London Borough of Redbridge

2011/12 Statement of Accounts

Contents

Explanatory Foreword

Introduction
The purpose of the Statement of Accounts is to summarise the financial performance for the financial year 2011/12 and the overall financial position of the Authority. This foreword aims to give a general guide to the main features of the information reported within the rest of the Accounts and provides a summary of the Council's overall financial position.

The Statement of Accounts for 2011/12 has been prepared on an International Financial Reporting Standards (IFRS) basis. The framework within which these Accounts are prepared and published is regulated by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Financial Reporting Advisory Board and the Government.

Whilst these accounts are presented as simply as possible the use of some technical terminology cannot be avoided. To aid a better understanding of the terminology used a glossary of the terms is set out on pages 116 to 119 at the end of the document. An explanation of the key financial statements including explanatory notes and other relevant supplementary information is also provided.

The key financial statements set out within this document include:

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

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

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

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

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

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

- **Collection Fund** – The Authority is responsible for collecting council tax and non-domestic rates, the latter on behalf of the Government. The proceeds of council tax are distributed to the Authority and the Greater London Authority (GLA). The Fund shows income due and the application of the proceeds.

- **Group Accounts** – The Authority has a material interest in Redbridge Homes Ltd, an Arm's Length Management Organisation (ALMO) and Vision Redbridge Culture & Leisure Ltd (VRCL). The Group Accounts show the consolidated position of the activities of the Authority, Redbridge Homes Ltd and VRCL.

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

Review of the Financial Year

This section sets out some of the key features of the Authority's financial performance for 2011/12.

Financial performance in 2011/12 must be seen within the context of the considerable financial challenges faced by local government as it responded to the Government's programme set to reduce the UK's budget deficit through significant cuts in public sector spending.

The Authority set its spending plans for 2011/12 against a backdrop of considerable national economic uncertainty, significantly reduced Government grant funding, and the rising demand for services such as care support for adults and children as well as the high demand for pupil places within the Borough's schools placing both revenue and capital budgets under pressure. In setting the Budget for 2011/12 the Authority's aim was to set a balanced and deliverable budget that would effectively address spending pressures whilst protecting frontline services wherever possible and deliver a continued freeze in Council Tax for the third year running.

At their meeting on 3 March 2011 the Authority approved spending proposals that included:

- Spending reductions of £20.3 million [greater number of which were delivered through efficiencies/back office savings with minimal impact on frontline services]
- Continuing the freeze in Council Tax [0% increase on 2009/10 Average Band D level - £1,095.53]
- A Revenue Budget Requirement of £201 million [almost £10 million less than the previous year]
- A Capital Programme of £95 million funded from internal resources [£50 million to be funded from external resources].

Revenue and Budget Outturn

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

Cluster (Service)	**Budget 2011/12 £'000**	**Actual 2011/12 £'000**	***Variance 2011/12 £'000***
Adult Social Services and Housing	77,076	76,113	*(963)*
Children's Services	52,781	52,750	*(31)*
Environment and Community Services	46,950	47,016	*66*
Finance and Resources	14,371	14,336	*(35)*
Chief Executive, Legal and Constitutional	4,146	4,007	*(139)*
Total – Services	**195,324**	**194,222**	***(1,102)***
Other	6,885	8,136	*1,251*
Borrowing and Investment (Net Receipts)	(12,551)	(13,119)	*(568)*
Levies	13,461	13,307	*(154)*
Council Tax Freeze Grant	(2,489)	(2,489)	*0*
Total General Fund – Net Expenditure	**200,630**	**200,057**	***(573)***

The variance of £573,000 includes £30,000 transferred from the General Fund balance to contribute to the London High Street Recovery fund.

Funded by:	**Budget 2011/12 £'000**	**Actual 2011/12 £'000**
Revenue Support Grant	23,868	23,868
National Non-Domestic Rates	77,218	77,218
Council Tax Receipts	99,544	99,544
	200,630	**200,630**
Surplus / (Deficit) for Year	0	573
Contribution to London High Street Recovery Fund	0	(30)
General Fund Working Balance 31/03/2011	14,843	14,843
General Fund Working Balance 31/03/2012	**14,843**	**15,386**

The net under spend, after allowing for year-end transfers, has been applied to the Authority's General Fund Working Balance. Year-end transfers amounted to £811,000 in total including contributions of £136,000 to the Buildings Maintenance Fund for Children's Services; £200,000 into the Community Fund; £120,000 for potential Land Charge liabilities; £275,000 for Supporting People Schemes; and £80,000 for Council Tax Benefit IT system changes.

The Service Cluster expenditure headings and figures reported above reflect the Authority's organisational and management structure. These are not consistent with the Service headings reported within the Comprehensive Income and Expenditure Statement on page 24 which conform, to the Service Reporting Code of Practice requirements. However, information is provided on Pages 59 to 62 to reconcile the financial position against the Authority's management structure to that of the Comprehensive Income and Expenditure Statement.

The financing and surplus figures reported above are also not the same as those reported in the Comprehensive Income and Expenditure Statement. This is because of a number of accounting transactions that are required to be reflected in the Comprehensive Income and Expenditure Statement.

Housing Revenue Account

The Statement of Accounts also includes the ring-fenced Housing Revenue Account for the provision of council housing. The HRA made a net surplus of £929,000 and increased its working balance by the same amount. The full details of the Housing Revenue Account and the movements on that account are set out on pages 85 to 89.

During 2011/12 the Government is introduced a new financing system for the HRA called "Self Financing". The complex system of subsidies from the Government ended, and instead the Authority will retain housing rental income and use it to maintain the housing stock. As part of the new self financing regime, the Authority was required to make a one-off payment to the Government of £60.1 million. This was financed from borrowing and all financial charges in respect of this debt are ring fenced within the HRA.

Capital

Capital expenditure is made on the purchase, improvement or enhancement of assets. Capital expenditure for the year was £70.066 million. The most significant areas of expenditure in 2011/12 included that for schools (increasing the number of pupil places within the Borough's schools and condition and suitability of existing schools buildings infrastructure). Other works to the Authority's corporate properties and the highways infrastructure together with grant support to improve private sector housing for the elderly and more vulnerable residents within the Borough were also undertaken. Housing (HRA) capital expenditure has been used to improve the Authority's housing stock.

The expenditure analysed by cluster was as follows:

Service	**Budget 2011/12 £'000**	**Actual 2011/12 £'000**	***Variance 2011/12 £'000***
Adult Social Services	98	98	*0*
Children's Services	55,876	47,411	*(8,465)*
Culture, Sport and Community Learning	83	0	*(83)*
Highways and Cleansing	9,411	8,082	*(1,329)*
Housing (General Fund)	5,114	2,570	*(2,544)*
Housing (HRA)	13,651	10,261	*(3,390)*
Planning and Regeneration	150	119	*(31)*
Property Services	1,051	689	*(362)*
Other [1]	1,354	836	*(518)*
Total – Services	**86,788**	**70,066**	***(16,722)***
Capitalised Expenditure	0	844	
Total – Capital Expenditure	**86,788**	**70,910**	

Note [1] Includes Vehicles & Equipment, Computer Software/Licenses, etc.

Analysis of Capital Funding Sources was as follows:

Capital Funding:	Actual 2011/12 £'000
Borrowing	18,427
Capital Grants and Contributions	43,747
Capital Receipts	1,035
Contributions from Reserves	6,611
Revenue Contributions	1,090
Total	**70,910**

Spending variances on the Authority's approved capital programme include £14.461 million slippage of which £8.845 million is in respect of internally funded schemes where delays have arisen and £5.616 million on externally funded schemes where funding can be used over a period of several years. The remaining underspent balance of £2.261 million will be carried forward and used to meet future year capital scheme costs. Details of the Authority's capital expenditure and capital financing in 2011/12 are set out on page 71.

Borrowing

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

In 2011/12, the Authority was required to make provision to borrow £11.4 million towards the cost of financing the General Fund capital programme, and £7 million towards funding the HRA capital programme.

Investments

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

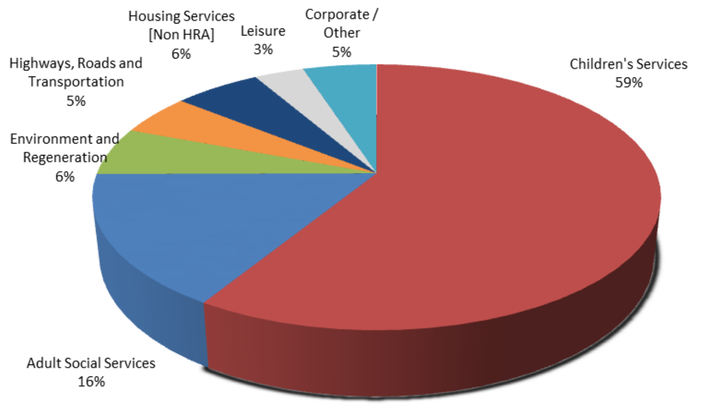
The Authority will also aim to achieve the optimum return on investments commensurate with appropriate levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with highly credit rated financial institutions. A list of counterparties with whom funds could be invested was compiled with reference to the credit ratings issued by the credit agencies Fitch, Moodys and Standard & Poors. Further details of investment activities are provided within Note 48 on pages 80 to 84.

Forward Look 2012/13

At their meeting on 1 March 2012 the Authority approved its spending plans for 2012/13 onwards. These were set within the context of the continued reduction in Government grant funding, which it is expected will continue at least until 2016/17, and an ever growing demand for Council services.

The Authority's Revenue Budget for 2012/13 is £193.5 million. This is a reduction of £7.1 million (3.5%) compared to the previous financial year. Changes in spending include funding pressures of £13.9 million (arising from demographic and other unavoidable cost increases) and spending reductions/resource funding changes of £21.0 million. Spending reductions have been delivered in the main through efficiency and other back office savings with front-line services protected wherever possible. Balancing spending through these measures will allow the Authority to freeze Council Tax for services provided directly by Redbridge for the third year running.

Gross Revenue Expenditure – Is estimated at £559 million in 2012/13. This includes funding for Schools but excludes benefit payments that are directly off-set by subsidy from the Department of Work and Pensions (estimated at £175 million in 2012/13). The graph below sets out the proportional split of gross revenue expenditure across the relevant service definitions and the table to the right how this expenditure will be funded.



Revenue Service Expenditure - Analysis

Financed By:

Fees and Charges	£74.9 m	13%
Specific Grants	£69.6 m	12%
Dedicated Schools Grant	£221.0 m	40%
Formula Grant	£93.6 m	17%
Council Tax	£99.8 m	18%

Capital Expenditure - The Authority's approved spending plans from 2012/13 include planned new capital expenditure of £225 million of which £168 million will be funded from the Authority's own resources and £57 million from external resources. Capital expenditure requirements over this five-year period continue to be driven largely by the high demand for pupil places in the Borough's Schools as well as condition and suitability works to School buildings. Other unavoidable capital expenditure to maintain non schools assets including corporate buildings and the Borough's highways infrastructure has also been provided for.

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

- Containing service delivery costs within approved spending limits including price base changes, demographic and other service driven spending pressures.
- Delivering savings within the timescales and at the levels set within the approved budget.
- Preparing for the significant changes local government will face with effect from 2013/14 both in the services we will deliver and the way these will be funded.

Conclusion

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

G. Pearce, BA, CPFA
Director of Finance and Resources
19 September 2012

Annual Governance Statement 2011/12

Each year the Authority is required by law to produce a statement that details the framework for making decisions and controlling the resources of the Authority. The statement covers both the Authority's governance arrangements as well as internal control issues. This statement should enable stakeholders to have an assurance that decisions are properly made and public money is being properly spent on citizens' behalf. The statement below complies with the Accounts and Audit Regulations 2003 as amended.

Scope of responsibility
Redbridge 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. Redbridge also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

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

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

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

Redbridge's governance framework is established through its systems, processes, cultures and values. The Authority's systems and controls are regularly reviewed to reflect changing needs. The local Code has been incorporated into the constitution as a single point of reference for the Authority's framework for its Governance arrangements. The Governance Framework has been in place at Redbridge for the year ended 31 March 2012, and up to the date of approval of the Statement of Accounts.

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

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

To support the corporate priorities, the Authority has a service area planning process. Given the reduction in central government requirements, the Authority's approach to service planning is now much more focused on local priorities. Service Plans provide a review of achievements for 2011/12, look forward to what is needed for 2012/13 and provide an indication of the capacity and resources available. Service Plans are supported by team work programmes and individual performance plans that ensure that teams and individual members of staff all contribute to achieving the Authority's vision, aims and objectives.

It is recognised that the Authority cannot achieve its vision alone. It needs to work in partnership with other agencies and the community to make this happen. The Authority co-ordinates the Redbridge Strategic Partnership (RSP). The RSP was formed in 2002 and there are over 100 individual organisations represented. The RSP Public Service Board is made up of the Leader and Chief Executive of Redbridge Council, Chief Executive of Redbridge NHS, the Borough Police Commander, Chief Officer for Redbridge Council for Voluntary Services, the Chairs of each of the RSP Clusters and Job Centre Plus. The Cluster groups are organised thematically and are Cleaner, Greener Redbridge, Safer Communities, Health and Wellbeing, Enterprise Redbridge, Olympics and Paralympics, and the Children's Trust Partnership Board. Each RSP Cluster is aligned with a Scrutiny Committee to provide oversight and challenge to the delivery of priority areas. The RSP Assembly ensures communication, consultation and engagement with the third sector.

The Redbridge Sustainable Community Strategy, 'Shaping our Future Together' has the ambitious vision that 'in ten years, Redbridge will be a safe and clean place, where people are proud to live, work and invest. A place that is caring, vibrant and healthy. This Strategy was produced in 2008 and is reviewed annually. The RSP is responsible for monitoring delivery of the priority outcomes of the strategy.

Redbridge's own policies and plans work to support this wider vision for the area. The Corporate Strategy 2006-2010 is being updated to reflect priorities between now and 2014. This builds on the progress of the Partnership Agreement 2010-2014 priorities set by the new coalition administration.

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

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

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

Performance management arrangements and targets are reviewed annually using benchmarking information to set challenging targets. 2012/13 will be a transitional year and work is underway to establish a new performance framework for 2013/14 that is relevant to the Authority's business going forward linked to the new Corporate Strategy and the emerging statutory requirements including the new 'Single Data List' for local government.

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

Codes of Conduct
The Code of Conduct for Members was adopted by the Authority and came into effect from 1 October 2007, together with the 10 general principles governing the Code. 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 on taking Office and to keep the Declaration up to date. Members are also required to declare at meetings any personal or prejudicial interests they have in matters under consideration by the committee. Members' Declarations of Financial and Other Interests (which will include any hospitality or gift they have received valued at £25 or more); together with details of interests they have declared at meetings, are available for inspection on the Authority's Website. To ensure that these arrangements are kept under vigorous review the Standards Committee receives a schedule at each of its meetings containing information that enables it to monitor the operation of the Code of Conduct.

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

Audit Committee functions

The Authority has an Audit Committee, established since January 2006 in compliance with the relevant CIPFA guidance. The Audit Committee has a comprehensive work programme that covers Corporate Governance (updated to include overview of this Governance Statement); Financial Management; Internal Control and Risk Management; Anti Fraud and Whistleblowing and Internal and External Audit. The Audit Committee receives and challenges reports from management and auditors and has, where appropriate, called to account the relevant Chief Officers on key issues and high-risk areas in order to gain necessary assurances. The Audit Committee has recently reported upon its work and performance to the Authority.

Risk Management

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

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

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

Compliance with policies, laws and regulations

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

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

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

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

Counter Fraud including Whistle-blowing

The Authority has an agreed Anti Fraud and Corruption Strategy that is regularly reviewed to ensure it remains effective and adaptive to emerging issues and risks. Three key components that support this Strategy are:

- Whistleblowing arrangements that are publicised and are available to the general public, employees, contractors and partners. Reports on the outcomes of referrals are regularly submitted to management and the Audit Committee to ensure that all relevant actions are taken to counter proven allegations. Surveys are periodically undertaken to gain an understanding of the perceptions and confidence of the Authority's whistleblowing arrangements.
- Delivering a programme of anti fraud training and guidance, including a Fraud Response Plan to instil a culture and awareness that fraud will not be tolerated.
- Participating in the National Fraud Initiative (NFI), a computerised data matching exercise conducted by the Audit Commission, designed to detect fraud perpetrated on public bodies.

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

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

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

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

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

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

Communication and engagement
Communication is key to the Authority being able to carry out its core business efficiently and effectively. The Authority has a responsibility to communicate to residents how they can access basic services and information - ineffective communication about services will lead to increased demand on the Authority contact centre and other information services.

The Authority has two primary communication methods with its residents. Redbridge Life is the Authority's printed communications tool. This was launched in September 2006, is published quarterly and distributed to all homes and businesses across the borough. The second is Redbridge-i, the Authority's innovative and award winning website. Registrations on the website are increasing month by month. In addition, the Authority is increasingly using newsletters and social media (Twitter, Facebook).

The website is interactive and allows local people to find out information that is helpful to them and enables them to share their views of the borough and the Authority and actively participate. Residents are now able to report a range of street-scene issues online and receive notification of progress on fixing them, and can view their transactions with the Authority using a dashboard module. These functions are key to the Authority reducing 'avoidable contact'.

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

Communications are also essential to encouraging residents to change their behaviour therefore enabling the Authority to meet key objectives. For example recycling campaigns have been key to encouraging people to recycle more. The Authority's website, Redbridge i, has been very successful in encouraging residents to do business on-line, reducing the demand for expensive face-to-face services. The communication priorities are agreed annually by Cabinet, and these form the basis of a work plan for the Marketing and Communications team.

Communicating the Authority objectives and performance is an essential part of the democratic process. Local people have a right to know what their council tax is funding and how their Authority is performing. In 2011/12, the Authority developed a new online tool called Data-Share, which enables service areas to publish all their non-confidential data about finances and performances, including all transactions above £500. The Authority has taken a lead in open data, as part of the Government's push to make public data more accessible.

Communication is also essential in encouraging people to get involved in the democratic process, attending meetings and giving their views through Council forums. Effective communications are also key to managing and improving the Authority's image and reputation to local people and people outside the borough.

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

Each year the Authority consults a range of users on its budget plans using its own budget consultation tool, YouChoose. The 2010/11 Budget Consultation demonstrated the Authority's commitment in engaging the many different communities in Redbridge. To help shape the 2011/12 budget, over 30 groups considered 'harder to reach' were directly engaged through a series of meetings, workshops and focus groups.

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

Redbridge also has seven Area Committees which are used to engage with our communities, inviting local people to contribute to local issues and have a say in how local projects can be provided.

Partnerships

The most significant partnership for the Authority is the Redbridge Strategic Partnership. This is governed by its own constitution. Members are also subject to a code of conduct and make declarations of interest at meetings. The Partnership identifies the shared outcomes for the community partnership and last year approved the new Sustainable Community Strategy, which sets out the vision and aspirations for the Redbridge community in the medium and long term. This strategy, vision and aspirations for the community are also linked to the Local Area Agreement, which sets targets agreed and monitored with central government.

The Authority has important partnership arrangements with the local Health Service. These cover a range of services and are aimed at delivering a seamless set of services to the public that are provided by the two bodies.

There are partnership arrangements with the Police, Probation and Youth Justice services to help to meet targets for reducing crime and making Redbridge a safer place to live.

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

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

Equalities

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

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

Each Council service will develop at least one SMART objective under the objectives that are relevant to their service.

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

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

The Authority is working towards becoming an "Excellent" authority under the equality framework for Local Government (EFLG)

As part of its budget development process the Authority considers the impact of the decisions it makes in terms of equality and risk as set out within its key strategies and as required by statute. This includes requirements for consultation and equality impact assessments where these are necessary.

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

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

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

The AGS Working Group sought evidence to substantiate the assessment of controls being sound. A Key Controls Diagnostic Checklist, consisting of around 60 lines of enquiry, was used to undertake a review of the adequacy and effectiveness of the internal control arrangements grouped in the following areas:

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

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

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

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

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

The Chief Internal Auditor is authorised to complete a programme of audit reviews within the Authority. To assist in the accomplishment of this programme, the Financial Regulations of the Authority give authority for Internal Auditors to have full, free and unrestricted access to all Authority assets, records, documents, correspondence and personnel for the purposes of that audit. Recommendations arising from the work of both internal and external auditors are discussed and agreed with management, including acceptable timescales for their implementation. The Chief Auditor reports on the outcomes of the annual programme of audit work to management and Members, especially the Audit Committee. The Authority fully complies with the requirements and principles as set out in the CIPFA Standards for the Role of the Head of Internal Audit.

Standards Committee
The main role of the Standards Committee is to promote and maintain high standards of conduct throughout the Authority. It promotes, educates and supports Members in following the highest standards of conduct. The Committee also advises the Authority on the adoption and revision of the Code of Conduct for Members, monitors the operation of the Code of Conduct and receives regular reports in relation to Member training. Under legislation the Standards Committees have been given further powers, namely to assess and review complaints about Members which are now received directly by the Standards Committee and to conduct hearings into alleged misconduct after formal investigations. As a result of the Localism Act 2011 the new Standards regime will be introduced from July 2012 along with the new Members Code of Conduct and be applicable for 2012/13.

Scrutiny Function
There are five Scrutiny Committees and their role is to provide a review and challenge of the Cabinet as well as to support the development of policies.

They have wide ranging responsibilities including post-decision scrutiny (scrutinising the appropriateness and effectiveness of strategies, policies and plans), service review (monitoring and evaluating the performance of services) and budget scrutiny (particularly focusing on efficiency and whether resources are linked to priorities). Overview Committee leads on pre-decision scrutiny (influencing the development of strategies, policies and plans), and can set up time-limited working parties with specific terms of reference for in-depth investigations.

The committees do not focus solely on Authority services - apart from the specific remit of the Health Scrutiny Committee to examine the work of internal and external health service providers, other scrutiny committees can undertake scrutiny of external bodies that provide local services.

The committees meet regularly during the year and they consider performance information that they use to challenge service performance. They also have a key role in reviewing and challenging the budget proposals prior to consideration at full Council.

Area Committees
There are seven Area Committees each covering the wards in their respective areas and they are able to make certain decisions on local issues. Area Committees allow local people to talk directly to local Councillors about issues in their area and also consult residents, local groups, organisations and businesses on a wide range of matters including its annual budget proposals. Area Committees may also refer matters of concern to the Cabinet for wider consideration.

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

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

Governance and internal control issues requiring improvement
The AGS Management Working Group meets regularly to consider and assess the Authority's governance arrangements against the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. As part of their work, the group also reviewed the progress in addressing areas for improvement that had been previously identified within the Annual Governance Statement for 2010/11. These areas concerned:

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

There have been further improvements to these areas in 2011/12 and although good progress has been made these continue to be included in the overall action plan to ensure that the degree of progress is not lost and further improvements are delivered.

In addition a relatively minor operational issue relating to compliance with proper treatment of self-employed status to meet tax regulations for engaging temporary workers in schools was identified last year but did not warrant inclusion in last year's AGS. Although further improvements are required in this area this issue is not deemed material in the context of the Authority's overall budget and therefore is not included in the Action Plan attached to this Statement.

A further relatively minor issue that was identified relates to better utilisation of management information from systems to help monitor performance and provide early warnings where there are exceptions to pre-determined targets/outcomes. As a consequence and where necessary management will be taking steps to review and revise their current reporting arrangements to improve performance monitoring and inform decision making regarding service delivery.

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

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

We propose over the coming year to take steps to address the matters raised in this Statement to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

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

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

……………………………………………………………….. Date

Annual Governance Statement Action Plan

Number	Area to develop	Ongoing Action	Timescales	Lead Officer
1	Project management processes need to continue to be monitored so that they carry on being embedded across the Authority.	• Business critical projects continue to be identified and monitored by Management Board. • Directors to continue to monitor and challenge their own projects. • Support and advice to be provided to project managers as required on the application of the Authority's project management processes. • Project Management training to be provided during 2012/13.	Ongoing	Pat Reynolds
2	Further work is needed to ensure there is a consistent, high quality approach in place in effectively managing our contracts.	Strategic Procurement to continue to identify and provide training to officers across the Authority who have contract management/monitoring responsibilities. Further training to be provided where necessary and tailored to meet identified demand. Once trained, officers will have a clear understanding of the principles of contract management, be aware of best practice and have an increased awareness of how to identify and mitigate contract risks both at the outset of the procurement process and during the lifetime of the contracts for which they have responsibility. Corporate contract monitoring guidelines to be followed by all monitoring officers.	Ongoing Ongoing	Geoff Pearce
3	Build upon the Authority's ability to respond to any incident that could impact upon its activities or disrupt service delivery.	Services to continue to review and test their business continuity arrangements. Further training on Counter Terrorist awareness for E&R Cluster Managers to be provided as appropriate. *Business Continuity arrangements for the Olympics:* • Chief Officers' Olympic BC group to continue to coordinate BCP arrangements during Olympics • additional staff to be employed and extended hours of operation • liaison with military deployed in Borough for Olympics	Ongoing Ongoing June – September 2012	Simon Barry
4	Continue to improve the systems and processes across the Authority around ensuring compliance with good practice relating to information governance and data quality.	The Information Governance Board, chaired by the Chief ICT Officer, comprises senior representatives from each Cluster. The representatives have accountability within their cluster for Data Protection, Records Management, Freedom of Information, Information Security and Data quality. Directors and Chief Officers to ensure that good practice is applied in meeting their respective obligations to best practice.	Ongoing	Geoff Pearce

Number	Area to develop	Ongoing Action	Timescales	Lead Officer
		Directors and Chief Officers to establish processes to sign off their data as part of the introduction of DataShare and the data transparency agenda. An E-learning module on data quality principles to be developed. Checklists for good data quality processes to be developed and disseminated. Results from a health check of Information Governance, recently conducted, to be reviewed and acted upon accordingly.	 October 2012	
5	Continue to ensure compliance with the Equality Framework for Local Government.	Continue to implement actions leading towards the "Excellent" level of the EFLG. Provide an evidence vault to support the actions taken.	Ongoing	John Powell
6	Arrangements to continue to be developed to ensure we robustly and consistently measure the environmental impact of relevant policies, plans and decisions.	The Redbridge Environmental Action Plan (REAct) was adopted by Cabinet in December 2010 as the Borough's overarching environmental strategy. The strategy was prepared with input from all Council Service Areas and key external partners. Actions to be implemented in accordance with the detailed action plan. A Sustainability Impact Screening checklist for procurement, prepared during 2011/12, to be completed with specific input from the Authority's Environment Team where appropriate. All capital projects requiring planning permission to be subject to the Sustainable Design and Construction Supplementary Planning Document (SPD) (adopted January 2012), which includes stronger requirements for carbon reductions and the overall environmental performance of new development. A draft e-learning package for staff on the sustainability / carbon reduction within the Authority will be launched by the Environment Champions.	Ongoing Ongoing Ongoing Mid 2012	Simon Barry
7	Ensuring that risk management continues to be embedded into our operations.	Training is ongoing to ensure that there is comprehensive awareness of the need to ensure that risk management arrangements are embedded into partnerships and contracts. This includes specific fraud risk training and, enhanced risk management training for risk champions. Regular monitoring of the GRACE risk management system identifies those partnerships and contracts where risk management arrangements need to be strengthened. Appropriate engagement with key partners to drive forward the management of partnership risk at a strategic level.	Ongoing Ongoing	Geoff Pearce

Number	Area to develop	Ongoing Action	Timescales	Lead Officer
8	Continue to review the training requirements for Members.	Training for Members to be provided as identified and to be kept under review by the Standards Committee. Training to be provided to all Members in respect of the new Code of Conduct.	As part of Standards Committee work programmes October 2012	Simon Goodwin
9	Building upon initiatives including Redbridge-i and the Redbridge Conversation, further work to progress and embed processes for engaging with the community continue to be developed, including receiving feedback on consultations.	The engagement capacity of Redbridge i and processes for embedding better engagement include: • Formal monitoring and scheduling of service area engagement programmes to identify where the Authority can work more efficiently and assess how service areas can be supported to undertake efficient and meaningful engagement. Ongoing quarterly scheduling where Service Areas are required to submit details of future engagement activities. These are published on the consultation database. • Meet the Council Leader programme ongoing. • Further development of Redbridge i for consultation with the community.	December 2012 Ongoing	Pat Reynolds

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

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

The Director of Finance and Resources Responsibilities

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

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

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

The Director of Finance and Resources has also:

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

Statement of the Director of Finance and Resources

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at the 31 March 2012 and of its income and expenditure for the year ending 31 March 2012.

G. Pearce, BA, CPFA
Director of Finance and Resources
19 September 2012

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

We have audited the statement of accounts of the London Borough of Redbridge and its Group for the year ended 31 March 2012 which comprises the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Movement in Reserves Statement, the Authority and Group Balance Sheet as at the end of the period, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund, the accounting policies and the related notes. The financial reporting framework that has been applied in its preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 supported by the CIPFA Service Reporting Code of Practice 2011/12.

Respective responsibilities of the Director of Finance and Resources and auditors
As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 17, the Director of Finance and Resources is responsible for the preparation of the statement of accounts and for being satisfied that it gives a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the CIPFA Service Reporting Code of Practice 2011/12. Our responsibility is to audit and express an opinion on the statement of accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the statement of accounts
An audit involves obtaining evidence about the amounts and disclosures in the statement of accounts sufficient to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and Group; and the overall presentation of the statement of accounts. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited statement of accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on statement of accounts
In our opinion the statement of accounts:

- gives a true and fair view, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the CIPFA Service Reporting Code of Practice 2011/12, of the state of the Authority and Group's affairs as at 31 March 2012 and of the Authority's and Group's income and expenditure and cash flows for the year then ended; and

- has been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the CIPFA Service Reporting Code of Practice 2011/12.

Opinion on other matter
In our opinion, the information given in the explanatory foreword for the financial year for which the statement of accounts is prepared is consistent with the statement of accounts.

Matters on which we are required to report by exception
We have nothing to report in respect of the Annual Governance Statement on which the Code of Audit Practice issued by the Audit Commission requires us to report to you if, in our opinion, the Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Opinion on the pension fund accounts

We have audited the pension fund accounting statements for the year ended 31 March 2012 which comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Respective responsibilities of the Director of Finance and Resources and auditors

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 17, the Director of Finance and Resources is responsible for the preparation of the pension fund accounting statements and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12. Our responsibility is to audit and express an opinion on the pension fund accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the pension fund accounts

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Pension Fund; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund accounting statements

In our opinion the pension fund's accounting statements:

- give a true and fair view, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, of the financial transactions of the Pension Fund during the year ended 31 March 2012, and the amount and disposition of the fund's assets and liabilities as at 31 March 2012; and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matter

In our opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Janet Dawson
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
London
27 September 2012

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

Authority's responsibilities

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

Auditors' responsibilities

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, we are satisfied that, in all significant respects, the London Borough of Redbridge put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

Certificate

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

Janet Dawson
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
London
27 September 2012

Notes:
The maintenance and integrity of the London Borough of Redbridge website is the responsibility of the council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Movement in Reserves Statement

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

2011/12	**General Fund Balance £'000**	**Earmarked General Fund Reserves £'000**	**Housing Revenue Account £'000**	**Earmarked HRA Reserves £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Grants Unapplied £'000**	**Total Usable Reserves £'000**	**Unusable Reserves £'000**	**Total Authority Reserves £'000**
Balance at 1 April 2011 brought forward	**(14,843)**	**(72,347)**	**(2,426)**	**(1,623)**	**(2,432)**	**(0)**	**(8,891)**	**(102,562)**	**(480,200)**	**(582,762)**
Movement in Reserves during 2011/12										
Surplus / (Deficit) on the provision of services	(485)	0	64,332	0	0	0	0	**63,847**	0	**63,847**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	36,169	**36,169**
Total Comprehensive Income and Expenditure	**(485)**	**0**	**64,332**	**0**	**0**	**0**	**0**	**63,847**	**36,169**	**100,016**
Adjustment between accounting basis and funding basis under regulations *(Note 7)*	(11,326)	0	(65,081)	0	293	(2,689)	(29,965)	**(108,768)**	108,768	**0**
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(11,811)**	**0**	**(749)**	**0**	**293**	**(2,689)**	**(29,965)**	**(44,921)**	**144,937**	**100,016**
Transfers from / (to) Earmarked Reserves *(Note 8)*	11,268	(11,268)	(180)	180	0	0	0	**0**	0	**0**
(Increase) / Decrease in 2011/12	**(543)**	**(11,268)**	**(929)**	**180**	**293**	**(2,689)**	**(29,965)**	**(44,921)**	**144,937**	**100,016**
Balance at 31 March 2012 carried forward	**(15,386)**	**(83,615)**	**(3,355)**	**(1,443)**	**(2,139)**	**(2,689)**	**(38,856)**	**(147,483)**	**(335,263)**	**(482,746)**

2010/11 Comparative Figures

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 1 April 2010 brought forward	(14,639)	(64,675)	(2,397)	(3,041)	(3,489)	(2,672)	(10,512)	**(101,425)**	(431,787)	**(533,212)**
Movement in Reserves during 2010/11										
Surplus / (Deficit) on the provision of services	(94,814)	0	35,871	0	0	0	0	**(58,943)**	0	**(58,943)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	9,393	**9,393**
Total Comprehensive Income and Expenditure	**(94,814)**	**0**	**35,871**	**0**	**0**	**0**	**0**	**(58,943)**	**9,393**	**(49,550)**
Adjustment between accounting basis and funding basis under regulations *(Note 7)*	86,938	0	(34,482)	0	1,057	2,672	1,621	**57,806**	(57,806)	**0**
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(7,876)**	**0**	**1,389**	**0**	**1,057**	**2,672**	**1,621**	**(1,137)**	**(48,413)**	**(49,550)**
Transfers from / (to) Earmarked Reserves *(Note 8)*	7,672	(7,672)	(1,418)	1,418	0	0	0	**0**	0	**0**
(Increase) / Decrease in 2010/11	**(204)**	**(7,672)**	**(29)**	**1,418**	**1,057**	**2,672**	**1,621**	**(1,137)**	**(48,413)**	**(49,550)**
Balance at 31 March 2011 carried forward	**(14,843)**	**(72,347)**	**(2,426)**	**(1,623)**	**(2,432)**	**(0)**	**(8,891)**	**(102,562)**	**(480,200)**	**(582,762)**

Comprehensive Income and Expenditure Statement

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

2010/11 Gross Expenditure £'000	2010/11 Gross Income £'000	2010/11 Restated Net Expenditure £'000		Notes	2011/12 Gross Expenditure £'000	2011/12 Gross Income £'000	2011/12 Net Expenditure £'000
70,399	67,957	2,442	Central Services to the Public		70,168	66,134	4,034
16,893	3,163	13,730	Cultural and Related Services		27,806	1,451	26,355
24,663	3,619	21,044	Environmental and Regulatory Services		24,162	4,237	19,925
9,597	5,303	4,294	Planning Services		7,942	3,031	4,911
378,737	332,412	46,325	Education and Children's Services		387,069	315,960	71,109
33,636	14,718	18,918	Highways and Transport Services		35,387	14,828	20,559
0	0	0	Local Authority Housing (HRA) – Self Financing		60,121	0	60,121
62,092	23,828	38,264	Local Authority Housing (HRA)		29,586	24,757	4,829
186,067	169,250	16,817	Other Housing Services		194,197	178,135	16,062
94,061	31,074	62,987	Adult Social Care		89,401	27,654	61,747
6,889	1,363	5,526	Corporate and Democratic Core		6,670	1,188	5,482
			Non distributed costs				
(70,030)	0	(70,030)	- Pension	*47*	0	0	0
4,789	0	4,789	- Other		2,304	0	2,304
817,793	**652,687**	**165,106**	**Cost of Services**		**934,813**	**637,375**	**297,438**
		25,271	Other operating expenditure	*9*			33,488
		12,132	Financing and investment income and expenditure	*10*			11,037
		(261,452)	Taxation and non-specific grant income	*11*			(278,116)
		(58,943)	**(Surplus) or Deficit on provision of services**				**63,847**
		(712)	(Surplus) or deficit on revaluation of non current assets	*24*			(14,853)
		10,105	Actuarial (gains) / losses on pension assets / liabilities	*47*			51,022
		9,393	**Other Comprehensive Income and Expenditure**				**36,169**
		(49,550)	**Total Comprehensive Income and Expenditure**				**100,016**

Balance Sheet

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

31 March 2011 £'000		*Notes*	**31 March 2012 £'000**
856,824	Property, Plant & Equipment	*12*	836,453
31,688	Investment Property	*14*	29,409
846	Intangible Assets	*15*	605
2,396	Long Term Investments	*16*	2,537
3,342	Long Term Debtors	*16 & 18*	3,176
895,096	**Long Term Assets**		**872,180**
100	Assets Held for Sale	*20*	100
82,933	Short Term Investments	*16*	72,488
168	Inventories	*17*	246
41,866	Short Term Debtors	*16 &18*	35,763
6,754	Cash and Cash Equivalents	*19*	51,883
131,821	**Current Assets**		**160,480**
(11,037)	Short Term Borrowing	*16*	(7,333)
(63,250)	Short Term Creditors	*16 &21*	(56,455)
(3,749)	Capital Grants and Contributions Received in Advance	*38*	(2,787)
(78,036)	**Current Liabilities**		**(66,575)**
(10,258)	Provisions	*22*	(15,011)
(112,307)	Long Term Borrowing	*16*	(174,648)
(5,437)	Capital Grants and Contributions Received in Advance	*38*	(5,437)
(238,117)	Other Long Term Liabilities	*16 & 47*	(288,243)
(366,119)	**Long Term Liabilities**		**(483,339)**
582,762	**Net Assets**		**482,746**
102,562	Usable Reserves	*23*	147,483
480,200	Unusable Reserves	*24*	335,263
582,762	**Total Reserves**		**482,746**

G. Pearce, BA, CPFA
Director of Finance and Resources
19 September 2012

Cash Flow Statement

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

2010/11 £'000		*Notes*	2011/12 £'000
58,943	Net surplus or (deficit) on the provisions of services		(63,847)
63,018	Adjustments to net surplus or deficit on the provision of services for non- cash movements		98,398
(99,354)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(65,997)
22,607	**Net cash flows from Operating Activities**	*25*	**(31,446)**
(44,981)	Investing Activities	*26*	18,090
10,782	Financing activities	*27*	58,485
(11,592)	**Net increase and (decrease) in cash and cash equivalents**		**45,129**
18,346	Cash and cash equivalents at the beginning of the reporting period	*19*	6,754
6,754	**Cash and cash equivalents at the end of the reporting period**	19	**51,883**

Notes to the Accounts

1. Statement of Accounting Policies

General Principles
The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice (SeRCOP) 2011/12, supported by International Financial Reporting Standards (IFRS).

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

Balances relating to the Pension Fund and other funds have been excluded. Additional accounting policies applicable to the Pension Fund are set out on pages 100 to 115.

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

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

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

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

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

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors
Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

Charges to Revenue for Non-Current Assets
Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed 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 fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement that is equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. This provision is known as the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Employee Benefits

Benefits Payable during Employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include benefits such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. The benefits are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post Employment Benefits
Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by The London Borough of Redbridge.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees had worked for the Authority. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions 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 Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate determined by the actuary. The discount rate is based on the indicative rate of return bonds. (iBoxx Sterling Corporates AA over 15 year's index)

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

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

The change in the net pension's liability is analysed into seven components:

- 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 arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return, credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- 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 – debited to the Pensions Reserve.
- Contributions paid to the London Borough of Redbridge Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

Events after the Balance Sheet Date
Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

Financial Instruments

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

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

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

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

Financial Assets
Financial assets are classified into two types:

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

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

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

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

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

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

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

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

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

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

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

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

Foreign Currency Translation
Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

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

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

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

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

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

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

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.

During 2011/12, the Authority conducted a review of assets in the Authority's ownership to ascertain whether any may be classified as a "Heritage Asset" to be recognised as a separate class of assets for the first time in the 2011/12 Statement of Accounts. The Authority does not hold any buildings that meet the designated criteria of a heritage asset.

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

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

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

Heritage assets identified as material in the future will be valued:

- Initially at cost if this is available.
- If cost is not available, values are only included in the Balance Sheet where the cost of obtaining valuation is not disproportionate to the benefit derived.
- Where no market exists or the asset is deemed to be unique, and it is not practicable to obtain a valuation, the asset is not recognised in the Balance Sheet but disclosed in the notes to the accounts.

Depreciation will be charged where useful life can be established. Disposals, revaluation gains and losses and impairments are to be dealt with in accordance with the Authority's policies relating to property, plant and equipment. The cost of maintenance and repair of Heritage assets is written off in the year incurred.

Intangible Assets

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

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

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

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

Interests in Companies and Other Entities

The Authority has a material interest in Redbridge Homes Ltd. and Vision Redbridge Culture & Leisure. It has classified these as subsidiaries. Accordingly Group Accounts are prepared.

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

Inventories

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

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

Investment Property

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

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

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

Leases
Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

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

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

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

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

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

The Authority as Lessor

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Overheads and Support Services
The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP) 2011/12. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement
Assets are initially measured at cost, comprising:
- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Deprecation is calculated on the following bases:

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

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

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

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

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

A significant part of an item of PP&E may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another significant part of that same item. Such parts may be grouped in determining the depreciation charge.

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

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

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

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

General Fund
The Authority will only consider assets with cost or fair value above £4 million for component depreciation and then will only separate components with a cost or fair value of more than 20% of the individual asset for component depreciation.

HRA
The Authority will only consider HRA assets with cost or fair value above £250,000 for component depreciation and then will only separate components with a cost of or fair value of more than 20% of the individual asset for component depreciation.

Disposals and Non-current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services.

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government.. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement,
- Finance cost – an interest charge of 8.16% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease),
- Lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Provisions, Contingent Liabilities and Contingent Assets

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

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

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

Contingent Liabilities
A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made

but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets
A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

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

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

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

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

2. Accounting Standard that has been issued but not yet been Adopted

The Authority has not adopted the amendment to IFRS 7 Financial Instruments: Disclosures (transfer of financial assets) for the year ended 31 March 2012. The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 will introduce a change in accounting policy, which relates to the disclosure of the nature and risks relating to transfer transactions of financial assets (e.g. securities sold under repurchase agreements or securities lending transactions), which will need to be fully adopted by the Authority in the 2012/13 financial statements.

Following a review of the Authority's financial assets and liabilities at the 31 March 2012, it is considered unlikely that this amendment to the IFRS 7 accounting standard will have a material impact on the financial statements of the Authority.

3. Service Reporting Code of Practice (SeRCOP) – Formerly Best Value Accounting Code of Practice (BVACOP)

The Best Value Accounting Code of Practice (BVACOP) established "proper practice" with regard to consistent financial reporting. In 2011/12 the BVACOP was revised and updated to keep pace with the new IFRS based Code of Practice on Local Authority Accounting in the United Kingdom, and, to reflect the requirements of differing legislative frameworks, has been renamed the Service Reporting Code of Practice (SeRCOP).

The most significant change to Service Expenditure Analysis introduced by the SeRCOP was that Culture, Environment, Regulatory and Planning Services has been split into the following three categories: Cultural and Related Services, Environmental and Regulatory Services and Planning Services.

The table below sets out the differences between the amounts presented in the 2010/11 financial statements, and the comparator figures presented in the 2011/12 financial statements.

Comprehensive Income and Expenditure Statement (Net)	**2010/11 Statement £'000**	**Adjustments Made £'000**
Central Services to the Public	1,797	645
Cultural, Environmental, Regulatory and Planning Services	41,386	0
Cultural and Related Services	0	13,730
Environmental and Regulatory Services	0	21,044
Planning Services	0	4.294
Adult Social Care	60,669	2,318
Corporate and Democratic Core	6,171	(645)

4. Critical Judgements in applying Accounting Polices

In applying the accounting policies set out in pages 27 to 39, the Authority has had to make certain judgments about complex transactions of those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

- The Authority is deemed to control the services provided under the PFI contract with NU Schools to provide a secondary school, Oaks Park High School, and also to control the residual value of the school at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the school (valued at £11.54 million (2010/11 - £10.8 million) are recognised as Property, Plant and Equipment on the Authority's Balance Sheet.

- The Authority is deemed to have a subsidiary relationship with Redbridge Homes Ltd and can exert control of the organisation through the power to govern their financial and operating policies in order to maximise the benefits for the Authority. As such, Redbridge Homes Ltd has been consolidated into the Authority's Group Accounts.

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

- Schools are able to convert to Academies. Any Authority maintained school that converts to an Academy becomes a separate legal entity and is allowed to take full control of its Property, Plant and Equipment. This means that these assets may be removed from the London Borough of Redbridge's Balance Sheet or are accounted for differently.

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

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

The items in the Authority's Balance Sheet at 31 March 2012 for which there are significant risks of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	The Authority's Valuation Service estimates the useful economic lives of asset when assets are revalued. This is then used to calculate the annual depreciation charge. The revaluation process cannot take account of the detailed condition of every building revalued, given the large size, and diverse nature and age of the building stock, and the relatively small level of resources which can be allocated for this function.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. Annual depreciation amounts to around £28.6 million (2010/11 - £27million) and the gross book value of fixed assets is £940 million (2010/11 - £1,082million).
Provisions	**Insurance** The outcome of outstanding insurance claims is always very difficult to estimate.	Certain claims, such as severe weather or environment issues, cannot be predicted far in advance and can have a significant impact. However, these are considered to be relatively infrequent and unlikely to have a significant financial impact on the Authority. In addition to the insurance provision that is held to meet existing claims, the Authority holds an Insurance Reserve of £4.1 million (2010/11 - £2.8 million) which is deemed adequate to meet any future potential claims.
Pensions Liability	Estimates of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual's assumptions can be measured. However, the assumptions interact in complex ways. During 2011/12 the Authority's actuaries advised that the net pension's liability had increased by £51million (2010/11 – decreased by £62million).
Review of Leasing	The Authority has undertaken a detailed review of all aspects of leasing in line with the introduction of IFRS, as set out in note 41 above. However, there is a small risk that there may be some financing arrangements that are embedded in certain contracts that have not been identified.	The reclassification of leases from operating to finance, or vice versa, will not affect the Authority's overall financial position, as mitigation procedures have been implemented by DCLG to prevent any impact on council tax.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

6. Events after the reporting period Balance Sheet date

The Statement of Accounts was authorised for issue by the Director of Finance and Resources on 29 June 2012. 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 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2012 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date:

- On the 12 June 2012 Cabinet considered and agreed a report regarding the reintegration of Redbridge Homes Ltd (Arms-Length Management Organisation) back into the authority's Housing Service. Redbridge Homes will stop trading at midnight on the 31 July 2012 and then all work currently undertaken by Redbridge Homes will be transferred to the Authority from the 1 August 2012. Redbridge Homes Ltd will continue to exist as a company after 1 August whilst outstanding liabilities are dealt with and a final audit is completed. Once this has taken place, Redbridge Homes will be wound up in accordance with the requirements of the Companies Act.

- A total of 38 tenanted and 34 leasehold flats located at Repton Court and Claire House are to be transferred to Swan Housing in August 2012, by way of a small scale voluntary transfer. The transfer of these units to the Housing Association relinquishes the Authority's responsibility as landlord for the management of the flats and any tenants residing within.

7. Adjustment between Accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2011/12 **Usable Reserves**

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(24,097)	(4,272)				28,369
Revaluation losses on Property, Plant and Equipment	(48,076)	(6,733)				54,809
Movements in the market value of Investment Properties	(61)					61
Amortisation of intangible assets	(305)					305
Capital Grants and Contributions applied					43,747	(43,747)
Revenue expenditure funded from capital under statute	(3,460)					3,460
Amounts of non-assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(21,665)					21,665
Local Authority Housing settlement payment to the Government for HRA Self Financing		(60,121)				60,121
Statutory provision for the financing of capital investment	7,752	26				(7,778)
Capital expenditure charged against the General Fund and HRA Balances	5,009	1,186				(6,195)
Capital Grants and Contributions Unapplied to the Comprehensive Income and Expenditure Statement	73,554	158			(73,712)	0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	705	511	(1,216)			0
Use of the Capital Receipts Reserve to finance new capital expenditure			1,035			(1,035)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(670)		670			0
Capital receipts received in respect of repayment of grants, advances and distributions	94	5	(99)			0
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		(35)	35			0
Transfer from Deferred Capital Receipts Reserve upon receipts of cash			(132)			132
Reversal of Major Repairs Allowance credited to the HRA		4,195		(4,195)		0
Use of the Major Repairs Reserve to finance new capital expenditure				1,506		(1,506)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(23,719)	(16)				23,735
Employer's pensions contributions and direct payments to pensioners payable in the year	23,288	15				(23,303)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis in different from remuneration chargeable in the year in accordance with statutory requirements	325					(325)
Total Adjustments	**(11,326)**	**(65,081)**	**293**	**(2,689)**	**(29,965)**	**108,768**

2010/11 Comparative Figures

Usable Reserves

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(23,651)					23,651
Revaluation losses on Property, Plant and Equipment	(8)	(38,031)				38,039
Movements in the market value of Investment Properties	(291)					291
Amortisation of intangible assets	(325)					325
Capital Grants and Contributions applied					49,625	(49,625)
Revenue expenditure funded from capital under statue	(4,745)					4,745
Amounts of non-assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(14,403)					14,403
Statutory provision for the financing of capital investment	7,542					(7,542)
Capital expenditure charged against the General Fund and HRA balances	3,572	1,282				(4,854)
Capital Grants and Contributions Unapplied to the Comprehensive Income and Expenditure Statement:	46,279	1,725			(48,004)	0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	551	550	(1,101)			0
Use of the Capital Receipts Reserve to finance new capital expenditure			1,664			(1,664)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(686)		686			0
Capital receipts received in respect of repayment of grants, advances and distributions	79	28	(107)			0
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		(35)	35			0
Transfer from Deferred Capital Receipts Reserve upon receipts of cash			(120)			120
Transfer of deferred sale proceeds credits as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	142					(142)
Use of the Major Repairs Reserve to finance new capital expenditure				2,672		(2,672)
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	61					(61)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	48,030	(16)				(48,014)
Employer's pensions contributions and direct payments to pensioners payable in the year	24,350	15				(24,365)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis in different from remuneration chargeable in the year in accordance with statutory requirements	441					(441)
Total Adjustments	**86,938**	**(34,482)**	**1,057**	**2,672**	**1,621**	**(57,806)**

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund HRA expenditure in 2011/12.

	Balance at 1 April 2010 £'000	Net Transfers 2010/11 £'000	Balance at 31 March 2011 £'000	Net Transfers 2011/12 £'000	Balance at 31 March 2012 £'000
General Fund:					
Capital Reserve	23,007	3,754	26,761	(1,831)	24,930
School Balances	12,853	1,444	14,297	3,743	18,040
Repairs and Renewals Fund	4,398	572	4,970	(556)	4,414
Insurance Fund (Reserve)	3,097	(283)	2,814	1,290	4,104
Council Tax Benefit Transition Reserve	0	0	0	2,800	2,800
Redundancy & Early Retirement Fund	258	4,025	4,283	(1,585)	2,698
Single Status Reserve	5,065	945	6,010	(3,727)	2,283
Change Management Fund	1,922	(507)	1,415	727	2,142
Building Maintenance Fund	604	128	732	1,161	1,893
Concessionary Fares Reserve	879	0	879	983	1,862
Resource Reserves	0	0	0	1,400	1,400
Housing Benefit Balance	242	639	881	(98)	783
Claybury Park Endowment	804	(31)	773	(46)	727
Housing Bond Scheme	0	512	512	195	707
Fairlop Gravel Reserve	574	115	689	(2)	687
IT Strategy Reserve	168	685	853	(335)	518
Area Committee Fund Balance	386	34	420	57	477
Local Area Agreement Fund	5	30	35	360	395
Miscellaneous	8,544	(4,581)	3,963	950	4,913
	62,806	**7,481**	**70,287**	**5,486**	**75,773**
Revenue Grants Unapplied	1,869	191	2,060	5,782	7,842
TOTAL GENERAL FUND	**64,675**	**7,672**	**72,347**	**11,268**	**83,615**
Housing Revenue Account:	3,041	(1,418)	1,623	(180)	1,443
TOTAL	**67,716**	**6,254**	**73,970**	**11,088**	**85,058**

Purpose of Earmarked Reserves and Balances

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

The **Schools Balances –** are resources delegated to schools that will be used to fund future expenditure

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

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

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

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

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

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

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

The **Concessionary Fares Reserve** has been established to smooth the impact of the expected rise in costs over the next two years.

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

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

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

The **Housing Bond Scheme** has been established to help reduce the need to place residents in temporary accommodation

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

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

The **Area Committee Fund Balance** exists to enable resources to be carried forward to fund Area schemes in 2012/13.

The **Local Area Agreement Fund** has been established to facilitate the promotion of partnership working across the borough.

Other Funds and Balances are comprised of a number of smaller earmarked funds and balances including the Olympics Fund and the Environment Development Reserve.

9. Other Operating Expenditure

2010/11 £'000		2011/12 £'000
11,502	Levies	12,468
686	Payments to the Government Housing Capital Receipts Pool	670
13,083	(Gains)/losses on the disposal of non-current assets	20,350
25,271	**Total**	**33,488**

10. Financing and Investment Income and Expenditure

2010/11 £'000		2011/12 £'000
6,884	Interest payable and similar charges	6,728
8,098	Pensions interest cost and expected return on pensions assets	8,322
(1,597)	Interest receivable and similar income	(2,266)
(1,253)	Income and expenditure in relation to investment properties and changes in their fair value	(1,747)
12,132	**Total**	**11,037**

11. Taxation and Non Specific Grant Income

2010/11 £'000		2011/12 £'000
99,005	Council tax income	99,544
85,590	Non domestic rates	77,218
28,853	Non-ring fenced government grants	27,642
48,004	Capital grants and contributions	73,712
261,452	**Total**	**278,116**

12. Property, Plant and Equipment

Movements on Balances

Movements in 2011/12	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 31 March 2011	**272,467**	**589,202**	**61,065**	**120,095**	**13,902**	**2,764**	**22,359**	**1,081,854**	**11,468**
Accumulated Depreciation	(38,635)	(57,835)	(21,626)	(4,224)	(999)	(13)	0	(123,332)	0
At 1 April 2011	**233,832**	**531,367**	**39,439**	**115,871**	**12,903**	**2,751**	**22,359**	**958,522**	**11,468**
Additions	10,199	19,012	4,391	5,853	0	0	27,723	67,178	123
Revaluation increases / (decreases) recognised in the Revaluation Reserve	7,995	(11,277)	0	0	0	60	0	(3,222)	291
Revaluation increases / (decreases) recognised in the Surplus (Deficit) on the provisions of services	(7,822)	(53,685)	0	0	0	0	0	(61,507)	0
De-recognition– Disposals	(330)	(20,802)	(876)	0	0	0	0	(22,008)	0
De-recognition– Other	0	(924)	0	0	0	0	0	(924)	0
Reclassified Assets	0	18,735	0	1,798	0	(2,483)	(15,725)	2,325	0
At 31 March 2012	**243.874**	**482,426**	**42,954**	**123,522**	**12,903**	**328**	**34,357**	**940,364**	**11,882**
Net Book Value At 31 March 2011	**229,862**	**506,143**	**20,491**	**66,452**	**8,990**	**2,527**	**22,359**	**856,824**	**10,804**
Net Book Value At 31 March 2012	**239,679**	**467,595**	**18,138**	**68,011**	**8,353**	**320**	**34,357**	**836,453**	**11,544**
At 31 March 2011	42,605	83,059	40,574	53,643	4,912	237	0	225,030	664
Accumulated Depreciation	(38,637)	(57,916)	(21,626)	(4,225)	(998)	(13)	0	(123,415)	0
At 1 April 2011	3,968	25,143	18,948	49,418	3,914	224	0	101,615	664
Depreciation charge	4,195	10,697	6,724	6,093	636	2	0	28,347	338
Accumulated write back revaluation	(3,968)	(20,599)	0	0	0	(218)	0	(24,785)	(664)
De-recognition – Disposal	0	(410)	(856)	0	0	0	0	(1,266)	0
At 31 March 2012	**4,195**	**14,831**	**24,816**	**55,511**	**4,550**	**8**	**0**	**103,911**	**338**

Comparative Movements in 2010/11	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 2010	**298,507**	**530,192**	**55,419**	**113,488**	**13,076**	**3,520**	**50,158**	**1,064,360**	**11,468**
Additions	10,818	28,401	5,099	6,607	796	0	18,385	70,106	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	652	0	0	0	60	0	712	0
Revaluation increases / (decreases) recognised in the Surplus (Deficit) on the provisions of services	(36,607)	(1,424)	0	0	0	(8)	0	(38,039)	0
De-recognition– Disposals	(251)	(446)	0	0	0	0	0	(697)	0
De-recognition– Other	0	(13,751)	(112)	0	0	0	0	(13,863)	0
Reclassified Assets	0	45,495	659	0	30	(708)	(46,184)	(708)	0
Reclassified Assets Held For Sale	0	0	0	0	0	(100)		(100)	0
Other movements in cost or valuation	0	83	0	0	0	0	0	83	0
At 31 March 2011	**272,467**	**589,202**	**61,065**	**120,095**	**13,902**	**2,764**	**22,359**	**1,081,854**	**11,468**
Accumulated Depreciation and Impairment									
At 1 April 2010	38,633	71,646	34,460	48,142	4,320	161	0	197,362	337
Depreciation charge	3,972	11,571	5,979	5,501	592	76	0	27,691	327
De-recognition– Other	0	(10)	0	0	0	0	0	(10)	0
Other movements in depreciation and impairment	0	(148)	135	0	0	0	0	(13)	0
At 31 March 2011	**42,605**	**83,059**	**40,574**	**53,643**	**4,912**	**237**	**0**	**225,030**	**664**

Depreciation

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

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

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

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

Capital Commitments

As at the 31 March 2012, the Authority was committed to a number of major capital projects, which are due for completion over the next three financial years. The outstanding commitment is approximately £16.72 million of which £5.75 million will be funded from external resources (£32.7 million and £4.3 million respectively for 2010/11). The projects are analysed as follows:

	2011/12 £'000	Year of Completion
Loxford – Additional Primary Places	5,845	2012/13
Mossford Green Expansion	610	2012/13
Isaac Newton Academy	10,269	2012/13
Total	**16,724**	

Revaluations

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

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

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

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

The following statement shows the progress of the Authority's rolling programme for the revaluation of assets. The valuations are carried out by Wilks Head & Eve LLP, Chartered Surveyors and Town Planners. The basis for valuation is set out in the statement of accounting policies.

	Council Dwelling £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Surplus Assets £'000	Assets under construction £'000	Total £'000
Carried at historical cost	**0**	**0**	**18,138**	**0**	**0**	**18,138**
Valued at fair value as at:						
31 March 2012	**239,679**	**467,595**	**0**	**320**	**34,357**	**741,951**
31 March 2011	229,862	506,143	0	2,527	0	738,532
31 March 2010	259,874	458,546	0	3,359	0	721,779
31 March 2009	258,657	382,582	0	2,475	0	643,714
31 March 2008	306,304	0	0	0	0	306,304
Total Historic Cost and Current Value	**239,679**	**467,595**	**18,138**	**320**	**34,357**	**760,089**

13. Information on Assets Held

Assets owned by the Authority include the following:

Number as at 31 March 2011		Number as at 31 March 2012
4,687	**Council Dwellings**	**4,683**
	Operational Buildings	
1	Town Hall	1
7	Other Offices	7
6	Adult Social Services Homes and Hostels	6
9	Adult Social Services Day Centres	9
3	Adult Social Services Other/Offices	3
2	Children's Trust Homes and Hostels	2
7	Children's Trust Day Centres	7
1	Children's Trust Other/Offices	1
1	Sports Centres	1
1	Swimming Pools	1
11	Libraries	10
37	Primary Schools	38
11	Secondary Schools	10
4	Special Schools	4
1	Depots	1
18	Surface Car Parks	18
1	Multi-storey Car Parks	1
5	Cemeteries	5
2	Hall and Theatre	2
	Infrastructure Assets	
529	Highways (km)	529
22	Bridges	22
6	Subways	6
20,965	Street Lights	20,965
	Community Assets	
815 hectares	Parks, Open Spaces and Country Parks	815 hectares
137 hectares	Allotments and Golf Courses	137 hectares
	Other Assets	
52	Investment Properties	48
12	Surplus Assets held for Disposal	11

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:

	2010/11 £'000	2011/12 £'000
Rental income from investment property	1,588	2,173
Direct operating expenses arising from investment property	(44)	(365)
Net gain/(loss)	**1,544**	**1,808**

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

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

	2010/11 £'000	2011/12 £'000
Balance at start of the year	**31,159**	**31,688**
Additions:		
Subsequent expenditure	92	208
Net gains/losses from fair value adjustments	(291)	(61)
Transfers:		
To/from Property, Plant and Equipment	708	(2,325)
Other	20	(101)
Balance at end of the year	**31,688**	**29,409**

15. Intangible Assets

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful life assigned to the software licences used by the Authority is 5 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:

	2010/11 Total £'000	2011/12 Total £'000
Balance at start of year:		
Gross cost amounts	1,700	1,812
Accumulated amortisation	(641)	(966)
Net carrying amount at start of year	**1,059**	**846**
Additions:		
Purchases	112	64
Amortisation for the period	(325)	(305)
Net carrying amount at end of year	**846**	**605**
Comprising:		
Gross cost amounts	1,812	1,875
Accumulated amortisation	(966)	(1,270)
	846	**605**

16. Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet.

	Long Term		Short Term	
	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2012 £'000
Investments				
Loans and receivables	2,396	2,537	82,933	72,488
Total Investments	**2,396**	**2,537**	**82,933**	**72,488**
Cash and Cash Equivalents	**0**	**0**	**6,754**	**51,883**
Debtors				
Loans and receivables	3,342	3,176	41,866	35,763
Total Debtors	**3,342**	**3,176**	**41,866**	**35,763**
Borrowings				
Financial liabilities at amortised cost: -				
PWLB	76,975	138,847	5,833	5,626
Market	35,299	35,801	506	0
Temporary Borrowing	0	0	4,698	1,707
Transferred Debt – Epping Forest DC	33	0	0	0
Total Borrowings	**112,307**	**174,648**	**11,037**	**7,333**
Other Liabilities				
Finance lease liabilities	2,665	1,614	0	0
PFI liabilities	14,402	14,125	0	0
Total other liabilities	**17,067**	**15,739**	0	0
Creditors				
Financial liabilities at amortised cost	0	0	63,250	56,455
Total Creditors	**0**	**0**	**63,250**	**56,455**

Income, Expense, Gains and Losses

	Financial Liabilities	Financial Assets Loans and Receivables	Total	Financial Liabilities	Financial Assets Loans and Receivables	Total
	2010/11	2010/11	2010/11	2011/12	2011/12	2011/12
	£'000	£'000	£'000	£'000	£'000	£'000
Interest Payable and similar charges	6,884	0	6,884	6,728	0	6,728
Interest and Investment Income	0	(1,597)	(1,597)	0	(2,266)	(2,266)
Net Gain/(Loss) for the Year	**6,884**	**(1,597)**	**5,287**	**6,728**	**(2,266)**	**4,462**

Fair Values of Assets and Liabilities

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

- Estimated ranges of interest rates at 31 March 2012 of 1.28% to 4.37% for loans from the PWLB and 4.29% to 4.73% for market loans.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.

The fair values calculated are as follows:

	31 March 2011		31 March 2012	
	Carrying amount £'000	**Fair Value £'000**	**Carrying amount £'000**	**Fair Value £'000**
Financial Liabilities – PWLB - Maturity	87,506	88,395	144,473	159,488
Market Loans	35,805	32,145	35,801	34,127
Total	**123,311**	**120,540**	**180,274**	**193,615**

	31 March 2011		31 March 2012	
	Carrying amount £'000	**Fair Value £'000**	**Carrying amount £'000**	**Fair Value £'000**
Loans and Receivables	92,083	92,297	126,858	126,982
Long-term debtors	3,342	3,342	3,176	3,176
Total	**95,425**	**95,639**	**130,034**	**130,158**

As at 31 March 2012, the financial assets and liabilities fair value did not vary materially from the carrying value (book value).

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

Description	**Debt outstanding 31 March 2011 £'000**	**Debt outstanding 31 March 2012 £'000**
Social Services – High Dependency Accommodation debtors	309	596
Car Loans	218	220

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

The Authority holds Collateral in relation to the following loans:

Description	**Debt outstanding 31 March 2011 £'000**	**Debt outstanding 31 March 2012 £'000**
Mortgages	610	507
Social Services - High Dependency accommodation.	2,291	2,800

The Authority has pledged no collateral in respect of repayment of any loan to another entity.

As at 31 March 2012 the Authority had not entered into any financial guarantees.

17. Inventories

	Postal Franking & Postages £'000	Maintenance Materials £'000	Client Services work in progress £'000	Total £'000
Balance outstanding 1 April 2011	**5**	**140**	**23**	**168**
Purchases / Additions	382	275	45	**702**
Recognised as an expense in the year	(367)	(218)	(39)	**(624)**
Balance outstanding 31 March 2012	**20**	**197**	**29**	**246**

18. Debtors

31 March 2011 £'000	Long Term	31 March 2012 £'000
1,763	Leased Asset – Clements Road Car Park	1,748
610	Mortgages	507
475	Improvement Loans	469
352	Loans to Probation Service	338
142	Lease Premium	114
3,342	**Total**	**3,176**

31 March 2011 £'000	Short Term	31 March 2012 £'000
8,420	Central Government Bodies	1,938
3,546	Other Local Authorities	2,846
2,868	NHS bodies	3,234
199	Public corporations and trading funds	54
	Other Debtors:	
16,866	Council Tax payers	17,553
9,446	Housing Tenants	9,943
6,499	Housing Benefit Recoveries	7,517
3,771	VAT	3,912
3,126	Payment in Advance	2,114
17,051	Sundry Debtors	20,287
(29,926)	Bad Debts Provision	(33,635)
41,866	**Total**	**35,763**

19. Cash and Cash Equivalents

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

31 March 2011 £'000		31 March 2012 £'000
11,300	Short Term Deposits	60,709
(4,546)	Bank Overdraft	(8,826)
6,754	**Total Cash and Cash Equivalents**	**51,883**

20. Assets Held for Sale

	Current 2010/11 £'000	Current 2011/12 £'000
Balance outstanding at start of year	**0**	**100**
Assets newly classified as held for sale:		
Property, Plant and Equipment	100	0
Balance outstanding at year end	**100**	**100**

21. Creditors

31 March 2011 £'000		31 March 2012 £'000
3,788	Central Government Bodies	488
2,706	Other Local Authorities	2,474
185	Public corporations	203
	Other Creditors:	
5,631	Capital Creditors	6,367
7,921	Trade Creditors	3,999
65	Deposits	21
5,067	Employee Benefits	4,742
370	S106 Receipts	537
30,506	Other Creditors	29,594
2,540	General Receipts in Advance	3,114
1,292	Housing Prepayments	1,401
3,179	Council Tax Prepayments	3,515
63,250	**Total**	**56,455**

22. Provisions

	Single Status Provisions £'000	Insurance Provision £'000	Redundancy & Early Retirement Provision £'000	Section 117 Provision £'000	Other General Fund Provisions £'000	HRA Provisions £'000	Total £'000
Balance 1 April 2011	**0**	**9,206**	**570**	**200**	**282**	**0**	**10,258**
Additional Provision made in 2011/12	3,833	1,421	564	0	356	240	**6,414**
Amounts used in 2011/12	0	(1,094)	(293)	0	(74)	0	**(1,461)**
Unused amounts reversed in 2011/12	0	0	0	(200)	0	0	**(200)**
Balance at 31 March 2012	**3,833**	**9,533**	**841**	**0**	**564**	**240**	**15,011**

Purpose

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

Insurance Provision: The Authority maintains an insurance provision to cover the retained element of risk for various areas. This includes public and employer's liability, theft, education property damage and tree root damage. The remaining risks are transferred through cover provided by policies with insurance companies. The Authority's insurance assessors, Marsh Risk Consulting, have advised that the provisional value of expected settlements relating to liability, together with actual property claims notified but not yet settled, amount to £9.5 million.

Redundancy and Early Retirement Provision: This has been established to meet payments relating to employee redundancy and retirements granted in 2011/12.

Other General Fund Provisions: Includes £293,000 set aside to meet the Authority's estimated obligation to purchase and surrender Carbon Reduction Commitment (CRC) Allowances in respect of carbon dioxide emissions used in 2011/12, and a number of smaller provisions to meet potential costs to be levied on the Authority and specific legal provisions.

HRA Provisions: A provision of £175,000 has been set aside to provide for potential liabilities arising from changes to Housing Subsidy data. A provision of £65,000 has been set aside to recognise liabilities which may fall due as a result of disputed contract costs.

23. Usable Reserves

Movements in the Authority's usable reserves are detailed in the movement in Reserves Statement on pages 22 and 23 and in Note 8.

24. Unusable Reserves

31 March 2011 £'000		31 March 2012 £'000
127,062	Revaluation Reserve	137,683
(221,050)	Pensions Reserve	(272,504)
578,957	Capital Adjustment Account	474,660
534	Deferred Capital Receipts	402
(236)	Financial Instruments Adjustment Account	(236)
(5,067)	Accumulated Absences Account	(4,742)
480,200	**Total Unusable Reserves**	**335,263**

Revaluation Reserve

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

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

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

2010/11 £'000			2011/12 £'000
137,175	**Balance at 1 April**		**127,062**
1,494	Upwards revaluation of assets	32,824	
(782)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(17,971)	
712	Surplus or Deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services		14,853
(3,646)	Difference between fair value depreciation and historical cost depreciation		(3,699)
(6,817)	Accumulated gains on assets sold or scrapped		(5,677)
(362)	Revaluation adjustments as a result of reclassification		0
0	Adjusting amounts written out to the Capital Adjustment Account		5,144
127,062	**Balance at 31 March**		**137,683**

Capital Adjustment Account

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

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

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

2010/11 £'000			2011/12 £'000
583,229	**Balance at 1 April**		**578,957**
	Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(20,005)	Charges for depreciation and impairment of non current assets	(24,671)	
(38,039)	Revaluation losses on Property, Plant and Equipment	(54,809)	
(325)	Amortisation of intangible assets	(305)	
(4,745)	Revenue expenditure funded from capital under statute	(3,460)	
(14,403)	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	(15,987)	
(77,517)			**(99,232)**
7,179	Adjusting amounts written out of the Revaluation Reserve		(5,144)
(70,338)	**Written out of the cost of non-current assets consumed in the year**		**(104,376)**
	Capital financing applied in the year:		
1,664	Use of the Capital Receipts Reserve to finance new capital expenditure	1,035	
2,672	Use of the Major Repairs Reserve to finance new capital expenditure	1,506	
49,625	Application of grants to capital financing from the Capital Grants and Contributions Unapplied Account	43,747	
7,542	Statutory provisions for the financing of capital investment charged against the General Fund and HRA Balances	7,778	
4,854	Capital expenditure charged against the General Fund and HRA balances	6,195	
66,357			**60,261**
0	HRA Self Financing – Payment to the Government		(60,121)
(291)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(61)
578,957	**Balance at 31 March**		**474,660**

Financial Instruments Adjustment Account

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

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

2010/11 £'000			2011/12 £'000
(297)	**Balance at 1 April**		**(236)**
69	Interest adjustment on staggered rate loans	8	
(8)	Proportion of premiums incurred in previous financial years	(8)	
61	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		0
(236)	**Balance at 31 March**		**(236)**

Pension Reserve

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

2010/11 £'000		2011/12 £'000
(283,324)	**Balance at 1 April**	**(221,050)**
(10,105)	Actuarial gains or losses on pensions assets and liabilities	(51,022)
48,014	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	(23,735)
24,365	Employer's pensions contributions and direct payments to pensioners payable in the year	23,303
(221,050)	**Balance at 31 March**	**(272,504)**

Deferred Capital Receipts Reserve

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

2010/11 £'000		2011/12 £'000
512	**Balance at 1 April**	**534**
142	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
(120)	Transfer to the Capital Receipts Reserve upon receipt of cash	(132)
534	**Balance at 31 March**	**402**

Accumulated Absences Account

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

2010/11 £'000			2011/12 £'000
(5,508)	**Balance at 1 April**		**(5,067)**
5,508	Settlement or cancellation of accrual made at the end of the preceding year	5,067	
(5,067)	Amounts accrued at the end of the current year	(4,742)	
441	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		325
(5,067)	**Balance at 31 March**		**(4,742)**

25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2010/11 £'000		2011/12 £'000
	The cash flows for operating activities include the following items	
58,943	Net Surplus/(Deficit) on the provision of services	(63,847)
63,018	Adjustments to net surplus or deficit on the provision of services for non cash movements	98,398
	Cash outflows	
(6,690)	Interest paid	(6,563)
(194)	Interest element of finance lease rental payment	(139)
	Cash inflows	
1,597	Interest received	2,266
(85,467)	Other Non-cash transactions/internal transfers	(1,271)
(10,105)	Adjustments to pension costs for IAS 19	(51,022)
(4,857)	Items that appear elsewhere in the cash flow statement	(3,460)
7,587	(Decrease)/Increase in creditors	(8,123)
(507)	(Decrease)/Increase in payments in advance	1,012
(7)	(Decrease)/Increase in inventories	(78)
(711)	(Decrease)/Increase in debtors	1,381
22,607		**(31,446)**

26. Cash Flow Statement – Investing Activities

2010/11 £'000		2011/12 £'000
(68,159)	Purchase of property, plant and equipment, investment property and intangible assets	(67,213)
(140)	Purchase of short term and long term investments	(141)
1,154	Proceeds from the sale of property, plant, equipment, investment property and intangible assets	1,287
(25,840)	Proceeds from short term and long term investments	10,445
48,004	Other receipts from investing activities	73,712
(44,981)	**Net cash flows from investing activities**	**18,090**

27. Cash Flow Statement – Financing Activities

2010/11 £'000		2011/12 £'000
15,000	Cash Receipts of short term and long term borrowing	67,121
139	Other receipts from financing activities	125
255	Cash (payments)/receipts for the reduction of the outstanding liabilities relating to the finance leases on balance sheet PFI contracts	(277)
(4,612)	Repayments of short term and long term borrowing	(8,484)
10,782	**Net cash flows from financing activities**	**58,485**

28. Amounts reported for resource allocation decisions

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

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

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

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

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

Cluster Income and Expenditure 2011/12	Children's Services £'000	Adult Social Services & Housing £'000	Environment & Community Services £'000	Finance & Resources £'000	CEO, Legal & Constitutional Services £'000	Total £'000
Fees, charges & other service income	(37,757)	(73,270)	(51,180)	(194,576)	(4,628)	(361,411)
Government grants	(269,238)	(59,716)	(5,356)	(543)	(133)	(334,986)
Total Income	**(306,995)**	**(132,986)**	**(56,536)**	**(195,119)**	**(4,761)**	**(696,397)**
Employee expenses	211,168	23,687	31,071	19,738	4,112	289,776
Other service expenses	137,374	178,808	60,339	183,552	2,568	562,641
Support service recharges	11,203	6,604	12,142	6,165	2,088	38,202
Total Expenditure	**359,745**	**209,099**	**103,552**	**209,455**	**8,768**	**890,619**
Net Expenditure	**52,750**	**76,113**	**47,016**	**14,336**	**4,007**	**194,222**

Cluster Income and Expenditure Comparative Figures 2010/11	Children's Services £'000	Adult Social Services & Housing £'000	Environment & Community Services £'000	Finance & Resources £'000	CEO, Legal & Constitutional Services £'000	Total £'000
Fees, charges & other service income	(24,752)	(74,254)	(56,460)	(188,109)	(4,471)	(348,046)
Government grants	(267,523)	(1,878)	(5,976)	(414)	(133)	(275,924)
Total Income	**(292,275)**	**(76,132)**	**(62,436)**	**(188,523)**	**(4,604)**	**(623,970)**
Employee expenses	215,560	25,091	39,614	21,047	4,322	305,634
Other service expenses	125,762	119,537	57,636	174,458	2,291	479,684
Support service recharges	10,605	8,163	16,425	5,903	2,108	43,204
Total Expenditure	**351,927**	**152,791**	**113,675**	**201,408**	**8,721**	**828,522**
Net Expenditure	**59,652**	**76,659**	**51,239**	**12,885**	**4,117**	**204,552**

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

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

	2010/11 £'000	2011/12 £'000
Net expenditure in the Cluster Analysis	204,552	194,222
Net expenditure of services and support services not included in the Analysis	1,197	1,464
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(40,643)	101,752
Cost of Services in Comprehensive Income and Expenditure Statement	**165,106**	**297,438**

Reconciliation to Subjective Analysis

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

2011/12

	Cluster Analysis	Services and Support Services not in Analysis	Amounts not reported to Management for decision making	Amounts not included	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fees, charges & other service income	(361,411)	0	(33,247)	54,068	38,202	(302,388)	0	(302,388)
Interest and investment income							(4,439)	(4,439)
Income from council tax							(99,544)	(99,544)
Government grants and contribution	(334,986)	0	0	0	0	(334,986)	(178,573)	(513,559)
Total Income	**(696,397)**	**0**	**(33,247)**	**54,068**	**38,202**	**(637,375)**	**(282,556)**	**(919,930)**
Employee expenses	289,776	0	(326)	0	0	289,450	0	289,450
Other service expenses	562,641	1,465	27,106	(54,068)	0	537,144	266	537,509
Support services recharges	38,202	0	0	0	(38,202)	0	0	0
Revaluation Adjustments	0	0	48,098	0	0	48,098	61	48,159
Interest payments							15,050	15,050
Levies							12,468	12,468
Local Authority Self Financing	0	0	60,121	0	0	60,121	0	60,121
Payments to Housing Capital Receipts Pool							670	670
Loss on Disposal of Assets							20,449	20,350
Total Expenditure	**890,619**	**1,465**	**134,999**	**(54,068)**	**(38,202)**	**934,813**	**48,964**	**983,777**
Deficit / Surplus in the provision of services	**194,222**	**1,465**	**101,752**	**0**	**0**	**297,438**	**(233,592)**	**63,847**

2010/11
Comparative Figures

	Cluster Analysis	Services and Support Services not in Analysis	Amounts not reported to Management for decision making	Amounts not included	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(348,046)	0	(25,894)	(46,355)	43,532	(376,763)	0	(376,763)
Interest and investment income							(3,185)	(3,185)
Income from council tax							(99,005)	(99,005)
Government grants and contribution	(275,924)	0		0	0	(275,924)	(162,447)	(438,371)
Total Income	**(623,970)**	**0**	**(25,894)**	**(46,355)**	**43,532**	**(652,687)**	**(264,637)**	**(917,324)**
Employee expenses	305,634	0	(224)	0	0	305,410	0	305,410
Other service expenses	479,684	1,197	(14,886)	46,355	0	512,350	44	512,394
Support services recharges	43,204	0	328		(43,532)	0	0	0
Revaluation Adjustments	0	0	33		0	33	291	324
Interest payments							14,982	14,982
Levies							11,502	11,502
Payments to Housing Capital Receipts Pool							686	686
Gain on Disposal of Assets							13,083	13,083
Total Expenditure	**828,522**	**1,197**	**(14,749)**	**46,355**	**(43,532)**	**817,793**	**40,588**	**858,381**
Deficit / (Surplus) in the provision of services	**204,552**	**1,197**	**(40,643)**	**0**	**0**	**165,106**	**(224,049)**	**(58,943)**

29. 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.

		2010/11 £'000	£'000	2011/12 £'000	£'000
Conveniences The Public Convenience team are responsible for opening and closing, servicing and maintaining nine public conveniences and a further two owned by Leisure Services. Additional services provided are cleaning of facilities in allotments and some car parks. The Cumulative deficit over the last three financial years is nil.	Turnover	478		371	
	Expenditure	(478)		(371)	
	Surplus/(Deficit)		0		0
Grounds Maintenance The Grounds Maintenance team are responsible for both grounds maintenance within parts of the borough and arboriculture services for the whole borough. Additional services provided are floral decorations, landscaping and a skip service. Cumulative deficit over last three financial years is £250,000. The Grounds Maintenance team are now part of Leisure Services and although employed by Authority they are managed on behalf of the Authority by Vision Redbridge Culture & Leisure Ltd. The costs and income attributed to the Grounds Maintenance service accrue to the Authority.	Turnover	1,166		996	
	Expenditure	(1,241)		(1,143)	
	Surplus/(Deficit)		(75)		(147)
Civic Catering The Staff and Civic Catering team are responsible for the provision of routine refreshments and canteen services to Members, visitors and staff. The Cumulative deficit over last three financial years is £19,000.	Turnover	548		492	
	Expenditure	(576)		(483)	
	Surplus/(Deficit)		(28)		9
Street Cleansing The Street Cleansing team is responsible for sweeping all the Authority's roads, emptying of litter bins and removal of fly tipping. The Cumulative surplus over last three financial years is £89,000.	Turnover	4,387		4,252	
	Expenditure	(4,387)		(4,163)	
	Surplus/(Deficit)		0		89
Transport The Transport Services provides the Authority's transport needs, both passengers and goods. It consists of a vehicles workshop which repairs and maintains a fleet of vehicles. The services are also offered to external clients in terms of private vehicle hire, maintenance and repair services. The Cumulative surplus over last three financial years is £98,000.	Turnover	8,259		7,842	
	Expenditure	(8,105)		(7,912)	
	Surplus/(Deficit)		154		(70)
Total			**51**		**(119)**

30. Agency Services

East London Waste Authority (ELWA)

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

	2010/11 £'000	2011/12 £'000
Service Level Agreement	180	180

NNDR

The Authority collects NNDR and the Business Rate Supplement (BRS) on behalf of the Government. Details of these arrangements are detailed in the Collection Fund Accounts at page 90.

Business Improvement Districts

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

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

	2010/11 £'000	2011/12 £'000
Ilford BID		
Amount Brought Forward	(50)	(36)
Cash Collection in 2011/12	(366)	(444)
Levy Payment	380	392
Balance carried forward	**(36)**	**(88)**
Hainault BID		
Amount Brought Forward	(14)	(5)
Cash Collection in 2011/12	(44)	(124)
Levy Payment	53	98
Balance carried forward	**(5)**	**(31)**

31. Children's Services - Aligned Budgets

The Authority has entered into an aligned budget arrangement with NHS Redbridge (NHSR) for the provision of children's services to meet the needs of people in the London Borough of Redbridge (LBR), the services being provided by the Authority and the PCT. The Authority and NHS Redbridge have an agreement in place under Section 75 which was effectively a continuation of the existing S.31 arrangements which have been in place since 2004, with partners contributing funds to the agreed budget.

	2010/11 £'000	2011/12 £'000
Funding provided to the aligned budget:		
LBR	30,455	29,229
NHSR	6,928	7,454
Expenditure met from the aligned budget:		
LBR	31,433	29,368
NHSR	6,770	7,407
Net surplus arising on the aligned budget during the year:		
LBR	978	139
NHSR	(158)	(47)

32. Learning Disability Partnership

The Authority has entered into a Learning Disability Partnership under Section 75.

The original Partnership was made up of the following bodies:

- London Borough of Redbridge.
- London Borough of Waltham Forest.
- NHS Redbridge (Formerly Redbridge PCT).
- NHS Waltham Forest (Formerly Waltham Forest PCT).

The purpose of the partnership was primarily to:

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

The original Learning Disability Partnership was dissolved at the end of September 2011 and a new S75 Learning Disabilities Partnership took effect on 1 October 2011. The new partnership excludes LB Waltham Forest and NHS Waltham Forest and in addition to NHS Redbridge the partnership also includes the North East London Foundation Trust (NELFT). The six month statements to 31 March 2012 are below:

Expenditure and Income of former Partnership in 2011/12:

2010/11 Net Expenditure		2011/12 Gross Expenditure	2011/12 Gross Income	2011/12 Net Expenditure
£'000		£'000	£'000	£'000
17,869	London Borough of Redbridge	13,586	(6,442)	7,144
19,667	London Borough of Waltham Forest	9,442	0	9,442
7,126	NHS Redbridge	2,623	(486)	2,137
10,341	NHS Waltham Forest	2,017	0	2,017
55,003		**27,668**	**(6,928)**	**20,740**

Expenditure and Income of new Partnership in 2011/12:

	2011/12 Gross Expenditure	2011/12 Gross Income	2011/12 Net Expenditure
	£'000	£'000	£'000
London Borough of Redbridge	8,985	(1,466)	7,519
NHS Redbridge	2,110	0	2,110
NELFT	397	0	397
	11,492	**(1,466)**	**10,026**

33. Integrated Community Equipment Services Partnership

The Integrated Community Equipment Services Partnership was formed on 7 December 2006. The purpose is to improve the Services commissioned and provided for Service Users by:

- Ensuring gaps in service provision are avoided,
- Reducing duplication and bureaucracy,
- Simplifying access to Services and making them more seamless,
- Maximising the flexibility of Services to respond to individual need,
- Ensuring more effective co-ordination of Services.

The Partnership is made up of the following bodies:

- London Borough of Redbridge.
- NHS Redbridge.

Expenditure and Income of the Partnership 2011/12:

2010/11 Net Expenditure		2011/12 Gross Expenditure	2011/12 Gross Income	2011/12 Net Expenditure
£'000		£'000	£'000	£'000
1,185	London Borough of Redbridge	1,171	(339)	832
302	NHS Redbridge	339	0	339
1,487		**1,510**	**(339)**	**1,171**

34. Members' Allowances

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

	2010/11 £'000	2011/12 £'000
Allowances	1,021	1,009
Total	**1,021**	**1,009**

35. Officers' Remuneration

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

		Note	Salary including Fees and Allowances £	Other Emoluments £	Compensation For loss of office £	Total Remuneration excluding pension contributions £	Pension Contribution £	Total Remuneration including pension contributions £
Roger Hampson Chief Executive	2011/12	*1*	181,542			181,542	41,936	223,478
	2010/11		*181,542*			*181,542*	*41,936*	*223,478*
Director of Finance and Resources	2011/12		135,213	2,424		137,637	31,794	169,431
	2010/11		*135,483*	*2,669*		*138,152*	*31,851*	*170,003*
Director of Environment, Regeneration and Community Safety	2011/12	*2*	22,202	404	11,700	34,306	5,211	39,517
	2010/11		*133.209*	*2,135*	*0*	*135,344*	*31,264*	*166,608*
Director of Children's Services	2011/12		133,209			133,209	30,771	163,980
	2010/11		*131,205*			*131,205*	*30,308*	*161,513*
Borough Solicitor and Secretary	2011/12	*3*	*106,778*	0		106,778	24,666	131,444
	2010/11		*94,032*	*0*		*94,032*	*21,721*	*115,753*
Director Environment & Community Services	2011/12	*2*	125,196	3,029		128,225	29,620	157,845
	2010/11		*123,192*	*1,761*		*124,953*	*28,864*	*153,817*
Director Adult Social Services and Housing	2011/12		125,472	3,029		128,501	29,620	158,121
	2010/11		*123,192*	*1,761*		*124,953*	*28,864*	*153,817*

***Note 1** – In his role as returning officer The Chief Executive also received the following sums: £6,918 for the referendum in May 2011 which is refunded in full by the Electoral Commission and £703 in respect of the Aldborough ward by-election in November 2011.*

***Note 2** – The posts of Director of Environment, Regeneration and Community Safety and that of Director of Community Services have been amalgamated into one post – Director of Environment and Community Services. The former post holder, Director of Environment, Regeneration and Community Safety, departed 31/05/2011.*

***Note 3** – Reflects permanent appointment to the post of Borough Solicitor and Secretary with effect from 1 March 2011.*

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

2010/11			Earning Band	2011/12		
Officers	Teachers	Total		Officers	Teachers	Total
40	126	**166**	**£50,000 - £54,999**	42	108	**150**
43	66	**109**	**£55,000 - £59,999**	34	80	**114**
25	32	**57**	**£60,000 - £64,999**	19	33	**52**
6	26	**32**	**£65,000 - £69,999**	6	13	**19**
3	21	**24**	**£70,000 - £74,999**	5	26	**31**
4	16	**20**	**£75,000 - £79,999**	3	11	**14**
3	15	**18**	**£80,000 - £84,999**	3	17	**20**
3	13	**16**	**£85,000 - £89,999**	2	10	**12**
4	6	**10**	**£90,000 - £94,999**	3	9	**12**
0	1	**1**	**£95,000 - £99,999**	1	4	**5**
2	3	**5**	**£100,000 - £104,999**	1	0	**1**
0	1	**1**	**£105,000 - £109,999**	1	4	**5**
0	1	**1**	**£110,000 - £114,999**	0	1	**1**
0	2	**2**	**£115,000 - £119,999**	0	0	**0**
2	1	**3**	**£120,000 - £124,999**	0	1	**1**
0	1	**1**	**£125,000 - £129,999**	2	1	**3**
1	0	**1**	**£130,000 - £134,999**	1	1	**2**
2	0	**2**	**£135,000 - £139,999**	1	0	**1**
0	0	**0**	**£140,000 - £144,999**	0	0	**0**
0	1	**1**	**£145,000 - £149,999**	0	0	**0**
0	0	**0**	**£150,000 - £154,999**	0	1	**1**
1	0	**1**	**£180,000 - £185,000**	1	0	**1**
139	**332**	**471**		**125**	**320**	**445**

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

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

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0 - £20,000	42	119	0	1	42	120	£258,341	£945,558
£20,001 - £40,000	12	26	0	0	12	26	£319,849	£703,429
£40,001 - £60,000	3	8	0	0	3	8	£157,953	£379,014
£60,001 - £80,000	0	3	0	0	0	3	0	£209,411
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	2	0	0	0	2	0	£247,483
Total	**57**	**158**	**0**	**1**	**57**	**159**	**£736,143**	**£2,484,895**

36. External Audit Costs

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

	2010/11 £'000	2011/12 £'000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year – Financial Statements	214	214
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year – Use of Resources/VFM Conclusion work (including data quality).	125	91
Scale Fee and Transition to IFRS rebates	(36)	(20)
Fees payable to external auditors for the certificate of grant claims and returns for the year.	89	99
Fees payable in respect of other services provided by external auditors during the year, including preparations and submission of a successful claim for refund of VAT and the National Fraud Initiative.	17	85
Total	**409**	**469**

37. Disclosure of Deployment Dedicated Schools Grant in 2011/12

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

Details of the deployment of DSG receivable for 2011/12 are as follows:

Schools budget funded by Dedicated Schools Grant 2011/12:

	Notes	Central Expenditure	Individual Schools Budget (ISB)	Total
		£'000	£'000	£'000
Final DSG for 2011/12	*1*			**223,416**
Brought forward from 2010/11	*2*			**1,160**
Agreed budgeted distribution in 2011/12		21,904	202,672	**224,576**
Actual central Expenditure		(18,913)	0	**(18,913)**
Actual ISB deployed to schools		0	(204,181)	**(204,181)**
Local Authority contribution for 2011/12		222	0	**222**
Carry forward to 2012/13		**3,213**	**(1,509)**	**1,704**

Notes

1 ***Finalised DSG figure as issued by DfE on 27 March 2012 (following Academy recoupment adjustments).***

2 ***Figure brought forward from 2010/11 as agreed with DfE.***

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

In setting the budget for 2011/12 it should be noted that the Central Expenditure element for the Schools Budget did exceed the statutory maximum and this was agreed by Schools Forum on 22 March 2011. However, transfers of approximately £1.509 million from Central Expenditure to the ISB during the year have resulted in central expenditure being below budget. The Surplus balance of £1.704 million will be carried forward to be included within the overall schools budget in 2012/13.

38. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2011/12:

	2010/11 £'000	2011/12 £'000
Credited to Taxation and Non Specific Grant Income		
Recognised Capital Grants and contributions	48,004	73,712
Council Tax	99,005	99,544
NNDR	85,590	77,218
RSG	12,428	23,868
Non Service Related Government Grants	16,425	3,774
Total	**261,452**	**278,116**
Credited to Services		
Department of Work & Pensions	164,070	170,383
Department for Education	267,626	258,320
Other Miscellaneous Grants	7,847	26,852
Total	**439,543**	**455,555**

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

	2010/11 £'000	2011/12 £'000
Capital Grants Receipts in Advance		
Short Term		
Devolved Formula Capital Grant	3,749	2,612
Young People's Learning Agency 6th Form Grant	0	175
	3,749	**2,787**
Long Term		
Section 106 Developer Contributions	5,437	5,437
Total	**9,186**	**8,224**
Revenue Grants Receipted in Advance		
Jack Petchey Music	13	0
Arts Council Drama	5	0
Golden Hellos	39	0
Young Apprenticeship	203	0
Access Grant	104	0
Standard Funds	1,468	0
LSC Transport	45	0
AIM Higher	14	0
TDA (Training Development Agency) Workforce	6	0
Sure Start	63	0
LDA (London Development Agency) Grant	97	0
DSG	1,046	0
Legal Service Land Charges	34	0
6th Form Funding Grant	0	222
Housing General Fund Grants	0	115
New Homes Grant	0	151
Total	**3,137**	**488**

39. Related Parties

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

Central Government

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of Member's allowances paid in 2011/12 is shown in note 34. During 2011/12 members have made the following disclosures:

Organisations	**Member**	**Capacity**	**2011/12 Payments to organisations by the Authority £'000**
Wanstead House Community Association	Cllr C Cummins	Member of Management Committee	11
Redbridge Homes Ltd	Cllr F Banks, Cllr P Canal, Cllr R Hatfull, Cllr J Ryan	Board Members	5,969
Vision Redbridge Culture & Leisure	Cllr R Cole (Until 19th May 2011), Cllr J Athwal, Cllr S Nolan (Appointed 20th May 2011), Cllr I Bond (Appointed 20th May 2011).	Board Members	11,059
Redbridge Theatre Company Ltd.	Cllr R H Hoskins, Cllr R C Littlewood, Cllr S Nolan, Cllr K Prince, Cllr J Ryan, Cllr B Saund, Cllr M J Stark, Cllr B White	Members of Board Governors	173
Redbridge Green Fair	Cllr R Hatfull	Treasurer	3

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

Companies and Organisations

The Authority has the following interests in organisations:

Redbridge Homes Ltd.

The Authority has a subsidiary company, Redbridge Homes Ltd. Redbridge Homes began operations on 1 April 2007 to manage Authority owned housing stock and provide services for its resident tenants and leaseholders. Redbridge Homes was paid a management fee of £5.9 million in 2011/12 (£6.1 million in 2010/11) for providing these services.

Vision Redbridge Culture & Leisure Ltd.

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

The Authority made contract payments of £11.1 million in 2011/12 (£796,017 in 2010/11) to Vision RCL for the management of these services.

Redbridge Theatre Company Ltd.
The principal activity of this Company is the operation of a theatre for the London Borough of Redbridge. The Company is a registered charity and carries on business as a Theatrical Charitable Trust. The Company is limited by guarantee and has no share capital. The Authority grant aids the Company and during 2011/12 this amounted to £172,637 (£198,004 in 2010/11). The net assets of the Company for year ended July 2011 totalled £167,185 (£150,705 year ended July 2010). The Company made a net profit in 2010/11 of £11,205 (£474 year ended July 2010).

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

At the time of the production of this year's Accounts for the London Borough of Redbridge, the 2011/12 Accounts for the Redbridge Theatre Company Limited had not been produced as its year end is 31 July 2012. These will be available at a later date. The last audited set of Accounts was given an unqualified audit opinion. Copies are available at the offices of the Director of Finance and Resources.

Other
During the financial year, the Authority charged the Pension Fund £411,000 for expenses incurred administering the Pension Fund (£411,000 in 2010/11).

The Authority made payments of £482,939 as part of the London Councils scheme, to the City of London for Voluntary grants (£890,129 in 2010/11).

40. Capital Expenditure and Capital Financing

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

	2010/11 £'000	2011/12 £'000
Capital Investment		
Property, Plant and Equipment	70,106	67,178
Investment Properties	92	208
Intangible Assets	112	64
Revenue Expenditure Funded from Capital under Statute	4,745	3,460
	75,055	**70,910**
Sources of Finance		
Capital Receipts	(1,664)	(1,035)
Government grants and other contributions	(52,297)	(43,747)
Capital expenditure charged against the General Fund and HRA balances	(4,854)	(1,090)
Contributions from reserves including MRR	(4,087)	(6,611)
	(62,902)	**(52,483)**
Borrowing	(2,684)	(7,000)
Borrowing	(9,469)	(11,427)
	(12,153)	**(18,427)**
	(75,055)	**(70,910)**
Capital Financing Requirement		
Total Assets	889,358	866,467
Less Revaluation Reserve	(127,062)	(137,683)
Less Capital Adjustment Account	(578,957)	(474,660)
Closing Capital Financing Requirements	**183,339**	**254,124**

41. Leases

The Authority as Lessee

Finance Leases

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

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

	31 March 2011 £'000	31 March 2012 £'000
Vehicles, Plant, Furniture and Equipment	3,700	2,623
	3,700	**2,623**

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

	31 March 2011 £'000	31 March 2012 £'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	1,191	1,165
Non- current	1,752	588
Finance costs payable in future years	(281)	(142)
Minimum lease payments	**2,662**	**1,611**

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

	Minimum Lease Payments		Finance Lease Payments	
	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2012 £'000
Not later than one year	1,191	1,165	1,052	1,081
Later than one year and not later than five years	1,677	537	1,542	484
Later than five years	75	50	68	46
	2,943	**1,752**	**2,662**	**1,611**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £0 contingent rents were payable by the Authority (2010/11 - £0).

Operating Leases

During the year the Authority has acquired a fleet of refuse collection vehicles, minibuses, vans, lorries, sweepers and cars, by entering into operating leases, with typical lives of seven and ten years.

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

	31 March 2011 £'000	31 March 2012 £'000
Not later than one year	581	738
Later than one year and not later than five years	1,664	1,663
Later than five years	0	457
	2,245	**2,858**

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 2011 £'000	31 March 2012 £'000
Minimum lease payments	511	620
	511	**620**

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

The Authority as Lessor

Finance Leases

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

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

	31 March 2011 £'000	31 March 2012 £'000
Finance lease debtor (net present value of minimum lease payments):		
Current	97	97
Non- current	11,178	11,080
Unearned finance income	(9,512)	(9,430)
Unguaranteed residual value of property	113	125
Gross investment in the lease	**1,876**	**1,872**

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

	Gross Investment in the lease		Minimum Lease Payments	
	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2012 £'000
Not later than one year	15	15	15	15
Later than one year and not later than five years	61	61	61	61
Later than five years	1,800	1,796	1,687	1,672
	1,876	**1,872**	**1,763**	**1,748**

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 2011/12, contingent rents of £40,097 were receivable by the Authority (2010/11 - £23,166).

Operating Leases

The Authority leases out land under operating leases for:

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

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

	31 March 2011 £'000	31 March 2012 £'000
Not later than one year	5	5
Later than one year and not later than five years	20	20
Later than five years	568	563
	593	**588**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12, contingent rents of £2,110 were receivable by the Authority (2010/11 - £1,219).

42. Private Finance Initiative

Oaks Park High School – Scheme Details

2011/12 was the tenth year of a 30 year PFI contract for the construction, maintenance and operation of Oaks Park Secondary School.

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

The school had a phased opening in January 2002 and provides 1,450 pupil places.

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

Under the PFI contract, the Authority pays an agreed charge, which has been accounted for as outlined in the Authority's Accounting Policies as detailed on page 38. At the time the contract was signed the total estimated contract payments were £65.90 million to the end of the contract in December 2032. Actual payments will depend on the service provided.

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

	£'000
Total Scheme Capital Expenditure	15,998
Current residual asset value as at 31 March 2012	11,544
Residual asset value as at 31 March 2011	10,804
Estimated asset life	35 years

Property Plant and Equipment

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

Payments

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract as at 31 March 2012 (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	866	300	1,142	2,308
Repayable in 2 to 5 years	3,465	1,478	4,291	9,234
Repayable in 6 to 10 years	4,332	2,671	4,541	11,544
Repayable in 11 to 15 years	4,332	4,012	3,200	11,544
Repayable in 16 to 20 years	4,692	5,663	1,188	11,543
Total	**17,687**	**14,124**	**14,362**	**46,173**

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.

	2010/11 £'000	2011/12 £'000
Balance outstanding at start of the year	14,657	14,402
Payments during the year	(255)	(277)
Balance outstanding at year-end	**14,402**	**14,125**

43. Impairment Losses

During 2011/12, the Authority has recognised an impairment loss of £21,600 in relation to Other Land and Buildings.

The value of other land and buildings has been reduced as a result of changes in valuations to reflect the recoverable amount.

General Fund	
Other Land and Buildings	£21,600

44. Termination Benefits

The Authority terminated the contracts of a number of employees in 2011/12, incurring liabilities of £2,485,000 (£736,000 in 2010/11). In general these redundancies result from the Authority's efforts to reduce cost of services in response to a reduction in grant income from the government. There were a total of 158 redundancies in 2011/12 (58 in 2010/11).

45. Other Funds

The Authority administers the affairs of some elderly residents and children in care, sometimes by named officers, and also holds various other deposits. The total value of these funds as at 31 March 2012 was £1,706,869. (£1,691,765 as at 31 March 2011).

46. Pension Scheme Accounted for as a Defined Contribution Scheme

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

The Scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. The Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2011/12, the Authority paid £14.5 million to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £15.2 million and 14.1%. There were no contributions remaining payable at year end.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 47.

47. Defined Benefit Pension Scheme

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

The Authority participates in two post employment arrangements:

- The Local Government Pension Scheme, administered locally by the London Borough of Redbridge – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension's liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. There have been no new awards since 2008 for officers and since 2009 for teachers.

Transaction Relating to Post Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefit is reversed out of the General Fund via the Movement in Reserves Statement. In the UK Budget Statement on 22 June 2010 the Chancellor of the Exchequer announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

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	
	2010/11	**2011/12**
	£'000	**£'000**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current Service Cost	14,086	16,021
Past Service Costs	(70,030)	0
Settlements and curtailments	(168)	(608)
Financing and Investment Income and Expenditure:		
Interest Cost	33,327	34,253
Expected return on scheme assets	(25,229)	(25,931)
Total Post Employment Benefit(credited) to the Surplus on the provision of Services	**(48,014)**	**23,735**
Other Post Employment Benefit credited to the Comprehensive Income and Expenditure Statement:		
Net Actuarial gains and losses	(10,105)	(51,022)
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement		
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	72,378	(432)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employer's contributions payable to scheme	22,284	21,153
Employer's discretionary contributions payable	2,080	2,150
Retirement benefits payable to pensioners	22,200	25,530
Discretionary benefits payable to pensioners	2,080	2,150

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £51million.

Assets and Liabilities in Relation to Post-employment Benefits

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

	Local Government Pension Scheme	
	2010/11 £'000	**2011/12 £'000**
Opening Balance at 1 April	662,729	626,446
Current Service Cost	14,086	16,021
Interest Cost	33,327	34,253
Contributions by scheme participants	6,443	5,933
Actuarial gains and losses	4,816	46,993
Benefits paid	(22,200)	(25,530)
Discretionary Benefits	(2,080)	(2,150)
Past Services Costs	(70,030)	0
Curtailments	390	0
Settlements	(1,035)	(1,888)
Closing Balance at 31 March	**626,446**	**700,078**

Reconciliation of fair value of the scheme

	2010/11 £'000	**2011/12 £'000**
Opening Balance at 1 April	379,404	405,396
Expected Rate of Return	25,229	25,931
Actuarial gains and losses	(5,763)	(3,229)
Employer contributions	22,760	20,352
Contributions by scheme participants	6,443	5,933
Benefits paid	(22,200)	(25,530)
Settlements	(477)	(1,279)
Closing Balance at 31 March	**405,396**	**427,574**

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 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.

The actual return on scheme assets in the year was £23.089m (in 2010/11 the return was £34.459m).

Scheme History

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Present value of liabilities:					
Local Government Pension Scheme	(481,486)	(476,766)	(662,729)	(626,446)	(700,078)
Fair value of assets in the Local Government Pension Scheme	326,129	295,726	379,405	405,396	427,574
Surplus/(deficit) in the scheme:					
Total Deficit	**(155,357)**	**(181,040)**	**(283,324)**	**(221,050)**	**(272,504)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £272.5 million has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in reduction in the Authority's net worth of 36.1% as at the 31 March 2012 (27.5% as at 31 March 2011). However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2013 is £20.3 million.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits Liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the London Borough of Redbridge Pension Fund being based on the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2010/11	**2011/12**
Long term expected rate of return on assets in the scheme:		
Equity Investments	7.5%	6.2%
Bonds	4.9%	3.8%
Property	5.5%	4.4%
Cash	4.6%	3.5%
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	21.9 years	21.9 years
Women	24.7 years	24.7 years
Longevity at 65 for future pensioners:		
Men	23.8 years	23.8 years
Women	26.5 years	26.5 years
Rate of Inflation	2.8%	2.5%
Rate of increase in salaries	4.6%	4.3%
Rate of increase in pensions	2.8%	2.5%
Rate for discounting scheme liabilities	5.5%	4.8%
Take up of option to convert some annual pension into retirement lump sum	50%	50%

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

	31 March 2011	31 March 2012
	%	%
Equity Investments	58	56
Debt Instruments	34	34
Other assets	8	10
Total	**100**	**100**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categorises.

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Experience gains and losses on Assets	(10.00)	(21.25)	14.87	(1.42)	(0.76)
Experience gains and losses on liabilities	(1.63)	(0.15)	0.22	20.93	1.32

48. Nature and Extent of Risks arising from Financial Instruments

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

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

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

Overall Procedures for Managing Risk

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

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

- by formally adopting and following the requirements of the Code of Practice;
- by approving annually in advance Prudential Indicators for the following three years limiting:
  - the Authority’s overall borrowing;
  - maximum and minimum exposure to fixed and variable interest rates;
  - maximum and minimum debt repayment profile;
  - maximum annual exposure to investments maturing beyond a year.

The Investment Strategy for the forthcoming year sets out criteria for both investing and selecting investment counterparties in compliance with government guidance. The Strategy’s objective is to prioritise the security and liquidity of the Authority’s investments over the investment yield. Prior to being approved by full Council, the Strategy is scrutinised by the Authority’s Audit Committee. Performance is reported bi-annually to Council. An annual report is also required. The full Investment Strategy for 2011/12 was approved by full Council on the 3 March 2011 and is available to view on the Authority’s website.

Credit Risk

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

Credit risk arising from deposits with Banks and Financial Institutions

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

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

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

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

The Authority’s maximum exposure to credit risk in relation to its investments in banks and building societies of £135 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority’s deposits; there was no evidence at the 31 March 2012 that this was likely to materialise.

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

Asset Class Percentages:

Type of Asset	% Of Total Investment as set by 2011/12 Treasury Management Strategy %	% Of Total Investment as at 31 March 2012 %
UK Government and Local Authorities	100	4
Banks - Specified	100	50
Money Market Funds – Specified	75	40
Building Societies - Specified	50	5
Unspecified Investments – including un-rated Building Societies	50	1
Non UK Government and Supranational Bonds	15	0

The asset class percentages are well within the upper limits prescribed in the Authority's Treasury Management Strategy for 2011/12.

As at 31 March 2012, the Authority had £2 million in long-term investments (over 364 days), (£2 million as at 31 March 2011). This is within the boundary of £20 million for long-term investments as specified in the Authority's Treasury Management Strategy.

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

As at 31 March 2012, the Authority had no investments with Non-UK domiciled banks.

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

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

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

	Amount at 31 March 2012 £'000	Historical experience of default	Historical experience of adjustment for market conditions at 31 March 2012	Estimated maximum exposure at 31 March 2012 £'000
Other Debtors	55,266	4.00%	1.00%	2,763

Payments for services are either required in advance or due at the time the service is provided. As at 31 March 2012, approximately £55m (£49m as at 31 March 2011) is due to the Authority from its other debtors, the total being past its due date. The past due but not impaired amount can be analysed by age as follows:

Age Debtors Analysis	**31 March 2011** **£'000**	**31 March 2012** **£'000**
Less than three months	7,106	8,579
Three to six months	2,003	2,858
Six months to one year	2,468	2,557
Over one year	13,471	15,482
One to two years	5,303	6,030
Two to three years	5,517	5,349
Three to four years	4,184	4,344
Four to five years	3,509	3,707
Over five years	5,355	6,360
	48,916	**55,266**

Liquidity Risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of Prudential Indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Authority has ready access to the Public Works Loans Board (PWLB). The PWLB provides access to longer-term funds and acts as lender of last resort to Councils. Therefore there is no significant risk that the Authority will be unable to raise finance to meet its commitments. As at 31 March 2012 80% (70% as at 31 March 2011) of Authority Loans outstanding were with the PWLB.

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

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

Refinancing and Maturity Risk

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

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or rescheduling existing debt;

- Monitoring the maturity of investments to ensure that there is sufficient liquidity available for the Authority's day-to-day cash flow needs (this is set at £25 million in the Treasury Strategy), and the spread of long term investments provides stability of maturities and returns in relation to long term cash flow needs; and

- On a short-term basis internal balances are available to be used for finance should market interest rates be unfavourable at the time of refinancing.

The maturity analysis for borrowing is as follows:

Renewal Period	Market Loans Outstanding as at 31 March 2012 £'000's	Limit of projected Fixed rate Borrowing %	% of Total Borrowing 31 March 2012 %	% of Total Borrowing 31 March 2011 %
Less than one Year	30,513	35	17	22
Between one and two years	12,513	45	7	19
Between two and five years	11,026	60	6	22
Between five and ten years	34,565	80	19	19
More than 10 Years	90,479	100	51	18
Total	**179,096**		**100**	**100**

The Department of Communities and Local Government (DCLG) introduced a new financing system for the Housing Revenue Account during 2011-12. The Self Financing devolved system abolished the Housing Revenue Account Subsidy System. The housing reform was based on a calculation of the individual value of each local authority's housing business which was compared to their existing housing debt to give a self- financing settlement which led the London Borough of Redbridge to take on debt of £60.1 million. This was borrowed from the Public Works Loans Board on the 28 March 2012 and paid directly over to the DCLG.

Market Risk

Interest Rate Risk

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

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

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

The Authority has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 25% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team 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 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Impact on of 1% increase in interest rates

	£'000
Increase in interest payable on variable rate borrowings	0
Increase in Interest receivable on variable rate investments	0
Increase in government grant receivables for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	0
Share of overall impact debited to the HRA	0
Decrease in fair value of fixed rate investment assets	24
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit) on the provision of Services or Other Comprehensive Income and Expenditure)	21,750

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

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

Price Risk

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

Foreign Exchange Risk

The Authority has no financial assets or a liability denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

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.

The Authority charges rent 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 Reserves Statement.

Restated 2010/11 £'000	**Housing Revenue Account Income and Expenditure Account**	***Notes***	**2011/12 £'000**
	Expenditure		
5,214	Repairs and Maintenance		5,513
7,728	Supervision and Management		7,494
514	Rents, Rates, Taxes and Other Charges		478
6,050	Negative HRA Subsidy payable	*2*	5,052
42,115	Depreciation and Impairments of non-current assets	*6*	11,005
0	Debt Management Cost		21
24	Movement in the allowance for bad debts		23
0	Self-Financing settlement payment to Government		60,121
61,645	**Total Expenditure**		**89,707**
	Income		
(20,291)	Dwelling Rents	*1*	(21,606)
(306)	Non-Dwelling Rents		(333)
(2,703)	Charges for Services and Facilities		(2,813)
(53)	Contributions towards expenditure		0
(28)	Repayment of capital grants/advances		(5)
(23,381)	**Total Income**		**(24,757)**
38,264	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**64,950**
38,264	**Net Expenditure / (Income) on HRA Services**		**64,950**
	HRA Share of the operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:		
(550)	(Gain) or loss on sale of HRA non-current assets		(511)
4	Interest payable and similar charges		100
(128)	Interest and investment income		(80)
0	Principal repayment of debt		26
6	Pensions interest cost and expected return on pension assets	*12*	5
(1,725)	Capital grants and contributions receivable		(158)
35,871	**(Surplus) / Deficit for the year on HRA services**		**64,332**

Movement on the Housing Revenue Account Statement

2010/11 £'000			2011/12 £'000
£'000			**£'000**
(2,397)	**Balance on the HRA at the end of the previous year**		**(2,426)**
35,871	Deficit for the year on the HRA Income and Expenditure Statement	64,332	
(34,482)	Adjustment between accounting basis and funding basis under statute	(65,081)	
1,389	**Net decrease/ (increase) before transfers to or from reserves**	**(749)**	
(1,418)	Transfers from reserves	(180)	
(29)	Increase in year on the HRA		(929)
(2,426)	**Balance on the HRA at the end of the current year**		**(3,355)**

Note to the Movement on the HRA Statement

2010/11		*Notes*	2011/12
£'000			**£'000**
	Adjustments between accounting basis and funding basis under regulations		
550	Gain or loss on sale of HRA non-current assets		511
28	Repayment of capital grants/advances		5
(1)	HRA share of contributions to or from the Pension Reserve		(1)
(38,031)	Impairment of Assets	*6*	(6,733)
(35)	Capital Receipts cost of sales		(35)
1,725	Capital Grants and contributions receivable		158
1,282	Capital expenditure funded by the HRA		1,186
0	Transfer from reserves		(51)
0	Self-Financing settlement payment to government		(60,121)
(34,482)			**(65,081)**
	Transfers to / (from) reserves		
(1,418)	Movement to earmarked reserves	*8*	(180)
(1,418)			**(180)**

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 0.63% of properties were vacant (0.61% in 2010/11). The average rent for all stock was £89.25 per week in 2011/12 and £83.79 in 2010/11.

2. Housing Subsidy

HRA Subsidy is a grant payable to the CLG towards the costs of local authority housing. It represents surplus of notional rent and other income against expenditure deemed by the CLG to have been incurred for management and maintenance and charges for capital. This is the final year of the subsidy system before authorities move to the Self- Financing Regime from the 1 April 2012.

2010/11 £'000		2011/12 £'000
3,241	Allowance for Management	3,268
6,209	Allowance for Maintenance	6,626
3,972	Allowance for Major Repairs	4,195
0	Self-Financing Interest Payment	22
1,174	Charges for Capital	1,412
(29)	Prior Year Adjustment	10
(19,345)	Less Guideline Rent Income	(20,568)
(27)	Less Interest on Receipts	(17)
(4,805)	Total Negative Housing Subsidy	(5,052)
(1,245)	Repayment of Brought Forward MRA	0
(6,050)	**Total Payment to Secretary of State (DCLG)**	**(5,052)**

3. Housing Stock

The Authority is responsible for managing a Housing Revenue Account stock of 4,683 properties at 31 March 2012 (4,690 at 31 March 2011). An analysis is shown below. The Authority is also a freeholder of 2,347 leased homes that were previously sold to tenants under the Right-to-Buy legislation.

2010/11 Number		2011/12 Number
	General Needs	
1,659	- One Bedroom	1,657
1,410	- Two Bedrooms	1,407
1,386	- Three or More Bedrooms	1,384
235	Sheltered Housing Units	235
4,690		**4,683**

4. Rent Arrears

The provision for doubtful debts against arrears was £0.922 million at 31 March 2012 (£0.849 million at 31 March 2011).

2010/11 £'000		2011/12 £'000
	Arrears due from	
309	- Current tenants	312
747	- Former tenants	826
1,056	**Total**	**1,138**
4.19%	Total as a % of gross debt	4.60%

5. Balance Sheet Value of HRA Assets

2010/11 £'000		2011/12 £'000
229,862	Dwellings	239,679
4,588	Other Land and Buildings	4,539
734	Investment Properties	734
235,184		**244,952**

The vacant possession value of dwellings within the HRA as at 1 April 2011 was £936 million (£890.7 million as at 1 April 2010). The difference of £702 million between the vacant possession value and the Balance Sheet value of dwellings within the HRA represents the economic cost of providing council housing at less than open market value.

6. Depreciation and Impairment charges

Depreciation charges shown below reflect the economic consumption of HRA assets in 2011/12.

2010/11 £'000		2011/12 £'000
3,972	Operational Assets - dwellings	4,195
112	Operational Assets – other land and buildings	77
38,031	Impairment of fixed assets - dwellings	6,733
42,115		**11,005**

7. Major Repairs Reserve

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

2010/11 £'000		2011/12 £'000
(2,672)	Balance Brought Forward	0
(3,972)	Major Repairs Allowance (MRA)	(4,195)
(112)	Non-dwellings depreciation	(77)
112	Reversal of non-dwellings depreciation	77
6,644	Capital Expenditure funded from the MRR	1,506
0	**Balance on the Major Repairs Reserves as at 31 March**	**(2,689)**

8. Movement in Earmarked Reserves

The following movements in earmarked reserves occurred in 2011/12:

2010/11 £'000		2011/12 £'000
360	Quality of Life Reserve	(96)
(58)	Week 53 Rent Reserve	(123)
(1,245)	Accelerated MRA	0
(1,546)	Contribution to Housing Repairs Account (now closed)	0
1,071	Minor Works Reserve	(250)
0	Leaseholder Capital Works Reserve	289
(1,418)		**(180)**

9. Provisions

The following provisions were created in 2011/12:

2010/11 £'000		2011/12 £'000
0	Repairs and Maintenance Provision	65
0	HRA Subsidy Provision	175
0		**240**

10. HRA Capital Financing

2010/11 £'000		2011/12 £'000
10,818	**HRA Capital Expenditure - Dwellings**	**10,261**
	Financed by:	
3,720	Government Grants	191
1,057	Contributions from Capital Receipts Reserve	378
1,282	Contributions from Revenue	1,090
2,672	Net Contribution from Major Repairs Reserve	1,506
1,087	Contribution from Earmarked Reserves	96
1,000	Borrowing	7,000
10,818	**Total Funding**	**10,261**

11. Capital Receipts

2010/11 £'000		2011/12 £'000
914	Properties	894
914		**894**

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

Collection Fund

The Collection Fund is a statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection fund from taxpayers and distributions to local authorities and the Government of council tax and non-domestic rates.

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

Income and Expenditure Account

2010/11 £'000		Notes	2011/12 £'000
	Income		
107,941	Income from Council Tax		108,577
	Transfers from General Fund		
22,853	- Council Tax Benefit		22,829
47,769	- Income Collected from Business Rates	2	51,450
1,334	- Income Collected from BRS		1,169
179,897			**184,025**
	Expenditure		
127,003	Precept	4	127,696
46,622	Business Rate Payment to National Pool		49,663
1,334	BRS Payment		1,155
285	Cost of Collection		289
	Bad and doubtful Debts Provision		
600	- Write-offs		2,290
4,053	- Provisions		2,932
179,897			**184,025**
0	Movement in Fund Balance		0
0	Net Surplus/(Deficit) at Start of Year		0
0	**Net Surplus/(Deficit) Carried Forward**		**0**

Notes to the Collection Fund

1. Council Tax

Council Tax is based partly on the valuation of domestic properties and is partly a Personal Tax with discounts for single occupiers. The Authority set the level of Council Tax in 2011/12 at £1,405.35 for band D properties (this included £309.82 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	2010/11 Number of Properties	2011/12 Number of Properties
A	993	1,015
B	8,329	8,353
C	20,338	20,513
D	29,293	29,496
E	22,179	22,091
F	9,910	9,914
G	4,833	4,854
H	338	332
Council Tax base collection allowance adjustment	(1,844)	(1,854)
Allowance for estimated full value of exemptions	(3,997)	(3,850)
	90,372	**90,864**

2. Income from Business Rates

The Authority collects National Non-Domestic Rates (NNDR) for its area on behalf of Central Government, which is based on local rateable values (£137,963,480 at 31 March 2012), multiplied by a uniform rate (£0.433 in 2011/12). The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government. Under these arrangements the amounts included in these Accounts can be analysed as follows:

2010/11 £'000		2011/12 £'000
54,410	Gross NNDR due in the year	58,360
(6,641)	Less: Allowances and other adjustments	(6,910)
47,769		**51,450**

In addition to NNDR collected on behalf of the Government, the Authority has collected the sum of £1,168,579 on behalf of the Greater London Authority in respect of a Business Rate Supplement.

3. Business Rate Supplement (BRS)

Under the arrangements for the Business Rate Supplement, the Authority collects a supplement for its area based on local rateable values. The total amount, less certain deductions, is paid to the Greater London Authority on whose behalf it is collected.

	2010/12 £'000	2011/12 £'000
Instalments paid to the Greater London Authority	1,336	1,356
Cash collected from Business Rate Supplement Payers (less costs of collection allowance and set up costs)	(1,299)	(1,169)
Amount repayable by the Greater London Authority	**37**	**187**

4. Precepts

The Collection Fund is required to meet in full the precepts of precepting Authorities and the demand of the billing Authority. Details are as follows:

2010/11 £'000		2011/12 £'000
99,005	London Borough of Redbridge	99,544
27,998	Greater London Authority	28,152
127,003		**127,696**

Group Accounts 2011/12

Basis of Consolidation

Redbridge Homes Ltd

Redbridge Homes Ltd is an Arms Length Management Organisation (ALMO) responsible for managing and providing all the housing related services such as repairs and maintenance of Council dwellings. Redbridge Homes Ltd began its operations on 1 April 2007 and its results are consolidated within the group from that date. The Authority has concluded that it controls Redbridge Homes Ltd through its shareholding and the voting power attached to it. It therefore consolidates the company line by line into its Group Accounts as a subsidiary.

Redbridge Homes Ltd has been incorporated as a subsidiary. The Authority's Investment in the company is incorporated into the Group Accounts by combining the results of the Authority and Redbridge Homes Ltd and netting out any inter party transactions.

Vision Redbridge Culture & Leisure Ltd

Vision Redbridge Culture & Leisure Ltd (VRCL) is a Leisure Trust which was incorporated as a company limited by guarantee under the Companies Act on 19 December 2007. It was registered as a charity on 11 February 2008. VRCL was originally set up to manage the Authority's leisure centres, however, during 2011/12 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 2011/12 VRCL is deemed to be a subsidiary of the London Borough of Redbridge as the Authority has the power to govern VCRL's financial and operating policies.

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

Group Movement in Reserves Statement

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

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Other Usable Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of Reserves of Subsidiaries, Associates and Joint Ventures	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2010	**14,639**	**64,675**	**3,489**	**10,512**	**8,110**	**101,425**	**431,787**	**533,212**	**(2,293)**	**530,919**
Movement in reserves during 2010/11										
Surplus or (deficit) on the provision of services	90,841	0	0	0	(31,898)	**58,943**	0	**58,943**	1,309	**60,252**
Other Comprehensive Income & Expenditure	0	0	0	0	0	**0**	(9,393)	**(9,393)**	(130)	**(9,523)**
Total Comprehensive Income & Expenditure	**90,841**	**0**	**0**	**0**	**(31,898)**	**58,943**	**(9,393)**	**49,550**	**1,179**	**50,729**
Net Increase/Decrease before transfers	**90,841**	**0**	**0**	**0**	**(31,898)**	**58,943**	**(9,393)**	**49,550**	**1,179**	**50,729**
Adjustments between accounting basis and funding basis under regulations	(82,965)	0	(1,057)	(1,621)	27,838	**(57,805)**	57,805	**0**	0	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**7,876**	**0**	**(1,057)**	**(1,621)**	**(4,060)**	**1,138**	**48,412**	**49,550**	**1,179**	**50,729**
Transfers to/from Earmarked Reserves	(7,672)	7,672	0	0	0	**0**	0	**0**	0	**0**
(Increase)/Decrease in 2010/11	**204**	**7,672**	**(1,057)**	**(1,621)**	**(4,060)**	**1,138**	**48,412**	**49,550**	**1,179**	**50,729**
Balance at 1 April 2011	**14,843**	**72,347**	**2,432**	**8,891**	**4,050**	**102,563**	**480,199**	**582,762**	**(1,114)**	**581,648**
Movement in reserves during 2011/12	485	0	0	0	(64,332)	**(63,847)**	0	**(63,847)**	558	**(63,289)**
Surplus or (deficit) on the provision of services	0	0	0	0	0	**0**	(36,169)	**(36,169)**	(3,373)	**(39,542)**
Other Comprehensive Income & Expenditure	**485**	**0**	**0**	**0**	**(64,332)**	**(63,847)**	**(36,169)**	**(100,016)**	**(2,815)**	**(102,831)**
Total Comprehensive Income & Expenditure	0	0	0	0	0	**0**	0	**0**	0	**0**
Net Increase/Decrease before transfers	**485**	**0**	**0**	**0**	**(64,332)**	**(63,847)**	**(36,169)**	**(100,016)**	**(2,815)**	**(102,831)**
Adjustments between accounting basis and funding basis under regulations	11,326	0	(293)	29,965	67,770	**108,768**	(108,768)	**0**	943	**943**
Net Increase/Decrease before Transfers to Earmarked Reserves	**11,811**	**0**	**(293)**	**29,965**	**3,438**	**44,921**	**(144,937)**	**(100,016)**	**(1,872)**	**(101,888)**
Transfers to/from Earmarked Reserves	(11,268)	11,268	0	0	0	**0**	0	**0**	0	**0**
(Increase)/Decrease in 2011/12	**543**	**11,268**	**(293)**	**29,965**	**3,438**	**44,921**	**(144,937)**	**(100,016)**	**(1,872)**	**(101,888)**
Balance at 31 March 2012	**15,386**	**83,615**	**2,139**	**38,856**	**7,488**	**147,484**	**335,262**	**482,746**	**(2,986)**	**479,760**

Group Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

31 March 2011 Restated Gross Expenditure £'000	31 March 2011 Restated Gross Income £'000	31 March 2011 Restated Net Expenditure £'000		31 March 2012 Gross Expenditure £'000	31 March 2012 Gross Income £'000	31 March 2012 Net Expenditure £'000
70,399	67,956	2,443	Central Services to the Public	74,722	70,857	3,865
16,893	3,163	13,730	Cultural and Related Services	27,806	1,451	26,355
24,663	3,619	21,044	Environmental and Regulatory Services	24,162	4,237	19,925
9,597	5,303	4,294	Planning Services	7,942	3,031	4,911
378,737	332,412	46,325	Education and Children's Services	387,069	315,960	71,109
33,636	14,718	18,918	Highways and Transport Services	35,387	14,828	20,559
0	0	0	Local Authority Housing (HRA) Self Financing	60,121	0	60,121
59,746	22,804	36,942	Local Authority Housing (HRA)	28,517	23,972	4,545
186,067	169,250	16,817	Other Housing Services	194,197	178,135	16,062
94,061	31,074	62,987	Adult Social Care	89,401	27,654	61,747
6,889	1,363	5,526	Corporate and Democratic Core	6,670	1,188	5,482
(70,030)	0	(70,030)	Non distributed costs	0	0	0
4,789	0	4,789	Other	2,304	0	2,304
815,447	**651,662**	**163,785**	**Cost of Services**	**938,298**	**641,313**	**296,985**
		25,270	**Other Operating Expenditure (note 2)**			**33,488**
		12,144	**Financing and Investment Income and Expenditure (note 3)**			**10,931**
		(261,452)	**Taxation and Non-Specific Grant Income (note 4)**			**(278,116)**
		(60,253)	**(Surplus) or Deficit on Provision of Services**			**63,288**
		1	**Tax Expense**			**1**
		(60,252)	**Group (Surplus) or Deficit**			**63,289**
		(712)	Surplus or deficit on revaluation of non current assets			(14,853)
		0	Impairment losses on non current assets changed to the revaluation reserve			0
		0	(Surplus) or deficit on revaluation of available for sale financial assets			0
		10,235	Actuarial Gains/Losses on Pension Fund Assets & Liabilities			54,395
		9,523	**Other Comprehensive Income and Expenditure**			**39,542**
		(50,729)	**Total Comprehensive Income and Expenditure**			**(102,831**

Group Balance Sheet as at 31 March 2012

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

31 March 2011 £'000		31 March 2012 £'000
856,860	Property, Plant and Equipment	837,252
31,688	Investment Property	29,409
846	Intangible Assets	605
2,396	Long-term Investments	2,537
3,342	Long-term Debtors	3,176
895,132	**Long-term Assets**	**872,979**
82,933	Short-term Investments	72,488
100	Assets Held for Sale	100
168	Inventories	272
41,231	Short-term Debtors	35,054
7,602	Cash and Cash Equivalents	56,236
132,034	**Current Assets**	**164,150**
(11,037)	Short-term Borrowing	(7,333)
(63,372)	Short-term Creditors	(59,543)
(3,749)	Capital Grants Receipts in Advance	(2,787)
(78,158)	**Current Liabilities**	**(69,663)**
(10,258)	Provisions	(15,011)
(112,307)	Long-term Borrowing	(174,648)
(239,358)	Other Long-term Liabilities	(292,610)
(5,437)	Capital Grants/Contributions Received in Advance	(5,437)
(367,360)	**Long-term Liabilities**	**(487,706)**
581,648	**Net Assets**	**479,760**
102,685	**Usable Reserves**	**148,743**
478,963	**Unusable Reserves**	**331,017**
581,648	**Total Reserves**	**479,760**

G. Pearce, BA, CPFA
Director of Finance and Resources
19 September 2012

Group Cash Flow Statement

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

2010/11 £'000		Notes	2011/12 £'000
60,252	Net (surplus) or deficit on the provision of services		(66,641)
63,048	Adjustments to net surplus or deficit on the provision of services for non-cash movements		98,592
(100,954)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(60,260)
22,346	Net cash flows from operating activities	*5*	(28,309)
(44,981)	Investing activities	*6*	18,458
10,782	Financing activities	*7*	58,485
(11,853)	**Net increase or decrease in cash and cash equivalents**		**48,634**
19,455	Cash and cash equivalents at the beginning of the reporting year		7,602
7,602	**Cash and cash equivalents at the end of the reporting year**		**56,236**

Notes to the Group Financial Statements

1. Accounting Policies

Redbridge Homes Ltd and Vision Redbridge Culture & Leisure Ltd are both private companies limited by guarantee under the Companies Act; as such they have no share capital. The Authority is required to prepare Group Accounts where it has interests in subsidiaries, associates and joint ventures. It has determined that the interest held in Redbridge Homes Ltd and Vision Redbridge Culture & Leisure Ltd is such that it requires Group Accounts to be prepared. The Financial Statements in the Group Accounts are prepared in accordance with the policies set out in the statement of accounting policies on pages 27 to 39.

2. Other Operating Expenditure

2010/11 £'000		2011/12 £'000
10,701	East London Waste Authority	11,710
345	London Pensions Fund Authority	310
276	Lea Valley Regional Park Authority	269
180	Environment Agency	179
686	Payments to Housing capital receipts to govt pool	670
(78)	Repayment of grants, loans and distributions	(99)
13,160	(Gain)/loss on disposal of non-current assets	20,449
25,270		**33,488**

3. Financing and Investment Income and Expenditure

2010/11 £'000		2011/12 £'000
5,520	Interest payable on debt	5,400
194	Interest element of finance leases (lessee)	139
1,187	Interest payable on PFI unitary payments	1,166
33,328	Pensions interest costs	35,326
(25,230)	Expected return on pension assets	(27,086)
0	Repayment of Principal (HRA voluntary)	26
(1,489)	Investment Interest income	(2,161)
(113)	Interest received on finance leases (lessor)	(132)
(1,588)	Rentals received on investment properties	(2,173)
44	Expenses incurred on investment properties	365
291	Changes in fair value of investment properties	61
12,144		**10,931**

4. Taxation and Non-Specific Grant Income

2010/11 £'000		2011/12 £'000
(48,004)	Recognised capital grants and contributions	(73,712)
(99,005)	Council tax	(99,544)
(85,590)	NNDR	(77,218)
(12,428)	RSG	(23,868)
(16,425)	Non service related government grants	(3,774)
(261,452)		**(278,116)**

5. Cash Flow Statement – Operating Activities

2010/11 £'000		2011/12 £'000
	The cash flows for operating activities include the following items:	
60,252	Net (Surplus) and deficit on the provision of services	(66,641)
63,048	Adjustments to net (surplus) or deficit on the provision of services for non cash movements	98,592
	Cash outflows	
(6,681)	Interest paid	(6,566)
(194)	Interest element of finance lease rental payment	(139)
(1)	Taxation	(1)
0	Management of liquid resources	0
0	(Loss) / Gain on sale of assets	0
(4,857)	Items that appear elsewhere in the cash flow statement	(3,460)
	Cash inflows	
1,602	Interest received	2,272
(85,467)	Other non-cash transactions/internal transfers	(1,271)
(11,353)	Adjustment to pension costs for IAS 19	(47,797)
7,809	Increase/(decrease) in creditors	(5,819)
(507)	(Increase)/decrease in payments in advance	(78)
(7)	(Increase)/decrease in stock and work in progress	1,012
(1,298)	(Increase)/decrease in debtors	1,587
22,346		**(28,309)**

6. Cash Flow Statement – Investing Activities

2010/11 £'000		2011/12 £'000
(68,159)	Purchase of property, plant and equipment, investment property and intangible assets	(67,589)
(140)	Purchase of short term and long term investments	(141)
0	Net Cash acquired with subsidiary	744
1,154	Proceeds from the sale of property, plant, equipment, investment property and intangible assets	1,287
(25,840)	(Purchases)/Proceeds from short term and long term investments	10,445
48,004	Other receipts from investing activities	73,712
(44,981)	**Net cash flows from investing activities**	**18,458**

7. Cash Flow Statement – Financing Activities

2010/11 £'000		2011/12 £'000
15,000	Cash Receipts of short term and long term borrowing	67,121
139	Other receipts from financing activities	125
255	Cash payments for the reduction of the outstanding liabilities relating to the finance leases on balance sheet PFI contracts	(277)
(4,612)	Repayments of short term and long term borrowing	(8,484)
10,782		**58,485**

8. Results of Redbridge Homes Ltd and Vision Redbridge Culture & Leisure Ltd Operations

Redbridge Homes Ltd

The net liabilities of the company for year ended 31 March 2012 totalled £1.609 million (£1.114 million for year ended 2010/11). The company made a net profit in 2011/12 of £0.297 million after taxation (a profit of £ 1.309 million for year ended 2010/11).

Vision Redbridge Culture & Leisure Ltd

The net liabilities of the company for year ended 31 March 2012 totalled £1.356 million (net assets of £914 million for year ended 2010/11). The company made a net profit in 2011/12 of £0.282 million (a profit of £ 0.162 million for year ended 2010/11).

9. Cash and Cash Equivalents

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

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

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

31 March 2011 £'000		31 March 2012 £'000
12,148	Short Term Deposits	65,602
(4,546)	Bank Overdraft	(8,826)
7,602	**Total Cash and Cash Equivalents**	**56,236**

10. Other Information

Redbridge Homes Ltd

These group accounts have been prepared from the 2011/12 draft unaudited accounts of Redbridge Homes Ltd.

Redbridge Homes Ltd Auditors - Baker Tilly UK Audit LLP, First Floor, 46 Clarendon Road, Watford, WD17 1JJ.

A copy of the Redbridge Homes Ltd Accounts can be obtained from the Director of Resources and Company Secretary, Redbridge Homes Ltd, Orchard Housing Office, 152 Broadmead Road, Woodford Green, Essex IG8 0AG.

Vision Redbridge Culture & Leisure Ltd

These group accounts have been prepared from the 2011/12 draft unaudited accounts of Vision Redbridge Culture & Leisure Ltd.

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

A copy of the Vision Redbridge Culture & Leisure Ltd Accounts can be obtained from the Company Secretary, Vision Redbridge Culture & Leisure Ltd, Fullwell Cross Leisure Centre, High Street, Barkingside, Ilford, IG6 2EA.

Pension Fund Account for the Year Ended 31 March 2012

2010/11 £'000		Notes	2011/12 £'000
	Contributions and Benefits		
31,314	Contributions receivable	*6*	30,703
2,858	Transfers in	*7*	2,053
34,172			**32,756**
	Less:		
(22,701)	Benefits payable	*8*	(24,233)
(2,037)	Leavers	*9*	(2,017)
(426)	Administrative expenses	*10*	(528)
(25,164)			**(26,778)**
9,008	**Net additions from dealings with members**		**5,978**
	Returns on Investments		
17,264	Investment income	*11*	15,500
(459)	Irrecoverable withholding tax	*11*	(510)
17,935	Change in market value of investments	*12(b)*	8,090
(1,465)	Investment management expenses	*16*	(1,435)
33,275	**Net returns on Investments**		**21,645**
42,283	**Net increase in the Fund during the year**		27,623
397,232	**Net Assets of the scheme at 1 April 2011**		439,515
439,515	**Net Assets of the scheme at 31 March 2012**		**467,138**

Net Assets Statement as at 31 March 2012

Restated 2010/11 £'000		Notes	2011/12 £'000
440,221	Investment Assets	*12(c)*	468,127
(161)	Investment Liabilities	*12(c)*	(553)
159	Current Assets	*17*	934
(704)	Current Liabilities	*17*	(1,370)
439,515	**Net Assets of the Scheme at 31 March 2012**		**467,138**

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

I certify that the Pension Fund Account and Net Assets Statement presents a true and fair view of the income and expenditure in 2011/12 and the Pension Fund's financial position as at 31 March 2012.

G. Pearce BA, CPFA
Director of Finance and Resources
19 September 2012

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 pension scheme that provides pensions and other benefits to former Authority employees (except teachers, who have a separate scheme) and to various admitted and scheduled bodies.

During 2011-12 four schools converted to Academies and Aldborough Free School opened and joined the scheme. Also the employees that had worked for the Authority in the Leisure Services area were transferred under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) to Vision Redbridge Culture & Leisure Ltd.

The admitted and scheduled bodies in the scheme as at 31 March 2012 were: Redbridge Theatre Company Limited, London & Quadrant Housing Trust, Housing 21, Morrison plc., Redbridge Homes Ltd (ALMO), Redbridge Vision Culture & Leisure, Redbridge College, Chadwell Heath Academy, Mayfield School, Ilford Ursuline Academy, Little Heath School, Forest Academy, Palmer Academy and Aldborough Free School.

As at 31 March 2012 the membership of the scheme was as follows:

Active Members	**As at 31 March11**	**As at 31 March 12**
Redbridge Council	5,049	4,669
Scheduled Bodies	316	401
Admitted Bodies	72	262
TOTAL	**5,437**	**5,332**

Pensioners	**As at 31 March 11**	**As at 31 March 12**
Redbridge Council	3,796	3,898
Scheduled Bodies	81	89
Admitted Bodies	106	117
TOTAL	**3,983**	**4,104**

Deferred Members	**As at 31 March 11**	**As at 31 March 12**
Redbridge Council	3,662	3,920
Scheduled Bodies	199	214
Admitted Bodies	46	52
TOTAL	**3,907**	**4,186**

With effect from May 2004, Councillors under the age of 70 have been entitled to join the Pension Scheme. 34 Councillors contribute to the scheme.

The Fund is financed by contributions as well as interest, dividends and profits from realised investments. The contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay. Employee contributions are matched by employers' contributions which are set on triennial actuarial funding valuations. The funding policy is to ensure that over time the assets held by the Fund are adequate to meet future pension scheme liabilities.

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

The administration of the scheme is managed in-house

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 2011/12 financial year and its position at year-end as at 31 March 2012. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2011/12 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis is disclosed at Note 47 of these accounts.

3. Summary of Significant Accounting Policies

Fund account – revenue recognition

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

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

C) **Investment Income** –

(i) **Interest Income** – Interest income is recognised in the Fund account as it accrues.

(ii) **Dividend Income** - Dividends have been accounted for on an accrual basis. Investment income on overseas investments has been converted into sterling at the rate of exchange on settlement date. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current asset.

(iii) **Distributions from pooled equity funds** – Pooled investment vehicles are accumulation funds and as such the change in market value includes income, net of withholding tax which is re-invested it 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. Recoverable withholding tax is accrued on the same basis as dividend income.

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) **Administration Expenses** – all administrative expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged direct to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with the Authority's policy.

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

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

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

Net assets statement

H) **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.

I) **Foreign Currency Transactions** – dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchanges rates are used to value any cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

J) **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.

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.

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 IAS 26, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 22).

N) **Additional Voluntary Contributions** – AVCs are not included in the accounts which is in accordance with section 4(2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, but are disclosed as a note only (Note 23).

4. Critical Judgements in Applying Accounting Policies

Pension fund liability – the pension fund liability is calculated every three years by the appointed actuary, with updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 21. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. Events after the Year End Date

Since 31 March 2012 there has been a decline in the global stock markets, however, this change is deemed to be a non-adjusting post year end event.

There have been no events since 31 March 2012 and up to the date when these accounts were authorised that require any adjustment to these accounts.

6. Contributions Receivable

Contributions represent those amounts receivable from the various employing bodies in respect of their own contributions and those of their contributing employees. Under the provisions of the scheme, employees' rates are based on pay bandings and range from 5.5% to 7.5% of pensionable pay. The Fund's Actuary determines employer contribution rates (as a percentage of pensionable pay) which currently range from 12.5% to 23.1% plus any additional lump sum contributions required in respect of funding shortfalls at the time of the triennial actuarial valuation.

Early retirement - All capital costs, such as employee and employer contributions forgone, 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.

		2010/11 £'000	2011/12 £'000
Employers			
LBR	LBR	22,284	21,152
	Scheduled Bodies	1,362	1,383
	Admitted Bodies	763	1,489
		24,409	**24,024**
Members			
	LBR	6,310	5,802
	Scheduled Bodies	444	458
	Admitted Bodies	151	419
		6,905	**6,679**
		31,314	**30,703**

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

	2010/11 £'000	2011/12 £'000
Normal Employer Contributions	14,120	15,238
Deficit Payments *	9,582	8,189
Augmentation (Early Retirements)	707	597
	24,409	**24,024**

* The deficit recovery policy is set out 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.

	2010/11 £'000	2011/12 £'000
Individual Transfers from other schemes – LBR	2,626	2,048
Individual Transfers from other schemes – Scheduled Bodies	232	5
	2,858	**2,053**

8. Benefits Payable

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

	2010/11 £'000	2011/12 £'000
Pensions - LBR	16,904	17,831
- Scheduled Bodies	313	362
- Admitted Bodies	375	476
Commutation of Pensions and Lump Sum Retirement Benefits	4,361	4,969
Lump Sum Death Benefit	748	563
Interest	0	32
	22,701	**24,233**

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 Authority and joined a pension scheme elsewhere.

	2010/11 £'000	2011/12 £'000
Refunds to members	5	2
Payment for members joining the state scheme	2	0
Individual Transfers to other Schemes	2001	2,015
Interest	29	0
	2,037	**2,017**

10. Administrative Expenses

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

	2010/11 £'000	2011/12 £'000
Administration and processing	349	451
Actuarial fees	42	42
Audit fees	35	35
	426	**528**

11. Investment Income

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

	2010/11 £'000	2011/12 £'000
Fixed interest securities	7,356	7,314
Index Linked	38	82
Equities	3,114	3,430
Pooled Equity Unit Trusts	5,213	2,764
Property Unit Trusts	752	1,240
Cash Deposits	90	65
Other Investment Income	301	530
Compensation Payment[1]	400	75
	17,264	**15,500**
Less irrecoverable withholding tax	(459)	(510)
	16,805	**14,990**

[1] Payment received from AXA Rosenberg for investment loss due to a coding error within one of the quantitative based models, which formed part of AXA Rosenberg's investment process.

12. Investments

The table below shows a detailed analysis of the investments held by the Fund as at 31 March 2012 with comparison table showing detailed analysis of the investments held by the Fund as at 31 March 2011.

	Value at 31/03/11 £'000	Purchases at cost £'000	Sales Proceeds £'000	Change in Fair value £'000	Cash movement £'000	Value at 31/03/12 £'000
Equities	75,611	43,229	(43,158)	17,788	0	93,470
Fixed Interest Securities	132,218	100,592	(87,451)	11,198	0	156,557
Index Linked	4,808	0	0	1,129	0	5,937
Pooled Equity Unit Trusts	171,000	162,763	(153,105)	(21,433)	0	159,225
Property Unit Trusts	26,498	1,041	0	271	0	27,810
Commodities	6,859	3,022	(4,684)	145	0	5,342
	416,994	**310,647**	**(288,398)**	**9,098**	**0**	**448,341**
Derivative Contracts						
Derivatives	163	6,469	(7,016)	(137)	0	(521)
	417,157	**317,116**	**(295,414)**	**8,961**	**0**	**447,820**
Other Balances						
Cash Instruments	2,204	1	(2,204)	0	0	1
Cash Deposits	14,696	0	0	(871)	3,545	17,370
Receivable – Sales	3,649				(3,590)	59
Receivable - Investment Income	2,354				(30)	2,324
Payable - Purchases	0				(630)	(630)
	440,060	**317,117**	**(297,618)**	**8,090**	**(705)**	**466,944**

	Value at 31/03/10	Purchases at cost	Sales Proceeds	Change in Fair value	Cash movement	Value at 31/03/11
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Equities	71,934	24,885	(24,846)	3,638	0	75,611
Fixed Interest Securities	130,395	51,172	(51,395)	2,046	0	132,218
Index Linked	4,325	0	0	483	0	4,808
Pooled Equity Unit Trusts	152,626	10,338	(31)	8,067	0	171,000
Property Unit Trusts	11,356	14,975	0	167	0	26,498
Commodities	6,766	1,629	(3,927)	2,391	0	6,859
	377,402	**102,999**	**(80,199)**	**16,792**	**0**	**416,994**
Derivative Contracts						
Derivatives	498	6,694	(6,536)	(493)	0	163
	377,900	**109,693**	**(86,735)**	**16,299**	**0**	**417,157**
Other Balances						
Cash Instruments	2,204	0	0	0	0	2,204
Cash Deposits	14,233	0	0	1,636	(1,173)	14,696
Receivable – Sales	591				3,058	3,649
Investment Income	2,420				(66)	2,354
Payable - Purchases	(92)				92	0
	397,256	**109,693**	**(86,735)**	**17,935**	**1,911**	**440,060**

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

The cost of purchases and the sales proceeds are inclusive of transaction costs, such as broker fees and taxes, amounting to £0.1million (£0.1 million in 2010/11). In addition to transaction costs, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund

Cash balances invested by the Authority on behalf of the Pension Fund are included within cash deposits. As at 31 March 2012 the Authority invested cash amounting to £2.1 million (£3 million at 31 March 2011).

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

	2010/11	2011/12
	£'000	**£'000**
Equities		
UK Quoted	21,780	16,396
Overseas Quoted	53,831	77,074
	75,611	**93,470**
Fixed Interest Securities		
UK – Public Sector	48,116	57,896
Overseas – Public Sector	6,051	17,330
UK - Other	32,618	37,093
Overseas- Other	45,433	44,238
	132,218	**156,557**
Index Linked Securities		
UK – Public Sector	2,330	3,001
Overseas	2,478	2,936
	4,808	**5,937**
Pooled Investment Vehicles		
Unit trusts – UK	101,983	103,537
Unit trusts – Overseas	69,017	55,688
	171,000	**159,225**

Property Unit Trusts		
UK	26,498	27,810
	26,498	**27,810**
Cash		
Cash Instruments	2,204	1
Sterling Deposits	14,696	17,370
	16,900	**17,371**
Commodities		
Commodities	6,859	5,342
	6,859	**5,342**
Derivatives		
Call Options	(11)	(533)
Put Options	174	12
	163	**(521)**
Investment Balances		
Investment Income Due	2,354	2,324
Outstanding Sales	3,649	59
Outstanding Purchases	0	(630)
	6,003	**1,753**

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

Investment	**31 March 2012**	**% of net assets**
UK Equity Index Unit Trust	101,203	22
North America Equity Index Unit Trust	25,483	5

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

Notional Holding	**Market Value as at 31.03.11 £'000**	**Asset**	**Expiring**	**Put/Call**	**Notional Holding**	**Market Value as at 31.03.12 £'000**
148	12	CBOE	One Month	Put	0	0
0	0	S&P 500 Index	Three Month	Put	49	32
168	185	FTSE 100	Three Month	Put	0	0
187	48	Australian	Three Month	Put	0	0
58	19	Euro	Three Month	Put	0	0
120	60	US Long Bond Future	Three Month	Call	0	0
	324					**£32**

Notional Holding	**Market Value as at 31.03.11 £'000**	**Liability**	**Expiring**	**Put/Call**	**Notional Holding**	**Market Value as at 31.03.12 £'000**
0	0	S&P 500 Index	One Month	Call	(152)	(200)
0	0	FTSE 100	Two Month	Call	(226)	(24)
(199)	(71)	FTSE 100	Two Month	Put	0	£0
0	£0	FTSE 100	Three Month	Call	(19)	(3)
(168)	(90)	FTSE 100	Three Month	Put	0	(0)
0	£0	S&P 500 Index	Three Month	Put	(49)	(20)
0	£0	S&P 500 Index	Three Month	Call	(156)	(306)
	(161)					**(553)**
	163	**NET**				**(521)**

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 carrying amounts of financial assets and liabilities (excluding cash) by category and net asset statement heading. No financial assets were reclassified during the accounting period.

Designated as fair value through profit & loss £'000	Loans & Receivables £'000	Financial Liabilities at amortised cost £'000		Designated as fair value through profit & loss £'000	Loans & Receivables £'000	Financial Liabilities at amortised cost £'000
			Financial Assets			
132,218			Fixed Interest Securities	156,557		
4,808			Index Linked Securities	5,937		
75,611			Equities	93,470		
171,000			Pooled Investments	159,225		
26,498			Pooled Property Investments	27,810		
6,859			Commodities	5,342		
323			Derivative contracts	32		
	16,900		Cash		17,371	
	6,162		Debtors		3,317	
417,317	**23,062**	**0**	**TOTAL**	**£448,373**	**£20,688**	**£0**
			Financial Liabilities			
(160)			Derivative Contracts	(553)		
			Other Investment Balances			
		(704)	Creditors			(1,370)
(160)	**0**	**(704)**	**TOTAL**	**(553)**	**£0**	**(1,370)**
417,157	**23,062**	**(704)**	**GRAND TOTAL**	**447,820**	**20,688**	**(1,370)**

12 (b) Net Gains and Losses on Financial Instruments

31.03.11 £'000		31.03.12 £'000
	Financial Assets	
16,299	Fair value through profit & loss	8,961
1,636	Loans and receivables	0
17,935		**8,961**
	Financial Liabilities	
0	Fair value through profit & loss	0
0	Loans and receivables	(871)
17,935	**TOTAL**	**8,090**

12 (c) Fair Value of Financial Instruments and Liabilities

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

Carrying Value £'000	Fair Value £'000		Carrying Value £'000	Fair Value £'000
		Financial Assets		
396,201	417,318	Fair value through profit & loss	413,227	448,373
22,373	22,903	Loans and Receivables	19,751	19,754
418,574	**440,221**		**432,978**	**468,127**
159	159	Current asset debtors	934	934
418,733	**440,380**	**Total Financial Assets**	**433,912**	**469,061**
		Financial Liabilities		
(161)	(161)	Fair value through profit & loss	(553)	(553)
(704)	(704)	Financial Liabilities at amortised cost	(1,370)	(1,370)
(865)	**(865)**	**Total Financial Liabilities**	**(1,923)**	**(1,923)**

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 2012	**Level 1**	**Level 2**	**TOTAL**
Financial Assets			
Financial Assets at fair value through profit & loss	203,501	244,872	448,373
Loans and receivables	20,688	0	20,688
Total Financial Assets	**224,189**	**244,872**	**469,061**
Financial Liabilities			
Financial liabilities at fair value through profit & loss	(553)	0	(553)
Financial liabilities at amortised cost	(1,370)	0	(1,370)
Total Financial Liabilities	**(1,923)**	**0**	**(1,923)**
Net Financial Assets	**222,266**	**244,872**	**467,138**

Assets as at 31 March 2011	**Level 1**	**Level 2**	**TOTAL**
Financial Assets			
Financial Assets at fair value through profit & loss	222,176	195,142	417,318
Loans and receivables	23,062	0	23,062
Total Financial Assets	**245,238**	**195,142**	**440,380**
Financial Liabilities			
Financial liabilities at fair value through profit & loss	(161)	0	(161)
Financial liabilities at amortised cost	(704)	0	(704)
Total Financial Liabilities	**(865)**	**0**	**(865)**
Net Financial Assets	**244,373**	**195,142**	**439,515**

Risk and Risk Management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure that there is sufficient liquidity to meet the fund's forecast cash-flows. The Authority manages these investment risks as part of its overall pension fund risk management programme.

Market Risks

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

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

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

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

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

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

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

Other price risk – sensitivity analysis
Following analysis of historical data and expected instrument return movements during the financial year, in consultation with the fund's performance monitoring advisers, the Authority has determined that the following movements in market price risk are reasonably possible for the 2012/13 reporting period.

Asset Type:	**Potential Market movement (+/-)**
UK Equities	12.5%
Overseas Equities	12.5%
UK Government Bonds	10.2%
UK Corporate Bonds	7.9%
Overseas Bonds	8.0%
Index-Linked	6.8%
Property	6.3%
Commodities	18.0%

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

Price Risk:

Asset Type	**Value (£'000)**	**% Change ***	**Value on Increase**	**Value on Decrease**
UK Equities	119,934	12.5%	134,938	104,930
Overseas Equities	132,761	12.5%	149,409	116,113
UK Government Bonds	57,896	10.2%	63,813	51,979
UK Corporate Bonds	37,093	7.9%	40,023	34,163
Overseas Bonds Inc Hedging	61,568	8.0%	66,469	56,667
Index Linked	5,937	6.8%	6,338	5,536
Property	27,810	6.3%	29,554	26,066
Commodities	5,342	18.0%	6,305	4,379
Cash	17,371	0.0%	17,374	17,368
Derivatives	(521)	0.0%	(521)	(521)

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 9.3% 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 9.3% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency Risk (by asset class):

Asset Type	**Value (£'000)**	**% Change ***	**Value on Increase**	**Value on Decrease**
Overseas Equities	132,761	9.3%	145,073	120,414
Overseas Bonds	31,382	9.3%	34,292	28,472

- % change has been rounded to 0.1 decimal point

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

In essence the fund's entire investment portfolio is exposed to some form of credit risk. The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

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

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

Liquidity Risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The Authority therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments.

The pension fund has immediate access to its cash holdings that are invested by the Authority. The levels of cash held are reviewed by the Authority as part of the periodic cash-flow forecasting and form part of the fund's investment strategy. The fund's investment strategy ensures that the majority of the fund is invested in assets that can be sold at short notice to avoid any liquidity risk.

13. Fund Management

As at 31 March 2012, the fair value of assets under management was £467 million. The Fund has undertaken work in conjunction with the Fund's external adviser, JLT Consultants and Actuaries, to implement a long-term strategy to match the objective of being fully funded. The structure of the Fund resulted in a strategic benchmark of 80% equities (including property and cash) and 20% bonds. As set out in the Pension Fund's Statement of Investment Principles, the asset allocation may be varied and rebalancing may be suspended at the discretion of the Pension Fund Investment Panel. As at 31 March 2012, the Fund was allocated as shown in the table below:

Manager	Mandate	Value of Portfolio £'000	% of the Fund %
Standard Life	Fixed Income Mandate	121,255	26
Newton	High Alpha Mandate	126,647	27
SSgA	Global Equity Index Tracking Mandate	156,891	34
BlackRock	Asia Pacific Equity Mandate	13,055	3
Schroders	Emerging Markets Equity Mandate	19,582	4
BlackRock	Property	17,729	4
Schroders	Property	10,599	2
LBR	Cash	1,380	0
		467,138	**100%**

14. Investments as at 31 March 2012

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

	2010/11	2011/12
Equities	56%	54%
Bonds	31%	35%
Property	6%	6%
Cash and other investments	7%	5%
	100%	**100%**

15. Statement of Investment Principles

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

16. Investment Management Expenses

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

	2010/11 £'000	2011/12 £'000
Fund Manager Fees	1,176	1,262
Custodian Fees	71	73
Performance Management Services	16	16
Other Advisory & Investment Fees	202	84
	1,465	**1,435**

17. Current Assets and Liabilities

	2010/11 £'000	2011/12 £'000
Contributions due	107	880
Prepaid Expenses	52	54
Total of Current Assets	**159**	**934**
Accrued benefits	(271)	(145)
Accrued expenses	(433)	(1,225)
Total of Current Liabilities	**(704)**	**(1,370)**

18. Stock Lending

The Fund does not participate in stock lending arrangements.

19. Related Party Transactions

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

- Administrative services undertaken by the Authority of the Pension Fund were £411,000 (no change from 2010/11).

20. Actuarial Valuation

In 2011/12, the contribution paid by the Authority as an employer was determined following an actuarial valuation of the Fund as at the 31 March 2010. The valuation as at 31 March 2010 set the employer's contribution rates for the years 2011/12, 2012/13 and 2013/14. The actuarial method used by the Actuary is known as the "projected unit method". The key feature of this method is that in assessing the future service cost, the Actuary calculates the contribution rate, which meets the cost of benefits accruing in the year after the valuation date. This is the same method adopted at the previous valuation and is an appropriate method for a fund which is open to new members.

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

Assumption	**Rate**
The rate of increase in pensionable earnings	3.3%
The rate of return on investments	4.8%
''Gilt-based'' discount rate	4.5%
The level of increase in earnings growth	6.3%

The result of the 2010 valuation was that the value of the Fund's assets was actuarially assessed as £397 million, which was sufficient to meet 71% of its accrued liabilities. The employer's contribution rate required as a result of the valuation incorporates a phased increase in the balance of the Fund to meet 100% of future benefit liabilities, as required by Pension Fund regulations. As a result of the 2010 valuation, those employers within the Fund that have funding shortfalls are required to make repayment over an agreed period in accordance with the policies set out in the Pension Fund's Funding Strategy Statement (available on the Authority's web site www.redbridge.gov.uk), and certified by the Actuary in the Actuarial Report. The new employer contribution rates and shortfall payments commenced from 1 April 2011.

21. International Accounting Standard 19

The Fund's Actuary prepares reports for the purposes of IAS19 for the Authority and other employers participating in the Pension Fund upon request. Further information pertaining to the Authority is included at note 47 of the Notes to the Core Financial Statements on pages 76 to 80.

The Actuary has calculated that the liabilities at 31 March 2012 for the entire Fund comprises of:

Type of Member	2010/11 Liability £'millions	2011/12 Liability £'millions
Employees	306	367
Deferred Members	97	113
Pensioners	238	249
Total	**641**	**729**

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 2011 £'millions	31 March 2012 £'millions
Present value of funded obligations	(641)	(729)
Fair value of Fund Assets	440	467
Net Liability for the whole Fund	**(201)**	**(262)**

These calculations have been determined using the following financial assumptions:

Year Ended	31 March 2011 % p.a.	31 March 2012 % p.a.
Inflation / Pension Increase Rate	2.8	2.5
Salary Increase Rate	4.6	4.3
Expected Return on Assets	5.2	6.4
Discount Rate	5.5	4.8

22. Additional Voluntary Contributions (AVC's)

The Authority has a statutory obligation to provide an additional voluntary contribution (AVC) facility. This facility provides the means for members of the Pension Fund to pay contributions into a policy, which will be used to buy additional pension benefits when the member retires. The Authority has appointed Clerical Medical and Standard Life as joint AVC providers to provide a range of AVC fund options. A residual arrangement remains with the Authority's previous provider, Equitable Life, specifically for pension fund members who were contributing to this fund and wished to continue to do so. A total of 22 members of the Pension Fund contribute to the AVC schemes. In 2011/12 £54,704 of contributions were made to the AVC Scheme (£58,579 in 2010/11).

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

23. Contingent Liabilities

There were no material contingent liabilities or contractual commitments at the year-end (2011 - Nil).

Glossary

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

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

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

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

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

Approved Investments
These are investments that Local Authorities are permitted to make using their unapplied Capital and Revenue Funds. These investments must be in sterling and normally consist of deposits with Banks, Building Societies, and other financial institutions. Such investments are treated as neither revenue nor capital expenditure.

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

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

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

Capital Charge
A depreciation charge to Service Revenue Accounts to reflect the cost of non-current or intangible assets used in the provision of the service.

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

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

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

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

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

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

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

Collateral
Assets pledged by a borrower to secure a loan.

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

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

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

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

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

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

Creditors
Amount of money owed by the Authority for goods and services received.

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

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

Debtors
Amount of money owed to the Authority by individuals and organisations.

Deferred Capital Receipts
The balance of outstanding monies owed (e.g. mortgages) by purchasers of council property.

Deferred Liabilities
These are creditor balances repayable after one year.

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

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

Earmarked Reserves
Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

Fair Value
The amount that an asset can be exchanged or a liability settled between knowledgeable and willing parties in an arms length transaction.

Finance Lease
A finance lease is where a finance company owns an asset and leases it to the Lessor in exchange for rentals. The Lessor will remain a large part, or all of the cost of the assets in rentals. At the end of the lease, the Lessee has the option to acquire ownership of the asset by paying, the last rental, or a final purchase price.

Financial Instruments Adjustment Account (FIAA)
Provides a balancing mechanism between the different rates at which gains and losses are recognised under the Code and are required by Statute to be met from the General Fund.

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

General Fund (GF)
Redbridge's main Revenue Account from which is met the cost of providing most of the Authority’s services.

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

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

Historic Cost
The actual cost of an asset in terms of past consideration as opposed to its current value.

Housing Revenue Account (HRA)
A Statutory Account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of Council Housing.

IAS 19
A complex accounting standard based on the principle that an organisation should account for retirement benefits when it is committed to do so even though the benefits will not be paid for years in the future.

Impairment
A reduction in the valuation of an asset caused by consumption of economic benefits or by a general fall in prices.

Infrastructure Assets
Assets that have an indeterminate life and, although valuable, do not have a readily realisable value e.g. roads.

Intangible Assets

Non-financial assets that do not have physical substance but are identifiable and controlled by the Authority, for example purchased software licences.

Minimum Revenue Provision (MRP)
The amount that has to be charged to revenue to provide for the redemption of debt.

National Non-Domestic Rates Pool (NNDR Pool)
Rates payable by businesses into a central pool controlled by Central Government. This money is then redistributed to Local Authorities on the basis of a formula based on resident population.

Net Book Value
The amount at which assets are included in the Balance Sheet after depreciation has been provided for.

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

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

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

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

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

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

Post Balance Sheet Events
Those events that relate to the accounting year, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Director of Finance and Resources.

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

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

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

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

Public Works Loans Board (PWLB)
Central Government Agency, which funds much of Local Government borrowing.

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

Reserves
Amounts set aside that do not fall within the definition of a provision, to fund items of anticipated expenditure. These include general reserves or balances, which every Authority must maintain as a matter of prudence.

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

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

Revenue Support Grant
Grant paid by the Central Government to Local Authorities. This grant is not attributable to specific services.

Soft Loan
Loans given at less than market/commercial rates.

Surplus or Deficit on the Provision of Services
Is the total of income less expense, excluding the components of Other Comprehensive Income and Expenditure.

Support Services
Activities of a professional, technical and administrative nature which are not local authority services in their own right, but support main front line services.

Abbreviations used in Accounts

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