

# Statement of Accounts 2018/19

*31 March 2019*



**COMMUNITY LANGUAGES**

If you find it easier to read large print, use an audio tape or Braille or would prefer to communicate in a language other than English, please do so. Interpreters and translators can be provided ☎ 020 8726 6000.

**Bengali**

যদি বড় আকারে পড়ার বা অডিও বা ব্রায়ল সহায়তা প্রয়োজন হয়, আপনি এটি ব্যবহার করতে পারেন। এছাড়াও আপনি ইংরেজি以外的的另一种语言沟通, 我们会提供翻译和口译服务。☎ 020 8726 6000。

**Chinese**

如果您覺得使用除英語以外的另一種語言能夠更容易溝通的話，可作這樣選擇的。若有需要，你可以得到安排傳譯員及翻譯員的幫助。☎ 020 8726 6000 查詢。

**Francais**

Vous avez la possibilité de communiquer dans une autre langue que l'anglais, si cela est plus facile pour vous. Des interprètes et traducteurs sont à votre disposition: 020 8726 6000.

**Gujarati**

અંગ્રેજી સિવાયની કોઈ પણ એક ભાષામાં તમે આસાનીથી વાતચીત કરવા લો. તો એવું કરવા વિનંતી છે. ઘોષાપિયાની અને વ્યાખ્યાપદકની સહાયતા હાને પણ મળી શકે છે. ☎ 020 8726 6000 ઉપયોગ કરવો.

**Hindi**

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

**Punjabi**

ਜੇਕਰ ਤੁਹਾਨੂੰ ਅੰਗਰੇਜ਼ੀ ਤੋਂ ਇਲਾਵਾ, ਕਿਸੇ ਹੋਰ ਸਲੀ ਵਿਚ ਗੱਲ ਕਰਨੀ ਆਸਾਨ ਲਗਦੀ ਹੈ ਤਾਂ ਕ੍ਰਿਪਾ ਕਰਕੇ ਜ਼ਰੂਰ ਕਰੋ; ਦੋ-ਭਾਸ਼ੀਏ ਅਤੇ ਅਨੁਵਾਦਕ ਕਨਾ ਪ੍ਰਬੰਧ ਕੀਤਾ ਜਾ ਸਕਦਾ ਹੈ। ਟੈਲੀਫੋਨ 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 lagu qaban. Telifoonku waa 020 8726 6000.

**Tamil**

உங்களுக்கு ஆங்கிலம் தவிர வேறு மொழியில் பேசுவதற்கு வசதிகளும் உருவாக்கப்படும். நமது இரட்டி பேசுமாடு, மொழி மொழி மொழி கள் உருவாக்கப்படுகின்றன. ☎ 020 8726 6000.

**Turkish**

İri yazılıma harfleri okumayı, ses kaseti veya Braille (kör) alfabesi kullanmayı daha kolay buluyorsunuz, veya bizimle İngilizceden başka bir şkilde iletişim kurmak istiyorsunuz bu noktaı sağlayabiliriz. Yazılı ve sözlü tercüman temini edilir. Telefon 020 8726 6000

**Urdu**

اگر آپ انگریزی کے علاوہ کسی اور زبان میں بات کرتے ہیں آسانی محسوس کرتے ہیں تو براہ کرم ایسا ہی کیے۔ آپ کو اردو اور انگریزی کے مابین رابطہ کر کے خدمات دی جاسکتی ہیں۔ ☎ 020 8726 6000.

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### 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 interim Section 151 Officer;
- ▶ to approve the Statement of Accounts.

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

The Director of Finance, Investment & Risk and Interim 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 2019.

In preparing the Statement of Accounts, the Director of Finance, Investment & Risk and Interim 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.

**LONDON BOROUGH OF CROYDON AND LONDON BOROUGH OF CROYDON PENSION FUND  
FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019**

**CERTIFICATE of the Director of Finance, Investment & Risk and Interim 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 2018/19 prepared in accordance with the accounting policies stated.



Lisa Taylor  
Director of Finance, Investment & Risk  
Interim S151 Officer



Cllr Joy Prince  
Vice Chair, General Purposes and Audit Committee

Independent auditor's report to the members of the London Borough of Croydon

## Report on the Audit of the Financial Statements

### Opinion

#### **Our opinion on the financial statements is unmodified**

We have audited the financial statements of the London Borough of Croydon (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Comprehensive Income and Expenditure Statement, the Movement in Reserves on the HRA Statement, the Collection Fund, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cashflow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance, Investment and Risk, and Interim Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance, Investment and Risk, and Interim Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.





## Overview of our audit approach

### Financial statements audit

- Overall materiality: £25,333,000 which represents 2% of the group's gross expenditure of continuing operations
- Key audit matters were identified as:
  - Valuation of Property, Plant and Equipment
  - Valuation of Pension Fund Net Liability
- There are two significant components within the Group, which is the same as for the previous year. These are the London Borough of Croydon and Brick by Brick Croydon Ltd. Full audits were performed for both components.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Authority	How the matter was addressed in the audit – Authority
<p><b>Risk 1 – Valuation of Property, Plant and Equipment (specifically council dwellings and other land and buildings)</b></p> <p>The Authority revalues its land and buildings on a rolling five-year basis to ensure that carrying value is not materially different from current value. This represents a significant estimate by management in the financial statements.</p> <p>Valuation of property, plant and equipment is considered a significant estimate due to the size of the numbers involved (£1.884 billion) and the sensitivity of this estimate to changes in key assumptions.</p> <p>We identified the valuation of property, plant and equipment (specifically council dwellings and other land and buildings) as a significant risk, which was one of the</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>• evaluating management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation expert and the scope of their work;</li> <li>• evaluating the competence, capabilities and objectivity of the valuation expert;</li> <li>• writing to the valuer to confirm the basis on which the valuation was carried out;</li> <li>• challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding;</li> <li>• testing revaluations made during the year, on a sample basis, to see if they had been input</li> </ul>

Key Audit Matter – Authority	How the matter was addressed in the audit – Authority
<p>most significant assessed risks of material misstatement.</p>	<p>correctly into the Authority's asset register;</p> <ul style="list-style-type: none"> <li>• evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul> <p>The Authority's accounting policy on valuation of property, plant and equipment is shown in note 1.4 to the financial statements and related disclosures are included in note 12.</p> <p><b>Key observations</b></p> <p>From the work performed in this area, we identified that one property selected as part of our sample had been valued based on the incorrect floor area, which lead to an extrapolated understatement of £3,000,000. Due to the nature of the error, the Authority has not amended the financial statements as the error is not material. No other issues were identified from the work we performed in this area. Therefore, we obtained sufficient audit assurance to conclude that subject to the issue noted above:</p> <ul style="list-style-type: none"> <li>• the basis of the valuation of council dwellings and other land and buildings was appropriate, and the assumptions and processes used by management in determining the estimate were reasonable;</li> <li>• the valuation of council dwellings and other land and buildings disclosed in the financial statements is reasonable.</li> </ul>
<p><b>Risk 2 – Valuation of Pension Fund Net Liability</b></p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> <li>• updating our understanding of the processes and controls put in</li> </ul>

**Key Audit Matter – Authority**

The Authority's Pension Fund net liability represents a significant estimate in the financial statements

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£646 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

During the audit, we identified the need for the pension liability to be restated to take into account the impact of the McCloud case. The Court of Appeal had previously ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. The Government applied to the Supreme Court for permission to appeal this ruling but, in July 2019, the Government was refused leave to appeal. This case will now be remitted to an employment tribunal for remedy. The legal ruling has implications for other pension schemes which have implemented transitional arrangements on changing benefits, including the Local Government Pensions Scheme, of which the Authority is part. The ruling will result in an increase in the Authority's pension fund net liability, which the Authority's actuary has estimated at £6.7 million.

We therefore identified valuation of the Authority's Pension Fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

**How the matter was addressed in the audit – Authority**

place by management to ensure that the Authority's Pension Fund net liability is not materially misstated and evaluating the design of the associated controls;

- evaluating the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessing the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessing the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- testing the consistency of the Pension Fund asset and liability balances and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and
- critically evaluating the reasonableness of the actuarial assumptions made, including those related to the accounting estimate for the McCloud ruling, using the reports of consulting actuaries (as auditor's experts).

The Authority's accounting policy on the valuation of the pension fund liability is shown in note 1.10 to the financial statements and related disclosures are included in note 42.

**Key observations**

The Authority obtained an updated valuation from their Actuary, Hymans Robertson in relation to the McCloud judgement, which has increased the net pension liability by £6.7 million. The net pension liability in the balance sheet was adjusted on audit to reflect this updated valuation.

No other issues were identified from the work performed in this area. Subject to the above adjustment, we

<b>Key Audit Matter – Authority</b>	<b>How the matter was addressed in the audit – Authority</b>
	<p>obtained sufficient audit assurance to conclude that:</p> <ul style="list-style-type: none"> <li>• the basis of the valuation was appropriate, and the assumptions and processes used by management in determining the estimate were reasonable;</li> <li>• the valuation of the net pension liability recognised in the financial statements is reasonable.</li> </ul>

### **Our application of materiality**

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

<b>Materiality Measure</b>	<b>Group</b>	<b>Authority</b>
Financial statements as a whole	<p>£25,333,000 which is 2% of the group's gross expenditure on continuing operations. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the group has expended its revenue and other funding.</p> <p>Materiality for the current year is higher than the level we determined for the year ended 31 March 2018 to reflect the group's increase in gross expenditure from the previous year.</p>	<p>£25,323,000 which is 2% of the Authority's gross expenditure. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Authority has expended its revenue and other funding.</p> <p>Materiality for the current year is higher than the level we determined for the year ended 31 March 2018 to reflect the Authority's increase in gross expenditure from the previous year.</p>
Performance materiality used to drive the extent of our testing	75% of financial statement materiality	75% of financial statement materiality

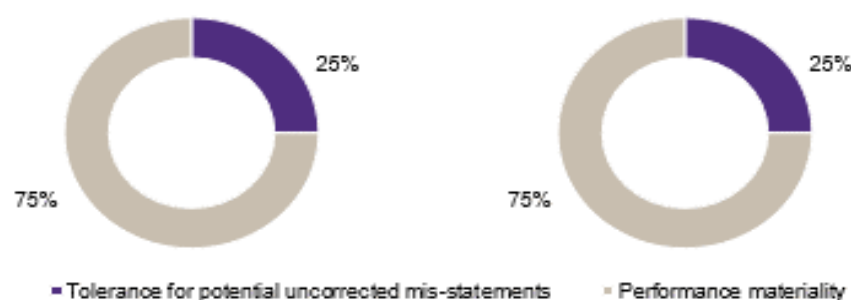
## REPORT OF THE AUDITOR

Materiality Measure	Group	Authority
Specific materiality	No specific materiality levels were set at a Group level.	We determined a lower level of specific materiality for Senior Officer Remuneration.
Communication of misstatements to the General Purposes and Audit Committee	£1,266,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£1,266,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

**Overall materiality – Group**

**Overall materiality – Authority**



### **An overview of the scope of our audit**

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, is risk based, and in particular included:

- Evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality and significance of the component as a percentage of the group's current assets, total assets, current liabilities, total liabilities, equity, income and expenditure;
- Performance of full audit procedures for the Authority, which represents 99.72% of the group's total income, 99.44% of its total expenditure and 86.10% of its net assets;
- Issuing group instructions to colleagues at Grant Thornton UK LLP in respect of their audit of Brick by Brick Croydon Limited for the year ended 31 December 2018, using results of their audit together with additional sample testing by the group audit team of work in progress expenditure of Brick by Brick Croydon Limited for the period of 1 January 2019 to 31 March 2019. Brick by Brick Croydon Limited represents 0.00% of the total income of the group, 0.06% of its expenditure and 0.49% of its total net assets;
- Gaining an understanding of and evaluating the group's internal control environment, including its financial and IT systems and controls;

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

## REPORT OF THE AUDITOR

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of fraud, including irregularities and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Authority and the group and sectors in which they operate. We determined that the following laws and regulations were most significant:
  - the Accounts and Audit Regulations 2015
  - the Local Government Finance Act 1988
  - the Local Government Act 2003.
- We understood how the Authority and the group is complying with those legal and regulatory frameworks by, making inquiries to the Authority's monitoring officer and the internal auditors. We corroborated our inquiries through our review of papers provided to the General Purposes and Audit Committee.
- We assessed the susceptibility of the Authority's and group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed included:
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
  - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence by management over the financial reporting process;
  - challenging assumptions and judgments made by management in its significant accounting estimates, such as the assumptions relating to the valuation of property, plant and equipment, the assumptions applied to the estimation of the net defined benefit liability, along with those relating to the Authority's Allowance for Credit Losses;
  - identifying and testing journal entries, in particular any journal entries posted which we deemed to be unusual;
- We did not identify any key audit matters relating to irregularities, including fraud.

### Other information

The Director of Finance, Investment and Risk, and Interim Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the Authority and group financial statements, our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially

## REPORT OF THE AUDITOR

inconsistent with the financial statements or our knowledge of the group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matters required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Authority, the Director of Finance, Investment and Risk, and Interim Section 151 Officer and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities, set out on pages 5 to 6 the Authority is required to make arrangements for the proper administration of its financial affairs and to secure 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 and Risk, and Interim Section 151 Officer. The Director of Finance, Investment and Risk, and

Interim Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance, Investment and Risk, and Interim Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance, Investment and Risk, and Interim Section 151 Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The General Purposes and Audit Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Other matters which we are required to address**

We were reappointed by Public Sector Audit Appointments Ltd in December 2017 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement is seven years, covering the years ending 2013 to 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Authority or its subsidiary and we remain independent of the Authority and the group in conducting our audit.

The non-audit services delivered during the course of the 2018-19 Financial Year are as follows:

- CFO Insights Subscription
- Adult Social Care Index

Our audit opinion is consistent with the additional report to the General Purposes and Audit Committee.



**Report on other legal and regulatory requirements - Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work to give our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We are unable to issue our conclusion until we have completed our consideration of matters that have come to our attention. We are satisfied that these matters do not have a material effect on the financial statements for the year ended 31 March 2019.

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2019. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2019.

**Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

***Sarah L Ironmonger***

**Sarah Ironmonger, Key Audit Partner**  
for and on behalf of Grant Thornton UK LLP, Local Auditor

**London**

**31 July 2019**

**INTRODUCTION**

I am pleased to introduce the Council's Statement of Accounts for 2018/19. This statement summarises the Council's financial performance during 2018/19 showing expenditure on all services during the year and the Council's financial position as at 31 March 2019. 2018/19 is the second year local authorities are required to complete their accounts by 31 May and publish them by 31 July.

**CHALLENGES**

The Council has met the challenge of reductions in grant since 2010 and maintained a robust financial position. 2018/19 was the third year of a four year funding agreement agreed with government. The purpose of this agreement which was accepted by Croydon was to help local authorities prepare to become more self sufficient by 2020 which will mark the end of current comprehensive spending review. The multi-year settlements would provide funding certainty and stability and therefore enable the authority to plan more proactively.

Croydon's grant funding during the period of the spending review has reduced each year. The grant received in 2018/19 resulted in a £6.5m (7.1%) reduction compared to the previous year and a 29.2% cumulative decrease since the inception of the four year funding agreement began in 2016/17.

Whilst the budget was set to include growth that had been previously identified there has continued to be an increase in demand for services, particularly within Adults and Children's social care. Significant effort has been made to manage these pressures and bring them under control.

The council has also continued to fund a number of exceptional items which we believe should be funded by the government including Unaccompanied Asylum Seeking Children, no recourse to public funds and costs associated with appeal rights exhausted. The funding that Croydon receives is not adequate to cover the associated costs. Numbers are still continuing to increase, which is driving up the costs further.

Lobbying with the government still continues in these areas in relation to fairer funding.

As a result the final budget position for the Council is an over spend of £5.4m.

The Council still continues to face a number of financial challenges, a selection of which are shown below:

- ▶ Chronic underfunding of adults and children's social care
- ▶ Significant growth in demand for services, both from demographic pressures, such as an aging population and changes to the make-up of the Croydon population
- ▶ Impact of welfare reform
- ▶ Underfunding of new duties, such as Health Visiting, Deprivation of Liberty, the Homelessness Reduction Act and Universal Credit
- ▶ Failure to properly fund the direct and indirect costs of Croydon's status as the gateway authority for Unaccompanied Asylum Seeking Children (UASC)
- ▶ The delivery of the outcomes from a recent Ofsted inspection in Children's Social Care which has required significant investment in services for children in need of help and protection, children looked after and care leavers.

Croydon has reported an overall Dedicated School Grant (DSG) deficit for the period 2018/19 of £9.193m which equates 3% of the gross DSG allocation. Over the last four 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.

Croydon have recently launched a High Needs Strategy which sets out a five year plan to address the current overspend and identifies three key areas which specifically impact on High Needs Block spend:

- ▶ development of local capacity;
- ▶ strengthening capacity for inclusion in local mainstream schools; and
- ▶ improved pathways for post 16 young people with Special Educational Needs and Disabilities

There is political and community support for the High Needs Strategy, which supports delivery of improvements to address these areas, including improved use of data intelligence in projecting and planning for resources to meet identified needs. The strategy also forms the basis of the DGS Deficit Recovery Plan submitted to the Department of Education in June 2019.

**MEDIUM TERM FINANCIAL STRATEGY**

The Medium Term Financial Strategy 2018/22 was approved at full council in October 2018.

This detailed the Council's financial position over the 4 years, detailing expenditure, income, subsequent budget gap and the strategy for closing the gap. The Councils report on the General Fund and HRA budget 2019/20 which was approved by full Council in March 2019 detailed how the budget was balanced for 2019/20. 2019/20 is the last year of the four year funding agreement with the government.

There are uncertainties around local authority funding posed by the forthcoming fair funding review, the impact of Brexit and the changes to business rates which may impact on the Council.

To set a balanced budget for 2019/20 the council made a number of key assumptions around the level of growth for areas where demand and costs have increased alongside savings to offset this growth.

Part of these assumptions include the continued delivery of our transformation programme and the use of capital receipts to fund transformation projects. Detail of some projects that have taken place can be seen in Table 2 of this narrative statement.

The Council also approved an Efficiency Strategy in October 2016. This sets out the key principles and programmes that will be targeted to deliver savings. The key principle and areas of focus continue to be:-

- ▶ Getting the most out of our assets
- ▶ Better commissioning and contract management
- ▶ Managing Demand
- ▶ Prevention and early intervention
- ▶ Integration of Health and Social care
- ▶ Delivering Growth
- ▶ Commercial Approach
- ▶ Digital

In addition the council has have been in a position over the last 5 years to declare a council tax surplus as a result of tax base growth and improved collection rates. This trend is expected to continue and this has been built in to the 2019/20 budget.

The Council continues to make improvements in its financial standing, which has been demonstrated through progress towards a targeted level of general fund balances and the Councils ability to manage the significant in year risks in a corporate and planned way.

Clearly delivering against a budget with a significant amount of savings whilst coping with an increased population driving further pressures on services is demanding. Despite this the council has managed to maintain balances at an appropriate level.

### PERFORMANCE

During 2018/19 the council has made significant improvements in a number of service areas. Below are examples of our key major achievements and improvements :

#### Education and Learning

- ▶ Standards in Croydon's schools are now above the national average at the end of Early Years Foundation Stage, phonics screening check, Key Stage 1 and Key Stage 2, building on improvements seen in recent years. At Key Stage 4 (GCSE) the attainment of our pupils is above the England average and progress outcomes are positive. At Key Stage 5 vocational outcomes are good but A- Level performance continues to be an area for development.
- ▶ 84.5% of children attend a good or better secondary school, with 45.7% of pupils attending an outstanding school, compared to 25.7% nationally.
- ▶ 81.5% of children attend a good or better primary school, with 21.8% of pupils attending an outstanding school, compared to 18.7% nationally.

#### Roads, Transport and Streets

- ▶ The completion of the 20mph speed limits into all residential areas across the Borough.
- ▶ Continuation of our public realm programme to enhance and improve the public space including the cycle network.
- ▶ The 3 pilot School Street schemes installed in Sep 2017, and Driver compliance near schools is continually improving and the schemes have reduced car use, improved health and safety for school children and access for local residents.
- ▶ The project for implementing 8 new School Street during the period Sep 2019 to Apr 2020 commenced in early November 2018.

### Growth Zone

- ▶ Croydon's Growth Zone went live from 1<sup>st</sup> April 2018 allowing the Council to retain business rate uplift in Central Croydon for the next 16-19 years to fund infrastructure.
- ▶ Feasibility work started on expanding transport capacity on our tram and rail networks whilst designs for better cycle infrastructure were produced.
- ▶ The High street was closed under an experimental traffic order and a summer of activities held which saw more people visit the High street and partake in a range of cultural and fun activities and events. Whilst these plans and studies went on the town centre saw a large increase in construction activity and the Growth Zone's construction logistics programme kicked in to help mitigate the impacts of the construction related traffic.
- ▶ Early business rates gains have seen the Growth Zone retain over £2.5m of funding within its first year.

### Housing

- ▶ Selective licensing continues to be successful, with over 34,000 privately rented properties licensed since the scheme was implemented in October 2015. Almost 3,500 privately rented properties were inspected in 2018/19 with 250 of these requiring enforcement action to ensure they were improved to an acceptable standard.
- ▶ From April 2018 we have helped 917 of Croydon's most severely affected families and vulnerable adults to sustain their tenancies, thereby avoiding homelessness costs of over £6.1m
- ▶ Successful prevention work has reduced the number of new placements in B&B which has fallen by 24 % from 108 per month a year ago to 82. Intervention events held for households in (B&B) have resulted in 81 households moving out of B&B to other housing solutions.
- ▶ Brick by Brick Croydon Limited (BxB), the independent housing development company established by the Council, has now achieved planning consents on 39 different schemes across the borough (which are delivering 48% affordable housing overall). There are a further 7 schemes submitted for planning. Construction work is underway on site for 18 developments, with a further 6 schemes in contract and mobilising. Completion on a number of residential schemes is scheduled from Summer 2019.
- ▶ The first four schemes are scheduled for completion in June/July 2019 offering a range of private, shared ownership and affordable rent units. Two of these schemes were launched for sale in March 2019 (Auckland Rise and Ravensdale Gardens) with the next two scheduled for launch in May 2019 (Flora Court and Windmill Place
- ▶ Croydon Affordable Housing charity was set up to oversee our LLP, Croydon Affordable Tenures. Croydon Affordable Tenures acquired 167 of the planned 250 two & three bedroomed properties in 2018/19 to create a portfolio of affordable accommodation for homeless families. The balance to acquire 250 will be completed in early 2019/20.
- ▶ Investment has allowed the council to assess and improve fire safety by working closely with the fire brigade, with 100% of blocks of flats now complying with regulations. The council has fire risk assessments on all blocks that require them. Remedial works are planned where issues have been identified through fire risk assessments or from London Fire Brigade.

### Independence

- ▶ Independence – We have successfully trained 62 people to travel independently through the Council's Independent Travel Training service. This mitigates against the expenditure that would otherwise have been incurred for their transport (both in year and going forwards) and has provided the individuals with a skill to travel for the rest of their lives. This is a 13% increase in numbers since 2015, and a 9% increase over the previous year.

### Clean and Green/Don't Mess with Croydon

- ▶ Croydon continues its efforts in creating and maintaining a cleaner, greener environment, with the Don't Mess With Croydon campaign continuing to impact on waste crime and street cleanliness. Local residents and Business continue to work closely with the Council to improve their local environment. At the end of March 2019, the Council had successfully prosecuted 220 offenders under the Don't Mess with Croydon clampdown.
- ▶ The team of dedicated Street Champions continues to grow and numbers over 375. The number of community Clean-ups has increased to over 100 this year and we have encouraged over 300 people to sign up as community champions.
- ▶ The rectification time for removing fly tips has reduced from 48 to 24 hours and over 90% of fly tips are collected within this timeframe, representing a big improvement in the clearance of fly-tipping.

- ▶ To enhance future service delivery the Council has introduced a major new service change aimed at minimising residual 'landfill' waste and increasing the amount of waste recycled. This was rolled out in September 2018 and involved a 78% day change across the borough. The Council is on track to achieve a 50% recycling rate by 2019/20.

**Leisure and Culture**

- ▶ The Leisure Services Contract which commenced in March 2018 completed its first full year of operation in 2018/19
- ▶ £1.8m of capital investment has been made in the centres which have substantially improved the service to residents. This has included new gym equipment, aerobics equipment refurbished fitness rooms at all sites, new football pitches at Monks Hill, tennis court refurbishments in parks and various other improvements.
- ▶ Since the commencement of the new contract the centres has see 768,943 users and a 30% increase in centre Membership.
- ▶ Over 17,000 children and young adults have accessed the Councils free swimming initiative
- ▶ 2018/19 has seen an increasingly vibrant arts and cultural scene with an ever growing range of events and programmes for Croydon, building audiences and our reputation prior to the opening of Fairfield Halls due in September 2019.

**Health and Social Care Integration: One Croydon Alliance**

- ▶ The Council has developed an in-house community reablement team as part of a wider transformation of the way the Council provides reablement and other support services for older people. Our performance in enabling older people leaving hospital to remain at home is now well above target and exceeds the London and England averages.
- ▶ 38 Additional housing units, 3 Council owned properties and 8 new houses have been made available for supported living, giving people with disabilities their own home door rather than living in a residential home
- ▶ One Croydon Alliance has been awarded the Local Government Chronical Award for Integrating Health and Health and Social Care, demonstrating the leadership role the Council has played in achieving integration
- ▶ Emergency admissions were down 17% compared to the previous year for One Croydon Transformation (Out of Hospital) targeted conditions
- ▶ 1218 people have been discharged from hospital to reablement and 47% of all of these have been successfully reabled
- ▶ Modernisation of Cherry Orchard to provide an all-age disability resource centre
- ▶ New Outreach service to support people aged 25-65 to live independently

**GOING CONCERN**

Accounts drawn up under the Code assume that a Local Authority's services will continue to operate for the foreseeable future. The Council maintained strong financial controls, which have been has demonstrated by the early identification and management of financial risks during the year. A balanced budget has been set for 2019/20, and despite the tough financial climate, the Council continues to deliver against its financial targets and will continue to do so in accordance with its medium term financial strategy.

**GENERAL FUND RESERVES AND BALANCES 2018/19**

Table 1 below shows the Council's balances and useable reserves at 31 March 2019 compared with the previous two 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 2018/19, overall useable reserves have reduced by £22.1m, general fund reserves have remained stable as set out below:

**Table 1 - Movement in Reserves and Balances**

Reserves and Balances	2016/17 £m	2017/18 £m	2018/19 £m
General Fund Balances	10.7	10.4	10.4
Earmarked Reserves excluding schools	30.1	15.7	14.2
Capital Receipts Reserve	46.0	55.4	32.6
Capital Grants Unapplied	10.8	14.3	17.7
Housing Revenue Account including major repairs reserve	13.8	16.4	15.2
<b>Total</b>	<b>111.4</b>	<b>112.2</b>	<b>90.1</b>

**TRANSFORMATION**

The Council has continued to make use of guidance on use of flexible capital receipts which were published by the MHCLG in March 2016. This allows local authorities to use capital receipts to fund the up-front set up or implementation costs of projects that will generate future ongoing savings and/or transform service delivery.

Table 2 below provides details of the transformation projects that have been funded from capital receipts during 2018/19

**Table 2 - Transformation Projects**

	2018/19 £m
Housing Initiatives	3.092
Adult Social Care new Initiatives	11.847
Childrens Services	9.810
Demand Management	0.203
Transformation programme including ICT	4.354
<b>Total</b>	<b>29.306</b>

To date £43.8m of projects have been funded from the flexible capital receipts.

Further details about the projects will be provided in the outturn report to the General Purpose and Audit Committee

**HOUSING REVENUE ACCOUNT (HRA)**

The final outturn shows a surplus of £0.736m which has been transferred to HRA reserves. The variances to budget that are on-going will be included in the budget planning for 2019/20. Capital expenditure totalled £30.058m.

Despite income reducing due to the 4 year period of enforced 1% rent reduction a surplus position has been reached in 2018/19. The increase in the reserve balances is expected to prove essential over 2019/20 due to the loss as a result of reducing rents.

New affordable housing for Croydon is underway with 167 properties already having been delivered by partner organisations Brick by Brick Croydon Limited and Croydon Affordable Homes LLP. Table 3 below shows the HRA balances and reserves as at 31 March 2019 compared with previous years:

**Table 3 - Housing Revenue Account Balances and Reserves**

Balances and reserves	2016/17 £m	2017/18 £m	2018/19 £m
Housing Revenue Account balances	12.555	14.535	15.271
Major Repairs Reserve	1.290	1.929	1.929
<b>Total</b>	<b>13.845</b>	<b>16.464</b>	<b>17.200</b>

### CAPITAL

The original approved capital programme (excluding the Housing Revenue Account) totalled £313m, which was amended during the year to £410m to reflect both programme slippage and re-profiling of schemes. Outturn capital spend was £325m, with the resultant underspend of £85m (20%) mainly attributable to slippage in the delivery of schemes. The impact of slippage from 2018/19 into the 2019/20 capital programme will be considered as part of the first Financial Performance Report for 2019/20 to Cabinet.

Capital schemes in 2018/19 included the delivery of:

- ▶ Education Estates Strategy
- ▶ Progression of New Addington Leisure Centre
- ▶ Improvement to the New Waste Collection Service
- ▶ Improvements to the Public Realm
- ▶ Commencement of Growth Zone
- ▶ House building by the councils wholly owned development company Brick by Brick Croydon Limited
- ▶ Refurbishment of the Fairfield Halls
- ▶ Financing for Affordable Homes
- ▶ Investment in ICT
- ▶ Assets Acquisitions Fund

### PENSION FUND

The Council's Pension Fund increased in value during 2018/19 by 9.8%. Table 4 below shows the change in value of the Council's Pension Fund in 2018/19:

Table 4 – Pension Fund Performance 2018/19

Detail of Composition of Net Assets	2017/18 £m	2018/19 £m	Net Increase / (Decrease) £m	Change %
Total Investments	1,114.702	1,230.117	115.415	10.35%
Other balances held by Fund Managers	1.465	1.557	0.092	6.28%
Debtors	4.052	9.536	5.484	135.34%
Cash Held by:				
Fund Managers	8.603	6.452	-2.151	-25.00%
London Borough of Croydon	17.380	5.528	-11.852	-68.19%
Creditors	-6.759	-2.147	4.612	-68.23%
<b>Net Assets at Year End</b>	<b>1,139.443</b>	<b>1,251.043</b>	<b>111.600</b>	<b>9.79%</b>

Other balances held by Fund Managers comprises outstanding trades, outstanding dividends and tax reclaimable. The net value of the Fund has increased by 9.8% 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 surplus of £5.409m as at 31st March 2019. The overall surplus was a result of continued buoyancy in the tax base, continued improvements in collection rates plus a more favourable outlook on Business rates appeals.

A council tax surplus of £4.951m and business rates surplus of £0.067m was declared in January 2019. The difference between the amount declared in January 2019 and the year-end position will be carried into 2019/20 and will be distributed to preceptors as part of the 2020/21 budget cycle.

**COUNCIL TAX**

The Council monitors performance targets in relation to the amount of debt collected in the initial year of billing (2018/19 debt collected in 2018/19). The target set for 2018/19 was 97.25% and the actual performance for 2018/19 was on target at 97.25%

Table 5 shows the impact of actual performance against the target.

**Table 5 – Council Tax Collection performance against target**

	<b>Target – 2018/19</b>	<b>Actual – 2018/19</b>	<b>Variance</b>
Percentage	97.25%	97.25%	0.00%
Cash - £m	210.16	204.37	-5.79

**NATIONAL NON-DOMESTIC RATE (NNDR) COLLECTION**

The target set for 2018/19 was 98.75% and the actual performance was 99.25%, an increase of 0.5%

**Table 6 – NNDR Collection performance against target**

	<b>Target – 2018/19</b>	<b>Actual – 2018/19</b>	<b>Variance</b>
Percentage	98.75%	99.25%	0.50%
Cash - £m	125.42	124.48	-0.94

**LONDON BUSINESS RATES POOL PILOT**

In addition to the surpluses available from the Council's collection fund, additional gains are available as a result of the London wide Business Rates pool pilot. Councils across London collectively pooled their business rates income and shared between them the gains of not paying a growth levy to the Ministry of Housing, Communities & Local Government (MHCLG). At the same time, Councils retained 100% of business rates income between them. Croydon's share of this gain was £6.4m, which has been used to support service delivery within the year. Pooling arrangements will continue in 2019/20, but Councils will only retain 75% of business rates income, as the MHCLG will again start to retain a share (25%).



**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 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (the 2018/19 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 40

**Conclusion**

An outturn report was presented to the Council's General Purposes and Audit Committee in July 2019. This provided further details on the Councils financial performance and delivery against our Financial Strategy.

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.



Lisa Taylor  
Director of Finance, Investment and Risk  
Interim Section 151 Officer

A handwritten signature in black ink, appearing to read 'Lisa Taylor'.

Croydon Council

### EXPLANATION OF THE ACCOUNTING STATEMENTS

#### **Movement in Reserves Statement**

The movement in reserves held by an Authority is analysed between 'usable' (those that can be used to fund expenditure or reduce local taxation) and 'unusable' reserves.

The surplus or deficit on the provision of services represents the accounting cost of providing services, but does not represent the statutory amounts that must be charged to the General Fund and the Housing Revenue Account for the purpose of setting Council Tax and dwelling rents. These are shown by the Net Increase / Decrease before Transfers to Earmarked Reserves and are calculated after entering all the adjustments that are required to move from the economic (accounting) basis to the funding basis.

Subsequent to this, discretionary movements to and from earmarked reserves are recorded.

#### **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, at the Balance Sheet date, the values of those assets and liabilities recognised by the Council. The net assets of the Council, assets less liabilities, are matched by reserves that are reported within two categories:

- ▶ usable reserves, as stated above, that can be used to fund expenditure or reduce local taxation; and
- ▶ unusable reserves, that recognise unrealised gains and losses and timing differences.

#### **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 (ie borrowing) to the Council.

**MOVEMENT IN RESERVES STATEMENT**

2018/19	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
<b>Balance b/f at 1 April 2018</b>	10,393	18,153	28,546	14,535	55,423	14,307	1,928	114,739	388,028	502,767
<b>Movement in reserves during 2018/19:</b>										
Surplus or (deficit) on provision of services	(224,452)		(224,452)	11,419				(213,033)	0	(213,033)
Other Comprehensive Expenditure and Income								0	(21,030)	(21,030)
<b>Total Comprehensive Expenditure and Income</b>	<b>(224,452)</b>	<b>0</b>	<b>(224,452)</b>	<b>11,419</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(213,033)</b>	<b>(21,030)</b>	<b>(234,063)</b>
Adjustments between accounting basis and funding basis under regulations	224,258	0	224,258	(10,682)	(22,824)	3,372	(1,929)	192,195	(192,193)	2
<b>Net increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(194)</b>	<b>0</b>	<b>(194)</b>	<b>737</b>	<b>(22,824)</b>	<b>3,372</b>	<b>(1,929)</b>	<b>(20,838)</b>	<b>(213,223)</b>	<b>(234,061)</b>
Transfers to/(from) Earmarked Reserves	194	(194)	0	0	0	0	0	0	0	0
<b>Net increase/(decrease) in reserves for the year</b>	<b>0</b>	<b>(194)</b>	<b>(194)</b>	<b>737</b>	<b>(22,824)</b>	<b>3,372</b>	<b>(1,929)</b>	<b>(20,838)</b>	<b>(213,223)</b>	<b>(234,061)</b>
<b>Balance c/f at 31 March 2019</b>	<b>10,393</b>	<b>17,959</b>	<b>28,352</b>	<b>15,272</b>	<b>32,599</b>	<b>17,679</b>	<b>(1)</b>	<b>93,901</b>	<b>174,805</b>	<b>268,706</b>

2017/18	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
<b>Balance b/f at 1 April 2017</b>	10,727	33,426	44,153	12,555	45,999	10,828	1,290	114,825	293,909	408,734
<b>Movement in reserves during 2017/18:</b>										
Surplus or (deficit) on provision of services	(96,386)		(96,386)	12,227				(84,159)	0	(84,159)
Other Comprehensive Expenditure and Income								0	178,193	178,193
<b>Total Comprehensive Expenditure and Income</b>	<b>(96,386)</b>	<b>0</b>	<b>(96,386)</b>	<b>12,227</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(84,159)</b>	<b>178,193</b>	<b>94,034</b>
Adjustments between accounting basis and funding basis under regulations	80,779	0	80,779	(10,247)	9,424	3,479	638	84,073	(84,074)	(1)
<b>Net increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(15,607)</b>	<b>0</b>	<b>(15,607)</b>	<b>1,980</b>	<b>9,424</b>	<b>3,479</b>	<b>638</b>	<b>(86)</b>	<b>94,119</b>	<b>94,033</b>
Transfers to/(from) Earmarked Reserves	15,273	(15,273)	0	0	0	0	0	0	0	0
<b>Net increase/(decrease) in reserves for the year</b>	<b>(334)</b>	<b>(15,273)</b>	<b>(15,607)</b>	<b>1,980</b>	<b>9,424</b>	<b>3,479</b>	<b>638</b>	<b>(86)</b>	<b>94,119</b>	<b>94,033</b>
<b>Balance c/f at 31 March 2018</b>	<b>10,393</b>	<b>18,153</b>	<b>28,546</b>	<b>14,535</b>	<b>55,423</b>	<b>14,307</b>	<b>1,928</b>	<b>114,739</b>	<b>388,028</b>	<b>502,767</b>

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	Gross £000	2018/19 Income £000	Net £000	Gross £000	Restated 2017/18 Income £000	Net £000
<b>Gross expenditure, income and net expenditure of continuing operations</b>							
Place		115,421	(68,631)	46,790	121,553	(70,581)	50,972
Children, Families & Education		357,500	(251,033)	106,467	331,635	(246,273)	85,362
Health, Wellbeing & Adults		197,697	(82,521)	115,176	180,789	(77,486)	103,303
Gateway, Strategy & Engagement		102,908	(42,042)	60,866	75,586	(38,087)	37,499
Resources		426,982	(315,046)	111,936	343,890	(307,912)	35,978
HRA		72,393	(91,561)	(19,168)	75,137	(92,396)	(17,259)
<b>Net cost of services</b>		<b>1,272,901</b>	<b>(850,834)</b>	<b>422,067</b>	<b>1,128,590</b>	<b>(832,735)</b>	<b>295,855</b>
Other operating expenditure	9			32,439			34,085
Financing and Investment Income and Expenditure	10			52,729			45,288
Taxation and Grant Income	11			(294,202)			(291,069)
<b>(Surplus) or Deficit on Provision of Services</b>				<b>213,033</b>			<b>84,159</b>
(Surplus) or deficit on revaluation of non-current assets				27,321			(152,929)
Remeasurement of the net defined benefit liability				(6,291)			(25,263)
<b>Other Comprehensive Income and Expenditure</b>				<b>21,030</b>			<b>(178,192)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>234,063</b>			<b>(94,033)</b>

## 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-19		31 March 2018
		£000	£000	£000
<b>Operational Assets (Property, Plant and Equipment)</b>	12			
Council dwellings		954,042		989,648
Other land and buildings		765,930		799,247
Vehicles, plant, furniture and equipment		12,255		3,406
Infrastructure		147,841		142,336
Community assets		4,325		4,947
<b>Total Operational Assets (Property, Plant and Equipment)</b>			1,884,393	1,939,584
<b>Non-Operational Assets (Property, Plant and Equipment)</b>				
Assets under construction		16,765		4,402
Surplus assets not held for sale		6,493		2,181
<b>Total Non-Operational Assets (Property, Plant and Equipment)</b>			23,258	6,583
<b>Total Property, Plant and Equipment</b>			1,907,651	1,946,167
<b>Heritage Assets</b>	13	3,696		3,696
<b>Investment Properties</b>				
Investment Properties	14	98,979		29,714
<b>Intangible Assets</b>	15			
Software		8,880		5,062
Assets under construction				
<b>Long-term Investments</b>				
Non-property investments	16	45,000		45,001
<b>Investments in Associates and Joint Ventures</b>				
<b>Long-term Debtors</b>	16	170,056		54,895
<b>Long-term Assets</b>			2,234,262	2,084,535
<b>Short-term Investments</b>				
Non-property investments excluding cash equivalents	16	30,000		5,000
<b>Assets held for sale (&lt; 1 year)</b>	19	8,328		16,329
<b>Inventories</b>		771		689
<b>Debtors, Payments In Advance (PIA) And Allowance For Doubtful Debt</b>	17	179,771		140,664
<b>Cash and cash equivalents</b>	18	88,701		29,000
<b>Current Assets</b>			307,571	191,682
<b>Bank overdraft</b>	18	(61,651)		(20,311)
<b>Short-term borrowing</b>	16	(225,198)		(107,204)
<b>Short-term creditors and receipts in advance</b>	20	(157,150)		(134,461)
<b>Short-term provision</b>	21	(3,529)		(3,424)
<b>Current Liabilities</b>			(447,528)	(265,400)
<b>Long-term Creditors</b>				
Provisions	21	(13,332)		(11,900)
Long-term borrowing	16	(1,131,916)		(879,776)
Deferred capital creditors		(11,656)		(10,504)
<b>Other non-current liabilities</b>				
Net pensions liability	42	(652,954)		(593,911)
Capital grants receipts in advance	31	(15,743)		(11,959)
<b>Long-term Liabilities</b>			(1,825,601)	(1,508,050)
<b>Net Assets</b>			268,704	502,767
<b>Usable reserves</b>				
General Fund	22.1	10,395		10,395
Housing Revenue Account	22.2	15,271		14,535
Earmarked reserves	22.3	17,959		18,153
Capital receipts reserve	22.4	32,599		55,422
Capital grants unapplied	22.5	17,677		14,305
Major repairs reserve	22.2	-		1,929
			93,901	114,739
<b>Unusable reserves</b>				
Revaluation reserve	23.1	677,685		739,063
Capital adjustment account	23.3	169,364		260,492
Financial Instruments adjustment account	23.4	(32,021)		(1,347)
Pensions reserve	23.5	(664,018)		(616,039)
Deferred capital receipts	23.6	20,826		2,463
Collection Fund adjustment account	23.7	6,933		6,824
Short-term accumulating compensated absences account	23.8	(3,966)		(3,428)
			174,803	388,028
<b>Total Reserves</b>			268,704	502,767

**Signed:** Lisa Taylor  
Director of Finance, Investment & Risk and Interim Section 151 officer



31 July 2019

## CASH FLOW STATEMENT

<b>OPERATING ACTIVITIES</b>	<b>Note No.</b>	<b>2018/19</b>		<b>2017/18</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
The cash flows for operating activities include the following,					
<b>Net surplus or (deficit) on the provision of services</b>	1A & 7		(213,033)		(84,159)
<b>The surplus or deficit on the provision of services has been adjusted for the following non-cash movements</b>					
Depreciation	7,12 & 23.3	37,217		34,519	
Impairment and downward valuations	7	12,168		(45,454)	
Amortisations	7,15 & 23.3	2,077		3,161	
Increase/(decrease) in creditors		23,840		22,280	
(Increase)/decrease in debtors		37,509		(22,266)	
(Increase)/decrease in inventories		(81)		(613)	
Movement in pension liability	1B,7 & 23.5	54,270		47,050	
Carrying amount of non-current assets sold	23.3	122,280		69,581	
Provisions		1,538		598	
Movements in the value of investment properties	7,10,14 & 23.3	355		(5,416)	
Other non-cash movements		(39,664)		389	
			251,509		103,829
<b>Items included/excluded from net surplus or deficit on the provision of services:</b>					
Pension deficit early payment	5			-	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	22.4	(75,071)		(36,407)	
Payment of local taxation to major preceptors		(84,068)		(119,718)	
Any other items for which the cash effects are investing or financing cash flows		(15,618)		(22,154)	
			(174,757)		(178,279)
<b>Net cash (inflow)/outflow from operating activities</b>			(136,281)		(158,609)
<b>INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment, investment property		(231,238)		(64,573)	
Purchase of short-term and long-term investments		(148,775)		(65,774)	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		75,071		36,407	
Capital grants		9,014		1,915	
Proceeds from short-term and long-term investments		8,618		109,997	
<b>Net cash inflow/(outflow) from investing activities</b>			(287,310)		17,972
<b>FINANCING ACTIVITIES</b>					
Cash receipts from short-term and long-term borrowing		466,000		179,500	
Payment of local taxation to major preceptors		84,068		119,718	
Cash payments for the reduction of the outstanding liabilities to finance leases and on-Balance Sheet PFI contracts (Principal)		(2,116)		(1,972)	
Repayments of short-term and long-term borrowing		(106,000)		(138,500)	
<b>Net cash inflow/(outflow) from financing activities</b>			441,952		158,746
<b>Net increase/(decrease) in cash and cash equivalents</b>			18,361		18,109
Cash and cash equivalents at the beginning of the reporting period			8,689		(9,420)
<b>Cash and cash equivalents at the end of the reporting period</b>			27,050		8,689
Cash held	18	34		145	
Bank current accounts	18	(61,685)		(20,456)	
Short-term deposits with building societies and Money Market Funds	18	88,701		29,000	
<b>Cash and cash equivalents as at 31 March</b>			27,050		8,689

**Memorandum Items:** the cash flows for operating activities include the following items:

Interest Paid	40,201	36,954
Interest and investment property rental income Received	(4,775)	(2,579)

**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 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (the 2018/19 Code), and is issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The 2018/19 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 2018/19 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 2018/19 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.

**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.

**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 2018/19 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 Affordable Housing - the Council does not have economic control of this charity
- ▶ Croydon Affordable Homes LLP - the Council holds 10% voting shares in this company. An assessment of economic control has determined that the Council does not have control of Croydon Affordable Homes LLP.
- ▶ Croydon Affordable Tenures LLP - the Council holds 10% voting shares in this company. An assessment of economic control has determined that the Council does not have control of Croydon Affordable Tenures LLP.
- ▶ Croydon Affordable Homes (Taberner House) LLP - the Council holds 10% voting shares in this company. The Council does not have control of this entity, which has not yet begun trading.
- ▶ 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.
- ▶ Croydon Care Solutions Ltd, Croydon Equipment Solutions Ltd, Daycare Opportunities Ltd - 100% ownership and control by Croydon Council. However, activity within all companies has ceased, following the transfer of and control activity back to the Council. The companies are in the process of being wound up, and activity is not material.

**1. ACCOUNTING POLICIES (continued)****1.1. BASIS OF PREPARATION - SINGLE ENTITY AND GROUP ACCOUNTS (continued)**

- ▶ 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 40 for further details on the Council's Group Interests.

**The Selection of Accounting Policies**

In those instances where the 2018/19 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 (ie 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**

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.



**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 2018/19 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.

**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, ie 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.

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.

**1. ACCOUNTING POLICIES (continued)**

**1.4. NON-CURRENT ASSETS (continued)**

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 (ie 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.

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.

**1. ACCOUNTING POLICIES (continued)****1.4. NON-CURRENT ASSETS (continued)**

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).

Depreciation is calculated on the following bases:

- ▶ dwellings and other buildings – straight-line allocation over the useful economic life of the property
- ▶ 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. 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. 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.

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.

**1. ACCOUNTING POLICIES (continued)****1.4. NON-CURRENT ASSETS (continued)**

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.

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.

**1. ACCOUNTING POLICIES (continued)****1.4.4. Intangible Assets (continued)**

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

**1.4.5. 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 40 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.

**1.4.6. 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 (ie 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.

**1.5. 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. ACCOUNTING POLICIES (continued)****1.5. CURRENT ASSETS (continued)****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.

**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; they do not represent usable resources for the Authority. See Note 23 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.

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.

**1. ACCOUNTING POLICIES (continued)**

**1.8. GOVERNMENT GRANTS AND CONTRIBUTIONS (continued)**

**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.

**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 (eg 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.

**1. ACCOUNTING POLICIES (continued)**

**1.9. LEASES (continued)**

**The Council as Lessor (continued)**

Statement also as part of the gain or loss on disposal (ie 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 (eg 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, eg 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.

**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.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES (continued)

#### 1.10. EMPLOYEE BENEFITS (continued)

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 – ie 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), ie 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.

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.

**1. ACCOUNTING POLICIES (continued)**

**1.10. EMPLOYEE BENEFITS (continued)**

**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)

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.

**1. ACCOUNTING POLICIES (continued)**

**1.11. FINANCIAL INSTRUMENTS (continued)**

**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.

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.

**1.12. 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. ACCOUNTING POLICIES (continued)****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 (eg 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.

**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. ACCOUNTING POLICIES (continued)****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

**1.18. 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 2018/19 Code. 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.

**1.19. BORROWING COSTS**

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

**1.20. OVERHEADS**

All overhead and support service costs are fully recharged to the service expenditure headings shown in the Comprehensive Income and Expenditure Statement in order to provide a consistent basis for all statutory financial disclosures.

**1.21. 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

	Net Expenditure Chargeable to the GF and HRA Balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000
<b>2018/19</b>			
Place	22,792	23,998	46,790
Children, Families & Education	73,408	33,059	106,467
Health, Wellbeing and Adults	107,108	8,068	115,176
Gateway, Strategy and Engagement Resources	29,494	31,372	60,866
HRA	(23,126)	3,958	(19,168)
<b>Net cost of services</b>	<b>250,377</b>	<b>171,690</b>	<b>422,067</b>
Other operating expenditure	1,342	31,097	32,439
Financing and Investment Income and Expenditure	32,977	19,752	52,729
Taxation and Non-Specific Grant Income	(285,238)	(8,964)	(294,202)
<b>(Surplus)/Deficit</b>	<b>(542)</b>	<b>213,575</b>	<b>213,033</b>
<b>Opening GF and HRA Balances and Reserves</b>	<b>(43,083)</b>		
<b>Add Surplus on General Fund in year</b>	<b>193</b>		
<b>Add Surplus on HRA Balance in year</b>	<b>(736)</b>		
<b>Transfers to/from Earmarked Reserves</b>			
<b>Closing General Fund and HRA balance 31 March 2019</b>	<b>(43,626)</b>		
<b>2017/18</b>			
Place	31,183	19,788	50,971
Children, Families & Education	69,110	16,252	85,362
Health, Wellbeing and Adults	97,568	5,734	103,302
Gateway, Strategy and Engagement Resources	33,142	4,357	37,499
HRA	(29,401)	12,142	(17,259)
<b>Net cost of services</b>	<b>220,357</b>	<b>75,496</b>	<b>295,853</b>
Other operating expenditure	1,356	32,730	34,086
Financing and Investment Income and Expenditure	68,714	(23,426)	45,288
Taxation and Non-Specific Grant Income	(276,804)	(14,265)	(291,069)
<b>(Surplus)/Deficit</b>	<b>13,623</b>	<b>70,535</b>	<b>84,158</b>
<b>Opening GF and HRA Balances and Reserves</b>	<b>(56,708)</b>		
<b>Add Surplus on General Fund in year</b>	<b>332</b>		
<b>Add Surplus on HRA Balance in year</b>	<b>(1,980)</b>		
<b>Transfers to/from Earmarked Reserves</b>	<b>15,273</b>		
<b>Closing General Fund and HRA balance 31 March 2018</b>	<b>(43,083)</b>		

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

2018/19	Adjustments for capital purposes £000	Net change for the pensions adjustments £000	Other differences £000	Total adjustments between funding and accounting basis £000
Place	18,456	5,527	15	23,998
Children, Families & Education	24,813	7,792	454	33,059
Health, Wellbeing and Adults	2,113	5,916	38	8,067
Gateway, Strategy and Engagement Resources	29,557	1,794	21	31,372
HRA	57,368	13,861	6	71,235
	992	2,963	2	3,957
				0
<b>Net cost of services</b>	<b>133,299</b>	<b>37,853</b>	<b>536</b>	<b>171,688</b>
Other Income and Expenditure	31,097			31,097
Other operating expenditure	3,335	16,417	0	19,752
Financing and Investment Income and Expenditure	(8,854)			(8,854)
Taxation and non-specific grant income			(109)	(109)
<b>Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit</b>	<b>158,877</b>	<b>54,270</b>	<b>427</b>	<b>213,574</b>

2017/18	Adjustments for capital purposes £000	Net change for the pensions adjustments £000	Other differences £000	Total adjustments between funding and accounting basis £000
Place	13,688	6,109	(8)	19,789
Children, Families & Education	8,218	8,316	(281)	16,253
Health, Wellbeing and Adults	580	5,162	(8)	5,734
Gateway, Strategy and Engagement Resources	2,635	1,710	12	4,357
HRA	9,492	7,781	(49)	17,224
	9,403	2,745	(8)	12,140
<b>Net cost of services</b>	<b>44,016</b>	<b>31,823</b>	<b>(342)</b>	<b>75,497</b>
Other Income and Expenditure				
Other operating expenditure	32,730	-	-	32,730
Financing and Investment Income and Expenditure	(38,469)	15,228	(185)	(23,426)
Taxation and non-specific grant income	(14,731)	-	465	(14,266)
<b>Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit</b>	<b>23,546</b>	<b>47,051</b>	<b>(62)</b>	<b>70,535</b>

#### 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**

	<b>2018/19</b>	2017/18
	<b>£000</b>	£000
<b>Expenditure</b>		
Employee benefits expenses	376,044	345,289
Other service expenses	980,854	973,897
Depreciation amortisation and impairment	51,461	-45,454
Loss on disposal of non-current assets	29,083	30,715
Interest payments	40,819	37,601
Precepts and Levies	1,344	1,356
<b>Total</b>	<b>1,479,605</b>	<b>1,343,404</b>
<b>Income</b>		
Fees and charges and other service income	(417,950)	(387,480)
Income from Council tax and Business Rates	(257,891)	(225,505)
Government grants and contributions	(586,312)	(638,574)
Interest and investment income	(4,419)	(7,687)
<b>Total</b>	<b>(1,266,572)</b>	<b>(1,259,246)</b>
<b>Deficit on provision of services</b>	<b>213,033</b>	<b>84,158</b>

**Segmental Income**

Income received on a segmental basis is analysed below:

	<b>2018/19</b>	2017/18
	<b>£000</b>	£000
Place	(68,631)	(70,581)
Children, Families & Education	(251,033)	(246,273)
Health, Wellbeing and Adults	(82,521)	(77,486)
Gateway, Strategy and Engagement	(42,042)	(38,087)
Resources	(315,046)	(305,912)
HRA	(91,561)	(92,396)
<b>Total Income Analysed on a segmental basis</b>	<b>(850,834)</b>	<b>(830,735)</b>



**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. This following new or amended standards have been published but not yet adopted by the 2018/19 code:

- ▶ **IFRS 16 Leases** - this will require local authorities that are lessees to recognise most leases on their balance sheet as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short term leases. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020

**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,
- ▶ 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).

**Croydon Affordable Housing - long term lease of properties**

During 2018/19, the Council entered into an 80 year lease with Croydon Affordable Tenures LLP regarding 167 properties owned by the Council. The Council's judgement is that this lease resulted in the transfer of control of these properties to Croydon Affordable Housing. The council therefore de-recognised the properties from it's own balance sheet and recognised the lease premium as a capital receipt. Croydon Affordable Housing and associated LLPs remain outside of the Council's group boundary.

**Schools Ownership**

As set out in accounting policy 1.21, 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:

Community Schools, Foundation Schools, Nursery Schools, Special Schools  
Voluntary aided Faith Schools (excluded from balance sheet)

number of schools	Value of Land & Buildings recognised £'000
35	306,736
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 40

**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 2019 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 2019:

- 0.5% decrease in Real Discount Rate
- 0.5% increase in the Salary Increase Rate
- 0.5% increase in the Pension Increase Rate

Approximate % increase to Employer Liability	Approximate monetary amount £000
10%	166,907
1%	16,046
9%	148,667

**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 2019. Further details on revaluation methods can be found in Accounting Policies 1.4.1 (Property, Plant and Equipment) and 1.4.3 (Investment Properties)

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 AND PRIOR PERIOD ADJUSTMENTS**

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 2018/19 five schools transferred from London Borough of Croydon ownership to academies owned by private organisations. These schools were transferred as finance leases and as a result their net book value of £53.61m has been de-recognised from property, plant and equipment.

This has resulted in a deficit of £53.61m 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 £100.8m 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.

**Pension Deficit Early Payment**

During 2016/17 the Council took the decision to make an early payment of £33.192m towards the LGPS pension deficit. By making an early payment to the pension fund, revenue savings will be achieved by the council over the three year valuation period, reducing the deficit contribution amount required from the Council over this period.

This early payment has resulted in the pension liability being lower than the pensions reserve sum held in the "unusable reserves" section of the balance sheet. This is because the charge to the Council's other comprehensive income & expenditure account to the unusable reserve will still be made over the three year valuation period (2017/18, 2018/19 and 2019/20).

Because the payment of liability was made ahead of the charge being made to the other comprehensive income & expenditure account, a difference is therefore created between these two pension items, which is represented by a reduction in the council's cash. This difference has reduced by a further £11.064m in 2018/19, and will be reduced to £nil by 31 March 2020.

	<b>2018/19</b>
	<b>£'000</b>
Pension Liability	(652,954)
Pension Reserve	(664,018)
<b>Difference - reduction in cash</b>	<b>11,064</b>

**Flexible Capital Receipts**

The Secretary of State for Housing, Communities & Local government issued guidance in March 2016, giving local authorities greater freedoms with how capital receipts can be used to finance expenditure

This Direction allows for the following expenditure to be treated as capital:

"expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners."

The Council reviewed the Flexible Use of Capital Receipts guidance in its 2018/19 budget report, and recommended that full use of this flexibility is fully adopted, and that capital receipts are used to fund expenditure that generates an ongoing saving. These schemes to be funded are encapsulated within the Efficiency Strategy and are forecast to generate on-going revenue savings through reducing costs of service delivery.

During 2018/19, the Council progressed its efficiency strategy and delivered projects totalling £29.3m, which has been capitalised, and financed from flexible capital receipts. Further information can be found in the Narrative Statement section of this document.

**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 will not be charged to the general fund in 2018/19; but will be 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.

**Acquisition and sale of Emergency Temporary Accommodation (ETA) Properties**

Continued delivery of the Council's affordable housing strategy saw the purchase of houses during 2018/19. 167 of these properties were leased to Croydon Affordable Tenures LLP on 80 year lease terms, yielding a premium of £58.8m. Legislation requires the Council to recognise this sum as a capital receipt. The remaining houses, along with further purchases in 2019/20 will be leased during 2019/20.

**6. EVENTS AFTER THE REPORTING PERIOD**

The Statement of Accounts was authorised for issue by the Director of Finance, Investment & Risk and Interim Section 151 officer on 31 May 2019. There were no events affecting the 2018/19 accounts that occurred between 1 April and the date of signing the draft accounts.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**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

2018/19	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
<b>Balances b/f at 1 April 2018</b>	10,393	14,535	18,153	55,423	14,307	1,928	114,739
<b>Movement in reserves during 2018-19</b>	0	0	0	0	0	0	0
Surplus or deficit on the provision of services	(224,452)	11,419	0	0	0	0	(213,033)
<b>Other Comprehensive Expenditure and Income</b>	0	0	0	0	0	0	0
Impairment / Revaluation gains and losses chargeable to	0	0	0	0	0	0	0
General Movement in available for sale financial instruments	0	0	0	0	0	0	0
Movement in pensions reserve	0	0	0	0	0	0	0
Total Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
<b>Total Comprehensive Expenditure and Income</b>	<b>(224,452)</b>	<b>11,419</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(213,033)</b>
<b>Adjustments between accounting basis and funding basis</b>							
Depreciation	24,426	0	0	0	0	12,791	37,217
Impairment and revaluation gains and losses chargeable to CI&E	12,035	133	0	0	0	0	12,168
Amortisation of intangible assets	2,034	43	0	0	0	0	2,077
Movements in the fair value of investment properties	356	0	0	0	0	0	356
Capital grants and contributions	(11,491)	0	0	0	92	0	(11,399)
Revenue expenditure funded from capital under statute	96,450	816	0	0	0	0	97,266
Net gain / loss on sale of non-current assets	34,711	(5,628)	0	74,834	0	0	103,917
Amount by which finance costs charged to the CI&E are different from finance costs chargeable in the year in accordance with statutory requirements	30,773	(98)	0	0	0	0	30,675
Reversal of items relating to retirement benefits debited or credited to the Expenditure Statement	29,584	2,472	0	0	0	0	32,056
Employer's pensions contributions and direct payments to pensioners payable in the year	20,437	1,777	0	0	0	0	22,214
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	(109)	0	0	0	0	0	(109)
Revaluation of investment property, transferred between reserves	0	0	0	0	0	0	0
Business Rate Supplement Revenue Account	0	0	0	0	0	0	0
Statutory provision for the repayment of debt	(8,941)	0	0	0	0	0	(8,941)
Capital expenditure charged to General Fund and HRA balances		(10,199)	0	0	0	0	(10,199)
Transfers in respect of Community Infrastructure Levy receipts	(8,555)	0	0	0	3,280	0	(5,275)
Transfer from Capital Receipts Reserve to Housing Capital Receipts Pool	2,013	0	0	(2,013)	0	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	0	(14,720)	(14,720)
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(95,645)	0	0	(95,645)
Compensated absences	535	2	0	0	0	0	537
Total Adjustments between accounting basis and funding basis under regulations	224,258	(10,682)	0	(22,824)	3,372	(1,929)	192,195
2018-19 Net Increase / Decrease before Transfers to / from Earmarked Reserves	(194)	737	0	(22,824)	3,372	(1,929)	(20,838)
Transfers to / from Earmarked Reserves	1,519	0	(1,519)	0	0	0	0
Other movements in reserves	(1,325)	0	1,325	0	0	0	0
Net Increase / (decrease) in reserves for the year	0	737	(194)	(22,824)	3,372	(1,929)	(20,838)
<b>Balances c/f at 31 March 2019</b>	<b>10,393</b>	<b>15,272</b>	<b>17,959</b>	<b>32,599</b>	<b>17,679</b>	<b>(1)</b>	<b>93,901</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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	Total Unusable Reserves Balance £'000	Total Authority Reserves Balance £'000
739,064	260,491	(1,346)	(616,039)	2,463	6,824	(3,429)	388,028	502,767
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	(213,033)
0	0	0	0	0	0	0	0	0
(27,321)	0	0	0	0	0	0	(27,321)	(27,321)
0	0	0	0	0	0	0	0	0
0	0	0	6,291	0	0	0	6,291	6,291
(27,321)	0	0	6,291	0	0	0	(21,030)	(21,030)
(27,321)	0	0	6,291	0	0	0	(21,030)	(234,063)
(8,676)	(28,540)	0	0	0	0	0	(37,216)	1
0	(12,168)	0	0	0	0	0	(12,168)	0
0	(2,077)	0	0	0	0	0	(2,077)	0
0	(356)	0	0	0	0	0	(356)	0
0	11,400	0	0	0	0	0	11,400	1
0	(97,266)	0	0	0	0	0	(97,266)	0
(24,743)	(97,537)	0	0	18,363	0	0	(103,917)	0
0	0	(30,675)	0	0	0	0	(30,675)	0
0	0	0	(32,056)	0	0	0	(32,056)	0
0	0	0	(22,214)	0	0	0	(22,214)	0
0	0	0	0	0	109	0	109	0
(637)	637	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	8,941	0	0	0	0	0	8,941	0
0	10,199	0	0	0	0	0	10,199	0
0	5,275	0	0	0	0	0	5,275	0
0	0	0	0	0	0	0	0	0
0	14,720	0	0	0	0	0	14,720	0
0	95,645	0	0	0	0	0	95,645	0
0	0	0	0	0	0	(537)	(537)	0
(34,056)	(91,127)	(30,675)	(54,270)	18,363	109	(537)	(192,193)	2
(61,377)	(91,127)	(30,675)	(47,979)	18,363	109	(537)	(213,223)	(234,061)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
(61,377)	(91,127)	(30,675)	(47,979)	18,363	109	(537)	(213,223)	(234,061)
677,687	169,364	(32,021)	(664,018)	20,826	6,933	(3,966)	174,805	268,706

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**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

2017/18	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
<b>Balances b/f at 1 April 2017</b>	10,727	12,555	33,426	45,999	10,828	1,290	114,825
<b>Movement in reserves during 2017-18</b>	0	0	0	0	0	0	0
Surplus or deficit on the provision of services	(96,386)	12,227	0	0	0	0	(84,159)
<b>Other Comprehensive Expenditure and Income</b>	0	0	0	0	0	0	0
Impairment / Revaluation gains and losses chargeable to	0	0	0	0	0	0	0
General Movement in available for sale financial instruments	0	0	0	0	0	0	0
Movement in pensions reserve	0	0	0	0	0	0	0
Total Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
<b>Total Comprehensive Expenditure and Income</b>	<b>(96,386)</b>	<b>12,227</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(84,159)</b>
<b>Adjustments between accounting basis and funding basis</b>							
Depreciation	22,876	0	0	0	0	11,643	34,519
Impairment and revaluation gains and losses chargeable to CI&E	(45,454)	0	0	0	0	0	(45,454)
Amortisation of intangible assets	3,125	36	0	0	0	0	3,161
Movements in the fair value of investment properties	(5,416)	0	0	0	0	0	(5,416)
Capital grants and contributions	(23,685)	(236)	0	0	(294)	0	(24,215)
Revenue expenditure funded from capital under statute	63,178	9,369	0	0	0	0	72,547
Net gain / loss on sale of non-current assets	38,946	(8,230)	0	36,407	0	0	67,123
Amount by which finance costs charged to the CI&E are different from finance costs chargeable in the year in accordance with statutory requirements	(86)	(99)	0	0	0	0	(185)
Reversal of items relating to retirement benefits debited or credited to the Expenditure Statement	61,193	5,778	0	0	0	0	66,971
Employer's pensions contributions and direct payments to pensioners payable in the year	(18,202)	(1,719)	0	0	0	0	(19,921)
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	465	0	0	0	0	0	465
Business Rate Supplement Revenue Account	0	0	0	0	0	0	0
Statutory provision for the repayment of debt	(7,996)	0	0	0	0	0	(7,996)
Capital expenditure charged to General Fund and HRA balances		(15,138)	0	0	0	0	(15,138)
Transfers in respect of Community Infrastructure Levy receipts	(9,843)	0	0	0	3,773	0	(6,070)
Transfer from Capital Receipts Reserve to Housing Capital Receipts Pool	2,014	0	0	(2,014)	0	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	0	(11,005)	(11,005)
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(24,969)	0	0	(24,969)
Compensated absences	(336)	(8)	0	0	0	0	(344)
<b>Total Adjustments between accounting basis and funding basis under regulations</b>	<b>80,779</b>	<b>(10,247)</b>	<b>0</b>	<b>9,424</b>	<b>3,479</b>	<b>638</b>	<b>84,073</b>
<b>2017-18 Net Increase / Decrease before Transfers to / from Earmarked Reserves</b>	<b>(15,607)</b>	<b>1,980</b>	<b>0</b>	<b>9,424</b>	<b>3,479</b>	<b>638</b>	<b>(86)</b>
Transfers to / from Earmarked Reserves	14,376	0	(14,376)	0	0	0	0
Other movements in reserves	897	0	(897)	0	0	0	0
<b>Net Increase / (decrease) in reserves for the year</b>	<b>(334)</b>	<b>1,980</b>	<b>(15,273)</b>	<b>9,424</b>	<b>3,479</b>	<b>638</b>	<b>(86)</b>
<b>Balances c/f at 31 March 2018</b>	<b>10,393</b>	<b>14,535</b>	<b>18,153</b>	<b>55,423</b>	<b>14,307</b>	<b>1,928</b>	<b>114,739</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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	Total Unusable Reserves Balance £'000	Total Authority Reserves Balance £'000
627,439	258,732	(1,531)	(594,252)	4	7,289	(3,772)	293,909	408,734
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	(84,159)
0	0	0	0	0	0	0	0	0
152,930	0	0	0	0	0	0	152,930	152,930
0	0	0	0	0	0	0	0	0
0	0	0	25,263	0	0	0	25,263	25,263
152,930	0	0	25,263	0	0	0	178,193	178,193
152,930	0	0	25,263	0	0	0	178,193	94,034
(5,273)	(29,246)	0	0	0	0	0	(34,519)	0
0	45,454	0	0	0	0	0	45,454	0
0	(3,161)	0	0	0	0	0	(3,161)	0
0	5,416	0	0	0	0	0	5,416	0
0	24,215	0	0	0	0	0	24,215	0
0	(72,547)	0	0	0	0	0	(72,547)	0
(36,032)	(33,550)	0	0	2,459	0	0	(67,123)	0
0	0	185	0	0	0	0	185	0
0	0	0	(66,971)	0	0	0	(66,971)	0
0	0	0	19,921	0	0	0	19,921	0
0	0	0	0	0	(465)	0	(465)	0
0	0	0	0	0	0	0	0	0
0	7,996	0	0	0	0	0	7,996	0
0	15,138	0	0	0	0	0	15,138	0
0	6,070	0	0	0	0	0	6,070	0
0	0	0	0	0	0	0	0	0
0	11,005	0	0	0	0	0	11,005	0
0	24,969	0	0	0	0	0	24,969	0
0	0	0	0	0	0	343	343	(1)
(41,305)	1,759	185	(47,050)	2,459	(465)	343	(84,074)	(1)
111,625	1,759	185	(21,787)	2,459	(465)	343	94,119	94,033
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
111,625	1,759	185	(21,787)	2,459	(465)	343	94,119	94,033
739,064	260,491	(1,346)	(616,039)	2,463	6,824	(3,429)	388,028	502,767

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 2018/19.

	Balance at 1 April 2017 £000	Movement In 2017/18 £000	Balance at 31 March 2018 £000	Movement In 2018/19 £000	Balance at 31 March 2019 £000
<b>General Fund - Non Schools</b>					
Growth Zone	7,000	0	7,000	2,512	9,512
Revolving Investment Fund Reserve	918	2,281	3,199	(302)	2,897
Selective Licensing	4,554	(1,671)	2,883	(1,166)	1,717
Other Reserves under £0.5m	17,649	(10,285)	7,364	(1,797)	5,567
<b>Sub-total Non Schools</b>	<b>30,121</b>	<b>(9,675)</b>	<b>20,446</b>	<b>(753)</b>	<b>19,693</b>
Draw Down of Reserves budgeted to be replaced on 1 April	0	(4,700)	(4,700)	(766)	(5,466)
<b>General Fund - Schools:</b>					
Balances held by schools under a scheme of delegation	3,305	(898)	2,407	1,325	3,732
<b>Total Earmarked Reserves</b>	<b>33,426</b>	<b>(15,273)</b>	<b>18,153</b>	<b>(194)</b>	<b>17,959</b>
<b>HRA:</b>					
New Build Housing	9,420	1,980	11,400	(1,980)	9,420
Major Repairs Reserve	1,290	639	1,929	(1,929)	0
Contingency Reserve	3,135	0	3,135	2,716	5,851
<b>Total</b>	<b>13,845</b>	<b>2,619</b>	<b>16,464</b>	<b>(1,193)</b>	<b>15,271</b>



**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 (£9.5m)**

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 its own revenue generation. 2018/19 saw the first tranche of retained business rates added to this reserve.

**Draw down of reserves (£-5.4m)**

The Council has budgeted to add £5.4m of funds to its earmarked reserves in the financial year commencing 1 April 2019. This enabled the council to release an equivalent sum in the 2018/19 financial year, which be replaced when the new financial year commences.

**Revolving Investment Fund Reserve (£2.897m)**

The Revolving Investment Fund is set aside to fund the up-front costs of the schemes within the investment fund.

**Selective Licensing (£1.717m)**

This reserve holds income from Croydon's Selective Licensing scheme, and will be used over the life of the license to improve the standards of private rented housing within the Borough. 2018/19 is year four of five.

**School Balances (£3.732m)**

School balances have increased by £1.325m to £3.732m. The number of schools have added sums to their reserves during this financial year. There are eight schools with a revenue deficit. Action plans are agreed with schools in deficit to ensure that they return to a balanced position.

**Other Reserves (£5.567m)**

This includes other reserves with a balance of less than £0.500m as at 31st March 2019.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 9. OTHER OPERATING EXPENDITURE

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

	2018/19 £000	2017/18 £000
Levies	1,343	1,356
Payments of Housing capital receipts to Government pool	2,013	2,013
(Gain)/loss on disposal of non-current assets	29,083	30,716
<b>Total</b>	<b>32,439</b>	<b>34,085</b>

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.

	2018/19 £000	2017/18 £000
Interest payable and similar charges	40,201	37,376
Interest receivable and similar income	(4,775)	(2,271)
Premium on early repayment of debt	618	225
Changes in fair value of investment properties	355	(5,415)
Interest Cost on defined benefit obligation	41,055	38,763
Expected Return on Pension Assets	(24,638)	(23,535)
(Surplus) / deficit on trading undertakings	(87)	145
<b>Total</b>	<b>52,729</b>	<b>45,288</b>

### 11. TAXATION AND NON-SPECIFIC GRANT INCOME

#### Credited to Taxation and Non-Specific Grant Income

	2018/19 £000	2017/18 £000
Recognised Capital Grants and Contributions	(8,854)	(14,967)
Council Tax Income	(171,813)	(160,200)
National Non-Domestic Rates (NNDR)	(86,078)	(65,306)
Revenue Support Grant	0	(32,578)
Non-service Related Government Grants (see Note 31)	(27,457)	(18,018)
<b>Taxation and Non-Specific Grants</b>	<b>(294,202)</b>	<b>(291,069)</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**12. PROPERTY, PLANT AND EQUIPMENT**

**2018/19**

	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture and Equipment £000</b>	<b>Infra-structure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets under Construction £000</b>	<b>Total PPE £000</b>	<b>PFI Assets Included in PPE £000</b>
Net Book Value at 1 April 2018	989,648	799,247	3,406	142,336	4,947	2,181	4,402	1,946,167	111,232
Gross Book Value at 1 April 2018	989,648	802,269	4,013	202,404	8,946	2,181	4,402	2,013,863	116,975
Additions	29,256	82,993	9,943	11,885	20	0	12,363	146,460	-
Revaluation increase/(decrease) recognised in the Revaluation Reserve	(58,320)	12,767	0	0	0	(398)	0	(45,951)	2,433
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	0	(22,799)	0	0	0	(44)	0	(22,843)	(971)
Derecognition - Disposals	(6,194)	(52,328)	0	0	0	0	0	(58,522)	0
Derecognition - Other	(349)	(54,442)	0	0	0	0	0	(54,791)	0
Assets reclassified (to)/from held for sale	0	(733)	0	0	0	0	0	(733)	0
Transfers/Reclassifications	0	2,030	0	0	0	4,810	0	6,840	0
Other Movements in cost or valuation	0	0	0	0	0	0	0	0	0
<b>Gross book value 31 March 2019</b>	<b>954,041</b>	<b>769,757</b>	<b>13,956</b>	<b>214,289</b>	<b>8,966</b>	<b>6,549</b>	<b>16,765</b>	<b>1,984,323</b>	<b>118,437</b>
Accumulated Depreciation and Impairment at 1 April 2018	0	3,022	607	60,068	3,999	0	0	67,696	5,743
Depreciation for year	12,327	16,752	1,094	6,379	642	22	0	37,216	4,128
Depreciation written out to the Revaluation reserve	(12,327)	(6,294)	0	0	0	(10)	0	(18,631)	(829)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(8,564)	0	0	0	(44)	0	(8,608)	(1,294)
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	(173)	-	0	0	0	0	(173)	0
Derecognition - Other	0	(830)	0	0	0	0	0	(830)	0
Transfers/Reclassifications	0	(88)	0	0	0	88	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
Accumulated Depreciation and Impairment 31 March 2019	0	3,825	1,701	66,447	4,641	56	0	76,670	7,748
<b>Net book value 31 March 2019</b>	<b>954,041</b>	<b>765,932</b>	<b>12,255</b>	<b>147,842</b>	<b>4,325</b>	<b>6,493</b>	<b>16,765</b>	<b>1,907,653</b>	<b>110,689</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 12. PROPERTY, PLANT AND EQUIPMENT

**2017/18**

	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 2017	907,057	710,716	2,193	141,717	5,205	19,947	1,101	1,787,936	93,404
Gross Book Value at 1 April 2017	907,057	712,892	2,350	192,367	8,591	20,060	1,101	1,844,418	97,143
Additions	23,484	22,778	1,663	10,037	355	2,324	3,631	64,272	-
Revaluation increase/(decrease) recognised in the Revaluation Reserve	65,165	68,158	0	0	0	435	0	133,758	17,073
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	0	49,497	0	0	0	(7,586)	0	41,911	2,759
Derecognition - Disposals	(6,058)	(28,677)	0	0	0	(4,245)	0	(38,980)	0
Derecognition - Other	0	(24,679)	0	0	0	0	0	(24,679)	0
Assets reclassified (to)/from held for sale	0	(585)	0	0	0	(6,452)	0	(7,037)	0
Transfers/Reclassifications	0	2,885	0	0	0	(2,355)	(330)	200	0
Other Movements in cost or valuation	0	0	0	0	0	0	0	0	0
<b>Gross book value 31 March 2018</b>	<b>989,648</b>	<b>802,269</b>	<b>4,013</b>	<b>202,404</b>	<b>8,946</b>	<b>2,181</b>	<b>4,402</b>	<b>2,013,863</b>	<b>116,975</b>
Accumulated Depreciation and Impairment at 1 April 2017	0	2,176	157	50,649	3,386	112	0	56,480	3,739
Depreciation for year	11,270	12,711	450	9,419	613	57	0	34,520	3,502
Depreciation written out to the Revaluation reserve	(11,270)	(7,270)	0	0	0	(173)	0	(18,713)	(1,498)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(3,665)	0	0	0	0	0	(3,665)	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	(723)	-	0	0	0	0	(723)	0
Derecognition - Other	0	(203)	0	0	0	0	0	(203)	0
Transfers/Reclassifications	0	(4)	0	0	0	4	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
Accumulated Depreciation and Impairment 31 March 2018	0	3,022	607	60,068	3,999	0	0	67,696	5,743
<b>Net book value 31 March 2018</b>	<b>989,648</b>	<b>799,247</b>	<b>3,406</b>	<b>142,336</b>	<b>4,947</b>	<b>2,181</b>	<b>4,402</b>	<b>1,946,167</b>	<b>111,232</b>

#### 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 2019 for assets not revalued in 2018/19.

Using the valuation data from the rolling programme, as well as additional specific external revaluations obtained during

**12. PROPERTY, PLANT AND EQUIPMENT (continued)**

2018-19 the internal review identified there had been a material increase in the value of Land and Buildings. Consequently, the Council's internal valuations team and Wilks Head & Eve carried out a desk top review of relevant asset categories, to calculate the revaluation changes needed to ensure assets remain stated at current value.

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 2019.

The valuations of Council dwellings were undertaken externally by Wilks Head & Eve as at 31 March 2019. 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.

	<b>Council Dwellings</b> £'000	<b>Other Land &amp; Buildings</b> £'000	<b>Vehicles &amp; Plant</b> £'000	<b>Infrastructure</b> £'000	<b>Community</b> £'000	<b>Surplus Assets</b> £'000	<b>Assets Under Construction</b> £'000	<b>Total</b> £'000
Carried at historical cost		327	12,255	147,842	4,325		16,765	181,514
Valued at current value as at:								
31/03/2019	954,041	671,271				6,493		1,631,805
31/03/2018		24,096						24,096
31/03/2017		47,711						47,711
31/03/2016		17,706						17,706
31/03/2015		4,821						4,821
Total cost or valuation (NBV)	954,041	765,932	12,255	147,842	4,325	6,493	16,765	1,907,653

Other Land and Buildings are carried at historical cost relates to a property purchased during 2018-19

**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.

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 inputs.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 12. PROPERTY, PLANT AND EQUIPMENT (continued)

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 2019. 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 2019 Total £000
Surplus Assets	0	6,493	0	6,493
Investment Properties	0	98,979	0	98,979
Assets held for Sale	0	8,328	0	8,328
<b>Total non-financial assets held at Fair Value</b>	<b>0</b>	<b>113,800</b>	<b>0</b>	<b>113,800</b>

	Level 1 £000	Level 2 £000	Level 3 £000	31 March 2018 Total £000
Surplus Assets	0	2,181	0	2,181
Investment Properties	0	29,714	0	29,714
Assets held for Sale	0	16,329	0	16,329
<b>Total non-financial assets held at Fair Value</b>	<b>0</b>	<b>48,224</b>	<b>0</b>	<b>48,224</b>

#### CAPITAL COMMITMENTS

Capital schemes with significant contractual commitments for future capital expenditure in 2019/20:

Department	Capital Scheme	Estimated Total Cost	
		2018-19 £000	2017-18 £000
Childrens, Families and Education	Special Educational Needs Capital Programme	24,534	19,150
	Primary Capital Programme		18,777
	Academies Programme		1,360
Place	New Addington Regeneration	5,796	24,586
	Other Public Realm and infrastructure	10,559	21,793
	College Green		-
	Growth Zone Programme	8,000	4,000
	Waste Programme		9,766
Gateway, Strategy and Engagement	Affordable Housing LLP	7,273	30,090
Resources	ICT equipment and technical refresh	12,961	14,955
	Asset Strategy Programme	45,000	4,150
	<b>Total Cost</b>	<b>114,123</b>	<b>148,627</b>

### 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, Page 54. The following table summarises the movement in the fair value of investment properties over the year:

	<b>2018/19 Total £000</b>	<b>2017/18 Total £000</b>
Balance at start of the year	29,714	24,498
Acquisitions	75,631	
Net gains/losses from fair value adjustments	(356)	5,416
Transfers:		
to/from Property, Plant and Equipment	(6,840)	(200)
from assets held for sale	830	
Other changes		0
<b>Balance at end of the year</b>	<b>98,979</b>	<b>29,714</b>

**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:

	<b>2018/19 Intangible Assets £000</b>	<b>2017/18 Intangible Assets £000</b>
<b>Balance at start of year:</b>		
Gross carrying amounts	20,336	18,499
Accumulated amortisation	(15,274)	(13,168)
Net carrying amount at start of year	5,062	5,331
Additions:		
Purchases	5,895	2,892
Amortisation for the period	(2,077)	(3,161)
Other changes - cost	0	(1,055)
Other changes - amortisation	0	1,055
<b>Net carrying amount at end of year</b>	<b>8,880</b>	<b>5,062</b>
Comprising:		
Gross carrying amounts	26,231	20,336
Accumulated amortisation	(17,351)	(15,274)
	8,880	5,062

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 16. FINANCIAL INSTRUMENTS

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

#### FINANCIAL INSTRUMENTS BALANCES

##### Financial Liabilities

##### **Borrowings**

Financial liabilities at amortised cost  
Service concessions and finance lease liabilities

##### **Total borrowings**

##### **Creditors**

Financial liabilities at amortised cost  
Creditors that are not a financial instrument

##### **Total Creditors**

31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 Restated £000
Non-Current		Current	Current
1,055,316	801,060	223,507	105,514
76,600	78,716	1,691	1,690
<b>1,131,916</b>	<b>879,776</b>	<b>225,198</b>	<b>107,204</b>
0	0	120,262	93,777
0	0	36,888	40,684
<b>0</b>	<b>0</b>	<b>157,150</b>	<b>134,461</b>

##### Financial Assets

##### **Financial Assets at Amortised Cost**

Investments  
Loans and Receivables  
Debtors  
Cash and cash equivalents

##### **Fair value through profit and loss**

Investments

##### **Debtors**

Debtors that are not financial instruments

##### **Total Financial Assets**

Non-Current		Current	
170,056	54,895	30,000	5,000
45,000	45,001	161,918	135,714
		88,701	29,000
		17,853	4,950
<b>215,056</b>	<b>99,896</b>	<b>298,472</b>	<b>174,664</b>

#### **Financial Instruments Classified at Fair Value through Profit or Loss**

Croydon Council holds £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.

#### **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.

3. Total PFI and finance lease liabilities has decreased to £78.290m in 2018/19 (£80.406m in 2017/18)



**16. FINANCIAL INSTRUMENTS (continued)**

Income, Expense, Gains and Losses

	2018/19 Surplus or Deficit on the Provision of Services £'000	2018/19 Other Comprehensive Income and Expenditure £'000	2017/18 Surplus or Deficit on the Provision of Services £'000	2017/18 Other Comprehensive Income and Expenditure £'000
<b>Net gains/losses on:</b>				
Financial assets measured at FVPL	0		0	
Financial assets measured at amortised cost	0		0	
Investments in equity instruments designated FVOCI		0		0
Financial assets measured at FVOCI		0		0
Financial liabilities measured at FVPL	0		0	
Financial liabilities measured at amortised cost	0		0	
<b>Total net gains/losses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Interest revenue:</b>				
Financial assets measured at amortised cost	(4,775)		(2,271)	
Other financial assets measured at FVOCI	(890)			
<b>Total interest revenue</b>	<b>(5,665)</b>	<b>-</b>	<b>(2,271)</b>	<b>-</b>
<b>Interest expense</b>	<b>40,201</b>		<b>37,376</b>	
<b>Fee income</b>				
Financial assets or financial liabilities that are not at fair value through profit or loss	0		0	
Trust and other fiduciary activities	0		0	
<b>Total fee income</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
<b>Fee expense</b>				
Financial assets or financial liabilities that are not at fair value through profit or loss	618		225	
Trust and other fiduciary activities				
<b>Total fee expense</b>	<b>618</b>	<b>-</b>	<b>225</b>	<b>-</b>

**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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 16. FINANCIAL INSTRUMENTS (continued)

The fair values are calculated as follows:

#### FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	Fair Value Hierarchy	31 March 2019		31 March 2018	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB - maturity	level 2	857,926	1,258,823	683,926	837,490
Lender Option Borrower Options (LOBOs)	level 2	39,500	65,184	139,500	205,160
Stock issues	level 1	315	318	315	318
Bank overdraft	level 2	61,651	61,651	20,311	20,311
Private Finance Initiative (PFI) Liability	level 2	76,600	60,731	78,320	69,922
<b>Financial Liabilities</b>		<b>1,035,992</b>	<b>1,446,707</b>	<b>922,372</b>	<b>1,133,201</b>

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 than the implicit rate used in the PFI models

#### FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	Fair Value Hierarchy	31 March 2019		31 March 2018	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Money Market Loans	level 1	88,701	88,701	29,000	29,000
Deposits with banks and other Local Authorities	level 1	30,000	30,000	5,000	5,000
Long-term debtors	level 2	170,056	192,769	54,895	54,895
<b>Financial Assets</b>		<b>288,757</b>	<b>311,470</b>	<b>88,895</b>	<b>88,895</b>

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 2019.

	Level 1 £000	Level 2 £000	Level 3 £000	31 March 2019 Total £000
<b>Financial Assets</b>				
Investments and cash and cash equivalents	118,701	0	0	118,701
Long Term debtors	0	192,769	0	192,769
<b>Total Financial Assets</b>	<b>118,701</b>	<b>192,769</b>	<b>0</b>	<b>311,470</b>
<b>Financial Liabilities</b>				
PWLB Loans	0	1,258,823	0	1,258,823
LOBO Loans	0	65,184	0	65,184
Long term creditors	0	122,700	0	122,700
<b>Total Financial Liabilities</b>	<b>0</b>	<b>1,446,707</b>	<b>0</b>	<b>1,446,707</b>

There were no transfers between Level 1 and Level 2 in 2018/19.

#### 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 Interim 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

2018-19

	01 April 2018 £'000	Financing cash flows £'000	Acquisitions £'000	Other non-cash changes £'000	31 March 2019 £'000
Long-term borrowings	801,060	330,856			1,131,916
Short-term borrowings	105,514	117,993			223,507
Lease and PFI liabilities	80,406	(2,115)			78,291
<b>Total liabilities from financing activities</b>	<b>986,980</b>	<b>446,734</b>	<b>0</b>	<b>0</b>	<b>1,433,714</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 17. DEBTORS

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

	2018/19 £000	2017/18 £000
Trade receivables	203,993	175,615
Prepayments	9,187	9,034
Other receivable amounts	38,282	23,381
Allowance for credit losses	(71,691)	(67,366)
<b>Total</b>	179,771	140,664

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

### 18. CASH AND CASH EQUIVALENTS

	2018/19 £000	2017/18 £000
Cash held	34	145
Bank current accounts	(61,685)	(20,456)
Short-term deposits with building societies and Money Market Funds	88,701	29,000
<b>Total</b>	27,050	8,689

### 19. ASSETS HELD FOR SALE

	2018/19 £000	2017/18 £000
Balance at start of the year	16,329	16,261
Revaluation decrease recognised in the Surplus/Deficit	(133)	(122)
Reversal of loss recognised in the Surplus / Deficit	2,200	0
Assets Sold	(9,971)	(6,847)
Transfers to investment properties	(830)	0
Transfers from / (to) Property, Plant and Equipment	733	7,037
<b>Balance outstanding at year end</b>	8,328	16,329

### 20. CREDITORS AND RECEIPTS IN ADVANCE (RIA)

	2018/19 £000	2017/18 £000
Trade payables	136,543	110,317
Other payables	20,607	24,144
<b>Total</b>	157,150	134,461

**21. PROVISIONS**

	Insurance £000	HRA Water £000	NNDR Appeals £000	Other Provisions £000	Total £000
Balance at 1 April 2018	4,850	3,030	5,100	2,344	15,324
Amounts used in 2018/19	(1,151)	0	(2,722)	0	(3,873)
Additional provisions made in 2018/19	1,151	0	5,271	161	6,583
Provisions released in 2018/19	0	0	0	(1,173)	(1,173)
<b>Balance at 31 March 2019</b>	<b>4,850</b>	<b>3,030</b>	<b>7,649</b>	<b>1,332</b>	<b>16,861</b>

	Short term £000	Long term £000	Total £000
Provisions that are expected to be settled within 1 year are held as short term, with the remainder being held as long term:			
Balance at 1 April 2018	3,424	11,900	15,324
<b>Balance at 31 March 2019</b>	<b>3,529</b>	<b>13,332</b>	<b>16,861</b>

**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 64% 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.

**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 Usable Reserves, summarised below:

	2018/19 £000	2017/18 £000
General Fund	10,395	10,395
Earmarked reserves including Schools	17,959	18,153
<b>Sub-total General Fund Balances</b>	<b>28,354</b>	<b>28,548</b>
Housing Revenue Account	15,271	14,535
Capital receipts reserve	32,599	55,422
Capital grants unapplied	17,677	14,305
Major repairs reserve	-	1,929
<b>Total Useable Reserves</b>	<b>93,901</b>	<b>114,739</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22.1. General Fund

The General Fund Balance at 31 March 2019 is £10.395m (31 March 2018 was £10.395m)

### 22.2. Housing Revenue Account and Major Repairs Reserve

The Housing Revenue Account Balance at 31 March 2019 is £15.271 (31 March 2018: 16.464m). This is made up of the HRA surplus of £15.271m (31 March 2018: £ 14.535m ) and the Major Repairs Reserve of £nil (31 March 2018: £1.929m). 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	2018/19 Total £000	2017/18 Total £000
Balance brought forward	11,023	44,400	55,423	45,999
Mortgage repayments	0	0	0	1
Net surplus for year	11,023	44,400	55,423	46,000
Receipts from sales of assets during the year	61,294	13,777	75,071	36,407
Cost of disposals	0	(237)	(237)	(2)
Transfer to Housing Capital Receipts Pool	(2,013)		(2,013)	(2,014)
Transfer between General Fund & HRA to offset transfer to Housing Capital Receipts Pool	2,013	(2,013)	0	0
Balance of receipts after transfer	61,294	11,527	72,821	34,391
Balance on account before application of receipts	72,317	55,927	128,244	80,391
Financing of capital expenditure	(72,317)	(23,328)	(95,645)	(24,969)
<b>Balance carried forward</b>	<b>0</b>	<b>32,599</b>	<b>32,599</b>	<b>55,422</b>

### 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

	2018/19 £000	2017/18 £000
Revaluation reserve	677,685	739,063
Capital adjustment account	169,364	260,492
Financial Instruments adjustment account	(32,021)	(1,347)
Pensions reserve	(664,018)	(616,039)
Deferred capital receipts	20,826	2,463
Collection Fund adjustment account	6,933	6,824
Short-term accumulating compensated absences account	(3,966)	(3,428)
	<b>174,803</b>	<b>388,028</b>

### 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 23. UNUSABLE RESERVES (continued)

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.

	2018/19		2017/18
	£000	£000	£000
<b>Balance at 1 April</b>		739,063	627,439
Revaluations upward	58,060		200,124
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(85,381)		(47,195)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(27,321)	152,929
The difference in depreciation arising from a revaluation gain and the depreciation charged on the historic cost	(8,676)		(5,273)
Accumulated gain or loss on assets sold or scrapped	(24,743)		(36,032)
Write out revaluation reserve following transfer from investment property to Property Plant and Equipment	(638)		
Amount written off to the Capital Adjustment Account		(34,057)	(41,305)
<b>Balance at 31 March</b>		<b>677,685</b>	<b>739,063</b>

### 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 23. UNUSABLE RESERVES (continued)

	2018/19		2017/18
	£000	£000	£000
<b>Balance at 1 April</b>		260,492	258,732
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Charges for depreciation and impairment of non-current assets (including HRA)	(37,217)		(34,519)
Revaluation losses on Property, Plant and Equipment	(37,483)		(13,100)
Impairment/revaluation gains reversing losses previously charged to Comprehensive Expenditure and Income	25,315		58,555
Amortisation of intangible assets	(2,077)		(3,161)
Revenue expenditure funded from capital under statute	(97,266)		(72,547)
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	(122,281)		(69,581)
		(271,009)	(134,353)
Adjusting amounts written out of the Revaluation Reserve		34,057	41,305
Net written out amount of the cost of non-current assets consumed in the year		(236,952)	(93,048)
<b>Capital financing applied in the year:</b>			
Use of the Capital Receipts Reserve to finance new capital expenditure	95,645		24,969
Use of the Major Repairs Reserve to finance new capital expenditure	14,720		11,004
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	11,399		23,902
Application of grants to capital financing from the Capital Grants Unapplied Account	5,275		6,383
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	8,941		7,996
Capital expenditure charged against the General Fund and HRA balances	10,199		15,138
		146,179	89,392
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(355)	5,416
<b>Balance at 31 March</b>		169,364	260,492

### 23.4. Financial Instruments Adjustment Account

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

The Balance Sheet at 31 March 2019 shows a balance of £32.0m (£1.3m in 2017/18) representing the remaining premiums 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.

	2018/19		2017/18
	£000	£000	£000
<b>Balance at 1 April</b>		(1,347)	(1,531)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(30,859)		0
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	185		184
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		(30,674)	184
<b>Balance at 31 March</b>		(32,021)	(1,347)

### 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.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 23. UNUSABLE RESERVES (continued)

	2018/19 £000	2017/18 £000
<b>Balance at 1 April</b>	(616,039)	(594,252)
Actuarial gains or losses on pensions assets and liabilities	6,291	25,263
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	(54,270)	(47,050)
<b>Balance at 31 March</b>	(664,018)	(616,039)

### 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.

	2018/19 £000	2017/18 £000
<b>Balance at 1 April</b>	2,463	4
Transfer to the Capital Receipts Reserve upon receipt of cash	0	(1)
Additional Deferred Capital Receipts relating to disposal of the former Taberner House site	18,363	2,460
<b>Balance at 31 March</b>	20,826	2,463

### 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.

	2018/19 £000	2017/18 £000
<b>Balance at 1 April</b>	6,824	7,289
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	109	(465)
<b>Balance at 31 March</b>	6,933	6,824

### 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.

	2018/19 £000	2017/18 £000
<b>Balance at 1 April</b>	(3,428)	(3,772)
Settlement or cancellation of accrual made at the end of the preceding year	3,428	3,772
Amount accrued at the end of the current year	(3,966)	(3,428)
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	(538)	344
<b>Balance at 31 March</b>	(3,966)	(3,428)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 24. TRADING OPERATIONS

The Council has two trading operations in existence: Commercial Rents and Street Markets which are incorporated into the Comprehensive Income and Expenditure Statement. A review of materiality has determined neither are material enough to disclose in the Council's financial statements and both have therefore been removed.

### 25. 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.

### 26. POOLED BUDGETS

#### **Community Equipment Service**

This agreement 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.

	2018/19			2017/18		
	£000 Council	£000 Partner	£000 Total	£000 Council	£000 Partner	£000 Total
<b>Croydon's Community Equipment Service</b>						
Funding provided to the pooled budget	(1,184)	(992)	(2,176)	(1,019)	(981)	(2,000)
Expenditure met from the pooled budget	2,254		2,254	2,159	0	2,159
Net Expenditure	1,070	(992)	78	1,140	(981)	159

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 26. 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.

	2018/19				2017/18			
	£000 Council	£000 Partner	£000 Unallocat	£000 Total	£000 Council	£000 Partner	£000 Unallocated	£000 Total
<b>Better Care Fund</b>								
Gross Income	(24,275)	(8,552)		(32,827)	(15,803)	(13,845)	(963)	(30,611)
Gross Expenditure	23,929	8,468		32,397	15,764	13,562	637	29,963
Net Expenditure	(346)	(84)	0	(430)	(39)	(283)	(326)	(648)

### 27. MEMBERS' ALLOWANCES

Total allowances paid to the Members of the Council was £1.516m in 2018/19 (£1.475m in 2017/18). The Council pays employer's national insurance on Members allowances, taking the total cost to £1.648m in 2018/19 (£1.601m in 2017/18)

### 28. OFFICERS' REMUNERATION

Out of more than 7,000 employees, the number whose remuneration, excluding pension contributions was £50,000 or more in bands of £5,000 was:

Remuneration Band	2018/19		2017/18	
	Schools	Non-Schools	Schools	Non-Schools
£200,000 - £204,999	0	1		
£195,000 - £199,999	0	0	0	1
£190,000 - £194,999	0	0	0	0
£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	1
£160,000 - £164,999	0	0	0	0
£155,000 - £159,999	0	0	0	0
£150,000 - £154,999	0	1	0	2
£145,000 - £149,999	0	0	0	0
£140,000 - £144,999	0	1	0	0
£135,000 - £139,999	0	0	0	1
£130,000 - £134,999	1	0	0	1
£125,000 - £129,999	0	1	1	2
£120,000 - £124,999	1	2	0	0
£115,000 - £119,999	0	1	1	2
£110,000 - £114,999	0	0	0	0
£105,000 - £109,999	4	5	3	8
£100,000 - £104,999	0	4	1	1
£95,000 - £99,999	1	3	0	3
£90,000 - £94,999	0	2	2	3
£85,000 - £89,999	1	10	1	2
£80,000 - £84,999	4	17	4	9
£75,000 - £79,999	6	10	7	12
£70,000 - £74,999	14	9	12	8
£65,000 - £69,999	16	25	19	28
£60,000 - £64,999	28	26	19	17
£55,000 - £59,999	26	62	38	35
£50,000 - £54,999	64	130	64	100

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

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**28. OFFICERS' REMUNERATION (continued)**

Executive Leadership Team	Jo Negrini Chief Executive	Shifa Mustafa Executive Director, Place	Richard Simpson Executive Director of Resources and Section 151 officer	Lisa Taylor Director of Finance, Investment and Risk and Interim S151 Officer	Barbara Peacock Executive Director, People	Jacqueline Harris-Baker Director of Law and Monitoring Officer	Jacqueline Harris-Baker Executive Director of Resources and Monitoring Officer	Julian Ellerby Director, Strategy and Partnerships	Robert Henderson Executive Director of Children, Families & Education	Eleni Loannides Executive Director (Interim) Children , Families and Education	Guy Van Dichele Executive Director (Interim) of Health, Wellbeing & Adults	Hazel Simmonds Executive Director of Gateway, Strategy & Engagement
<b>Start date</b>	29/04/2016	15/11/2016	06/09/2016	01/02/2019	25/07/2016	01/04/2017	01/02/2019	24/04/2017	27/11/2018	01/06/2018	01/06/2018	01/01/2019
<b>Leave Date</b>	£	£	06/03/2019 £	£	31/05/2018 £	31/01/2019 £	£	31/07/2018 £	£	29/11/2018 £	£	£
<b>2018/19</b>												
<b>Basic Salary and allowances Compensation for loss of Office</b>	188,700	153,000	143,892	19,500	67,837 53,808	95,175	24,905	59,712 30,000	50,151	150,000	215,444	33,750
<b>Total Remuneration excluding Pension Contributions</b>	<b>188,700</b>	<b>153,000</b>	<b>143,892</b>	<b>19,500</b>	<b>121,645</b>	<b>95,175</b>	<b>24,905</b>	<b>89,712</b>	<b>50,151</b>	<b>150,000</b>	<b>215,444</b>	<b>33,750</b>
<b>Employer's Pension Contributions</b>	28,494	23,103	21,550	2,945	4,228	14,371	3,761	5,904	7,573	0	0	5,096
<b>Total Remuneration including Pension Contributions</b>	<b>217,194</b>	<b>176,103</b>	<b>165,442</b>	<b>22,445</b>	<b>125,873</b>	<b>109,546</b>	<b>28,666</b>	<b>95,616</b>	<b>57,724</b>	<b>150,000</b>	<b>215,444</b>	<b>38,846</b>
<b>2017/18</b>												
<b>Basic Salary and allowances</b>	185,000	153,000	153,085		168,088	104,168	108,828					
<b>Total Remuneration excluding Pension Contributions</b>	<b>185,000</b>	<b>153,000</b>	<b>153,085</b>		<b>168,088</b>	<b>104,168</b>	<b>108,828</b>					
<b>Employer's Pension Contributions</b>	27,935	21,178	23,103		25,368	15,729	16,433					
<b>Total Remuneration including Pension Contributions</b>	<b>212,935</b>	<b>174,178</b>	<b>176,188</b>		<b>193,456</b>	<b>119,897</b>	<b>125,261</b>					

Remuneration total is gross payable before individuals' contribution to the Pension Fund. This includes basic salary and any contracted additions where applicable.

	2018-19 £	2017-18 £
<b>Jo Negrini -Returning Officer</b>		
Salary	12,745	12,952
Pensions Employers Contribution	1,925	1,956
<b>Excluded from amounts shown above</b>	<b>14,670</b>	<b>14,908</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 28. 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.

2018/19	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	1	0	1	465,184	0
£100,000 - £149,999	0	1	1	0	101,049	101,049
£80,000 - £99,999	1	2	3	87,881	182,373	270,254
£60,000 - £79,999	1	0	1	77,952	0	77,952
£40,000 - £59,999	5	4	9	253,182	195,671	448,853
£20,000 - £39,999	2	3	5	52,476	93,175	145,651
£0 - £19,999	17	15	32	170,759	124,366	295,125
<b>Total</b>	27	25	52	1,107,435	696,633	1,804,068

2017/18	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 £
	£100,000 - £149,999	1	0	1	102,863	0
£80,000 - £99,999	0	1	1	0	80,777	80,777
£60,000 - £79,999	0	2	2	0	134,686	134,686
£40,000 - £59,999	2	2	4	100,014	108,966	208,980
£20,000 - £39,999	0	6	6	0	161,598	161,598
£0 - £19,999	10	13	23	97,733	148,286	246,020
<b>Total</b>	13	24	37	300,610	634,314	934,924

### 29. EXTERNAL AUDIT COSTS

	2018/19 £000	2017/18 £000
Fees payable for other services during the year	10	10
Fees payable with regard to external audit services for London Borough of Croydon	133	173
Fees payable in response to Public Objection to 2016-17 accounts	(3)	40
Fees Payable for teachers pension claim and pooling of housing capital receipts	7	7
Fees payable for the certification of HB returns for the year	11	25
<b>Total for Croydon Council</b>	158	255
Fees payable by Brick by Brick Croydon Limited for external audit services	24	24
<b>Total Audit fees for the group</b>	182	279

The Housing Benefit claim certification audit was completed by Grant Thornton LLP in 2017-18, but in 2018-19 it will be carried out by Mazars LLP.

A free subscription to Grant Thornton's Adult Service Insight service was provided to Croydon Council during 2018-19, as the introductory year is free.

### 30. 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 2018/19 are set out in the following table:

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 30. DEDICATED SCHOOLS GRANT (continued)

Final DSG for 2018/19 before academy recoupment

Academy figure recouped for 2018/19

**Total DSG after academy recoupment for 2018/19**

Plus: Brought forward from 2017/18

Less: Carry-forward to 2018/19 agreed in advance

**Agreed initial budget distribution in 2018/19**

In year adjustments

**Final budget distribution for 2018/19**

Less: actual central expenditure

Less: actual ISB deployed to schools

**Carry-forward to 2019/20**

Central Expenditure £000	Individual Schools Budget £000	Total DSG 2018/19 £000
		335,549
		(166,889)
		168,660
		(964)
		0
9,240	158,456	167,696
0		
9,240	158,456	167,696
(9,240)		(9,240)
	(167,649)	(167,649)
0	(9,193)	(9,193)

### 31. 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:

#### Credited to Taxation and Non-Specific Grant Income

Council Tax Income

Revenue Support Grant

National Non-Domestic Rates (NNDR)

Recognised Capital Grants and Contributions

Non-service Related Government Grants

#### Taxation and Non-Specific Grants Credited to Services

Home Office - contribution towards Unaccompanied Asylum Seeking Children costs

MHCLG - Growth Zone, Troubled Families, Care Act, Better Care Fund

Department for Education - Dedicated Schools Grant

Department of Health - Public Health Grant

Department for Work and Pensions - Housing Benefit Subsidy

Department for Work and Pensions - funding for welfare reform and reducing fraud and error

Home Office - Leaving Care support

Private Finance Initiative (PFI) - contribution from Central Government towards PFI costs

PE and Sport Grant

Education Funding Agency - Pupil Premium Grant

Skills Funding Agency - Adult Education

Department of Education - Staying Put Grant

Education Funding Agency - Universal Infant Free School Meals

Department of Education - Other

Youth Justice Board - Youth Offending Services

Other Grants

**Sub Total - Service Grants and Contributions**

**Total Grants Income**

2018/19 £000	2017/18 £000
171,813	160,200
-	32,578
86,078	65,306
8,854	14,967
27,457	18,018
294,202	291,069
11,917	15,015
10,332	14,058
168,660	172,430
22,129	21,912
172,122	187,026
1,577	2,861
2,779	2,545
8,509	8,509
770	647
7,330	7,346
7,543	7,658
540	531
2,044	2,929
5,484	-
771	649
134	1,365
422,641	445,481
716,843	736,550

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:

#### Capital Grants Receipts in Advance

Ministry of Housing, Communities & Local Government - Disabled Facilities Grant

Department for Transport - Local Pinch Point Funding to improve the highways network

Department for Transport - Main Pothole Action Fund

Department for Education - Schools Condition Funding

Transport for London - Local Implementation Plan

Department of Health - Adult Social Care

Department for Education - Universal Free School Meals

Department for Education - Childrens Centres and Early Years

Department for Education - Special Provision Capital Fund

Homes & Communities Agency - Council New Build Funding

Public Health - Food Flagship Programme

Section 106 allocated receipts in advance

Other grants and contributions

**Total**

2018/19 £000	2017/18 £000
2,275	1,050
1,800	1,800
957	0
5,481	4,941
0	13
769	769
182	182
129	132
969	0
339	429
0	780
2,292	1,613
550	250
15,743	11,959

**32. 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.

**Central Government** has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and re-distribution of National Non-Domestic Rates, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).

**Greater London Authority:** Formed in 2000, the Greater London Authority (GLA) is a unique form of strategic citywide Government for London. It is made up of a directly elected Mayor - the Mayor of London - and a separately elected Assembly - the London Assembly. The Mayor is London's spokesman and leads the preparation of statutory strategies on transport, spatial development, economic development and the environment.

**Croydon Care Solutions Ltd, Brick By Brick Croydon Limited , Croydon Enterprise Loan Fund Limited and Octavo Schools Partnership:**

Further information regarding Croydon's influence over these organisations can be found in the Group Interests section to these accounts, in Note 40.

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 party transactions totalling over £100,000 for any individual organisation are considered material and are detailed below:

Organisation	Related Party	Related Party Transactions	2018/19 £'000	2017/18 £'000	
<b>Academy Schools</b>					
Oasis Academy Byron School	Cllr Margaret Bird	Croydon Council is responsible for passing on various funding streams to Academies which are regulated by the Schools funding formula. The council also sells support services to various academies which include utilities and other services.	192		
Fairchildes Academy Primary	Cllr Oliver Lewis		626		
John Ruskin College	Cllr Helen Pollard		109		
	Cllr Tim Pollard				
Woodcote High School	Cllr Ian Parker		164		
Quest Academy	Cllr Robert Ward				
New Valley Primary School	Cllr Steve O'Connell		34		
<b>Non-Maintained Schools</b>					
Saffron Valley Collegiate	Cllr Margaret Bird		5,106		
Heavers Farm Primary	Cllr Robert Ward		3,398		
Selsdon Primary	Cllr Robert Ward	2,815			
Thomas Moore	Cllr Badsha Quadir	152			
		<b>12,596</b>	<b>1,267</b>		
Brick By Brick Croydon Limited	Colm Lacey - Director Shifa Mustafa - Director Lisa Taylor (resigned 29/01/2019)	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.	41,819	40,468	
		The Council charges Brick by Brick for services, planning fees, staffing and interest costs	4,043	2,638	
CACFO Education Centre	Cllr Callton Young - Chair of Trustees	Croydon Council is responsible for delegating a range of education funding in accordance with agreed funding formulas	157	167	

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**32. RELATED PARTY TRANSACTIONS CONTINUED**

<b>Organisation</b>	<b>Related Party</b>	<b>Related Party Transaction</b>	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
Croydon Drop In Centre	Cllr Oliver Lewis - unpaid Director	Purchase of services from this charity by the Council, including the talkbus outreach service, funding healthy lifestyles and counselling services	326	288
Coast to Capital Board	Cllr Tony Newman	Local Enterprise Partnership awarding grants to business and public sector organisations.	266	0
London LGPS CIV Limited	Cllr Simon Hall	The collective investment vehicle for London Local Authority pension funds.	100	0
The Learning Tree Pre School	Cllr Carole Bonner Cllr Simon Hall - Partner is a trustee	Croydon Council is responsible for delegating various funding streams to the Early Years Providers, as determined by the relevant sections of the Schools	239	267
Octavo Partnership Limited	Emma Lindsell - Director	Transfer of education funding for the delivery of specific projects, as well as purchase of schools services and consultancy.	1,258	1,083
Purley BID Community Interest company	Cllr Simon Brew - Board member	Collection and payment of a BID levy on business rates by the Council to the BID company	179	137
Stanley People's Initiative	Cllr Paul Scott - Trustee	Voluntary sector loan granted by Croydon Council to facilitate the refurbishment of the Stanley Halls arts venue		14
Whitgift Foundation	Cllr Dudley Mead (No longer a councillor)	Croydon Council is responsible for delegating various funding streams to the Early Years Providers, as determined by the relevant sections of the School.		251
Project Centre Ltd (part of NSL group)	Lee Parker	Streetscape design company which helped create advertisements as well as concept designs for popular streets in Croydon such as Wellesley Road and George Street.	0	258
OnSide	David Butler-Trustee (No Longer a Director)	Grant payment to Croydon OnSide Youth Zone for a project for a purpose built facility for 8-19 years olds and up to 25 for people with disabilities.	25	100
<b>Receipts</b>				
Pension Contributions - from the Council (employer's contributions)			21,702	16,427
Pension Contributions - from employees (deductions paid over)			7,889	7,534
<b>Total Receipts</b>			<b>29,591</b>	<b>23,961</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 33. 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.

#### EXPENDITURE:

Property, Plant and Equipment	117,297	29,163	146,460	64,274
Acquisition of investment properties	75,631	0	75,631	0
Revenue expenditure funded from capital under statute	67,143	816	67,959	58,044
Transformation Expenditure	29,307	0	29,307	14,503
Heritage Assets	0	0	-	84
Intangible assets	5,815	80	5,895	2,893

#### FINANCED BY:

Borrowing approvals	188,012	0	188,012	58,401
Capital receipts	90,506	5,139	95,645	24,969
Government grants and other contributions	16,675	0	16,675	30,285
Direct revenue contributions	0	10,200	10,200	15,138
Major Repairs Reserve	0	14,720	14,720	11,005

General Fund £000	Housing Revenue Account £000	2018/19 Total £000	2017/18 Total £000
117,297	29,163	146,460	64,274
75,631	0	75,631	0
67,143	816	67,959	58,044
29,307	0	29,307	14,503
0	0	-	84
5,815	80	5,895	2,893
<b>295,193</b>	<b>30,059</b>	<b>325,252</b>	<b>139,798</b>
188,012	0	188,012	58,401
90,506	5,139	95,645	24,969
16,675	0	16,675	30,285
0	10,200	10,200	15,138
0	14,720	14,720	11,005
<b>295,193</b>	<b>30,059</b>	<b>325,252</b>	<b>139,798</b>

#### EXPLANATION OF MOVEMENTS IN YEAR:

Opening Capital Financing Requirement	694,042	322,497	1,016,539	905,725
Increase in underlying need to borrow (unsupported by Government financial assistance)	188,012	0	188,012	58,401
MRP / Loans fund principal	(8,941)		(8,941)	(7,996)
Development Loans (unsupported by government financial assistance)	115,346		115,346	46,909
Property Fund Investment (unsupported by government financial assistance)			-	13,500
Closing Capital Financing Requirement	988,459	322,497	1,310,956	1,016,539

General Fund £000	Housing Revenue Account £000	2018/19 Total £000	Restated 2017/18 Total £000
694,042	322,497	1,016,539	905,725
188,012	0	188,012	58,401
(8,941)		(8,941)	(7,996)
115,346		115,346	46,909
		-	13,500
<b>988,459</b>	<b>322,497</b>	<b>1,310,956</b>	<b>1,016,539</b>

The values for the 2017/18 Capital Financing Requirement have been restated to reflect development loans and property fund investments. These were originally not included on this note in the 2017/18 accounts.

**34. LEASES**

**Council as lessor - operating leases**

During 2018-19, the council purchased the freeholds of the Croydon Park Hotel and the Colonnades Retail and Leisure Park. Both sites were subsequently let as operating leases.

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

	<b>2018/19 Total £000</b>	<b>2017/18 Total £000</b>
<b>Investment Property - Net Book Value</b>	<b>74,379</b>	<b>0</b>
Future minimum lease payments receivable at Balance sheet date		
Within One Year	4,059	0
Later than one Year but within five years	17,131	0
Later than five years	24,141	0

**Council as lessor - finance leases**

The transfer of 167 properties to Croydon Affordable Tenures LLP by the council on an 80 year 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)

	<b>2018/19 Total £000</b>	<b>2017/18 Total £000</b>
<b>Sale of Dwellings - Net Book Value</b>	<b>52,155</b>	<b>25,208</b>
Future minimum lease payments receivable at Balance sheet date		
Within One Year	346	195
Later than one Year but within five years	1,325	420
Later than five years	23,272	7,175

**35. 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 2018-19 the payment to Caring 4 Croydon Ltd was £5.4m comprising £2.73m 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 £48m over the remaining 17 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 2018/19 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**

	<b>Ashburton Learning Village £000</b>	<b>Adult Homes For The Future £000</b>	<b>Street Lighting £000</b>	<b>2018/19 Total £000</b>	<b>2017/18 Total £000</b>
Net book value as at 31 March 2018	31,324	33,826	46,084	111,234	93,405
Gross book value as at 31 March 2018	31,324	33,826	51,826	116,976	97,144
Additions	0	0	0	0	-
Revaluation	790	672	0	1,462	19,832
Gross book value as at 31 March 2019	32,114	34,498	51,826	118,438	116,976
Depreciation written out after revaluation	1,021	1,103	0	2,124	1,497
Depreciation as at 1 April 2018	0	0	(5,742)	(5,742)	(3,739)
Depreciation for year	(1,021)	(1,103)	(2,004)	(4,128)	(3,501)
<b>Net book value as at 31 March 2019</b>	<b>32,114</b>	<b>34,498</b>	<b>44,080</b>	<b>110,692</b>	<b>111,233</b>

**Value of Liabilities**

	<b>Ashburton Learning Village</b>	<b>Adult Homes For The Future</b>	<b>Street Lighting</b>	<b>2018/19 Total £000</b>	<b>2017/18 Total £000</b>
Creditors as at 31 March 2018	(14,406)	(20,614)	(45,188)	(80,209)	(82,181)
"Drawdown" at start of operational period	0	0	0	0	-
Capital repayment	506	543	1,066	2,115	1,972
Lump sum contribution	0	0	0	0	0
<b>Creditors as at 31 March 2019</b>	<b>(13,900)</b>	<b>(20,071)</b>	<b>(44,122)</b>	<b>(78,094)</b>	<b>(80,209)</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS (continued)**

Repayment of Liabilities	Ashburton	Adult Homes	Street	2018/19	2017/18
	Learning Village	For The Future	Lighting	Total	Total
	£000	£000	£000	£000	£000
Within one year	533	576	1,161	2,270	2,115
Within two to five years	2,434	2,672	5,772	10,878	10,132
Within six to ten years	3,850	4,351	10,615	18,816	17,507
Within 11 to 15 years	4,996	5,829	16,251	27,076	25,164
Within 16 to 20 years	2,085	6,643	10,323	19,051	24,707
Within 21 to 25 years	-	-	-	0	584
<b>Total</b>	<b>13,899</b>	<b>20,071</b>	<b>44,122</b>	<b>78,092</b>	<b>80,209</b>
<b>Interest Payments</b>	<b>Ashburton</b>	<b>Adult Homes</b>	<b>Street</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>Learning Village</b>	<b>For The Future</b>	<b>Lighting</b>	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	743	1,209	3,923	5,875	6,030
Within 2 to 5 years	2,671	4,467	14,565	21,703	22,451
Within 6 to 10 years	2,532	4,573	14,807	21,911	23,221
Within 11 to 15 years	1,386	3,095	9,170	13,651	15,564
Within 16 to 20 years	148	1,091	1,513	2,753	4,648
Within 21 to 25 years	-	-	-	0	12
Within 26 to 30 years	-	-	-	-	-
<b>Total</b>	<b>7,481</b>	<b>14,434</b>	<b>43,978</b>	<b>65,893</b>	<b>71,926</b>
<b>Service Charge Payments</b>	<b>Ashburton</b>	<b>Adult Homes</b>	<b>Street</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>Learning Village</b>	<b>For The Future</b>	<b>Lighting</b>	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	929	1,838	1,536	4,303	4,163
Within 2 to 5 years	4,059	7,927	6,706	18,692	18,091
Within 6 to 10 years	5,915	11,314	9,802	27,031	26,177
Within 11 to 15 years	6,962	13,067	11,659	31,688	30,702
Within 16 to 20 years	2,714	12,930	6,257	21,901	27,585
Within 21 to 25 years	-	-	-	0	1,060
Within 26 to 30 years	-	-	-	-	-
<b>Total</b>	<b>20,580</b>	<b>47,076</b>	<b>35,960</b>	<b>103,615</b>	<b>107,778</b>
<b>Lifecycle Payments</b>	<b>Ashburton</b>	<b>Adult Homes</b>	<b>Street</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>Learning Village</b>	<b>For The Future</b>	<b>Lighting</b>	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	411	405	0	816	816
Within 2 to 5 years	1,643	1,621	0	3,264	3,264
Within 6 to 10 years	2,054	2,026	0	4,080	4,080
Within 11 to 15 years	2,054	2,026	0	4,080	4,080
Within 16 to 20 years	719	1,756	0	2,475	3,156
Within 21 to 25 years	-	-	0	0	135
Within 26 to 30 years	-	-	0	-	-
<b>Total</b>	<b>6,881</b>	<b>7,833</b>	<b>0</b>	<b>14,714</b>	<b>15,531</b>
<b>Contingent Rent</b>	<b>Ashburton</b>	<b>Adult Homes</b>	<b>Street</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>Learning Village</b>	<b>For The Future</b>	<b>Lighting</b>	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	0	0	97	97	90
Within 2 to 5 years	0	0	438	438	421
Within 6 to 10 years	0	0	542	542	557
Within 11 to 15 years	0	0	324	324	388
Within 16 to 20 years	0	0	(48)	(48)	(13)
Within 21 to 25 years	0	0	0	0	0
Within 26 to 30 years	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1,352</b>	<b>1,352</b>	<b>1,443</b>

**36. IMPAIRMENT LOSSES**

There were no impairments to assets in 2018/19 (£nil in 2017/18).

**37. 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.

**Business Rates Appeals**

When the new Business Rates retention system was introduced on 1 April 2013, the Council took on the risk and reward associated with 30% of the annual Business Rates Yield, which increased to 64% in 2018/19. As a consequence the Council is exposed to a significant risk regarding Business Rates appeals. Organisations can appeal the Rateable Value of their business premises if they believe it is incorrect. These appeals are lodged directly with the Valuation Office Agency (VOA) who then assesses the case and either reject the appeal or adjust the Rateable Value of the premises. Where appeals are successful the Council must refund any amounts that have been overcharged (backdated to the last revaluation).

The Collection Fund includes a provision of £11.9m in 2018/19, of which £7.6m or 64% is included in the Council's Accounts, to allow for backdated appeals relating to 2018/19 and prior years. This provision is based on appeals outstanding as at 31 March 2019, as advised by the VOA, and a judgement of likely future appeals.

**38. 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 policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

The annual treasury management strategy for 2018/19 which incorporates the prudential indicators was approved by Council on 26 February 2018 and is available on the Council's website. The key issues within the strategy were:

1. The Authorised Borrowing Limit for 2018/19 was set at £1,307.067m. This is the maximum limit of external borrowings or other long term liabilities.
2. The Operational Boundary was set at £1,267.067m. 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.

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.

	<b>Amounts at 31 March 2019 £000</b>	<b>Historical Experience of Default  %</b>	<b>Estimated Maximum Exposure to Default £000</b>
Deposits with banks and other financial institutions	118,700	0	0
Bonds and other securities	0	0	0
Customers	0	0	0
<b>Total</b>	<b>118,700</b>	<b>0</b>	<b>0</b>

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

**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 meet 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 15% 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 £118.7m has been invested in the banking sector and with other local authorities, and £213m 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):

	<b>At 31 March 2019 £000</b>	<b>At 31 March 2018 £000</b>
<b>Loans outstanding:</b>		
PWLB	857,926	677,926
Market debt / LOBOs	217,389	203,134
Temporary borrowing	199,000	21,000
Deferred purchases	78,291	80,406
Other	4,507	4,514
<b>Total</b>	<b>1,357,113</b>	<b>986,980</b>
Less than 1 year	213,270	103,115
Between 1 and 2 years	42,437	27,026
Between 2 and 5 years	69,016	35,106
Between 5 and 10 years	58,816	61,081
More than 10 years	973,574	760,652
<b>Total</b>	<b>1,357,113</b>	<b>986,980</b>

**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.

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

According to this assessment strategy, at 31 March 2019, if interest rates had been 1% higher, the financial effect would be:

At 31 March 2019 £000	At 31 March 2018 £000
(265,420)	(178,209)

Decrease in fair value of fixed rate borrowing liabilities

(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.

**39. 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 (£0.887mm)
- ▶ The Frank Denning Memorial Charity, which provides travelling scholarships (£0.351m).

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

**40. GROUP INTERESTS**

The Council reviewed its group activities during 2018/19, 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. Activity in 2018/19 continues to be material, and group accounts have been prepared with Brick By Brick Croydon Limited.

Croydon Affordable Housing is a charity which holds 90% control of four Limited Liability Partnerships. The remaining 10% control of these is held by the London Borough of Croydon (Holdings) LLP, which is wholly controlled by the Council. A review of economic control has judged that the Council does not have control of either the Croydon Affordable Housing charity or the four Limited Liability Partnerships.

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 2018/19 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 2018-19, and any sums are immaterial.

**41. DATE OF ACCOUNTS BEING AUTHORISED FOR ISSUE AND BY WHOM**

This Statement of Accounts was issued on 31 July 2019 by Lisa Taylor, Director of Finance, Investment & Risk and Interim Section 151 officer

**42. 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.

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 2018/19, the Council paid £ 7.434 m (2017/18: £7.801m) to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% (2017/18: 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 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 and projections of earnings for current employees.

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 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.



**42. 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 2016. This identified a funding level of 73% which equates to a deficit of £326m. The actuary set contribution rates for each employer, after consideration of their relative risk profiles and with the objective of the Fund achieving full funding over a 22 year period.

**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.

<b>Actuarial Assumptions</b>	<b>31 March 2019</b>	<b>31 March 2018</b>
<b>Financial assumptions</b>		
Rate of increase in salaries *	3.00%	2.90%
Rate of increase of pensions	2.50%	2.40%
Discount rate	2.40%	2.60%
<b>Split of assets between investment categories</b>		
Equities	0.00%	53.00%
Debt Securities	0.00%	0.00%
Private Equity	9.00%	8.00%
Real Estate	14.00%	10.00%
Investment Funds and Unit Trusts	75.00%	28.00%
Cash / Liquidity	2.00%	1.00%
<b>Life expectancy</b>		
of a male (female) future pensioner aged 65 in 20 years time	24.0 (26.2) years	24.0 (26.2) years
of a male (female) current pensioner aged 65	22.3 (24.4) years	22.3 (24.4) years

<b>Commutation of pension for lump sum at retirement</b>	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
<b>Market value of total funds (£ millions)</b>	1,230 as at 31 Mar 2019

\* Salary increases are assumed to be 2% until 31 March 2019 reverting to the long term assumption shown thereafter.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 42. 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 2019			31 March 2018		
	Assets £000	Obligations £000	Net (Liability) /Asset £000	Assets £000	Obligations £000	Net (Liability) /Asset £000
Fair value of employer assets	956,337		956,337	950,489	0	950,489
Present value of funded liabilities		1,552,554	(1,552,554)	0	1,525,973	(1,525,973)
Present value of unfunded liabilities		19,822	(19,822)	0	18,768	(18,768)
<b>Opening Position as at 31 March 2018 and 31 March 2017</b>	<b>956,337</b>	<b>1,572,376</b>	<b>(616,039)</b>	<b>950,489</b>	<b>1,544,741</b>	<b>(594,252)</b>
Service cost:						
Current service cost *		55,460	(55,460)		53,691	(53,691)
Past service cost (including curtailments)		7,497	(7,497)		117	(117)
Effect of settlements	(969)	(3,859)	2,890	(427)	(2,492)	2,065
<b>Total Service Cost</b>	<b>(969)</b>	<b>59,098</b>	<b>(60,067)</b>	<b>(427)</b>	<b>51,316</b>	<b>(51,743)</b>
Net interest:						
Interest income on plan assets	24,638		24,638	23,535		23,535
Interest cost on defined benefit obligation		41,142	(41,142)		38,763	(38,763)
Impact of asset ceiling on net interest						
<b>Total Net Interest</b>	<b>24,638</b>	<b>41,142</b>	<b>(16,504)</b>	<b>23,535</b>	<b>38,763</b>	<b>(15,228)</b>
<b>Total Defined Benefit Cost Recognised in Profit or (Loss)</b>	<b>23,669</b>	<b>100,240</b>	<b>(76,571)</b>	<b>23,108</b>	<b>90,079</b>	<b>(66,971)</b>
Cashflows:						
Plan participants' contributions	8,876	8,876	0	8,256	8,256	0
Employer contributions	21,077		21,077	18,667		18,667
Contributions in respect of unfunded benefits	1,137		1,137	1,254		1,254
Benefits paid	(45,391)	(45,391)	0	(43,296)	(43,296)	0
Unfunded benefits paid	(1,137)	(1,137)	0	(1,254)	(1,254)	0
<b>Expected Closing Position</b>	<b>964,568</b>	<b>1,634,964</b>	<b>(670,396)</b>	<b>957,224</b>	<b>1,598,526</b>	<b>(641,302)</b>
Remeasurements:						
Changes in demographic assumptions					0	0
Changes in financial assumptions		91,799	(91,799)		(28,096)	28,096
Other experience		(1,905)	1,905		1,946	(1,946)
Return on assets excluding amounts included in net interest	96,185		96,185	(887)		(887)
Changes in asset ceiling						0
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>96,185</b>	<b>89,894</b>	<b>6,291</b>	<b>(887)</b>	<b>(26,150)</b>	<b>25,263</b>
Exchange differences	0	0	0	0	0	0
Effect of business combinations and disposals	0	0	0	0	0	0
Fair value of employer assets	1,060,753		1,060,753	956,337		956,337
Present value of funded liabilities		1,707,364	(1,707,364)		1,552,554	(1,552,554)
Present value of unfunded liabilities **		17,495	(17,495)		19,822	(19,822)
<b>Closing Position</b>	<b>1,060,753</b>	<b>1,724,859</b>	<b>(664,106)</b>	<b>956,337</b>	<b>1,572,376</b>	<b>(616,039)</b>

\* The service cost figures include an allowance for administration expenses of 1.1% of payroll.

\*\* (31 March 2019) This liability comprises of approximately £16,903,000 in respect of LGPS unfunded pensions and £592,000 in respect of Teachers' unfunded pensions. For unfunded liabilities as at 31 March 2019, 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 42. 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 £616 million to £664 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.

Asset Category	Period Ended 31 March 2019				Period Ended 31 March 2018			
	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 %
<b>Equity Securities:</b>								
Consumer			0	0.0	60,801		60,801	6.4
Manufacturing			0	0.0	55,347		55,347	5.8
Energy and Utilities			0	0.0	37,446		37,446	3.9
Financial Institutions		127	127	0.0	115,393		115,393	12.1
Health and Care			0	0.0	83,918		83,918	8.8
Information Technology			0	0.0	97,608		97,608	10.2
Other			0	0.0	61,401		61,401	6.4
<b>Debt Securities:</b>								
Other								
<b>Private Equity:</b>								
All		93,261	93,261	8.8		77,379	77,379	8.1
<b>Real Estate:</b>								
UK Property		151,405	151,405	14.3	69,624	23,964	93,588	9.8
Overseas Property								
<b>Investment Funds and Unit Trusts:</b>								
Equities		437,545	437,545	41.2	23,730		23,731	2.5
Bonds		239,462	239,462	22.6		176,875	176,875	18.5
Hedge Funds								
Commodities								
Infrastructure		121,210	121,210	11.4		65,244	65,244	6.8
Other	0		0	0.0				
<b>Derivatives</b>			0	0.0	124		124	
<b>Equivalents:</b>								
All		17,743	17,743	1.7	7,482		7,482	0.8
<b>Totals</b>	<b>0</b>	<b>1,060,753</b>	<b>1,060,753</b>	<b>100</b>	<b>612,873</b>	<b>343,462</b>	<b>956,336</b>	<b>100</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

#### Key Financial Data Relating to the Current and Four Previous Periods

	31 March 2019	31 March 2018	31 March 2017	31 March 2016	31 March 2015
	£000	£000	£000	£000	£000
Present value of benefit obligations	(1,724,859)	(1,572,376)	(1,544,741)	(1,227,482)	(1,272,735)
Fair value of Fund assets	1,060,753	956,337	950,489	734,070	716,110
Surplus / (Deficit) of the Fund	(664,106)	(616,039)	(594,252)	(493,412)	(556,625)
Experience adjustments on Fund liabilities	(89,894)	26,150	(287,311)	(80,412)	100,357
Expressed as a percentage	5.21%	(1.66%)	18.60%	6.55%	(7.89%)
Experience adjustments on Fund assets	(96,185)	887	(163,568)	(1,315)	69,873
Expressed as a percentage	(9.07%)	0.09%	(17.21%)	(0.18%)	9.76%

## 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.

	<b>Note No.</b>	<b>2018/19 £000</b>	<b>2017/18 £000</b>
<b>Income</b>			
Dwelling rents		(75,163)	(76,868)
Non-dwelling rents		(1,200)	(1,277)
Charges for services and facilities		(14,848)	(14,140)
Contributions towards expenditure		(53)	(13)
Capital grants and contributions receivable		-	0
<b>Total Income</b>		<b>(91,264)</b>	<b>(92,298)</b>
<b>Expenditure</b>			
Repairs and maintenance		11,733	11,581
Supervision and management		40,549	36,878
Rents, rates, taxes and other charges		4,347	4,413
Allowance for debtors		835	797
Depreciation of non-current assets	2.1 & 3	12,791	11,643
Amortisation of intangible assets		43	36
Revenue expenditure funded from capital under statute	3 & 4	816	9,369
<b>Total Expenditure</b>		<b>71,114</b>	<b>74,717</b>
<b>Net cost of HRA services as included in the whole-Authority Comprehensive Income and Expenditure Statement</b>		<b>(20,150)</b>	<b>(17,581)</b>
<b>HRA services share of Corporate and Democratic Core</b>		489	489
<b>HRA share of Pensions Reserve contributions not allocated to specific services</b>		(169)	(168)
<b>Net cost of HRA services</b>		<b>(19,830)</b>	<b>(17,260)</b>
Gain or loss on sale of HRA non-current assets		(5,864)	(8,230)
Gain or loss on revaluation of non-current assets		132	-
Housing pooled capital receipt		237	-
Interest payable and similar charges		12,093	12,187
Interest and investment income		(1)	(1)
Pensions interest costs and expected return on pensions assets		1,814	1,314
Capital Grants & Contributions Receivable		-	(236)
<b>(Surplus)/ deficit for the year on HRA services</b>		<b>(11,419)</b>	<b>(12,226)</b>

## 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.	2018/19 £000	2017/18 £000
<b>HRA surplus balance brought forward</b>		(14,535)	(12,555)
<b>(Surplus)/deficit for the year on the HRA Comprehensive Income and Expenditure Statement</b>		(11,419)	(12,226)
<b>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</b>			
Transfer to/(from) Major Repairs Reserve	3		-
Amortisation of intangible assets		(43)	(36)
Gain or loss on revaluation of non-current assets		(133)	0
Gain or loss on sale of HRA non-current assets		5,865	8,230
Capital Grants & Contributions Receivable		-	236
Revenue expenditure funded from capital under statute	3 & 4	(816)	(9,369)
Net charges made for retirement benefits in accordance with IAS19		(4,249)	(4,059)
		624	(4,998)
<b>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</b>			
Amortisation of premiums and discounts		98	98
Capital expenditure funded by the Housing Revenue Account	3	10,199	15,138
Housing pooled capital receipt		(236)	-
		10,061	15,236
<b>Contributions to/from reserves</b>			
Short-Term Accumulating Compensated Absences (STACA)		(2)	8
Transfer to/from HRA Balances		(2)	8
Net additional amounts		10,683	10,246
(Increase)/decrease in HRA balance for the year		(736)	(1,980)
<b>HRA balance carried forward</b>		(15,271)	(14,535)

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. NUMBER AND TYPE OF DWELLINGS IN THE HOUSING STOCK

#### Types of Property

Houses  
Flats  
Relocatable Homes

#### Total Dwellings

	2018/19	2017/18
Houses	5,207	5,238
Flats	8,268	8,320
Relocatable Homes	-	14
<b>Total Dwellings</b>	13,475	13,572

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

#### 2018/19

	Council Dwellings £000	Other Land and Buildings £000	Surplus Assets £000	Assets Held For Sale £000	Total £000
Net book value as at 1 April 2018	989,649	14,482	698	2,849	1,007,678
Gross book value as at 1 April 2018	989,649	14,536	698	2,849	1,007,732
Additions	29,257				29,257
Revaluation increase/(decrease) recognised in the Revaluation Reserve	(58,320)	(506)			(58,826)
Revaluation increase/(decrease) recognised in Income and Expenditure				(133)	(133)
Derecognition - Disposals	(6,193)			(1,371)	(7,564)
Derecognition - Derecognitions	(349)				(349)
Transfers/Reclassifications		448	(448)		-
Other movements in cost or valuation					-
Gross book value as at 31 March 2019	954,044	14,478	250	1,345	970,117
<b>Accumulated Depreciation and Impairment</b>					
At 1 April 2018	0	54	0	0	54
Depreciation for year	12,327	458	6		12,791
Depreciation written out to the Revaluation Reserve	(12,327)	(435)			(12,762)
Depreciation written out to Income and Expenditure					0
Derecognition - Disposals					0
Transfers/Reclassifications					0
Other movements in depreciation and impairment					0
Accumulated Depreciation and Impairment at 31 March 2019	0	77	6	0	83
<b>Net book value as at 31 March 2019</b>	954,044	14,401	244	1,345	970,034

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.

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 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 2019	31 March 2018
Total Dwellings	13,475	13,572
Leaseholds	2,470	2,409
Garages	2,635	2,647
Parking Spaces	108	99
	18,688	18,727
	<b>£M</b>	<b>£M</b>
Vacant possession value of dwellings at 31 March 2019	£3,814	
Vacant possession value of dwellings at 31 March 2018	£3,957	£3,957
Vacant possession value of dwellings at 31 March 2017		£3,626
Vacant possession value of dwellings at 31 March 2016		£3,310

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 £3,957m x 25% = £990m as at 31 March 2018

The valuation of council dwellings as at 31 March 2019 was undertaken by Wilks Head & Eve. This led to an increase in the vacant possession value of £143m to £3,814m. The EUV-SH value was £3,814m x 25% = £954m as at 31 March 2019.

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.



## NOTES TO THE HOUSING REVENUE ACCOUNT

### 3. CAPITAL EXPENDITURE

#### Expenditure

Non-current assets (buildings)  
Revenue expenditure funded from capital under statute  
Intangible assets

2018/19 £000	2017/18 £000
29,163	23,485
816	9,369
80	35
30,059	32,889

#### Financed By

Borrowing approvals  
Capital receipts  
Government grants and other contributions  
Direct revenue contributions  
Major Repairs Reserve

0	-
5,139	6,510
0	236
10,200	15,138
14,720	11,005
30,059	32,889

#### Capital Receipts

Balance brought forward  
  
Mortgage repayments  
Other capital receipts  
Net surplus for year  
  
Receipts from sales of assets during the year  
Transfer to Housing Capital Receipts Pool (via General Fund)  
Balance of receipts after transfer

2018/19 £000	2017/18 £000
44,400	38,634
-	1
0	0
0	1
13,777	14,289
(2,250)	(2,014)
11,527	12,275

Balance on account before application of receipts

Financing of capital expenditure

#### Balance carried forward

55,927	50,910
(23,328)	(6,510)
32,599	44,400

#### Major Repairs Reserve

Authorities are required by the Accounts and Audit (England) Regulations 2011 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

Opening balance as at 1 April  
Depreciation charge to HRA  
Capital expenditure during the year  
Other reserve adjustments

2018/19 £000	2017/18 £000
1,929	1,290
12,791	11,644
(14,720)	(11,005)
-	-
0	1,929

#### Closing balance as at 31 March

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 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

	2018/19		2017/18	
	Debtors £000	Allowance for Credit Losses £000	Debtors £000	Allowance for Credit Losses £000
Housing Revenue Account rents	10,524	(6,330)	9,497	(5,498)
Housing Revenue Account lease holder service charges/major works	3,772	0	4,139	-
Housing Revenue Account other debtors	20	0	20	0
	14,316	(6,330)	13,656	(5,498)

**COLLECTION FUND**

**INCOME AND EXPENDITURE ACCOUNT**

	Note No.	2018/19			2017/18		
		Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
<b>INCOME DUE</b>							
Council Tax-payers	2		211,148	211,148		197,607	197,607
Business Rates	1(a)	121,185		121,185	111,578		111,578
Transition grant from MHCLG		5,317		5,317	6,774		6,774
Crossrail Business Rate Supplement	1(b)	3,514		3,514	3,396		3,396
<b>Total Income</b>		<b>130,016</b>	<b>211,148</b>	<b>341,164</b>	<b>121,748</b>	<b>197,607</b>	<b>319,355</b>
<b>EXPENDITURE</b>							
Charges to the Collection Fund:							
Changes in Provision for Bad and Doubtful Debts		(2,619)	1,594	(1,025)	(3,884)	2,043	(1,841)
Write-offs of Bad Debt		2,406	85	2,491	5,136	288	5,424
Changes in Provision for Appeals		(5,049)		(5,049)	5,500	0	5,500
Transfer to designated area (Growth Zone)		2,512		2,512	0	0	0
Cost of Collection		426		426	430	0	430
Cost of Collection - Crossrail		8		8	8	0	8
		<b>(2,316)</b>	<b>1,679</b>	<b>(637)</b>	<b>7,190</b>	<b>2,331</b>	<b>9,521</b>
<b>Total Income less Charges</b>		<b>132,332</b>	<b>209,469</b>	<b>341,801</b>	<b>114,558</b>	<b>195,276</b>	<b>309,834</b>
Precepts, Demands and Shares:							
London Borough of Croydon	3	78,025	167,359	245,384	35,306	155,059	190,365
Greater London Authority (GLA)		43,889	36,673	80,562	43,544	33,950	77,494
Housing, Communities and Local Government (CLG)				0	38,836	0	38,836
Greater London Authority (Crossrail)	1(b)	3,506		3,506	3,388	0	3,388
<b>(Surplus)/Deficit for year</b>		<b>(6,912)</b>	<b>(5,437)</b>	<b>(12,349)</b>	<b>6,516</b>	<b>(6,267)</b>	<b>249</b>
<b>Distribution of Previous Year's Collection Fund Surplus:</b>							
London Borough of Croydon		3,927	4,841	8,768	(2,177)	5,829	3,652
Greater London Authority (GLA)		2,735	1,060	3,795	(1,452)	1,321	(131)
Housing, Communities and Local Government (CLG)		6,427		6,427	(3,630)	0	(3,630)
<b>Total Distribution of Previous Year's Collection Fund Surplus</b>		<b>13,089</b>	<b>5,901</b>	<b>18,990</b>	<b>(7,259)</b>	<b>7,150</b>	<b>(109)</b>
<b>Movement of Collection Fund in the Year</b>							
Balance brought forward (surplus)/deficit		(5,884)	(6,166)	(12,050)	(5,141)	(7,049)	(12,190)
<b>Balance carried forward (surplus)/deficit</b>		<b>293</b>	<b>(5,702)</b>	<b>(5,409)</b>	<b>(5,884)</b>	<b>(6,166)</b>	<b>(12,050)</b>
<b>Allocation of surplus</b>							
Surplus declared in the January Delegation report to be distributed in the following year:							
London Borough of Croydon		(2,519)	(4,060)	(6,579)	(3,927)	(4,841)	(8,768)
GLA		49	(891)	(842)	(4,843)	(1,060)	(5,903)
CLG		2,403	0	2,403	(4,319)	0	(4,319)
Fund balance and deficit carried forward:							
London Borough of Croydon		257	(616)	(359)	2,162	(217)	1,945
GLA		129	(135)	(6)	2,666	(48)	2,618
CLG		(26)	0	(26)	2,378	0	2,378
		<b>293</b>	<b>(5,702)</b>	<b>(5,409)</b>	<b>(5,884)</b>	<b>(6,166)</b>	<b>(12,050)</b>

**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 2019/20, the retention rate changes to 75%, which is consistent across England.

	2017-18	2018-19	2019-20
▶ Central Government	33%	0%	25%
▶ London Borough of Croydon	30%	64%	48%
▶ Greater London Authority	37%	36%	27%

The total Non Domestic Rateable Value as at 31 March 2019 was £323,313,283 (£325,243,283 at 31 March 2018). The multiplier for 2018/19 was set at 49.3p (47.9p for 2017/18) and the multiplier for small businesses was set at 48.0p (46.6p for 2017/18).

**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, £1,636.96 for 2018/19 (£1,558.93 for 2017/18) is multiplied by the proportion specified for the particular band to give an individual amount due.

## NOTES TO THE COLLECTION FUND

### 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 2018/19

Valuation Band	Number of Chargeable Dwellings	Band D Proportion	Band D Equivalent Dwellings	Council Tax £.pp	Council Tax Income £000
Band A	2,304	6/9	1,536	1,091.30	2,514
Band B	13,783	7/9	10,720	1,273.20	17,549
Band C	35,625	8/9	31,667	1,445.07	51,481
Band D	31,492	9/9	31,492	1,636.96	51,551
Band E	19,794	11/9	24,193	2,000.72	39,602
Band F	10,721	13/9	15,486	2,364.50	25,350
Band G	7,089	15/9	11,815	2,728.26	19,341
Band H	628	18/9	1,256	3,273.92	2,056
<b>Total</b>			128,165		209,444
Multiplied by estimated collection rate			97.25%		
Number of Band D equivalent dwellings			124,640		
Total of Demands/Precepts for year			203,684		
Adjustments during the year (including prior years)					1,704
<b>Final collectable amount</b>					211,148
Income per Collection Fund:					
Council Tax collectable					0
Council Tax benefits					0
<b>Final collectable amount</b>					211,148

**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.

	<b>2018/19 £.pp</b>	<b>2017/18 £.pp</b>
Band D equivalent Council Tax charge		
Split thereof:		
Croydon	1,342.73	1,278.91
Greater London Authority	294.23	280.02
<b>Total</b>	<b>1,636.96</b>	<b>1,558.93</b>
Payment to Croydon:-		
Share of Band D equivalent Council Tax charge	1,342.73	1,278.91
Number of Band D equivalent dwellings	124,641	121,243
<b>Total</b>	<b>167,359,210</b>	<b>155,058,885</b>
<b>Rounded to £000's</b>	<b>167,359</b>	<b>155,059</b>
Payment to the Greater London Authority:-		
Share of Band D equivalent Council Tax charge	294.23	280.02
Number of Band D equivalent dwellings	124,641	121,243
<b>Total</b>	<b>36,673,121</b>	<b>33,950,465</b>
<b>Rounded to £000's</b>	<b>36,673</b>	<b>33,950</b>

**GROUP STATEMENTS**

**GROUP MOVEMENT IN RESERVES STATEMENT**

2018/19	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
<b>Balance b/f at 1 April 2018</b>	7,738	18,153	25,891	14,535	55,422	14,305	1,929	112,082	388,028	500,110	(512)	499,598
<b>Movement in reserves during 2018/19:</b>												
Surplus or (deficit) on provision of services	(227,115)		(227,115)	11,419				(215,696)	0	(215,696)	(677)	(216,373)
Other Comprehensive Expenditure and Income				0					(21,030)	(21,030)		(21,030)
<b>Total Comprehensive Expenditure and Income</b>	(227,115)	0	(227,115)	11,419	0	0	0	(215,696)	(21,030)	(236,726)	(677)	(237,403)
Adjustments between group accounts and authority accounts	224,258		224,258	(10,682)	(22,824)	3,372	(1,929)	192,195	(192,193)	2		2
<b>Net increase or decrease before transfers</b>	(2,857)	0	(2,857)	737	(22,824)	3,372	(1,929)	(23,501)	(213,223)	(236,724)	(677)	(237,401)
Adjustments between accounting basis and funding basis under regulations			0					0		0		0
<b>Net increase/Decrease before Transfers to Earmarked Reserves</b>	(2,857)	0	(2,857)	737	(22,824)	3,372	(1,929)	(23,501)	(213,223)	(236,724)	(677)	(237,401)
Transfers to/(from) Earmarked Reserves	194	(194)	0					0		0		0
<b>Net increase/(decrease) in reserves for the year</b>	(2,663)	(194)	(2,857)	737	(22,824)	3,372	(1,929)	(23,501)	(213,223)	(236,724)	(677)	(237,401)
<b>Balance c/f at 31 March 2019</b>	5,075	17,959	23,034	15,272	32,598	17,677	0	88,581	174,805	263,386	(1,189)	262,197

2017/18	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
<b>Balance b/f at 1 April 2017</b>	10,727	33,426	44,153	12,555	45,999	10,828	1,290	114,825	293,911	408,736	(936)	407,800
<b>Movement in reserves during 2017/18:</b>												
Surplus or (deficit) on provision of services	(101,701)	-	(101,701)	12,227	0	0	0	(89,474)		(89,474)	424	(89,050)
Other Comprehensive Expenditure and Income	0	0		0	0	0	0	0	178,193	178,193		178,193
<b>Total Comprehensive Expenditure and Income</b>	(101,701)	0	(101,701)	12,227	0	0	0	(89,474)	178,193	88,719	424	89,143
Adjustments between group accounts and authority accounts	2,656		2,656					2,656		2,656		2,656
<b>Net increase or decrease before transfers</b>	(99,045)	0	(99,045)	12,227	0	0	0	(86,818)	178,193	91,375	424	91,799
Adjustments between accounting basis and funding basis under regulations	80,783	0	80,783	(10,247)	9,423	3,477	639	84,075	(84,076)	(1)		(1)
<b>Net increase/Decrease before Transfers to Earmarked Reserves</b>	(18,262)	0	(18,262)	1,980	9,423	3,477	639	(2,743)	94,117	91,374	424	91,798
Transfers to/(from) Earmarked Reserves	15,273	(15,273)	0	0	0	0	0	0	0	0		0
<b>Net increase/(decrease) in reserves for the year</b>	(2,989)	(15,273)	(18,262)	1,980	9,423	3,477	639	(2,743)	94,117	91,374	424	91,798
<b>Balance c/f at 31 March 2018</b>	7,738	18,153	25,891	14,535	55,422	14,305	1,929	112,082	388,028	500,110	(512)	499,598

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.	2018/19			2017/18 - Restated		
		Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000
<b>Gross expenditure, income and net expenditure of continuing operations</b>							
Place		115,979	(69,185)	46,794	119,979	(68,548)	51,431
Children, Families & Education		357,500	(251,033)	106,467	288,623	(173,309)	115,314
Health, Wellbeing & Adults		197,697	(82,521)	115,176	173,174	(103,985)	69,188
Gateway, Strategy & Engagement		102,908	(42,042)	60,866	115,449	(69,324)	46,126
Resources		426,982	(315,196)	111,786	355,730	(323,857)	31,873
HRA		72,393	(91,561)	(19,168)	75,136	(92,396)	(17,260)
<b>Net cost of services</b>		<b>1,273,459</b>	<b>(851,538)</b>	<b>421,921</b>	<b>1,128,091</b>	<b>(831,419)</b>	<b>296,672</b>
Other operating expenditure	9			32,439			34,086
Financing and Investment Income and Expenditure	10			56,215			46,705
Taxation and Non-Specific Grant Income	11			(294,202)			(291,069)
<b>(Surplus) or Deficit on Provision of Services</b>				<b>216,373</b>			<b>86,394</b>
(Surplus) or deficit on revaluation of non-current assets				27,321			(152,929)
Remeasurement of the net defined benefit liability				(6,291)			(25,263)
<b>Other Comprehensive Income and Expenditure</b>				<b>21,030</b>			<b>(178,192)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>237,403</b>			<b>(91,798)</b>



## 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-19		Restated 31 March 2018 £000
		£000	£000	
<b>Operational Assets (Property, Plant and Equipment)</b>	12			
Council dwellings		954,042		989,648
Other land and buildings		767,864		799,739
Vehicles, plant, furniture and equipment		12,356		3,406
Infrastructure		147,841		142,336
Community assets		4,325		4,947
<b>Total Operational Assets (Property, Plant and Equipment)</b>			1,886,428	1,940,076
<b>Non-Operational Assets (Property, Plant and Equipment)</b>				
Assets under construction		123,218		38,899
Surplus assets not held for sale		6,493		2,181
<b>Total Non-Operational Assets (Property, Plant and Equipment)</b>			129,711	41,080
<b>Total Property, Plant and Equipment</b>			2,016,139	1,981,156
<b>Heritage Assets</b>	13	3,696		3,696
<b>Investment property</b>				
Investment property	14	98,979		29,714
<b>Intangible Assets</b>	15			
Software		8,880		5,062
Assets under construction				
<b>Long-term Investments</b>				
Non-property investments	16	45,000		45,001
<b>Investments in Associates and Joint Ventures</b>				
Long-term Debtors	16	66,471		19,077
<b>Long-term Assets</b>			2,239,165	2,083,706
<b>Short-term Investments</b>				
Non-property investments excluding cash equivalents	16	30,000		5,000
Assets held for sale (< 1 year)	19	8,328		16,329
Inventories		771		689
Short-term debtors, payments in advance and provision for doubtful debts	17	177,880		140,047
Cash and cash equivalents	18	90,721		29,000
<b>Current Assets</b>			307,700	191,065
<b>Current Liabilities</b>				
Bank overdraft	18	(61,651)		(19,217)
Short-term borrowing	16	(225,198)		(109,434)
Short-term creditors and receipts in advance	20	(166,034)		(135,048)
Short-term provision	21	(3,529)		(3,424)
<b>Current Liabilities</b>			(456,412)	(267,123)
<b>Long-term Creditors</b>				
Provisions	21	(13,332)		(11,900)
Long-term borrowing	16	(1,131,916)		(879,776)
Deferred capital creditors		(11,656)		(10,504)
<b>Other non-current liabilities</b>				
Net pensions liability	42	(652,954)		(593,911)
Capital grants receipts in advance	31	(15,743)		(11,959)
<b>Long-term Liabilities</b>			(1,825,601)	(1,508,050)
<b>Net Assets</b>			264,852	499,598
<b>Usable reserves</b>				
General Fund	22.1	7,732		7,738
Share of Brick by Brick reserves		(1,189)		(512)
Housing Revenue Account	22.2	15,271		14,535
Earmarked reserves	22.3	17,959		18,153
Capital receipts reserve	22.4	32,599		55,422
Capital grants unapplied	22.5	17,677		14,305
Major repairs reserve	22.2	-		1,929
			90,049	111,570
<b>Unusable Reserves</b>				
Revaluation reserve	23.1	677,685		739,063
Capital adjustment account	23.3	169,364		260,492
Financial Instruments adjustment account	23.4	(32,021)		(1,347)
Pensions reserve	23.5	(664,018)		(616,039)
Deferred capital receipts	23.6	20,826		2,463
Collection Fund adjustment account	23.7	6,933		6,824
Short-term accumulating compensated absences account	23.8	(3,966)		(3,428)
			174,803	388,028
<b>Total Reserves</b>			264,852	499,598

**Signed: Lisa Taylor,**  
Director of Finance, Investment & Risk and Interim Section 151 officer



31 July 2019

**GROUP CASH FLOW STATEMENT**

	Note No.	2018/19		2017/18	
		£000	£000	£000	£000
<b>OPERATING ACTIVITIES</b>					
Net (surplus) or deficit on the provision of services					
<b>Net surplus or (deficit) on the provision of services</b>	1A & 7		(213,710)		(86,394)
<b>The surplus or deficit on the provision of services has been adjusted for the following non-cash movements</b>					
	7,12				
Depreciation	&32.2	37,276		34,526	
Impairment and downward valuations	7	12,168		(45,454)	
	7,15&23.				
Amortisations	3	2,077		3,161	
Increase/(decrease) in creditors		33,232		23,695	
(Increase)/decrease in debtors		36,046		(21,760)	
(Increase)/decrease in inventories		(81)		(28,672)	
	1B,7 &				
Movement in pension liability	23.5	54,270		47,050	
Carrying amount of non-current assets sold	23.3	122,280		69,581	
Provisions		1,538		598	
	7,10,14 &				
Movements in the value of investment properties	23.3	355		(5,416)	
Other non-cash movements		(39,664)		976	
			259,497		78,285
<b>Items included/excluded from net surplus or deficit on the provision of services:</b>					
Pension deficit pre-payment	5	-		-	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	22.4	(75,071)		(36,407)	
Payment of local taxation to major preceptors		(84,068)		(119,718)	
Any other items for which the cash effects are investing or financing cash flows		(15,618)		(22,154)	
			(174,757)		(178,279)
<b>Net cash inflow/(outflow) from operating activities</b>			(128,970)		(186,388)
<b>INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment, investment property and intangible assets		(309,333)		(65,071)	
Purchase of short-term and long-term investments		(76,476)		(36,403)	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		75,071		36,407	
Capital grants		9,014		1,915	
Proceeds from short-term and long-term investments		8,618		109,997	
<b>Net cash inflow/(outflow) from investing activities</b>			(293,106)		46,845
<b>FINANCING ACTIVITIES</b>					
Cash receipts from short-term and long-term borrowing		466,000		179,500	
Payment of local taxation to major preceptors		84,068		119,718	
Cash payments for the reduction of the outstanding liabilities to finance leases and on-Balance Sheet PFI contracts (Principal)		(2,116)		(1,972)	
Repayments of short-term and long-term borrowing		(106,000)		(138,500)	
<b>Net cash inflow/(outflow) from financing activities</b>			441,952		158,746
<b>Net increase/(decrease) in cash and cash equivalents</b>			19,876		19,203
Cash and cash equivalents at the beginning of the reporting period			9,196		(9,420)
<b>Cash and cash equivalents at the end of the reporting period</b>	18		29,072		9,783
Cash held	18		34		1,239
Bank current accounts	18		(59,663)		(20,456)
Short-term deposits with building societies and Money Market Funds	18		88,701		29,000
<b>Cash and cash equivalents as at 31 March</b>			29,072		9,783

**The Group Accounting Policies**

The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2018/19 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.

**Inventories Restatement to Assets Under Construction in 2017-18**

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. The properties being developed for sale by Brick by Brick Croydon Limited would not constitute inventory. Accordingly, the 2017-18 balance sheet has been restated to transfer (£34.497m) from Inventories to Assets Under Construction on the group balance sheet, as set out below:

	2018/19 £'000	Original 2017-18 £'000	Changes to 2017-18 £'000	Restated 2017-18 £'000
Assets Under Construction	123,218	4,402	34,497	38,899
Inventories	771	35,186	-34,497	689
<b>Sub-total</b>	<b>123,989</b>	<b>39,588</b>	<b>0</b>	<b>39,588</b>

**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**

In 2018 Brick by Brick Croydon Limited continued to make significant progress with its programme of development activity, aimed at increasing the supply of new homes across Croydon. The programme remains on course to deliver its target of 50% affordable housing on the residential programme, whilst maintaining the company's commitment to high quality design and maximising the profit dividend available to its sole shareholder (the London Borough of Croydon).

In 2018-19 the company recognised a loss of £677,031, which is consistent with its position as developing sites for sale. A number of sites have now completed and are being actively marketed, whilst a pipeline of future development sites is being identified.

**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, interest owed on these balances, and the provision of support services by Croydon Council to Brick By Brick Croydon Limited have been eliminated from the group statements.

At 31 March 2019, 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:

	2018/19 £'000	2017/18 £'000		2018/19 £'000	2017/18 £'000
Site Acquisition	499	499	Staff costs	540	1,050
Development Costs	98,086	34,746	Planning fees	-	261
Interest	5,000	1,600	Other running costs	8	6
<b>Total loans</b>	<b>103,585</b>	<b>36,845</b>	Interest Costs	3,353	1,298
			Utility costs	142	0
			<b>Total inter-group activity</b>	<b>4,043</b>	<b>2,615</b>

These sums have been eliminated from the group statements.

**Co-terminus accounting statements**

During 2018-19, Brick by Brick Croydon Limited has changed its accounting period to end on 31 March. This will enable it to be co-terminus with the London Borough of Croydon. Brick by Brick's accounting period therefore runs from January 2018 to March 2019, and is not co-terminus with the London Borough of Croydon. January 2018 to March 2018's activity is not considered to be material.

# **Croydon Pension Fund 2018/19**

***31st March 2019***

**CROYDON**  
[www.croydon.gov.uk](http://www.croydon.gov.uk)

## Independent auditor's report to the members of the London Borough of Croydon on the Pension Fund Financial Statements of the London Borough of Croydon Pension Fund

### Opinion

We have audited the financial statements of the London Borough of Croydon Pension Fund (the 'pension fund') administered by the London Borough of Croydon (the 'Authority') for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance, Investment and Risk and Interim Section 151 Officer's use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Director of Finance, Investment and Risk and Interim Section 151 Officer has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

### Other information

The Director of Finance, Investment and Risk and Interim Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund's financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)**

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

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

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

#### **Responsibilities of the Authority, the Director of Finance, Investment and Risk and Interim Section 151 Officer and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities set out on page 4, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure 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 and Risk and Interim Section 151 Officer. The Director of Finance, Investment and Risk and Interim Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director of Finance and Governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Director of Finance, Investment and Risk and Interim Section 151 Officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The General Purposes and Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Sarah L Ironmonger**

Sarah Ironmonger, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

London  
31 July 2019

## PENSION FUND ACCOUNTS

### FUND ACCOUNT

#### Dealings with members, employers and others directly involved in the fund

Contributions  
Individual Transfers in from Other Pension Funds

Notes	2018/19 £'000	2017/18 £'000
8	47,808	44,178
	11,584	7,880
	<b>59,392</b>	<b>52,058</b>

#### Benefits

Pensions  
Commutation, Lump Sum Retirement and Death Benefits

9	(43,431)	(42,381)
9	(8,923)	(7,908)

#### Payments to and on Account of Leavers

Individual Transfers Out to Other Pension Funds  
Refunds to Members Leaving Service

	(5,445)	(4,783)
	(349)	(139)
	<b>(58,148)</b>	<b>(55,211)</b>

#### Net additions/(withdrawals) from dealings with members

	<b>1,244</b>	<b>(3,153)</b>
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#### Management Expenses

10	(8,167)	(6,845)
	(6,923)	(9,998)

#### RETURNS ON INVESTMENTS

Investment Income  
Taxes on Income (Irrecoverable Withholding Tax)  
Profit and loss on disposal of investments and changes in the market value of investments

11	5,469	13,022
11	(1)	(361)
13	120,171	32,725

#### Net returns on investments

	<b>125,639</b>	<b>45,386</b>
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#### Net increase in the Fund during the year

	<b>118,716</b>	<b>35,388</b>
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#### Net assets at the start of the year

	1,139,443	1,104,055
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#### Net assets at the end of the year

	<b>1,258,159</b>	<b>1,139,443</b>
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**PENSION FUND ACCOUNTS**

**NET ASSETS STATEMENT**

**Investments held by the Fund Managers:**

Equities - segregated funds

Equities - pooled funds

Private equity funds

Infrastructure funds

Fixed Interest funds

Pooled Property funds

**Total Investments held by the Fund Managers**

**Other Balances held by the Fund Managers**

Cash held by the Fund Managers

Investment income due

**Total Other Balances held by the Fund Managers**

**Total Assets held by the Fund Managers**

**Current Assets**

**Current Liabilities**

**Net Assets of the fund available to fund benefits**

Notes	31 March 2019 £'000	31 March 2018 £'000
13	150	150
13	516,037	578,812
13	114,703	95,253
13	145,358	113,728
13	282,419	192,407
13	178,566	134,352
	<b>1,237,233</b>	<b>1,114,702</b>
13	6,452	8,603
13	1,557	1,465
	<b>8,009</b>	<b>10,068</b>
	<b>1,245,242</b>	<b>1,124,770</b>
16	15,064	21,432
17	<b>(2,147)</b>	<b>(6,759)</b>
	<b>1,258,159</b>	<b>1,139,443</b>

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.

**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 2018/19 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 Citizen's Advice Bureau, Croydon Equipment Services Limited, Croydon Community Mediation, Croydon Voluntary Action, Kier Highways Limited, Ground Control Limited, Impact Group Limited, Keyring Living Support Networks, London Hire Services Limited, Octavo Partnership Limited, Hats Group Ltd, Squadron Services Limited, Olive Dining Limited, Roman Catholic Archdiocese of Southwark, Skanska Construction UK Limited, Sodexo Limited, Veolia Environmental Services (UK) Recycling Limited (Croydon), Vinci Facilities Limited, Veolia Environmental Services (UK) Recycling Limited (SLWP1) & (SLWP2), Wallington Cars & Couriers Limited, Westgate Cleaning Services Limited, Arthur McKay Limited, Greenwich Leisure Limited, Idverde 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, John Ruskin College, 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, Wolsey Junior Academy, Paxton Academy, Woodcote High School, The Woodside Academy, Kingsley Primary Croydon, STEP Academy Trust, St Aidans Catholic Primary, Kingsley Primary Academy, Folio Education Trust, Coombe Wood, Courtwood Primary, Monks Orchard Primary, Keston Primary, Glibert Scott, Manor Trust

**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 2018/19 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 on 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 £194m. A 0.5% increase in the salary increase assumption would result in a £22m increase in the pension liability. A 0.5% increase in the pension increase assumption would result in a £162m 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 2019 was £260m (2018: £209m). 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.

## NOTES TO THE PENSION FUND ACCOUNTS

### 7. FUND INFORMATION

The last full triennial Actuarial Valuation was completed as at 31 March 2016 which calculated the total accrued liabilities to be £1,203m (2013: £1,064m). The market value of the Fund's assets at the valuation date was £877m (2013: £705m). The Fund deficit was therefore £326m (2013: £359m) producing a funding level of 73% (2013: 66.3%). The next triennial valuation will be effective as at 1 April 2020.

In accordance with new Regulations and CIPFA guidance, a primary rate and secondary rate is set for the Whole Fund. The Primary Rate is the payroll weighted average of the underlying individual employer Primary Rates and the Secondary Rate is the total of the underlying individual employer Secondary Rates (before any pre-payment or capitalisation of future contributions).

The table below shows the Primary and Secondary contribution rates for the 2016 valuation:

Primary rate (%) 1 April 2017 - 31 March 2020	Secondary Rate (£)		
	2017/18	2018/19	2019/20
17.9%	£10,321,000	£10,401,000	£11,805,000

	Contribution rate required as a percentage of pay (Primary Rate from 2017/18)		Plus Additional Payment (Secondary rate from 2017/18)	
	2018/19 % of pay	2019/20 % of pay	2018/19 £'000	2019/20 £'000/%
<b>London Borough of Croydon Pool</b>				
London Borough of Croydon	17.6	17.6	-2.5%	-1.5%
Octavo Partnership Limited	16.6	16.6	-1.5%	-0.5%
<b>Further Education Bodies</b>				
Croydon College	17.1	17.5	660	793
Coulsdon College	18.3	18.3	58	60
John Ruskin College	18.1	18.1	84	87
<b>(Community) Admission Bodies</b>				
Croydon Voluntary Action	18.9	18.9	37	38
Croydon Citizens Advice Bureau	30.6	30.6	6	6
Croydon Community Mediation	18.0	18.0	4	4
<b>Admission Bodies</b>				
Kier Highways Limited	27.2	27.2	-20.4%	-20.4%
Impact Group Limited	30.1	30.1	-10.5%	-10.5%
London Hire Services Limited	28.6	28.6	-9.4%	-9.4%
Churchill Services Limited	28.4	28.4	-8.7%	-8.7%
Veolia Environmental Services (UK) Recycling Limited (Croydon)	26	26	-4.3%	-4.3%
Fusion Lifestyle	23.6	23.6	-1.1%	-1.1%
Hats Group Ltd	29.8	29.8		
Wallington Cars & Couriers Limited	29	29	-13.5%	-13.5%
Vinci Facilities Limited	32.3	32.3	-32.3%	-32.3%
Skanska Construction UK Limited	31.6	31.6	-10.4%	-10.4%
Sodexo Limited	29.9	29.9	-14.9%	-14.9%
Ground Control Limited	22.2	22.2	-22.2%	-22.2%
Carillion Integrated Services Limited	29	29	-8.3%	-8.3%
Quadron Services Limited	27.3	27.3	-0.2%	-0.2%
AXIS Europe plc (Housing Repairs)	27.5	27.5	-2.0%	-2.0%
Capita Secure Information Solutions Limited	28	28.0	-3.4%	-3.4%
Keyring Living Support Networks	29.4	29.4	-0.8%	-0.8%
Westgate Cleaning Services Limited	30	30.0	-	-
Veolia Environmental Services (UK) Recycling Limited (SLWP1)	25.4	25.4	-9.9%	-9.9%
Roman Catholic Archdiocese of Southwark	31.4	31.4	4	-

\* The London Borough of Croydon paid a lump sum of £33,192,000 to the Fund during 16/17. This payment was sufficient to meet in full the monetary elements of £11,795,000 p.a. that were due as the Secondary Rates over three years.

**NOTES TO THE PENSION FUND ACCOUNTS**

	<b>Contribution rate required as a percentage of pay (Primary Rate)</b>		<b>Plus Additional Payment (Secondary Rate)</b>	
	2018/19	2019/20	2018/19	2019/20
	% of pay	% of pay	£'000	£'000 /%
<b>Academies</b>				
Harris Academy (South Norwood)	16.8	16.8	11	12
BRIT School	16.6	16.6	22	22
Harris City Academy (Crystal Palace)	15.4	15.4	-0.2%	-0.2%
St Joseph's College	18.7	18.7	31	32
St Cyprian's Greek Orthodox Primary School	18.7	18.7	7	7
Norbury Manor Business and Enterprise College	18.2	18.2	29	29
Woodcote High School	18.8	18.8	39	40
St James the Great R.C Primary	20.0	20.0	40	41
Meridian (Addington) High Academy	18.5	18.5	29	29
Riddlesdown Collegiate	18.1	18.1	55	57
Shirley High School of Performing Arts College	18.3	18.3	33	34
Oasis Academy Byron	18.7	18.7	8	8
Robert Fitzroy Academy	15.5	15.5	0.3	0.3
St Thomas Becket RC Primary	19.6	19.6	14	15
Aerodome Primary Academy	17.7	17.7	12	12
Oasis Academy Coulsdon	18.0	18.0	47	48
Oasis Academy Shirley Park	18.0	18.0	81	83
Harris Academy (Purley)	17.3	17.3	35	35
The Quest Academy	17.4	17.4	32	33
ARK Oval Primary Academy	18.2	18.2	2	2
Pegasus Academy Trust	17.2	17.2	51	52
Gonville Academy	18.4	18.4	12	12
West Thornton Primary Academy	18.1	18.1	26	26
David Livingstone Academy	18.0	18.0	-0.8%	-0.8%
Applegarth Academy	18.2	18.2	11	11
Harris Primary Academy Benson	19.9	19.9	21	22
Harris Academy Primary Kenley	18.5	18.5	7	7
Forest Academy	18.1	18.1	9	9
Castle Hill Academy	18.5	18.5	17	18
Wolsey Junior Academy	18.1	18.1	23	24
Atwood Primary School	19.1	19.1	20	21
Winterbourne Junior Boys	19.8	19.8	18	19
Oasis Academy Ryelands	18.1	18.1	31	32
Chipstead Valley Primary School	18.7	18.7	30	31
Fairchildes Primary School	17.8	17.8	59	61
Broadmead Primary Academy	18.1	18.1	55	56
Rowdown Primary School	18.9	18.9	19	19
St Mark's COE Primary School	17.8	17.8	11	11
New Valley Primary	18.5	18.5	10	10
Archbishop Lanfranc School	19.4	19.4	104	107
Harris Invictus Academy Croydon	17.4	17.4	-	-
Harris Primary Academy Haling Park	16.0	16.0	-0.8%	-0.8%
Paxton Academy	15.7	15.7	-0.7%	-0.7%
Edenham High School	18.6	18.6	114	117
St Mary's Infants School	19.1	19.1	34	34
St Mary's Junior School	18.5	18.5	16	16
Heathfield Academy	16.8	16.8	-	-
Crescent Primary Academy	16.6	16.6	16	16
Oasis Academy Arena	15.9	15.9	2	2
Good Shepherd Catholic Primary	17.5	17.5	29	30
South Norwood Academy	17.9	17.9	36	37
Chesnut Park Primary School	15.9	15.9	-	-
St Chad's Catholic Primary School	26.9	26.9	45	46
St Aidan's Catholic Primary School	23.2	23.2	14	15
Davidson Primary School	26.0	26.0	44	46
Krishna Avanti Primary School	19.1	19.1	-	-
The Woodside Academy	29.4	29.4	-	-
Kingsley Primary Croydon	19.2	19.2	75	75
STEP Academy Trust	18.3	18.3	-	-

## NOTES TO THE PENSION FUND ACCOUNTS

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 2018/19 are detailed below:

Band	2018/19 Range £	Contribution Rate %
1	0 -14,100	5.5%
2	14,101-22,000	5.8%
3	22,001-35,700	6.5%
4	35,701-45,200	6.8%
5	45,201-63,100	8.5%
6	63,101-89,400	9.9%
7	89,401-105,200	10.5%
8	105,201-157,800	11.4%
9	157,801+	12.5%

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

	2018/19	2017/18	% change
Contributing members	9,811	9,670	1.5%
Deferred pensioners	10,936	9,463	15.6%
Pensioners	7,903	7,492	5.5%
<b>Total</b>	<b>28,650</b>	<b>26,625</b>	<b>7.6%</b>

### 8. CONTRIBUTIONS

#### By Authority:

	2018/19 £'000	2017/18 £'000
Administering Authority	29,591	26,570
Scheduled bodies	14,242	12,915
Admitted bodies	3,975	4,693
	<b>47,808</b>	<b>44,178</b>

#### By Type

	2018/19 £'000	2017/18 £'000
Employees normal contributions	12,746	12,038
<b>Employers:</b>		
Normal contributions	30,679	29,132
Deficit recovery contributions	2,488	2,253
Augmentation contributions	1,895	755
	<b>47,808</b>	<b>44,178</b>

### 9. BENEFITS

	2018/19 £'000	2017/18 £'000
Pensions	43,431	42,381
Commutation and lump sum retirement benefits	8,248	6,731
Lump sum death benefits	675	1,177
	<b>52,354</b>	<b>50,289</b>



## NOTES TO THE PENSION FUND ACCOUNTS

### 10. MANAGEMENT EXPENSES

	2018/19 £'000	2017/18 £'000
Administration	1,083	1,417
Oversight and Governance	674	669
Investment management	6,410	4,759
	8,167	6,845

Included in oversight and governance expenses is £16,170 (2018: £21,000) 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 2019 the implicit fee was £5,776,000 (2018: £4,027,000) Included in the investment management expenses are 108,000 (2018: £286,000) in respect of transaction costs.

### 11. INVESTMENT INCOME

	2018/19 £'000	2017/18 £'000
Equity dividends- segregated funds	(6)	9,143
Pooled Equity Income	152	-
Pooled Fixed Income	206	-
Pooled Property funds income	5,048	3,842
Interest on cash deposits	69	37
<b>Total before taxes</b>	5,469	13,022
Taxes on income	(1)	(361)
<b>Total</b>	5,468	12,661

### 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 Henderson Global Investors (LCIV Henderson)
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, 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 2019 was as follows

	2019		2018	
	Market £'000	Market %	Market £'000	Market %
LGIM	457,993	37.0%	578,812	51.9%
London LGPS CIV Limited (LCIV)	150	0.0%	150	0.0%
LCIV PIMCO	84,066	6.8%	-	----
LCIV Janus Henderson	58,044	4.7%	-	----
Pantheon Ventures LLP (Pantheon)	66,559	5.4%	61,780	5.5%
Knightsbridge Advisors LLC (Knightsbridge)	30,692	2.5%	20,929	1.9%
Access Capital Partners (Access)	28,095	2.3%	22,160	2.0%
North Sea Capital	3,069	0.2%	781	0.1%
I-Squared Capital	7,132	0.6%	-	----
Equitix Limited	65,140	5.3%	57,488	5.2%
Temporis Capital Limited (Temporis)	34,367	2.8%	20,678	1.9%
Green Investment Bank (GIGM)	25,007	2.0%	25,165	2.3%
Aberdeen Standard Investments (Aberdeen)	131,228	10.6%	128,715	11.5%
Wellington Management Company LLP (Wellington)	67,125	5.4%	63,692	5.7%
Schroder Investment Management Limited (Schroders)	118,321	9.6%	109,123	9.8%
M&G Investment Management Limited (M&G)	60,245	4.9%	25,229	2.3%
<b>Total investments</b>	1,237,233	100.0%	1,114,702	100.0%

## NOTES TO THE PENSION FUND ACCOUNTS

### 13. RECONCILIATION IN MOVEMENT IN INVESTMENTS

	Market value 01 April 2018	Purchases and derivative payments	Sales and derivative receipts	Change in market value	Market value 31 March 2019
	£'000	£'000	£'000	£'000	£'000
Equities - segregated funds	150				150
Equities - pooled funds	578,812	119,902	(251,204)	68,527	516,037
Private equity	95,253	14,160	(17,343)	22,633	114,703
Infrastructure	113,728	28,837	(13,034)	15,827	145,358
Fixed Interest	192,407	80,264	(744)	10,492	282,419
Property	134,352	49,133	(7,585)	2,666	178,566
	<b>1,114,702</b>	<b>292,296</b>	<b>(289,910)</b>	<b>120,145</b>	<b>1,237,233</b>
Cash deposits	8,603			26	6,452
Investment income due	1,465				1,557
<b>Net investment assets</b>	<b>1,124,770</b>	<b>292,296</b>	<b>(289,910)</b>	<b>120,171</b>	<b>1,245,242</b>

	Market value 01 April 2017	Purchases and derivative payments	Sales and derivative receipts	Change in market value	Market value 31 March 2018
	£'000	£'000	£'000	£'000	£'000
Equities - segregated funds	575,427	242,260	(840,365)	22,828	150
Equities - pooled funds	----	596,372	(110)	(17,450)	578,812
Private equity	92,584	14,905	(19,473)	7,237	95,253
Infrastructure	83,247	29,851	(9,925)	10,555	113,728
Fixed Interest	191,155	50,059	(50,710)	1,903	192,407
Property	103,621	30,586	(7,312)	7,457	134,352
Derivatives	152	0	(785)	633	-
	<b>1,046,186</b>	<b>964,033</b>	<b>(928,680)</b>	<b>33,163</b>	<b>1,114,702</b>
Cash deposits	17,460			(438)	8,603
Investment income due	2,738				1,465
Amounts payable for purchases	(41)				-
<b>Net investment assets</b>	<b>1,066,343</b>	<b>964,033</b>	<b>(928,680)</b>	<b>32,725</b>	<b>1,124,770</b>

## NOTES TO THE PENSION FUND ACCOUNTS

### 14. ANALYSIS OF INVESTMENTS

	2019			2018		
	UK £'000	Foreign £'000	Total £'000	UK £'000	Foreign £'000	Total £'000
Equities-segregated funds						
London CIV                      Unquoted	150		150	150	-	150
<b>Total equities</b>	150	-	150	150	-	150
Global equities - pooled funds						
LGIM                                      unit trust		457,993	457,993	-	578,812	578,812
Emerging market equities - pooled funds			-			
LCIV Janus Henderson      managed fund		58,044	58,044	-	-	-
<b>Total pooled investments</b>	-	516,037	516,037	-	578,812	578,812
Private Equity						
Pantheon                              managed fund		66,559	66,559	-	61,780	61,780
Knightsbridge                      managed fund		30,692	30,692	-	20,929	20,929
Access                                      managed fund		14,383	14,383	-	11,763	11,763
North Sea Capital                      managed fund		3,069	3,069	-	781	781
<b>Total private equity</b>	-	114,703	114,703	-	95,253	95,253
Infrastructure						
Equitix Limited                      managed fund	65,140		65,140	57,488	-	57,488
Temporis                                      managed fund	34,367		34,367	20,678	-	20,678
GIGM                                      managed fund	25,007		25,007	25,165	-	25,165
Access                                      managed fund		13,712	13,712	-	10,397	10,397
I Squared                                      managed fund		7,132	7,132	-	-	-
<b>Total Infrastructure</b>	124,514	20,844	145,358	103,331	10,397	113,728
Fixed Interest						
Aberdeen                                      unit trust	131,228		131,228	128,715	-	128,715
Wellington                                      managed fund		67,125	67,125	-	63,692	63,692
LCIV PIMCO                                      managed fund		84,066	84,066	-	-	-
<b>Total Fixed Interest</b>	131,228	151,191	282,419	128,715	63,692	192,407
Property						
Schroders                                      managed fund	118,321		118,321	109,123	-	109,123
M&G                                      managed fund	60,245		60,245	25,229	-	25,229
<b>Total Property</b>	178,566	-	178,566	134,352	-	134,352
<b>Total investments</b>	<b>434,458</b>	<b>802,775</b>	<b>1,237,233</b>	<b>366,548</b>	<b>748,154</b>	<b>1,114,702</b>

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

	2019		2018	
	Market £'000	% of Total Net assets	Market £'000	% of Total Net assets
Standard Life SLI Absolute Return Global Bond Strategies	66,221	5.3%	65,971	5.8%
Standard Life Corporate Bond	65,007	5.2%	62,744	5.5%
Wellington Sterling Core Bond Plus Portfolio	67,125	5.3%	63,692	5.6%
LCIV PIMCO Global Bond Fund	84,066	6.7%	-	0.0%
LGIM FTSE Ex Tobacco World Equity Index	457,993	36.4%	578,812	50.8%

## NOTES TO THE PENSION FUND ACCOUNTS

### 16. CURRENT ASSETS

	<b>2019 £'000</b>	<b>2018 £'000</b>
Cash balances	5,528	17,380
Other Local Authorities - Croydon Council	6,245	1,585
Other Entities and Individuals	3,291	2,467
	15,064	21,432

### 17. CURRENT LIABILITIES

	<b>2019 £'000</b>	<b>2018 £'000</b>
Other Local Authorities - Croydon Council	(862)	(5,666)
Other entities and individuals	(1,285)	(1,093)
	(2,147)	(6,759)

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 Hall, the Vice Chair of the Pensions Committee is the Council Shareholder Representative for the London LGPS CIV Limited and is a member of the London Councils Pensions CIV Sectoral Joint Committee.

**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 Executive Director of Resources (Section 151 Officer) to 28 February 2019, the Director of Finance, Investment and Risk (Interim Section 151 Officer) and the Head of Pensions and Treasury.

During the year a charge of £125k (2018: £125k) 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. For further details please refer to Note 33 of the London Borough of Croydon's Statement of Accounts 2018/19.

**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 £93.9m at 31 March 2019 (2018:£170.4m) based on:

USD 66.0m at exchange rate 1.30 equals £50.7m (2018: £62.0m)  
EUR 40.8m at exchange rate 1.16 equals £35.1m (2018: £43.8m)  
GBP £8.1m (2018: £64.6m)

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 £172,000 for 2018/19

(£220,700 in 2017/18), are sent directly to the relevant AVC provider.

The value at 31 March 2019 of separately invested additional voluntary contributions was £1.81m (£1.86m in 2017/18).

**22. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS****London Borough of Croydon Pension Fund (the Fund) Actuarial Statement for 2018/19**

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 March 2017. 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 return their portion of the Fund to full funding over 22 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrates that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still around a 70% chance that the Fund will return to full funding over 22 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 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £877 million, were sufficient to meet 73% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £326 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 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 2016 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.

## NOTES TO THE PENSION FUND ACCOUNTS

### 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 2016 valuation were as follows:

Financial assumptions	31 Mar 2016
Discount rate	4.4%
Salary increase assumption	2.7%
Benefit increase assumption (CPI)	2.1%

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 2013 model, assuming the current rate of improvements has reached a peak and will converge to 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	22.3 years	24.4 years
Future Pensioners*	24.0 years	26.2 years

\*Aged 45 at the 2016 Valuation

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

#### Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities and there have been strong asset returns over the 3 years. Both events are of broadly similar magnitude with regards to the impact on the funding position.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

Robert McInroy  
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 2018/19 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 2019 £m	31 Mar 2018 £m
Active members	853	705
Deferred members	486	446
Pensioners	683	688
Present Value of Promised Retirement Benefits*	2,022	1,839

*\*Incorporates an allowance for the potential increase in liabilities arising from the McCloud judgement and GMP indexation.*

The promised retirement benefits have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. 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 above 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).



## NOTES TO THE PENSION FUND ACCOUNTS

### 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 2019 and 31 March 2018. I estimate that the impact of the change in financial assumptions to 31 March 2019 is to increase the actuarial present value by £107m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

#### Financial Assumptions

Year ended	31 Mar 2019 %p.a.	31 Mar 2018 %p.a.
Pensions Increase Rate	2.5%	2.4%
Salary Increase Rate	3.0%	2.9%
Discount Rate	2.4%	2.6%

#### Longevity Assumption

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.3 years	24.4 years
Future Pensioners (assumed to be age 45 at the latest formal)	24.0 years	26.2 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 sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2019	Approximate increase to pension liabilities (%)	Approximate increase to pension liabilities (£m)
0.5% increase in pensions increase rate	8%	162
0.5% increase in salary increase rate	1%	22
0.5% decrease in the discount rate	10%	194

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 2019 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:-

Robert McInroy FFA

16 May 2019

For and on behalf of Hymans Robertson LLP

**23. EVENTS AFTER THE REPORTING PERIOD**

There were no events after the reporting period.

**24. FINANCIAL INSTRUMENTS**

Below is the target asset allocation agreed by Pension Committee and in force during 2018/19

<b>Asset Class</b>	<b>Benchmark</b>	<b>Weighting</b>
UK and Overseas Listed Equities	FTSE 4 Good	42% + / - 5%
Fixed Interest Securities	18% Bank of America Merrill Lynch Sterling non gilts all stocks index 12% Bank of America Merrill Lynch Sterling Broad Market index	23% + / - 3%
Property	IPD All Properties index	10% + / - 3%
Private Rental Sector Property	IPD All Properties index	6%
Private Equity	CPI +5%	8%
Infrastructure	CPI +5%	10%
Cash and Short Term Deposits		1%
<b>Total</b>		<b>100%</b>

It is recognised that it may take some time to meet the new target asset allocation due to the nature of the assets.

## NOTES TO THE PENSION FUND ACCOUNTS

### 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. The carrying value for Pension Funds is the same as the Fair Value.

**31 March 2019**

	Designated as fair value through profit and loss £'000	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000
<b>Financial Assets</b>			
Fixed Interest funds	282,419	-	-
Equities - segregated funds	150	-	-
Pooled property funds	178,566	-	-
Private equity funds	114,703	-	-
Infrastructure funds	145,358	-	-
Global equities - pooled investments	516,037	-	-
Other investment balances	-	8,009	-
Current Assets	-	15,064	-
<b>Total Financial Assets</b>	<b>1,237,233</b>	<b>23,073</b>	<b>-</b>
<b>Financial Liabilities</b>			
Current liabilities	-	-	(2,147)
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>(2,147)</b>
<b>Net Assets</b>	<b>1,237,233</b>	<b>23,073</b>	<b>(2,147)</b>

**31 March 2018**

	Designated as fair value through profit and loss £'000	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000
<b>Financial Assets</b>			
Fixed Interest funds	192,407	-	-
Equities - segregated funds	150	-	-
Pooled property investments	134,352	-	-
Private equity funds	95,253	-	-
Infrastructure funds	113,728	-	-
Global equities - pooled investments	578,812	-	-
Other investment balances	-	10,068	-
Current Assets	-	21,432	-
<b>Total Financial Assets</b>	<b>1,114,702</b>	<b>31,500</b>	<b>-</b>
<b>Financial Liabilities</b>			
Current liabilities	-	-	(6,759)
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>(6,759)</b>
<b>Net Assets</b>	<b>1,114,702</b>	<b>31,500</b>	<b>(6,759)</b>

**24. FINANCIAL INSTRUMENTS (Continued)**

**Net Gains and Losses on Financial Instruments**

	31 March 2019 £'000	31 March 2018 £'000
<b>Financial assets</b>		
Designated at fair value through profit and loss	118,690	33,163
Financial assets at amortised cost	26	(438)
	<b>118,716</b>	<b>32,725</b>
<b>Financial liabilities</b>		
Designated at fair value through profit and loss	-	-
Financial liabilities at amortised cost	-	-
	-	-
<b>Total</b>	<b>118,716</b>	<b>32,725</b>

**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 fix 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.

**NOTES TO THE PENSION FUND ACCOUNTS**

**24. FINANCIAL INSTRUMENTS (Continued)**

Values at 31 March 2019

**Financial Assets at fair value through profit and loss**

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Fixed Interest funds		282,419		282,419
Global equities - segregated funds			150	150
Pooled property investments			178,566	178,566
Private equity funds			114,703	114,703
Infrastructure funds			145,358	145,358
Global equities - pooled investments		516,037		516,037
<b>Financial Assets at amortised cost</b>				
Other investment balances	8,009			8,009
Current Assets	15,064			15,064

**Total Assets**

**Financial Liabilities at amortised cost**

Current liabilities	<b>(2,147)</b>	-	-	<b>(2,147)</b>
<b>Net financial assets</b>	<b>20,926</b>	<b>798,456</b>	<b>438,777</b>	<b>1,258,159</b>

Values at 31 March 2018

**Financial Assets at fair value through profit and loss**

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Fixed Interest funds		192,407		192,407
Global equities - segregated funds			150	150
Pooled property funds			134,352	134,352
Private equity funds			95,253	95,253
Infrastructure funds			113,728	113,728
Global equities - pooled investments		578,812		578,812
<b>Financial Assets at amortised cost</b>				
Other investment balances	10,068			10,068
Current Assets	21,432			21,432

**Total Assets**

**Financial Liabilities at amortised cost**

Current liabilities	<b>(6,759)</b>	-	-	<b>(6,759)</b>
<b>Net financial assets</b>	<b>24,741</b>	<b>771,219</b>	<b>343,483</b>	<b>1,139,443</b>

## NOTES TO THE PENSION FUND ACCOUNTS

### 24. FINANCIAL INSTRUMENTS (Continued)

#### Reconciliation of Fair Value Measurements within Level 3 assets

2018/2019	Market value 01 April 2018 £'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 2019 £'000
Private Equity Funds	95,253			14,160	(17,343)	17,343	5,290	114,703
Infrastructure Funds	113,728			28,837	(13,034)	13,034	2,793	145,358
Pooled Property Funds	134,352			49,133	(7,585)	7,585	- 4,919	178,566
Unquoted Equity	150							150
<b>Total assets</b>	<b>343,483</b>	----	----	<b>92,130</b>	<b>(37,962)</b>	<b>37,962</b>	<b>3,164</b>	<b>438,777</b>

2017/2018	Market value 01 April 2017 £'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 2018 £'000
Private Equity Funds	92,584			14,905	(19,473)	19,473	(12,236)	95,253
Infrastructure Funds	83,247			29,851	(9,925)	9,925	630	113,728
Pooled Property Funds		103,621		30,586	(7,312)	-	7,457	134,352
Unquoted Equity		150						150
<b>Total assets</b>	<b>175,831</b>	<b>103,771</b>	----	<b>75,342</b>	<b>(36,710)</b>	<b>29,398</b>	<b>(4,149)</b>	<b>343,483</b>

In 2017/18 Pooled Property Funds and the unquoted equity were transferred from level 2 to 3 due to a reappraisal of the valuation techniques.

#### Sensitivity analysis of Level 3 assets

The bid/offer spread of 5% for Pooled Property Funds has been used as a proxy to measure the sensitivity for all level 3 assets.

Level 3 Asset	Market value 31 March 2019 £'000	Value on Increase £'000	Value on Decrease £'000
Private Equity Funds	114,703	120,438	108,968
Infrastructure Funds	145,358	152,626	138,090
Pooled Property Funds	178,566	187,494	169,638
Unquoted Equity	150	158	143
<b>Total</b>	<b>438,777</b>	<b>460,716</b>	<b>416,838</b>

**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.

<b>Assets exposed to price risk</b>	<b>Value £'000</b>	<b>Value on Increase £'000</b>	<b>Value on Decrease £'000</b>
At 31 March 2018	1,106,620	1,217,282	995,958
<b>At 31 March 2019</b>	<b>1,237,233</b>	<b>1,360,956</b>	<b>1,113,510</b>

**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 100 basis points (bps) 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 +/- 100 bps change in interest rates.

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

<b>Assets exposed to interest rate risk</b>	<b>Value £'000</b>	<b>Value on Increase £'000</b>	<b>Value on Decrease £'000</b>
At 31 March 2018	218,391	240,230	196,552
<b>At 31 March 2019</b>	<b>294,399</b>	<b>323,839</b>	<b>264,959</b>

**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.

**Currency exposure - asset type**

Overseas equities securities  
 Overseas Private Equity and Infrastructure  
 Overseas fixed interest  
 Overseas Private Equity and Infrastructure (outstanding commitments)  
 Total assets

<b>Asset Value as at 31 March 2019 £'000</b>
516,037
135,547
151,191
85,799
<b>888,574</b>

**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.

<b>Assets exposed to currency risk</b>	<b>Value £'000</b>	<b>Value on 10% weakening of pound £'000</b>	<b>Value on 10% strengthening of pound £'000</b>
At 31 March 2018	853,932	939,325	768,539
<b>At 31 March 2019</b>	<b>888,574</b>	<b>977,431</b>	<b>799,717</b>



**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 investments in money market funds with a AAA rating from a leading rating agency.

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 2019 was £5.5m (£17.4m at 31 March 2018). This was held with the following institutions:

Summary	Rating at 31 March 2019	Balances as at 31 March 2019 £'000	Balances at 31 March 2018 £'000
Money Market Funds	AAA		
Goldman Sachs Sterling Liquid Reserves Fund		3,439	11,313
Current Account			
Royal Bank of Scotland		2,089	6,067
Total		5,528	17,380

**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 2019 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 policies 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.

**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 its 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.