Narrative Report to the Financial Statements

Introduction

The Statement of Accounts (the Accounts) summarises the financial position of the London Borough of Barking & Dagenham for the year ended 31 March 2018.

The principles adopted in compiling the Accounts are those recommended by The Chartered Institute of Public Finance and Accountancy (CIPFA) namely:

- The Code of Practice on Local Authority Accounting in the United Kingdom (the Code); and
- International Financial Reporting Standards (IFRS)

This Narrative Report provides information about the London Borough of Barking & Dagenham, its main objectives and strategies and the principal risks it faces in delivering its ambitions for the communities it serves. It sets out in summary how the Council has used its resources during financial year 2017/18 to achieve planned outcomes in line with its objectives and strategies.

The Narrative Report is a key document for communicating to stakeholders the authority's purpose; how it has performed in accordance with its overall strategy and against Key Performance Indicators over the financial year 2017/18; and how it has allocated its resources in line with intended outcomes. It assists management to demonstrate their collective performance over the year and gives assurance about how well the authority is equipped to deal with the challenges ahead, to continue delivering services and support its local communities.

The Report provides a fair, balanced and understandable analysis of the Council's performance in 2017/18. It shows the connections between the information within the financial statements and the achievement of the Council's objectives and strategies.

The Narrative Report focuses on elements that are material to an understanding of the financial position and performance of the Council and is structured as follows:

- Barking and Dagenham – the Place
- The Council
- The Council's Financial Strategy
- Risks and Opportunities
- Performance – Progress on Transformation
- Financial Performance
- Preparation of the financial statements

Barking and Dagenham – The Place

Barking and Dagenham is London's Growth Opportunity. The Borough's Independent Growth Commission reported in 2016 that:

> *"A variety of factors come together to create a propitious moment for Barking & Dagenham. The London economy remains strong. Growth, and the pressures it creates, allied to strong London institutions in the Greater London Assembly and Transport for London, have put any area with significant growth potential into the spotlight as areas of major strategic importance for development. Barking & Dagenham is the next obvious growth point and the Borough has land on a scale few other places in the south-east do".*

Thus, as London's economic growth continues to move East, the Council has a unique opportunity to make the Borough a stronger, more prosperous place to live, where no one is left behind.

This is a young and rapidly changing part of London. Between 2001 and 2016 the population rose from 164,000 to 206,500 and is projected to rise to £275,000 by 2037. Within this overall increase is a picture of rapid movement of people. Between 2012 and 2014 (a mere two years) approximately one quarter of the population moved into the borough and the same proportion moved out. The population is also very young - the birth rate is the highest in London and we have the highest proportion of 0-16 years in the UK.

However the Borough also faces great challenges – partly from the rate of change the community is experiencing but also long standing challenges stemming from the loss of local industries and their associated employment opportunities.

People in our borough die earlier, have poorer health, and lower levels of education and skills, than across London. Too many are insufficiently skilled, too many are in low paid work, and too many struggle to find suitable homes that they can afford. Meanwhile community cohesion remains a challenge as people have seen rapid change in a short space of time. Change can be unsettling, and can break down the trust between members of the community.

One of the Growth Commission's recommendations was the development of a long term vision for Barking and Dagenham that could harness the energy, creativity and ambition of its residents. This led to the development of the Borough Manifesto – bringing together the Council with its key partners and the contributions to public consultation of over 3,000 residents. The manifesto "Barking and Dagenham Together" was published in November 2017 and sets out a long term vision for the next twenty years:

One Borough. One Community. No-one left behind.

The manifesto sets out how this vision will be achieved and delivered based around ten key themes:

Employment, Skills and Enterprise

Education
Regeneration
Housing
Health and Social Care
Community and Cohesion
Environment
Crime and Safety
Fairness
Arts Culture and Leisure.

There are also a set of realistic but challenging targets to assess progress – the aim being to move from the bottom of the London league table towards the London average – or as near to it as is feasible.

The Council

The Borough consists of 17 wards, each served by three elected Councillors. During 2017-18 the political balance was 50 Labour Councillors and 1 Independent. Labour retained control following the May 2018 elections.

The Council operates with a Leader and Cabinet. During 2017/18 there were 10 Cabinet members including the Leader and two Deputy Leaders.

The Council provides services itself, but also through joint ventures and owned companies. The Council has a 50/50 share in a joint venture with Agilysis Ltd, Elevate East London LLP, which provides ICT, Revenues & Benefits, Procurement, and Accounts Payable services for the Council. The Council has a set of subsidiaries. Further information can be found at Note 26 to the Financial Statements (Related Parties). During 2017/18 the Council made considerable progress in its transformation programme which has significantly altered the organisational model of service delivery. More detail is set out in the Section on Performance below.

The Council's management is led by the Strategic Leadership Team, which during 2017/18 comprised:

- The Chief Executive (Head of Paid Service)
- Strategic Director for Service Development and Integration
- Chief Operating Officer (Section 151 Officer)
- Strategic Director for Growth and Homes – left during the year and replaced by the Director of Inclusive Growth
- Director of Law and Governance (Monitoring Officer)
- Director of Policy & Participation

Each of these senior officers oversees the strategic management of service areas managed by commissioning directors, operational directors and heads of service.

Performance against planned activity and budgets is reported monthly at Corporate Performance Group (made up of the Strategic Leadership Team, Performance

Challenge Sessions and to Cabinet, and to the Public Accounts and Audit Committee every six months.

In order to play its role in delivering this vision set out in the Borough Manifesto the Council has undertaken an ambitious Transformation Programme to completely redesign the way it works to meet the needs of its residents. Over the course of 2017-18 it moved towards becoming a New Kind of Council as shown below.

<u>The Council's Medium Term Financial Strategy</u>

The proposed budget for 2017/18 was initially proposed by the Council's Assembly in February 2016 as part of its updated Medium Term Financial Strategy and was reviewed in July, and again in November 2016, taking account of savings required to address the forecast budget gap. In February 2017 the Council approved its budget for 2017/18.

In line with the vision, the Council has a growth based Financial strategy which seeks to invest in the Borough's future while making necessary savings to set a balanced budget. The 2017/18 budget therefore included provision for growth of £11.694m including investment in capital infrastructure and land acquisition, the rising costs of Homelessness and Adult Social Care and increasing spend on Community cohesion through schemes such as the Events programme and Everyone Everyday.

Council tax was increased by 1.99% for general expenditure and 3% ringfenced Adults Social Care precept – this complied with Central Government guidelines.

However there was an overall decrease in income from grants and local taxation of £5.711m.

Overall the Council is predicting a gap of in the region of £65m to £70m during the period 2017-2021. This level of savings will not be delivered by small economies or "salami-slicing" and such an approach would risk jeopardising the Council's ambitions for its residents. For this reason a Council wide strategic approach was needed and this led to the adoption of an ambitious Transformation Programme based on full scale service redesign, commercialisation and driving economic growth. This programme as a whole is expected to deliver £48m of savings during the period 2017-21.

The 2017-18 budget gap was met from the first year's savings of £9.276m of savings and £7.25m taken from one off sources including use of Collection Fund and drawdown from reserves. The Council committed to finding further savings in 2018/19 to close the remaining gap further and meet its further pressures. This was partly achieved through the 2018/19 MTFS process which identified a further £9.377m of savings in addition to the £11.344m that will result from the Transformation Programme.

The Council refreshes its Financial Strategy every year in July and again in November/December. This involves re-examining its performance and financial pressures and the expected funding available and setting the strategy to address any funding gaps in the next and subsequent years. This is confirmed by Cabinet and Assembly in February.

Risks and opportunities

Despite the ambitious nature of the Transformation programme and the success to date in finding additional savings, pressures still remain in the Medium Term. The MTFS gap is now estimated to be a further £16m to 2021. Moreover there remain further risks as the future of Local Government funding is still uncertain once the Revenue Support Grant system comes to an end in 2020.

From 2020 local authorities are expected to be 'self-financing', funding services through income from Council Tax, Business Rates, fees & charges and, for Housing Services, through the collection of rents. The Council is currently participating in a London-wide pilot scheme to assess the impact of new arrangements proposed by Government for Councils to be allowed to retain 100% of the Business Rates income they collect.

The MTFS planning process that is in place will continue to address these risks. It is likely however that a further savings programme could be required.

As a Public Body operating within a climate of austerity the Council also faces a broad range of inherent risks. These include:

Area	Issue
Safeguarding	Keeping vulnerable and young persons safe

Housing Strategy	Failure to deliver a coherent strategy could lead to an inability to meet local housing needs, resulting in a lack of affordable housing providing real alternatives to homelessness
Extra demands caused by demographic pressures	Increased demand for school places and social care services. Housing growth will also drive increased demand for infrastructure and universal services such as waste collection.
Resilience	Budget reductions have resulted in lower staff numbers and lower staffing ratios. A failure to recognise this lower level of resilience or taking actions to mitigate could lead to service failure
Information Assurance	Lack of Information Governance could lead to a range of impacts from developing poorly informed plans to invasion of privacy or release of data resulting in a distrust of information communicated to stakeholders and a correspondingly adverse impact on the Councils reputation. This risk will be heightened following the introduction of the GDPR in May 2018
Asset Management	Failure to maintain proper maintenance procedures and inspections could lead to injury to staff &/or third party's resulting in public inquiries, adverse publicity & possible prosecution under Health &Safety legislation
Community Tensions	Failure to adequately monitor tension risks and to be seen to address concerns and grievances leads to community tensions, personal safety risks for minority populations, and reputational damage for the Council
Budget Delivery	Failure to deliver the approved budget will lead to a lack of resources to fund services and priorities and reduced ability to plan effectively in the medium and long term. Failure to increase value for money results in inconsistent service delivery and non-achievement of objectives and outcomes

Performance – Progress towards Transformation

Financial year 2017/18 saw significant progress on the Council's ambitious transformation programme, which is designed to reduce annual net expenditure on the delivery of day-to-day services by £47.9 million by 2020/21.

Several major restructurings of service delivery took place in financial year 2017/18, and these are discussed below:

Community Solutions

The core of the Council's people-focused services, Community Solutions identifies and resolves the root causes of an individual's or family's problems, by tackling the multiple needs of households in a joined-up way, and at an early stage. It comprises

multi-disciplinary and multi-agency teams that collaborate closely with the voluntary and community sector and other partners to deliver early intervention and preventative support.

The investment in Community Solutions in financial year 2017/18 enabled several services such as libraries, children's centres, housing support and employment support to be reconfigured into a single, integrated service for residents who need help. This integration will deliver efficiencies for the Council and in time will help reduce demand for our more expensive services.

Community Solutions began operations in April 2017. The service will continue to develop during 2018/19 through testing and evaluation to ensure that the service is achieving a reduction in demand. The new fully functioning, fully coordinated service will be in place by April 2019.

Care and Support

The re-design of services for individuals and families who either need continuing support from the Council or require an intervention to enable them to remain safe went 'live' in May 2017. The new arrangements will enable and support more adults to live in their own homes for longer; and more children and young people to live at home with their families. Residents have more choice; redesigned services will be smaller, more responsive and more user-focused.

Be First

In July 2016 the Council agreed to implement Be First – a wholly owned development and regeneration company with the remit of accelerating the pace and scale of physical, economic and social regeneration in the Borough. A final business case for Be First was approved by Cabinet in November 2016 and the new service went 'live' in October 2017.

Be First is tasked with scaling up delivery capacity so that the development of over 2,000 residential units per annum can be supported and regulated through the Council's planning and regeneration functions – roughly four times more per year than could previously be delivered. As well as accelerating to circa 10,000 the number of new homes that will be built in the Borough by 2020/21, Be First will also help to generate several other significant financial benefits, namely: additional New Homes Bonus, development fees and the fiscal benefits that arise from increases in the Council Tax base.

In June 2017, the Council agreed the first steps of the Barking Riverside Gateways Housing Zone project which involves the phased development of around 3,000 homes, commercial space and associated facilities, supported by £30m of funding from the Greater London Authority. The project will bring new housing and a site for a new school, connecting communities and transforming the appearance of the area. The scheme will ensure modern employment space is provided as part of a mixed-use development so that overall jobs numbers are not lost. Be First will be closely involved in this major scheme, working with private sector and other partners to deliver the agreed outcomes.

Barking & Dagenham School Improvement Partnership

In June 2017, the Council agreed the establishment of a School Improvement Partnership (SIP) company, limited by guarantee and owned jointly by schools and the Council, to deliver a range of services, both statutory and traded, which were previously delivered by the Council to schools. Over time the SIP will also become the vehicle to drive and support the development of a successful school-led system for the Borough. The proposal was developed in partnership with headteachers and governors through ongoing consultation and working groups. A shadow organisation structure, including a shadow board, was set up in September 2017 prior to full launch in January 2018.

My Place

During 2017/18 the Council made further progress with its plans to bring together all those services that are involved in enforcement and regulation to provide a better offer to residents and to make the workforce more productive and effective. Actions were also taken to deliver significant improvements in the efficiency of the refuse and street cleansing services. Improved public education and enforcement will reduce waste volumes and disposal costs.

Public Realm

The Green and Clean service has been re-structured into three new service blocks:

> Waste Services – Implementing a series of staged operational changes and service efficiencies to the refuse collection and recycling services. A new paid for green garden waste service was introduced in the spring of 2017.
>
> Cleaner Communities - Creating a targeted, intelligence driven and collaborative service. The new service brings together cleansing and caretaking services.
>
> Parks and Environment - The new service is required to attract external capital into parks in the next five years through creating expertise in applying for funds, participating in regeneration, and seeking commercial opportunities. With the responsibility of running the newly expanded Chadwell Heath Cemetery there is also a need for a greater commercial focus as well as developing new skills within the workforce to better manage the burial site.

Leisure

The Council agreed in November 2016 that bids should be invited to enable transfer of the management and operation of leisure services to a not-for-profit operator. The new operator, Sports and Leisure Management Ltd (SLM), took over with effect from September 2017. All staff previously involved in the delivery of leisure services transferred under TUPE to the new operator.

Smarter Working

The Smarter Working Programme has provided staff with new technology and the capability to work from any Council site and remotely including homeworking. The roll-out of the corporate accommodation element of the Programme continued during 2017/18.

Financial Performance in 2017/18 - Revenue

The final revenue outturn position is an overspend of £5.6m. This includes overspends of over £10.66m across a range of departments (£5m in Care and Support, £1.1m in Community Solutions, £2.1m in Public Realm, £0.7m Elevate/Customer Services, £0.6m Leisure, £0.4m Enforcement) offset by a large surplus in Traded Services (£0.9m) and underspends in Core, Commissioning and Central Services. Most of these overspends are the result of long standing structural budget deficits and many have been corrected in the 2018-19 budget – either by the provision of growth funding or by Transformation programme activity or a combination of the two. This is the case for Public Realm, Customer Services, Leisure and the Homelessness pressure in Community Solutions.

Function & Block	REVISED BUDGET 17/18	Provisional Outturn	Variance
BE FIRST 2017/18	**-130**	**-130**	
CARE & SUPPORT	**73,104**	**78,023**	**4,918**
ADULT'S CARE & SUPPORT	22,082	22,246	164
CHILDREN'S CARE & SUPPORT	33,264	36,585	3,321
DISABILITIES	17,759	19,192	1,433
CENTRAL	**-3,065**	**-5,866**	**-2,801**
COMMUNITY SOLUTIONS	**13,297**	**14,455**	**1,158**
CONTRACTED SERVICES	**9,545**	**10,274**	**730**
CORE	**8,767**	**8,232**	**-535**
EDUCATION,	**14,754**	**14,754**	
ENFORCEMENT	**10,483**	**10,894**	**411**

GROWTH & HOMES	**-268**	**398**	**666**
MY PLACE	**-58**	**-441**	**-383**
PUBLIC REALM	**6,909**	**9,101**	**2,192**
SDI COMMISSIONING	**11,386**	**11,575**	**189**
TRADED SERVICES	**406**	**-537**	**-943**
TOTAL GENERAL FUND	**145,130**	**150,730**	**5,601**

Financial Performance - Capital Programme

In April 2017 the Council agreed a new capital bidding process, designed to support its priorities, ambition and agreed strategies, together with the detailed schemes recommended for inclusion in the 2017/18 Capital Programme.

A total of £40.482m of new schemes were agreed for the next five years, of which £20.468m related directly to 2017/18.

The two most significant areas of the capital programme are the provision of school places and housing development. This reflects the needs of the Borough in terms of dealing with a high birth rate and high level of migration into the Borough. School expansion schemes are funded by Government (via the Education Funding Agency), and the HRA programme is self-financed by the HRA using a mixture of Government grants, capital receipts and HRA revenue funding. Therefore, neither of these priorities pose a pressure on the General Fund.

The Council spent £170.3 m on capital projects in 2017/18, as summarised in the following table. Full detail is given in the outturn report to Cabinet 19th June which can be found on the Council's website.

Programme.	Revised Budget	Actual Expenditure	Over / (Under) spend to date
Care & Support	1,869,570	1,591,834	(277,736)
Community Solutions	3,686,400	1,378,893	(2,307,507)
Core	9,202,469	7,827,889	(1,374,580)
Customer Access & Technology	3,991,982	1,740,176	(2,251,806)
Education, Youth & Childcare	25,323	25,474	151
Enforcement	9,167	7,342	-1,824
Culture, Heritage & Recreation	855	171	-684

Investment Strategy	10,219	10,201	-17
Growth & Homes & Regeneration	54,801	43,067	-11,734
My Place	1,209	692	-517
Public Realm	999	124	-875
SDI Commissioning	4,085	2,089	-1,996
GENERAL FUND PROGRAMME	**125,408**	**101,698**	**-23,710**
Grand Total HRA	**74,271**	**68,631**	**-5,640**
CAPITAL PROGRAMME 2017/18	**199,678**	**170,329**	**-29,349**

Financial Performance - Pension Fund

Overall 2017/18 was another good year for the Fund with a positive investment return, net of fund manager fees and custodian costs, of 5.3%, 0.3% higher than its benchmark of 5.0%. Taking net pension contributions into account, the Fund increased in size by 5.6%. Over three years the Fund has returned an annualised return of 7.9%, which 0.4% below the Fund's benchmark return of 8.3%.

Equities and alternatives were the main driver of outperformance, with Baillie Gifford providing a good return of 12.7% for the year, outperforming its benchmark by 9.4% and Aberdeen Asset Management providing a return of 12.5%, outperforming its benchmark by 8.1%. Absolute return managers were the worst performers, both underperforming their benchmarks and providing negative actual returns for the year.

Two new employers, Be First and SLM, joined the scheme as admitted bodies. A further two academies, James Campbell Primary and St Margarets joined the scheme as new scheduled body employers. The total number of active and closed employers within the Fund was 37 as at year end.

Preparation of the financial statements

The pages which follow are the Council's Statement of Accounts for 2017/18. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The financial statements comprise:

- **Statement of Responsibilities**

This sets out the respective responsibilities of the Council and the Section 151 Officer in respect of preparation of the Statement of Accounts. For the London Borough of Barking & Dagenham the Section 151 Officer is the Chief Operating Officer.

- **Expenditure and Funding Analysis**

The requirement to include an Expenditure and Funding Analysis (EFA) was introduced for the first time in financial year 2016/17. Its purpose is to report performance in a similar format used for reporting to management and members throughout the year.

The objective of the Expenditure and Funding Analysis (EFA) is to demonstrate to Council Tax (and rent) payers how the funding available to the Council (i.e. Government grants, rents, Council Tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with Generally Accepted Accounting Practices.

The EFA also shows how this expenditure has been allocated for decision making purposes between the Council's service portfolios. Income and expenditure accounted for under Generally Accepted Accounting Practices are shown more fully in the Comprehensive Income and Expenditure Statement.

- **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'Unusable Reserves' (e.g. the Capital Adjustment Account; Revaluation Reserve; Pension Reserve).

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The "Net Increase/Decrease before Transfers to or from Earmarked Reserves" line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

- **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS), 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. The taxation position is shown in the Movement in Reserves Statement. The Statement shows five significant values:

1. Cost of services (gross income and expenditure for each service)

2. Other operating income and expenditure (including the surplus or deficit from property, plant and equipment sales)
3. Financing and investment income and expenditure
4. Taxation and non-specific grants (revenue from Council Tax, business rates and the Government)
5. Other income and expenditure – values not included elsewhere such as revaluations of property or actuarial gains or losses.

- **Balance Sheet**

The Balance Sheet shows the value of the assets and liabilities recognised by the Council at the end of the financial year. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is 'Usable Reserves', i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes those that the Council is not able to use to provide services ('Unusable Reserves'). This category 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 are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line: "Adjustments between accounting basis & funding basis under regulations".

- **Cash Flow Statement**

The Cash Flow Statement shows the change in cash and cash equivalents of the Council during the financial year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as:

Operating activities;

Investing activities: and

Financing activities

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. Council borrowing).

- **Additional Statements**

The Housing Revenue Account

This reflects a statutory obligation to separately account for housing provision. It shows the major elements of housing revenue expenditure - maintenance,

administration and capital financing costs and how these are met from rents, subsidy and other income. This account is reported using two statements – the Housing Revenue Account Income and Expenditure Statement and the Movement on the Housing Revenue Account Statement.

The Collection Fund

The London Borough of Barking & Dagenham acts as an agent in the collection of Council Tax and Non-Domestic Rates on behalf of other precepting authorities. As such the Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Council in relation to the collection from taxpayers and ratepayers, and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

The Pension Fund Accounts

The Barking & Dagenham Pension Fund is part of the Local Government Pension Scheme and is administered by the London Borough of Barking & Dagenham.
The Fund is financed by contributions from members, employers and from interest and dividends on the Fund's investments.

The Annual Governance Statement

This Statement summarises the systems and processes, cultures and values by which this Council is directed and controlled and through which it accounts to, engages with and where appropriate, leads the community. It identifies any gaps or weaknesses and implements responding action plans.

- **Notes to the Accounts**

The notes to the accounts provide additional disclosures in respect of the entries within the main financial statements. They explain the basis of the figures included in the accounts. The accounts can only be properly appreciated if the policies, accounting estimates and judgements, which have been followed in dealing with material items, are explained.

Glossary of Terms

Term	**Definition**
Accounting Policies	The rules and practices adopted by the Council that dictate how transactions and events are shown or costed.
Accruals	Amounts included in the accounts to cover income and expenditure attributable to the financial year, but for which payment had not been received or made as at 31 March.
Actuarial Valuation	A review carried out every three years by the actuary on the assets and liabilities of the Pension Fund. The actuary reports to the Fund's trustees on the financial position and recommended employer's contribution rates. The next actuarial review will be carried out at the end of financial year 2018/19 and the new rates will be applied from April 2020.
Balance Sheet	The Council's balance sheet presents the authority's financial position, i.e., its net resources, at 31 March. The balance sheet is composed of two main balancing parts: its net assets and its total reserves.
Beacon Properties	A sampling technique for valuing the Council's social housing based on the value of properties assuming vacant possession. The Beacon method is used for no other purpose except the special circumstances of the HRA valuation but is an efficient method of arriving at a representative valuation which enables values to be attributed to the whole of the Council's housing stock.
Budget	A forecast of the Council's planned expenditure. The level of the Council Tax is set by reference to detailed revenue budgets. Budgets are reviewed during the financial year to take account of pay and price changes, and other factors affecting the level or cost of services.
Capital Expenditure	Expenditure on the acquisition or enhancement of assets that are of benefit to the Council over a period of more than one year, e.g., buildings and land. Other examples include payments of grants

	and financial assistance to third parties, and expenditure that is classified as capital following a Ministerial direction, e.g., redundancy costs. (See also REFCUS below).
Capital Adjustment Account	A capital reserve that reflects the difference between the costs of fixed assets consumed and the capital financing set aside to pay for them. This is an accounting reserve which is not backed by cash and does not represent resources available to fund future capital expenditure.
Capital Receipts	Income received from the sale of land, buildings and other capital assets.
Central Support Services	Services that are provided by the administrative and professional service groups that support all the Council's services. They include financial, legal, personnel, IT, property and general administrative support.
Collection Fund	A separate account that discloses the income and expenditure relating to Council Tax and National Non-Domestic Rates. The Fund and the taxes that form its basis have a significant impact on the level of resources available to both the Council and its preceptors (e.g., The Greater London Authority).
Community Assets	A class of fixed assets that are expected to be held by the Council in perpetuity. Examples include parks, historic buildings and works of art.
Comprehensive Income & Expenditure Statement	A statement showing 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. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
Council Tax	A local taxation system used in England, Scotland and Wales. It is a tax on domestic property which was introduced in 1993. Each property is assigned one of eight bands (A to H) based on property value, and the tax is set as a fixed amount for each band. Council Tax is

	collected by the Council (the collecting authority). However, it may consist of components (precepts) levied and redistributed to other agencies or authorities (each known as a precepting authority, e.g., the Greater London Authority).
Council Tax Base	The number of Band D equivalent dwellings in the Borough. To calculate the Tax Base, the number of dwellings in each Council Tax band is adjusted to take account of any discounts, premiums or exemptions. The resulting figure for each band is then multiplied by its pro-portion relative to Band D (from 6/9 for Band A to 18/9 for Band H) and the total across all eight bands is calculated. The Tax Base is used to determine the level of Council Tax the Council charges each dwelling.
Council Tax Requirement	The amount of money the Council needs to raise from Council Tax to fund annual spending once Government funding and other sources of income are deducted.
Creditors	Amounts owed by the Council to suppliers for goods received or services provided before the end of the accounting period but for which payments have not been made by the end of that accounting period.
Debtors	Amounts owed to the Council for services provided before the end of the accounting period but for which payments have not been received by the end of that accounting period.
Deferred Liabilities	Sums owed to creditors that are not due for payment for at least one year. They are carried as a liability on the balance sheet, alongside other long-term debt obligations, until they are paid.
Defined Benefit Scheme	A type of pension plan in which the employer promises a specified pension payment, lump-sum (or combination thereof) on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns.

	A defined benefit plan is 'defined' in the sense that the benefit formula is defined and known in advance. The Council's Pension Scheme offers defined benefits for all its members.
Depreciation	The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.
Earmarked Reserves	Reserves set aside for a specific purpose, particular service or identified risk.
Finance Lease	A funding arrangement where: • The lessee (the Council) will select an asset (e.g., equipment, vehicle, software); • The lessor (typically a finance company) will purchase that asset; • The Council will have use of that asset during the lease and pay rent for it; • The lessor will recover a large part or all of the cost of the asset plus earn interest from the rentals paid by the Council; • The Council may have the option to acquire ownership of the asset at the end of the rental period.
General Fund	The main revenue fund from which the day-to-day costs of most services is met. The Council is required to maintain other Funds, e.g. the Housing Revenue Account, the Collection Fund and the Pension Fund. The accumulated credit balance on the General Fund Reserve is the excess of income over expenditure after adjusting for movements to and from reserves.
Government Grants	Government supports the Council's general revenue expenditure through Revenue Support Grant (RSG), a grant given to local authorities which can be used to finance revenue expenditure on any service. The amount of RSG to be provided to authorities is set out in the annual local government finance settlement. RSG is being phased out and will cease entirely by 2020. In addition, specific Government grants are distributed outside the settlement. The basis of the distribution varies from grant to grant. For non ring- fenced grants there are no restrictions on what Councils can spend the money on.

	Where a specific grant is ring-fenced the expenditure is controlled to fund a particular service that is a national priority. For example, funding for schools is paid through the Dedicated Schools Grant, administered by the Department for Education.
Gross Expenditure	The total cost of providing the Council's services before deducting income from Government grants, or fees and charges for services.
Heritage Assets	Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of heritage.
Historic Cost	A measure of value used in accounting in which the price of an asset on the Balance Sheet is based on its nominal or original cost as opposed to its current or fair value.
Housing Revenue Account (HRA)	The HRA specifically accounts for spending and income relating to the management and maintenance of the Council-owned housing stock. By law it must be kept separate from other Council accounts. The HRA is self-financing and receives no income and incurs no expenditure through the Council Tax. The main sources of HRA income are rents and charges for services and facilities.
Impairment	The permanent decline in the value of an asset. Impairment of assets is the diminishing in quality, strength, amount, or value of an asset. It is an accounting estimate of changes in value relating to the consumption of assets.
Infrastructure Assets	Assets that provide the platform for economic and social activity in the Borough, for example, roads, bridges and footpaths.
Interest	The amount received or paid for the use of a sum of money when it is invested or borrowed and typically expressed as an annual percentage rate.
Inventories	The amounts of unused or un-consumed goods held in expectation of future use within the

	following year. Inventory stocks are valued at the end of each financial year and carried forward to be matched to their use or consumption in the following year.
Investment Properties	The Council's interest in land and/or buildings which are held for their investment potential and rental income, rather than being occupied and used to help deliver services.
Levies	Payments that the Council is required to pay to other bodies. The levying bodies are: • Lee Valley Regional Park Authority • London Pension Fund Authority • East London Waste Authority • Environment Agency
Long Term Debtors	Debtors who are not expected or required to pay what they owe soon. In some cases, by agreement, it may be many years before the Council receives full payment from certain debtors (e.g., deferred receipts, mortgages).
Minimum Revenue Provision	How capital expenditure which is financed by borrowing or credit arrangements is paid for by Council Tax payers. The Council is required each year to set aside some of its revenue income as provision for this debt.
Movement in Reserves Statement	A statement showing the movement in the year on the different reserves held by the Council, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'Unusable Reserves' (e.g. the Capital Adjustment Account; Revaluation Reserve; Pension Reserve).
National Non-Domestic Rates (NNDR)	Non-Domestic Rates, or business rates, collected by the Council are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1st April 2013, authorities keep a proportion of the business rates paid locally. This provides a direct financial incentive for authorities to work with local businesses to create a favourable local environment for growth since authorities will benefit from growth in business rates revenues. The money, together with revenue from Council

	Tax payers, Revenue Support Grant provided by the Government and certain other sums, is used to pay for the services provided by the Council.
Net Book Value	The amount at which the Council records an asset in its Balance Sheet. Net book value is calculated as the original cost of an asset, minus any accumulated depreciation, accumulated depletion, accumulated amortization, and accumulated impairment.
Net Expenditure	Total gross expenditure less income due to the Council. The Expenditure and Funding Analysis included in the financial statements shows for each of the Council's services a comparison of the net expenditure and the net charge against Council Tax.
Net Realisable Value (NRV)	The value of an asset that can be realized upon sale or disposal, less a reasonable estimate of the costs associated with either the eventual sale or the disposal of the asset in question. NRV is used to apply generally accepted accounting principles to accounting transactions.
Non-Current Assets	Tangible assets that yield benefits to the Council and the communities it serves for a period of more than one year, e.g., property, plant and equipment (see Note 6 to the financial statements).
Operating Lease	The rental of an asset from a lessor under terms that do not transfer ownership of the asset to the Council. During the rental period, the Council typically has unrestricted use of the asset, but is responsible for the condition of the asset at the end of the lease, when it is returned to the lessor.
Operational Assets	Long-lived assets held, occupied, used or consumed by the Council in the normal delivery of services. They are not held for resale, investment or disposal.
Past Service Costs	The term used to describe the change in a defined benefit obligation for employee service in prior periods, arising because of changes to plan arrangements in the current period.

Post Balance Sheet Events	Events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed.
Precept	A charge made on the Council's Collection Fund by precepting authorities such as the Greater London Authority. The sums paid over to the precepting authorities are collected as part of the annual Council Tax from households in the Borough.
Prior Year Adjustment	If a material error is discovered in a previous year's financial statements that have already been signed off, a prior year adjustment is necessary to correct the error. Also, a note must be included with the financial statements to explain the nature of the error and its impact on the financial performance reported in the affected period.
Private Finance Initiative (PFI)	The private finance initiative (PFI) is a procurement method which uses private sector investment to deliver public sector infrastructure and/or services according to a specification defined by the Council. Because of subsequent changes in accounting conventions, assets acquired under a PFI scheme are now shown on the Balance Sheet.
Provision	An amount set aside for liabilities and losses which are likely to be incurred but where the exact amount and date on which it will arise is uncertain.
Rateable Value	The Valuation Office (an executive agency sponsored by HMRC) assesses the rateable value of individual non-domestic properties. Business rate bills are calculated by multiplying the rateable value by the NNDR poundage set by the Government for the year.
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	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. The full cost is charged to the relevant service in the Comprehensive Income & Expenditure Statement but then reversed out through the Movement in Reserves Statement to

	ensure that there is no effect on the revenue accounts.
Related Party Transaction	The Council is required to disclose material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. Disclosure of these transactions allow readers to assess the extent to which the Council 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 Council. Members and Senior Officers of the Council are required to declare if they have entered into any such transactions and any relationships of significant influence with any organisations associated with the Council.
Reserves	The Council's reserves fall into two categories. The 'unearmarked' reserve is the balance on the General Fund. An 'earmarked' reserve is an amount set aside in the Council's accounts for specific purposes.
Revaluation Reserve	A reserve that records unrealised net gains on Council assets arising from periodic revaluations.
Revenue Balances	These reserves represent surplus balances that can be used in the future. Some balances can only be used to meet future expenditure in a particular account, such as the Housing Revenue Account.
Revenue Expenditure	Day-to-day payments on the running of Council services, such as salaries and wages, heating, lighting, transport and charges for the use of assets.
Revenue Support Grant (RSG)	A general grant paid by the Government to Councils towards the costs of services, distributed via a formula. RSG is being phased out, and by 2020 will have been scrapped altogether.
Service Level Agreement (SLA)	Written agreements between providers of Council support services (e.g., Finance, Human Resources) and users. Each SLA specifies the

<table>
<tr><td></td><td>support service to be provided, including timings and frequencies, the charges to be made and the period for which the agreement will run.</td></tr>
<tr><td>Surplus Assets</td><td>Assets that are not directly employed, used or consumed in the delivery of services. Examples include investment properties and assets that are surplus to requirements, pending sale, redevelopment or disposal.</td></tr>
<tr><td>Trading Accounts</td><td>Accounts that summarise the transactions of those Council services operating on a ‘trading’ basis and are financed by charges made to recipients of their services.</td></tr>
<tr><td>Transfer Value</td><td>A payment made by one pension scheme to another when a member changes employment to enable the receiving pension scheme to fund the member’s defined benefits on retirement.</td></tr>
<tr><td>Valuation Band</td><td>For the purposes of calculating Council Tax, all domestic properties in the Borough are analysed over eight Valuation Bands as specified in the Local Government Finance Act 1992.
In England the Council Tax Valuation Bands are as follows:
<table>
<tr><th>Band</th><th>Value (relative to 1991 prices)</th><th>Ratio</th><th>Ratio as %</th></tr>
<tr><td>A</td><td>up to £40,000</td><td>6/9</td><td>67%</td></tr>
<tr><td>B</td><td>£40,001 to £52,000</td><td>7/9</td><td>78%</td></tr>
<tr><td>C</td><td>£52,001 to £68,000</td><td>8/9</td><td>89%</td></tr>
<tr><td>D</td><td>£68,001 to £88,000</td><td>9/9</td><td>100%</td></tr>
<tr><td>E</td><td>£88,001 to £120,000</td><td>11/9</td><td>122%</td></tr>
<tr><td>F</td><td>£120,001 to £160,000</td><td>13/9</td><td>144%</td></tr>
<tr><td>G</td><td>£160,001 to £320,000</td><td>15/9</td><td>167%</td></tr>
<tr><td>H</td><td>£320,001 and above</td><td>18/9</td><td>200%</td></tr>
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