016/17 | 2017/18 |
|----------------------------------|----------------|----------------|
| | £000 | £000 |
| Normal Employer Contributions | 20,621 | 20,085 |
| Deficit Payments * | 5,042 | 6,246 |
| Augmentation (Early Retirements) | 1,907 | 1,993 |
| | 27,570 | 28,324 |

* 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.

| | 2016/17 | 2017/18 |
|---|----------------|----------------|
| | £000 | £000 |
| Individual Transfers from other schemes – LBR | 1,438 | 2,958 |
| | 1,438 | 2,958 |

8. Benefits Payable

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

| | 2016/17 | 2017/18 |
|--|----------------|----------------|
| | £000 | £000 |
| Pensions - LBR | 23,167 | 24,557 |
| - Scheduled Bodies | 635 | 485 |
| - Admitted Bodies | 854 | 672 |
| Commutation of Pensions and Lump Sum Retirement Benefits | 6,603 | 7,030 |
| Lump Sum Death Benefit | 560 | 1,085 |
| Interest | 20 | 22 |
| | 31,839 | 33,851 |

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.

| | 2015/16 | 2016/17 |
|---------------------------------------|----------------|----------------|
| | £000 | £000 |
| Refunds to members | 51 | 65 |
| Individual Transfers to other Schemes | 1,004 | 1,785 |
| | 1,055 | 1,850 |

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.

| | 2016/17 | 2017/18 |
|--------------------------------|----------------|----------------|
| | £000 | £000 |
| Administrative Costs | 838 | 692 |
| Investment Management Expenses | 1,820 | 2,329 |
| Oversight and Governance | 162 | 161 |
| Audit Fees | 21 | 21 |
| | 2,841 | 3,203 |

10(a). Investment Management Expenses

| | 2016/17 | 2017/18 |
|-----------------------------|----------------|----------------|
| | £000 | £000 |
| Management Fees | 1,762 | 2,295 |
| Performance Management Fees | 16 | 19 |
| Custody Fees | 42 | 15 |
| | 1,820 | 2,329 |

11. Investment Income

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

| | 2016/17 | 2017/18 |
|-----------------------------|----------------|----------------|
| | £000 | £000 |
| Fixed interest securities | 2 | - |
| Equities | 254 | - |
| Pooled Investments Vehicles | - | 5,306 |
| Property Unit Trusts | 2,021 | 2,177 |
| Cash Deposits | 15 | 20 |
| Other Investment Income | 105 | 37 |
| | 2,397 | 7,540 |

12. Investments

During 2017/18 the Pension Fund continued to migrate its investments to the London CIV. In addition the index-tracking mandate managed by State Street Global Advisors was transferred to Legal & General Investment Management Ltd under an agreement brokered by the London CIV. As at 31 March 2018 the remaining 35% of the Fund was managed by external fund managers.

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

| | 2016/17 | 2017/18 |
|-------------------------------------|----------------|----------------|
| | £000 | £000 |
| Investment Assets | | |
| Pooled Investments | 682,365 | 703,916 |
| Pooled Property Investments | 59,151 | 65,635 |
| Cash Deposits | 1,741 | 2,463 |
| Investment Income Due | - | - |
| Total Investment Assets | 743,257 | 772,014 |
| Investment Liabilities | | |
| Amounts Payable for purchases | - | - |
| Total Investment Liabilities | - | - |
| Net Investment Assets | 743,257 | 772,014 |

The table below shows a detailed analysis of the investments held by the Fund as at 31 March 2018 with comparison table showing detailed analysis of the investments held by the Fund as at 31 March 2017.

| 2017/18 | Value at 31/03/17 £000 | Purchases at cost £000 | Sales Proceeds £000 | Change in Fair value £000 | Cash movement £000 | Value at 31/03/18 £000 |
|-----------------------|---------------------------------------|---------------------------------------|------------------------------------|--|-----------------------------------|---------------------------------------|
| Pooled Unit Trusts | 682,215 | 266,254 | (262,171) | 17,468 | - | 703,766 |
| London CIV | 150 | - | - | - | - | 150 |
| Property Unit Trusts | 59,151 | 2,157 | - | 4,327 | - | 65,635 |
| | 741,516 | 268,411 | (262,171) | 21,795 | | 769,551 |
| Other Balances | | | | | | |
| Cash Deposits | 1,741 | - | - | - | 722 | 2,463 |
| | 743,257 | 268,411 | (262,171) | 21,795 | 722 | 772,014 |

| 2016/17 | Value at 31/03/16 £000 | Purchases at cost £000 | Sales Proceeds £000 | Change in Fair value £000 | Cash movement £000 | Value at 31/03/17 £000 |
|-----------------------------------|---------------------------------------|---------------------------------------|------------------------------------|--|-----------------------------------|---------------------------------------|
| Index Linked | 136 | - | (140) | 4 | - | - |
| Pooled Unit Trusts | 575,486 | 104,284 | (102,279) | 104,724 | - | 682,215 |
| London CIV | 150 | - | - | - | - | 150 |
| Property Unit Trusts | 55,806 | 1,934 | - | 1,411 | - | 59,151 |
| | 631,578 | 106,218 | (102,419) | 106,139 | - | 741,516 |
| Other Balances | | | | | | |
| Cash Instruments | - | - | (218) | 218 | - | - |
| Cash Deposits | 2,833 | - | - | 384 | (1,476) | 1,741 |
| Receivable - Investment Income | 189 | - | - | - | (189) | - |
| | 634,600 | 106,218 | (102,637) | 106,741 | (1,665) | 743,257 |

The change in fair value of investments during the year comprises all increases and decreases in the value of investments held at any time during the year, including profits and losses realised on sales of investments and changes in the sterling value of assets caused by changes in exchange rates. In the case of the pooled investment vehicles changes in market value also includes income, net of withholding tax, which is reinvested in the Fund.

As a result of the Fund's investments in pooled investment vehicles the Fund did not incur any direct transaction costs, such as broker fees and taxes. Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund.

As shareholders of the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London), the Fund has purchased £0.150m of regulatory capital. During 2017/18 the investment portfolio with State Street Global Advisors was transferred to Legal & General Investment Management Ltd which is linked with 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 2018 the Council invested cash amounting to £2.1m (£1.4m at 31 March 2017).

| | 2016/17 £000 | 2017/18 £000 |
|-------------------------------------|-------------------------------|-------------------------------|
| Pooled Investment Vehicles | | |
| UK Equities | 144,292 | 146,221 |
| Overseas Equities | 126,020 | 133,662 |
| Global Equities | 112,295 | 127,202 |
| Fixed Income (Absolute Return Fund) | 64,155 | 64,027 |
| Index Linked | 92,769 | 92,673 |
| Real Return Fund | 142,684 | 139,981 |
| | 682,215 | 703,766 |
| Property Unit Trusts | | |
| UK | 59,151 | 65,635 |
| | 59,151 | 65,635 |
| Other | | |
| London CIV | 150 | 150 |
| | 150 | 150 |
| Cash | | |
| Sterling Deposits | 1,741 | 2,463 |
| | 1,741 | 2,463 |

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

| Investment | 31 March 2018 | % of net assets |
|--|--------------------------------|----------------------------------|
| LGIM - UK Equity Index Unit Trust | 146,221 | 19.0% |
| LGIM - North America Equity Index Unit Trust | 41,944 | 5.4% |
| LGIM - Europe ex UK Equity Index Unit Trust | 41,560 | 5.4% |
| Baillie Gifford - Global Equity Fund | 127,202 | 16.5% |
| Standard Life - Absolute Return Fund | 64,027 | 8.3% |
| Standard Life - Index Linked Bond Fund | 92,673 | 12.0% |
| Newton - Real Return Fund | 139,981 | 18.1% |
| Schroder Property Fund | 65,635 | 8.5% |

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.

| 2016/17 | | | 2017/18 | | |
|---|----------------------------------|---|---|----------------------------------|--|
| Designated as fair value through profit & loss £000 | Loans and Receivables £000 | Financial Liabilities at amortised cost £000 | Designated as fair value through profit & loss £000 | Loans and Receivables £000 | Financial Liabilities at amortised cost £000 |
| | | | | | |
| 682,365 | - | - | 703,916 | - | - |
| 59,151 | - | - | 65,635 | - | - |
| - | 1,741 | - | - | 2,463 | - |
| - | 500 | - | - | 501 | - |
| 741,516 | 2,241 | - | 769,551 | 2,964 | - |
| | | | | | |
| | | | | | |
| - | - | (334) | - | - | (391) |
| - | - | (334) | - | - | (391) |
| 741,516 | 2,241 | (334) | 769,551 | 2,964 | (391) |
| - | 743,423 | - | - | 772,124 | - |

12 (b) Net Gains and Losses on Financial Instruments

| 31/03/17 £000 | | 31/03/18 £000 |
|------------------|----------------------------------|------------------|
| 106,356 | Financial Assets | 21,795 |
| 385 | Fair value through profit & loss | - |
| 106,741 | Loans and receivables | 21,795 |
| - | Financial Liabilities | - |
| 106,741 | Fair value through profit & loss | 21,795 |
| | TOTAL | 21,795 |

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.

| 31/03/17 Carrying Value £000 | 31/03/17 Fair Value £000 | | 31/03/18 Carrying Value £000 | 31/03/18 Fair Value £000 |
|---------------------------------------|-----------------------------------|---|---------------------------------------|-----------------------------------|
| 575,442 | 741,516 | Financial Assets | 716,262 | 769,551 |
| 1,741 | 1,741 | Fair value through profit & loss | 2,573 | 2,573 |
| 577,183 | 743,257 | Total Financial Assets | 718,835 | 772,124 |
| - | - | Financial Liabilities | - | - |
| - | - | Fair value through profit & loss | - | - |
| - | - | Financial Liabilities at amortised cost | - | - |
| 577,183 | 743,257 | Total Financial Liabilities | 718,835 | 772,124 |

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 2018 | Level 1 | Level 2 | TOTAL |
|---|----------------|----------------|----------------|
| | £000 | £000 | £000 |
| Financial Assets | | | |
| Financial Assets at fair value through profit & loss | 407,085 | 362,466 | 769,551 |
| Loans and receivables | 2,573 | - | 2,573 |
| Total Financial Assets | 409,658 | 362,466 | 772,124 |
| Financial Liabilities | | | |
| Financial liabilities at fair value through profit & loss | - | - | - |
| Financial liabilities at amortised cost | - | - | - |
| Total Financial Liabilities | - | - | - |
| Net Financial Assets | 409,658 | 362,466 | 772,124 |

| Values as at 31 March 2017 | Level 1 | Level 2 | TOTAL |
|---|----------------|----------------|----------------|
| | £000 | £000 | £000 |
| Financial Assets | | | |
| Financial Assets at fair value through profit & loss | 382,608 | 358,908 | 741,516 |
| Loans and receivables | 1,741 | - | 1,741 |
| Total Financial Assets | 384,349 | 358,908 | 743,257 |
| Financial Liabilities | | | |
| Financial liabilities at fair value through profit & loss | - | - | - |
| Financial liabilities at amortised cost | - | - | - |
| Total Financial Liabilities | - | - | - |
| Net Financial Assets | 384,349 | 358,908 | 743,257 |

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.

Other Price Risk

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

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

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

Other Price Risk – Sensitivity Analysis

The following table demonstrates the change in the net assets available to pay benefits if the market price were to increase or decrease by 10%.

Price Risk:

| Asset Type | Value £000 | Value on Increase £000 | Value on Decrease £000 |
|-------------------|---------------|---------------------------|---------------------------|
| UK Equities | 146,221 | 160,843 | 131,599 |
| Overseas Equities | 400,845 | 440,930 | 360,761 |
| Fixed Income | 156,700 | 172,370 | 141,030 |
| Property | 65,635 | 72,199 | 59,072 |

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 10% 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 10% 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 | Value on Increase £000 | Value on Decrease £000 |
|-------------------|---------------|---------------------------|---------------------------|
| Overseas Equities | 400,845 | 440,930 | 360,761 |

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 2018, the fair value of assets under management was £772m. 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 strategic benchmark of the Fund is 80% equities (including property and cash) and 20% bonds. As set out in the Pension Fund's Investment Strategy Statement, the asset allocation may be varied and rebalancing may be suspended at the discretion of the Pension Fund Committee.

As at 31 March 2018, the Fund was allocated as shown in the table below:

| Market Value 31 March 2017 | | | | Market Value 31 March 2018 | |
|----------------------------|---------------|----------------------|--------------------------------------|----------------------------|---------------|
| Value of Portfolio | % of the Fund | Manager | Mandate | Value of Portfolio | % of the Fund |
| £000 | % | | | £000 | % |
| 156,924 | 21.1 | Standard Life | Fixed Income Mandate | 156,700 | 20.3 |
| 112,295 | 15.1 | Baillie Gifford(CIV) | Global Equity Mandate | 127,202 | 16.5 |
| 142,684 | 19.2 | Newton (CIV) | Real Return Mandate | 139,982 | 18.1 |
| 237,634 | 32.0 | SSgA/LGIM | Global Equity Index Tracking Mandate | 242,563 | 31.4 |
| 32,678 | 4.4 | Schroders | Emerging Markets Equity Mandate | 37,319 | 4.8 |
| 59,489 | 8.0 | Schroders | Property | 65,995 | 8.6 |
| 1,553 | 0.2 | LBR | Cash & LCIV | 2,253 | 0.3 |
| 743,257 | 100 | | | 772,014 | 100 |

14. Investments as at 31 March 2018

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

| | 2016/17 | 2017/18 |
|----------------------------|------------|------------|
| | % | % |
| Equities | 71 | 70 |
| Bonds | 21 | 20 |
| Property | 8 | 9 |
| Cash and other investments | - | 1 |
| Total | 100 | 100 |

15. Investment Strategy Statement

The Council is required by Regulation to prepare and publish an Investment Strategy Statement (ISS). This Statement sets out the Fund's policy on a range of matters relating to the investments and management of the Pension Fund and is regularly reviewed and updated. A copy of the ISS can be found on the Council's website www.redbridge.gov.uk.

16. Current Assets and Liabilities

| | 2016/17 | 2017/18 |
|-------------------------------------|----------------|----------------|
| | £000 | £000 |
| Contributions due | 495 | 477 |
| Sundry Debtors | 5 | 8 |
| Prepaid Expenses | 0 | 16 |
| Total of Current Assets | 500 | 501 |
| Accrued benefits | (143) | (129) |
| Accrued expenses | (191) | (255) |
| Sundry Creditors | - | (7) |
| Total of Current Liabilities | (334) | (391) |

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 £24.233m to the Fund in 2017/18 (£24.328m in 2016/17).

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 £0.415m (£0.499m in 2016/17).
- Investment services undertaken by the Council of the Pension Fund were £0.120m (£0.120m in 2016/17).

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

The key management personnel of the Pension Fund are the members of the Pension Fund Committee and the Corporate Director of Resources.

19. Actuarial Valuation

In 2017/18, the contribution paid by the Council as an employer was determined following an actuarial valuation of the Fund as at the 31 March 2016. The valuation as at 31 March 2016 set the employer's contribution rates for the years 2017/18, 2018/19 and 2019/20. The actuarial method used by the Actuary is known as the "projected unit method". The key feature of this method is that in assessing the future service cost, the Actuary calculates the contribution rate, which meets the cost of benefits accruing in the year after the valuation date. This is the same method adopted at the previous valuation and is an appropriate method for a fund which is open to new members.

For this valuation the actuary adopted a market value approach whereby assets were valued initially on a market value basis and liability assumptions were derived from gilt yields. Those assumptions, which have the most significant effect on the results of the valuation, are:

| Assumption | Rate |
|--|-------------|
| The rate of increase in pensionable earnings | 2.1% |
| "Gilt-based" discount rate | 4.2% |
| The level of increase in earnings growth | 2.1% |

The result of the 2016 valuation was that the value of the Fund's assets was actuarially assessed as £634m, which was sufficient to meet 80% 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 2016 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), and certified by the Actuary in the Actuarial Valuation Report. The new employer contribution rates and shortfall payments commenced from 1 April 2017.

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 40 of the Notes to the Core Financial Statements.

The Actuary has calculated that the liabilities at 31 March 2018 for the entire Fund comprises of:

| Type of Member | 2016/17 Liability £000 | 2017/18 Liability £000 |
|-----------------------|---------------------------------------|---------------------------------------|
| Employees | 457 | 495 |
| Deferred Members | 262 | 259 |
| Pensioners | 417 | 399 |
| Total | 1,136 | 1,153 |

The net liability of the Fund in relation to the actuarial present value of promised retirement benefits and the net assets available to fund these benefits is as follows (based upon IAS19 information).

| | 31 March 2017 £000 | 31 March 2018 £000 |
|---|-------------------------------|-------------------------------|
| Present value of funded obligations | (1,136) | (1,153) |
| Fair value of Fund Assets | 743 | 772 |
| Net Liability for the whole Fund | (393) | (381) |

These calculations have been determined using the following financial assumptions:

| Year Ended | 31 March 2017 % p.a. | 31 March 2018 % p.a. |
|-----------------------------------|---------------------------------|---------------------------------|
| Inflation / Pension Increase Rate | 2.4 | 2.4 |
| Salary Increase Rate | 2.4 | 2.4 |
| Discount Rate | 2.6 | 2.7 |

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 13 members of the Pension Fund contribute to the AVC schemes. In 2017/18 £39,428 of contributions were made to the AVC Scheme (£29,148 in 2016/17).

| Market Value 31 March 2017 £000 | AVC Provider | Market Value 31 March 2018 £000 |
|--|---------------------|--|
| 171 | Equitable Life | 178 |
| 154 | Clerical Medical | 171 |
| 275 | Standard Life | 268 |
| 600 | TOTAL | 617 |

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 (NIL – in 2017).

Annual Governance Statement 2017/18

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 2018, 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 was 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 and Cabinet Members 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. Following a Peer Review commissioned through the LGA, the Constitution was reviewed as part of an independent review of the Council's governance arrangements and a revised Constitution including Standing Orders and the Officer Scheme of Delegations and Contract Standing Orders were adopted at Full Council in March 2017 and will be kept under regular 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 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 Code of Conduct for Employees is available on the Council's intranet site and was revised and reissued in March 2017. 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.

Governance and Assurance Committee

The Governance and Assurance Committee has a comprehensive work programme that covers Corporate Governance (including an overview of the Annual Governance Statement); Financial Management and Statement of Accounts; Internal Control and Risk Management; Internal Audit performance; Anti-Fraud and Whistleblowing; Treasury Management Strategy and policies; and External Audit performance and quality. The Governance and Assurance Committee receives and challenges reports from management and auditors. Each year the Governance and Assurance Committee assesses its effectiveness against CIPFA guidance and also produces an annual report summarising its work. The latest annual report in July 2017 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 Governance and Assurance 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 her absence by the Assistant Director – Finance Business Support and Enablement, the Deputy s151 Officer); and the role of Monitoring Officer is undertaken by the Assistant Director Assurance. 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, the Chief Executive held monthly governance meetings including the Section 151 officer and the Monitoring Officer to review the effectiveness of governance arrangements.

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 Corporate Director of People. Likewise, the Council has a Cabinet Member for Children and Young People in the Council's Cabinet with this portfolio. The Council has a Corporate Director of People, and a Cabinet Member, with responsibility for Adult Social Services to meet its requirements under the Local Authorities (Social Services) Act 1970, and a Director of Public Health, and Cabinet Member for Health and Social Care 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 Governance and Assurance 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 has been revised and was further discussed by Audit Committee in the year 2016/17.

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 Cabinet Member for Finance and Resources has incorporated information governance into his Portfolio, and there are regular reports to Governance and Assurance 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 on the preparation towards compliance with the GDPR and the Data Protection Act 2018.

Training and Development

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. Following the LGA Peer Review in 2016, the People Strategy has been reviewed to reflect current workforce priorities and Departmental People Plans are being developed.

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 has over 181,598 registered users of which 138,123 (76%) have an address which is in the borough. 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 News is the flagship e-newsletter which is sent monthly to over 36,000 subscribers.
- Using social media increasingly to talk to and respond to residents' queries and concerns through a number of Twitter feeds and Facebook pages. We have 13,000 Twitter followers, over 3,000 Facebook likes and 600 Instagram followers.
- 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 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. 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.

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. 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. The Chief Executive chairs the Corporate Diversity and Equalities Group and a revised Equalities and Diversity Action Plan has been developed.

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. From April 2016 this role is undertaken by Corporate Director of Resources.

Internal and External Audit

Internal Audit and External Audit (KMPG for 2017/18 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 Senior Internal Audit Manager 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 Senior Internal Audit Manager reports on the outcomes of the annual programme of audit work to management and Members, especially

the Governance and Assurance 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.

The Council's External Auditor, KPMG, 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 three other scrutiny committees and two panels which have an advisory role e.g. advising on policy development, executive functions, and non- executive decision making functions as well as the ability to undertake a pre-decision review role. The five committees are Overview, Health Scrutiny, Strategy and Resources; People and Place. The roles of the Committees and Panels can be found on the Council's website. In March 2017 revised governance arrangements were agreed, including Scrutiny, which will come into force in May 2017.

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 Annual Internal Audit Opinion, 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 Annual Internal Audit 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 Annual 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 2016/17 AGS were monitored during the year and appropriate actions taken to address concerns. Internal Audit reflected these areas within their audit coverage for 2017/18. There has been significant improvement in most of the areas.

An Action Plan attached to this Statement sets out areas of further improvements to the internal controls in 2017/18 that will be monitored by the Governance and Assurance 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 2017/18.

Annual Governance Statement 2017/18 Action Plan (actions for 2018/19)

| Number | Area to develop | Actions | Timescales | Lead Officer |
|---------------|---|--|-------------------|--|
| 1 | Improve contract management and monitoring. | <ul style="list-style-type: none"> Monitoring compliance with the new contract management framework. | March 2019 | Assistant Director – Finance Business Support and Enablement (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"> Business Continuity Plans to be refreshed and tested during the year. | March 2019 | Operational Director Civic Pride |
| 3 | Continue to improve systems and processes across the Council around ensuring compliance with good practice relating to health and safety. | <ul style="list-style-type: none"> Compliance with recommendations of review of Health and Safety service. | March 2019 | Operational Director Civic Pride |
| 4 | Ensure that there is close monitoring of the delivery of spending reductions that the Council has and will be required over the next few years. | <ul style="list-style-type: none"> Savings delivery tracked on a monthly basis and reported to Management Team and Cabinet. | March 2019 | Assistant Director – Finance Business Support and Enablement (Deputy S151 Officer) |

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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.

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. A measure of the costs of economic benefits derived from intangible assets that are consumed during the period.

Balance Sheet

A statement of all the assets, liabilities and other balances of the Council at the end of an accounting period.

Business Improvement District

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

Budget

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

Capital Expenditure

Expenditure on the acquisition of non-current or intangible assets, or expenditure that adds to the value of an existing asset.

Capital Adjustment Account

Represents amounts set aside from revenue resources or capital receipts to finance expenditure on assets or for the repayment of external loans and certain other capital financing transactions.

Capital Receipt

Income received from the sale of a capital asset such as land or buildings.

Carrying Value (Book Value)

For Financial Instruments, this value is the amount to be recognised on the Balance Sheet. Financial Assets and Liabilities need to be recognised in the Balance Sheet at fair value or at amortised cost.

Cash

Comprises cash in hand and available-on-demand deposits.

Cash equivalents

Are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flow

A statement that shows the changes in cash and cash equivalents during the financial year.

Collateral

Assets pledged by a borrower to secure a loan.

Collection Fund

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 Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of Community Assets are parks and historic buildings.

Community Infrastructure Levy

A levy that Council can charge on new developments in their area. The money can be used to support development by funding infrastructure that the Council, local community and neighbourhoods want.

Comprehensive Income and Expenditure Statement

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

Contingent Liability

A possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Council, or a present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured.

Credit Ratings for Investments

A scoring system used by credit rating agencies such as Fitch, Moodys and Standard and Poors to indicate the credit-worthiness and other factors of Governments, Banks, Building Societies, and other financial Institutions.

Creditors

Amount of money owed by the Council for goods and services received but not paid for as at 31 March.

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 for goods and services provided but where income was not received as at 31 March.

Deferred Capital Receipts

The balance of outstanding monies owed (e.g. mortgages) by purchasers of Council property.

Deferred Liabilities

These are creditor balances repayable after one year.

Defined Benefit Scheme

A pension scheme where the benefits payable on retirement are determined by predetermined formula and not dependent on market returns.

Depreciation

A measure of the cost of the economic benefits of the tangible fixed asset consumed during the year which is charged to the revenue account.

Depreciation Replacement Cost

The current cost of replacing or recreating an asset with its modern equivalent asset less deduction for all physical deterioration and all relevant obsolescence and optimisation.

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. This is a lease that substantially transfers the risks and rewards of a fixed asset to the lessee. With a Finance Lease, the present value of the lease payments would equate to the fair value of the leased asset.

Financial Instruments Adjustment Account (FIAA)

Provides a balancing mechanism between the different rates at which gains and losses are recognised under the Code and are required by Statute to be met from the General Fund.

Financing activities

Are activities that result in changes in the size and composition of the principal, received from or repaid to external providers of finance.

General Fund (GF)

Redbridge's main Revenue Account from which is met the cost of providing most of the Council's services, paid from Council Tax and government grants (excluding HRA).

General Fund Balance

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

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 Realisable Value

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

Non-Current Assets

Assets that yield benefits to the Council and the services it provides for a period of more than one year.

Operating Lease

This is a lease other than a finance lease. An operating lease contract allows the use of an asset, but does not convey rights similar to ownership of the asset. The lessee pays rentals to the lease company and, the asset is returned at the end of the lease period.

Operational Assets

Assets held, occupied, used or consumed by the Council in the direct delivery of its service.

Outturn

The actual level of expenditure and income for the year.

Post Balance Sheet Events

Those events that relate to the accounting year, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Chief Financial Services Officer.

Precept

The charge made upon the collection fund by one Authority (e.g. Greater London Authority) on another Council (e.g. Redbridge) to finance its net expenditure.

Private Finance Initiative

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

Projected Unit Method

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

Provisions

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

Public Works Loans Board (PWLB)

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

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 support main front line services.

Abbreviations used in Accounts

| | |
|----------------|---|
| AGS | Annual Governance Statement |
| AVC | Additional Voluntary Contributions |
| BID | Business Improvement District |
| BN | Billion |
| CFR | Capital Financing Requirement |
| C I E S | Comprehensive Income and Expenditure Statement |
| CIPFA | Chartered Institute of Public Finance and Accountancy |
| DFE | Department for Education |
| DSG | Dedicated Schools Grant |
| DWP | Department for Work and Pensions |
| EFA | Expenditure Funding Analysis |
| ELWA | East London Waste Authority |
| FIAA | Financial Instruments Adjustments Account |
| FRS | Financial Reporting Standard |
| GLA | Greater London Authority |
| HRA | Housing Revenue Account |
| IAS | International Accounting Standard |
| IFRIC | International Financial Reporting Interpretations Committee |
| IFRS | International Financial Reporting Standard |
| LASAAC | Local Authority (Scotland) Accounts Advisory Committee |
| LBR | London Borough of Redbridge |
| LCIV | London Collective Investment Vehicle |
| LGPS | Local Government Pension Scheme |
| LPFA | London Pensions Fund Authority |
| M | Million |
| MHCLG | Ministry of Housing, Communities and Local Government |
| MRA | Major Repairs Allowance |
| MRP | Minimum Revenue Provision |
| NDR | Non-Domestic Rates |
| PFI | Private Finance Initiative |
| PWLB | Public Works Loans Board |
| RICS | Royal Institute of Chartered Surveyors |
| RSG | Revenue Support Grant |
| SeRCOP | Service Reporting Code of Practice |
| SORP | Statement of Recommended Practice |
| UCRR | Usable Capital Receipts Reserve |