Statement of Accounts 2020/21

31 March 2021

CROYDON
www.croydon.gov.uk

COMMUNITY LANGUAGES

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Bengali

যদি ইংরাজি ছাড়া অন্য কোনো ভাষায় [illegible] দোভাষী এবং অনুবাদকের [illegible] ব্যবস্থা করা যেতে পারে টেলিফোন করুন 020 8726 6000.

Chinese

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Gujarati

અંગ્રેજી સિવાયની બીજી કોઈ એક ભાષામાં તમે આસાનીથી વાતચીત કરતા હો તો એવું કરવા વિનંતી છે. દુભાષિયાની અને ભાષાંતરકારની સગવડ તમને પૂરી પાડી શકે છે. આ માટે ટેલિફોન નંબર 020 8726 6000 ઉપયોગ કરો.

Hindi

यदि आपको अंग्रेज़ी के अलावा किसी और भाषा में आसानी से बात कर सकते हैं तो कृपया अनुरोध करें। दोभाषिया और अनुवादक का प्रबन्ध किया जा सकता है। टैलिफोन : 020 8726 6000.

Punjabi

ਜੇਕਰ ਤੁਹਾਨੂੰ ਅੰਗਰੇਜ਼ੀ ਤੋਂ ਇਲਾਵਾ, ਕਿਸੇ ਹੋਰ ਬੋਲੀ ਵਿਚ ਗੱਲ ਕਰਨੀ ਆਸਾਨ ਲਗਦੀ ਹੈ ਤਾਂ ਕ੍ਰਿਪਾ ਕਰਕੇ ਜ਼ਰੂਰ ਕਰੋ। ਦੋ-ਭਾਸ਼ੀਏ ਅਤੇ ਤਰਜਮਾ ਕਰਨ ਵਾਲਿਆਂ ਦਾ ਪ੍ਰਬੰਧ ਕੀਤਾ ਜਾ ਸਕਦਾ ਹੈ। ਟੈਲੀਫ਼ੋਨ ਨੰਬਰ ਹੈ: 020 8726 6000.

Somali

Haddii ay kula tahay in si fudud laguugu fahmi karo luqo aan ahayn Ingiriisi, Fadlan samee sidaa. Afceliyeyaal iyo tarjubaano ayaa laguu qaban. Telifoonku waa 020 8726 6000.

Tamil

உங்களுக்கு ஆங்கிலம் தவிர வேறு மொழியில் பேசுவதற்கு எளிதாக இருந்தால், தயவு செய்து பேசவும். மொழி பெயர்ப்பாளர்கள் ஏற்படுத்தப்படுவார்கள்.
தொ. 020 8726 6000.

Turkish

İri yazılmış harfleri okumayı, ses kaseti veya Braille (kör) alfabesi kullanmayı daha kolay buluyorsanız, veya bizimle İngilizceden başka bir dilde iletişim kurmak istiyorsanız bu imkanı sağlayabiliriz. Yazılı ve sözlü tercüman temin edilir.
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Urdu

اگر آپ انگریزی کے علاوہ کسی دوسری زبان میں بات کرنے میں آسانی محسوس کرتے ہیں تو براہ کرم ایسا کریں
ایسا کرنے کیلئے آپ کیلئے ترجمان اور مترجم کا انتظام کیا جا سکتا ہے ٹیلیفون نمبر
020 8726 6000.

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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, Investment & Risk and Section 151 Officer;

- to approve the Statement of Accounts.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTOR OF FINANCE, INVESTMENT & RISK AND SECTION 151 OFFICER

The Director of Finance, Investment & Risk and Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2021.

In preparing the Statement of Accounts, the Director of Finance, Investment & Risk and Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Code of Practice;

- kept proper accounting records which are up to date; and

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE OF THE DIRECTOR OF FINANCE, INVESTMENT & RISK AND SECTION 151 OFFICER

LONDON BOROUGH OF CROYDON AND LONDON BOROUGH OF CROYDON PENSION FUND
FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021

CERTIFICATE of the Director of Finance, Investment & Risk and Section 151 officer

I certify that this Statement of Accounts is an accurate summary of the accounts of the London Borough of Croydon and the London Borough of Croydon Pension Fund, for the financial year 2020/21 prepared in accordance with the accounting policies stated.

Interim Director of Finance, Investment & Risk
S151 Officer

Chair, General Purposes and Audit Committee

REPORT OF THE AUDITOR

INDEPENDENT AUDITORS REPORT TO BE INSERTED AFTER COMPLETION OF AUDIT

INTRODUCTION

I am pleased to introduce the Council's Statement of Accounts for the financial year 2020/21. This statement summarises the Council's financial performance during 2020/21 showing expenditure for all services during the year and the Council's financial position as at 31st March 2021. This Narrative Statement is an important part of the accounts as it provides information about Croydon and includes key fundamentals that have shaped the Council over the course of the financial year.

The year has been dominated by the impact of the Covid 19 pandemic on the Council's services and the Council's financial situation which has led to the issuing of a Report in the Public interest by the Council's auditors Grant Thornton and the issuing of 2 section 114 notices by the Council's statutory finance officer.

BACKGROUND

Croydon is the second largest London borough by population (currently 388,563* and forecast to increase to 445,000 by 2031) and is categorised in funding terms by Government as an outer London borough. Although due to its location, Croydon has an inner city demography and funding pressures in the north of the borough and more outer London quasi rural areas in the south. This makes the Council a large and complex organisation providing a multitude of services for local residents, businesses and visitors to the Borough from across the region and beyond.

Political Structure

The Council is made up of 70 Councillors from 28 wards across the Borough with Labour having overall control.

The council comprises three main political functions, the Executive (Leader and Cabinet), Committees, and Scrutiny.

All of the Council's policies are agreed by the Leader and Cabinet and implemented by the Executive Leadership Team (ELT) and other officers of the Council.

For more information on the council and its committees visit the website and the page on Democracy and elections - London Borough of Croydon https://www.croydon.gov.uk/democracy/dande

Committees

Six non-executive committees take decisions relating to planning, licensing, standards of behaviour and conduct for members and officers, staffing issues, tenders, property transactions, liaison with local utility companies, the Pension Fund and internal audit.

Scrutiny

Scrutiny and Overview Commitee holds the council executive functions to account. Examining aspects of council performance, the Scrutiny and Overview Committee also increasingly involves other local agencies which contribute to the economic, social and environmental well-being of the local population.

Management Structure of the Council

The Leader Cllr Hamida Ali and the Cabinet are supported by the Executive Leadership Team who are led by the Chief Executive, Katherine Kerswell.

During 2020/21 there were changes to the officer leadership team and there is now a new interim Executive Leadership Team.

The Executive Directors are supported by a team of Corporate Directors with day to day responsibility for service delivery which is undertaken by a mix of contracted out and directly delivered services.

There are 7 statutory posts which must be filled by an officer of the Council and these are:

- Head of Paid Service which is held by the Chief Executive
- Monitoring Officer which is held by the Interim Executive Director of Resources and
- Section 151 Officer which is held by the Interim Director of Finance, Investment and Risk
- Director of Children's Services which is held by the Interim Executive Director of Children Young People and Education
- Director of Adult Social Services which is held by the Interim Executive Director of Adult Social Care and
- Director of Public Health which is held by the Director of Public Health
- Scrutiny Officer which is held by the Senior Democratic Services and Governance Officer

* https://www.croydonobservatory.org/population/

Report in the Public interest (RIPI)

The Council's external auditors Grant Thornton issued a Report in the Public Interest under section 24 and Schedule 7 of the Local Audit and Accountability Act 2014 in October 2020. The report contained 20 recommendations for improving financial governance and budgeting all of which were accepted by the Council and are in the process of being implemented. Consequential reviews have taken place of the Council's governance arrangements over it's subsidiary companies and it's investment arrangements into commercial property.

Section 114

2020/21 was a very challenging financial year during which two notices were issued under section 114(3) of the Local Government Finance Act. The notices were issued by the former Section 151 officer and remained in place until MHCLG confirmed a £70m capitalisation direction for 2020/21 enabling the Council to have sufficient resources to meet its' expenditure commitments.

Councils are required by law both to set a balanced budget, but to also ensure that expenditure can be funded from revenue resources. If a council can't find a way to finance their expenditure a section 114 must be issued, as effectively expenditure becomes unlawful.

The S114 notice has had the effect of the council stopping all non-essential spending – and not entering into any new agreements which will incur a cost. A Spending Control Panel was set up to oversee expenditure taking place within the council which has continued throughout the financial year.

The Council continued to ensure that essential services were maintained particularly to those community members who were vulnerable and that included the ongoing response to the Covid-19 pandemic. The following criteria was applied when allowing spend to take place:

- existing staff and payroll costs,
- expenditure on goods and services which have already been received
- expenditure required to deliver the council's statutory services at a minimum possible level
- urgent expenditure to safeguard vulnerable residents
- contractually committed expenditure
- expenditure through ring fenced grants
- expenditure that will improve the council's financial situation – that is necessary to reduce overall costs.

The £70m Capitalisation Direction allowed the Council to borrow to fund the financial gaps within the financial year that had arisen from the delivery services to its community. The confirmation of the Capitalisation Direction resulted in the Section 114 notice lapsing.

However, the Council has continued to operate the rigour of spending control processes to instil a new more effective approach in its financial management practice. The Capitalisation Direction will need to be paid back over a 20 year period and will incur interest payments.

THE CROYDON RENEWAL IMPROVEMENT PLAN

With the issuing of the S114 notice and the Report in the Public Interest, the Council embarked on a significant financial and overall improvement programme.

In addition to the S114 and the RIPI, the Council has had significant scrutiny and oversight from various other stakeholders and groups. This has included from the internally set and independently chaired Finance Review Panel, a Non-statutory Rapid Review report that was conducted by MHCLG, an independent finance review and the aforementioned review of the governance of Council subsidiaries. In total there are currently around 400 recommendations and actions being enacted from these different plans some of the recommendations and actions are cross-cutting, and the council is using use best practice programme management frameworks and methodology to track progress and reporting.

The Council's submission for the original Capitalisation Direction, contained the Croydon Renewal Improvement Plan, to fundamentally transform how the council operated and governed itself and deliver on the many recommendations set out by various key stakeholders in public reports.

The Renewal Plan was first presented to Cabinet on 25th November 2020 and was endorsed by Cabinet Members. It was then presented to Full Council on 30th November 2020 and agreed in full. Work is currently underway to ensure our objectives within the Renewal plan are being implemented and that the Council begins to deliver a financially sustainable MTFS by 2023/24. The Renewal Plan is a corporate change programme for the council, which sets out how we will respond to the financial challenges and wider improvement needs – whilst making sure that priority services are delivered effectively, sustainably and within our financial means. The 'Croydon Renewal and Improvement Plan - Performance Reporting Framework & Measures Report' presented to Cabinet in June 2021 provided an initial progress update on the delivery of the Renewal Plan. This is being presented on a monthly basis to members in public.

Whilst the Renewal Plan is an holistic corporate change programme for the Council, it plays a critical role in delivering the key activities that will strengthen the Council's finances. One programme within the Renewal Plan is the delivery of the MTFS with the focus on delivery of the agreed savings being an absolute priority and to ensure the Council delivers a balanced MTFS which is sustainable, prudent and affordable.

The Renewal Plan is made up of the Financial Recovery Plan which sets out how we will l deliver a sustainable budget in the medium term and an Improvement Plan to deliver the required changes. The plan to rebuild the council and recover its financial stability over three years covers:

1. New priorities and ways of working for the council
2. A financial recovery plan for savings, the sale of properties and other income generation
3. Delivering core services at costs in line or lower than London average or at the legal minimum
4. Digitising council services to enable as many residents as possible to self-serve
5. Bringing spending on Social Care for Children and Adults (age 18-64) down to the London average and for Adults (age 65+) down to the England average
6. The response to the review of council companies and investment arrangements
7. Stronger governance, management practice and the management of demand and cost
8. A new system of internal control for finance, performance and risk
9. A review of the code of conduct for councillors and officers, and action to change culture and behaviours and strengthen staff engagement, involvement and equality.

2020/21 FINANCIAL OUTTURN

The Council has faced a challenging year as the impacts of the Covid-19 pandemic has significantly impacted on spending pressures, income streams, and the delivery of budgeted savings initiatives. Whilst additional government funding has been received in year, this has not fully compensated for these pressures.

The outturn for the General Fund as reported to July 12th Cabinet 2021 is £65.8m. The table below sets out a summary of the draft outturn position and changes since the last reported Period 11 forecast. This is an improved position to the £67.3m as projected as part of the Period 11 monitor which will be reflected in a corresponding lower requirement to utilise the Capitalisation Direction approval.

Summary General Fund Outturn Position 20/21

	Budget	Outturn	Variance
	(£,000's)	*(£,000's)*	*(£,000's)*
Health, Wellbeing and Adults	135,538	149,900	14,362
Children, Families and Education	105,683	129,854	24,171
Place	64,391	77,933	13,542
Resources	13,461	17,904	4,443
Service Total	319,073	375,591	56,518
Corporate Budgets & Funding	(319,073)	(309,771)	9,302
Council Total	**-**	**50,020**	**65,820**

Croydon has reported an overall Dedicated School Grant (DSG) deficit for the period 2020/21 of £18.527m (an increase in the deficit of £3.969m on the 2019/20 reported deficit of £14.558m) which equates to 5% of the gross DSG allocation. Over the last five years, Croydon has built up a significant deficit against its High Needs Block allocation from central government due to the increasing population of children and young people coupled with a rise in numbers of pupils with Education, Health and Care Plans and the costs of placements.

HOUSING REVENUE ACCOUNT (HRA)

The final outturn shows a net underspend of £1.30m which has been transferred to HRA reserves. As a ring-fenced account, any variance in the HRA position impacts on HRA reserves rather than the General Fund balances discussed above.

The impact of the Covid-19 pandemic along with related delays to the completion and transfer of units from Brick by Brick has led to an underspend on the capital budget against that approved budget of £102m – the spend at year end being £26m.

In addition to the above, underspends in the HRA capital programme result in revenue contributions and use of the Major Repairs Reserve being lower than budgeted. These delayed capital charges also contribute to general HRA reserves that will be available for use in 2021/22. The HRA reserves as a consequence increase at year end by £12.2m and will be carried forward with a total balance of £27.6m.The variances to budget that are on-going will be included in the budget planning for 2021/22.

GENERAL FUND CAPITAL PROGRAMME

The General Fund capital programme was originally approved with a gross budget of £302m but saw significant revisions in September 2020 and January 2021, which resulted in the budget reduced to £176m. Outturn spend in year has resulted in spend of £59m against that revised budget – an underspend of £117m

The delivery of the capital programme has been significantly impacted by the effects of the Covid-19 pandemic whilst the recognition of the Council's overall financial outlook has led to some spend also being deferred in accordance with the S114 requirements. In particular the re-appraisal of the Council's investment in its wholly-owned property company (Brick by Brick) has seen £66m of previously approved loan financing not allocated.

	2020/21 Capital Budget and Outturn		
	Revised Budget	Outturn	Variance
	2020/21	2020/21	2020/21
	(£,000's)	*(£,000's)*	*(£,000's)*
Health, Wellbeing & Adults	7,181	2,836	(4,345)
Children, Families and Education	28,089	17,575	(10,514)
Place	121,079	30,314	(90,765)
Resources	20,136	8,713	(11,423)
GENERAL FUND	**176,485**	**59,438**	**(117,047)**

The reduction in capital spend in 2020/21 has had a corresponding impact on the funding sources used to finance that expenditure. The reduced level of expenditure resulted in a reduced level of borrowing which represented £104m of the overall £117m reduction in overall funding and has had a positive impact in reducing interest costs reported in corporate revenue budgets.

The above reported underspend in 2020/21 is being reviewed by the Capital Programme Officer Board and departmental requests for roll-forward of unspent 2020/21 budgets are being considered alongside the need to spend against budgets already in the originally approved 2021/22 capital programme.

GENERAL FUND RESERVES AND BALANCES 2020/21

The Table below shows the Council's balances and useable reserves at 31st March 2021 compared with the previous three years. The Council holds useable reserves to support the provision of its activity, as well as to mitigate risk and account for timing differences between receipt of funds and delivery. During 2020/21 overall useable reserves have increased by £63.6m. The Council has taken a prudent measure on its reserve plan as the 2019/20 accounts remain unaudited and there is a risk that further adjustment may be needed to made which may affect the 19/20 closing balance and hence the closing balance for 20/21.

Movement in Reserves and Balances

Reserves and Balances	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
General Fund Balances	10.4	10.4	(3.9)	27.5
Earmarked Reserves excluding schools	15.7	14.2	9.1	42.9
Capital Receipts Reserve	55.4	32.6	20.3	19.2
Capital Grants Unapplied	14.3	17.7	13.7	12.9
Housing Revenue Account including major repairs reserve	16.4	15.2	15.4	27.6
Total	**112.2**	**90.1**	**54.7**	**130.3**

As part of the MTFS planning the Council has made a conscious decision to continue to provide for increasing the GF Balances due to the relative low level of reserves the Council has. This is in line with strong financial planning and resilience and ensuring that the Council maintains a strong level of reserves to mitigate risks and one off pressures.
The increase in earmarked reserve largely relates to addition Section 31 grants received by the Council as part of various Covid support from Central Government and is earmarked to support future pandemic pressures and risks.

PENSION FUND

The Council's Pension Fund increased in value during 2020/21 by £280.9m and increase of 22.4%. The table below shows the change in value of the Council's Pension Fund in 2020/21.

Pension Fund Performance 2020/21

	2019/20	2020/21	Net Increase / (Decrease)	Change
Detail of Composition of Net Assets	**£m**	**£m**	**£m**	**%**
Total Investments	1,173.817	1,501.621	327.804	27.93%
Other balances held by Fund Managers	1.271	0.666	-0.605	-47.60%
Debtors	11.291	4.896	-6.395	-56.64%
Cash Held by:				
Fund Managers	9.809	10.578	0.769	7.84%
London Borough of Croydon	82.124	24.670	-57.454	-69.96%
Creditors	-21.473	-4.734	16.739	-77.95%
Net Assets at Year End	1,256.839	1,537.697	280.858	22.35%

Other balances held by Fund Managers comprises outstanding trades, outstanding dividends and tax reclaimable.

The net value of the Fund has increased 22.4% over the reporting period. The diversified nature of the investment strategy has ensured that the fund has been able to deliver growth throughout the year, and the increase of the fund is higher than the benchmark set. In response to a changing macro-economic landscape, the strategic asset allocation has been reviewed. The process of restructuring the asset allocation is ongoing.

COLLECTION FUND

The Collection Fund is a ring-fenced account into which all sums relating to Council Tax and Business Rates are paid. Any deficits on the Fund, in relation to Council Tax or Business Rates, must be met by the precepting bodies, but any 'surpluses can be used by those bodies to fund expenditure within their own organisation. The Collection Fund holds a deficit of £115.70m as at 31st March 2021. The overall deficit was a result of significant impact on the Business Rates account due to the pandemic. The Council has made a large provision for NNDR appeals and NNDR bad debt.

A council tax deficit of £2.455m and business rates deficit of £20.356m was declared in January 2021. The difference between the amount declared in January 2021 and the year-end position will be carried into 2021/22 and will be distributed to preceptors and part of the 2022/23 budget cycle.

COUNCIL TAX

The Council monitors performance targets in relation to the amount of debt collected in the initial year of billing (2020/21 debt collected in 2020/21). The target set for 2020/21 was 97.25% and the actual performance for 2020/21/20 was 94.87%, a reduction of 2.38%. This can be attributed to the impact of the Covid-19 pandemic during the whole of the financial year. All London Local Authorities who reported their collection rates to London Revenues Group (31 out of 33 L/As) have reported a reduction in Council Tax collection as a result of the coronavirus pandemic. It should also be noted that the courts were closed during 2020/21 and the law was changed to prevent Local Authorities from recovery or enforcement action being taken for those residents who did not pay their Council Tax.

The table below show the impact of the target collection rate against the actual.

Council Tax Table

Month	Month End Target	Month End Actual	Var on Target
April	10.96	10.07	-0.89
May	19.94	18.4	-1.54
June	28.73	26.79	-1.94
July	37.52	35.33	-2.19
August	46.21	43.55	-2.66
September	54.76	52.13	-2.63
October	63.60	60.87	-2.73
November	72.44	69.82	-2.62
December	81.17	78.53	-2.64
January	90.10	87.07	-3.03
February	95.17	91.88	-3.29
March	97.25	94.87	-2.38

BUSINESS RATES COLLECTION

The target set for 2020/21 was 99.25% and the actual performance was 93.25%, a reduction of 6%. The impact of multiple lock downs throughout the whole of the financial year due to the coronavirus pandemic, and businesses being forced to close by Government, has had an impact on business rates collection. Like Council Tax 30 out of 31 L/As reported a reduction in Business Rates collection and again due to the Courts being closed and a change in the law Local Authorities were prevented from recovery and enforcement action for unpaid Business Rates.

The table below show the impact of the target collection against the actual.

Business Rates Table

Month	2020-2021 Target	2020-2021 Actual	Var on Target
April	13.28	11.99	-1.29
May	22.25	19.69	-2.56
June	31.33	27.4	-3.93
July	40.45	35.52	-4.93
August	48.50	44.65	-3.85
September	56.69	53.38	-3.31
October	64.90	58.96	-5.94
November	73.92	67.83	-6.09
December	82.98	78.37	-4.61
January	90.68	85.12	-5.56
February	96.28	87.26	-9.02
March	99.25	93.25	-6.00

MEDIUM TERM FINANCIAL STRATEGY (MTFS)

The Medium Term Financial Strategy from 2021/22 to 2023/24 and the 2021/22 Budget was approved at full council in March 2021. This outlined the Council's financial position over the 3 years, detailing expenditure, income, subsequent budget gap and the strategy for closing the gap.

The budget has been set against the backdrop of one of the most difficult years financially for the Council and Local Government as a whole. The report expanded on challenges faced by the Council in setting a balanced budget for the financial year 2021/22, and gave an update on the key issues from the Spending Review presented by the Chancellor of the Exchequer on 25th November 2020.

The Council started the year with significantly low reserve levels and began the financial year with the nation forced into lockdown due to the Covid-19 pandemic. With rising costs and increased demand for services, the Council's finances had become increasingly precarious in recent years. However, Covid-19 and its impact on Council's budgets, in particular the ability to introduce planned savings meant the Council was unable to cover its costs from reserves and was therefore forced to issue a Section 114 (S114) notice under the Local Government Finance Act 1988.

Covid-19 Pandemic

Covid -19 has had a profound impact on the Council's finances. Financial pressures had arisen as a result of additional costs, lost income and unachieved delivery of savings. The pandemic has required the Council to divert resources to deliver some of the most urgent services to the most vulnerable in the Community and this has resulted in less staff time being dedicated to some of the key efficiency deliveries that had been required.

Whilst MHCLG has provided further grant funding in order to tackle the extra costs and loss of income, the funding provided has not been sufficient to cover all Covid-related pressures the Council has faced. The Covid pandemic has created significant uncertainty for Local Authority Finances going forward as it casts doubt in regards to future activity and public behaviour in terms of demand for services and in particular income from the use of facilities. Whilst it's difficult to predict what that change will be, this will need to be closely monitored by the Council across a range of services to ensure risks are flagged early on and to find mitigations where possible.

The 2021/22 local government finance settlement is for one year only and is based on the Spending Review 2020 (SR20) funding levels. Within Spending Round 2020, information regarding 2021/22 funding allocations was provided. As part of the spending review it was noted that Core Spending Power (CSP) will increase by £2.2 billion (4.5 per cent) nationally and £311 million (4.3 per cent) across London boroughs and Settlement Funding Assessment will increase by £13 million (0.1 per cent) and £3 million for London boroughs. Some of the main highlights of the Spending Review included the following:

- The main tax referendum principle remains at 2 per cent.
- The flexibility to raise the Social Care Precept will be increased to 3 per cent for relevant authorities.
- The Improved Better Care Fund will remain at 2020/21 levels (the England total will be nearly £2.1 billion, of which London boroughs will receive £336 million).
- The Social Care Grant will increase by £300 million to £1.71 billion (as set out in SR20) London boroughs will receive £223 million of this (an increase of 24 per cent).
- Funding for New Home Bonus will decrease by over £285 million (31% per cent) nationally from £907 million to £622 million. London boroughs will receive £185 million of this, a decrease of £60 million (32 per cent).
- Business Rates Multiplier Compensation will increase by 30 per cent from £500 million to £650 million nationally. London boroughs will receive £115 million in 2021/22.
- There is a new Lower Tier Services Grant of £111 million within CSP (£24 million for London boroughs).
- Allocations have not yet been published for the Public Health Grant, Flexible Homelessness Support Grant, Homelessness Reduction Grant, Rough Sleeping Initiative Fund and the Independent Living Fund.

Croydon's CSP for 2021/22 is £319.4m, an increase of £10.7m on the 2020/21 amount. However, it should be remembered that the CSP figures for the Settlement Funding Assessment and Council Tax are Ministry of Housing, Communities and Local Government (MHCLG) forecast amounts only; with actual resources determined by the amount of business rates and council tax collected locally.

Work in refreshing the three year MTFS planning horizon began at the start of summer 2020. Improvements to the process have included:

a) planning for three years instead of a single year;

b) the development of revenue proposal forms which include consideration not just the financial impact, but risks, impact on stakeholders and key milestones required for delivery, and budget holder sign-off;

c) budget challenge sessions in both officer only and officer/member sessions;

d) comparison of spending requirements and income generating budgets to benchmarking data across similar authorities;

e) external review of significant budgets and change proposals by external bodies including the LGA, CIPFA and PWC; and

f) the implementation of a monitoring process and system to continuously track the progress of savings proposals delivery across the Council, to be regularly reported to and reviewed by the Executive Leadership Team and Cabinet in its monthly budget report.

The outcome of the budget setting and MTFS processes undertaken over the last nine months has, with the help of the capitalisation direction support from MHCLG, delivered a balanced budget for 2021/22. Delivery of savings, the management of risk, and control of expenditure to live within proposed budgets will continue to be required to ensure that net overspends over next year's budget period are managed and mitigated.

The revised budgetary position for the next 3 years is detailed in the Table below. The position presented within the Table includes the application of the Capitalisation Direction as requested as part of the Council's submission to MHCLG in December 2020.

MTFS 2021/2 to 2023/24

Department	Budget 21/22	Budget 22/23	Budget 23/24
	£m	£m	£m
Children, Families and Education	116.401	111.792	109.573
Health, Wellbeing and Adults	147.295	143.469	140.843
Place	61.548	54.970	52.457
Resources	22.532	20.119	17.979
Service Total	**347.776**	**330.350**	**320.852**
Capital Financing Costs	42.150	43.121	41.136
Other Corporate Items	(60.505)	(18.690)	3.795
Revenue Support Grant	(14.205)	(14.489)	(14.779)
Business Rates	(67.120)	(70.529)	(72.013)
Council Tax	(198.096)	(206.486)	(213.582)
Capitalisation Direction	(50.000)	(25.000)	(5.000)
Total Corporate Items	**(347.776)**	**(292.073)**	**(260.443)**
Cumulative Budget Gap	-	38.277	60.409

If the Capitalisation Direction is not awarded in full, this will then result in an increased gap of up to £63.27m in 2022/23 and a further £2.13m gap in 2023/24.

In order to meet the budget gap for 2022/23 the Council will need to find significant additional savings (amounting to £38.277) to the ones already identified and agreed by members in the March 2021 budget report. Work has commenced on both a council-wide top down and bottom up approach to delivering savings which are expected to be presented to Cabinet at its October 2021 meeting. Bridging this budget gap in 2022/23 will be extremely challenging in the light of the already agreed savings level.

CHALLENGES AND OPPORTUNITES

Whilst the Council has set a balanced budget for 2021/22 and has increased its reserve balances, there continue to be risks on the Council's finances. Key risks relate to the Council's budget position for 2022/23 and three years after that. A refreshed MTFS was taken to Cabinet on 12th July 2021 which highlighted the budget shortfalls the Council is yet to find to ensure a balanced budget position going forward.

The 2022/23 Budget forecast includes a request for £25m of further Capitalisation Direction which is still pending MHCLG approval. With the £25m capitalisation direction the Council has a gap of £38.3m to ensure a balanced budget for 2022/23, however should this direction not be received this would increase the gap to £63.3m.

Whilst the Council continues to make good progress on the delivery of its MTFS plans and implementing recommendations designed through various stakeholders, there continues to be external pressures that could further impact on the Council's finances. One key risk is around inflation within the UK economy, which as at the date of these Statements was trending above the 2% included within the MTFS plans. The Council will carry out detailed reviews on its contracts and staffing costs to ensure inflationary pressures can be contained within the available budget provisions.

The future of local authority funding is uncertain at the moment. Local authorities are waiting for the outcome of the Government reviews to look at fair funding for local authorities and to reform the current business rates scheme. They are also expecting a reset of the baseline for the business rates retention scheme which is also due. The outcome of the reviews were due to be implemented at the start of 2021/22, however due to the pandemic and refocus of priorities it has meant that most of the Government's other work-streams have been delayed. All of the outcomes of the reviews affecting local government have been delayed and are now due to be implemented at the start of 2022/23. As a result of the delays the Government announced a one-year settlement for 2021/22. This uncertainty is a major risk factor in planning future service delivery as levels of funding are unknown.

Furthermore, whilst the Council makes prudent assumptions on its core income sources, there are considerable concerns about the impact Covid will have on the economy going forward, which will impact on the Council's finances. There are likely to be demand side and supply side pressures that the Council will face over the medium to longer term.

The Queen's Speech delivered on 11th May 2021 provided an indication of Government priorities for the new parliamentary session. Some of the highlights within the speech included the following:

- Recovery from pandemic – focusing on health and the economy, and further referencing the government's
- Health and social care – legislating to allow NHS to innovate and use technology, and to improve health and wellbeing with a focus of obesity and mental health. Social care reform proposals to be brought forward.

- Investment in science, infrastructure and technology – the government intends to lead in life sciences, jobs, and research and development investment, including via the proposed new Advanced Research and Invention Agency (ARIA). In addition, infrastructure investments will be made to improve ties across union, including through bus and rail, and 5G.

- Environmental and planning issues – intending to modernise the planning system, and end ground rents for new leasehold properties, whilst introducing a new building safety regulator. The intention to reach net zero by 2050 with legislation planned to set binding targets, as well as hosting the COP26 summit. The background briefing confirms a continued intention to standardise the approach to recycling across English local authorities.

- Constitutional issues – intending to ensure the integrity of elections, protect freedom of speech, and "restore" balance of power between executive, legislature, and courts. There would also be a strengthening of devolved government in Northern Ireland.

- Security, foreign affairs and policing – intentions to increase safety and security of citizens through sentencing bill, ensure timely administration of justice, and take measures for victims, including seeking to reduce violence. The speech also noted plans for increased spending for armed services, and the future of aid spending with a focus on effectiveness and soft power internationally.

Quite a few of these proposals will have a direct impact on Local Authorities and all will have an indirect impact. The MTFS currently does not plan for any impact from these proposals due to a lack of detail at this stage however it provides some considerations the Council will need to monitor and assess for financial implications over the coming months.

Further details of risks can be found within the Council's Annual Governance Statement.

BASIS AND PREPERATION

Further information about the basis and preparation of these accounts can be found in Note 1.1, which set out that these statements have been prepared in accordance with the 2020/21 Code of Practice on Local Authority Accounting in the United Kingdom (the 2020/21 Code), and is issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Council has also prepared Group Accounts with Brick by Brick Croydon Limited.

A review of control determined we have a material interest in this organisation. Further information can be found in Note 39 and under Group Accounts.

Explanation of Accounting Statements

This Statement of Accounts is produced in accordance with legislation and in particular with the Accounts and Audit Regulations 2015. These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 (the Code). Under the Code, local authorities produce accounts that are compliant with International Financial Reporting Standards (IFRS).

Core financial statements

1. Comprehensive Income and Expenditure Statement

This records all the council's income and expenditure for the year in accordance with International Financial Reporting Standards. The top half of the statement provides an analysis by service area, the bottom half deals with the corporate transactions and funding.

2. Movement in Reserves Statement

A summary of the changes to the council's reserves over the course of the year. Reserves are divided into 'usable', which can be invested in capital projects or service improvements, and 'unusable' which must be set aside for specific purposes.

3. Balance Sheet

A snapshot of the council's assets, liabilities, cash balances and reserves at the year-end date.

4. Cash Flow Statement

Shows the reason for changes in the council's cash balances during the year, and whether that change is due to operating activities, new investment or financing activities (such as repayment of borrowing and other long-term liabilities).

In addition to the primary statements, the accounts contain disclosure notes explaining or analysing further the figures in the primary statements.

5. Expenditure and Funding Analysis

This analysis reports annual council expenditure and how this is funded from resources - in two ways - management accounting and financial accounting in accordance with generally accepted accounting practices.

Supplementary financial statements

1. Housing Revenue Account (HRA)

Shows the income and expenditure at the year-end date for the ring-fenced Housing Revenue Account which identifies the council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989. The HRA figures are included in the primary core statements.

2. Collection Fund

The Collection Fund reports the amounts raised and collected through local taxation for council tax and business rates. Only the council's entitlement to taxation income and expenditure is included in the primary statements. The amounts collected on behalf of the government and the Greater London Authority are not included apart from amounts owing to or from those organisations.

3. Pension Fund

These are the funds the council manages to provide future retirement benefits for its employees. The funds are not included within the primary statements.

I would like to advise you that whilst these accounts accruately reflect 2019/20 accounts restatements, the 2019/20 Accounts have not fully been audited and therefore are subject to further changes.
I hope that you find the following accounts useful and informative in helping you to understand how the Council manages its finances on your behalf, and how we ensure your money is spent wisely.

Chris Buss
Interim Director of Finance, Investment and Risk
Section 151 Officer
Croydon Council

EXPLANATION OF THE ACCOUNTING STATEMENTS

Movement in Reserves Statement

The movement in reserves statement shows the movement from the start of the year to he end on the different reserves held by the authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable 'reserves’. The statement shows how the movements in year of the authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net increase/decrease line shows the statutory general fund balance and Housing Revenue Account (HRA) balance movements in the year following those adjustments.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure 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 (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

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 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 is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts 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 and funding basis under regulations’.

Cash Flow Statement

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

MOVEMENT IN RESERVES STATEMENT

2020/21	General Fund Balance £000	Earmarked GF Reserves Balance £000	Total General Fund Balance £000	HRA Balance £000	Capital Receipts Balance £000	Capital Grants Unapplied Balance £000	Major Repairs Reserve Balance £000	Total Usable Reserves Balance £000	Total Unusable Reserves Balance £000	Total Authority Reserves Balance £000
Balance b/f at 1 April 2020	**(3,935)**	**9,132**	**5,197**	**15,428**	**20,344**	**13,784**	**0**	**54,753**	246,929	301,682
Movement in reserves during 2020/21:										
Surplus or (deficit) on provision of services	(112,121)		(112,121)	16,521				(95,600)	0	(95,600)
Other Comprehensive Expenditure and Income								0	(164,366)	(164,366)
Total Comprehensive Expenditure and Income	(112,121)	0	(112,121)	16,521	0	0	0	(95,600)	(164,366)	(259,966)
Adjustments between accounting basis and funding basis under regulations	177,389	0	177,389	(4,319)	(1,103)	(820)	0	171,147	(171,147)	0
Net increase/Decrease before Transfers to Earmarked Reserves	65,268	0	65,268	12,202	(1,103)	(820)	0	75,547	(335,513)	(259,966)
Transfers to/(from) Earmarked Reserves	(33,833)	33,833	0	0	0	0	0	0	0	0
Net increase/(decrease) in reserves for the year	31,435	33,833	65,268	12,202	(1,103)	(820)	0	75,547	(335,513)	(259,966)
Balance c/f at 31 March 2021	27,500	42,965	70,465	27,630	19,241	12,964	0	130,300	(88,584)	41,716

2019/20	General Fund Balance £000	Earmarked GF Reserves Balance £000	Total General Fund Balance £000	HRA Balance £000	Capital Receipts Balance £000	Capital Grants Unapplied Balance £000	Major Repairs Reserve Balance £000	Total Usable Reserves Balance £000	Total Unusable Reserves Balance £000	Total Authority Reserves Balance £000
Restated Balance b/f at 1 April 2019	**10,393**	**8,766**	**19,159**	**15,272**	**32,599**	**17,679**	**(1)**	**84,708**	134,771	219,479
Movement in reserves during 2019/20:										
Surplus or (deficit) on provision of services	(189,919)		(189,919)	12,480				(177,439)	0	(177,439)
Other Comprehensive Expenditure and Income								0	259,643	259,643
Total Comprehensive Expenditure and Income	(189,919)	0	(189,919)	12,480	0	0	0	(177,439)	259,643	82,204
Adjustments between accounting basis and funding basis under regulations	175,957	0	175,957	(12,324)	(12,255)	(3,895)	1	147,484	(147,485)	(1)
Net increase/Decrease before Transfers to Earmarked Reserves	(13,962)	0	(13,962)	156	(12,255)	(3,895)	1	(29,955)	112,158	82,203
Transfers to/(from) Earmarked Reserves	(366)	366	0	0	0	0	0	0	0	0
Net increase/(decrease) in reserves for the year	(14,328)	366	(13,962)	156	(12,255)	(3,895)	1	(29,955)	112,158	82,203
Balance c/f at 31 March 2020	(3,935)	9,132	5,197	15,428	20,344	13,784	0	54,753	246,929	301,682

Full details of the adjustments between accounting basis and funding basis under regulations are shown in Note 7

Further details about the movements in earmarked reserves can be found in Note 8, and details around movements in all reserves can be found in Note 22 and 23.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Note No	2020/21 Gross £000	2020/21 Income £000	2020/21 Net £000	2019/20 Gross £000	2019/20 Income £000	2019/20 Net £000
Gross expenditure, income and net expenditure of continuing operations							
Place		190,668	(129,481)	61,187	250,629	(134,397)	116,232
Children, Families & Education		359,593	(234,681)	124,912	364,155	(240,779)	123,376
Health, Wellbeing & Adults		313,588	(154,581)	159,007	193,035	(78,229)	114,806
Gateway, Strategy & Engagement		-	-	-	94,308	(46,081)	48,227
Resources		351,397	(371,568)	(20,171)	283,303	(273,785)	9,518
HRA		65,424	(88,531)	(23,107)	66,553	(85,561)	(19,008)
Net cost of services		1,280,670	(978,842)	301,828	1,251,982	(858,832)	393,150
Other operating expenditure	9			25,344			35,293
Financing and Investment Income and Expenditure	10			68,415			46,676
Taxation and Grant Income	11			(299,986)			(297,681)
(Surplus) or Deficit on Provision of Services				95,601			177,438
(Surplus) or deficit on revaluation of non-current assets				(43,759)			(12,642)
Remeasurement of the net defined benefit liability				208,125			(247,001)
Other Comprehensive Income and Expenditure				164,366			(259,643)
Total Comprehensive Income and Expenditure				259,967			(82,205)

BALANCE SHEET

The Balance Sheet shows the Council's position at the end of the year for all activities and services except the Pension Fund and trust funds, which are held on behalf of third parties. All internal transactions between funds have been eliminated.

	Note No.	31 March 2021 £000	£000	31 March 2020 £000
Operational Assets (Property, Plant and Equipment)	12			
Council dwellings		991,198		972,157
Other land and buildings		791,074		804,058
Vehicles, plant, furniture and equipment		7,792		10,399
Infrastructure		156,204		154,179
Community assets		3,178		3,696
Total Operational Assets (Property, Plant and Equipment)			1,949,446	1,944,489
Non-Operational Assets (Property, Plant and Equipment)				
Assets under construction		21,389		-
Surplus assets not held for sale		7,717		2,553
Total Non-Operational Assets (Property, Plant and Equipment)			29,106	2,553
Total Property, Plant and Equipment			1,978,552	1,947,042
Heritage Assets	13	3,696		3,696
Investment Properties				
Investment Properties	14	98,218		118,379
Intangible Assets	15			
Software		16,455		12,251
Long-term Investments				
Non-property investments	16	47,888		47,233
Investments in Associates and Joint Ventures				
Long-term Debtors	16	174,512		18,465
Long-term Assets			2,319,321	2,147,066
Short-term Investments				
Non-property investments excluding cash equivalents	16	25,000		13,000
Assets held for sale (< 1 year)	19	650		650
Inventories		1,916		1,111
Debtors, Payments In Advance (PIA) And Allowance For Doubtful Debt	17	224,511		346,557
Cash and cash equivalents	18	97,033		54,733
Current Assets			349,110	416,051
Bank overdraft	18	(67,702)		(55,248)
Short-term borrowing	16	(349,691)		(303,691)
Short-term creditors and receipts in advance	20	(244,515)		(152,748)
Short-term provision	21	(14,866)		(9,432)
Current Liabilities			(676,774)	(521,118)
Long-term Creditors				
Provisions	21	(22,000)		(10,647)
Long-term borrowing	16	(1,170,744)		(1,217,330)
Deferred capital creditors		(13,387)		(12,859)
Other non-current liabilities				
Net pensions liability	41	(700,082)		(472,620)
Other long term liabilities		(8,483)		(8,483)
Capital grants receipts in advance	30	(35,244)		(18,376)
Long-term Liabilities			(1,949,940)	(1,740,315)
Net Assets			41,717	301,684
Usable reserves				
General Fund	22.1	27,500		(3,934)
Housing Revenue Account	22.2	27,630		15,429
Earmarked reserves	22.3	42,965		9,132
Capital receipts reserve	22.4	19,241		20,344
Capital grants unapplied	22.5	12,963		13,784
Major repairs reserve	22.2	0		0
			130,299	54,755
Unusable reserves				
Revaluation reserve	23.1	649,787		626,947
Capital adjustment account	23.3	15,283		106,863
Financial Instruments adjustment account	23.4	(30,529)		(31,377)
Pensions reserve	23.5	(700,082)		(472,620)
Deferred capital receipts	23.6	18,365		20,826
Collection Fund adjustment account	23.7	(38,770)		(2,747)
Short-term accumulating compensated absences account	23.8	(5,524)		(3,196)
Pooled Investment Fund Adjustment Account	23.9	2,888		2,233
			(88,582)	246,929
Total Reserves			41,717	301,684

Signed: Chris Buss

Interim Director of Finance, Investment & Risk and Section 151 officer — 31.08.2021

CASH FLOW STATEMENT

	Note	2020/21		2019/20	
OPERATING ACTIVITIES	**No.**	**£000**	**£000**	**£000**	**£000**
The cash flows for operating activities include the following,					
Net surplus or (deficit) on the provision of services	1A & 7		(95,600)		(177,438)
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements					
Depreciation	7,12 &23.3	43,586		40,646	
Impairment and downward valuations	7	3,757		11,748	
Amortisations	7,15 & 23.3	3,269		2,740	
Increase/(decrease) in creditors		92,293		(2,055)	
(Increase)/decrease in debtors		122,046		(104,198)	
(Increase)/decrease in inventories		(805)		(340)	
Movement in pension liability	1B,7 & 23.5	19,337		55,603	
Carrying amount of non-current assets sold	23.3	33,588		69,974	
Provisions		16,787		3,217	
Movements in the value of investment properties	7,10,14 & 23.3	20,576		2,141	
Other non-cash movements		(20,170)		445	
			334,264		79,921
Items included/excluded from net surplus or deficit on the provision of services:					
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	22.4	(11,645)		(39,747)	
Payment of local taxation to major preceptors		(91,956)		(78,169)	
Any other items for which the cash effects are investing or financing financing cash flows		(14,514)		(4,638)	
			(118,115)		(122,554)
Net cash (inflow)/outflow from operating activities			120,549		(220,071)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment, investment property		(59,067)		(168,284)	
Purchase of short-term and long-term investments		(186,606)		(25,063)	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		11,645		39,747	
Capital grants		33,396		23,020	
Proceeds from short-term and long-term investments		18,559		80,694	
Net cash inflow/(outflow) from investing activities			(182,073)		(49,886)
FINANCING ACTIVITIES					
Cash receipts from short-term and long-term borrowing		46,000		410,000	
Payment of local taxation to major preceptors		91,956		78,169	
Cash payments for the reduction of the outstanding liabilities to finance leases and on-Balance Sheet PFI contracts (Principal)		(2,086)		(2,270)	
Repayments of short-term and long-term borrowing		(44,500)		(243,507)	
Net cash inflow/(outflow) from financing activities			91,370		242,392
Net increase/(decrease) in cash and cash equivalents			29,846		(27,565)
Cash and cash equivalents at the beginning of the reporting period			(515)		27,050
Cash and cash equivalents at the end of the reporting period			29,331		(515)
Cash held	18	37		39	
Bank current accounts	18	(67,739)		(55,287)	
Short-term deposits with building societies and Money Market Funds	18	97,033		54,733	
Cash and cash equivalents as at 31 March			29,331		(515)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1. BASIS OF PREPARATION - SINGLE ENTITY AND GROUP ACCOUNTS

Basis of Preparation

The financial statements have been prepared in accordance with the 2020/21 Code of Practice on Local Authority Accounting in the United Kingdom (the 2019/20 Code), and is issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The 2019/20 Code includes the statutory provisions for the preparation of financial statements and the requirements of existing International Financial Reporting Standards (IFRS) pronouncements, except to the extent that they conflict with statute. Additional guidance within the 2019/20 Code is drawn from International Public Sector Accounting Standards (IPSAS), similarly, except to the extent that they conflict with statute.

The Statements Prepared

The Comprehensive Income and Expenditure (CI&E) Statement presents the results of the Council's activities measured under the rules set out in the 2020/21 Code. Different rules are applied to measure the results for the purpose of setting Council Tax. The accumulated amount of the differences are set out in the Movement in Reserves Statement (MIRS) and explained in the notes to the financial statements.

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 reserves held by the Authority.

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 classifications within EFA and ESFA have been adapted to follow the current management structure and how reports are structured to cabinet and committee.

Single Entity Financial Statements

The financial statements presented by a parent, an investor in an associate or a venturer in a joint venture (joint arrangement (joint venture) in which the investments are accounted for on the basis of the direct equity interest (i.e. at cost) rather than on the basis of the reported results and net assets of the investees. In the context of the Code, an Authority’s single entity financial statements are deemed to be separate financial statements.

The single entity financial statements are also defined as including the income, expenditure, assets, liabilities, reserves and cash flows of the local authority maintained schools in England and Wales within the control of the local authority.

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1. BASIS OF PREPARATION - SINGLE ENTITY AND GROUP ACCOUNTS

Group Accounts - Recognition of Group Entities and Basis of Consolidation

The Council prepared a review of group interests in the companies and other entities that have the nature of subsidiaries. associates and jointly controlled entities during the 2020/21 financial year. It has concluded that there are material interests in subsidiaries, and that Group Accounts will be prepared. Group interests are:

- Brick By Brick Croydon Limited - 100% control and ownership by Croydon Council, and will be accounted for as a subsidiary under IFRS10.
- Croydon TH Limited - This is a 100% Council owned company. The company has been dormant and not carried out any activities.
- Croydon TH Commercial Limited - This is a 100% Council owned company. The company has been dormant and not carried out any activities.
- Croydon Central Management Company - This is a 100% Council owned company. The company has been dormant and not carried out any activities
- Croydon Holdings Ltd - This is a 100% Council owned company. This company is linked to the Croydon . Affordable Homes and Croydon Affordable Tenure companies and was designed to be a holding company for these subsidiaries. The company has immaterial transactions to be consolidated within the Council's Group Accounts
- Croydon Affordable Homes LLP - This is a 100% Council owned company. This company is linked to the Croydon Affordable Homes and Croydon Affordable Tenure companies and was designed to be a holding company for these subsidiaries. The company has immaterial transactions to be consolidated within the Council's Group Accounts.
- Croydon Affordable Homes (Taberner House) LLP - This is company is part of the Council's group structure but the Council does not directly own its shares. The Council owns this company through Croydon Holdings Ltd and London Borough of Croydon Holdings LLP. The company has had no activity.
- Croydon Affordable Tenures LLP - This is a 100% Council owned company. This company is linked to the Croydon Affordable Homes and Croydon Affordable Tenure companies and was designed to be a holding company for these subsidiaries. The company has immaterial transactions to be consolidated within the Council's Group Accounts.
- Croydon Affordable Dwellings LLP - This is company is part of the Council's group structure but the Council does not directly own its shares. The Council owns this company through Croydon Holdings Ltd and London Borough of Croydon Holdings LLP. The company has had no activity.
- Croydon Pensions Nominee 1 Ltd - This is a 100% company owned by the Council. This company has been inactive and no transactions have taken place.
- Croydon Pensions Nominee 2 Ltd - This is a 100% company owned by the Council. This company has been inactive and no transactions have taken place.
- Octavo Partnership Limited - the Council has 40% ownership of this Partnership, and would otherwise be accounted for as an associate under IFRS12 were the interest material
- Croydon Enterprise Loan Fund - 100% control, although assessed as non material. It would otherwise be accounted for as an associate under IFRS12.
- Yourcare (Croydon) Ltd - 100% control and ownership by Croydon Council. Activity within this company began during 2018/19, which comprises retail sales of aids to daily living. Activity is not material.

See Note 39 for further details on the Council's Group Interests.

1. ACCOUNTING POLICIES (continued)

1.1. BASIS OF PREPARATION - SINGLE ENTITY AND GROUP ACCOUNTS (continued)

The Selection of Accounting Policies

In those instances where the 2020/21 Code permits a choice of accounting policy the selection has been made to facilitate a true and fair presentation of the Authority's results.

In future years the accounting policies selected, as amended from time to time by revised editions of the Code, will be applied consistently when dealing with items considered material in relation to the accounts.

Accruals of Income and Expenditure

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

- ► Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- ► 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.

Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

Principal and Agent

In the majority of transactions the Council undertakes it is acting entirely on its own behalf and completely owns any risks and rewards of the transaction. This is known as the Council acting as a Principal. However there are some situations whereby the Council is acting as an Agent, where the Council is acting as an intermediary for all or part of a transaction or service.

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

1.1. BASIS OF PREPARATION - SINGLE ENTITY AND GROUP ACCOUNTS (continued)

The three main instances where this occurs are in relation to Council Tax and Business Rates whereby the Council is collecting Council Tax, Business Rates and Community Infrastructure Levy income on behalf of itself and the Greater London Authority. The implications for this is that any Balance Sheet transactions at the year end, in relation to these Agent relationships, are split between the principal parties and, therefore, the balances contained on the Balance sheet for a particular debt are the Council's own proportion of the debt and associated balances. The proportions of transactions that relate to the other parties to the relationship are shown as debtors or creditors due from/to these parties.

1.2. ACCOUNTING REQUIREMENTS

Financial Performance Reflected by Accrual Accounting

The Authority has prepared its financial statements, except for the Statement of Cash Flow, using the accruals basis of accounting, i.e. the Authority recognises items as assets, liabilities, income and expenses when they satisfy the definitions and recognition criteria for those elements in the 2020/21 Code. The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid. 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

Underlying Assumption - Going Concern

The Authority's financial statements have been prepared on a going concern basis; that is, the accounts have been prepared on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. Transfers of services under machinery of Government changes, such as Local Government reorganisation, do not negate the presumption of going concern. As local authorities cannot be created or dissolved without statutory prescription, the CIPFA Code of Practice confirms local authority accounts must be completed on a going concern basis.

1.3. 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.

1.4. NON-CURRENT ASSETS

Fair Value Measurement

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

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

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

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

1. ACCOUNTING POLICIES (continued)

1.4. NON-CURRENT ASSETS (continued)

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

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

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

1.4.1. 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. There is a de minimus of £10,000 in recognising expenditure as capital.

Measurement

Assets are initially measured at cost, comprising:

► 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; and
► 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 and Expenditure 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, community assets, vehicles, plant and equipment and assets under construction – depreciated historical cost
► Council dwellings – current value, determined using the basis of existing use value for social housing (EUV–SH)
► other land and buildings – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), or at depreciated replacement cost (DRC), which is also known as instant build, as an estimate of current value. This includes council offices and school buildings
► surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective

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

1. ACCOUNTING POLICIES (continued)

1.4. NON-CURRENT ASSETS (continued)

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. [Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services 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 only, 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 economic life of the property (as advised by the valuer). Land is not usually depreciated as it does not have a determinable useful life
► vehicles, plant, furniture and equipment – they are depreciated on a straight line basis over their useful life which is determined at the time of purchase (usually three to five years). These assets include all items except fixtures and fittings to a building.
► infrastructure - they are depreciated on a straight line basis over their useful life (usually thirty years). Some expenditure on infrastructure assets prior to 2009/10 did not separately identify the specific asset. The council has decided to depreciate the balance of these items over 10 years.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

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

1. ACCOUNTING POLICIES (continued)

1.4. NON-CURRENT ASSETS (continued)

The Authority's policy is to recognise three components:
- ► Structure
- ► Mechanical and electrical
- ► Outside space.

The Authority's assets are considered for componentisation at the time of their revaluation under the rolling five year revaluation programme.

Following the end of the HRA self financing transitional period, Council dwellings are now depreciated on a componentisation basis, which is in accordance with proper accounting practice. The components are:.

- Kitchen - Bathroom - Windows and doors - Structure - Roof

When the Authority replaces or restores a separately identified component, it derecognises the carrying value of the old component and recognises the carrying value of the new component.

1.4.2 Heritage Assets

A Heritage Asset is defined as either:
- ► A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities, that is held and maintained by the Authority principally for its contribution to knowledge and culture; or
- ► An intangible asset with cultural, environmental or historical significance.

The Authority presents Heritage Assets as a separate line item within the Balance Sheet. Assets are held at a valuation, but where obtaining a valuation would not be commensurate with the benefit to the users of the accounts, they are held at cost.

Assets, other than land, are normally regarded as having a finite life and are subject to depreciation. Heritage Assets are preserved by the Authority, not used by the Authority, as are other assets, in the provision of services. Consequently, no depreciation allowance is made against Heritage Assets.

Asset valuations are not undertaken at regular intervals but with sufficient frequency to report realistic values in the Balance Sheet. Assets values are reviewed immediately if there is any evidence of impairment. Impairment can arise due to physical deterioration or doubts about an asset's authenticity.

1.4.3. Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated.
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.

1.4.4. Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. The Authority recognises an intangible asset if:

- ► it is probable that future economic benefits, or service potential will flow from the asset to the Authority;
- ► the asset is controlled by the Authority either through custody or legal rights; and
- ► the cost of the asset can be reliably measured.

1. ACCOUNTING POLICIES (continued)

1.4. NON-CURRENT ASSETS (continued)

The Authority's intangible assets are its purchased software licences and its in house developed software. These are measured on initial recognition at cost and subsequently at cost less accumulated amortisation and any impairment loss.

Intangible assets are amortised on a straight-line basis over their useful economic lives (usually initially five years). The useful economic lives of intangible assets are reviewed at the end of each reporting period and revised if necessary.

1.4.5. Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no previous gains in the Revaluation Reserve
- amortisation of intangible assets attributable to the service

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement [equal to an amount calculated on a prudent basis determined in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the general fund balance (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.4.6. Investments in Associates

The Authority's single entity financial statements record the actual dividend received or receivable. The interest in associates is set out in Note 39 Group Interests

In the group accounts, the equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor’s share of net assets of the investee. The profit or loss of the investor includes the investor’s share of the profit or loss of the investee.

1.4.7. 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 previous 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 capital receipts relating to housing disposals is payable to the government. The balance of receipts remains within 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 noncurrent 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.

1. ACCOUNTING POLICIES (continued)

1.5. CURRENT ASSETS

1.5.1. Inventories

The Authority's inventories include items it holds as stores in hand and that are held in the form of materials or supplies to be consumed in the rendering of its services. Inventories are recognised on the Authority's Balance Sheet and measured at:

- the lower of cost and net realisable value, except where inventories are acquired through a non-exchange transaction in which case their cost is deemed to be their fair value at the date of acquisition; or

- the lower of cost and current replacement cost where they are held for distribution at no charge or for a nominal charge, or consumption in the production process of goods to be distributed at no charge or for a nominal charge.

1.5.2. Debtors

Debtors are recognised when the ordered goods have been delivered or the services rendered, and are measured at the amortised cost of the consideration to be received. An allowance for credit losses is estimated based upon past experience. and where sufficient and reliable information is available for future impacts on receipts of the debts

1.5.3. 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 highly liquid investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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.

1.6. CURRENT LIABILITIES

1.6.1. Short Term Creditors

Creditors are recognised when the ordered goods or services have been delivered or rendered, and measured at the amortised cost of the consideration to be paid.

1.7. USABLE AND UNUSABLE RESERVES

The Authority has two categories of reserves, usable and unusable:

Usable Reserves

These are reserves created by the Authority and earmarked for future policy purposes or to provide for contingencies. The reserves are created by transferring amounts out of the General Fund Balance. 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 transferred back to the General Fund Balance so that there is no net charge against council tax for the expenditure.

Unusable Reserves

These are established by the impact of accounting and statutory arrangements and are kept to manage the accounting process for non-current assets, financial instruments, local taxation, retirement and employee benefits. They do not represent usable resources for the Authority. See Note 23 on unusable reserves for further details.

1.8. 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.

1. ACCOUNTING POLICIES (continued)

1.8. GOVERNMENT GRANTS AND CONTRIBUTIONS (continued)

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of 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 and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants 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 Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy

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

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

1.9. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

The Council as Lessee
Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the 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.

1. ACCOUNTING POLICIES (continued)

1.9. LEASES (continued)

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, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council 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 noncurrent 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.

1.10. EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits for current employees as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits 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 entitlements are charged to revenue in the financial year in which the holiday absence occurs.

1. ACCOUNTING POLICIES (continued)

1.10. EMPLOYEE BENEFITS (continued)

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 in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring. 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,
- ► the Local Government Pensions Scheme, administered by London Borough of Croydon.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees 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 were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The People Department 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 Pension Scheme is accounted for as a defined benefits scheme:

- ► The liabilities of the London Borough of Croydon 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 of 2.4% (based on the indicative rate of return on high quality corporate bond).
- ► The assets of London Borough of Croydon 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
- ► property – market value.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- ► current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- ► past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- ► net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

1. ACCOUNTING POLICIES (continued)

1.10. EMPLOYEE BENEFITS (continued)

Remeasurements comprising:

► the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
► actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
► Contributions paid to the London Borough of Croydon pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

1.11. 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 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:
► amortised cost
► fair value through profit and loss (FVPL)
► fair value through other comprehensive income (FVOCI)

1. ACCOUNTING POLICIES (continued)

1.11. FINANCIAL INSTRUMENTS (continued)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 (CIES) 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 financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL 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. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

However, there is a statutory override (Statutory instrument 2018/1207), giving a five year tranitionary peiod until 2022-23 amending this requirement for financial instruments held at FVPL. For this period any gains or losses on valuation should have no overall impact on the General Find Balance. Therefore, all gains and losses are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Pooled Investment Fund Adjustment Account.

Fair value measurement of financial assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the financial assets are based on the following techniques:

► instruments with quoted market prices – the market price
►other instruments with fixed and determinable payments – discounted cash flow analysis

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

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

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

1. ACCOUNTING POLICIES (continued)

1.12. PRIVATE FINANCE INITIATIVE (PFI) 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.

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

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 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** – 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.

1.13. 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 instance, the authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the authority has an 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 are disclosed in the notes to the accounts.

1. ACCOUNTING POLICIES (continued)

1.13. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

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 are disclosed in the notes to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.14. VAT

Output tax is VAT charged on sales, input tax is VAT paid on purchases. Revenue recognised in the Authority's Comprehensive Income and Expenditure Statement is net of all output tax charged on sales; the VAT collected remitted to HMRC. Purchases are recognised in the Comprehensive Income and Expenditure Statement for consistency net of VAT to the extent that the VAT is recoverable, Any irrecoverable VAT is part of the associated purchase cost. Recoverable VAT is remitted to the Authority by HMRC.

1.15. 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.

1.16. OPERATING SEGMENTS

Segmental information is provided to enable users of the financial statements to evaluate the nature and financial effects of the activities in which the Authority engages and the environments in which it operates. This is achieved by providing financial performance data according to how the Authority has been managed, with information corresponding to that used by management in making decisions. For Croydon Council, these segments are the Children, Families and Education Department; Health Wellbeing and Adults Department; Place Department; Gateway, Strategy & Engagement Department; Resources Department and the Housing Revenue Account (HRA).

1.17. STATUTORY PROVISION FOR THE REPAYMENT OF DEBT

The Minimum Revenue Provision (MRP) is a charge to the General Fund, which reflects the statutory requirement to set aside revenue funds to repay those debts incurred in financing the Authority's fixed assets. Under accounting regulations the diminution in value of fixed assets through use or passage of time is recognised in the Comprehensive Income and Expenditure Statement by a Depreciation Charge. An adjustment is made through the MIRS to the General Fund balance that replaces the depreciation charge with the MRP.

The bases used for calculation of the MRP are as follows:

- ► Regulatory Method, which is used for inherited debt pre 2007,and is based on fixed payments of 2% of the balance, payable over 50 years, which is commensurate with the asset lives.
- ► Annuity method for unsupported borrowing and PFI debt, over a repayment period of 50 years
- ► Asset Life method for Capitalisation Direction over 20 years

1. ACCOUNTING POLICIES (continued)

1.18. RECOGNITION OF INCOME AND EXPENDITURE

Activity is accounted for in the year in which it takes place, which may not be the same year in which cash payments are made or received.

The Council adopted IFRS 15: Revenue Recognition from Contracts with Customers from 1st April 2018, such that revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. The council has made use of the transitional provisions to not restate the prior year's financial statements and t herefore prior year comparatives are produced under the previous accounting standard, IAS 18: Revenue. The main change is that revenue recognition is now based on the transfer of control over goods and services to a customer rather than risks and rewards, which may result in changes to the pattern of revenue recognition. In local government, the generation of revenues from charges to service recipients is only a minor funding stream and contracts with customers tend to be accounted for and delivered within each financial year.

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

Government grants and third-party contributions are recognised when there is reasonable assurance that the council will comply with any conditions attached to the payments, and that the grants or contributions will be received. Where conditions attached to grants or contributions have not been satisfied, monies received to date are carried in the Balance Sheet as creditors and credited to the CIES when the conditions are satisfied. Where capital grants 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 Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Supplies and services are recorded as expenditure when they are received or consumed. If there is a gap between the date supplies are received and their consumption, they are carried as inventories in 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.

Housing and Council Tax benefits are calculated and paid in accordance with relevant regulations and accounted for accordingly.

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.

1. ACCOUNTING POLICIES (continued)

1.19. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as an item of property, plant and equipment. The purpose of this is to enable it to be funded from capital resources rather than charged to the General Fund and impact on that year's Council Tax.

Items classified as such are generally grants and expenditure on property not owned by the Council, and amounts directed under statute.

Expenditure of this kind is charged to the Comprehensive Income and Expenditure Statement in accordance with the general requirements of the Code of Practice. Any statutory provision that allows capital resources to meet the expenditure is accounted for by charging it to the Capital Adjustment Account and crediting the General Fund Balance and showing it as a reconciling item in the Movement in Reserves Statement.

1.20. BORROWING COSTS

The Authority does not capitalise borrowing costs. All borrowing costs are expensed in the year they are incurred.

1.21. OVERHEADS

All overhead and support service costs are charged to the service segments in accordance with the authority's arrangements for accountability and financial performance

1.22. SCHOOLS

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools in the Borough are considered to be entities of the Council. Rather than produce group accounts the income, expenditure, current assets, current liabilities, reserves and cash flows of each school are recognised in the Council's single entity accounts. The council has the following types of maintained schools under its control:

Community schools
Foundation Schools

School Non-Current Assets are recognised on the Balance Sheet where the Council directly owns the assets and where the Council holds the balance of control of the assets. Community schools and foundation schools are owned by the Council and both the buildings and land are, therefore, recognised on the Balance Sheet.

Non-current assets for Voluntary Aided and Academy schools (granted 125 year leases at peppercorn rent) are not directly owned by the Council and are not considered to be controlled by the Council as no formal rights to use the assets through a licence arrangement are passed to the School or Governing Bodies. As a result the buildings and land of these schools are not recognised on the Balance Sheet.

Where a community school transfers to academy status during the year, the value of the land and buildings are derecognised from the balance sheet and treated as a loss on disposal.

1.23. EVENTS AFTER THE REPORTING PERIOD

Events after the balance sheet date are those events occurring between the end of the reporting period and the date when the statement of accounts is authorised. Two types of event can be identified.

- those providing evidence of conditions that existed at the end of the reporting period - the statement of accounts is adjusted to reflect such events
- those indicative of conditions that arose after the reporting period. The statement of accounts are not adjusted to 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

1A. Expenditure Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's directorates. Income expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2020/21	**Net Expenditure Chargeable to the GF and HRA Balances £000**	**Adjustments between Funding and Accounting Basis £000**	**Net Expenditure in the CIES £000**
Place	49,677	11,510	61,187
Children, Families & Education	110,981	13,930	124,911
Health, Wellbeing and Adults	152,970	6,037	159,007
Gateway, Strategy and Engagement	-	-	
Resources	(27,262)	7,091	(20,171)
HRA	(18,739)	(4,367)	(23,106)
Net cost of services	**267,627**	**34,201**	**301,828**
Other operating expenditure	(70,707)	96,052	25,345
Financing and Investment Income and Expenditure	54,265	14,150	68,415
Taxation and Non-Specific Grant Income	(328,653)	28,666	(299,987)
(Surplus)/Deficit	**(77,468)**	**173,069**	**95,601**
Opening GF and HRA Balances and Reserves	20,625		
Less deficit on General Fund in year	65,268		
Add surplus on HRA Balance in year	12,202		
Closing General Fund and HRA balance 31 March 2021	**98,095**		

2019/20	**Net Expenditure Chargeable to the GF and HRA Balances £000**	**Adjustments between Funding and Accounting Basis £000**	**Net Expenditure in the CIES** £000
Place	50,663	65,569	116,232
Children, Families & Education (restated - Note 43)	116,484	6,892	123,376
Health, Wellbeing and Adults	105,118	9,688	114,806
Gateway, Strategy and Engagement	33,412	14,815	48,227
Resources	(39,390)	48,907	9,517
HRA	(23,278)	4,270	(19,008)
Net cost of services	**243,008**	**150,141**	**393,149**
Other operating expenditure	1,369	33,924	35,293
Financing and Investment Income and Expenditure	59,915	(13,239)	46,676
Taxation and Non-Specific Grant Income	(290,486)	(7,195)	(297,681)
(Surplus)/Deficit	**13,806**	**163,631**	**177,437**
Opening GF and HRA Balances and Reserves	34,431		
Less decrease on General Fund in year	(13,962)		
Add Surplus on HRA Balance in year	156		
Closing General Fund and HRA balance 31 March 2020	**20,625**		

1B Note to the Expenditure and Funding Analysis

This note provides further analysis of the adjustments between funding and accounting basis shown in Note 1A.

2020/21	Adjustments for capital purposes £000	Net change for the pensions adjustments £000	Other differences £000	Total adjustments between funding and accounting basis £000
Place	9,848	1,339	323	11,510
Children, Families & Education	11,554	1,034	1,342	13,930
Health, Wellbeing and Adults	2,157	3,552	328	6,037
Gateway, Strategy and Engagement	0	0	0	0
Resources	4,536	2,298	257	7,091
HRA	(5,722)	1,281	74	(4,367)
Net cost of services	**22,373**	**9,504**	**2,324**	**34,201**
Other Income and Expenditure				
Other operating expenditure	96,052	0	0	96,052
Financing and Investment Income and Expenditure	1,545	9,833	2,772	14,150
Taxation and non-specific grant income	(7,357)	0	36,023	28,666
Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit	**90,262**	**9,842**	**34,523**	**173,069**

2019/20	Adjustments for capital purposes £000	Net change for the pensions adjustments £000	Other differences £000	Total adjustments between funding and accounting basis £000
Place	58,825	6,777	(33)	65,569
Children, Families & Education	2,742	4,794	(644)	6,892
Health, Wellbeing and Adults	(2,627)	12,329	(14)	9,688
Gateway, Strategy and Engagement	12,417	2,412	(14)	14,815
Resources	36,625	12,325	(43)	48,907
HRA	472	3,820	(22)	4,270
Net cost of services	**108,454**	**42,457**	**(770)**	**150,141**
Other Income and Expenditure				
Other operating expenditure	33,924			33,924
Financing and Investment Income and Expenditure	(24,152)	13,145	(2,232)	(13,239)
Taxation and non-specific grant income	(16,874)		9,679	(7,195)
Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit	**101,352**	**55,602**	**6,677**	**163,631**

Adjustments for Capital purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service line. For other operating expenditure, it adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. For financing and investment income and expenditure, it adjusts for the statutory charges for capital financing and investment i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under income and expenditure. Taxation and non specific grant income and expenditure - capital grants, with no outstanding conditions are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied in year.

Net change for the pensions adjustments

Net change for the renewal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income. For services, this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs. For financing and investment income and expenditure, the net interest on the defined benefit liability is charged to the CIES.

1B Note to the Expenditure and Funding Analysis (continued)

Other differences

Other differences between amounts debited / credited to the CIES and amounts payable / receivable to be recognised under statute. For services, this represents removal of the annual leave accrual adjustment. For financing and investment income and expenditure the other differences column recognises adjustments to General Fund for the timing differences for premiums and discounts and financial instruments. The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable regulations under statutory for Council Tax and Non-Domestic Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference, as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

1C Expenditure and Income Analysed by Nature

	2020/21	2019/20
Expenditure	**£000**	£000
Employee benefits expenses	322,089	360,043
Other service expenses	1,040,158	856,977
Depreciation amortisation and impairment	50,611	55,132
Loss on disposal of non-current assets	21,943	30,387
Interest payments	64,812	39,282
Credit loss assessment on loans	4,275	-
Precepts and Levies	1,389	1,367
Total	1,505,277	1,343,188
Income		
Fees and charges and other service income	(506,848)	(451,137)
Income from Council tax and Business Rates	(192,933)	(238,709)
Government grants and contributions	(698,231)	(466,957)
Interest and investment income	(11,664)	(8,948)
Total	(1,409,676)	(1,165,751)
Deficit on provision of services	**95,601**	**177,437**

Segmental Income

Income received on a segmental basis is analysed below:

	2020/21	2019/20
	£000	£000
Place	(129,481)	(134,397)
Children, Families & Education	(234,681)	(240,779)
Health, Wellbeing and Adults	(154,581)	(78,229)
Gateway, Strategy and Engagement	0	(46,081)
Resources	(371,569)	(273,785)
HRA	(88,530)	(85,561)
Total Income Analysed on a segmental basis	**(978,842)**	(858,832)

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. There are no new or amended standards published but not yet adopted by the 2020/21 code which will have a material impact on the council's single or group statements.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

Local Government Funding

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

Business Rates

Income from Business Rates will be affected in part by outstanding appeals that have been lodged, or may be lodged in the future. Appeals are made in respect of the rateable value (RV) given to the hereditaments by the Valuation Office Agency (VOA) for the 2010 rating list. The outcomes of appeals on valuation (including both appeals in progress and an estimate of potential future appeals) can only be estimated using methodologies and vulnerability of some types of property to a wide range of valuation opinion and assumptions. The property diversity and the scale of the estimating process therefore carry a degree of risk regarding the accuracy of the resulting appeals provision computed for the Collection Fund within the Statement of Accounts. Croydon has set an appeals provision based on the following judgements:

- ►the outcome of outstanding 2010 list appeals will follow the same average outcomes as previous 2010 appeals,
- ►appeals against the 2017 list (both existing and future) will continue to be below the level experienced in 2010 and lower than the 4.7% appeal provision rates built into the 2018 multiplier,
- ►the implications of the covid-19 pandemic on the impact on valuations of commercial properties
- ►any other case specific appeal items will be absorbed within the appeal provision set for the 2017 list

Pension Liabilities

Estimation 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. The actuaries Hymans Robertson LLP provide the Council with an estimation of the pension liability that considers these judgements. Details of the Pension Fund liability are provided in Note 42 (Pensions - IAS19 and Accounting Code of Practice disclosure notes).

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

Schools Ownership

As set out in the accounting policies, the Council has reviewed control of schools on a case by case basis, and recognised only those schools where the Council has the balance of control, as shown in the table below:

	Number of schools	Value of Land & Buildings recognised £'000
Community Schools, Foundation Schools, Nursery Schools, Special Schools	**32**	299,790
Voluntary aided Faith Schools (excluded from balance sheet)	**16**	0

There are 16 voluntary aided schools within the borough for which the non-current assets have not been recognised within Croydon's accounts, based on the judgement that Croydon does not have control of these assets.

Group Boundary

Croydon has made judgements in accordance with accounting policy 1.1 about which entities are within the group boundary. The judgements made are set out in Note 39

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Authority's Balance Sheet at 31 March 2021 for which there is a risk of adjustment in the forthcoming financial year are as follows:

Pension Fund Net Liability
The liabilities of the Pension Fund scheme attributable to the London Borough of Croydon 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

Liabilities are discounted to their present value, using a discount rate of 2.4% (based on the indicative rate of return on high quality corporate bonds).

The assets of the scheme attributable to the London Borough of Croydon are included in the Balance Sheet at their fair value:

Quoted securities - current bid price or the last trade price depending upon the convention of the market
Unquoted securities - professional estimate
Unlisted securities - current bid price
Property - market value.

The difference between the two, the net liability, is a notional figure; the result of applying the measurement rules within IAS19. Their purpose is to provide a consistent framework of measurement for all Pension Funds to facilitate comparability. The result from the measurement rules would only become a reality if a Pension Fund invested all of its funds in high quality corporate bonds. This is not the case; the Pension Fund invests in a wide portfolio of assets utilising the skills of professional fund managers with the objective of securing a return sufficient to meet the obligations of the Fund as they fall due.

IAS19 requires the disclosure of the sensitivity of the results to the methods and assumptions used.
The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:
Change in assumptions at 31 March 2021:

	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	9%	183,165
0.5% increase in the Salary Increase Rate	1%	10,902
0.5% increase in the Pension Increase Rate	9%	169,025

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY (contd)

Property, Plant and Equipment and Investment Properties

Property, Plant and Equipment and Investment Properties are held on the Balance Sheet at net book value. These assets are depreciated according to the depreciation policy set by the Council, as detailed in the Accounting Policies section of this Statement of Accounts. The useful economic lives of all assets are reviewed annually to ensure that accurate asset values are reflected on the Balance Sheet. This procedure together with the 5 year rolling valuation and formal review of valuation changes each year is being undertaken to minimise the risk of asset values being mis-stated on the Balance Sheet.

There is always uncertainty in estimating the useful economic life of an asset, but it is expected that drawing upon past experience of useful lives, undertaking annual reviews, and the detailed acquisition plans within the Capital Strategy will minimise the uncertainty.

Revaluations of property, plant and equipment and investment properties were provided by the Council's external valuers as part of the five year rolling programme. The remaining balance of operational properties was also reviewed to ensure values reflect current values. All valuations were as at 31 March 2021. Further details on revaluation methods can be found in Accounting Policies 1.4.1 (Property, Plant and Equipment) and 1.4.3 (Investment Properties)

The Covid-19 pandemic which started in 2019-20 and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date of 31 March 2021 property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.. As a result the valuers have stated "Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards]

Estimated values may vary from the actual prices that could be achieved if an asset was disposed at the reporting date.

Fair Value Measurement

When the fair values of financial assets and liabilities cannot be measured based on quoted process in active markets, their fair value is measured using valuation techniques, such as quoted prices for similar assets, or a discounted cash flow model. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.

Allowance for Credit Losses

The allowance is estimated based upon the Authority's past experience of collection rates in conjunction with a prudent view of the current economic climate and its possible impact on those collection rates.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

Material items of income and expense during the year are highlighted to help the reader understand movements in the Comprehensive Income and Expenditure Statement. For the purposes of this note, materiality is set at £15m.

Schools converting to academies

During 2020/21 one school transferred from London Borough of Croydon ownership to academies owned by private organisations, This school was transferred as a finance lease and as a result its net book value of £14.3m has been de-recognised from property, plant and equipment.

This has resulted in a deficit of £14.3m in the Comprehensive Income and Expenditure Statement, though this is reversed back out through the MIRS to ensure a nil bottom line impact.

Pensions

The net liability on the Pension Fund has increased by £227.5m as a result of a periodic actuarial review. It should be noted that this is not an assessment of the cash value of the funding difference; it is a notional sum that is reversed out through the Local Government accounting mechanism.

5. MATERIAL ITEMS OF INCOME AND EXPENSE AND PRIOR PERIOD ADJUSTMENTS (continued)

Refinancing of Long Term Debt

The Council holds a range of long term debt instruments including Lender Option Borrower Offer (LOBO) loans. The opportunity arose to re-finance this debt at a lower rate of interest. LOBO loans to the value of £100m were repaid, incurring a premium of £31.1m. Because the premium is lower than the interest cost saving, the premium was not be charged to the general fund in 2018/19; but was held as an unusable reserve and charged to the general fund over the term of the loans (between 41 and 48 years). See note 23.4 for further details.

Covid Funding and Expenditure

The accounts for 20/21 have been prepared on the backdrop of a wordwide Covid-19 pandemic. The Council has incurred some exceptional costs during the year related to the pandemic, however the Council has also received specfic covid funding from Central Government to meet the extra costs of the pandemic. Table below provides details of the key Expenditure and Income items that have been charged to the Comprehensive Income and Expenditure Statement.

	2020/21 £,000's
Covid-19 Emergency Funding Tranche 1	9,420
Covid-19 Emergency Funding Tranche 2	10,506
Covid-19 Emergency Funding Tranche 3	3,585
Covid-19 Emergency Funding Tranche 4	9,486
	32,997
Less Tranche utilised in 2019/20	(1,000)
	31,997

Service Specific Covid Grants	**£'000**
Infection control fund for adult social care (tranche 1)	4,121
Infection control fund for adult social care (tranche 2)	3,954
Test and Trace	1,998
Welfare support grant	447
	635
Next Steps Accommodation Programme	
Test and trace support grants	338
LA compliance & Enforcement grant	218
Clinically Extremely Vulnerable Support Grant	195
Covid Winter Grant	1,199
Cold Weather Payment (housing)	50
Contain Outbreak Management Fund	3,094
COMF - December tier 2 funding	773
Total	17,022

Capitalisation Direction

The Council applied £65.80m of Capital monies towards the overspend within it GF Revenue Account as approved by the Secretary of State for Ministry of Housing, Communities and Local Government, as part of the Council's Capitalisation Direction award.

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Interim Director of Finance, Investment & Risk and Section 151 officer on 31st August 2021

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 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note provides further details as to the make up of the relevant line in the Movement In Reserves Statement

2020-21	General Fund Balance £'000	HRA Balance £'000	Earmarked Reserves Balance £'000	Capital Receipts Balance £'000	Capital Grants Unapplied Balance £'000	Major Repairs Reserve Balance £'000	Total Usable Reserves Balance £'000
Balances b/f at 1 April 2020	**(3,935)**	**15,428**	**9,132**	**20,344**	**13,784**	**0**	**54,753**
Movement in reserves during 2020-21							
Surplus or deficit on the provision of services	(112,121)	16,521					(95,600)
Other Comprehensive Expenditure and Income							
Impairment / Revaluation gains and losses chargable to							0
General Movement in available for sale financial instruments							0
Movement in pensions reserve							0
Total Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
Total Comprehensive Expenditure and Income	**(112,121)**	**16,521**	**0**	**0**	**0**	**0**	**(95,600)**
Adjustments between accounting basis and funding basis							
Depreciation	31,049	437				12,100	43,586
Impairment and revaluation gains and losses chargeable to CI&E	3,806	(48)					3,758
Amortisation of intangible assets	3,173	96					3,269
Movements in the fair value of investment properties	20,576						20,576
Capital grants and contributions	(19,495)				350		(19,145)
Revenue expenditure funded from capital under statute	68,027	69					68,096
Net gain / loss on sale of non-current assets	28,219	(6,276)		11,645			33,588
Amount by which finance costs charged to the CI&E are different from finance costs chargable in the year in accordance with statutory requirements	(848)						(848)
Reversal of items relating to retirement benefits debited or credited to the Expenditure Statement	(22,611)	(1,668)					(24,279)
Employer's pensions contributions and direct payments to pensioners payable in the year	40,619	2,997					43,616
Amount by which Council Tax and NNDR income credited to the CI&E is different from the amount taken to the General Fund in accordance with statutory requirements	36,023						36,023
Revaluation of investments held at Fair Value through Profit & Loss	(655)						(655)
Business Rate Supplement Revenue Account							0
Statutory provision for the repayment of debt	(12,345)						(12,345)
Capital expenditure charged to General Fund and HRA balances	0						0
Transfers in respect of Community Infrastructure Levy receipts	(6,690)				(1,170)		(7,860)
Transfer from Capital Receipts Reserve to Housing Capital Receipts Pool	2,013			(2,013)			0
Use of the Major Repairs Reserve to finance capital expenditure						(12,100)	(12,100)
Use of the Capital Receipts Reserve to finance capital expenditure				(10,735)			(10,735)
Compensated absences	2,254	74					2,328
Credit loss assessment on loans	4,274						4,274
Total Adjustments between accounting basis and funding basis under regulations	177,389	(4,319)	0	(1,103)	(820)	0	171,147
2019-20 Net Increase / Decrease before Transfers to / from Earmarked Reserves	65,268	12,202	0	(1,103)	(820)	0	75,547
Transfers to / from Earmarked Reserves	(30,257)		30,257				0
Other movements in reserves	(3,576)		3,576				0
Net Increase / (decrease) in reserves for the year	31,435	12,202	33,833	(1,103)	(820)	0	75,547
Balances c/f at 31 March 2021	**27,500**	**27,630**	**42,965**	**19,241**	**12,964**	**0**	**130,300**

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note provides further details as to the make up of the relevant line in the Movement In Reserves Statement

Revaluation Reserve Balance £'000	CAA Balance £'000	Financial Instruments Adjustment Account Balance £'000	Pensions Reserve Balance £'000	Deferred Capital Receipts Balance £'000	Collection Fund Adjustment Account Balance £'000	STACA Balance £'000	Pooled Investment Fund Adjustment Account £'000	Total Unusable Reserves Balance £'000	Total Authority Reserves Balance £'000
626,947	**106,863**	**(31,377)**	**(472,620)**	**20,826**	**(2,747)**	**(3,196)**	**2,233**	**246,929**	**301,682**
								0	**0**
								0	**(95,600)**
								0	**0**
43,759								43,759	**43,759**
								0	**0**
			(208,125)					(208,125)	**(208,125)**
43,759	0	0	(208,125)	0	0	0	0	(164,366)	(164,366)
43,759	**0**	**0**	**(208,125)**	**0**	**0**	**0**	**0**	**(164,366)**	(259,966)
(8,319)	(35,267)							(43,586)	**0**
	(3,758)							(3,758)	**0**
	(3,269)							(3,269)	**0**
	(20,576)							(20,576)	**0**
	19,145							19,145	**0**
	(68,096)							(68,096)	**0**
(12,601)	(18,526)			(2,461)				(33,588)	**0**
		848						848	**0**
			24,279					24,279	**0**
			(43,616)					(43,616)	**0**
					(36,023)			(36,023)	**0**
							655	655	**0**
								0	**0**
	12,345							12,345	**0**
								0	**0**
	7,860							7,860	**0**
								0	**0**
	12,100							12,100	**0**
	10,735							10,735	**0**
						(2,328)		(2,328)	**0**
	(4,274)							(4,274)	**0**
(20,920)	(91,581)	848	(19,337)	(2,461)	(36,023)	(2,328)	655	(171,147)	0
22,839	(91,581)	848	(227,462)	(2,461)	(36,023)	(2,328)	655	(335,513)	(259,966)
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
22,839	(91,581)	848	(227,462)	(2,461)	(36,023)	(2,328)	655	(335,513)	(259,966)
649,786	**15,282**	**(30,529)**	**(700,082)**	**18,365**	**(38,770)**	**(5,524)**	**2,888**	**(88,584)**	41,716

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note provides further details as to the make up of the relevant line in the Movement In Reserves Statement

2019/20	General Fund Balance £'000	HRA Balance £'000	Earmarked Reserves Balance £'000	Capital Receipts Balance £'000	Capital Grants Unapplied Balance £'000	Major Repairs Reserve Balance £'000	Total Usable Reserves Balance £'000
Balances b/f at 1 April 2019	**10,393**	**15,272**	**8,766**	**32,599**	**17,679**	**(1)**	**84,708**
Movement in reserves during 2019-20							
Surplus or deficit on the provision of services	(189,919)	12,480					(177,439)
Other Comprehensive Expenditure and Income							
Impairment / Revaluation gains and losses chargable to							0
General Movement in available for sale financial instruments							0
Movement in pensions reserve							0
Total Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
Total Comprehensive Expenditure and Income	**(189,919)**	**12,480**	**0**	**0**	**0**	**0**	**(177,439)**
Adjustments between accounting basis and funding basis							
Depreciation	28,322					12,323	40,645
Impairment and revaluation gains and losses chargeable to CI&E	11,668	79					11,747
Amortisation of intangible assets	2,680	59					2,739
Movements in the fair value of investment properties	2,141						2,141
Capital grants and contributions	(20,738)	(2,400)			(2,727)		(25,865)
Revenue expenditure funded from capital under statute	71,573	333					71,906
Net gain / loss on sale of non-current assets	34,582	(4,193)		39,585			69,974
Amount by which finance costs charged to the CI&E are different from finance costs chargable in the year in accordance with statutory requirements	(644)						(644)
Reversal of items relating to retirement benefits debited or credited to the Expenditure Statement	29,669	2,189					31,858
Employer's pensions contributions and direct payments to pensioners payable in the year	22,114	1,631					23,745
Amount by which Council Tax and NNDR income credited to the CI&E is different from the amount taken to the General Fund in accordance with statutory requirements	9,679						9,679
Revaluation of investments held at Fair Value through Profit & Loss	(2,233)						(2,233)
Business Rate Supplement Revenue Account							0
Statutory provision for the repayment of debt	(10,366)						(10,366)
Capital expenditure charged to General Fund and HRA balances		(10,000)					(10,000)
Transfers in respect of Community Infrastructure Levy receipts	(5,280)				(1,168)		(6,448)
Transfer from Capital Receipts Reserve to Housing Capital Receipts Pool	3,537			(3,537)			0
Use of the Major Repairs Reserve to finance capital expenditure						(12,322)	(12,322)
Use of the Capital Receipts Reserve to finance capital expenditure				(48,303)			(48,303)
Compensated absences	(747)	(22)					(769)
Total Adjustments between accounting basis and funding basis under regulations	175,957	(12,324)	0	(12,255)	(3,895)	1	147,484
2019-20 Net Increase / Decrease before Transfers to / from Earmarked Reserves	(13,962)	156	0	(12,255)	(3,895)	1	(29,955)
Transfers to / from Earmarked Reserves	5,678		(5,678)				0
Other movements in reserves	(6,044)		6,044				0
Net Increase / (decrease) in reserves for the year	(14,328)	156	366	(12,255)	(3,895)	1	(29,955)
Balances c/f at 31 March 2020	**(3,935)**	**15,428**	**9,132**	**20,344**	**13,784**	**0**	**54,753**

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note provides further details as to the make up of the relevant line in the Movement In Reserves Statement

Revaluation Reserve Balance £'000	CAA Balance £'000	Financial Instruments Adjustment Account Balance £'000	Pensions Reserve Balance £'000	Deferred Capital Receipts Balance £'000	Collection Fund Adjustment Account Balance £'000	STACA Balance £'000	Pooled Investment Fund Adjustment Account £'000	Total Unusable Reserves Balance £'000	Total Authority Reserves Balance £'000
642,664	**164,353**	**(32,021)**	**(664,018)**	**20,826**	**6,933**	**(3,966)**	**0**	**134,771**	**219,479**
								0	**0**
								0	**(177,439)**
								0	**0**
12,642								12,642	**12,642**
								0	**0**
			247,001					247,001	**247,001**
12,642	0	0	247,001	0	0	0	0	259,643	259,643
12,642	**0**	**0**	**247,001**	**0**	**0**	**0**	**0**	**259,643**	82,204
(7,566)	(33,079)							(40,645)	**0**
	(11,748)							(11,748)	**(1)**
	(2,740)							(2,740)	**(1)**
	(2,141)							(2,141)	**0**
	25,865							25,865	**0**
	(71,906)							(71,906)	**0**
(20,793)	(49,180)							(69,973)	**1**
		644						644	**0**
			(31,858)					(31,858)	**0**
			(23,745)					(23,745)	**0**
					(9,680)			(9,680)	**(1)**
							2,233	2,233	**0**
								0	**0**
	10,366							10,366	**0**
	10,000							10,000	**0**
	6,448							6,448	**0**
								0	**0**
	12,322							12,322	**0**
	48,303							48,303	**0**
						770		770	**1**
(28,359)	(57,490)	644	(55,603)	0	(9,680)	770	2,233	(147,485)	(1)
(15,717)	(57,490)	644	191,398	0	(9,680)	770	2,233	112,158	82,203
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
(15,717)	(57,490)	644	191,398	0	(9,680)	770	2,233	112,158	82,203
626,947	**106,863**	**(31,377)**	**(472,620)**	**20,826**	**(2,747)**	**(3,196)**	**2,233**	**246,929**	301,682

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 and HRA expenditure in 2020/21.

	Balance at 1 April 2019 £000	Movement In 2019/20 £000	Balance at 31 March 2020 £000	Movement In 2020/21 £000	Balance at 31 March 2021 £000
General Fund - Non Schools					
General Fund - Non Schools					
Business Rates Relief	0	0	0	20,107	20,107
Growth Zone	9,512	2,021	11,533	1,338	12,870
Local Outbreak Planning	0	0	0	7,895	7,895
Council and Business Rates Income	0	0	0	3,549	3,549
Council Tax and NNDR Smoothing	0	0	0	3,350	3,350
Street Lighting	0	0	0	2,686	2,686
Public Health	0	0	0	1,745	1,745
Local Elections	0	0	0	700	700
Homes for the Future PFI	687	0	687	0	687
Ashburton PFI	510	0	510	0	510
Covid 19	0	8,420	8,420	(8,420)	0
Revolving Investment Fund Reserve	2,897	(2,896)	0	0	0
Selective Licensing	1,717	(1,717)	(0)	0	(0)
Other Reserves under £0.5m	4,369	(2,449)	1,921	1,313	3,234
Sub-total Non Schools	19,692	3,379	23,071	34,261	57,332
Draw Down of Reserves	(5,466)	5,466	0		0
DSG Deficit	(9,193)	(5,331)	(14,524)	(4,003)	(18,527)
General Fund - Schools:					
Balances held by schools under a scheme of delegation	3,733	(3,148)	585	3,576	4,160
Total Earmarked Reserves	8,766	366	9,132	33,834	42,965

	Balance at 31 March 2019 £000	Movement In 2019/2020 £000	Balance at 31 March 2,020 £000	Movement In 2020/21 £000	Balance at 31 March 2,021 £000
HRA:					
New Build Housing	**9,420**	**-**	**9,420**	**-**	9,420
Major Repairs Reserve	**-**	**-**	**-**	**-**	-
Contingency Reserve	5,851	157	6,008	12,201	18,209
Total	15,271	157	15,428	12,201	27,629

8. TRANSFERS TO / FROM EARMARKED RESERVES (continued)

8.1 Earmarked Reserves - Explanations

The Council has established various reserves for specific purposes. The amounts, purposes and objectives of these reserves are summarised below for all reserves over £0.5m:

Growth Zone Reserve (£12.870m)
Funding has been received from the DCLG to fund initial set up and early life costs of Croydon's proposed Growth Zone. This funding will be used to meet borrowing costs of up-front investment until the Growth Zone can be supported by it's own revenue generation.

Local Outbreak Planning (£7.895m) - Public health grant fudning to tackle COVID-19, working to break the chain of transmission and protecting the most vulnerable.

Council and Business Rates Income Guarantee - £3.549m Reserve set aside for the Council under the Tax Income Guarnatee scheme in May 2021, to compensate for loss of business rates and council tax income in 2020/21

Council Tax and NNDR Smoothing Reserve - £3.350m Reserve set aside for the Council Tax Income

Street Lighting (£2.686m) - This balance is held to manage the costs and income of the PFI contract over the duration of its life.

Public Health (£1.745m) - Public Health grant funding set aside to tackle spcific public health issues as set out in the conditiosn of this grant

Local Elections (£0.700m) - This reserve is used to anticipate and smooth the costs of running the local elections in the Borough.

Business Rates Relief - £20.107m
This grant was awarded by Central Government to Local Authorities to be utilised for providing businesses with business rates relief

Ashburton PFI Sinking Fund (£0.510m)
This reserve manages the costs and income in relation to the Ashburton PFI over its 30 year life.

Homes for the Future PFI (£0.687m)
This reserve manages the costs and income in relation to the Homes for the future PFI.

School Balances (£4.160m)
School balances have increased by £3.576m to £4.160m. The decrease in reserves is largely due to a number of schools converting to academy status. There are twelve schools with a revenue deficit. Action plans are agreed with schools in deficit to ensure that they return to a balanced position. The value of this reserve has been netted down by £84.5m which is the value of the deficit on the DSG.

Other Reserves (£3.234m)
This includes other reserves with a balance of less than £0.500m as at 31st March 2021.

9. OTHER OPERATING EXPENDITURE

This note details the component elements of the Other Operating Expenditure section of the Comprehensive Income and Expenditure Statement

	2020/21 £000	2019/20 £000
Levies	1,389	1,367
Payments of Housing capital receipts to Government pool	2,012	3,537
(Gain)/loss on disposal of non-current assets	21,943	30,389
Total	25,344	35,293

A levy is the act of an imposing or collecting an amount of money, as of a tax, by an authority. The money raised is used to meet expenditure on various projects. Some of the levies are often apportioned between various authorities. Levies are owed to the following authorities: the Financial Reporting Council - Preparers Levy; London Councils - London Boroughs Grants Scheme; Environment Agency; Lee Valley Regional Park Authority; and the London Pensions Fund Authority.

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

This note details the component elements of the Finance and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

	2020/21 £000	2019/20 £000
Interest payable and similar charges	43,659	38,948
Interest receivable and similar income	(11,009)	(8,638)
Premium on early repayment of debt	578	336
Changes in fair value of investment properties	20,576	2,141
Other investment income		(218)
Credit loss assessment on loans	4,274	
Gains/Losses on financial instruments classified as FV through P/L	(655)	(2,233)
Interest Cost on defined benefit obligation	34,368	41,780
Expected Return on Pension Assets	(23,408)	(25,286)
(Surplus) / deficit on trading undertakings	32	(154)
Total	68,415	46,676

11. TAXATION AND NON-SPECIFIC GRANT INCOME

	2020/21 £000	2019/20 £000
Credited to Taxation and Non-Specific Grant Income		
Recognised Capital Grants and Contributions	(7,357)	(16,875)
Council Tax Income	(185,670)	(180,057)
National Non-Domestic Rates (NNDR)	(7,263)	(58,653)
Revenue Support Grant	(14,127)	-
Non-service Related Government Grants (see Note 30)	(85,569)	(42,096)
Taxation and Non-Specific Grants	(299,986)	(297,681)

12. PROPERTY, PLANT AND EQUIPMENT

2020/21	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total PPE £000	PFI Assets Included in PPE £000
Net Book Value at 1 April 2020	972,157	804,058	10,399	154,179	3,696	2,553	-	1,947,042	113,355
Gross Book Value at 1 April 2020	972,157	807,416	15,836	227,506	8,988	2,553	0	2,034,456	123,104
Additions	16,055	17,389	1,862	9,501	23	0	6,348	51,178	0
Transfer of Malcolm Wicks House (Block 2 of the former Taberner House site - see Note 32)							15,041	15,041	0
Revaluation increase/(decrease) recognised in the Revaluation Reserve	8,329	13,518	0	0	0	95	0	21,942	2,331
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	0	(17,579)	0	0	0	364	0	(17,215)	(200)
Derecognition - Disposals	(5,343)	(854)	0	0	0	0	0	(6,197)	0
Derecognition - Other	0	(26,296)	0	0	0	0	0	(26,296)	0
Assets reclassified (to)/from held for sale	0	0	0	0	0	4,000	0	4,000	0
Transfers/Reclassifications	0	(707)	0	0	0	706	1	0	0
Other Movements in cost or valuation	0	0	0	0	0	0	0	0	0
Gross book value 31 March 2021	991,198	792,887	17,698	237,007	9,011	7,718	21,390	2,076,909	125,235
Accumulated Depreciation and Impairment at 1 April 2020	0	3,358	5,437	73,327	5,292	0	0	87,414	9,749
Depreciation for year	12,100	18,972	4,470	7,477	541	27	0	43,587	4,675
Depreciation written out to the Revaluation reserve	(12,100)	(9,691)	0	0	0	(27)	0	(21,818)	(2,674)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(9,454)	0	0	0	(5)	0	(9,459)	0
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0	0	0	0
Derecognition - Other	0	(1,365)	0	0	0	0	0	(1,365)	0
Transfers/Reclassifications	0	(5)	0	0	0	5	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
Accumulated Depreciation and Impairment 31 March 2021	0	1,815	9,907	80,804	5,833	0	0	98,359	11,750
Net book value 31 March 2021	991,198	791,072	7,791	156,203	3,178	7,718	21,390	1,978,550	113,485

12. PROPERTY, PLANT AND EQUIPMENT

2019/20	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total PPE £000	PFI Assets Included in PPE £000
Net Book Value at 1 April 2019	954,041	765,931	12,255	147,842	4,325	6,493	16,765	1,907,652	110,689
Gross Book Value at 1 April 2019	954,041	769,756	13,956	214,289	8,966	6,549	16,765	1,984,322	118,437
Additions	50,856	75,445	1,880	13,217	22	0	0	141,420	-
Revaluation increase/(decrease) recognised in the Revaluation Reserve	(28,333)	21,996	0	0	0	(2,355)	0	(8,692)	4,667
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	0	(11,530)	0	0	0	(961)	0	(12,491)	0
Derecognition - Disposals	(4,407)	(25,757)	0	0	0	0	0	(30,164)	0
Derecognition - Other	0	(39,967)	0	0	0	0	0	(39,967)	0
Assets reclassified (to)/from held for sale	0	28	0	0	0	0	0	28	0
Transfers/Reclassifications	0	17,445	0	0	0	(680)	(16,765)	0	0
Other Movements in cost or valuation	0	0	0	0	0	0	0	0	0
Gross book value 31 March 2020	972,157	807,416	15,836	227,506	8,988	2,553	-	2,034,456	123,104
Accumulated Depreciation and Impairment at 1 April 2019	0	3,825	1,701	66,447	4,641	56	0	76,670	7,748
Depreciation for year	11,875	17,424	3,736	6,880	651	81	0	40,647	4,500
Depreciation written out to the Revaluation reserve	(11,875)	(11,903)	0	0	0	(25)	0	(23,803)	(2,499)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(4,514)	0	0	0	(82)	0	(4,596)	0
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	(491)	0	0	0	0	0	(491)	0
Derecognition - Other	0	(1,013)	0	0	0	0	0	(1,013)	0
Transfers/Reclassifications	0	30	0	0	0	(30)	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
Accumulated Depreciation and Impairment 31 March 2020	0	3,358	5,437	73,327	5,292	0	0	87,414	9,749
Net book value 31 March 2020	972,157	804,058	10,399	154,179	3,696	2,553	0	1,947,042	113,355

Council Dwellings
Council dwellings are valued at less than market value, as directed by Government. See HRA Note 2 for more details.

Depreciation
The depreciation policy is set out under the Statement of Accounting Policies.

Revaluations
The Authority carries out a rolling programme to ensure all Property, Plant and Equipment required to be measured is revalued at least every five years. Valuation of Other Land and Buildings were carried out by external valuers Wilks Head & Eve. Additionally, an internal annual review was undertaken to determine if there were any material changes to Property Plant and Equipment as at 31 March 2021 for assets not revalued in 2020/21.

Using the valuation data from the rolling programme, as well as additional specific external revaluations obtained during 2020-21 the internal review identified there had not been a material change in the value of Land and Buildings.

12. PROPERTY, PLANT AND EQUIPMENT (continued)

All valuations were carried out in accordance with the methodologies and bases for estimation set in the professional standards of the Royal Institution of Chartered Surveyors. All valuations were as at 31 March 2021.

The valuations of Council dwellings were undertaken externally by Wilks Head & Eve as at 31 March 2021.

Following the outbreak of Covid-19, Wilks, Head & Eve added the following commentary for revaluations at 31 March 2021:
"The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11th of March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity...The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally.
"'Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.
"Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to ‘material valuation uncertainty’ as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards."

These valuations were carried out in accordance with the methodologies and bases for estimation set out in:

- ► the professional standards of the Royal Institution of Chartered Surveyors; and
- ► the Stock Valuation for Resource Accounting Guidance for Valuers 2016 from the MHCLG

The significant assumptions applied in estimating the current values are:
- ► There are no onerous conditions or restrictions which might affect the valuations
- ► Operational assets are valued using Depreciated Replacement Cost (DRC) for specialised properties, or Existing Use Value (EUV) for other properties
- ► Non operational properties are valued using fair value (FV)
- ► The external valuer uses a single, average rate to value land across the borough.

	Council Dwellings	Other Land & Buildings	Vehicles & Plant	Infrastructure	Community	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost		0	7,791	156,203	3,178		21,390	188,562
Valued at current value as at:								
31/03/2021	991,199	740,266				7,717		1,739,182
31/03/2020		19,107				0		19,107
31/03/2019		19,485				0		19,485
31/03/2018		1,275				0		1,275
31/03/2017		10,940				0		10,940
Total cost or valuation (NBV)	991,199	791,073	7,791	156,203	3,178	7,717	21,390	1,978,551

Valuation Techniques Used To Determine Level Two Fair Value
Investment properties and surplus assets have been valued using either the Market or Income approaches to Fair Value. The valuations were carried out by external valuers Wilks Head & Eve.

Valuations have taken into account the following factors:
- ► existing lease terms and rentals relating to each property, including income produced
- ► independent research into market evidence including market rentals and yields, adjusted to reflect the nature of each tenancy or void

Highest and Best Use of Investment Properties
In estimating the fair value of Croydon's investment properties and surplus properties, the highest and best use of the properties is deemed to be their current use.

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

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

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

12. PROPERTY, PLANT AND EQUIPMENT (continued)

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable input

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

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

Measurement of fair value of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 March 2021. Note, that the majority of Property, Plant and Equipment is carried at current value in accordance with IAS 16 adaptation., and are not carried at fair value.

	Level 1 £000	Level 2 £000	Level 3 £000	31 March 2021 Total £000
Surplus Assets	0	7,718	0	7,718
Investment Properties	0	98,218	0	98,218
Assets held for Sale	0	650	0	650
Total non-financial assets held at Fair Value	**0**	**106,586**	**0**	**106,586**

	Level 1 £000	Level 2 £000	Level 3 £000	31 March 2020 Total £000
Surplus Assets	0	2,553	0	2,553
Investment Properties	0	118,379	0	118,379
Assets held for Sale	0	650	0	650
Total non-financial assets held at Fair Value	**0**	**121,582**	**0**	**121,582**

CAPITAL COMMITMENTS

Capital schemes with significant contractual commitments for future capital expenditure in 2021/22

Department	**Capital Scheme**	**Estimated Total Cost** 2021-22 £000	2020-21 £000
Childrens, Families and Education	Special Educational Needs Capital Programme	8,892	18,807
Place	Other Public Realm and infrastructure	17,231	8,336
	Growth Zone Programme	4,000	15,000
	Waste Programme	2,326	
	Affordable Housing LLP	54,535	40,000
Resources	ICT equipment and technical refresh	8,121	11,814
	Asset Strategy Programme	-	100,000
	Total Cost	95,105	**193,957**

13. HERITAGE ASSETS

The carrying value of heritage assets held by the authority is no longer judged to be material and consequently the Heritage Assets note will no longer be prepared as part of the authority's financial statements

14. INVESTMENT PROPERTIES

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 except for the properties in Imperial Way. The properties in Imperial Way were transferred to the London Borough of Croydon (LBC) from the London Borough of Sutton (LBS) due to a boundary change in 1994. Following an application to the High Court by LBS, the High Court decided that Sutton was entitled to all the rental income from the rent levels prevailing at the date of the boundary change and half from any subsequent increase. Consequently, LBC's only entitlement from its freehold interest in Imperial Way is one half of the rental produced from any increase in rental subsequent to the boundary change.

The Authority has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

It is not possible to disclose the direct operating expenses arising from investment property; the expenses of property management are not yet separately recorded between property classes.

Investment property is measured at fair value. Valuation techniques and inputs into calculating the fair value of investment properties can be found in Note 12. The following table summarises the movement in the fair value of investment properties over the year:

	2020/21 Total £000	2019/20 Total £000
Balance at start of the year	118,379	98,979
Acquisitions	0	21,541
Additions	415	0
Net gains/losses from fair value adjustments	(20,576)	(2,141)
Transfers:		
to/from Property, Plant and Equipment	0	0
Other changes		
Balance at end of the year	98,218	118,379

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 include both purchased licenses and internally generated software.

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. Currently this is set at five years for every intangible asset.

The movement on Intangible Asset balances during the year is as follows:

	2020/21 Intangible Assets £000	2019/20 Intangible Assets £000
Balance at start of year:		
Gross carrying amounts	32,155	26,231
Accumulated amortisation	(19,904)	(17,351)
Net carrying amount at start of year	12,251	8,880
Additions:		
Purchases	7,474	6,111
Amortisation for the period	(3,269)	(2,740)
Other changes - cost	(3,977)	(187)
Other changes - amortisation	3,977	187
Net carrying amount at end of year	16,456	12,251
Comprising:		
Gross carrying amounts	35,652	32,155
Accumulated amortisation	(19,196)	(19,904)
	16,456	12,251

There are no intangible assets that are individually material, i.e. with over £15 million gross carrying value, to the financial statements.

16. FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity, recognised on the balance sheet when the council becomes party to their contractual provisions.

Financial instruments range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees and derivatives. The Council's borrowing, service concession arrangements (PFI and similar contracts) and investment transactions are classified as financial instruments.

Non exchange transactions, like those relating to tax and government grants, do not give rise to financial instruments.

Further details of the treatment and classification of Financial Instruments can be found in the Accounting Policies (Note 1).

The following categories of financial instrument (investments, lending and borrowing) are carried in the Balance Sheet:

FINANCIAL INSTRUMENTS BALANCES

	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000
Financial Liabilities	**Non-Current**	**Non-Current**	**Current**	**Current**
Borrowings				
Financial liabilities at amortised cost	1,098,501	1,143,000	348,000	302,000
Service concessions and finance lease liabilities	71,893	74,330	1,691	1,691
Total borrowings	1,170,394	1,217,330	349,691	303,691
Creditors				
Financial liabilities at amortised cost	0	0	187,576	111,837
Creditors that are not a financial instrument	0	0	56,939	40,911
Cash and cash equivalents	0	0	67,702	55,248
Total Creditors	0	0	312,217	207,996

Financial Assets

	Non-Current		Current	
Financial Assets at Amortised Cost				
Investments			25,000	13,000
Loans and Receivables	174,512	18,465		
Debtors			210,644	333,759
Cash and cash equivalents			97,033	54,733
Fair value through profit and loss				
Investments	47,888	47,233		
Debtors				
Debtors that are not financial instruments			13,867	14,302
Total Financial Assets	222,400	65,698	346,544	415,794

Financial Instruments Classified at Fair Value through Profit or Loss

Croydon Council invested £45m shares in a property fund, principally to secure service savings in relation to temporary accommodation. As this instrument is not structured to repay principal and interest, it is necessary to hold it at Fair Value, at 31 March this was £47.9m

Notes

1. Financial liabilities at amortised costs: Under accounting requirements the carrying value of the financial instrument value is shown in the Balance Sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. 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.

2. All operational creditors and debtors are due for settlement within one year. Debtors and creditors falling within this definition are disclosed elsewhere in the Balance Sheet.

16. FINANCIAL INSTRUMENTS (continued)

Income, Expense, Gains and Losses

	2020/21 Surplus or Deficit on the Provision of Services £'000	2020/21 Other Comprehensive Income and Expenditure £'000	2019/20 Surplus or Deficit on the Provision of Services £'000	2019/20 Other Comprehensive Income and Expenditure £'000
Net gains/losses on:				
Financial assets measured at FVPL	655		2,233	
Financial assets measured at amortised cost			0	
Investments in equity instruments designated FVOCI		0		0
Financial assets measured at FVOCI		0		0
Financial liabilities measured at FVPL			0	
Financial liabilities measured at amortised cost			0	
Total net gains/losses	655	0	2,233	0
Interest revenue:				
Financial assets measured at amortised cost	(11,010)		(8,638)	
Other financial assets measured at FVOCI	(1,152)		(1,397)	
Total interest revenue	**(12,162)**	0	**(10,035)**	0
Interest expense	**43,659**		**38,948**	
Fee income				
Financial assets or financial liabilities that are not at fair value through profit or loss	0		0	
Trust and other fiduciary activities	0		0	
Total fee income	0	0	0	0
Fee expense				
Financial assets or financial liabilities that are not at fair value through profit or loss	574		336	
Trust and other fiduciary activities				
Total fee expense	574	0	336	0

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The fair value of each class financial assets and liabilities which are carried in the Balance Sheet is disclosed below. Please see Note 1.4 in the Accounting Policies section for further information.

Methods and Assumptions in Valuation Technique

The fair value of an instrument is determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by the Council's Treasury Management consultants, Link Asset Services (UK) Ltd, from the Money Markets on 31 March, using bid prices where applicable. The calculations are made with the following assumptions:

- ► For Public Works Loans Board (PWLB) debt, the discount rate used is the rate for new borrowing as per the rate sheet in force on 31 March;
- ► For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender;
- ► No early repayment or impairment is recognised;
- ► Fair value calculations have been done for all instruments in the portfolio, but only those which are materially different from the carrying value have been disclosed;
- ► The fair value of trade and other receivables or instruments with a maturity of less than 12 months is taken to be the invoiced or billed amount.

16. FINANCIAL INSTRUMENTS (continued)

The fair values are calculated as follows:

FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	Fair Value Hierarchy	31 March 2021 Carrying Amount £000	31 March 2021 Fair Value £000	31 March 2020 Carrying Amount £000	31 March 2020 Fair Value £000
PWLB - maturity	level 2	897,426	1,329,743	907,426	1,541,673
Lender Option Borrower Options (LOBOs)	level 2	20,000	44,483	20,000	54,626
Bank overdraft	level 2	67,702	67,702	55,248	55,248
Private Finance Initiative (PFI) Liability	level 2	73,584	65,873	75,821	58,692
Financial Liabilities		1,058,712	1,507,801	1,058,495	1,710,239

Fair value is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans. The Fair value of the PFI liability is lower as the discount rate used is lower then the implicit rate used in the PFI models

FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	Fair Value Hierarchy	31 March 2021 Carrying Amount £000	31 March 2021 Fair Value £000	31 March 2020 Carrying Amount £000	31 March 2020 Fair Value £000
Money Market Loans	level 1	97,033	97,033	54,733	54,733
Deposits with banks and other Local Authorities	level 1	25,000	25,000	13,000	13,000
Long-term debtors	level 2	174,512	193,657	18,465	31,537
Financial Assets		296,545	315,690	86,198	99,270

The fair value is higher than the carrying amount because the Council's portfolio of investments includes a few fixed rate investments where the interest rate receivable is higher than the rates available for similar investments at the Balance Sheet date.

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement as follows:

- ► Level 1: quoted process (unadjusted) in active markets for identical assets or liabilities
- ► Level 2: inputs other than quoted process included within level 1 that are observable for the asset or liability, either directly or indirectly
- ► Level 3: unobservable inputs for the asset or liability.

16. FINANCIAL INSTRUMENTS (continued)

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 March 2021.

	Level 1 £000	Level 2 £000	Level 3 £000	31 March 2021 Total £000
Financial Assets				
Investments and cash and cash equivalents	122,033	0	0	122,033
Long Term debtors	0	193,657	0	193,657
Total Financial Assets	**122,033**	**193,657**	**0**	**315,690**
Financial Liabilities				
PWLB Loans	0	1,329,743	0	1,329,743
LOBO Loans	0	44,483	0	44,483
Long term creditors	0	133,575	0	133,575
Total Financial Liabilities	**0**	**1,507,801**	**0**	**1,507,801**

There were no transfers between Level 1 and Level 2 in 2020/21.

Measurement of fair value of financial instruments

The Council's finance team performs valuations of financial items for financial reporting purposes in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly into the Executive Director and Section 151 Officer and to the General Purposes and Audit Committee. Valuation processes and fair value changes are discussed among the General Purposes and Audit committee and the valuation team at least every year, in line with the Council's reporting date.

The valuation techniques used for material instruments categorised in Levels 2 and 3 are described below:

PWLB and LOBO Loans (Level 2)

The Council's treasury management advisors, Link Asset Services (UK) Ltd, carry out an assessment of the fair values of the PWLB and LOBO loans. These are estimated using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market interest rates of similar loans with similar risk. Link Asset Services (UK) Ltd have calculated the discount rate based on the equivalent new loan rate for the type of borrowing.

As the fair values have been calculated from observable market data, other than process for identical instruments, these are classified as level 2.

Reconciliation of liabilities arising from financing activities

2020-21

	01 April 2020 £'000	Financing cash flows £'000	Acquisitions £'000	Other non-cash changes £'000	31 March 2021 £'000
Long-term borrowings	1,143,000	(44,149)			1,098,501
Short-term borrowings	302,000	46,000			348,000
Lease and PFI liabilities	76,021	(2,437)			73,584
Total liabilities from financing activities	**1,521,021**	**(586)**	**0**	**0**	**1,520,085**

2019-20

	01 April 2019 £'000	Financing cash flows £'000	Acquisitions £'000	Other non-cash changes £'000	31 March 2020 £'000
Long-term borrowings	1,055,316	87,684			1,143,000
Short-term borrowings	223,507	78,493			302,000
Lease and PFI liabilities	78,291	(2,270)			76,021
Total liabilities from financing activities	**1,357,114**	**163,907**	**0**	**0**	**1,521,021**

17. DEBTORS

The amounts receivable at the reporting date are shown in the table below:

	2020/21 £000	2019/20 £000
Trade receivables	223,268	365,568
Prepayments	13,867	14,302
Other receivable amounts	68,760	35,711
Allowance for credit losses	(81,384)	(69,024)
Total	224,511	346,557

The aged debt status of debt arising from local taxation is not judged to be material.

18. CASH AND CASH EQUIVALENTS

	2020/21 £000	2019/20 £000
Cash held	37	39
Bank current accounts	(67,739)	(55,287)
Short-term deposits with building societies and Money Market Funds	97,033	54,733
Total	29,331	(515)

19. ASSETS HELD FOR SALE

	2020/21 £000	2019/20 £000
Balance at start of the year	650	8,328
Revaluation decrease recognised in the Surplus/Deficit	0	(6,321)
Reversal of loss recognised in the Surplus / Deficit	4,000	0
Asset additions	0	15
Assets Sold	0	(1,345)
Transfers from / (to) Property, Plant and Equipment	(4,000)	(27)
Balance outstanding at year end	650	650

20. CREDITORS AND RECEIPTS IN ADVANCE (RIA)

	2020/21 £000	2019/20 £000
Trade payables	215,233	133,731
Other payables	29,282	19,017
Total	244,515	152,748

21. PROVISIONS

	Insurance £000	HRA Water £000	NNDR Appeals £000	Schools Utilities £000	Investment Properties £000	Schools Closure £000	Other Provisions £000	Total £000
Balance at 1 April 2020	(4,592)	(3,030)	(4,417)	(4,597)	0	0	(3,443)	(20,079)
Amounts used in 2020/21								0
Provisions released in 2020/21	0	0	16,032	0	0	0	5,848	21,880
Additional provisions made in 2020/21	(1,000)	(2,224)	(24,396)	0	(1,492)	(2,837)	(6,718)	(38,667)
Balance at 31 March 2021	(5,592)	(5,254)	(12,781)	(4,597)	(1,492)	(2,837)	(4,313)	(36,866)

Provisions that are expected to be settled within 1 year are held as short term, with the remainder being held as long term:	Short term £000	Long term £000	Total £000
Balance at 1 April 2020	**(9,432)**	**(10,647)**	(20,079)
Balance at 31 March 2021	**(14,866)**	**(22,000)**	(36,866)

Insurance Provision
In line with most other Local Authorities, the Council aims to be self-insuring (i.e. meeting claims out of our own funds) for all but catastrophe risks for which cover is purchased on the external insurance market.

To this end, an insurance fund is maintained in order to underwrite a substantial proportion of the Council's insurable risks including damage to Council and school property and contents, consequential loss, theft, civic regalia, motor accidents and liability claims made by members of the public, customers or employees of the Council. The fund covers claims up to our excess of £250,000 (£125,000 for motor vehicles), with a maximum yearly exposure to £1.25 million on property and £1.25 million on liability. Premiums are paid into the fund by the Council service centres, with them being based on commercial rates. By utilising an insurance fund, external insurance premiums are kept to a minimum.

The self insurance fund is reviewed on an annual basis to ensure that it has sufficient balances to cover existing and potential future claims. The Insurance team also work closely with the Risk Management section to identify and manage risks in order to further reduce the likelihood of claims.

NNDR Appeals
The National Non-Domestic Rates (NNDR) appeals relate to appeals made by businesses to the Valuation Office Agency (VOA) to have their local rateable values reduced which in turn reduces the NNDR collectable by the Council. Croydon Council has a 48% share of all NNDR income after all relevant allowances, reliefs and costs of collection. The NNDR appeal provision is therefore Croydon's share of the expected loss in NNDR net income due to VOA appeals. The level of provision continues to be reviewed in relation to uncertainty around outstanding appeals, as well as future risk of appeals that could be in relation to the 2017 Valuation list.

HRA Water
A potential liability has arisen concerning the repayment of water charges for the period 2010-2016. The exact amount and timing is not yet known, but an amount has been set aside based on an initial estimate of costs, which is likely to be settled within the next 3 years.

Schools Utility Provision
The Council raised a significant debtor in regards to schools utility bills (Gas, Water and Electric) towards the end of the financial year. The bills raised related to utility charges for years 2015/16 to 2019/20 as the Council had not billed in a timely manner. As a result the Council has now created a provision to cover potential non-payment and disputes that may arise as a result of the backdated charge

Investment Properties
The Council has a number of investment properties which are held to generate income for the Council by renting them out to various businesses. In light of the Covid Pandemic the Council has taken a prudent approach to provide for potential losses arising from non-payment of rental debt. This will be regularly revised in future years.

Schools Closure
The maintained school Virgo Fidelis is due to close 31 August 2021. Cabinet gave agreement to the closure of the school at the meeting on 18 January 2021. As a result of the decision the deficit that the school has accumulated over a number of years will become the liability of the local authority. As the liability is known at year end 2020/21 a provision has been set in order to meet the current known liability amount of the schools deficit.

Other Provisions
Other provisions are shown under this heading. No individual provision in this category exceeds £1.0m.

22. USABLE RESERVES

This section provides details of the Council's Usesable Reserves, summarised below:

	2020/21 £000	2019/20 £000
General Fund	27,500	(3,934)
Earmarked reserves including Schools	42,965	9,132
Sub-total General Fund Balances	70,465	5,198
Housing Revenue Account	27,630	15,429
Capital receipts reserve	19,241	20,344
Capital grants unapplied	12,963	13,784
Major repairs reserve	-	-
Total Useable Reserves	130,299	54,755

22.1. General Fund

The General Fund Balance at 31 March 2021 is £27.50m (31 March 2020 was £(3.93m))

22.2. Housing Revenue Account and Major Repairs Reserve

The Housing Revenue Account Balance at 31 March 2021 is £27.63m (31 March 2020: £15.43m). This is made up of the HRA surplus of £27.63m (31 March 2020: £15.43m) and the Major Repairs Reserve of £nil (31 March 2020: £nil).
Further detail are given in the HRA Statements

22.3. Earmarked Reserves

The Council keeps a number of reserves on the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans. See Note 8 for further details of earmarked reserves.

22.4. Capital Receipts Reserve

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

	General Fund £000	Housing Revenue Account £000	2020/21 Total £000	2019/20 Total £000
Balance brought forward	372	19,972	20,344	32,599
Receipts from sales of assets during the year	26	11,825	11,851	39,748
Cost of disposals	(1)	(207)	(208)	(163)
Transfer to Housing Capital Receipts Pool	(2,013)		(2,013)	(3,537)
Transfer between General Fund & HRA to offset transfer to Housing Capital Receipts Pool	2,013	(2,013)	0	0
Balance on account before application of receipts	397	29,577	29,974	68,647
Financing of capital expenditure	0	(10,734)	(10,734)	(48,303)
Balance carried forward	397	18,843	19,240	20,344

22.5. Capital Grants Unapplied

Where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution is transferred to the Capital Grants Unapplied Reserve. These balances are a capital resource that is available to finance new capital expenditure but has yet to be applied for that purpose.

23. UNUSABLE RESERVES

	2020/21 £000	2019/20 £000
Revaluation reserve	649,787	626,947
Capital adjustment account	15,283	106,863
Financial Instruments adjustment account	(30,529)	(31,377)
Pensions reserve	(700,082)	(472,620)
Deferred capital receipts	18,365	20,826
Collection Fund adjustment account	(38,770)	(2,747)
Short-term accumulating compensated absences account	(5,524)	(3,196)
Pooled Investment Fund Adjustment Account	2,888	2,233
	(88,582)	246,929

23. UNUSABLE RESERVES (continued)

23.1. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. 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.

	2020/21		2019/20
	£000	£000	£000
Balance at 1 April		626,947	642,662
Revaluations upward	54,967		39,732
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(11,208)		(27,090)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		43,759	12,642
The difference in depreciation arising from a revaluation gain and the depreciation charged on the historic cost	(8,319)		(7,566)
Accumulated gain or loss on assets sold or scrapped	(12,601)		(20,791)
Write out revaluation reserve following transfer from investment property to Property Plant and Equipment	-		-
Amount written off to the Capital Adjustment Account		(20,920)	(28,357)
Balance at 31 March		649,786	626,947

23.2 Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are reversed. The reserve currently holds no balances.

23.3. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, 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 on 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. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

23. UNUSABLE RESERVES (continued)

	2020/21 £000	2020/21 £000	2019/20 £000
Balance at 1 April		106,863	164,353
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets (including HRA)	(43,586)		(40,645)
Revaluation losses on Property, Plant and Equipment	(14,901)		(34,622)
Impairment/revaluation gains reversing losses previously charged to Comprehensive Expenditure and Income	11,145		22,874
Amortisation of intangible assets	(3,269)		(2,740)
Revenue expenditure funded from capital under statute	(17,316)		(71,906)
Secretary of State Capitalisation Direction	(65,820)		
Transfer of Malcolm Wicks House (Block 2 of the former Taberner House site) from REFCUS to Assets under Construction (please see Note 32)	15,041		
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	(31,127)		(69,972)
		(149,833)	(197,011)
Adjusting amounts written out of the Revaluation Reserve		20,920	28,357
Net written out amount of the cost of non-current assets consumed in the year		(128,913)	(168,654)
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital expenditure	10,734		48,303
Use of the Major Repairs Reserve to finance new capital expenditure	12,100		12,322
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	19,141		22,984
Application of grants to capital financing from the Capital Grants Unapplied Account	7,865		9,330
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	12,345		10,366
Capital expenditure charged against the General Fund and HRA balances	-		10,000
		62,185	113,305
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(20,576)	(2,141)
Credit Loss Assessment for Loans		(4,274)	
Balance at 31 March		15,285	106,863

23.4. Financial Instruments Adjustment Account

This reserve allows for the timing differences in statutory requirements and proper accounting practices for borrowings and investments.

This account represents the remaining premium paid in respect of debt restructuring exercises carried out in 2003/04,2009/10 as well as in 2018/19. This balance is made up of General Fund and Housing Revenue Account provisions which will be written down in accordance with the guidance which was in force at the time the debt was repaid.

	2020/21 £000	2020/21 £000	2019/20 £000
Balance at 1 April		(31,377)	(32,021)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement			
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	848		644
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		848	644
Balance at 31 March		(30,529)	(31,377)

23.5. Pensions 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 are earned by employees accruing years of service and 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 ensure that funding will have been set aside by the time the benefits come to be paid.

23. UNUSABLE RESERVES (continued)

	2020/21 £000	2019/20 £000
Balance at 1 April	(472,620)	(664,018)
Actuarial gains or losses on pensions assets and liabilities	(208,125)	247,001
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	(19,337)	(55,603)
Balance at 31 March	(700,082)	(472,620)

23.6. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has 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.

	2020/21 £000	2019/20 £000
Balance at 1 April	20,826	20,826
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0
Additional Deferred Capital Receipts relating to disposal of the former Taberner House site	(2,461)	0
Balance at 31 March	18,365	20,826

23.7. Collection Fund Adjustment Account

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

	2020/21 £000	2019/20 £000
Balance at 1 April	(2,747)	6,933
Amount by which Council Tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(36,023)	(9,680)
Balance at 31 March	(38,770)	(2,747)

23.8. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences 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.

	2020/21 £000	2020/21 £000	2019/20 £000
Balance at 1 April		(3,196)	(3,966)
Settlement or cancellation of accrual made at the end of the preceding year	3,196		3,966
Amount accrued at the end of the current year	(5,524)		(3,196)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(2,328)	770
Balance at 31 March		(5,524)	(3,196)

23.9. POOLED INVESTMENT FUND ADJUSTMENT ACCOUNT

The Pooled Investment Fund Adjustment Account is a statutory account which overrides the treatement of financial instruments held at Fair Value through the Profit and Loss (FVPL). It was introduced under Statutory Instrument 2018/1207 and remains until 2022/23. This transitional reserve absorbs changes in the valuation of financial instrments.

	2020/21 £000	2019/20 £000
Balance at 1 April	2,233	0
Gains / losses on valuation of financial instruments held at Fair Value Through Profit and Loss	655	2,233
Balance at 31 March	2,888	2,233

24. AGENCY SERVICES

Business Improvement Districts
A Business Improvement District (BID) scheme may exist within a designated area of the Borough. Schemes are funded by a BID levy paid by Non-Domestic Ratepayers. The Council acts as agent under the schemes and the BID levy income is the BID body's revenue. The billing Authority does not account for the income and expenditure in its Comprehensive Income and Expenditure Statement since it is collecting the BID levy income as an agent on behalf of the BID body.

The Council currently acts as an agent for three BIDs:

The Croydon Town Centre bid was incorporated as Croydon Town Centre Bid Limited from 6 July 2007. Their tenure was extended to 31 March 2022, following a ballot of local businesses during 2016.

The New Addington Business Improvement District is a private sector initiative led by the Central Parade Business Partnership Limited. The New Addington BID is funded by local businesses; it was approved by ballot in December 2012 and commenced on 4 February 2013.

The Purley BID was established from the 1st March 2016 following a successful ballot of local businesses.

25. POOLED BUDGETS

Community Equipment Service
This agreements has been documented, approved by Cabinet and the Croydon Clinical Commissioning Group (CCG) and signed. The agreement commenced on 1 April 2004 for Croydon's integrated community equipment service (CCES).
This agreement is hosted by the council.

	2020/21			2019/20		
	£000 Council	£000 Partner	£000 Total	£000 Council	£000 Partner	£000 Total
Croydon's Community Equipment Service						
Funding provided to the pooled budget	(1,189)	(1,110)	(2,299)	(1,190)	(1,065)	(2,255)
Expenditure met from the pooled budget	2,698		2,698	2,920		2,920
Net Expenditure	1,509	(1,110)	399	1,730	(1,065)	665

25. POOLED BUDGETS (continued)

Better Care Fund

This agreement commenced on 1st April 2014 and is hosted by the Croydon Clinical Commissioning Group.

Funding pooled by Croydon Council includes Disabled Facilities Grant and Adult Social Care grant monies. Additional funding is received by the Council from the pool to fund the delivery of agreed objectives set by the BCF Executive Group.

Any surplus or deficit is shared between the pool members pro rata'd on the proportion of funding they contributed to the pool.

	2020/21				2019/20			
	£000 Council	£000 Partner	£000 Unallocated	£000 Total	£000 Council	£000 Partner	£000 Unallocated	£000 Total
Better Care Fund								
Gross Income	(12,677)	(27,443)	0	(40,120)	(12,322)	(24,887)	0	(37,209)
Gross Expenditure	23,914	16,206	0	40,120	22,158	15,051	0	37,209
Net Expenditure	11,237	(11,237)	0	0	9,836	(9,836)	0	0

26. MEMBERS' ALLOWANCES

Total allowances paid to the Members of the Council was £1.552m in 2020/21 (£1.595m in 2019/20). The Council pays employer's national insurance on Members allowances, taking the total cost to £1.683m in 2020/21 (£1.732m in 2019/20)

27. OFFICERS' REMUNERATION

Out of more than 7,000 employees, the number whose remuneration, excluding on costs and allowances was £50,000 or more in bands of £5,000 was:

	2020/21		2019/20	
Remuneration Band	**Schools**	**Non-Schools**	**Schools**	**Non-Schools**
£205,000 - £209,999	0	1	0	0
£200,000 - £204,999	0	0	0	0
£195,000 - £199,999	0	0	0	0
£190,000 - £194,999	0	1	0	1
£185,000 - £189,999	0	0	0	0
£180,000 - £184,999	0	0	0	0
£175,000 - £179,999	0	0	0	0
£170,000 - £174,999	0	0	0	0
£165,000 - £169,999	0	0	0	0
£160,000 - £164,999	0	0	0	0
£155,000 - £159,999	0	2	0	2
£150,000 - £154,999	0	0	0	0
£145,000 - £149,999	0	1	0	0
£140,000 - £144,999	0	0	0	0
£135,000 - £139,999	0	5	0	4
£130,000 - £134,999	1	1	1	1
£125,000 - £129,999	0	1	1	0
£120,000 - £124,999	0	0	0	0
£115,000 - £119,999	1	8	2	5
£110,000 - £114,999	2	1	4	0
£105,000 - £109,999	2	3	1	2
£100,000 - £104,999	0	2	1	0
£95,000 - £99,999	3	5	1	5
£90,000 - £94,999	5	2	1	0
£85,000 - £89,999	5	35	4	31
£80,000 - £84,999	5	17	6	16
£75,000 - £79,999	12	2	6	0
£70,000 - £74,999	8	39	12	40
£65,000 - £69,999	20	27	18	15
£60,000 - £64,999	30	10	23	6
£55,000 - £59,999	39	73	33	55
£50,000 - £54,999	55	180	70	158

The table above includes the members of the Executive Leadership Team listed on the following page.

27. OFFICERS' REMUNERATION (continued)

Executive Leadership Team	Katherine Kerswell Chief Executive	Jo Negrini Chief Executive	Chris Buss Director of Finance ,Investment and Risk and S151 Officer	Shifa Mustafa** Executive Director, Place	Sarah Hayward Interim Executive Director, Place	Lisa Taylor Director of Finance ,Investment and Risk and Interim S151 Officer	Jacqueline Harris-Baker** Executive Director of Resources and Monitoring Officer	Debbie Jone (Interim) Executive Director of Children's,Families and Education	Robert Henderson Executive Director of Children, Families & Education	Guy Van Dichele Executive Director (Interim) of Health, Wellbeing & Adults	Hazel Simmonds Executive Director of Gateway, Strategy & Engagement
Start date	14/09/2020	29/04/2016	12/02/2021	15/11/2016	22/03/2021	01/02/2019	01/02/2019	13/10/2020	27/11/2018	01/06/2018	01/01/2019
Leave Date		30/09/2020				28/02/2021	30/06/2021		29/09/2020	28/02/2021	
	£	£	£	£	£	£	£	£	£	£	£
2020/21											
Basic Salary and allowances	105,326	151,474	22,346	156,060	8,237	162,134	156,060	68,756	74,583	150,411	137,700
Compensation for loss of Office		144,356									
Total Remuneration excluding Pension Contributions	**105,326**	**295,830**	**22,346**	**156,060**	**8,237**	**162,134**	**156,060**	**68,756**	**74,583**	**150,411**	**137,700**
Employer's Pension	27,595	25,214	0	40,888	2,158	39,968	40,888		19,541	36,505	36,077
Pension Strain Contributions		292,851									
Total Remuneration including Pension Contributions	**132,921**	**613,895**	**22,346**	**196,948**	**10,395**	**202,102**	**196,948**	**68,756**	**94,124**	**186,916**	**173,777**
2019/20											
Basic Salary and allowances		189,165		156,060	0	124,393	153,936	0	148,886	197,171	137,700
Compensation for loss of Office											
Total Remuneration excluding Pension Contributions		**189,165**		**156,060**	**0**	**124,393**	**153,936**	**0**	**148,886**	**197,171**	**137,700**
Employer's Pension Contributions		29,193		24,085	0	19,216	23,795	0	22,986	11,983	21,252
Total Remuneration including Pension Contributions		**218,358**		**180,145**	**0**	**143,609**	**177,731**	**0**	**171,872**	**209,154**	**158,952**

** Jacqueline Harris-Baker has now left as a Executive Director of Resources and Monitoring Officer from 30/6/2021
**'Shifa Mustafa have has now left as a Executive Director of Place from 31st July 2021
Remuneration total is gross payable before individuals' contribution to the Pension Fund. This includes basic salary and any contracted additions where applicable.

Jo Negrini/Katherine Kerswell -Returning Officer	2020/21 £	2019/20 £
Salary	-	12,821
Pensions Employers Contribution	-	1,936
Excluded from amounts shown above	**-**	**14,757**

27. OFFICERS' REMUNERATION (continued)

Exit Costs

This note discloses employee exit packages in rising bands of £20,000 up to £100,000 and bands of £50,000 thereafter. The packages included in the bands are those that have been agreed by the Authority, i.e. those packages for which the Authority is demonstrably committed. The costs included in the exit packages include all relevant redundancy including compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex gratia payments and other departure costs.

2020/21	Total number of exit costs by cost band			Total cost of exit costs in each band		
	Compulsory Redundancies No.	Other Redundancies No.	Total No.	Compulsory Redundancies £	Other Redundancies £	Total £
£400,000 - £449,999	0	1	1	0	437,207	437,207
£200,000 - £249,999	0	1	1	0	221,814	221,814
£100,000 - £149,999	0	4	4	0	475,140	475,140
£80,000 - £99,999	0	3	3	0	253,295	253,295
£60,000 - £79,999	0	5	5	0	346,426	346,426
£40,000 - £59,999	1	5	6	42,558	266,143	308,701
£20,000 - £39,999	1	11	12	33,482	329,244	362,726
£0 - £19,999	31	49	80	233,864	428,606	662,470
Total	33	79	112	309,904	2,757,875	3,067,779

2019/20	Total number of exit costs by cost band			Total cost of exit costs in each band		
	Compulsory Redundancies No.	Other Redundancies No.	Total No.	Compulsory Redundancies £	Other Redundancies £	Total £
£450,000 - £499,999	0	0	0	0	0	0
£100,000 - £149,999	1	0	1	121,539	0	121,539
£80,000 - £99,999	0	0	0	0	0	0
£60,000 - £79,999	1	2	3	60,995	144,880	205,876
£40,000 - £59,999	1	3	4	50,839	155,856	206,695
£20,000 - £39,999	2	6	8	52,775	160,972	213,746
£0 - £19,999	5	24	29	53,578	171,307	224,886
Total	10	35	45	339,726	633,015	972,742

28. EXTERNAL AUDIT COSTS

	2020/21 £000	2019/20 £000
Fees payable for other services during the year	-	12
Audit fee proposed for pension fund	16	25
Fees payable with regard to external audit services for London Borough of Croydon	133	189
Additional Audit work in 2018/19	20	0
Fees Payable for teachers pension claim and pooling of housing capital receipts		8
Fees payable for the certification of HB returns for the year		11
Total for Croydon Council	169	245
Fees payable by Brick by Brick Croydon Limited for external audit services		28
Total Audit fees for the group	169	273

The Housing Benefit claim certification audit was completed by Mazars in 2019-20, and will also be completed by them for 2020/21.
Excludes additional fees accrued during the year of account but not yet paid in respect of additional audit work in both 2019/20 2020/21

29. DEDICATED SCHOOLS GRANT

The Council’s expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. Details of the deployment of DSG receivable for 2020/21 are set out in the following table:

29. DEDICATED SCHOOLS GRANT (continued)

	Central Expenditure £000	Individual Schools Budget £000	Total DSG 2020/21 £000
Final DSG for 2020/21 before academy recoupment			365,277
Academy figure recouped for 2020/21			193,815
Total DSG after academy recoupment for 2020/21			171,462
Plus: Brought forward from 2019/20			(14,558)
Less: Carry-forward to 2020/21 agreed in advance			0
Agreed initial budget distribution in 2020/21	8,102	148,802	156,904
In year adjustments	0		
Final budget distribution for 2020/21	8,102	148,802	156,904
Less: actual central expenditure	8,102		(8,102)
Less: actual ISB deployed to schools		(167,329)	(167,329)
Carry-forward to 2020/21		(18,527)	(18,527)

30. GRANT INCOME

This note sets out the grants and contributions the Authority credited to the Comprehensive Income and Expenditure Statement. It includes the funding body, and a description of how the grant was used:

	2020/21 £000	2019/20 £000
Credited to Taxation and Non-Specific Grant Income		
Council Tax Income	193,856	180,057
Revenue Support Grant	14,127	-
National Non-Domestic Rates (NNDR)	62,198	58,653
Recognised Capital Grants and Contributions	7,357	16,875
Non-service Related Government Grants	85,569	42,096
	363,107	297,681
Taxation and Non-Specific Grants Credited to Services		
Home Office - Unaccompanied Asylum Seeking Children & Leaving Care	12,710	13,153
MHCLG - Growth Zone, Troubled Families, Care Act, Better Care Fund	27,169	10,406
MHCLG - Covid Grants	34,098	-
Department for Education - Dedicated Schools Grant	171,462	159,682
Department of Health - Public Health Grant	22,370	20,785
Department of Health - Covid Grants	14,620	-
Department for Work and Pensions - Housing Benefit Subsidy	164,766	168,151
Department for Work and Pensions - funding for welfare reform and reducing fraud and error	3,377	1,273
Department for Work and Pensions - Covid Grants	1,626	-
Home Office - Leaving Care support	4,754	3,061
Private Finance Initiative (PFI) - contribution from Central Government towards PFI costs	8,509	8,509
PE and Sport Grant	-	688
Education Funding Agency - Pupil Premium Grant and Other Grants	15,429	6,712
Skills Funding Agency - Adult Education	3,995	2,530
Department of Education -Staying Put Grant	1,256	551
Education Funding Agency - Universal Infant Free School Meals	2,074	2,019
Youth Justice Board - Youth Offending Services	1,146	963
Other Grants	4,138	309
Sub Total - Service Grants and Contributions	493,502	398,792
Total Grants Income	856,609	696,473

The Council has received a number of grants and contributions that have yet to be recognised as income because they have conditions attached to them that may require the monies or property to be returned to the grantor. The balances are:

	2020/21 £000	2019/20 £000
Capital Grants Receipts in Advance		
Ministry of Housing, Communities & Local Government - Disabled Facilities Grant	2,972	2,420
Ministry of Housing, Communities & Local Governnment - Land Release Fund	1,654	0
Department for Transport - Active Travel	100	0
Department for Education - Schools Condition Funding	7,807	6,334
Department for Education - Free Schools	227	0
Department for Education - Universal Free School Meals	170	170
Department for Education - Special Provision Capital Fund	3,004	3,031
Homes & Communities Agency - Council New Build Funding	339	339
Greater London Authority - Acquisition of new properties	16,526	3,475
Section 106 allocated receipts in advance	1,812	1,906
Other grants and contributions	633	701
Total	35,244	18,376

31. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or significantly influence the Council or to be controlled or significantly influenced by the Council. Disclosure of these independently or might have secured the ability to limit another party's ability to bargain freely with the Council. Note 40 of these statement of Accounts provide further details of the key entities the Council owns. These key entites are; Croydon Care Solutions Ltd, Brick By Brick Croydon Limited, Croydon Enterprise Loan Fund Limited and Octavo Schools Partnership.
During the year no Council Members, Executive Directors and Directors or their close relations or members of the same household have undertaken any material declarable transactions with the Council other than the individuals and transactions disclosed below. The Council compiled the existing declarations for Members by issuing a form at the end of the financial year requesting the disclosure of any related party transactions that had taken place within the year. Members of the Corporate Leadership Team were issued with standard letters requesting declaration of any potential related party transactions.
The note below has been prepared on a cash basis using the Council's payments system, as it is believed that any accruals are not of a material value. The amounts in the note below represent sums paid by the Council to the 3rd party. Only related ransactions totalling over £200,000 for any individual organisation are considered t material and are detailed below:

Organisation	Related Party		Related Party Transactions	2020/21 £'000	2019/20 £'000
Academy Schools					
Fairchildes Academy Primary	Cllr Oliver Lewis			482	233
Courtwood Primary School	Cllr Andy Stranack - Governor			6	129
Non-Maintained Schools					
Saffron Valley Collegiate	Cllr Margaret Bird - Management			5,051	3,271
Heavers Farm Primary	Cllr Robert Ward - Governor			3,786	24
Selsdon Primary	Cllr Robert Ward - Governor			3,109	2,084
Thomas Moore	Cllr Badsha Quadir - Governor			4,797	3,215
St Giles	Cllr Carlton Young - Governor			4,236	1,821
Howard Primary	Cllr Joy Prince - Governor			2,400	1,590
				23,868	12,367
Brick By Brick Croydon Limited	Ian O'Donnell - ELT Ian O'Donnell is an Executive Team member, who advises the Council on Financial matters, whilst also being the Director of Brick by Brick		Brick By Brick Croydon Limited is a private independent company with the council as sole shareholder. The Council has provided funding for residential-led development across a range of sites through a combination of debt and equity.	4,498	72,344
			The Council charges Brick by Brick for services, planning fees, staffing and interest costs		0
Croydon Drop In Centre	Cllr Oliver Lewis - unpaid Director Cllr Clive Fraser - Trustee		Purchase of services from this charity by the Council, including the talkbus outreach service, funding healthy lifestyles and councilling services	336	317
Crossfields & Selhurst nursery school	Cllr Maddie Henson - Governor			911	1,461
Elmwood Infant and Nursery	Cllr Muhammad Ali - Governor			2,352	1,631
Octavo Partnership Limited	Sue Moorman - ELT		Transfer of education funding for the delivery of specific projects, as well as purchase of schools services and consultancy.	2	1,444

32. 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/PPP 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 Requirement (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.

	General Fund £000	Housing Revenue Account £000	2020/21 Total £000	2019/20 Total £000
EXPENDITURE:				
Property, Plant and Equipment	28,775	22,403	51,178	141,420
Acquisition and works to investment properties	415	0	415	21,541
Assets Held for Sale	0	0	0	15
Revenue expenditure funded from capital under statute	17,248	68	17,316	42,638
Secretary of State Capitalisation Direction	65,820	0	65,820	0
Transformation Expenditure	0	0	0	29,268
Intangible assets	7,111	363	7,474	6,111
Property development loans	9,852	0	9,852	74,003
	129,221	22,834	152,055	314,996
FINANCED BY:				
Borrowing	102,215	0	102,215	212,057
Capital receipts	0	10,734	10,734	19,035
Capital receipts used to finance transformation expenditure	0	0	0	29,268
Government grants and other contributions	27,006	0	27,006	32,314
Direct revenue contributions	0	0	0	10,000
Major Repairs Reserve	0	12,100	12,100	12,322
	129,221	22,834	152,055	314,996

EXPLANATION OF MOVEMENTS IN YEAR:	General Fund £000	Housing Revenue Account £000	2020/21 Total £000	2019/20 Total £000
Opening Capital Financing Requirement	1,199,690	338,924	1,538,614	1,384,576
Adjustment of borrowing relating to former Taberner House site	(15,041)	15,041	0	
Increase in underlying need to borrow (unsupported by Government financial assistance)	102,215	0	102,215	212,057
MRP / Loans fund principal	(12,345)	0	(12,345)	(10,366)
Development Loans (unsupported by government financial assistance) repaid and used to reduce the Capital Financing Requirement	0	0	0	(47,654)
Closing Capital Financing Requirement	1,274,519	353,965	1,628,484	1,538,613

Previously, the purchase of Malcolm Wicks House (Block 2 at the former Taberner House site) was to be acquired and subsequently let on a finance lease. As a result it was treated as Revenue expenditure funded from capital under statute and financed through General Fund borrowing. It is now, upon completion, to be held in the HRA as council dwellings. As a result the CFR has been adjusted to reflect the transfer from the General Fund to the HRA. As the works are not yet completed, it is held as an asset under construction (please see Note 12), rather than REFCUS. The total spend on Block 2 of the former Taberner House site to 31 March 2021 is £21.39m

33. LEASES

Council as lessor - operating leases

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

	2020/21 Total £000	2019/20 Total £000
Investment Property - Net Book Value	**91,619**	**111,792**
Future minimum lease payments receivable at Balance sheet date		
Within One Year	2,807	5,676
Later than one Year but within five years	11,582	20,741
Later than five years	13,634	24,849

In June 2020, the leaseholders of the Croydon Park Hotel went into adminisatration and forfeited the lease. The comparator values in the table above for 2019-20 reflect the expected minimum lease payments at 31 March 2020 and have not been adjusted for this event. The values for 2020/21 reflect the leaseholders of the Croydon Park Hotel going into administration

Council as lessor - finance leases

The transfer of 167 properties in 2018-19 and an additional 81 properties in 2019-20 to Croydon Affordable Tenures LLP by the council on an 80 year lease requires disclosure as a finance lease. The properties transferred for an upfront premium (treated as a capital receipt) but the future minimum amounts anticipated to be paid to the Council over the life of the non cancellable portion of the lease (40 years)

	2020/21 Total £000	2019/20 Total £000
Sale of Dwellings - Net Book Value	**-**	**25,537**
Future minimum lease payments receivable at Balance sheet date		
Within One Year	445	454
Later than one Year but within five years	1,936	1,872
Later than five years	32,379	32,887

34. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

The Authority currently has three Private Finance Initiative (PFI) contracts. A review, under International Financial Reporting Interpretations Committee (IFRIC) 12 - Service Concessions, of the accounting treatment of three of the PFI contracts was undertaken in 2009/10. The review of the Street Lighting PFI was undertaken prior to its commencement in August 2011. This resulted in assets for the Ashburton Learning Village, Street Lighting and three of the four Adults for the Future PFI schemes being recognised on the Balance Sheet. One Adults Homes for the Future building was assessed as not qualifying for recognition on the Balance Sheet.

Adults Homes For The Future (formerly New4Old)

Two of the homes opened during 2010 and the other two homes opened during 2011. The care services to the users and residents of the facilities were outsourced to Care UK Ltd during 2011/12. The facilities, including management of all soft facilities are fully maintained by Caring 4 Croydon Ltd, a subsidiary of Care UK Ltd. In 2020-21 the payment to Caring 4 Croydon Ltd was £5.2m comprising £2.8m Annual Unitary Payment (AUP) and £1.2m lease payments; PFI credits of £2.868m were received. The annual payment to Caring 4 Croydon Ltd is index-linked to the Retail Price (RPI) index and consequently, will increase each year until contract expiration in 2038/39.

Ashburton Learning Village

The Ashburton Learning Village incorporates an eight form entry (1,200 capacity) secondary school (Oasis Academy Shirley Park) together with a new purpose built library and a headquarters for the Housebound Library service. The village also houses office and teaching space for the Music Service. The Authority's Community Strategy states the Council's commitment to make Croydon a learning place by recognising the importance of ensuring good education and lifelong learning opportunities for everyone living and working in Croydon. Ashburton Learning Village is an important part of the Community Strategy and fulfils a commitment within the strategy to rebuild Ashburton High School. The Authority has entered into a 30 year contract with Norwest Holst on a design, build and operate basis, that includes enhanced facilities, improved ICT and access to the National Grid for Learning. This is supported through the Government's PFI scheme. The PFI credits include £17.1m from the Department for Education and £4.7m from the Department for Culture, Media and Sport; depending on usage, the Council may pay £43.5m over the remaining 15 years of the contract.

Street Lighting

The Croydon and Lewisham Street Lighting PFI is a joint procurement project that has been developed to replace the ageing street lighting stock of both London Boroughs. The 25 year contract with Skanska-Laing started in August 2011. In 2020/21 the Annual Unitary Payment to Skanska-Laing was £11.0 m; PFI credits of £6.0m were received. The PFI credits are in excess of the AUP, the excess is held in an equalisation account to offset charges in future years that will exceed the PFI credit. The PFI credit is fixed at £6.0m each year whereas the AUP is index linked to the RPI and consequently, will increase each year until contract expiration in 2036/37.

Value of Assets Held	**Ashburton Learning Village £000**	**Adult Homes For The Future £000**	**Street Lighting £000**	**2020/21 Total £000**	**2019/20 Total £000**
Net book value as at 31 March 2020	35,203	36,078	42,074	113,355	110,689
Gross book value as at 31 March 2020	35,203	36,078	51,826	123,107	118,437
Additions					
Revaluation	1,231	900		2,131	4,667
Gross book value as at 31 March 2021	36,434	36,978	51,826	125,238	123,104
Depreciation as at 1 April 2020	0	0	(9,749)	(9,749)	(7,748)
Depreciation for year	(1,318)	(1,357)	(2,004)	(4,679)	(4,500)
Depreciation written out after revaluation	1,318	1,357		2,675	2,499
Net book value as at 31 March 2021	36,434	36,978	40,073	113,485	113,355

Value of Liabilities	**Ashburton Learning Village**	**Adult Homes For The Future**	**Street Lighting**	**2020/21 Total £000**	**2019/20 Total £000**
Creditors as at 31 March 2020	(13,367)	(19,495)	(42,961)	(75,823)	(78,093)
"Drawdown" at start of operational period				0	-
Capital repayment	562	611	1,264	2,437	2,270
Lump sum contribution				0	0
Creditors as at 31 March 2021	(12,805)	(18,884)	(41,697)	(73,386)	(75,823)

34. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS (continued)

Repayment of Liabilities	**Ashburton Learning Village £000**	**Adult Homes For The Future £000**	**Street Lighting £000**	**2020/21 Total £000**	**2019/20 Total £000**
Within one year	592	647	1,377	2,616	2,437
Within two to five years	2,702	3,004	6,844	12,549	11,683
Within six to ten years	4,273	3,795	12,586	20,655	19,194
Within 11 to 15 years	5,237	6,180	19,277	30,695	28,788
Within 16 to 20 years		5,258	1,612	6,870	13,719
Within 21 to 25 years				0	-
Within 26 to 30 years					
Total	12,804	18,885	41,696	73,385	75,821

Interest Payments	**Ashburton Learning Village £000**	**Adult Homes For The Future £000**	**Street Lighting £000**	**2020/21 Total £000**	**2019/20 Total £000**
Within 1 year	684	1,137	3,708	5,530	5,709
Within 2 to 5 years	2,404	4,135	13,493	20,033	20,899
Within 6 to 10 years	2,109	3,344	12,836	18,288	19,749
Within 11 to 15 years	826	2,744	6,152	9,721	11,939
Within 16 to 20 years		691	48	739	1,723
Within 21 to 25 years				0	-
Within 26 to 30 years					
Total	6,023	12,051	36,236	54,311	60,020

Service Charge Payments	**Ashburton Learning Village £000**	**Adult Homes For The Future £000**	**Street Lighting £000**	**2020/21 Total £000**	**2019/20 Total £000**
Within 1 year	997	1,952	1,646	4,595	4,447
Within 2 to 5 years	4,348	8,410	7,187	19,946	19,310
Within 6 to 10 years	6,318	9,451	10,506	26,276	25,443
Within 11 to 15 years	7,025	13,444	12,484	32,953	32,326
Within 16 to 20 years		10,086	1,010	11,096	17,786
Within 21 to 25 years				0	-
Within 26 to 30 years					
Total	18,688	43,344	32,834	94,865	99,312

Lifecycle Payments	**Ashburton Learning Village £000**	**Adult Homes For The Future £000**	**Street Lighting £000**	**2020/21 Total £000**	**2019/20 Total £000**
Within 1 year	411	405		816	816
Within 2 to 5 years	1,643	1,621		3,264	3,264
Within 6 to 10 years	2,054	1,621		3,675	3,675
Within 11 to 15 years	1,951	2,026		3,977	4,080
Within 16 to 20 years		1,351		1,351	2,064
Within 21 to 25 years				0	-
Within 26 to 30 years					
Total	6,059	7,023	0	13,082	13,898

Contingent Rent	**Ashburton Learning Village £000**	**Adult Homes For The Future £000**	**Street Lighting £000**	**2020/21 Total £000**	**2019/20 Total £000**
Within 1 year			108	108	103
Within 2 to 5 years			453	453	449
Within 6 to 10 years			484	484	518
Within 11 to 15 years			168	168	249
Within 16 to 20 years			(62)	(62)	(63)
Within 21 to 25 years				0	0
Within 26 to 30 years				0	0
Total	0	0	1,152	1,152	1,255

35. IMPAIRMENT LOSSES

There were no impairments to assets in 2020/21 (£nil in 2019/20). There are no impaired property, plant or equipment

36. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The following items have been identified in accordance with accounting policy 1.13:

Municipal Mutual Insurance (MMI) - potential for future claims
In 1993, MMI ceased to accept new business, due to changes in insurance industry requirements. The appointed administrator has set a levy rate of 15%, and London Borough of Croydon is liable for this proportion of any future claim that pre-dates 1993. A likely amount cannot be estimated reliably, and the possibility does remain for the administrator to revise the levy rate, should the company's assets prove insufficient to meet liabilities.

Highways Maintenance Contract with Kier
The council entered into a Highways maintenance contract with Kier, beginning September 2011 and ran for 7 years. Over the course of the contract there were numerous queries raised over what was and was not included in the contract. As we were approaching the end of the contract term and settlement of accounts we received a "claim" for £8.16m from Kier for work which they claim is over and above the schedule of rates for works on the highway.

The council has taken both internal and external legal advice on this claim and there has been a few exchanges of correspondence between both parties, the most recent in December 2019 when the Council's external lawyers wrote to Kier refuting the claim. The Council has received no formal reply from Kier to date.

There is potentially a settlement payment to be made to resolve the dispute, although the Council will continue to rebut the claim.

37. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written polices and procedures covering specific areas such as credit risk, liquidity risk and market risk.

The annual treasury management strategy for 2020/21 which incorporates the prudential indicators was approved by Council on 2 March 2020 and is available on the Council's website. The key issues within the Strategy were:

1. The Authorised Borrowing Limit for 2020/21 was set at £1,935.8m. This is the maximum limit of external borrowings or other long term liabilities.
2. The Operational Boundary was set at £1,885.8m. This is the expected level of debt and other long term liabilities during the year.
3. The maximum amounts of variable interest rate exposure was set at 20% of total debt, or up to 30% for the purposes of securing liquidity

These policies are implemented by the Council's treasury team. The Council maintains written policies for overall risk management, as well as written policies (Treasury Management Policies - TMPs) covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit Risk
Credit risk arises from the short-term lending of surplus funds to banks, building societies and other Local Authorities. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to ensure lending is prudent.

37. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

	Amounts at 31 March 2021 £000	Historical Experience of Default %	Estimated Maximum Exposure to Default £000
Deposits with banks and other financial institutions	122,033	0	0
Bonds and other securities	0	0	0
Customers	0	0	0
Total	122,033	0	0

Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meets its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 25% of loans are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The sum owing of £122.033m has been invested in the banking sector and with other local authorities, and £340.616m is due to be repaid in less than one year.

Refinancing and Maturity Risk

The maturity structure of financial liabilities is as follows (at nominal value):

	At 31 March 2021 £000	At 31 March 2020 £000
Loans outstanding:		
PWLB	897,426	907,426
Market debt / LOBOs	221,075	260,575
Temporary borrowing	328,000	277,000
Deferred purchases	73,584	75,821
Other		
Total	1,520,085	1,520,822
Less than 1 year	340,616	289,437
Between 1 and 2 years	99,809	130,000
Between 2 and 5 years	63,315	69,757
Between 5 and 10 years	81,495	55,194
More than 10 years	934,850	976,434
Total	1,520,085	1,520,822

Interest Rate Risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the Authority is summarised below:

- ► Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Comprehensive Income and Expenditure Statement.
- ► Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Comprehensive Income and Expenditure Statement.
- ► The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on instruments held at fair value.
- ► The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on instruments held at fair value.

The Council has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget. This allows any adverse changes to be accommodated. The strategy will also advise on whether new borrowing taken out is to be at fixed or variable interest rates.

37. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

According to this assessment strategy, at 31 March 2021 if interest rates had been 1% higher, the financial effect would be:

	At 31 March 2021 £000	At 31 March 2020 £000
Decrease in fair value of fixed rate borrowing liabilities	(299,782)	(334,301)

(no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)
Note: the council does not hold any variable rate borrowings or investments at the end of the last reporting period.

Price Risk
The Council, excluding the Pension Fund, does not invest in equity shares or marketable bonds.

Foreign Exchange Risk
The Council has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

38. TRUST FUNDS

The Council acts as trustee for various funds including trust fund legacies, prize funds, amenity funds of establishments and charity appeal funds. The principal funds are two trust fund legacies: .

- ► The Church Tenements Charities: Educational and Church Branches, which provides grants to young people for education purposes (£0.889m)
- ► The Frank Denning Memorial Charity, which provides travelling scholarships (£0.364m).

The funds are not assets of the Council and are not included in the Balance Sheet.

39. GROUP INTERESTS

The Council reviewed its group activities during 2020/21, including a review of the nature of the risks it was exposed to through its group trading activities and the amounts involved after eliminating intragroup transactions. The Council concluded that its group activities were sufficiently material to justify the preparation of Group Accounts. The Group Accounts and notes can be found in the section entitled "Group Accounts".

Group interests are detailed below:

Croydon Council owns a 100% stake in the development company Brick By Brick Croydon Limited , which was established to deliver housing across a number of Council owned sites in the Borough. During 2020/21 a comprehensive review was done on Brick by Brick and the activity continues to be material, and group accounts have been prepared with Brick By Brick Croydon Limited.

Croydon TH Limited – This is a 100% Council owned company. This company was established to take on the residential units from the Taberner House development and hold the block leases. It would act as an intermediary until the units are sold and also by having a separate company it keeps the tax considerations separate from the one from the commercial units as explained below for Croydon TH Commercial Ltd.

39. GROUP INTERESTS (contin 39. GROUP INTERESTS (continued)

Croydon TH Commercial Ltd – This is a 100% Council owned company. The company was established in connection with the commercial units on the Taberner site. It was planned that a separately company should be created to hold the commercial units due to the differing tax arrangements for commercial vs residential development and also to ring fence the activity between the commercial units and residential units.

Croydon Central Management Company – This is a 100% Council owned company. This company was established to provide management services to all residential and commercial units within the Taberner House development

Croydon Holdings Ltd – This is a 100% Council owned company. This company is linked to the Croydon Affordable Homes and Croydon Affordable Tenure companies and was designed to be a holding company for these subsidiaries.

Croydon Affordable Homes LLP - This is company is part of the Council's group structure but the Council does not directly own its shares. The Council owns this company through Croydon Holdings Ltd and London Borough of Croydon Holdings LLP. This company is designed to lease residential units to investors.

Croydon Affordable Homes (Taberner House) LLP - This company is part of the Council's group structure but the Council does not directly own its shares. The Council owns this company through Croydon Holdings Ltd and London Borough of Croydon Holdings LLP. This company is designed to lease residential units to investors. No activity has taken place within this company since it was incorporated.

Croydon Affordable Tenures LLP - This is company is part of the Council's group structure but the Council does not directly own its shares. The Council owns this company through Croydon Holdings Ltd and London Borough of Croydon Holdings LLP. This company is designed to lease residential units to investors.

Croydon Affordable Dwellings LLP - This is company is part of the Council's group structure but the Council does not directly own its shares. The Council owns this company through Croydon Holdings Ltd and London Borough of Croydon Holdings LLP. This company is designed to lease residential units to investors. No activity has taken place within this company since it was incorporated.

Croydon Pension Nominee 1 Ltd - This is a 100% company owned by the Council. This company has been inactive and no transactions have taken place, but was designed to support residential and commercial property investments that the Council's Pension Fund could invest in.

Croydon Pension Nominee 2 Ltd - This is a 100% company owned by the Council. This company has been inactive and no transactions have taken place, but was designed to support residential and commercial property investments that the Council's Pension Fund could invest in.

Croydon Council holds 40% of control of the board of Octavo Partnership Limited, which was created to deliver School Improvement services across the Borough of Croydon and beyond, and sells discretionary support services to schools directly whilst delivering statutory services on behalf of Croydon Council. Financial activity in 2019/20 is not considered material.

Croydon also owns a 100% stake in Croydon Enterprise Loan Fund Limited , which is a growth programme designed to support businesses in Croydon to access finance in order to start or grow a business. Group activity is not judged to be material.

Croydon owns a 100% stake in YourCare (Croydon) Ltd, a company that will carry out sales of aids to daily living equipment to the public. Turnover and balances are not considered material.

Group accounts are not being prepared for Croydon Care Solutions Ltd, Croydon Equipment Solutions Ltd and Croydon Day Opportunities Ltd, as these companies have not traded during 2020/21, and any sums are immaterial.

40. DATE OF ACCOUNTS BEING AUTHORISED FOR ISSUE AND BY WHOM

This Statement of Accounts was issued on 31st August 2021 by Chris Buss, Interim Director of Finance, Investment & Risk and Section 151 officer

41. PENSIONS - IAS19 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education.
- The Local Government Pensions Scheme, administered by the London Borough of Croydon.
- The NHS Pensions Scheme, administered by the London Borough of Croydon.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it was a defined contributions scheme - no liability for future payments of benefits is recognised in the Council's Balance Sheet and the Children, Young People and Learners revenue account is charged with the employer's contributions payable to the Teachers' Pension Scheme during the year.

In 2020/21, the Council paid £9.94m (2019/20: £8.56m) to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% (2019/20: 16.48%) of pensionable pay.

The Local Government Pension Scheme
The Local Government Scheme is accounted for as a defined benefits scheme; its members are the London Borough of Croydon and a number of Scheduled and Admitted bodies. A list of all member bodies is available in the Pension Fund Accounts.

The liabilities of the scheme attributable to the London Borough of Croydon are included in the Balance Sheet on an actuarial basis using the projected unit credit method of valuation - i.e. an assessment of the future payments that will be made in relatior benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees.

Liabilities are discounted to their present value, using a discount rate of 2.0% (based on the indicative rate of return on high quality corporate bonds).

The assets of the scheme attributable to the London Borough of Croydon are included in the Balance Sheet at their fair value:
Quoted securities - current bid price or the last trade price depending upon the convention of the market
Unquoted securities - professional estimate
Unlisted securities - current bid price
Property - market value.

The change in the net pensions liability is analysed into seven components:

Current service cost - the increase in the present value of a defined benefit obligation resulting from employee service in the current period - allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employee worked.

Past service cost - the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases) - debited / credited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

Interest cost - the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement - debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

The return on Fund assets - is interest, dividends and other revenue derived from the Fund assets, together with realised and unrealised gains or losses on the Fund assets, less any costs of administering the Funds (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the Fund itself - credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

41. PENSIONS - IAS19 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES (continued)

Gains / losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

Actuarial gains and losses comprise:

- experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually

- the effects of changes in actuarial assumptions - are recognised in Other Comprehensive Income.

Contributions paid to the Pension Fund - cash paid as employer's contributions to the Pension Fund.

Actuarial valuations are carried out every three years as required by legislation. The most recent valuation was undertaken by Hymans Robertson as at 31 March 2019. This identified a funding level of 88% which equates to a deficit of £164.6m.
The reported funding level is based on an assumed future investment return of 4.0%p.a. The Actuary has calculated that there is a 75% likelihood that the Fund's investments will achieve at least 4.0% p.a. over the next 20 years.
The actuary sets contribution rates for each employer, after consideration of their relative risk profiles and funding time horizons.

Discretionary Benefits

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

Actuarial Assumptions	**31 March 2021**	**31 March 2020**
Financial assumptions		
Rate of increase in salaries	2.85%	1.90%
Rate of increase of pensions	2.85%	1.90%
Discount rate	2.00%	2.30%
Split of assets between investment categories		
Equities	0.00%	0.00%
Debt Securities	0.00%	0.00%
Private Equity	9.00%	9.00%
Real Estate	15.00%	15.00%
Investment Funds and Unit Trusts	70.00%	70.00%
Cash / Liquidity	6.00%	6.00%
Life expectancy		
of a male (female) future pensioner aged 65 in 20 years time	23.0 (26.0) years	22.5 (25.3) years
of a male (female) current pensioner aged 65	22.1 (24.3) years	21.9 (23.9) years

Commutation of pension for lump sum at retirement	take 50% of additional tax-free cash up to HMRC limits for pre-April 2008 and 75% of the maximum tax-free cash for post-April 2008 service
Market value of total funds (£ millions)	1,538 as at 31 Mar 2021

41. PENSIONS - IAS19 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES (continued)

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability

	31 March 2021			31 March 2020		
	Assets £000	Obligations £000	Net (Liability) /Asset £000	Assets £000	Obligations £000	Net (Liability) /Asset £000
Fair value of employer assets	1,015,827		1,015,827	1,060,753		1,060,753
Present value of funded liabilities		1,472,956	(1,472,956)		1,707,364	(1,707,364)
Present value of unfunded liabilities		15,491	(15,491)		17,495	(17,495)
Opening Position as at 31 March 2020 and 31 March 2019	**1,015,827**	**1,488,447**	**(472,620)**	**1,060,753**	**1,724,859**	**(664,106)**
Service cost:						
Current service cost *		52,395	(52,395)		65,232	(65,232)
Past service cost (including curtailments)		644	(644)		381	(381)
Effect of settlements	(629)	(1,675)	1,046	(912)	(3,671)	2,759
Total Service Cost	**(629)**	**51,364**	**(51,993)**	**(912)**	**61,942**	**(62,854)**
Net interest:						
Interest income on plan assets	23,408		23,408	25,286		25,286
Interest cost on defined benefit obligation		34,368	(34,368)		41,692	(41,692)
Impact of asset ceiling on net interest						
Total Net Interest	**23,408**	**34,368**	**(10,960)**	**25,286**	**41,692**	**(16,406)**
Total Defined Benefit Cost Recognised in Profit or (Loss)	**22,779**	**85,732**	**(62,953)**	**24,374**	**103,634**	**(79,260)**
Cashflows:						
Plan participants' contributions	10,529	10,529	0	9,720	9,720	0
Employer contributions	41,570		41,570	22,620		22,620
Contributions in respect of unfunded benefits	(46,356)	(46,356)	0	1,125		1,125
Benefits paid	(2,046)	(2,046)	0	(49,360)	(49,360)	0
Unfunded benefits paid	2,046		2,046	(1,125)	(1,125)	0
Expected Closing Position	**1,044,349**	**1,536,306**	**(491,957)**	**1,068,107**	**1,787,728**	**(719,621)**
Remeasurements:						
Changes in demographic assumptions		377,101	(377,101)		(40,725)	40,725
Changes in financial assumptions		22,216	(22,216)		(142,949)	142,949
Other experience		(2,297)	2,297		(115,607)	115,607
Return on assets excluding amounts included in net interest	188,895		188,895	(52,280)		(52,280)
Changes in asset ceiling						
Total remeasurements recognised in Other Comprehensive Income (OCI)	**188,895**	**397,020**	**(208,125)**	**(52,280)**	**(299,281)**	**247,001**
Exchange differences			0			0
Effect of business combinations and disposals			0			0
Fair value of employer assets	1,233,244		1,233,244	1,015,827		1,015,827
Present value of funded liabilities		1,902,474	(1,902,474)		1,472,956	(1,472,956)
Present value of unfunded liabilities **		30,852	(30,852)		15,491	(15,491)
Closing Position	**1,233,244**	**1,933,326**	**(700,082)**	**1,015,827**	**1,488,447**	**(472,620)**

* The service cost figures include an allowance for administration expenses of 1.% of payroll.

** (31 March 2021) This liability comprises of approximately £15,645,000 in respect of LGPS unfunded pensions and £15,207,000 in respect of Teachers' unfunded pensions. For unfunded liabilities as at 31 March 2020, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension as at the date of the member's death.

41. PENSIONS - IAS19 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES (continued)

The valuation of employer assets used in this analysis differs from the figures presented in the Pension Fund Statements in that it uses an estimate of returns (-0.1%) because it has to be prepared in advance of the year end, whereas the Pension Fund Accounts are prepared on the basis of actual and not assumed figures after the year's end. Regardless of this detail the movement in the value of these assets reflects the stagnation of the financial markets over the reporting period and beyond, a consequence of the continued global financial crisis. The schedule on the previous page shows a decrease in the funding level; the net liability has increased from £472 million to £673 million. The principle driver for this movement is the increase in the present value of funded liabilities, relating to employee members of the scheme, deferred pensioners and pensioners.

It should be noted however that this IAS19 valuation is not an assessment of the cash value of the funding difference; it is a notional sum that is reversed out through the Local Government accounting mechanism.

IAS19 requires that the cost of retirement benefits is recognised in the Comprehensive Income and Expenditure Statement when the entitlement is earned, irrespective of when the benefits are actually paid. However, the charge the Council is required to make in its financial statements is equal to the actual contribution to the Pension Fund payable in the year. Consequently, a transfer is made to, or from, the Pensions Reserve to achieve this.

The other adjustment to the Pensions Reserve during the year represents the Experience / Actuarial gain or loss recognised during the year. The gain or loss calculated is taken directly to Other Comprehensive Income.

Consequently, the balance on the reserve represents the amount required to meet the estimated liability for future pensions, and the change in the reserve during the year represents the change in that liability.

Fair value of employers assets

The below asset values are at bid value as required under IAS19. Please note, where IAS19 asset splits were not available at the exact start and end dates, we have used the nearest IAS19 assets split prior to these dates.

	Period Ended 31 March 2021				Period Ended 31 March 2020			
Asset Category	**Quoted Prices in Active Markets £000**	**Quoted Prices not in Active Markets £000**	**Total £000**	**Percentage of Total Assets %**	**Quoted Prices in Active Markets £000**	**Quoted Prices not in Active Markets £000**	**Total £000**	**Percentage of Total Assets %**
Equity Securities:								
Consumer			0	0.0			0	0.0
Manufacturing			0	0.0			0	0.0
Energy and Utilities			0	0.0			0	0.0
Financial Institutions		121	121	0.0		121	121	0.0
Health and Care			0	0.0			0	0.0
Information Technology			0	0.0			0	0.0
Other			0	0.0			0	0.0
Debt Securities:								
Other								
Private Equity:								
All		115,609	115,609	9.4		91,854	91,854	9.0
Real Estate:								
UK Property		154,299	154,299	12.5		149,928	149,928	14.8
Overseas Property								
Investment Funds and Unit Trusts:								
Equities		560,398	560,398	45.4		342,397	342,397	33.7
Bonds		245,388	245,388	19.9		232,071	232,071	22.8
Hedge Funds								
Commodities								
Infrastructure		136,310	136,310	11.1		133,468	133,468	13.1
Other			0	0.0			0	0.0
Derivatives			0	0.0			0	0.0
Equivalents:								
All		21,120	21,120	1.7		65,989	65,989	6.5
Totals	**0**	**1,233,244**	**1,233,244**	**100**	**0**	**1,015,827**	**1,015,827**	**100**

HOUSING REVENUE ACCOUNT - INCOME AND EXPENDITURE STATEMENT

INTRODUCTION

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to Croydon Council's own housing stock. Income and expenditure on other housing services provided by the Council is recorded in the General Fund. The items recorded within the HRA are prescribed by statute because the Council has no general discretion to transfer sums into or out of the HRA, this type of account is known as ring fenced.

The ring fence was introduced by the Local Government and Housing Act 1989, to ensure that rents paid by Local Authority tenants accurately and realistically reflected the cost of providing the housing service.

	Note No.	2020/21 £000	2019/20 £000
Income			
Dwelling rents		(76,105)	(75,019)
Non-dwelling rents		(1,139)	(1,231)
Charges for services and facilities		(11,010)	(9,108)
Contributions towards expenditure		(328)	(203)
Total Income		(88,582)	(85,561)
Expenditure			
Repairs and maintenance		10,205	10,929
Supervision and management		37,467	38,483
Rents, rates, taxes and other charges		3,979	3,235
Allowance for debtors		710	703
Depreciation of non-current assets	2.1 & 3	12,537	12,321
Amortisation of intangible assets		96	59
Gain or loss on revaluation of non-current assets		(48)	79
Revenue expenditure funded from capital under statute	3 & 4	69	333
Total Expenditure		65,015	66,142
Net cost of HRA services as included in the whole-Authority Comprehensive Income and Expenditure Statement		(23,567)	(19,419)
HRA services share of Corporate and Democratic Core		489	576
HRA share of Pensions Reserve contributions not allocated to specific services	5	(28)	(163)
Net cost of HRA services		(23,106)	(19,006)
Gain or loss on sale of HRA non-current assets		(6,277)	(4,193)
Interest payable and similar charges		12,110	11,986
Interest and investment income		(1)	-
Pensions interest costs and expected return on pensions assets		753	1,133
Capital Grants & Contributions Receivable		-	(2,400)
(Surplus)/ deficit for the year on HRA services		(16,521)	(12,480)

THE MOVEMENT IN RESERVES ON THE HRA STATEMENT

This Statement takes the outturn on the HRA Comprehensive Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

	Note No.	2020/21 £000	2019/20 £000
HRA surplus balance brought forward		(15,428)	(15,272)
(Surplus)/deficit for the year on the HRA Comprehensive Income and Expenditure Statement		(16,521)	(12,480)
Amounts included in the HRA Comprehensive Income and Expenditure Statement but are required by statute to be excluded when determining the movement on the HRA balance for the year			
Transfer to/(from) Major Repairs Reserve	3	(437)	
Amortisation of intangible assets		(96)	(59)
Gain or loss on revaluation of non-current assets		48	(79)
Gain or loss on sale of HRA non-current assets		6,277	4,193
Capital Grants & Contributions Receivable		-	2,400
Revenue expenditure funded from capital under statute	3 & 4	(69)	(333)
Net charges made for retirement benefits in accordance with IAS19		(1,329)	(3,820)
		4,394	2,302
Amounts excluded in the HRA Comprehensive Income and Expenditure Statement but are required by statute to be included when determining the movement on the HRA balance for the year			
Amortisation of premiums and discounts		-	-
Capital expenditure funded by the Housing Revenue Account	3	0	10,000
Housing pooled capital receipt			
		0	10,000
Contributions to/from reserves			
Short-Term Accumulating Compensated Absences (STACA)		(74)	22
Transfer to/from HRA Balances			
		(74)	22
Net additional amounts		4,320	12,324
(Increase)/decrease in HRA balance for the year		(12,201)	(156)
HRA balance carried forward		(27,629)	(15,428)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. NUMBER AND TYPE OF DWELLINGS IN THE HOUSING STOCK (Tenantable Units)

Types of Property	2020/21	2019/20
Houses	5,162	5,191
Flats	8,231	8,274
Total Dwellings	13,393	13,465

2.1. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY ASSETS CATEGORY VALUES

2020/21	Council Dwellings £000	Other Land and Buildings £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Net book value as at 1 April 2020	972,157	13,382	275	0	985,814
Gross book value as at 1 April 2020	972,157	13,435	275	0	985,867
Additions	16,055			21,389	37,444
Revaluation increase/(decrease) recognised in the Revaluation Reserve	8,329	297	79		8,705
Revaluation increase/(decrease) recognised in Income and Expenditure		(12)	29		17
Derecognition - Disposals	(5,343)				(5,343)
Derecognition - Derecognitions					0
Transfers/Reclassifications		(42)	42		0
Other movements in cost or valuation					0
Gross book value as at 31 March 2021	991,198	13,678	425	21,389	1,026,690
Accumulated Depreciation and Impairment					
At 1 April 2020	0	53	0	0	53
Depreciation for year	12,100	432	6		12,538
Depreciation written out to the Revaluation Reserve	(12,100)	(441)	(6)		(12,547)
Depreciation written out to Income and Expenditure		(31)			(31)
Derecognition - Disposals					0
Transfers/Reclassifications					0
Other movements in depreciation and impairment					0
Accumulated Depreciation and Impairment at 31 March 2021	0	13	0	0	13
Net book value as at 31 March 2021	991,198	13,665	425	21,389	1,026,677

The Council is required to charge depreciation on all HRA properties, including non-dwelling properties.

Depreciation is charged on Council dwellings, excluding garages and parking spaces. It is calculated on the basis of their fair value which is then adjusted by the Existing Use Value - Social Housing factor.

2.2. PROPERTY, PLANT AND EQUIPMENT ASSETS CATEGORY VALUES

The depreciation charge in respect of HRA dwellings is a real charge in the HRA. Unlike depreciation charges in respect of other Local Authority assets, it is not offset against Minimum Revenue Provision (MRP) or reversed out.

The physical properties represented in the financial tables and their vacant possession value are disclosed below:

	31 March 2021	31 March 2020
Total Dwellings	13,393	13,465
Leaseholds	2,537	2,502
Garages	2,633	2,634
Parking Spaces	109	109
	18,672	18,710
	£M	**£M**
Vacant possession value of dwellings at 31 March 2021	3,963	-
Vacant possession value of dwellings at 31 March 2020	3,887	3,887
Vacant possession value of dwellings at 31 March 2019	3,814	3,814
Vacant possession value of dwellings at 31 March 2018	3,957	3,957

The vacant possession value is the Authority's estimate of the total sum that it would receive if all the assets were sold on the open market.

For the Balance Sheet, Council dwellings are required, by the Housing Revenue Account (Accounting Practices) Directions 2007, to be valued in a way that reflects their occupation by sitting tenants enjoying rents at less than open market rents and tenants' rights including the Right to Buy. This reduction from vacant possession values is achieved by the application of an adjustment, known as Existing Use Value - Social Housing (EUV-SH) factor. It is calculated by Government at 25% giving a value of £3,887m x 25% = £972m as at 31 March 2021

The valuation of council dwellings as at 31 March 2020 was undertaken by Wilks Head & Eve. This led to an increase in the vacant possession value of £76m to £3,963m.The EUV-SH value was £3,963m x 25% = £991m as at 31 March 2021.

The difference between the vacant possession value and Balance Sheet value of dwellings within the HRA shows the economic cost to Government of providing Council housing at less than market rents.

3. CAPITAL EXPENDITURE

	2020/21 £000	2019/20 £000
Expenditure		
Non-current assets (buildings)	22,403	50,856
Revenue expenditure funded from capital under statute	68	333
Intangible assets	363	185
	22,834	51,374
Financed By		
Borrowing	0	16,427
Capital receipts	10,734	10,225
Government grants and other contributions	0	2,400
Direct revenue contributions	0	10,000
Major Repairs Reserve	12,100	12,322
	22,834	51,374

Capital Receipts

	2020/21 £000	2019/20 £000
Balance brought forward	19,972	32,599
Mortgage repayments	0	0
Net surplus for year	0	0
Receipts from sales of assets during the year	11,825	10,105
Cost of disposals	(207)	(160)
Transfer to Housing Capital Receipts Pool (via General Fund)	(2,013)	(3,537)
Balance of receipts after transfer	9,605	6,408
Balance on account before application of receipts	29,577	39,007
Financing of capital expenditure	(10,734)	(19,035)
Balance carried forward	18,843	19,972

Major Repairs Reserve

Authorities are required by the Accounts and Audit (England) Regulations 2015 to maintain the Major Repairs Reserve (MRR), which controls an element of the capital resources required to be used on HRA assets or for capital financing

	2020/21 £000	2019/20 £000
Opening balance as at 1 April	0	0
Depreciation charge to HRA	12,100	12,322
Capital expenditure during the year	(12,100)	(12,322)
Other reserve adjustments	0	0
Closing balance as at 31 March	0	0

4. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue expenditure funded from capital under statute relates to expenditure on assets that do not belong to the Council. The amounts are written out in the movement in reserves statement within the HRA.

5. HRA SHARE OF CONTRIBUTIONS TO THE PENSIONS RESERVE

The HRA contribution to the Pensions Reserve is based on the employer's contributions for the HRA as a proportion of the total employers' contributions to the Pension Fund and calculated in accordance with IAS19.

6. DEBTORS AND ALLOWANCE FOR CREDIT LOSSES

	2020/21		2019/20	
	Debtors	Allowance for Credit Losses	Debtors	Allowance for Credit Losses
	£000	£000	£000	£000
Housing Revenue Account rents	12,424	(7,961)	11,646	(7,036)
Housing Revenue Account lease holder service charges/major works	4,664		3,077	
Housing Revenue Account other debtors	22		22	
	17,110	(7,961)	14,744	(7,036)

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

	Note No.	2020/21 Business Rates £000	2020/21 Council Tax £000	2020/21 Total £000	2019/20 Business Rates £000	2019/20 Council Tax £000	2019/20 Total £000
INCOME DUE							
Council Tax-payers	2		231,340	231,340		223,809	223,809
S13A1C Transfer			4,388	4,388		0	0
Business Rates	1(a)	61,606		61,606	118,670		118,670
Transition grant from MHCLG		59		59	2,512		2,512
Crossrail Business Rate Supplement	1(b)	1,824		1,824	3,237		3,237
Total Income		63,489	235,728	299,217	124,419	223,809	348,228
EXPENDITURE							
Charges to the Collection Fund:							
Changes in Provision for Bad and Doubtful Debts		8,580	6,047	14,627	1,038	2,348	3,386
Write-offs of Bad Debt		(4)	(578)	(582)	1,150	60	1,210
Changes in Provision for Appeals		33,401		33,401	(2,749)		(2,749)
Transfer to designated area (Growth Zone)		0		0	2,021		2,021
Cost of Collection		404		404	417		417
Cost of Collection - Crossrail		7		7	7		7
		42,388	5,469	47,857	1,884	2,408	4,292
Total Income less Charges		21,101	230,259	251,360	122,535	221,401	343,936
Precepts, Demands and Shares:	3						
London Borough of Croydon		37,348	192,728	230,076	59,762	180,026	239,788
Greater London Authority (GLA)		46,063	44,076	90,139	33,616	41,324	74,940
Housing, Communities and Local Government (CLG)		41,083	0	41,083	31,126		31,126
Greater London Authority (Crossrail)	1(b)	1,817	0	1,817	3,229		3,229
Adjustment relating to previous year agreed with MHCLG							
London Borough of Croydon				0	661		661
Greater London Authority (GLA)				0	373		373
(Surplus)/Deficit for year		105,210	6,545	111,755	6,232	(51)	6,181
Distribution of Previous Year's Collection Fund Surplus:							
London Borough of Croydon		(1,724)	605	(1,119)	2,519	4,061	6,580
Greater London Authority (GLA)		(970)	139	(831)	(49)	890	841
Housing, Communities and Local Government (CLG)		(305)	0	(305)	(2,403)	0	(2,403)
Total Distribution of Previous Year's Collection Fund Surplus		(2,999)	744	(2,255)	67	4,951	5,018
Movement of Collection Fund in the Year		102,211	7,289	109,500	6,299	4,900	11,199
Balance brought forward (surplus)/deficit		6,592	(802)	5,790	293	(5,702)	(5,409)
Balance carried forward (surplus)/deficit		108,803	6,487	115,290	6,592	(802)	5,790
Allocation of surplus							
Surplus declared in the January Delegation report to be distributed in the following year:							
London Borough of Croydon		20,356	2,455	22,811	1,725	(605)	1,121
GLA		23,825	561	24,386	970	(136)	834
CLG		21,286		21,286	305		305
Fund balance and deficit carried forward:		65,467	3,016	68,483	3,001	(741)	2,260
<u>Spreading Adjustment for Council Tax</u>							
Distribution of (surplus) /deficit - using current year ratios							
LBC			5,007			0	
GLA			1,145			0	
Unallocated fund balance and surplus carried forward:			6,152			0	
(Distributed using ratios for the year in which the surplus was declared)		13,117	(2,164)	10,953	1,662	(52)	1,610
London Borough of Croydon		16,177	(516)	15,661	933	(8)	925
GLA		14,428		14,428	995		995
CLG							
		43,723	(2,680)	41,042	3,590	(60)	3,530
					6,591	(801)	5,790

NOTES TO THE COLLECTION FUND

INTRODUCTION

This account summarises the transactions of the Collection Fund, the purpose of which is to receive Council Tax and Non-Domestic Rates and apply the proceeds. The Council, together with the Greater London Authority and the Ministry of Housing, Communities and Local Government, demands/precepts upon the Fund to meet its expenditure, from both Council Tax and Non-Domestic Rates. The amounts of the demands/precepts are set at the beginning of the year and cannot vary.

The account is a statutory Fund required by the Local Government Finance Act 1988, separate from the other revenue accounts of the Council, whose transactions are wholly prescribed by legislation. The Council has no discretion to determine which receipts and payments are accounted for within and outside the Fund.

The Collection Fund is consolidated into the Council's Balance Sheet; there is no requirement to prepare a separate Balance Sheet.

1 (a) NATIONAL NON-DOMESTIC RATES COLLECTABLE

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform basis set nationally by Central Government. Prior to 1st April 2013, the total amount due, less certain allowances, was paid to a central pool administered by Central Government, which, in turn, paid Local Authorities their share of the pool, such shares being based on a standard amount per head of population.

In 2013/14, the administration of NDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NDR to the central pool, local authorities retain a proportion of the total collectable rates due with the rest distributed to preceptors. 2018/19 saw the amount retained by Local Government increase to 100%: as London piloted a 100% retention pool. In 2020/21, the retention rate changes to 67%, which is consistent across England.

	2018-19	2019-20	2020-21
► Central Government	0%	25%	33%
► London Borough of Croydon	64%	48%	30%
► Greater London Authority	36%	27%	37%

The total Non Domestic Rateable Value as at 31 March 2021 was £x (£319,337,473 at 31 March 2020).
The multiplier for 2020/21 was set at 51.2p (50.4p for 2019/20) and the multiplier for small businesses was set at 49.90p (49.10p for 2019/20).

1 (b) CROSSRAIL BUSINESS RATE SUPPLEMENT

The Greater London Authority (GLA) introduced a business rate supplement (BRS) on 1 April 2010 to finance £4.1 billion of the costs of the £15.9 billion Crossrail project. This is levied at a rate of 2p (the BRS multiplier) on non-domestic properties in London with a rateable value of over £55,000 (i.e. £55,001 or more). The total amount collected less certain relief and other deductions is paid to the Greater London Authority.

2. COUNCIL TAX BASE

Council Tax is a banded capital value based property tax with a 25% discount where only one adult is liable. Under the arrangements for Council Tax, each domestic property within the Council's area was assigned to one of eight valuation bands based on the estimated market value at 1 April 1991. The income derives from the Tax levied according to which of the eight bands a property has been assigned.

Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting Authorities and the Council for the forthcoming year and dividing this by the Council Tax Base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent). The basic amount of Council Tax so calculated for a Band D property, £1,784.10 for 2020/21 (£1,716.82 for 2019/20) is multiplied by the proportion specified for the particular band to give an individual amount due.

2. COUNCIL TAX BASE (continued)

Council Tax bills are based on the following proportions and property numbers for Bands A to H:

Council Tax Base 2020/21

Valuation Band	Number of Chargeable Dwellings	Band D Proportion	Band D Equivalent Dwellings	Council Tax £.pp	Council Tax Income £000
Band A	2,293	6/9	1,529	1,189.40	1,819
Band B	14,396	7/9	11,197	1,387.64	15,537
Band C	37,005	8/9	32,893	1,585.87	52,164
Band D	37,575	9/9	37,575	1,784.10	67,038
Band E	19,966	11/9	24,403	2,180.56	53,212
Band F	10,928	13/9	15,785	2,577.03	40,678
Band G	6,954	15/9	11,590	2,973.50	34,463
Band H	581	18/9	1,162	3,568.20	4,146
Total			136,134		269,057
Multiplied by estimated collection rate			97.50%		
Number of Band D equivalent dwellings			132,730		
Total of Demands/Precepts for year			262,331		
Adjustments during the year (including prior years)					(37,717)
Final collectable amount					231,340
Income per Collection Fund:					
Council Tax collectable					0
Council Tax benefits					0
Final collectable amount					231,340

3. DEMANDS AND PRECEPTS

The Collection Fund is required to meet in full during the financial year the precepts and demands made on it by precepting Authorities and its own requirement as the billing Authority. Croydon Council's only precepting body is the Greater London Authority (GLA). The GLA requirement includes the budgets of its five functional bodies i.e. the Mayor's Office for Policing & Crime the London Fire and Emergency Planning Authority, Transport for London and the London Legacy Development Corporation.

This item therefore comprises the precept informed to Croydon by the GLA and its own demand, determined as required by the 1992 Act before the start of the financial year. The Authority's own payment is made direct to the General Fund.

	2020/21 £.pp	2019/20 £.pp
Band D equivalent Council Tax charge		
Split thereof:		
Croydon	1,325.12	1,396.31
Greater London Authority	332.07	320.51
Total	1,657.19	1,716.82
Payment to Croydon:-		
Share of Band D equivalent Council Tax charge	1,325.12	1,396.31
Number of Band D equivalent dwellings	132,729	128,931
Total	175,881,852	180,027,645
Rounded to £000's	175,882	180,028
Payment to the Greater London Authority:-		
Share of Band D equivalent Council Tax charge	332.07	320.51
Number of Band D equivalent dwellings	132,729	128,931
Total	44,075,319	41,323,675
Rounded to £000's	44,075	41,324

GROUP MOVEMENT IN RESERVES STATEMENT

2020/21	General Fund Balance £000	Earmarked GF Reserves Balance £000	Total General Fund Balance £000	HRA Balance £000	Capital Receipts Balance £000	Capital Grants Unapplied Balance £000	Major Repairs Reserve Balance £000	Total Usable Reserves Balance £000	Total Unusable Reserves Balance £000	Total Authority Reserves Balance £000	Council's Share of Subsidiaries' Balance £000	Total Reserves Balance £000
Balance b/f at 1 April 2020	**(3,934)**	**9,132**	**5,198**	**15,428**	**20,344**	**13,784**	**0**	**54,754**	**246,929**	**301,683**	**(1,940)**	299,743
Movement in reserves during 2020/21												
Surplus or (deficit) on provision of services	(112,121)		(112,121)	16,521				(95,600)		(95,600)	78	(95,522)
Other Comprehensive Expenditure and Income									(164,366)	(164,366)		(164,366)
Total Comprehensive Expenditure and Income	(112,121)	0	(112,121)	16,521	0	0	0	(95,600)	(164,366)	(259,966)	78	(259,888)
Adjustments between group accounts and authority accounts			0					0		0		0
Net increase or decrease before transfers	(112,121)	0	(112,121)	16,521	0	0	0	(95,600)	(164,366)	(259,966)	78	(259,888)
Adjustments between accounting basis and funding basis under regulations	177,389		177,389	(4,319)	(1,101)	(820)	0	171,149	(171,147)	2		2
Net increase/Decrease before Transfers to Earmarked Reserves	65,268	0	65,268	12,202	(1,101)	(820)	0	75,549	(335,513)	(259,964)	78	(259,886)
Transfers to/(from) Earmarked Reserves	(33,833)	33,833	0	0	0	0	0	0	0	0	0	0
Net increase/(decrease) in reserves for the year	31,435	33,833	65,268	12,202	(1,101)	(820)	0	75,549	(335,513)	(259,964)	78	(259,886)
Balance c/f at 31 March 2021	27,501	42,965	70,466	27,630	19,243	12,964	0	130,303	(88,584)	41,719	(1,862)	39,857

2019/20	General Fund Balance £000	Earmarked GF Reserves Balance £000	Total General Fund Balance £000	HRA Balance £000	Capital Receipts Balance £000	Capital Grants Unapplied Balance £000	Major Repairs Reserve Balance £000	Total Usable Reserves Balance £000	Total Unusable Reserves Balance £000	Total Authority Reserves Balance £000	Council's Share of Subsidiaries' Balance £000	Total Reserves Balance £000
Balance b/f at 1 April 2019	**7,828**	**8,766**	**16,594**	**15,272**	**32,598**	**17,677**	**0**	**82,141**	**134,771**	**216,912**	**(1,137)**	215,775
Movement in reserves during 2019/20:												
Surplus or (deficit) on provision of services	(187,354)		(187,354)	12,480				(174,874)	0	(174,874)	(803)	(175,677)
Other Comprehensive Expenditure and Income									259,644	259,644		259,644
Total Comprehensive Expenditure and Income	(187,354)	0	(187,354)	12,480	0	0	0	(174,874)	259,644	84,770	(803)	83,967
Adjustments between group accounts and authority accounts			0					0		0	0	0
Net increase or decrease before transfers	(187,354)	0	(187,354)	12,480	0	0	0	(174,874)	259,644	84,770	(803)	83,967
Adjustments between accounting basis and funding basis under regulations	175,958		175,958	(12,324)	(12,254)	(3,893)	0	147,487	(147,486)	1		1
Net increase/Decrease before Transfers to Earmarked Reserves	(11,396)	0	(11,396)	156	(12,254)	(3,893)	0	(27,387)	112,158	84,771	(803)	83,968
Transfers to/(from) Earmarked Reserves	(366)	366	0					0		0		0
Net increase/(decrease) in reserves for the year	(11,762)	366	(11,396)	156	(12,254)	(3,893)	0	(27,387)	112,158	84,771	(803)	83,968
Balance c/f at 31 March 2020	(3,934)	9,132	5,198	15,428	20,344	13,784	0	54,754	246,929	301,683	(1,940)	299,743

Full details of the adjustments between accounting basis and funding basis under regulations are shown in Note 7

Further details about the movements in earmarked reserves can be found in Note 8, and details around movements in all reserves can be found in Note 22 and 23.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Note/Page No.	2020/21 Gross £000	2020/21 Income £000	2020/21 Net £000	2019/20 Gross £000	2019/20 Income £000	2019/20 Net £000
Gross expenditure, income and net expenditure of continuing operations							
Place		303,153	(242,207)	60,946	274,409	(160,022)	114,387
Children, Families & Education		359,593	(234,681)	124,912	364,155	(240,779)	123,376
Health, Wellbeing & Adults		313,588	(154,581)	159,007	193,035	(78,229)	114,806
Gateway, Strategy & Engagement		0	0	0	94,308	(46,081)	48,227
Resources		351,397	(371,405)	(20,008)	283,303	(273,785)	9,518
HRA		65,424	(88,530)	(23,106)	66,553	(85,561)	(19,008)
Net cost of services		1,393,155	(1,091,404)	301,751	1,275,763	(884,457)	391,306
Other operating expenditure	9			25,344			35,293
Financing and Investment Income and Expenditure	10			68,415			46,757
Taxation and Non-Specific Grant Income	11			(299,987)			(297,681)
(Surplus) or Deficit on Provision of Services				95,523			175,675
(Surplus) or deficit on revaluation of non-current assets				(43,759)			(12,643)
Remeasurement of the net defined benefit liability				208,125			(247,001)
Other Comprehensive Income and Expenditure				164,366			(259,644)
Total Comprehensive Income and Expenditure				259,889			(83,969)

GROUP BALANCE SHEET

The Balance Sheet shows the Council's position at the end of the year for all activities and services except the Pension Fund and trust funds, which are held on behalf of third parties. All internal transactions between funds have been eliminated.

	Note/ Page No.	31-Mar-21 £000	31-Mar-21 £000	31 March 2020 £000
Operational Assets (Property, Plant and Equipment)	12			
Council dwellings		991,198		972,157
Other land and buildings		791,485		804,510
Vehicles, plant, furniture and equipment		7,868		10,530
Infrastructure		156,204		154,179
Community assets		3,178		3,696
Total Operational Assets (Property, Plant and Equipment)			1,949,933	1,945,072
Non-Operational Assets (Property, Plant and Equipment)				
Assets under construction		21,389		
Surplus assets not held for sale		7,717		2,553
Total Non-Operational Assets (Property, Plant and Equipment)			29,106	2,553
Total Property, Plant and Equipment			1,979,039	1,947,625
Heritage Assets	13	3,696		3,696
Investment property				
Investment property	14	98,218		118,379
Intangible Assets	15			
Software		16,455		12,251
Assets under construction				
Long-term Investments				
Non-property investments	16	47,888		47,233
Investments in Associates and Joint Ventures				
Long-term Debtors	16	16,742		19,314
Long-term Assets			2,162,038	2,148,498
Short-term Investments				
Non-property investments excluding cash equivalents	16	25,000		13,000
Assets held for sale (< 1 year)	19	20,315		197,216
Inventories		133,716		1,111
Short-term debtors, payments in advance and provision for doubtful debts	17	313,532		206,822
Cash and cash equivalents	18	101,724		54,733
Current Assets			594,287	472,882
Bank overdraft	18	(67,702)		(32,628)
Short-term borrowing	16	(349,691)		(303,691)
Short-term creditors and receipts in advance	20	(259,511)		(158,530)
Short-term provision	21	(14,866)		(9,431)
Current Liabilities			(691,770)	(504,280)
Long-term Creditors				
Provisions	21	(22,000)		(10,647)
Long-term borrowing	16	(1,245,504)		(1,294,371)
Deferred capital creditors		(13,387)		(12,859)
Other non-current liabilities				
Net pensions liability	42	(700,082)		(472,620)
Other long term liabilities		(8,483)		(8,483)
Capital grants receipts in advance	31	(35,244)		(18,376)
Long-term Liabilities			(2,024,700)	(1,817,356)
Net Assets			39,855	299,744
Usable reserves				
General Fund	22.1	27,500		(3,934)
Share of Brick by Brick reserves		(1,862)		(1,940)
Housing Revenue Account	22.2	27,630		15,428
Earmarked reserves	22.3	42,965		9,132
Capital receipts reserve	22.4	19,241		20,344
Capital grants unapplied	22.5	12,963		13,784
Major repairs reserve	22.2	-		0
			128,437	52,815
Unusable Reserves				
Revaluation reserve	23.1	649,787		626,947
Capital adjustment account	23.3	15,283		106,863
Financial Instruments adjustment account	23.4	(30,529)		(31,377)
Pensions reserve	23.5	(700,082)		(472,620)
Deferred capital receipts	23.6	18,365		20,826
Collection Fund adjustment account	23.7	(38,770)		(2,747)
Short-term accumulating compensated absences account	23.8	(5,524)		(3,196)
Pooled Investment Fund Adjustment Account	23.9	2,888		2,233
			(88,582)	246,929
Total Reserves			39,855	299,744

Signed: Lisa Taylor,
Director of Finance, Investment & Risk and Section 151 officer　　Signature　　Date

GROUP CASH FLOW STATEMENT

	Note	2020/21		2019/20	
OPERATING ACTIVITIES	**No.**	**£000**	**£000**	**£000**	**£000**
Net (surplus) or deficit on the provision of services					
Net surplus or (deficit) on the provision of services	1A & 7		(95,522)		(175,677)
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements					
Depreciation	7,12 &32.2	43,680		40,739	
Impairment and downward valuations	7	3,757		11,748	
Amortisations	7,15&23.3	3,269		2,740	
Increase/(decrease) in creditors		100,981		(6,830)	
(Increase)/decrease in debtors		(106,710)		(30,498)	
(Increase)/decrease in inventories and assets held for sale		44,297		(84,646)	
Movement in pension liability	1B,7 & 23.5	19,337		55,603	
Carrying amount of non-current assets sold	23.3	33,588		69,974	
Provisions		16,787		3,217	
Movements in the value of investment properties	7,10,14 & 23.3	20,576		2,141	
Other non-cash movements		(21,333)		(1,714)	
			158,229		62,473
Items included/excluded from net surplus or deficit on the provision of services:					
Pension deficit pre-payment	5				
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	22.4	(11,645)		(39,747)	
Payment of local taxation to major preceptors		(91,956)		(78,169)	
Any other items for which the cash effects are investing or financing cash flows		(14,514)		(4,636)	
			(118,115)		(122,552)
Net cash inflow/(outflow) from operating activities			(55,408)		(235,756)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment, investment property ' and intangible assets		(59,554)		(168,341)	
Purchase of short-term and long-term investments		(29,459)		(25,730)	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		11,645		39,747	
Capital grants		33,396		23,020	
Proceeds from short-term and long-term investments		18,559		80,694	
Net cash inflow/(outflow) from investing activities			(25,413)		(50,610)
FINANCING ACTIVITIES					
Cash receipts from short-term and long-term borrowing		47,367		447,007	
Payment of local taxation to major preceptors		91,956		78,169	
Cash payments for the reduction of the outstanding liabilities		0			
to finance leases and on-Balance Sheet PFI contracts (Principal)		(2,086)		(2,270)	
Repayments of short-term and long-term borrowing		(44,500)		(243,507)	
Net cash inflow/(outflow) from financing activities			92,737		279,399
Net increase/(decrease) in cash and cash equivalents			11,916		(6,967)
Cash and cash equivalents at the beginning of the reporting period			22,105		29,072
Cash and cash equivalents at the end of the reporting period	18		34,021		22,105
Cash held	18	4,727		22,659	
Bank current accounts	18	(67,739)		(55,287)	
Short-term deposits with building societies and Money Market Funds	18	97,033		54,733	
Cash and cash equivalents as at 31 March			34,021		22,105

NOTES REGARDING THE GROUP ACCOUNTS

The Group Accounting Policies
The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2019/20 and using the line-by-line consolidation method for subsidiaries under IFRS 10, Consolidated Financial Statements There are no material subsidiaries or associated organisations excluded from the Group Accounts. There are no material differences in the accounting policies of the Council or any of the companies or organisations forming part of the Group Accounts

Basis of Consolidation
The group financial statements have been prepared by consolidating Croydon Council's single entity accounts with Brick by Brick Croydon Limited, a separate development company that is a 100% subsidiary of the Council. There are no other entities controlled by Brick by Brick Croydon Limited.

Brick by Brick Croydon Limited - nature of activity and risks
The Company is a development company established by the London Borough of Croydon to deliver housing led development across the borough.

In 2020-21 the company recognised a profit of £0.078m. A number of sites are completed and being actively marketed

Brick by Brick Independent Audit Report 2019-20
Ensors Accountants LLP, the independent auditors of Brick by Brick have stated they are unable to "express an opinion on the… financial statements of the company", due to being unable to obtain sufficient evidence to provide a basis for an audit opinion.
The specific risks identified by Ensors Accountants LLP included:
1) There is limited evidence for loans advanced by the parent being supported by the terms of any agreements
2) There is a material uncertainty in respect of going concern and consequently the net realisable value of work in progress
3) The company is engaged in the speculative construction of residential properties for resale. Both future sale proceeds and costs to complete projects are inherently uncertain
4) Material errors were identified in the timing of recognising construction costs and by extension determining the accuracy of creditors and work in progress. Control weaknesses were identified between reconciling project costing records and the financial accounting records

Brick By Brick Croydon Limited - Loans between the parties
The Council has provided funding to Brick By Brick Croydon Limited to undertake development activity relating to a variety of sites around the borough. Loan balances and interest owed on these balances have been eliminated from the group statements.

At 31 March 2021, the balance of loans outstanding from Brick By Brick Croydon Limited to Croydon Council are set out below, along with the financial activity between the Council and Brick by Brick Croydon Limited:

	2020/21 £'000	2019/20 £'000
Site Acquisition		
Development Costs	152,480	132,075
Interest	5,270	9,198
Total loans	**157,750**	**141,273**

These sums have been eliminated from the group statements.

Croydon Pension Fund 2020/21

31st March 2021

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REPORT OF THE AUDITOR

REPORT OF THE AUDITOR

PENSION FUND ACCOUNTS

FUND ACCOUNT

	Notes	2020/21 £'000	2019/20 £'000
Dealings with members, employers and others directly involved in the fund			
Contributions	8	69,056	52,208
Individual Transfers in from Other Pension Funds		8,002	14,179
		77,058	**66,387**
Benefits			
Pensions	9	(47,837)	(46,540)
Commutation, Lump Sum Retirement and Death Benefits	9	(9,374)	(10,310)
Payments to and on Account of Leavers			
Individual Transfers Out to Other Pension Funds		(6,839)	(10,641)
Refunds to Members Leaving Service		(192)	(128)
		(64,242)	**(67,619)**
Net additions/(withdrawals) from dealings with members		**12,816**	**(1,232)**
Management Expenses	10	**(14,561)**	**(11,425)**
		(1,745)	**(12,657)**
RETURNS ON INVESTMENTS			
Investment Income	11	7,309	9,425
Profit and loss on disposal of investments and changes in the market value of investments	13	275,295	1,912
Net returns on investments		**282,604**	**11,337**
Net increase/(decrease) in the Fund during the year		**280,859**	**(1,320)**
Net assets at the start of the year		1,256,839	1,258,159
Net assets at the end of the year		**1,537,698**	**1,256,839**

NET ASSETS STATEMENT	Notes	31 March 2021 £'000	31 March 2020 £'000
Investments held by the Fund Managers:			
Equities - segregated funds	13	150	150
Equities - pooled funds	13	693,780	425,959
Private equity funds	13	151,782	114,466
Infrastructure funds	13	170,925	167,135
Fixed Interest funds	13	303,734	288,816
Pooled Property funds	13	181,250	177,291
Total Investments held by the Fund Managers		1,501,621	1,173,817
Other Balances held by the Fund Managers			
Cash held by the Fund Managers	13	10,578	9,809
Investment income due	13	666	1,271
Total Other Balances held by the Fund Managers		11,244	11,080
Total Assets held by the Fund Managers		1,512,865	1,184,897
Current Assets	16	29,567	93,415
Current Liabilities	17	(4,734)	(21,473)
Net Assets of the fund available to fund benefits		**1,537,698**	**1,256,839**

The fund’s financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial position of the fund which does take into account such obligations is dealt with in note 22.

NOTES TO THE PENSION FUND ACCOUNTS

1. GENERAL INFORMATION

In addition to acting as a Local Authority, Croydon Council administers the Local Government Pension Scheme. As a Local Authority it is accountable to the residents of the London Borough of Croydon for its stewardship of public funds. As an administering authority for the LGPS it is accountable both to employees who are members of the Pension Fund, and to past employees in receipt of a pension, for its stewardship of pension assets. The two roles, and the relevant interest groups, are significantly different. Consequently, the Pension Fund accounts are presented as a supplementary statement to clearly demonstrate the distinction.

The London Borough of Croydon Pension Fund (the Fund) operates a contributory Career Average Revalued Earnings (CARE) scheme whose purpose is to provide benefits to all of the Council's employees, with the exception of teaching and NHS staff, and to the employees of admitted and scheduled bodies who are members of the Fund. These benefits include retirement pensions and lump sums, ill-health retirement benefits and payment of death benefits where death occurs either in service or in retirement. The benefits payable in respect of service from 1st April 2014 are based on career average revalued earnings and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:
the Local Government Pension Scheme Regulations 2013, (as amended);
the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014, (as amended);
the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The financial statements have been prepared in accordance with the 2020/21 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code of Practice on Local Authority Accounting in the United Kingdom is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Below is a list of the admitted and scheduled bodies contributing to the Fund:

Admitted:
AXIS Europe plc (Housing Repairs), Brick by Brick Croydon Limited, Capita Secure Information Solutions Limited, Conway Construction & Training Ltd, Churchill Services Limited, Croydon Equipment Services Limited, Croydon Community Mediation, Croydon Voluntary Action, Impact Group Limited, Keyring Living Support Networks, London Hire Services Limited, Hats Group Ltd Olive Dining Limited, Roman Catholic Archdiocese of Southwark, Skanska Construction UK Limited, Sodexo Limited, National Cleaning Service Limited, Veolia Environmental Services (UK) Recycling Limited (Croydon), Vinci Facilities Limited, Veolia Environmental Services (UK) Recycling Limited (SLWP1) & (SLWP2), Wallington Cars & Couriers Limited, Arthur Mckay Limited, Greenwich Leisure Limited, Idverde Limited, Littlefish Managed IT Services, Westgate Cleaning Services Limited

Scheduled:
Meridian (Addington) High Academy, Aerodrome Primary Academy, Applegarth Academy, The Archbishop Lanfranc School, ARK Oval Primary Academy, Atwood Primary School, BRIT School, Broadmead Primary Academy, Castle Hill Academy, Chesnut Park Primary School, Chipstead Valley Primary School, Coulsdon College, Crescent Primary Academy, Croydon College, David Livingstone Academy, Orchard Park High School, Fairchildes Academy Community Trust, Forest Academy, Gonville Academy, Good Shepherd Catholic Primary, Harris Academy (Purley), Harris Academy (South Norwood), Harris Academy (Purley Way) Harris City Academy (Crystal Palace), Harris Primary Academy (Benson), Harris Primary Academy (Kenley), Harris Invictus Academy Croydon, Harris Primary Academy Haling Park, Heathfield Academy, New Valley Primary, Norbury Manor Business and Enterprise College, Oasis Academy Byron, Oasis Academy Arena, Oasis Academy Coulsdon, Oasis Academy Ryelands, Oasis Academy Shirley Park, Pegasus Academy Trust, Quest Academy, Riddlesdown Collegiate, Robert Fitzroy Academy, Rowdown Primary School, Shirley High School Performing Arts College, South Norwood Academy, St Chad's Catholic Primary School, Davidson Primary Academy, Krishna Avanti Primary School, St Cyprian's Greek Orthodox Primary School Academy, St James the Great RC Primary and Nursery School, St Joseph's College, St Mark's COE Primary School, St Mary's Infants School, St Mary's Junior School, St Thomas Becket Catholic Primary School, Winterbourne Junior Boys, West Thornton Primary Academy, Paxton Academy, Woodcote High School, The Woodside Academy, STEP Academy Trust, St Aidans Catholic Primary, Kingsley Primary Academy Folio Education Trust, Courtwood Primary, Monks Orchard Primary, Keston Primary, Glibert Scott, Manor Trust The Beckmead Trust, Tudor Academy

1. GENERAL INFORMATION (continued)

Management of the Fund
The London Borough of Croydon has a statutory responsibility to administer and manage the London Borough of Croydon Pension Fund on behalf of all the participating employers of the Fund in Croydon and the past and present contributing members and their dependents.

The Council is also responsible for making decisions governing the way the Fund is invested. In this respect, the Council delegates responsibility for making investment decisions and monitoring arrangements to the Pension Committee. The Pension Committee's responsibilities include reviewing and monitoring the Fund's investments: selecting and deselecting investment managers and other relevant third parties and establishing investment objectives and policies. The Pension Committee is made up of eight voting Members of the Council, two pensioner representatives (one voting), and a non-voting employee representative.
In addition, the Committee is supported by officers and external advisors.

2. INVESTMENT STRATEGY STATEMENT

This is published on the Croydon Pension Scheme web page
http://www.croydonpensionscheme.org/croydon-pension-fund/about-us/forms-and-publications

3. BASIS OF PREPARATION

Going Concern
The Pension Fund Accounts have been prepared on a going concern basis. That is the accounts assume that the Fund will continue in operational existence for the foreseeable future. This means, in particular, that the accounts assume that there is no intention to curtail significantly the scale of operations.

The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 gives administering authorities the option to disclose information about retirement benefits by reference to the actuarial report. Note 22 refers.

Note 1 (general information) above refers to the International Financial Reporting Standards applicable to this set of accounts. There are no standards issued that have not been adopted in preparation of this statement of accounts.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contribution income
Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for in accordance with the agreement under which they are being paid. Pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

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, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers in. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Investment income
- ► **Interest income**: Interest income is recognised in the fund account as it accrues.
- ► **Dividend income**: Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.
- ► **Distributions from pooled funds**: Distributions from pooled funds are recognised by our fund managers at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a financial asset.
- ► **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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Management expenses

Pension fund management expenses are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are recharged at year end from the Authority to the Pension Fund.

Oversight and Governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with oversight and governance are charged to the Fund.

The cost of obtaining investment advice from the external advisors is included in oversight and governance costs.

Investment management expenses

All investment management expenses are accounted for an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. A proportion of the Council's costs representing management time spent by officers on investment management are recharged to the Fund.

Financial assets

A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. The majority of the Fund's financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. Any gains and losses arising from changes in the fair value are recognised in the change in market value in the Fund Account.
Quoted securities and Pooled Investment Vehicles have been valued at bid price. Quoted securities are valued by the Fund's custodian; Bank of New York Mellon. Pooled Investments, Private Equity Funds, Infrastructure Funds and Pooled Property Funds are quoted by their fund managers.
Loans and receivables consist of cash at bank, other balances investment balances and contributions receivable. They are initially recognised at fair value and subsequently at amortised cost. Impairment losses are recognised where appropriate, although no impairment has been deemed necessary.

Derivatives

Derivatives are valued at fair value on the following basis: assets at bid price and liabilities at offer price. Changes in the fair value are included in the change in market value in the Fund account.
The value of open futures contracts is determined using exchange prices at the reporting date.

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 the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the year end.

Cash and cash equivalents

Cash comprises cash in hand and term 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 by the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (see Note 22).

Additional voluntary contributions
The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential plc as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 21).

5. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension fund liability
The pension fund liability is calculated every three years by the appointed actuary, with annual 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 22. This estimate is subject to significant variances based on changes to the underlying assumptions.

Unquoted private equity and infrastructure investments
It is important to recognise the highly subjective nature of determining the fair value of many private equity and infrastructure investments. They are inherently based on forward-looking estimates and judgements involving factors which include the valuations of companies deemed comparable to the asset being valued, the future cash flow expectations and discount factors used.

6. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER SOURCES OF ESTIMATION UNCERTAINTY

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

Actuarial present value of promised retirement benefits
Estimation 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 fund managers with expert advice about the assumptions to be applied.

The effects on the net pension liability can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £239m. A 0.5% increase in the salary increase assumption would result in a £14m increase in the pension liability. A 0.5% increase in the pension increase assumption would result in a £221m increase to the pension liability.

Unquoted private equity and infrastructure investments
Due to the nature of private equity and infrastructure assets it is difficult to assess their true value until the assets are realised. Assumptions are made in the valuation of Unquoted private equities and infrastructure investments. Investment managers use the guidelines published by various bodies including the Financial Accounting Standards Board, the British Venture Capital Association and the Institutional Limited Partners Association.
The value of unquoted private equities and infrastructure at 31 March 2021 was £322.7m (2020: £282m).
There is a risk that these investments may be under or overstated in the accounts, although it is considered unlikely to have a material impact on the value of the Fund.

7. FUND INFORMATION

The last full triennial Actuarial Valuation was completed as at 31 March 2019 which calculated the total accrued liabilities to be £1,423m (2016: £1,203m). The market value of the Fund's assets at the valuation date was £1,258m (2016: £877m). The Fund deficit was therefore £165m (2016: £326m) producing a funding level of 88% (2016: 73%). The next triennial valuation will be effective as at 31 March 2022.

The contribution rates payable for 2020-21 were set at the Actuarial Valuation effective 31 March 2019.

The table below shows the contribution rates payable by each employer for 2020/21:

	% of pay	Additional sum £
London Borough of Croydon Pool		
London Borough of Croydon	26.2	-
Octavo Partnership Limited	6.5	-
Further Education Bodies		
Croydon College	25.8	-
(Community) Admission Bodies		
Croydon Voluntary Action	17.5	-
Croydon Community Mediation	18	4,000
Admission Bodies		
Impact Group Limited	0	-
London Hire Services Limited	0	-
Churchill Services Limited	0	-
Veolia Environmental Services (UK) Recycling Limited (Croydon)	29.7	-
Hats Group Ltd	33.5	4,000.0
Wallington Cars & Couriers Limited	0	-
Vinci Facilities Limited	40.3	-
Skanska Construction UK Limited	0	-
Sodexho Limited	16.5	-
AXIS Europe plc (Housing Repairs)	25.5	-
Capita Secure Information Solutions Limited	24.6	-
Keyring Living Support Networks	28.6	-
Westgate Cleaning Services Limited	32	-
Veolia Environmental Services (UK) Recycling Limited (SLWP1)	15.5	-
Veolia Environmental Services (UK) Recycling Limited (SLWP2)	17.5	
South London Waste Partnership Idverde	17.5	
Roman Catholic Archdiocese of Southwark	20.3	-
Croydon Equipment Services Limited	26.2	-
Arthur Mckay Limited		-
Greenwich Leisure Limited	4.2	-
Nationwide Cleaning Services Limited	34.2	-
Brick by Brick Croydon Limited	23	18,000
Conway Construction & Training Ltd	31.9	65,000
Olive Dining Limited	29	-
Luttlefish Managed IT Serivces	25.7	

Academies	% of pay	Additional sum £
Harris Academy (South Norwood)	14.2	
BRIT School	11.1	
Harris City Academy (Crystal Palace)	13.4	
St Joseph's College	27.9	
St Cyprian's Greek Orthodox Primary School	19.2	
Norbury Manor Business and Enterprise College	18.0	
Woodcote High School	19.2	
St James the Great R.C Primary	24.4	
Meridian (Addington) High Academy	17.0	
Riddlesdown Collegiate	18.4	
Shirley High School of Performing Arts College	18.8	
Oasis Academy Byron	19.4	
Robert Fitzroy Academy	15.4	
St Thomas Becket RC Primary	19.8	
Aerodome Primary Academy	18.3	
Oasis Academy Coulsdon	19.8	
Oasis Academy Shirley Park	20.1	
Harris Academy (Purley)	18.5	
The Quest Academy	22.0	
ARK Oval Primary Academy	15.2	
Pegasus Academy Trust	17.2	
Gonville Academy	18.6	
West Thornton Primary Academy	18.8	
David Livingstone Academy	13.2	
Applegarth Academy	17.8	
Harris Primary Academy Benson	20.8	
Harris Academy Primary Kenley	17.5	
Forest Academy	15.9	
Castle Hill Academy	17.9	
Atwood Primary School	23.0	
Winterbourne Junior Boys	36.7	
Oasis Academy Ryelands	22.6	
Chipstead Valley Primary School	20.1	
Fairchildes Primary School	14.5	
Broadmead Primary Academy	27.7	
Rowdown Primary School	21.5	
St Mark's COE Primary School	20.6	
New Valley Primary	22.2	
Archbishop Lanfranc School	30.8	
Harris Invictus Academy Croydon	13.5	
Harris Primary Academy Haling Park	15.5	
Paxton Academy	16.1	
Edenham High School	31.9	
St Mary's Infants School	24.6	
St Mary's Junior School	21.3	
Heathfield Academy	16.0	
Crescent Primary Academy	16.4	
Oasis Academy Arena	15.9	
Good Shepherd Catholic Primary	27.3	
South Norwood Academy	21.4	
Chesnut Park Primary School	16.4	
St Chad's Catholic Primary School	26.0	
St Aidan's Catholic Primary School	22.7	
Davidson Primary School	20.9	51,000
Krishna Avanti Primary School	13.4	
The Woodside Academy	20.8	
Kingsley Primary Croydon	26.3	
STEP Academy Trust	26.2	
Harris Primary Purley Way	14.1	
Tudor Primary Academy	17.4	
Folio Education Trust	19.2	
Courtwood	20.4	
Monks Orchard	22.9	
Keston Primary	23.6	
Gilbert Scott	25.2	
Manor Trust	19.8	
The Beckmead Trust	20.7	

Employees in the scheme are required by the Local Government Pension Scheme Transitional Regulations 2014 to make contributions to the Fund by deductions from earnings. The contribution rate payable is determined by the pay band applicable to each individual employee.
The pay bands for 2020/21 are detailed below:

Band	2020/21 Range £	Contribution Rate %
1	0 -14,600	5.5%
2	14,601-22,800	5.8%
3	22,801-37,100	6.5%
4	37,101-46,900	6.8%
5	46,901-65,600	8.5%
6	65,601-93,000	9.9%
7	93,001-109,500	10.5%
8	109,501-164,200	11.4%
9	164,201+	12.5%

Membership of the Fund consists of current and ex-employees not of pensionable age, retired employees and dependants.

	2020/21	2019/20	% change
Contributing members	10,044	10,064	(0.2%)
Deferred pensioners	11,532	10,923	5.6%
Pensioners	8,523	8,285	2.9%
Total	30,099	29,272	2.8%

8. CONTRIBUTIONS

By Authority:	2020/21 £'000	2019/20 £'000
Administering Authority	51,337	32,766
Scheduled bodies	14,615	15,813
Admitted bodies	3,104	3,629
	69,056	52,208

By Type	2020/21 £'000	2019/20 £'000
Employees normal contributions	14,743	13,965
Employers:		
Normal contributions	52,734	34,759
Deficit recovery contributions	120	2,616
Augmentation contributions	1,459	868
	69,056	52,208

9. BENEFITS

By Authority	2020/21 £'000	2019/20 £'000
Administering Authority	49,777	48,945
Scheduled bodies	3,571	3,542
Admitted bodies	3,863	4,363
	57,211	56,850

By Type	2020/21 £'000	2019/20 £'000
Pensions	47,837	46,540
Commutation and lump sum retirement benefits	7,947	9,076
Lump sum death benefits	1,427	1,234
	57,211	56,850

10. MANAGEMENT EXPENSES

	2020/21 £'000	2019/20 £'000
Administration	1,368	1,676
Oversight and Governance	818	1,041
Investment management	12,375	8,708
	14,561	11,425

Included in oversight and governance expenses is £25,000 (2020: £25,000) in respect of audit fees. Some investment managers charge fees within the fund's net asset value and these (implicit) fees are not easily identifiable. Investment management fees have been adjusted to reflect the implicit fees charged by managers and a corresponding adjustment has been made to the change in market value. For 2021 the implicit fee was £11,514,671 (2020: £7,949,000) Included in the investment management expenses are £876,835 (2020: £801,571) in respect of transaction costs.

11. INVESTMENT INCOME

	2020/21 £'000	2019/20 £'000
Equity dividends- segregated funds	(274)	(10)
Pooled Equity Income	194	676
Pooled Fixed Income	2,690	3,064
Pooled Property funds income	4,645	5,462
Interest on cash deposits	54	233
Total	7,309	9,425

12. INVESTMENTS

The Fund used the following investment managers during the year.

Asset Category	Fund Managers
Equities	Legal and General Investment Management Limited (LGIM) and London LGPS CIV Limited underlying manager RBC (LCIV RBC)
Private equity	Knightsbridge Advisors LLC, Pantheon Ventures LLP, Access Capital Partners and North Sea Capital
Infrastructure	Equitix Limited, Temporis Capital Limited and Green Investment Group Management Limited (GIGM), Access Capital Partners and I-Squared Capital
Fixed Interest	Aberdeen Standard Investments, Wellington Management Company LLP and London LGPS CIV Limited underlying manager PIMCO (LCIV PIMCO)
Property	Schroder Investment Management Limited and M&G Investment Management Limited
Cash	Cash is invested by the in-house team

All managers have discretion to buy and sell investments within the constraints set by the Pension Committee and their respective Investment Management Agreements. Each manager has been appointed with clear strategic benchmarks which place maximum accountability for performance against that benchmark on the investment manager.
The Pension Committee has authorised the Executive Director of Resources and Section 151 Officer to exercise delegated powers to vary the Pension Fund's target asset allocation between asset classes as is deemed necessary.

The market value and proportion of investments managed by each fund manager at 31 March 2021 was as follows

	2021		2020	
	Market £'000	Market %	Market £'000	Market %
LGIM	617,105	41.1%	425,959	36.2%
London LGPS CIV Limited (LCIV)	150	0.0%	150	0.0%
LCIV PIMCO	92,084	6.1%	84,104	7.2%
LCIV RBC	76,675	5.1%	-	-
Pantheon Ventures LLP (Pantheon)	65,783	4.4%	60,899	5.2%
Knightsbridge Advisors LLC (Knightsbridge)	52,584	3.5%	35,581	3.0%
Access Capital Partners (Access)	51,819	3.5%	32,673	2.8%
North Sea Capital	9,621	0.7%	4,829	0.4%
I-Squared Capital	19,742	1.3%	18,619	1.6%
Equitix Limited	73,240	4.9%	78,071	6.7%
Temporis Capital Limited (Temporis)	28,858	1.9%	28,627	2.4%
Green Investment Group Management Limited (GIGM)	21,060	1.4%	22,302	1.9%
Aberdeen Standard Investments (Aberdeen)	141,202	9.4%	132,328	11.3%
Wellington Management Company LLP (Wellington)	70,448	4.7%	72,385	6.2%
Schroder Investment Management Limited (Schroders)	119,136	7.9%	115,351	9.8%
M&G Investment Management Limited (M&G)	62,114	4.1%	61,939	5.3%
Total investments	**1,501,621**	**100.0%**	**1,173,817**	**100.0%**

13. RECONCILIATION IN MOVEMENT IN INVESTMENTS

	Market value 01 April 2020	Purchases and derivative payments	Sales and derivative receipts	Change in market value	Market value 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Equities - segregated funds	150	0	0	0	150
Equities - pooled funds	425,959	55,194	(1,087)	213,714	693,780
Private equity funds	114,466	17,504	(27,286)	47,098	151,782
Infrastructure funds	167,135	17,376	(13,975)	389	170,925
Fixed Interest funds	288,816	2,762	(1,550)	13,706	303,734
Pooled Property funds	177,291	6,513	(2,993)	439	181,250
	1,173,817	**99,349**	**(46,891)**	**275,346**	**1,501,621**
Cash deposits	9,809			(18)	10,578
Investment income due	1,271			(33)	666
Net investment assets	**1,184,897**	**99,349**	**(46,891)**	**275,295**	**1,512,865**

	Market value 01 April 2019	Purchases and derivative payments	Sales and derivative receipts	Change in market value	Market value 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Equities - segregated funds	150	0	0	0	150
Equities - pooled funds	516,037	250,360	(318,229)	(22,209)	425,959
Private equity funds	114,703	9,728	(23,500)	13,535	114,466
Infrastructure funds	145,358	31,933	(19,226)	9,070	167,135
Fixed Interest funds	282,419	3,129	(1,282)	4,550	288,816
Pooled Property funds	178,566	5,359	(3,533)	(3,101)	177,291
	1,237,233	**300,509**	**(365,770)**	**1,845**	**1,173,817**
Cash deposits	6,452			67	9,809
Investment income due	1,557				1,271
Net investment assets	**1,245,242**	**300,509**	**(365,770)**	**1,912**	**1,184,897**

14. ANALYSIS OF INVESTMENTS

		2021 UK £'000	2021 Foreign £'000	2021 Total £'000	2020 UK £'000	2020 Foreign £'000	2020 Total £'000
Equities-segregated funds							
London CIV	Unquoted	150	-	150	150	-	150
Total equities		150	-	150	150	-	150
Equities - pooled funds							
LGIM	unit trust	-	617,105	617,105	-	425,959	425,959
LCIV RBC	managed fund	-	76,675	76,675	-	-	-
Total equities - pooled investments		-	693,780	693,780	-	425,959	425,959
Private equity funds							
Pantheon	managed fund	-	65,783	65,783	-	60,899	60,899
Knightsbridge	managed fund	-	52,584	52,584	-	35,581	35,581
Access	managed fund	-	23,794	23,794	-	13,157	13,157
North Sea Capital	managed fund	-	9,621	9,621	-	4,829	4,829
Total private equity funds		-	151,782	151,782	-	114,466	114,466
Infrastructure funds							
Equitix Limited	managed fund	73,240	-	73,240	78,071	-	78,071
Temporis	managed fund	27,700	1,158	28,858	27,322	1,305	28,627
GIGM	managed fund	21,060	-	21,060	22,302	-	22,302
Access	managed fund	-	28,025	28,025	-	19,516	19,516
I Squared	managed fund	-	19,742	19,742	-	18,619	18,619
Total infrastructure funds		122,000	48,925	170,925	127,695	39,440	167,135
Fixed interest funds							
Aberdeen	unit trust	141,202	-	141,202	132,328	-	132,328
Wellington	managed fund	-	70,448	70,448	-	72,385	72,385
LCIV PIMCO	managed fund	-	92,084	92,084	-	84,104	84,104
Total Fixed Interest funds		141,202	162,532	303,734	132,328	156,489	288,817
Pooled property funds							
Schroders	managed fund	119,136	-	119,136	115,351	-	115,351
M&G	managed fund	62,114	-	62,114	61,939	-	61,939
Total pooled property funds		181,250	-	181,250	177,290	-	177,290
Total investments		**444,602**	**1,057,019**	**1,501,621**	**437,463**	**736,354**	**1,173,817**

15. INVESTMENTS EXCEEDING 5% OF THE MARKET VALUE OF THE FUND

	2021 Market £'000	2021 % of Total Net assets	2020 Market £'000	2020 % of Total Net assets
Standard Life SLI Absolute Return Global Bond Strategies			66,659	5.3%
Standard Life Corporate Bond			65,669	5.2%
Wellington Sterling Core Bond Plus Portfolio			72,385	5.8%
LCIV PIMCO Global Bond Fund	92,084	6.0%	84,104	6.7%
LGIM FTSE Ex Tobacco World Equity Index	617,105	40.1%	425,959	33.9%

16. CURRENT ASSETS

	2021 £'000	2020 £'000
Cash balances	24,671	82,124
Other Local Authorities - Croydon Council	1,782	7,462
Other Entities and Individuals	3,114	3,829
	29,567	93,415

17. CURRENT LIABILITIES

	2021 £'000	2020 £'000
Other Local Authorities - Croydon Council	(3,262)	(19,612)
Other entities and individuals	(1,472)	(1,861)
	(4,734)	(21,473)

The amount due to Croydon Council relates to transactions between the Fund and the Council all of which were settled through the Pension Fund bank account after the year end.

18. INFORMATION IN RESPECT OF MATERIAL TRANSACTIONS WITH RELATED PARTIES

Related Parties

Related parties include:

a. Councillors and their close families
b. certain Officers and Managers
c. entities controlled by, and associates and joint ventures of, the Scheme itself
d. companies and businesses controlled by the Councillors or their close families

Councillor Pelling, the Chair of the Pension Committee is the Council Shareholder Representative for the London LGPS CIV Limited.

Officers and Managers

Related parties under this heading include:

a. key management (senior officers) of the Fund and their close families
b. companies and businesses controlled by the key management of the Fund, or their close families.

The key management personnel of the fund during the year were the Director of Finance, Investment and Risk (Section 151 Officer) and the Head of Pensions and Treasury.

During the year a charge of £104k (2020: £124k) was made to the Fund for their services.

The only other financial relationship that either Councillors or officers and managers have with the Fund is as prospective or actual pensioners for those who are scheme members.

19. DETAILS OF STOCK RELEASED TO THIRD PARTIES UNDER A STOCK LENDING ARRANGEMENT

There was no stock released to third parties under a stock lending arrangement.

20. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The Fund had outstanding capital commitments of £123.1m at 31 March 2021 (2020:£102.3m) based on:

USD 56.5m at exchange rate 1.38 equals £41.0m (2020: £37.4m)
EUR 70.2m at exchange rate 1.17 equals £59.8m (2020: £42.8m)
GBP £22.3m (2020: £22.1m)

These commitments related to outstanding call payments due on Private Equity, Infrastructure and Property investments. The amounts 'called' by these funds are both irregular in size and timing over a period of usually 3 to 6 years from the date of the original commitment.

21. DETAILS OF ADDITIONAL CONTRIBUTIONS NOT INCLUDED IN PENSION FUND ACCOUNTS

In accordance with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No 3093), there were no additional contributions included in the Pension Fund Accounts since all Additional Voluntary Contributions (AVCs), in total £172,017 for 2020/21 (£172,017 in 2019/20), are sent directly to the relevant AVC provider.
The value at 31 March 2021 of separately invested additional voluntary contributions was £1.7m (£1.72m in 2019/20).

22. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS

London Borough of Croydon Pension Fund ('the Fund) Actuarial Statement for 2020/21
This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy
The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated May 2021. In summary, the key funding principles are as follows:

- ► to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- ► to ensure that employer contribution rates are reasonably stable where appropriate;
- ► to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- ► to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- ► to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation
The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £1,258 million, were sufficient to meet 88% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £165 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within time horizon and liability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities
Full details of the methods and assumptions used are described in the 2019 valuation report.

Method
The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

22. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS (continued)

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 Mar 2019
Discount rate	4.0%
Salary increase assumption	2.3%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.9 years	23.9 years
Future Pensioners*	22.5 years	25.3 years

*Aged 45 at the 2019 Valuation

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were disrupted by COVID 19 in March 2020, but in the 2020/21 year they recovered strongly.
As a result, the funding level of the Fund as at 31 March 2021 is likely to be broadly similar to that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

Richard Warden
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

22. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS (continued)

Pension Fund Accounts Reporting Requirement
Introduction
CIPFA's Code of Practice on Local Authority Accounting 2020/21 requires administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Croydon Pension Fund ('the Fund').

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- ► showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- ► as a note to the accounts; or
- ► by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 Mar 2021 £m	31 Mar 2020 £m
Active members	970	624
Deferred members	650	478
Pensioners	792	732
Present Value of Promised Retirement Benefits*	2,412	1,834

The promised retirement benefits at 31 March 2021 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

22. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS (continued)

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2021 and 31 March 2020. I estimate that the impact of the change in financial assumptions to 31 March 2021 is to increase the actuarial present value by £474m.
I estimate that the impact of the change in demographic and longevity assumptions is to increase the actuarial present value by £28m.

Financial Assumptions

Year ended	31 Mar 2020 %p.a.	31 Mar 2020 %p.a.
Pensions Increase Rate	2.85%	1.90%
Salary Increase Rate	2.85%	1.90%
Discount Rate	2.00%	2.30%

Longevity Assumption

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a..
Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	24.3 years
Future Pensioners (assumed to be age 45 at the latest formal	23.0 years	26.0 years

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

Commutation Assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivies regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2021	Approximate increase to pension liabilities (%)	Approximate increase to pension liabilities (£m)
0.5% increase in Pensions Increase Rate	9%	221
0.5% increase in Salary Increase Rate	1%	14
0.5% decrease in the Real Discount Rate	9%	239

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional Notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2021 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Richard Warden FFA

23-Jun-21

For and on behalf of Hymans Robertson LLP

23. EVENTS AFTER THE REPORTING PERIOD

24. FINANCIAL INSTRUMENTS

Below is the target asset allocation agreed by Pension Committee and in force during 2020/21

Asset Class	Benchmark	Weighting
UK and Overseas Listed Equities	FTSE Dev ex Tobacco NetTax (UKPN) MSCI World Index Net (Total Return)	40% + / - 5%
Fixed Interest Securities	Bank of America Merrill Lynch Sterling non gilts all stocks index Bank of America Merrill Lynch Sterling Broad Market index Barclays Aggregate - Credit Index Hedged (GBP)	20% + / - 3%
Property	MSCI/AREF UK Quarterly Property Fund Index All Balanced property Index	10% + / - 3%
Private Rental Sector Property	Target return 6-8%	6%
Private Equity	CPI +5%	10%
Infrastructure	CPI +5%	14%
Cash and Short Term Deposits		0%
Total		**100%**

24. FINANCIAL INSTRUMENTS (Continued)

Classification of 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 by category and Net Assets Statement heading. heading. The carrying value for Pension Funds is the same as the Fair Value.

31 March 2021

	Designated as fair value through profit and loss £'000	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000
Financial Assets			
Fixed Interest funds	303,734	-	-
Equities - segregated funds	150	-	-
Pooled property funds	181,250	-	-
Private equity funds	151,782	-	-
Infrastructure funds	170,925	-	-
Global equities - pooled investments	693,780	-	-
Other investment balances	-	11,244	-
Current Assets	-	29,567	-
Total Financial Assets	**1,501,621**	**40,811**	**-**
Financial Liabilities			
Current liabilities	-	-	(4,734)
Total Financial Liabilities	**-**	**-**	**(4,734)**
Net Assets	**1,501,621**	**40,811**	**(4,734)**

31 March 2020

	Designated as fair value through profit and loss £'000	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000
Financial Assets			
Fixed Interest funds	288,816	-	-
Equities - segregated funds	150	-	-
Pooled property investments	177,291	-	-
Private equity funds	114,466	-	-
Infrastructure funds	167,135	-	-
Global equities - pooled investments	425,959	-	-
Other investment balances	-	11,080	-
Current Assets	-	93,415	-
Total Financial Assets	**1,173,817**	**104,495**	**-**
Financial Liabilities			
Current liabilities	-	-	(21,743)
Total Financial Liabilities	**-**	**-**	**(21,743)**
Net Assets	**1,173,817**	**104,495**	**(21,743)**

24. FINANCIAL INSTRUMENTS (Continued)

Net Gains and Losses on Financial Instruments

	31 March 2021 £'000	31 March 2020 £'000
Financial assets		
Designated at fair value through profit and loss	275,346	1,845
Financial assets at amortised cost	(51)	67
	275,295	**1,912**
Financial liabilities		
Designated at fair value through profit and loss	-	-
Financial liabilities at amortised cost	-	-
	-	**-**
Total	**275,295**	**1,912**

Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level One

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities and quoted index linked securities.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level Two

Financial instruments at Level 2 are those whose 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 use inputs that are based significantly on observable market data.
The pooled investment vehicles for global equities and fixed interest funds are classified as Level 2 as the fund valuations are based on the market prices of the underlying investments using evaluated price feeds.

Level Three

Financial instruments at Level 3 are those where at least one input, that could have a significant effect on the instrument's valuation, is not based on observable market data.

These instruments include various unquoted equity investments, Private Equity Funds, Infrastructure Funds and Pooled Property Funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity and infrastructure funds are based on valuations provided by the General Partners to the funds in which the London Borough of Croydon Pension Fund has invested.

The General Partners use a variety of methods and assumptions based on market conditions existing at the statement of financial position date which is usually at the end of December. Valuations are then rolled forward to the 31 March.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December.

Valuations in Pooled Property Funds are carried out by qualified surveyors with relevant qualifications from the Royal Institute of Chartered Surveyors. All assets have been classified as level 3 as the inputs are considered to be unobservable and developed by the valuer using best information available where there is little or no market activity at the valuation date.

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

24. FINANCIAL INSTRUMENTS (Continued)

Values at 31 March 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets at fair value through profit and loss				
Fixed Interest funds		303,734		303,734
Global equities - segregated funds			150	150
Pooled property investments			181,250	181,250
Private equity funds			151,782	151,782
Infrastructure funds			170,925	170,925
Global equities - pooled investments		693,780		693,780
Financial Assets at amortised cost				
Other investment balances	11,244			11,244
Current Assets	29,567			29,567
Total Assets	40,811	997,514	504,107	1,542,432
Financial Liabilities at amortised cost				
Current liabilities	**(4,734)**	-	-	**(4,734)**
Net financial assets	**36,077**	**997,514**	**504,107**	**1,537,698**

Values at 31 March 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets at fair value through profit and loss				
Fixed Interest funds		288,816		288,816
Global equities - segregated funds			150	150
Pooled property funds			177,291	177,291
Private equity funds			114,466	114,466
Infrastructure funds			167,135	167,135
Global equities - pooled investments		425,959		425,959
Financial Assets at amortised cost				
Other investment balances	11,080			11,080
Current Assets	93,415			93,415
Total Assets	104,495	714,775	459,042	1,278,312
Financial Liabilities at amortised cost				
Current liabilities	**(21,473)**	-	-	**(21,473)**
Net financial assets	**83,022**	**714,775**	**459,042**	**1,256,839**

24. FINANCIAL INSTRUMENTS (Continued)

Fair Value- Basis of Valuation

The basis of the valuation of each class of investment is set out in the table below. There has been no change in valuation techniques used during the year. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

Asset type	Valuation hierarchy level	Basis of Valuation	Observable and Unobservable inputs	Key Sensitivities affecting valuations
Pooled global equities	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets	Evaluated price feeds	Not required
Fixed income funds	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required
Pooled property funds	Level 3	Closing bid price where bid and offer prices are published. Valuations of properties within the funds are carried out by qualified chartered surveyors with the relevant qualification from the Royal Institution of Chartered Surveyors.	Direct comparison with sales of similar properties. Discount rates and cash flow projections as part of income capitalisation approach.	Real Estate values can be affected by a number of factors including changes to global or local economic conditions, financial conditions of tenants, availability of debt financing, changes in interest rates, operational expenses, planning and environmental laws and other government legislation.
Private equity	Level 3	Annually at fair value using the net asset value per share (or its equivalent) as a practical expedient (ASC Topic 820, Fair Value Measurement) or market approach in accordance with International Private Equity and Venture Capital Valuation Guidelines.	Discount rates and futures cash flow projections. Evaluation based on recent market activity of comparable companies.	Events which can affect the assumptions and inputs used in determining valuations. These . include risk-free and benchmark interest rates, credit spreads and inflation rates. Expected price volatilities and correlations
Infrastructure	Level 3	Annually at fair value in accordance with IFRS 13 and International Private Equity and Venture Capital Valuation Guidelines	Discount rates and futures cash flow projections. Evaluation based on recent market activity of comparable companies.	Events which can affect the assumptions and inputs used in determining valuations. These include risk-free and benchmark interest rates, credit spreads and inflation rates. Expected price volatilities and correlations.

24. FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Fair Value Measurements within Level 3 assets

2020/2021	Market value 01 April 2020 £'000	Transfers to Level 3 £'000	Transfers out of Level 3 £'000	Purchases £'000	Sales £'000	realised gains/losses £'000	Unrealised gains/losses £'000	Market value 31 March 2021 £'000
Private Equity Funds	114,466			17,504	(27,286)	27,286	19,812	151,782
Infrastructure Funds	167,135			17,376	(13,975)	13,975	(13,586)	170,925
Pooled Property Funds	177,291			6,513	(2,993)	2,993	(2,554)	181,250
Unquoted Equity	150							150
Total assets	459,042	----	----	41,393	(44,254)	44,254	3,672	504,107

2019/2020	Market value 01 April 2019 £'000	Transfers to Level 3 £'000	Transfers out of Level 3 £'000	Purchases £'000	Sales £'000	realised gains/losses £'000	Unrealised gains/losses £'000	Market value 31 March 2020 £'000
Private Equity Funds	114,703			9,728	(23,500)	23,500	(9,965)	114,466
Infrastructure Funds	145,358			31,933	(19,226)	19,226	(10,156)	167,135
Pooled Property Funds	178,566			5,359	(3,533)	3,533	(6,634)	177,291
Unquoted Equity	150							150
Total assets	438,777	----	----	47,020	(46,259)	46,259	(26,755)	459,042

Sensitivity analysis of Level 3 assets

Due to the increased uncertainty brought about by Covid-19, 10% has been used to measure the sensitivity of all level 3 assets. .

Level 3 Asset	Market value 31 March 2021 £'000	Value on Increase £'000	Value on Decrease £'000
Private Equity Funds	151,782	166,960	136,604
Infrastructure Funds	170,925	188,018	153,833
Pooled Property Funds	181,250	199,375	163,125
Unquoted Equity	150	165	135
Total	**504,107**	**554,518**	**453,697**

Level 3 Asset	Market value 31 March 2020 £'000	Value on Increase £'000	Value on Decrease £'000
Private Equity Funds	114,466	125,913	103,019
Infrastructure Funds	167,135	183,849	150,422
Pooled Property Funds	177,291	195,020	159,562
Unquoted Equity	150	165	135
Total	**459,042**	**504,947**	**413,138**

25. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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 (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions. A risk register is maintained and reviewed bi-annually.

Market Risk

This is the risk that financial loss could arise as a result of fluctuations in interest rates, foreign exchange rates, credit spreads and equity and commodity prices. 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 sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuers 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 fair value of the financial instruments. Possible losses from shares sold short is unlimited.

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

Price risk - sensitivity analysis

The following table demonstrates the change in net assets available to pay benefits if the market price had increased or decreased by 10%. The analysis excludes cash, debtors, creditors, other investment balances and forward foreign exchange, as these financial instruments are not subject to price risk.

Assets exposed to price risk	Value £'000	Value on Increase £'000	Value on Decrease £'000
At 31 March 2020	1,173,817	1,291,199	1,056,435
At 31 March 2021	**1,501,621**	**1,651,783**	**1,351,459**

25. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risk, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's exposure to interest rate risk is monitored and assessed against the strategic asset allocation benchmark.

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

Fixed interest funds, cash at bank and cash held by Fund managers are exposed to interest rate risk.

Assets exposed to interest rate risk	Value £'000	Value on 1% Increase £'000	Value on 1% Decrease £'000
At 31 March 2020	380,749	376,942	384,556
At 31 March 2021	**338,982**	**335,592**	**342,372**

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 pounds sterling (£GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than £GBP.

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations. During the year 50% of the equities held by LGIM were fully hedged to £GBP.

Currency exposure - asset type	**Asset Value as at 31 March 2021 £'000**
Overseas equities securities (unhedged portion)	372,274
Overseas Private Equity and Infrastructure	200,707
Overseas fixed interest	162,532
Overseas Private Equity and Infrastructure (outstanding commitments)	100,753
Total assets	836,266

Currency risk - sensitivity analysis

The following table demonstrates the change in value of overseas assets had there been a 10% strengthening/weakening of the pound against foreign currencies.

Assets exposed to currency risk	Value £'000	Value on 10% weakening of pound £'000	Value on 10% strengthening of pound £'000
At 31 March 2020	602,818	663,100	542,536
At 31 March 2021	**836,266**	**919,893**	**752,639**

25. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk is the risk that parties in whom the Fund invests may fail to pay amounts that are due to the Pension Fund. For example an entity in which the Pension Fund invests may fail. This risk is minimised by investing in specialist fund managers across different asset classes and geographical regions. Additionally there is a risk that an admitted body will be unable to meet its contributions obligations. Contribution receipts are monitored monthly and, if necessary, remedial action is taken.

Credit risk also 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. However, 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.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council invests in money market funds with a AAA rating from a leading rating agency and also with other local authorities.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past six financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2021 was £24.7m (£82.1m at 31 March 2020). This was held with the following institutions:

Summary	Rating at 31 March 2021	Balances as at 31 March 2021 £'000	Balances at 31 March 2020 £'000
Money Market Funds	AAA		
Goldman Sachs Sterling Liquid Reserves Fund		16,500	4,326
Deutsche Managed Sterling Fund			2,450
Insight Liquidity Funds			11
JPMorgan Sterling Liquidity Fund			9,727
Aberdeen Standard Liquidity Fund			2
Other Local Authorities			65,000
Current Account			
NatWest Bank		8,171	608
Total		24,671	82,124

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments. The Council has immediate access to its Pension Fund cash holdings including cash invested in money market funds. The Fund defines liquid assets as assets that can be converted to cash within three months. Non-liquid assets are those assets which will take longer than three months to convert into cash. All financial liabilities at 31 March 2021 are due within one year.

Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

ACCOUNTING POLICIES
Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements. Accounting polices define the process whereby transactions and other events are reflected in financial statements.

ACCRUALS
An accounting principle where income and expenditure are taken into account in the year in which they are earned or incurred, rather than when monies are received and/or invoices are actually paid.

ACTUARIAL VALUATION
The Actuary reviews the assets and liabilities of the Pension Fund every three years and reports to the Council on the Fund's financial position and recommended employers' contribution rates.

ACTUARY
An independent professional who advises on the financial position of a Pension Fund.

ALLOWANCE FOR DOUBTFUL DEBT
An amount set aside to cover money owed to the Council where it is considered doubtful that payment will be received.

AMORTISATION
The equivalent of depreciation for intangible assets.

BALANCES
The amount of money on the various funds of the Council left over at the end of the financial year after allowing for all expenditure and income that has taken place. These are also known as financial reserves.

BUDGET
A forecast of the Council's planned expenditure and income, either over a set period or for a specific project.

CAPITAL EXPENDITURE
Expenditure on the purchase, construction and enhancement of Council assets such as houses, offices, schools and roads. Expenditure can only be treated as 'capital' if it meets the statutory definitions and is in accordance with accounting practice and regulations.

CAPITAL RECEIPTS
Monies received from the sale of the Council's assets such as land and buildings. These receipts are used to pay for additional capital expenditure.

CIPFA
The Chartered Institute of Public Finance and Accountancy is the accountancy body which represents at national level the interests of Local Government and public service finance. The Institute produces advice, codes of practice and guidance to Local Authorities on best practice.

COLLECTION FUND
A Fund operated by the billing Authority into which all receipts of Council Tax and National Non-Domestic Rates are paid. The Fund must be maintained separately from the Authority's General Fund.

COMMUNITY ASSETS
Assets that the Authority intends to hold in perpetuity that have no determinable useful life and that may have restrictions on their disposal. Examples are parks and historic buildings.

CONTINGENT ASSETS
Contingent assets are possible assets arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

CONTINGENT LIABILITIES
Possible losses that arise from past events which will only be confirmed by one or more uncertain future events not wholly within the Council's control.

COUNCIL TAX
A system of local taxation on domestic property introduced from 1st April 1993. It is set by both the billing and precepting Authorities at a level determined by the Council Tax base for the area.

COUNCIL TAX BASE
An amount calculated by the billing authority, by applying the band proportions to the total properties in each band in order to ascertain the number of band D equivalent properties in the Authority's area. The Tax base is also used by the precepting and some levying bodies in determining their charge to the area.

CREDITORS
Amounts owed by the Authority for goods and services received where payment has not been made at the date of the Balance Sheet.

DEBTORS
Amounts owed to the Authority for goods and services provided at the date of the Balance Sheet.

DEDICATED SCHOOLS GRANT (DSG)
Funding received by Local Authorities to meet specific school related costs. Much of this funding is delegated directly to schools, and managed by schools locally.

DEPRECIATION
A provision made in the accounts to reflect the value of assets used during the year. Depreciation forms part of the capital charge made to service revenue accounts and is covered by International Accounting Standard (IAS) 16.

EARMARKED RESERVES
Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish a provision.

EVENTS AFTER THE REPORTING PERIOD
Events after the Reporting Period are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

FAIR VALUE
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FINANCE AND OPERATING LEASES
A finance lease is one that transfers a substantial proportion of the risks and rewards of a non-current asset to the lessee. With a finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset. For an operating lease a rental payment is payable to the lessor for the use of the asset and the ownership reverts to the owner when the lease is terminated.

FINANCIAL INSTRUMENT
A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

GENERAL FUND (GF)
The Council's main revenue account that covers the net cost of all services other than the provision of Council housing for rent.

GOVERNMENT GRANTS
Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

GROSS EXPENDITURE, GROSS INCOME AND NET EXPENDITURE
Gross Expenditure and Gross Income arise from the provision of services as shown in the General Fund and exclude the Direct Services/Labour Organisation accounts. Net Expenditure is the cost of service provision after the income is taken into account.

HERITAGE ASSETS
These are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

HOUSING REVENUE ACCOUNT (HRA)
A statutory account that contains all expenditure and income on the provision of Council housing for rent. The HRA must be kept entirely separate from the General Fund and the account must balance. Local Authorities are not allowed to make up any deficit on or transfer any surplus to the HRA from the General Fund.

IAS19
The International Accounting Standard is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

IMPAIRMENT
This is where the value of an asset falls below the carrying value in the accounts and so to reflect the commercial reality of the situation a charge is made in the running costs.

INFRASTRUCTURE ASSETS
Non-current assets that cannot be easily disposed of, expenditure on which is only recovered by continued use of the asset. Examples include highways and footpaths.

INTANGIBLE ASSETS
Non-current assets, which do not have a physical form but provide an economic benefit for a period of more than one year. Examples include software licences.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
International Financial Reporting Standards (IFRS) is a set of accounting standards, developed by the International Accounting Standards Board (IASB). Local Authorities moved to accounting on an IFRS basis in 2010/11, a year after Central Government and the National Health Service.

INVESTMENT PROPERTIES
Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential, with any rental income being negotiated at arm's length.

LEASE
A lease is a contractual agreement, where the lessee (user) pays the lessor (owner) for use of an asset. These assets are usually property, buildings, vehicles or equipment

LEVIES
Payments to London-wide bodies such as the London Pension Fund Authority. The cost of these bodies is borne by Local Authorities in the area concerned, based on their Council Tax base and is met from the General Fund.

MINIMUM REVENUE PROVISION (MRP)
The minimum amount that the Council must charge to the revenue account in the year in respect of the repayment of principal of borrowing for capital purposes. In the accounts the MRP is included within capital financing charges.

NATIONAL NON-DOMESTIC RATES (NNDR)
The charge payable on all business premises, calculated by multiplying the rateable value of the property by a nationally set rate multiplier. The Tax is collected by Croydon and is allocated between central government, the Greater London Authority and Croydon council in accordance with the business rates retention regulations.

NET BOOK VALUE
The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET REALISABLE VALUE
The open market value of an asset less the expenses to be incurred in realising the asset.

NON-CURRENT ASSETS
These are tangible and intangible assets that yield benefit to the Council and the services it provides for a period of more than a year.

NON-OPERATIONAL ASSETS
Non-current assets held by the Council but not used or consumed in the delivery of services. Examples include investment properties and assets that are surplus to requirements.

OPERATIONAL ASSETS
Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

OUTTURN
Actual income and expenditure for a financial year.

PAST SERVICE COST
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

PRECEPT
A charge raised by another Authority to meet its net expenditure. The precepting Authority for this Council is the Greater London Authority (GLA). The GLA calculates its total spending needs for the year and sets its own Council Tax in the same way as a London Borough. Croydon then collects the Tax for them.

PRIVATE FINANCE INITIATIVE (PFI)
Government initiative under which the Council buys the services of a private sector to design, build, finance and operate a public facility.

PROVISIONS
Amounts set aside for any liability or loss that is likely to be incurred, but where the exact amount and date is uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)
A Central Government agency which provides long and medium-term loans to Local Authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local Authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

RELATED PARTIES
Related Parties are those individuals and entities that the Council either has the ability to influence, or to be influenced by. Related parties include the Government, subsidiary and associated companies, the Pension Fund, Councillors and senior officers.

RESERVES
The amounts held by way of balances and funds that are free from specific liabilities or commitments. The Council is able to earmark some of its reserves towards specific projects, whilst leaving some free to act as a working balance.

REVENUE EXPENDITURE
The regular day to day running costs incurred in providing services. Examples include salaries, wages and running costs.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)
Expenditure that is treated by the regulations as capital expenditure but which does not meet the definition of capital expenditure in the Statement of Recommended Practice.

REVENUE SUPPORT GRANT (RSG)
The main grant payable to support Local Authorities' revenue expenditure. A Local Authority's RSG entitlement is intended to make up the difference between a Council's Retained Business Rates and it's Settlement Funding Assessment.

RIGHT TO BUY
The Council is legally required to sell Council homes to tenants, at a discount, where the tenant wishes to buy their home. The money received from the sale is a capital receipt of which only 25% can be spent on capital expenditure. The remaining 75% must be paid over to Housing, Communities and Local Government (HCLG) under pooling arrangements.

SETTLEMENT FUNDING ASSESSMENT
The main channel of Government funding which includes Retained Business Rates and Revenue Support Grant. There are no restrictions on what Local Authorities can spend it on.

SORP
The Statement of Recommended Practice. Its aims are to specify the principles and practices of accounting required to prepare a Statement of Accounts which represents a 'true and fair view' of the financial position and transactions of a Local Authority.

SUPPORT SERVICES
Activities of a professional, technical and administrative nature, which are not Local Authority services in their own right, but support front line services.

TANGIBLE ASSETS
Physical assets such as land, buildings and equipment that provide an economic benefit for a period of more than one year.

TRADING OPERATION
An activity of a commercial nature that is financed substantially by charges to recipients of the service.