

# statement of accounts

# 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 ইংরেজী ছাড়া আর অন্য কোনো ভাষার সহজে যোগাযোগ করতে পারেন তবে দয়া করে তাই করবেন। দোভাষীর এবং অনুবাদকের [ট্রান্সলিটারের] ব্যবস্থা করা যেতে পারে। টেলিফোন করুন 020 8726 6000

## Chinese

如果你覺得說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。若是需要，你可以得到安排傳譯員及翻譯員的幫助。詳情請打電話號碼

查詢。

## Français

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 બીજી કોઈ એક ભાષામાં તમે આસાનીથી વાતચીત કરતા હો તો એવું કરવા વિનંતી છે. દુભાષિયાની અને ભાષાતરજારની સહાયતા તમને પણ મળી શકે છે. આ માટે ટેલિફોન નંબર 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। टैलिफोन : 020 8726 6000

## Punjabi

ਜੇਕਰ ਤੁਹਾਨੂੰ ਅੰਗਰੇਜ਼ੀ ਤੋਂ ਇਲਾਵਾ, ਕਿਸੇ ਹੋਰ ਬੋਲੀ ਵਿਚ ਗੱਲ ਕਰਨੀ ਆਸਾਨ ਲਗਦੀ ਹੈ ਤਾਂ ਕ੍ਰਿਪਾ ਕਰਕੇ ਜ਼ਰੂਰ ਕਰੋ। ਦੋ-ਭਾਸ਼ੀਏ ਅਤੇ ਤਰਜਮਾ ਕਰਨ ਵਾਲਿਆਂ ਦਾ ਪ੍ਰਬੰਧ ਕੀਤਾ ਜਾ ਸਕਦਾ ਹੈ। 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 எளிதாக இருந்தால், தயவு செய்து பேசவும். மொழி பெயர்ப்பாளர்கள் வழங்கப்படுவார்கள். தொ. 020 8726 6000

## Turkish

İri yazılmış harfleri okumayı, ses kaseti veya Braille (kör) alfabeti kullanmayı daha kolay buluyorsanız, veya bizimle İngilizceden başka bir dilde iletişim kurmak istiyorsanız bu imkanı sağlayabiliriz. Yazılı ve sözlü tercüman temin edilir. Telefon 020 8726 6000.

## Urdu

اگر آپ انگریزی کے علاوہ کسی اور زبان میں بات کرنے میں آسانی محسوس کرتے ہیں تو آزادہ کرم ایسا ہی کیجئے۔ آپ کیلئے ترجمان اور ترجمہ کرنے والے فراہم کیے جاسکتے ہیں۔ ٹیلی فون نمبر: 020 8726 6000

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# Statement of Responsibility

## **The Authority's responsibilities**

The Authority is required:

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

## **The responsibilities of the Director of Finance and Resources**

- The Director of Finance and Resources 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 Great Britain ('the Code of Practice') 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 2007.

In preparing the statement of accounts, the Director of Finance and Resources has:

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

The Director of Finance and Resources has also:

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

# Certificate of the Director of Finance and Resources



London Borough of Croydon and London Borough of Croydon Pension Fund

Summary Financial Accounts for the year ended 31 March 2007

Certificate of the Director of Finance and Resources

I certify that the statement of accounts set out on pages 25 to 77 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 2006/07 prepared in accordance with the accounting policies stated.

A handwritten signature in black ink, consisting of a stylized 'N' followed by a series of loops and a long horizontal stroke that tapers to the right.

Nathan Elvery  
Director of Finance and Resources

# Report of the Auditor

## Independent Auditor's report to the members of Croydon Council

### Opinion on the financial statements

I have audited the financial statements and Pension Fund accounts of Croydon Council for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of Movement on General Fund, Statement of Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, the related notes, Housing Income and Expenditure Account, Statement of Movement on Housing Revenue Account Balance, related notes, Collection Fund, related notes and The Pension Fund accounts comprise the Fund Account, the Net Assets Statement, and the related notes. The financial statements and Pension Fund accounts have been prepared under the accounting policies set out within them.

This report is made solely to Croydon Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### Respective responsibilities of the Chief Finance Officer and Auditors

The Chief Finance Officer's responsibilities for preparing the financial statements, including the Pension Fund accounts, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements and the Pension Fund accounts present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its Pension Fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the requirements of the Accounts and Audit Regulations 2003'. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures. I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Financial Review by the Chief Financial Officer. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In my opinion:

The financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended; and

The Pension Fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial transactions of the Pension Fund during the year ended 31 March 2007, and the amount and disposition of the Fund's assets and liabilities as at 31 March 2007, other than liabilities to pay pensions and other benefits after the end of the scheme year.

### Certificate

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements.



Derek Elliott  
District Auditor, Audit Commission  
1st Floor, Millbank Tower  
Millbank  
London SW1P 4HQ  
Date

### **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Authority's Responsibilities**

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

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

#### **Auditor's Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such

proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

#### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Croydon Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

### **Best Value Performance Plan**

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2006/07 on xx xxxxxxxx 200x. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

#### **Auditor's Responsibilities**

Auditors have a duty under the Audit Commission Act 1998 to consider whether, in the public interest, to report on any matter that comes to their attention in the course of the audit in order for it to be considered by the body concerned or brought to the attention of the public. I have no matters to report.



Derek Elliott  
District Auditor, Audit Commission  
1st Floor, Millbank Tower  
Millbank  
London SW1P 4HQ  
Date

# Financial review of 2006/07 by the Chief Financial Officer

The Statement of Accounts for the year ended 31 March 2007 has been prepared and published in accordance with the Accounts and Audit Regulations 2003 and the 2006 Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Statement was approved by the Corporate Services Committee of the Council on 27 June 2007.

The accounts comprise the following key statements:

- Income and Expenditure Account
- Statement of Movement on the General Fund Balance
- Statement of Total Recognised Gains and Losses
- Balance Sheet
- Cash Flow Statement
- Housing Revenue Account
- Collection Fund
- Pension Fund Accounts

## General Fund Outturn 2006/07

The Council's revenue budget outturn for 2006/07 was a balanced position and therefore the Council was able to exceed its planned budgeted contribution to balances of £2m by **£2.627m** - this represents a considerable achievement

by the organisation as a whole. Therefore the General Fund balance carried forward to 2007/08 is **£9.157m** which exceeds the target for balances for 2007/08 and ensures Croydon has already met its target set out in the Financial Strategy. **Table 1** shows how this compares to the position in previous years.

## General Fund Revenue Account (GF) – detail

The Council has achieved a balanced budget for 2006/07 and therefore has ensured the targeted contribution to balances has been exceeded. Once again, the in-year pressures have had to be rigorously controlled, monitored and managed to ensure the delivery of this outcome. Variances against budget by Department are summarised in **Table 2** and commented upon below. Additionally, these variances are compared to the

November 2006 data, reported on 12 February 2007 to Cabinet.

A combination of factors has allowed the treasury team to generate a better than budgeted return on the authority's cash balances, boosted by the Council's position on capital. These factors include a favourable margin between the cost of short-term borrowing and the returns on year deposits, investment options now possible because of a change in the regulatory framework and because of effective cash-flow modelling. The ability to borrow in advance has meant that the team has been able to secure debt at very advantageous rates and exploit a limited window of opportunity. The team continues to monitor market forecasts to identify similar future options to yield maximum returns whilst limiting the authority's exposure to risk to prudent levels.

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

Reserves and Balances	2003/04 £m	2004/05 £m	2005/06 £m	2006/07 £m	2007/08 Target £m
General Fund Balances	0.3	0.9	4.5	9.2	9.0 **
Earmarked Reserves *	2.3	3.0	8.5	15.7	15.7
General Fund Provisions	17.7	22.9	23.6	30.5	30.5
<b>Total</b>	<b>20.3</b>	<b>26.8</b>	<b>36.6</b>	<b>55.4</b>	<b>55.2</b>

\* adjusted for change in treatment of insurance fund from a reserve to a provision in 2003/04. The table excludes LMS balances.

\*\* This is the target for March 2015 as agreed in the July 2007 Financial Review.

**Table 2 | Departmental Variances for 2006/07**

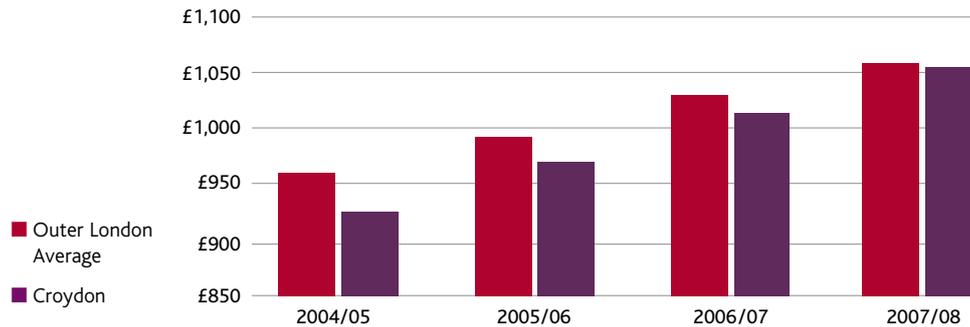
Department	Original Budget £000	Budget Changes 2006/07 £000	Revised Budget £000	Outturn 2006/07 £000	November 2006 Variance £000	Variance To Revised Budget £000	Variation %
Education	14,071	(316)	13,755	13,914	56	159	1.2
Environment, Culture and Public Protection	30,617	(631)	29,986	30,405	238	419	1.4
Finance and Resources ***	14,744	109	14,853	13,456	(1,560)	(1,397)	(9.4)
Housing	3,431	(7)	3,424	3,213	-	(211)	(6.2)
Planning and Transportation	5,883	(72)	5,811	5,776	(15)	(35)	(0.6)
Policy and Corporate Services	32,996	256	33,252	33,037	(202)	(215)	(0.6)
Social Services	113,355	370	113,725	115,386	3,251	1,661	1.5
<b>Totals</b>	<b>215,097</b>	<b>(291)</b>	<b>214,806</b>	<b>215,187</b>	<b>1,768</b>	<b>381</b>	<b>0.2</b>
Allocation of Contingency to Social Services	113,355	370	114,525	115,386	3,251	861	0.8

\*\*\* adjusted for the reclassification of bad debts for Housing Benefit.

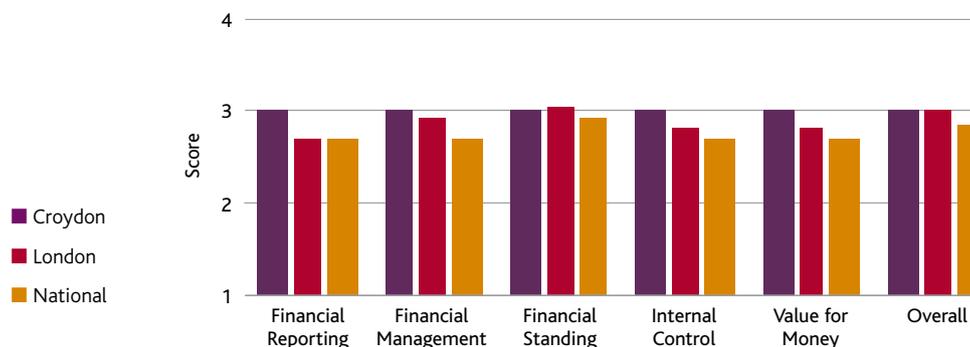
Note: The November variance was reported to Members in February 2007.

## Financial review of 2006/07 by the Chief Financial Officer

**Graph A | Council Tax Band D (excluding GLA)**



**Graph B | Use of Resources**



### Capital

The original approved General Fund Services (excluding the Housing Investment Programme) capital budget was £40.5m and was adjusted to £62.5m to reflect programme slippage from 2005/06, additional government grants and S106 funds. Expenditure of £41.8m was incurred in 2006/07.

Capital schemes in 2006/07 included the completion of:

- Keston schools amalgamation
- Bensham Manor expansion
- Thornton Heath Community Resource Base

The original approved Housing Investment Programme (HIP) capital budget was £23.6m, adjusted to £24.9m due to in-year approved changes to the budget. Expenditure of £24.1m was incurred. The total expenditure for capital schemes was £65.9m.

### Contribution of 2006/07 towards the council's medium-term financial strategy

#### Objective 1 - To maintain an affordable Council Tax

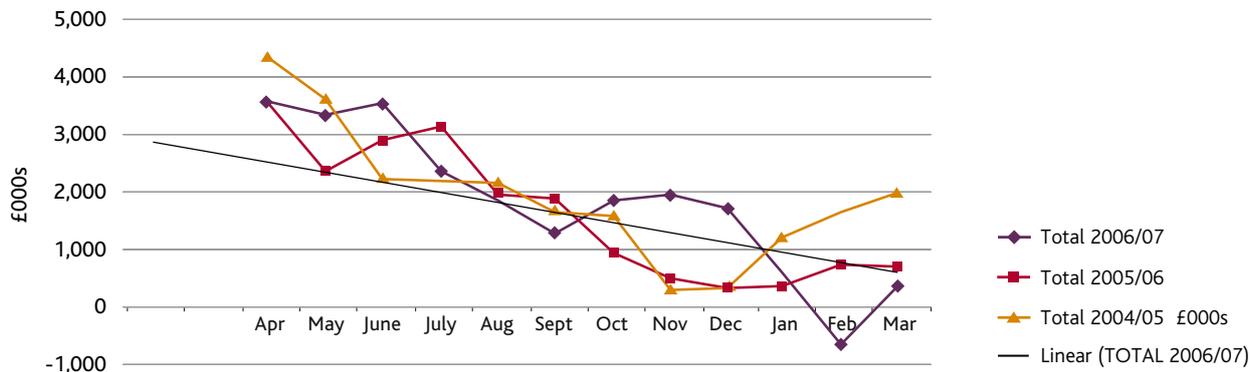
**2006/07 Delivery** - The Budget for 2006/07 was funded by an average band D Council Tax of £1,013.33. The tax increase for Croydon in 2007/08 was 3.99% compared with the simple average of the increases for each borough in outer London of 3.79%. Croydon's band D Council Tax remains below the outer London average.

This use of resources assessment judges how effectively the Council uses the resources available to it to effectively deliver services to the taxpayer.

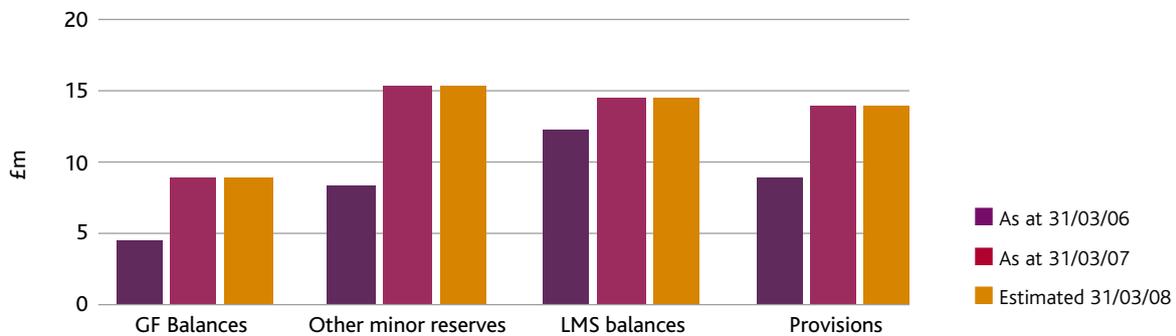
The Council achieved a score of 3 out of a possible 4 in its Comprehensive Performance Assessment (CPA). This is a tool used by the Audit Commission to judge the overall effectiveness of Councils. Of the twenty outer London Boroughs, ten achieved a 3, but only two boroughs, Bexley and Sutton achieved a 4. Six boroughs achieved a score of 2, with two boroughs, Havering and Waltham Forest, only achieving a score of 1 out of 4.

## Financial review of 2006/07 by the Chief Financial Officer

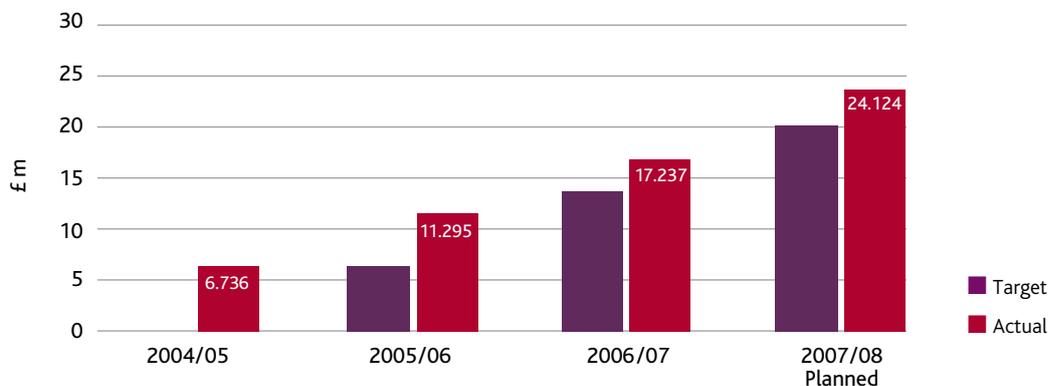
**Graph C | Delivery of the Revenue Budget**



**Graph D | Reserves, Balances and Provisions**



**Graph E | Annual Cumulative Efficiency Savings**



**Objective 2 - To manage spending within affordable net expenditure levels, to avoid major in-year variances and create a greater certainty of the outturn**

**2006/07 Delivery** - The Council had an overspend of less than 0.2% of the budget for departments; this was achieved by significant and continual management action. The Council managed its budget without serious impacts on service in year which is evidenced by the limited number of budget variances in excess of £0.5m.

**Objective 3 - To ensure a continual sustainable recovery of balances, reserves and provisions, so as to strengthen the Council's financial standing**

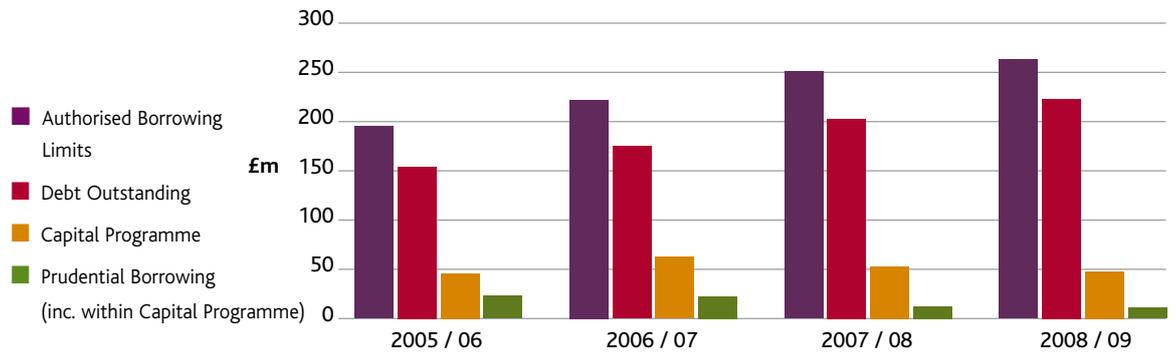
**2006/07 Delivery** - The Council has achieved its target of 3% of net operating expenditure over the medium term and ensures the delivery of the Financial Strategy objectives.

**Objective 4 - To create opportunity for strategic development proposals and sustainable front line service improvements and to deliver year on year efficiency improvements**

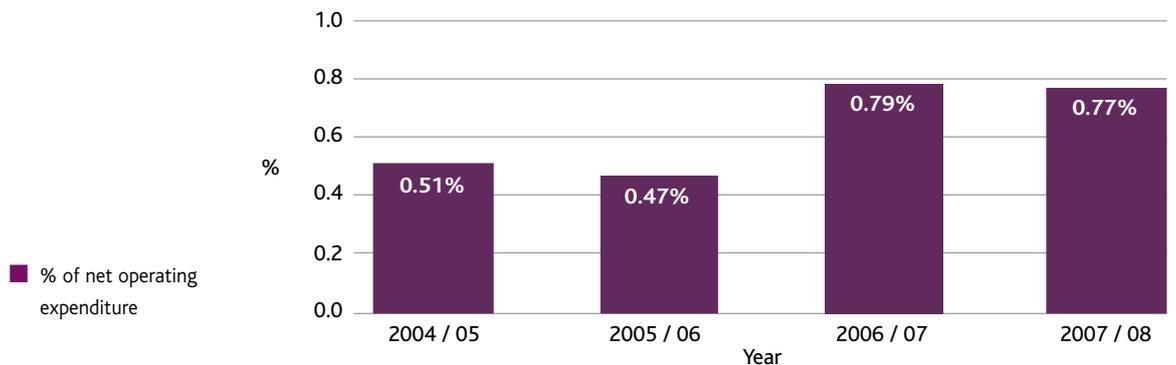
**2006/07 Delivery** - Efficiencies of £6.244m were planned in 2006/07. The Council has achieved in-year efficiencies set by the Government through the Gershon Review of £5.942m, falling just short of the target for 2006/07. These efficiencies have been re-prioritised towards front line service provision in accordance with the Council's strategic priorities and needs.

## Financial review of 2006/07 by the Chief Financial Officer

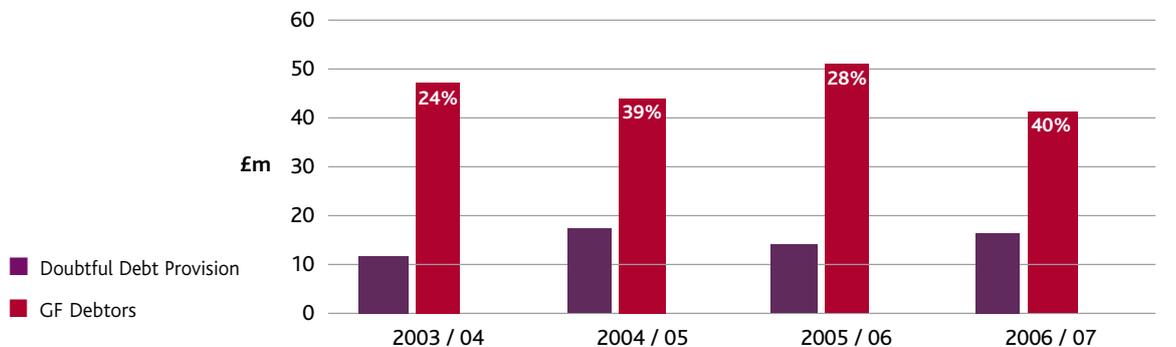
**Graph F | Prudential Indicators for 2005/06 to 2008/09**



**Graph G | Contingency Level**



**Graph H | Doubtful Debt Provision as a % of General Fund Debtors**



### Objective 5 - To support a prudent level of capital investment to meet the Council's strategic requirements

**2006/07 Delivery** - the Council stayed within its prudential indicators and was able to complete key capital schemes, such as the Thornton Heath Community Resource Base, the Keston Schools amalgamation and the Bensham Manor Schools expansion.

### Objective 6 - To create a corporate capacity to deal with unforeseen cost pressures

**2006/07 Delivery** - £38,000 of the contingency of £2m was needed in 2006/07, which represents less than 0.2% of the budget.

Note: The increase in 2006/07 was due to the introduction of the Dedicated Schools Grant.

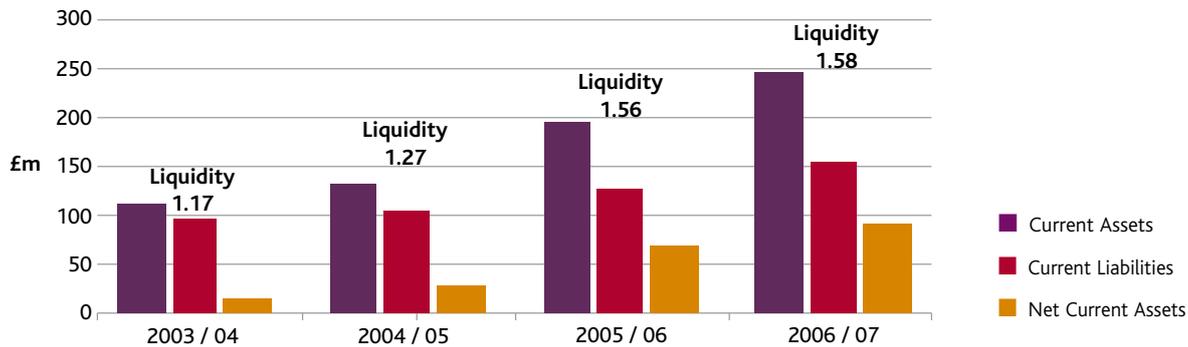
### Objective 7 - To strengthen the Council's balance sheet position

**2006/07 Delivery** - the Council has systematically strengthened its balance sheet position in 2006/07. Provisions

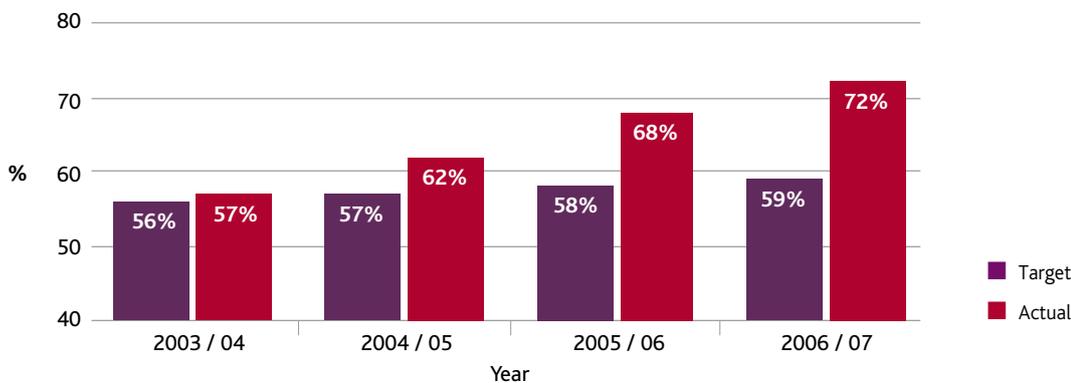
have been significantly increased during 2006/07. This will allow the Council to build on a stronger financial platform, going forward, so that the challenges faced within the revenue budget are no longer worsened by the need to set aside additional revenue sums to improve the balance sheet position.

The liquidity of an organisation refers to the extent to which the organisation's assets are liquid (i.e. cash or something that can readily be turned into cash) enabling it to pay its debts when they fall due and also allowing the organisation to move into new investment opportunities.

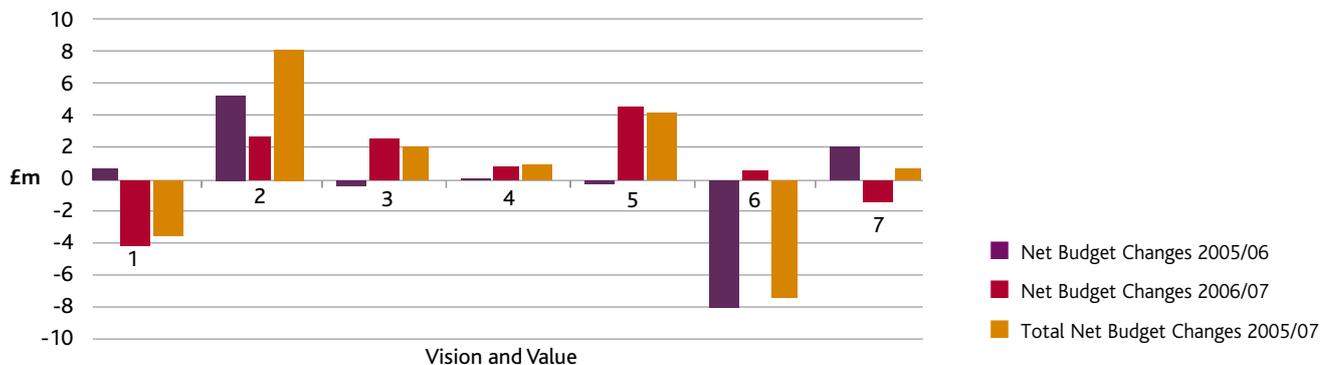
Graph I | Liquidity Test



Graph J | Funding Levels



Graph K | Growth and Savings 2005-2007



**Objective 8 - To strengthen the Council's pension fund position**

**2006/07 Delivery** - In 2006/07 the approximate value of the Pension Fund, according to the interim actuarial review, stood at 72% of the assessed value of the expected liabilities of the fund. This is well in excess of the predicted progression as per the 2004 Actuarial Valuation, which indicated that the fund should be worth 59% of the assessed liabilities as at 31 March 2007.

Within the latest estimate on the value of the fund, no allowance has been made for any factors which might impact the

valuation results e.g. pay harmonisation, improved longevity and the impact of changes as a result of the major changes in the scheme from 1 April 2008.

**Objective 9 - To enable longer term planning of the delivery for the Council's strategic vision and objectives**

**2006/07 Delivery** - The Council has a limited additional pool of reserves to spend on service priorities. The Council used its existing resources and redirected them to ensure that the Council's Visions and Values are met. The changes to the expenditure budgeted by the Council in

2005/06 and 2006/07 can be seen in graph K.

The Council's Visions and Values are:

- 1) Providing better and fairer access
- 2) Improving health and social care
- 3) Achieving better outcomes for Children and Young People
- 4) Reducing crime and disorder
- 5) Improving the environment
- 6) Regenerating the borough
- 7) Corporate Budget - corporate support to vision priorities

## Financial review of 2006/07 by the Chief Financial Officer

### Housing Revenue Account (HRA)

The 2006/07 Housing Revenue Account achieved an underspend on budget of £1.224m. This was transferred to reserves (Housing Repairs fund) giving a balanced budget outturn.

The main variances of spend against budget were:

**Table 3 | Analysis of Housing Revenue Account Variances 2006/07**

Division	Negative Variance £000	Positive Variance £000	Financial Strategy Considerations
Management General		620	This was made up of savings in staffing, premises related expenses and legal expenses. This was in part due to staffing voids which are currently in the process of being filled.
Management Special		120	This was due to savings in staffing, supplies and services and additional income from water rates collection. This was in part due to staffing voids which are currently in the process of being filled.
Strategy and Service Improvements		244	This was due to savings in staffing and supplies and services. This was in part due to staffing voids which are currently in the process of being filled.
Programmed Works		122	This was due to savings in staffing, supplies and services and recharges. This was in part due to staffing voids which are currently in the process of being filled.
Needs and Resources		234	This was due to savings in staffing, supplies and services, legal expenses and recharges. This was in part due to staffing voids which are currently in the process of being filled.

At 31 March 2007 the HRA balance carried forward was £4.507m (Housing Repairs Fund £3.707m, HRA working balance £800k).

### Pension Fund

The accounts for the Pension Fund are included in the overall accounts. Table 4 below shows the net increase in the value of the Council's Pension Fund in 2006/07:

**Table 4 | Pension Fund Performance 2006/07**

Detail of Composition of Net Assets	2005/06 £000	2006/07 £000	Net Increase/ (Decrease) £000	Change %
Total Investments	488,281	519,357	31,076	6.4
Debtors	2,933	5,774	2,841	96.9
Cash Held By:				
Fund Managers	1,973	1,000	(973)	(49.3)
London Borough of Croydon	10,841	20,533	9,692	89.4
Creditors	(2,814)	(2,011)	803	(28.5)
Net Assets at Year End	501,214	544,653	43,439	8.7

**Table 5 | The BVPI target and performance for Council Tax Collection**

	Target – 2006/07	Actual – 31/3/07	Variance
%	95.50%	94.73%	0.77%
Cash	£135.4m	£134.3m	£1.1m

Note: These figures relate to amounts collectable for 2006/07 only; the amounts shown in the Collection Fund include variations to the debit for all past years up to and including 2006/07. The increase in Council Tax collection was an excellent performance achievement as the service migrated to new IT systems during the year when such projects normally result in a performance reduction of up to 1.5%.

**Table 6 | The BVPI target and performance for NNDR Collection**

	Target – 2006/07	Actual – 31/3/07	Variance
%	99.00%	97.90%	1.10%
Cash	£99.4m	£98.3m	£1.1m

### Collection Fund

The Collection Fund is a stand alone account to which all sums relating to Council Tax and National Non Domestic Rates are paid. Monies collected in respect of NNDR are transferred to the national pool, with a nil effect to the local authority.

### Council Tax

The nil balance on the Collection Fund assumes an overall Council Tax collection rate of 97% of 2006/07 debts. Collection will take place over several years as various recovery methods are used to maximise cash income.

The net collectable debit for Council Tax in 2006/07 was £141.4 million. Table 5 above gives a breakdown in cash terms of the impact of the non achievement of this target of £1.1m within the year.

### National Non Domestic Rate (NNDR) Collection

The target set for 2006/07 was 99% and the actual BVPI performance was confirmed at 97.9%, a shortfall of 1.1%. The collectable debit for business rates in 2006/07 was £88.7 million. Table 6 shows the impact of actual performance against the target in cash terms.

### Conclusion

In conclusion, the Council has continued to build on the strength of its Balance Sheet. However, the underlying financial challenge to the Council of significant under funding from central Government remains the challenge to the Council over the medium term to ensure a "Fair Deal for Croydon".

Further work will be carried out during 2008/09 to update the financial data and to lobby central Government to ensure that the right amount of funding is distributed to Croydon that reflects the level of its needs.



Nathan Elvery  
Director of Finance and  
Resources, Croydon Council

# Statement of Internal Control 2006/07

## 1 | Scope of responsibility

Croydon Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used efficiently, effectively and economically.

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

In discharging this overall responsibility, Croydon Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the authority's functions and which includes arrangements for the management of risk.

## 2 | The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Croydon Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

A system of internal control has been in place at Croydon Council for the year ended 31 March 2007 and, up to the date of approval of the annual report and accounts, accords with proper practice.

## 3 | The internal control environment

Croydon Council's system of internal control is based on a number of policies, procedures and practices that create an overall governance framework ensuring appropriate delegation and accountability. This includes:

- The constitutional framework that sets out how decisions are made and the procedures that are followed to ensure open and transparent policy and decision making that complies with established policies, procedures, laws and regulations and is accountable to local people. The Council's policy and decision making is through the Cabinet process. These meetings are open to the public, including web casting, except where personal or confidential matters are being discussed. In addition, senior officers make decisions under delegated authority. The Council publishes a forward plan that details the key decisions to be made by the Council, Committees and Chief Officers under their delegated powers.
  - The Council has designated the Council Secretary and Solicitor as the Monitoring Officer whose function is to ensure compliance with established policies, procedures, laws and regulations. After consultation with the Head of Paid Service and Chief Financial Officer, the Monitoring Officer will report to full Council if she considers that any proposal, decision or omission would result in unlawfulness or maladministration.
  - The financial management of the Council is conducted in accordance with the Financial Regulations and the Financial Code of Practice set out in the Constitution (4H). The Council has designated the Director of Finance and Resources as the Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a three year financial strategy that is updated annually supporting the Council's strategic objectives. The financial strategy ensures the economical, effective and efficient use of resources including a financial management process for reporting the Council's financial standing.
- The Council maintains an effective Internal Audit service that operates in accordance with the standards set out in the Code of Audit Practice for Internal Audit in Local Government. As required by the Accounts and Audit Regulations the Audit Advisory Committee has reviewed the effectiveness of the Internal Audit service and concluded that it is satisfactory and fit for purpose.
  - The Council has procedures and policies that meet the requirements of the CIPFA/SOLACE Framework for Corporate Governance.
  - The Council has a performance planning process supplemented by detailed business planning to establish, monitor and communicate Croydon Council's objectives. This includes a performance management system that sets key targets and reports performance quarterly to Cabinet.
  - The Council has a robust risk management process to identify, assess and manage the significant business risks to the Council's objectives including the risk management policy statement, corporate and departmental risk registers, risk management steering group, and appropriate staff training. During 2006/07 the process has been extensively reviewed and any changes implemented. The risk management process was awarded full assurance by Internal Audit.

#### 4 | Review of effectiveness

Croydon Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the work of the internal auditors and the senior managers within the Council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and other reports.

This review process includes:

- The monitoring officer's annual review of the constitution to ensure its aims and principles are given full effect. This includes an annual review of the financial regulations by the Director of Finance and Resources which will be reported on 12 June 2007.
- The Scrutiny and Overview Committee's ability to "call in" the Council's key decisions prior to implementation to consider the appropriateness of the decision.
- The Audit Advisory Committee's responsibility for discharging the functions of the audit committee including reviewing the risk management process, the performance of Internal Audit and agreeing the external audit plan for 2006/07.
- Internal audit's responsibility for monitoring the quality and effectiveness of internal controls. Using the Council's risk registers and an audit needs assessment, a three-year strategic plan and annual programme are developed. The outcome of the internal audit risk-based work is reported to all relevant Directors and quarterly to the Audit Advisory Committee. Implementation of recommendations is monitored and progress reported quarterly. The Internal Audit function is reviewed regularly by the external auditors who place reliance on the

work completed. The Audit Advisory Committee completed a review of the effectiveness of the internal audit function concluding that it was satisfactory.

- The assurance of senior managers through the Council's Management Team in developing departmental and corporate risk registers and agreeing annual departmental assurance statements.
- The opinion of the external auditors in their reports and annual letter.
- Other review agencies such as the Commission for Social Care Inspection and Ofsted.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the risk management process, the Head of Internal Audit assurance report and the Departmental Annual Assurance Statements and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Head of Internal Audit's overall opinion is that the internal controls for the financial and operational systems operating throughout the year were **satisfactory**. Issues identified in the Head of Internal Audit report with a strategic impact are listed in the key risks below. The following additional issues were identified and will be managed through the internal audit follow up process:

- Management of the backlog in processing changes to the membership of the pension scheme inherited from the previously externalised Pension Administration contractor;
- Improving the contract regulation culture and ensuring controls are fully embedded to minimise the risk of non compliance.

In his most recent annual audit letter to the Council, the Council's external auditor key messages were:

- the Council is improving well and has maintained its three star CPA status;
- the Council received an unqualified opinion on its 2005/06 financial statements;
- the Council received an unqualified opinion on its arrangements for securing value for money; and
- the Council has improved its financial position.

Based on the review key risks have been identified which are contained in the following table.

## Statement of Internal Control 2006/07

<p><b>Key Risks</b> The Council needs to demonstrate that it meets the higher standards of the Comprehensive Performance Assessment - Corporate Assessment and maintain its three star rating.</p>	
<p><b>Action</b> The Council continues to strengthen its performance management framework, in terms of individual performance through the introduction of the Performance Development and Competency Scheme and administratively through a corporate performance management system.</p> <p>In preparation for the Corporate Assessment in January 2008 the Council's Management Team have carried out a preliminary review of the core areas of the corporate assessment process and commissioned a complete self assessment to be reviewed by 31st July 2007.</p> <p>As part of the self assessment process the Council has contacted and are learning from the experiences of Councils who have recently been through the process.</p> <p>In addition the Council are reviewing the capacity and resources to manage the corporate assessment process and will reshape the corporate and departmental support appropriately.</p>	<p><b>Responsible Officer</b> Deputy Chief Executive</p>
<p><b>Key Risks</b> The Council's ability to increase its funding from central government remains limited ensuring that the Council will continue to face a challenging financial position to manage whilst continuing to improve service delivery.</p>	
<p><b>Action</b> The Council has a robust budget system to identify potential issues early and challenge growth effectively.</p> <p>The Council has also launched the RELEASE programme, a new platform to co-ordinate the efficiency activity across the organisation. The platform enables the Council to draw together all the extensive work already underway to make services more efficient including smarter procurement; service transformation and asset management. This will identify efficiencies that generate savings and release capacity to meet the financial challenges and improve services.</p>	<p><b>Responsible Officer</b> Director of Finance and Resources</p>
<p><b>Key Risks</b> The Council needs to ensure that its waste management strategy achieves the 30% recycling targets and minimises the impact of the landfill tax.</p>	
<p><b>Action</b> The Council is:</p> <ul style="list-style-type: none"> <li>• expanding use of recycling solutions;</li> <li>• Implementing software to effectively monitor landfill usage; and</li> <li>• Developing a new approach to waste management through joint procurement process with other local authorities.</li> </ul>	<p><b>Responsible Officer</b> Director of Environmental, Culture and Public Protection (ECP)</p>
<p><b>Key Risks</b> Meeting the requirements of the decent homes standards.</p>	
<p><b>Action</b> The Council are actively managing the overall programme to maximise performance.</p> <p>A project team lead by Director of Housing and Director of Finance and Resources are identifying and delivering solutions to achieve the standard.</p>	<p><b>Responsible Officer</b> Director of Housing</p>

**Key Risks**

Although the Council have managed the financial and reputational risk of the Single Status implementation well there remains a residual risk, facing all local authorities of litigation.

**Action**

To continue to mitigate this residual risk the Council are maintaining the project group and support mechanisms for single status for a period of time. This includes regular reporting to the members steering group.

In addition the Council have developed a communications strategy that includes joint communications with the Trade Unions and a detailed communications framework between the core team and departmental management teams.

**Responsible Officer**

Deputy Chief Executive

**Risks identified in 2005/06 Statement and progress to date.**

**Key Risks**

The Council's funding from central government does not match the standards determined by central government and therefore places the Council at continued financial risk of managing resources within budget.

**Responsible Officer**

Director of Finance and Resources

**Action Agreed**

Focused lobbying to ensure the Council's financial and performance position is understood by external decision-makers. Further developing the technical team to ensure that the Council is fully prepared to discuss issues with central government and maximise funding opportunities.

**Progress**

The Council has launched Fair Deal, in order to ensure that the discrepancy between the Council's spending needs and its central government funding are recognised and corrected. Focused lobbying has taken place around a number of issues, particularly the Asylum Seekers Grant.

An external technical specialist has reviewed and added to the technical case that shows that Croydon is being under funded and this case has been presented to the Government's Settlement Working Group.

**Key Risks**

The Council needs to deliver its council wide transformational programme.

**Responsible Officer**

Deputy Chief Executive

**Action**

The transformational programme has been endorsed by CMT and members.

There is a new Transformation Board set up to oversee the overall programme including cultural change, negotiations with the strategic IT partner and ICT unification implementation.

**Progress to Date**

Significant progress has been made in reducing this risk.

Ambitious savings targets have been delivered in 2006/07, a large number of contractual issues that had limited progress in the past have now been successfully resolved.

The contact centre and more recently the Council's web site, launched in March 2007, have been successfully transformed into key service delivery channels fit for a modern and efficient organisation. We are now in a position to move forward in 2007/08 with key developments such as home and mobile working, and electronic document and records management. In recent months, new unified arrangements for ICT have addressed structural weaknesses and new Member and Officer governance arrangements have been put in place to ensure full engagement in shaping and delivering a Council-wide transformation programme. This includes the Transformation Cabinet Committee, and the Corporate Transformation Board.

## Statement of Internal Control 2006/07

### Key Risks

The Council needs to make progress on implementing the Children Act requirements as identified by our external auditors.

### Responsible Officer

Chief Executive

#### Action Agreed

The Council has one of the most ambitious of the pilot Children's Trusts, covering the integrated working of many front line services, and is moving towards integrated children's services using the Trust to test out different ways of working.

Changes to senior management structures at the early stages would have been a distraction from the work of the Trust although the Council fully intends to move towards meeting its statutory obligations in this regard.

Divisional Director has come off line in order to provide additional management capacity to deliver the Change for Children agenda including completion of work attached to the Children's Trust.

#### Progress

The Corporate Services Committee has decided to create 2 new departments from 1 April 2007. These new departments are for Children's Services, and for Adult Social Services.

The existing Education and Social Services Departments will cease to exist at that point. The current Director of Social Services will become Director of Adult Social care and the current Director of Education will become Director of Children's Services. Proposals for any changes to other structures will be brought forward in due course.

### Key Risks

The Council needs to ensure its anti-fraud culture and controls are fully embedded to minimise the risk of fraud as identified by our external auditors.

### Responsible Officer

Director of Finance and Resources

#### Action Agreed

A programme of learning and awareness raising activities in relation to anti-fraud and corruption in key areas such as the Benefits Service and Contact Centre.

Strengthening financial regulations including the compliance, support and advice in relation to application.

Reviewing the anti-fraud culture in conjunction with the Audit Commission to understand strengths and weaknesses and develop an appropriate improvement plan.

#### Progress

The Council has enhanced its fraud awareness training for the Revenues and Benefits service and Contact Centre which is specifically tailored for their needs.

The Council launched the new Financial Regulations in April 2006 with a series of awareness sessions held for over 300 staff from across the organisation. This will be further supported with new detailed financial procedures that will be launched in September 2007.

New scheme of financial delegation has been agreed and implemented from 1st April 2007.

The guidance for gifts and hospitality and declarations of interest have been refreshed to better help staff understand their obligations.

The Council completed, in partnership with the Audit Commission, a council-wide fraud awareness survey in the Spring 2006.

The survey highlighted that the Council had made a clear commitment in raising the profile of the fight against fraud, and were committed to establishing a robust corporate anti-fraud culture. In particular staff perceived that the Council as a whole has made a significant commitment to fight fraud and corruption. There were areas for improvement and an action plan has been developed to address this and progress is being monitored by the Audit Advisory Committee. The development and delivery of a series of conduct and anti-fraud awareness workshops to all key staff in the Council has been a critical part of delivering the improvement plan.



Nathan Elvery  
Director of Finance and Resources



Jon Rouse  
Chief Executive



Mike Fisher  
Leader of the Council

# Statement of accounting policies and principles

## 1 | INTRODUCTION

### Accounting Policies

The Authority's objective is to ensure that for all material items:

- The appropriate accounting policies have been adopted, given the Authority's circumstances to ensure the Accounts give a true and fair view;
- The accounting policies adopted are reviewed regularly to ensure that they remain appropriate, and are changed when a new policy becomes more appropriate to the entity's particular circumstances;
- In addition, sufficient information is disclosed in the financial statements to enable users to understand the accounting policies adopted and how they have been implemented.

### Estimation Techniques

These are the methods adopted by the Authority to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis the amount will be arrived at using an estimation technique.

The Authority has determined the estimation techniques that most closely reflect the economic reality of the transactions or other events to which the relevant accounting policy refers.

## 2 | GENERAL PRINCIPLES

The financial statements have been prepared in accordance with the 2006 Code of Practice on Local Authority Accounting (the SORP) and the Best Value Accounting Code of Practice both published by CIPFA. The 2006 SORP consolidates statutory provisions for the preparation of financial statements and the requirements of accounting standards in issue, except to the extent that the latter conflict with specific aspects of statute.

The Authority follows accounting provisions according to the following hierarchy:

- Statutory provisions;
- The SORP which incorporates the accounting standards in the form of financial reporting standards (FRSs), statements of standard accounting practice (SSAPs) and other statements of recommended practice. The SORP provides guidance on the application of UK Generally Accepted Accounting Practice (UKGAAP) to local authorities.

### Pervasive Accounting Concepts

The Accounts have been prepared in accordance with three fundamental concepts:

#### Accruals

The financial statements, other than cash flow information, have been prepared on an accruals basis. 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.

# Statement of accounting policies and principles

## **Going Concern**

The Authority's Statement of Accounts has been prepared on a going concern basis. That is the accounts assume that the Authority will continue in operational existence for the foreseeable future. This means in particular that the income and expenditure accounts and balance sheet assume no intention to curtail significantly the scale of operation.

## **Primacy of Legislative Requirements**

Local authorities derive their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. To the extent that treatments are prescribed by law the accounting concepts outlined above may not apply in all cases. It is a fundamental principle of local authority accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall apply.

## **3 | CONTINGENT ASSETS AND LIABILITIES**

In accordance with FRS12 the Authority recognises in its financial statements:

- a Contingent Asset if there is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.
- a Contingent Liability if there is a possible obligation which may require a payment or a transfer of economic benefits if there is either: a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or a present obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefit will be required to settle the obligation or because the obligation cannot be measured with sufficient reliability.

## **4 | DEFERRED CHARGES**

Deferred charges are created when expenditure has been incurred on items that are not capitalised as fixed assets, but have been financed from capital resources. They would typically include items such as improvement grants.

Deferred charges are amortised to revenue over an appropriate period, usually in the same year in which the expenditure has been incurred.

## **5 | DISCONTINUED OPERATIONS**

Income and expenditure directly related to Discontinued Operations are shown separately on the face of the Income and Expenditure Account. Any liabilities in respect of discontinued operations are disclosed separately in the notes to the Balance Sheet.

## **6 | GOVERNMENT GRANTS AND CONTRIBUTIONS**

Government grants or other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

## Statement of accounting policies and principles

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited to the government grants deferred account.

Whatever their basis of payment, revenue grants are matched with the expenditure to which they relate.

### 7 | INTANGIBLE ASSETS

An intangible item may meet the definition of an asset when access to the future economic benefits that it represents is controlled by the Authority, through either custody or legal protection.

Purchased intangible assets (e.g. software licences) are capitalised as assets. Internally developed intangible assets are only capitalised where there is a readily ascertainable market value.

The Authority amortises Intangible Assets on a systematic basis over their economic lives. The useful economic lives of intangibles assets are reviewed at the end of each reporting period and revised if necessary.

### 8 | INVESTMENTS

The Authority has adopted the CIPFA Code of Practice for Treasury Management. Investments are made in accordance with this code and the Authority's Treasury Strategy Statement which is approved by Members each year.

### 9 | LEASES

#### Operating Leases

Assets that are employed by the Authority that are procured by operating lease do not appear in the Balance Sheet because the Authority does not own the assets acquired under such leases. Rentals payable are charged to revenue on an accruals basis.

### 10 | PROVISIONS

Provisions are recognised in the financial statements for any liabilities of uncertain timing or amount that have been incurred when:

- the Authority has a present obligation (legal or constructive) as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

### 11 | TANGIBLE FIXED ASSETS

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

#### Recognition

All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis. Expenditure on the acquisition of a tangible asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised and is classified as a tangible fixed asset.

## Statement of accounting policies and principles

### Measurement

Assets are initially measured at cost comprising of all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation, where appropriate.
- operational land and properties and other operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use.
- investment properties (other than those held by pension funds) and assets that are surplus to requirements and held for disposal are included in the balance sheet at the lower of net current replacement cost or net realisable value.

Assets included in the balance sheet at current value are formally revalued on a five year rolling programme and the revised amount included in the balance sheet.

### Impairment

The values at which each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value.

Where impairment is identified the loss is charged, if it is caused by a clear consumption of economic benefits, to the relevant service revenue account.

Other impairments (reflecting a general fall in prices) are recognised in the fixed asset restatement account. If a reversal of an impairment loss is required the accounting reverses the original treatment applied.

### Disposals

Where an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain and loss on disposal. Receipts from disposal are credited to the Income and Expenditure Account as part of the gain and loss on disposal.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings and 50% for land and other assets) is payable to the Government. A balance of the receipts is credited to the Usable 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 (capital financing requirement).

### Depreciation

Depreciation is provided for on all fixed assets with a finite useful life. Provision for depreciation is made by allocating the cost (or revalued amount) less the estimated residual value of the assets as fairly as possible to the periods expected to benefit from their use.

The depreciation methods used are ones which are the most appropriate to the type of asset and their use in the provision of services.

Where grants and contributions have been received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related asset in the relevant service account, in line with the depreciation policy applied to them.

## Statement of accounting policies and principles

### 12 | REDEMPTION OF DEBT

Gains and losses on the repurchase and early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase or settlement. However, where repurchase has taken place as part of restructuring of the loan portfolio with substantially the same overall effect when viewed as a whole, gains and losses are recognised on the balance sheet and written down to revenue on a straight line basis over the term of the replacement loans.

### 13 | RESERVES

The Authority sets aside specific amounts as reserves for future policy purposes or to provide cover for contingencies. Reserves are created by transferring amounts in the Statement of Movement on the General Fund Balance.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Authority.

### 14 | GROUP ACCOUNTS

In the financial year ended 31 March 2007, having conducted a thorough review of the relationships with all organisations associated with the Authority, the Authority has determined that there was no requirement to consolidate the results of any other organisation with those of the Authority.

### 15 | PRIVATE FINANCE INITIATIVE (PFI) CONTRACTS

PFI contracts are agreements to receive services, where responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. The Authority considers each contract in turn as to whether the assets should appear on the Authority's Balance Sheet. This is determined with specific reference to:

- FRS5 Reporting the Substance of Transactions;
- SSAP21 Accounting for Leases and Hire Purchase Contracts; and
- Treasury Taskforce Guidance.

### 16 | PENSIONS

For detailed information of the Pension Fund a separate set of Pension Fund accounts is included in the 2006/07 Statement of Accounts. The Pension Fund accounts are prepared by the Authority in discharging its function as a Pensions Administering Authority.

## Statement of accounting policies and principles

The entries that appear in the Authority's financial statements relate to the Authority's financial obligations as an employing authority.

The Authority has followed the provisions of FRS17 in accounting for its financial obligations as an employing authority under the Local Government Pension Scheme. This required the Authority to adopt the following policies:

- measure the scheme's assets at fair value;
- measure scheme liabilities using projected unit method;
- discount scheme liabilities at the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities;
- undertake a full actuarial valuation at intervals not exceeding three years and update the valuation at each balance sheet date;
- recognise the operating costs of providing retirement benefits to employees in the accounting periods in which the benefits are earned by employees, and recognise the related finance costs and other changes in value of the assets and liabilities in the period in which they arise.

The Balance Sheet recognises the full liability that the Authority has for meeting the future cost of retirement benefits that will arise from years of service earned by employees up to the balance sheet date net of the contributions paid into the Fund and the investment income they have generated.

The Income and Expenditure Account recognises the cost of retirement benefits when they are earned by employees, rather than when the benefits are paid. Therefore the following amounts are charged or credited to the Income and Expenditure Account:

- current service cost: the increase in liabilities as a result of years of service earned this year charged to the service expenditure area for which the employees worked;
- past service cost: the increase in liabilities arising from current year decisions whose effect relates to years service earned in earlier years charged to Non Distributed Costs;
- interest cost: expected increase in the present value of liabilities during the year as they move closer to being paid charged to Net Operating Expenditure;
- expected return on assets: the annual investment return on the Pension Fund assets attributable to the Authority based on an average of the expected long term return, credited to Net Operating Expenditure;
- gains and losses on settlements and curtailments: the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited to Net Cost of Services as part of Non Distributed Costs;

## Statement of accounting policies and principles

- contributions paid to the Authority's Pension Fund: cash paid as employers contributions to the Pension Fund.

Actuarial Gains and Losses are changes in the net pensions liability that arise because events have not coincided with the assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are debited or credited to the Statement of Total Recognised Gains and Losses.

Statutory provisions prohibit the Authority from raising council tax to cover the charges to the Authority from the Pension Fund in the year. In the Statement of Movement on the General Fund Balance there are transfers to and from the Pension Reserve to remove the charges or credits for retirement benefits and replace them with the charges for the cash paid to the Pension Fund and any amounts payable but unpaid at the year end.

### **17 | VAT**

Income and Expenditure excludes any amounts related to VAT as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

### **18 | LANDFILL ALLOWANCE TRADING SCHEME (LATS)**

The Authority accounts for LATS in accordance with the 2006 SORP and the LAAP Bulletin #64.

LATS allowances are treated as a current asset, the DEFRA landfill usage as a liability. The unused allowances, valued at the published rate available at the Balance Sheet date, are included as a current asset in the Balance Sheet.

# Income and expenditure account

## Income and expenditure account for the year ended 31 March 2007

	Note No.	2006/07			2005/06
		Gross £000	Income £000	Net £000	Net £000
<b>Expenditure on Services</b>	Page 26				
Corporate and democratic core		49,513	(45,043)	4,470	8,176
Central Services to the Public		8,347	(2,212)	6,135	4,167
Cultural, Environmental and Planning Services		61,177	(11,591)	49,586	47,980
Highways, Roads and Transport Services		42,931	(28,402)	14,529	12,562
Education *		302,713	(272,622)	30,091	209,657
Housing		265,730	(256,815)	8,915	12,469
Social Services		181,464	(62,156)	119,308	104,389
Non-Distributed Costs		550	-	550	(10,731)
<b>Net cost of services</b>		<b>912,425</b>	<b>(678,841)</b>	<b>233,584</b>	<b>388,669</b>
<b>Other Operating Expenditure and Income</b>					
(Profit)/Loss on sale of fixed assets				2,932	(1,821)
Levies from other bodies	5			2,063	2,132
Net (surplus)/deficit from trading undertakings not included in net cost of services	4			(35)	158
Interest payable and similar charges				9,513	7,898
Pensions interest cost and expected return on pension assets	44.1			8,392	11,951
Amortised premiums and discounts				597	597
Contribution to Housing pooled capital receipts				4,332	3,401
Interest and investment income				(5,347)	(2,958)
<b>Net operating expenditure</b>				<b>256,031</b>	<b>410,027</b>
Surplus London Residuary Body balances				-	(8)
<b>Amount to be met from Government grant and local tax</b>				<b>256,031</b>	<b>410,019</b>
Precept demanded from the Collection Fund	Page 63			(125,400)	(120,620)
Revenue Support Grant				(16,298)	(161,240)
Contribution from National Non-Domestic Rate Pool	18			(87,767)	(112,198)
Collection Fund (surplus)/deficit	Page 63			-	-
<b>Deficit for the year</b>				<b>26,566</b>	<b>15,961</b>

\*In 2006/07 support for schools was moved from Formula Grant (Revenue Support Grant and contribution from National Non - Domestic Rate Pool) to a specific grant (Dedicated Schools Grant) which is treated as income in the net cost of services.

## Income and expenditure account

### Statement of movement on the general fund balance

See note 19 for further details.

	2006/07 £000	2005/06 £000
Deficit for the year on the Income and Expenditure Account	26,566	15,961
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(33,574)	(17,318)
Increase in General Fund Balance for the year	(7,008)	(1,357)
General Fund Balance brought forward	(16,881)	(15,524)
General Fund Balance carried forward	(23,889)	(16,881)
Amount of General Fund Balance held by schools under local management schemes	(14,732)	(12,351)
Amount of General Fund Balance generally available	(9,157)	(4,530)
	<b>(23,889)</b>	<b>(16,881)</b>

## Income and expenditure account

### Analysis of net cost of services

	2006/07			2005/06
	Gross £000	Income £000	Net £000	Net £000
Corporate and democratic core	49,513	(45,043)	4,470	8,176
<b>Total Corporate and Democratic Core</b>	<b>49,513</b>	<b>(45,043)</b>	<b>4,470</b>	<b>8,176</b>
Local tax collection	3,140	-	3,140	1,860
Registration of births, deaths and marriages	601	(434)	167	82
Elections	975	(6)	969	817
Emergency planning	309	-	309	222
Local land charges	594	(1,772)	(1,178)	(1,136)
General grants, bequests and donations	2,505	-	2,505	2,000
Coroner's service	223	-	223	322
<b>Total Central Services to the Public</b>	<b>8,347</b>	<b>(2,212)</b>	<b>6,135</b>	<b>4,167</b>
Other operating expenditure	127	(114)	13	3,356
Culture and related services	23,191	(1,992)	21,199	17,684
Environmental services	37,859	(9,485)	28,374	26,940
<b>Total Cultural, Environmental and Planning Services</b>	<b>61,177</b>	<b>(11,591)</b>	<b>49,586</b>	<b>47,980</b>
Planning and development services	8,968	(3,579)	5,389	6,615
Highways and transport services	33,963	(24,823)	9,140	5,947
<b>Total Highways, Roads and Transport Services</b>	<b>42,931</b>	<b>(28,402)</b>	<b>14,529</b>	<b>12,562</b>
Pre-primary education	9,097	(8,090)	1,007	2,733
Primary education	131,202	(124,692)	6,510	93,526
Secondary education	103,051	(96,293)	6,758	71,989
LEA centrally held school funds	23,969	(14,740)	9,229	20,153
Special education	19,135	(17,420)	1,715	13,990
Adult education and community learning	10,484	(9,625)	859	1,235
Youth education	5,775	(1,762)	4,013	6,031
<b>Total Education Services</b>	<b>302,713</b>	<b>(272,622)</b>	<b>30,091</b>	<b>209,657</b>
General Fund housing	205,563	(192,089)	13,474	18,239
Housing Revenue Account	60,167	(64,726)	(4,559)	(5,770)
<b>Total Housing Services</b>	<b>265,730</b>	<b>(256,815)</b>	<b>8,915</b>	<b>12,469</b>
Social services	181,464	(62,156)	119,308	104,389
<b>Total Social Services</b>	<b>181,464</b>	<b>(62,156)</b>	<b>119,308</b>	<b>104,389</b>
Non-distributed costs	550	-	550	(10,731)
<b>Total Non-Distributed Costs</b>	<b>550</b>	<b>-</b>	<b>550</b>	<b>(10,731)</b>
<b>NET COST OF SERVICES</b>	<b>912,425</b>	<b>(678,841)</b>	<b>233,584</b>	<b>388,669</b>

# Statement of total recognised gains and losses

## Statement of total recognised gains and losses

	2006/07 £000	2005/06 £000
Deficit for the year on the Income and Expenditure Account	26,566	15,961
(Surplus)/deficit arising on revaluation of fixed assets	(19,202)	170,136
Actuarial (gains)/losses arising on pension fund assets and liabilities	(47,288)	(9,626)
Other (gains)/losses required to be included in the statement *	(514)	(1,200)
<b>Total recognised (gains)/losses for the year</b>	<b>(40,438)</b>	<b>175,271</b>

The inclusion of the statement reflects the requirement under FRS3, Reporting Financial Performance, for the preparation of a Statement of Total Recognised Gains and Losses and the Companies Act 1985 requirement for a Statement of Movements in Reserves. The statement for local authorities is a combination of the two with amended descriptions and a format that reflects the current statutory framework for accounting for capital, income and expenditure, whereby profits and losses upon the disposal of fixed assets do not pass through the Income and Expenditure Account, so that disposals have to be accounted for on the face of the balance sheet, that is as movements in reserves.

\* This entry relates to receipts that have been properly accounted for as capital receipts, but do not relate to the sales of assets, such as for the release of restrictive covenants.

## Balance sheet

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

	Note No.	2006/07		2005/06
		£000	£000	£000
<b>Fixed assets</b>				
Intangible fixed assets	30		1,980	-
<b>Tangible fixed assets</b>	28			
<b>Operational assets</b>				
Council dwellings		825,460		798,494
Other land and buildings		838,407		855,790
Vehicles, plant, furniture and equipment		7,318		2,862
Infrastructure assets		80,449		75,246
Community assets		1,504		1,504
<b>Non-operational assets</b>				
Investment and miscellaneous assets		85,744		81,877
Works in progress		6,389		2,758
			1,845,271	1,818,531
<b>Total fixed assets</b>			<b>1,847,251</b>	<b>1,818,531</b>
Long-term investments			160	-
Long-term debtors	51		1,323	1,559
Debt redemption premium	50		2,347	2,944
<b>Total long-term assets</b>			<b>1,851,081</b>	<b>1,823,034</b>
<b>Current assets</b>				
Stocks and works in progress	52	176		273
Debtors and payments in advance	53	145,218		152,857
Less provision for doubtful debts	53	(48,359)		(43,401)
Short-term investments	54	143,450		80,025
Cash and bank		3,981		4,570
			244,466	194,324
<b>Current liabilities</b>				
Short-term borrowing	35	(8,020)		(7,020)
Creditors and receipts in advance	55	(109,769)		(96,021)
Bank overdraft		(36,755)		(23,792)
			(154,544)	(126,833)
<b>Net current assets</b>			89,922	67,491
<b>Total assets less current liabilities</b>			<b>1,941,003</b>	<b>1,890,525</b>
Long-term borrowing	35		(197,117)	(162,317)
Deferred capital creditors			(2,570)	(1,967)
Pensions liability	44.3		(291,083)	(328,554)
Government grants deferred	56		(47,749)	(40,651)
Provisions	36		(14,170)	(9,160)
<b>Total assets less liabilities</b>	<b>32</b>		<b>1,388,314</b>	<b>1,347,876</b>
<b>Funds and balances</b>				
Fixed assets restatement account	37.2		1,515,705	1,506,934
Capital financing account	37.3		118,952	140,060
Deferred capital receipts			631	812
Major repairs reserve	37.5		-	-
Pensions reserve	37.6 & 44.3		(291,083)	(328,554)
Earmarked reserves	37.7		15,713	8,460
<b>Balances</b>				
General Fund (schools balances)	42		14,732	12,351
General Fund (other)			9,157	4,530
Collection Fund			-	-
Housing Revenue Account			4,507	3,283
<b>Total funds and balances</b>			<b>1,388,314</b>	<b>1,347,876</b>

# Cash Flow Statement

	Note No.	2006/07 £000	2005/06 £000
<b>REVENUE ACTIVITIES</b>			
<b>Cash outflows</b>			
Cash paid to and on behalf of employees		303,119	294,868
Other operating cash payments		392,448	349,677
Housing benefits paid out		101,129	90,799
National Non-Domestic Rates paid out		100,871	107,560
Precepts paid		35,715	31,654
		933,282	874,558
<b>Cash inflows</b>			
Rents (after rebates)		(22,348)	(20,603)
Council Tax income		(140,646)	(130,962)
National Non-Domestic Rate receipts from national pool		(87,767)	(112,198)
National Non-Domestic Rate receipts		(96,216)	(89,646)
Revenue Support Grant		(16,942)	(161,240)
DWP grants for benefits		(176,382)	(153,203)
Other Government grants	49	(301,489)	(104,372)
Cash received for goods and services		(152,304)	(124,894)
		(994,094)	(897,118)
<b>Net cash (inflow)/outflow from revenue activities</b>	47		(60,812)
			(22,560)
<b>SERVICING OF FINANCE AND RETURNS ON INVESTMENTS</b>			
<b>Cash outflows</b>			
Interest paid		7,845	7,966
<b>Cash inflows</b>			
Interest received		(5,354)	(3,634)
<b>Net cash (inflow)/outflow from servicing of finance</b>			2,491
			4,332
<b>CAPITAL ACTIVITIES</b>			
<b>Cash outflows</b>			
Purchase of fixed assets		51,182	50,208
Deferred charges		14,721	10,800
		65,903	61,008
<b>Cash inflows</b>			
Sale of fixed assets		(7,500)	(9,018)
Capital grants received		(14,155)	(6,101)
		(21,655)	(15,119)
<b>Net cash (inflow)/outflow from capital activities</b>			44,248
<b>Net cash (inflow)/outflow before financing</b>	48		(14,073)
			27,661
<b>FINANCING</b>			
<b>Cash outflows</b>			
Repayments of amounts borrowed		7,000	17,000
<b>Cash inflows</b>			
New loans raised		(42,800)	(62,000)
<b>Net cash (inflow)/outflow from financing</b>	48		(35,800)
			(45,000)
<b>(Increase)/decrease in cash</b>			(49,873)
			(17,339)

# Notes to the core financial statements

## 1 | ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations during the year.

## 2 | EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR PERIOD ADJUSTMENTS

In the 2006/07 Statement of Accounts, the council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- credits for government grants deferred are now posted to the service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account

	Consolidated Revenue Account in 2005/06 Statement of Accounts £000	Removal of Capital Financing Charges £000	Interest Payable £000	Relocation of Government Grants Deferred Credits £000	Recognition of Gains and Losses on Disposal of Fixed Assets £000	2005/06 Comparatives in Income and Expenditure Account £000
Central Services to the Public	4,222	(24)	-	(31)	-	4,167
Cultural, Environmental and Planning Services	51,157	(2,865)	-	(312)	-	47,980
Education Services	235,545	(25,049)	-	(839)	-	209,657
Highways, Roads and Transport Services	17,300	(3,957)	-	(781)	-	12,562
Local Authority Housing (HRA)	22,307	(28,077)	-	-	-	(5,770)
Other Housing Services	18,366	(103)	-	(24)	-	18,239
Social Services	106,086	(1,369)	-	(328)	-	104,389
Corporate and Democratic Core	8,176	-	-	-	-	8,176
Non-Distributed costs	(10,731)	-	-	-	-	(10,731)
<b>Impact on Net Cost of Services</b>	<b>452,428</b>	<b>(61,444)</b>	<b>-</b>	<b>(2,315)</b>	<b>-</b>	<b>388,669</b>
Gain on the Disposal of Fixed Assets	-	-	-	-	(1,821)	(1,821)
Asset Management Revenue Account	(55,861)	61,444	(7,898)	2,315	-	-
Interest Payable	-	-	7,898	-	-	7,898
<b>Impact on Net Operating Expenditure</b>	<b>396,567</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,821)</b>	<b>394,746</b>

### 3 | LONG-TERM CONTRACTS UNDER THE PRIVATE FINANCE INITIATIVE

#### Customer Focus

The Council's Customer Focus Programme, supported by the Customer Focus Contract, is a key component of the Council's corporate priority. The Customer Focus Programme was conceived to accomplish four key objectives, namely:

- make as many services as possible directly accessible to the customer as soon as possible;
- resolve customer enquiries at the first point of contact;
- ensure that where enquiries or requests for services are not resolved at the first point of contact, progress is continuously monitored until they are resolved;
- exploit the opportunities that the reorganisation of services offers to modernise processes to achieve efficiency savings.

In order to achieve these four objectives, significant investment was required to modernise existing information and communications technology and modernise services. The Council appointed CapGemini (formerly Cap Gemini Ernst and Young) under the Customer Focus Contract as its ICT partner. A seven year contract, with a three year extension option, commenced on 27 May 2003. Under the contract, CapGemini will provide an Information, Communication and Technology (ICT) service with a Council-wide deployment of new PC's, servers, printers, telephony equipment and network cabling as well as a customer relationship management system and a standard software platform.

The investment in the new service is supported through the Government's Private Finance Initiative (PFI). Approval of the Council's business case for the Customer Focus Programme was granted by the Office of the Deputy Prime Minister on 20 May 2003 and the Council became eligible to receive a PFI grant of £14.5 million (real terms) over the life of the contract. Expenditure with CapGemini accounted for in the Income and Expenditure Account amounted to £17.260m in 2006/07 (£16.147m in 2005/06). The expected Net Present Value of the contract is £76m over its seven year life.

Profile of PFI grant receipts and actual/anticipated expenditure	PFI Grant Received & Receivable £m	Expenditure with Contractor £m
Year		
2003/04	2.041	4.740
2004/05	2.250	16.574
2005/06	4.536	16.147
2006/07	4.536	17.260
2007/08	4.536	-
2008/09	4.536	-
2009/10	4.536	-
2010/11	0.567	-

### Ashburton Learning Village

The Ashburton Learning Village is the first Croydon School PFI. It incorporates an eight form entry (1,200 capacity) secondary school together with a new purpose built library. The village also houses office and teaching space for the Music service and for Adult Learning (CETS).

The Ashburton Learning Village is an important part of the Authority's Community Strategy by 'making Croydon a learning place' by recognising the importance of ensuring good education and lifelong learning opportunities for everyone living and working in Croydon. The community strategy states the Council's commitment to rebuild Ashburton High School to create a high quality learning environment offering community use including a public library, a headquarters for the Housebound Library service and Adult Education services. The rebuilt school includes enhanced facilities, improved ICT and access to the National Grid for Learning.

The Authority has entered into a thirty year contract with Norwest Holst on a design, build and operate basis, and includes enhanced facilities, improved ICT and access to the National Grid for Learning. This is supported through the Government's Private Finance Initiative (PFI). The PFI grant includes £17.1m from the Department for Education and Skills (DfES) and £4.7m from the Department for Culture, Media and Sport (DCMS) over the life of the project.

### Adults Homes For The Future (formerly New4Old)

In 2008/09 the authority is committed to making annual payments estimated at £8.7m (at Sept 2006 prices) for the provision of hard and soft facilities management, including all of the homes being fully re-built; this element of the contract costing £4.2m annually is with Caring4Croydon. The actual provision of care is still provided by local authority staff and this is estimated to cost £4.5m. The contract expires in 2038/39.

## 4 | TRADING UNDERTAKINGS

The following activities undertaken by the Council are classified as trading undertakings:

	2006/07		2005/06	
	(Surplus) / Deficit £000	Turnover £000	(Surplus) / Deficit £000	Turnover £000
Commercial Estates	(2)	101	162	383
Surrey Street Market	-	277	(7)	310
Highways and Sewers	(19)	3,197	26	3,129
Transport Maintenance	(14)	371	(23)	344
	<b>(35)</b>	<b>3,946</b>	<b>158</b>	<b>4,166</b>

Under the London Local Authorities Act 1990 (amended), Street Markets operate as a ring-fenced trading account and are therefore held separately from the Council's General Fund. Any surplus or deficit at the year-end is carried over into the following year. In 2006/07 there was a surplus of nil (2005/06 £6,980).

The total accumulated surplus remains £32,917.

**5 | LEVIES PAID TO OTHER BODIES**

Levies were paid to the following authorities:

	2006/07 £000	2005/06 £000
London Councils - London Boroughs Grants Scheme	1,214	1,206
Environment Agency	143	230
Lee Valley Regional Park Authority	369	362
London Pensions Fund Authority	337	334
	<b>2,063</b>	<b>2,132</b>

**London Councils – London Boroughs Grants scheme**

London Councils (formerly the Association of London Government) is one of the major funders of voluntary groups in the capital. Distributing each year more than £27m to provide Londoners with more opportunities, reducing social exclusion and poverty and promote equality and reduce discrimination. The levy is apportioned between individual London boroughs, each borough’s contribution being based on total resident population as a proportion of the whole of Greater London.

**Environment Agency**

The Environment Agency is the leading public body protecting and improving the environment in England and Wales to ensure tomorrow’s generations inherit a cleaner, healthier world. This levy contributes to their work in reducing the risk of flooding and providing information and support services to those at risk. The majority of funding for this service comes directly from the Department for Environment, Food and Rural Affairs (DEFRA) in the form of grant aid which is supplemented by this regional levy on County and Unitary Authorities and London boroughs. The levy is apportioned on the basis of Council Tax base.

**Lee Valley Regional Park Authority**

This levy is apportioned between London Councils and the County Councils of Hertfordshire and Essex and the Unitary Authority of Thurrock on the basis of the Council Tax Base. The levy contributes towards a 10,000 acre regional park which includes a mosaic of countryside areas, heritage sites, country parks, nature reserves and sport and recreation centres.

**London Pensions Fund Authority**

The London Pensions Fund Authority raises a levy each year to meet expenditure on the premature retirement, compensation and outstanding personnel matters for which the LPFA is now responsible and cannot charge to the pension fund. These payments related to former employees of the Greater London Council, Inner London Education Authority and the London Residuary Body.

**6 | CONTRIBUTION TO HOUSING POOLED CAPITAL RECEIPTS**

When an asset is sold the sale proceeds are credited to the Usable Capital Receipts Reserve. Under the Local Government Act 2003 when the disposal relates to an HRA property, 75% of the proceeds of HRA dwellings and 50% of HRA land are transferred to the Government for inclusion in the national redistribution pool.

The 2006 Accounting Code of Practice requires any amount paid to the pool to be disclosed as expenditure after Net Cost of Services, even though the capital receipts have not themselves been recognised as an income item in the Income and Expenditure Account. The deficit is made good by a transfer from Usable Capital Receipts to the General Fund Balance, disclosed in the Statement of Movement on the General Fund Balance.

### 7 | SECTION 137, LOCAL GOVERNMENT ACT 1972

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The expenditure is limited to £5.50 per head of population. The Council was permitted to spend £1.851m under this power in 2006/07 (£1.849m in 2005/06). Actual expenditure was £0.063m on donations to voluntary bodies working in the local area (£0.065m in 2005/06).

### 8 | PUBLICITY ACCOUNT

Section 5 of the Local Government Act 1986 requires each local authority to keep a separate account of expenditure on certain types of publicity. An analysis of Croydon's publicity expenditure is shown below.

	2006/07 £000	2005/06 £000
Staff recruitment advertising	357	482
Other advertising	49	7
Press and publicity office	543	441
Corporate promotions	3	74
<b>Total publicity expenditure</b>	<b>952</b>	<b>1,004</b>

## Notes to the core financial statements

### 9 | BUILDING CONTROL ACCOUNT

Local authorities are required to prepare a Building Control statement under Regulation 5(6) of the Building (Local Authority Charges) Regulations 1998. The statement includes all income received and expenditure incurred in carrying out building control functions under the above regulations.

Building Regulations Charging Account	Chargeable 2006/07 £000	Non- Chargeable 2006/07 £000	Total 2006/07 £000	Total 2005/06 £000
<b>Expenditure</b>				
Employee expenses	741	327	1,068	990
Transport	20	9	29	26
Supplies and services	214	33	247	364
Central and support services	24	195	219	26
<b>Total Expenditure</b>	<b>999</b>	<b>564</b>	<b>1,563</b>	<b>1,406</b>
<b>Income</b>				
Building regulation charges	(1,098)	-	(1,098)	(1,003)
Miscellaneous income	(1)	-	(1)	(22)
<b>Total Income</b>	<b>(1,099)</b>	<b>-</b>	<b>(1,099)</b>	<b>(1,025)</b>
<b>(Surplus)/Deficit for the year</b>	<b>(100)</b>	<b>564</b>	<b>464</b>	<b>381</b>

From 1999/00 onwards the chargeable element of the account is required to break even over a rolling three year period. The table below sets out the cumulative position for each three year period.

	Year 1 £000	Year 2 £000	Year 3 £000	Total £000
1999/00 - 2001/02	***	(13)	2	(11)
2000/01 - 2002/03	(13)	2	(31)	(42)
2001/02 - 2003/04	2	(31)	(30)	(59)
2002/03 - 2004/05	(31)	(30)	(13)	(74)
2003/04 - 2005/06	(30)	(13)	(84)	(127)
2004/05 - 2006/07	(13)	(84)	(100)	(197)

\*\*\* A result is not available for 1999/00.

## 10 | AGENCY INCOME AND EXPENDITURE

There is no significant agency income or expenditure.

## 11 | BUSINESS IMPROVEMENT DISTRICT SCHEMES

The Croydon Business Improvement District is a partnership between the Authority and local businesses and was approved by ballot on 1 March 2007. It will operate from 1 April 2007 for five years and will provide additional services within a defined area. It is funded by a 1% levy on the rateable value of all business premises within the BID area with a rateable value that meets or exceeds £40,000, including empty properties.

## 12 | LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council is empowered by this Act to provide goods and services to other public bodies. The amounts provided are insignificant.

## 13 | PARTNERSHIPS UNDER SECTION 31 OF THE HEALTH ACT 1999

The Council has entered into two agreements for pooled budgets under Section 31 of the Act. Both agreements have been documented, approved by Cabinet and the Croydon Primary Care Trust (PCT) Board and signed. The agreements, both of which commenced on 1 April 2004, are for:

- Croydon's integrated community equipment service (CCES), and
- Croydon's integrated community occupational therapy service (CCOTS).

The CCES agreement will be hosted by the Council and the CCOTS agreement will be hosted by the PCT.

	2006/07 £000	2005/06 £000
<b>Croydon's Community Equipment Service</b>		
Gross Income	(1,209)	(1,254)
Gross Expenditure	1,226	1,319
Net Expenditure	17	65
<b>Croydon Council Contribution</b>	<b>(639)</b>	<b>(676)</b>
<b>Croydon's Community Occupational Therapy Service</b>		
Gross Income	(2,042)	(1,917)
Gross Expenditure	2,025	1,844
Net Expenditure	(17)	(73)
<b>Croydon Council Contribution</b>	<b>(1,176)</b>	<b>(1,132)</b>

## 14 | MEMBERS ALLOWANCES

The total of allowances paid to the members of the Council was £1.57m in 2006/07 (£1.55m in 2005/06).

## Notes to the core financial statements

### 15 | EMPLOYEES' EMOLUMENTS

The number of employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £10,000 was:

Remuneration Band	2006/07	2005/06
£50,000 - £59,999	187	162
£60,000 - £69,999	64	61
£70,000 - £79,999	28	16
£80,000 - £89,999	25	21
£90,000 - £99,999	5	6
£100,000 - £109,999	3	1
£110,000 - £119,999	6	5
£120,000 - £129,999	1	1
£130,000 - £139,999	-	1
£140,000 - £149,999	-	-
£150,000 - £159,999	-	-
£160,000 - £169,999	-	-
£170,000 - £179,999	-	-
£180,000 - £189,999 (including emoluments from non-Croydon Council work)	1	1

Payments of pensions are no longer included in the above analysis. The 2005/06 figures have been adjusted accordingly.

### 16 | AUDIT FEES PAID DURING THE YEAR

	2006/07 £000	2005/06 £000
Audit Commission fees payable		
Audit of annual accounts	463	417
Certification of grant claims	154	131
Fees payable for other services	1	5
	<b>618</b>	<b>553</b>

### 17 | RELATED PARTY TRANSACTIONS

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

**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 non-domestic rates, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with the Government are as follows:

**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. There are around 600 staff to help the Mayor and Assembly in their duties. The Mayor is London's spokesman. He leads the preparation of statutory strategies on transport, spatial development, economic development and the environment. He sets budgets for the GLA, Transport for London, the London Development Agency, the Metropolitan Police and London's fire services. Details of the transactions are as follows:

**Voluntary organisations:** It is the nature of Local Government that the majority of Council Members are heavily involved in the local community through various organisations such as voluntary bodies, societies, groups etc., often as an appointed Council representative. Members' interests are formally disclosed in a register of interests, and the relevant Cabinet Member approves the amount of grant aid awarded to voluntary organisations annually. Both the register of Members' Interests and schedule of grant aid are public documents.

## Notes to the core financial statements

During the year no Council Members, Chief Officers nor their close relations nor members of the same household have undertaken any declarable transactions with the Council other than the individuals disclosed below. The Council issued 100 standard letters to Members (70), former Members (22) and Officers (8). Responses were received from 70 Members, 16 former Members and 8 Officers. There were 21 declared related party transactions concerned with voluntary groups within the borough, from the following 18 Members, 1 former Member and 2 Officers:

Name	Declaration
Jane Avis	Husband employed part-time by South Norwood and Woodside Community Centre
Carole Bonner	Director and Trustee, S W London Law Centres
Alison Butler	Board Member, Croydon Housing Aid Society; Board Member/Chair, Together In Waddon
Richard Chatterjee	Management Committee Member, Shirley Community Centre Association; Woodside Bereavement Services
Sherwan Chowdhury	Trustee, Bangladesh Welfare Association Croydon; Wife works at Winterbourne Infants School
David Fitze	Chairman, South London YMCA Housing Association; Non Executive Director, Croydon PCT; Forum Member, Connexions South London Consortium
Maria Garcia de la Huerta	Management Trustee, Sir Philip Game Centre;
Maria Gatland	Director, Gatland Services Ltd; Chair, Friends of Croham Hurst Woods
Simon Hall	Member, Tonbridge Youth and Community Centre; Member, N Addington Cyber Café; Treasurer, Pavilion Project
Brenda Kirby	Trustee, Octagon Cyber Café; Trustee, Pavilion Project
Terry Lenton	Trustee, Coulsdon Community Centre
Toni Letts	Chief Executive, South London YMCA Housing Association; Chair, Croydon PCT; Member (Trustee), Whitgift Foundation Court
Maggie Mansell	Trustee, Croydon Youth Development Trust; Governor, Norbury Manor Primary School
Janet Marshall	Voluntary Director, Age Concern Croydon
Dudley Mead	Chairman, Garwood Foundation; Chairman, S London Mozart Players Ltd
Margaret Mead	Trustee, Forestdale Residents Association
Greta Sohoye	Coordinator, Bensham Manor Community Action Group
Christopher Wright	Chairman, Friends of Bradmore Green Pond
Martin Tiedemann	Director, Warehouse Theatre
Nathan Elvery	Chairman of London Authorities' Mutual Limited
Will Tuckley	Chair/Director/Board Member, Amicus Horizon Housing Group

## Notes to the core financial statements

**Senior officers** of the Council, with the exception of Mr Nathan Elvery, Director of Finance and Resources, and Mr Will Tuckley, Deputy Chief Executive, in a position to influence significantly the policies of the Council, held no positions of influence with any potential related parties.

**The Pension Fund** is a separate entity from the Council with its own statement of accounts and balance sheet. The following material transactions took place between the Council and the Pension Fund:

	2006/07 £000	2005/06 £000
<b>Receipts</b>		
Pension Contributions - from the Council (employer's contributions)	19,711	18,859
Pension Contributions - from employees (deductions paid over)	6,680	6,693
<b>Total Receipts</b>	<b>26,391</b>	<b>25,552</b>

Information in respect of material transactions with related parties not disclosed elsewhere within the Statements of Accounts is shown below.

	2006/07 £000	2005/06 £000
<b>Support to Voluntary Organisations</b>		
Revenue grants	2,666	3,211
Service level agreements	4,879	4,566
London Boroughs Grants Committee	1,214	1,206
Payments to foster parents*	3,844	4,790
Environment Agency Levy	143	230

\*This now excludes payments to agencies; the 2005/06 figure has been adjusted.

## Notes to the core financial statements

### Assisted Organisations Receiving Grants in Excess of £50,000 during Financial Year 2006/07

Organisation	Funding Programme	Purpose of Funding 2006/07	£
Croydon Citizens Advice Bureau	Legal Advice	Core activity	435,000
Croydon Voluntary Action	VCS Infrastructure	Non-rental costs	257,000
Croydon Carers Contact	Carers Support Projects	Provide breaks and support services to Carers	174,760
Croydon Meals Agency	Older People and PDSI	Meal Subsidy	129,000
Warehouse Theatre	Arts - major schemes	To support financially the Warehouse Theatre and its playwright activities	123,500
Croydon Drop In	Youth	Provision of counselling, information, advice and advocacy to young people of Croydon	120,000
Croydon Contacts	Carers Support Projects	Croydon Carers Contact - to provide breaks and support services to carers	119,616
MIND in Croydon	PCT (MH Joint Commissioning)	MIND In Croydon Welfare Benefits Advice Service	95,975
London Mozart Players	Arts - major schemes	To support Croydon's Orchestra in Residence mixed programme	93,250
MIND in Croydon	PCT (MH Joint Commissioning)	MIND In Croydon Furniture Service	75,034
MIND Enterprise House	PCT (MH Joint Commissioning)	Adult Mental Health Joint SLA with PCT	72,488
Croydon Housing Aid Society	Homeless people	Prevention of homelessness, securing access to affordable alternative accommodation and improvement in living conditions	70,541
Croydon Voluntary Action	VCS Infrastructure	Rents	70,000
South West London Law Centre	Legal Advice	Discrimination casework	60,750
Croydon BME Forum	VCS Infrastructure	Race equality work	60,000
RESTORE	PCT (MH Joint Commissioning)	Carers Support Service	60,000
Croydon Accessible Transport	VCS Infrastructure	Core administration costs	59,670
Croydon Mencap	Older People and PDSI	Learning Disability	52,063
Victim Support Croydon	Crime and community safety	Core costs	50,295

Numerous Voluntary Organisations receive grants from Croydon Borough Council to assist them in furthering their activities. This note discloses those organisations that received funding in excess of £50,000 during the financial year 2006/07; which accounts for the majority of grant provided.

#### 18 | CONTRIBUTION FROM NATIONAL NON-DOMESTIC RATE POOL

For 2005/06 the share to which an authority was entitled was based on a standard amount per head of the local population. For Croydon this sum was based on a population of 336,688 multiplied by a standard amount of £333.24. For 2006/07 the Government changed the way this was calculated so that councils receive a fixed share of their Formula Grant as Redistributed Business Rate income based on the total of the Distributable Amount as a proportion of the total of Revenue Support Grant plus the Distributable Amount.

## 19 | STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	2006/07 £000	2005/06 £000
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		
Amortisation of Intangible fixed assets	(495)	(664)
Depreciation and Impairment of fixed assets	(20,586)	(19,600)
Government Grants Deferred amortisation	3,045	2,933
Write downs of deferred charges to be financed from capital resources	(11,982)	(9,901)
Net gain or loss on sale of fixed assets	(2,932)	1,821
Net charges made for retirement benefits in accordance with FRS17	(9,817)	(64)
	(42,767)	(25,475)
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>		
Transfer from Usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool	(4,332)	(3,401)
Capital expenditure charged in year to the General Fund Balance	2,199	4,839
Minimum revenue provision for capital financing	2,849	2,318
	716	3,756
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
Housing Revenue Account balance	1,224	(1,014)
Net transfer to or from earmarked reserves	7,253	5,415
	8,477	4,401
<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<b>(33,574)</b>	<b>(17,318)</b>

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

## Notes to the core financial statements

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

### 20 | DISPOSALS OF FIXED ASSETS

	General Fund			Total £000
	Land and Buildings £000	Vehicles, Plant, Furniture, and Equipment £000	Housing Revenue Account £000	
Book value of assets sold during year	7,932	856	2,656	11,444
Accumulated depreciation on assets sold	-	(1,012)	-	(1,012)
Net book value of assets written off to Fixed Assets Restatement Account	7,932	(156)	2,656	10,432

### 21 | CAPITAL EXPENDITURE AND FINANCING

This statement summarises the capital expenditure of the Council during the year and shows the various sources of finance applied to meet that expenditure:

	General Fund £000	Housing Revenue Account £000	2006/07 Total £000	2005/06 Total £000
<b>Expenditure:</b>				
Fixed Assets	31,059	17,648	48,707	48,279
Deferred charges	12,819	1,902	14,721	10,800
Tangible Assets	2,475	-	2,475	664
	<b>46,353</b>	<b>19,550</b>	<b>65,903</b>	<b>59,743</b>
<b>Financed by:</b>				
Borrowing Approvals	26,978	4,252	31,230	23,130
Capital receipts	6,648	2,793	9,441	8,709
Grants and other contributions	12,727	155	12,882	10,652
Revenue contributions	-	2,199	2,199	4,839
Major repairs reserve	-	10,151	10,151	12,413
	<b>46,353</b>	<b>19,550</b>	<b>65,903</b>	<b>59,743</b>

**22 | DEFERRED CHARGES**

Deferred charges represent expenditure of a capital nature which does not result in the acquisition or enhancement of a fixed asset. They include items such as renovation grants to private householders and grants to voluntary organisations. The Code of Practice requires that this expenditure be written off to revenue, and this has been reflected in the accounts.

	General Fund £000	Housing Revenue Account £000	Total £000	2005/06 £000
Balance brought forward	-	-	-	-
Expenditure - improvement grants	2,545	-	2,545	3,023
- other	10,274	1,902	12,176	7,777
Grants received towards expenditure	(2,739)	-	(2,739)	(899)
Written off to the Statement of Movement on the General Fund Balance	(10,080)	(1,902)	(11,982)	(9,901)
<b>Balance carried forward</b>	-	-	-	-

**23 | CAPITAL COMMITMENTS**

The Council had no significant contractual commitments outstanding over its normal level of activity at 31 March 2007.

## Notes to the core financial statements

### 24 | INFORMATION ON ASSETS HELD

Fixed assets owned by the Council include the following:

	Number as at 31 March 2007	Number as at 31 March 2006
<b>COUNCIL DWELLINGS (HRA and General Fund)</b>	14,122	14,213
<b>OPERATIONAL BUILDINGS</b>		
Town Hall	1	1
Other offices	8	8
Social services homes, hostels and day care centres	35	35
Sports centres and swimming pools	5	5
Libraries (including 1 shared with London Borough of Lambeth)	14	14
Nursery schools	4	4
Primary schools	80	80
Secondary schools	15	16
Special schools	6	6
Depots	7	7
Refuse transfer station	1	1
Multi-storey car park	1	1
Surface car parks	16	16
Cemeteries (including 1 shared with London Borough of Sutton)	3	3
Halls	2	2
Other operational property	84	85
<b>OPERATIONAL EQUIPMENT</b>		
Vehicles and plant	41	67
<b>INFRASTRUCTURE ASSETS</b>		
Highways (kilometres)	719	724
Bridges	79	80
<b>COMMUNITY ASSETS</b>		
Parks and open spaces (hectares)	1,093	1,093
<b>INVESTMENT PROPERTIES</b>	139	141

In addition to the above, the Council owns items of civic regalia and several works of art, including the Riesco Collection.

**25 | LEASED ASSETS RENTALS**

	Finance Leases £000	Operating Leases		
		Vehicles	Plant Furniture and Equipment £000	Other £000
Total rentals paid in 2005/06	-		1,437	-
Total rentals paid in 2006/07	-		861	-
Outstanding undischarged leasing obligations				
- 2007/08	-		733	-
- 2008/09	-		427	-
- 2009/10	-		248	-
- 2010/11	-		149	-
- 2011/12	-		148	-
- 2012/13	-		135	-

The authority enters into operating lease agreements to acquire the use of vehicles, plant, furniture and equipment.

**Authority as Lessor** - with regard to the authority's activity as a lessor, the net value of assets held for use in operating leases was £51,160k for the five multi-storey car parks valued at 31 March 2006.

**26 | PFI ARRANGEMENTS**

The Authority has three PFI contracts. All three, having applied the appropriate accounting policy, are treated as "off-balance sheet".

**27 | VALUATION OF FIXED ASSETS****Operational Assets**

Operational Properties (Council Dwellings and Other Land and Buildings)

Where there is sufficient evidence of market transactions for the existing use to continue after sale, properties have been valued on the basis of open market value in existing use. 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 open market values is achieved by the application of an adjustment factor, calculated by the Government. In 2006/07 this factor was 37%.

Where there is insufficient evidence of market transactions, or the asset is of a specialised nature, it has been valued at depreciated replacement cost.

Vehicles, plant, furniture and equipment, infrastructure assets and community assets are included in the balance sheet at historic cost less accumulated depreciation.

**Non-Operational Assets**

Non Operational Properties (Investment and Miscellaneous Properties) have been valued at open market value.

Long-Term Contract Work in Progress (WIP)

The creation of some assets extends into more than one financial year. Expenditure on these assets is charged to capital expenditure in the financial years in which the expenditure is incurred. WIP is valued at cost and its value increases in line with each

## Notes to the core financial statements

year's expenditure. Upon completion the assets are transferred from WIP to their appropriate classification.

A rolling programme of valuations is being undertaken by DTZ Debenham Tie Lung, the Council's external valuation contractors, intended to embrace the whole of the property asset portfolio of the Council over a period of five years.

### 28 | MOVEMENT ON FIXED ASSETS

	Operational Assets				Non-Operational Assets			Total £000
	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infra- structure Assets £000	Community Assets £000	Investment and Misc. Properties £000	Work in Progress £000	
Gross book value as at 1 April 2006	808,814	890,682	5,314	93,355	1,506	82,678	2,758	1,885,107
Additions	17,648	14,270	5,350	7,620	-	188	3,631	48,707
Disposals	(2,656)	(7,932)	(856)	-	-	-	-	(11,444)
Revaluations	11,805	(11,347)	-	-	-	3,858	-	4,316
Transfers	-	-	-	-	-	-	-	-
<b>Gross book value as at 31 March 2007</b>	<b>835,611</b>	<b>885,673</b>	<b>9,808</b>	<b>100,975</b>	<b>1,506</b>	<b>86,724</b>	<b>6,389</b>	<b>1,926,686</b>
Depreciation as at 1 April 2006	10,320	34,892	2,452	18,109	2	801	-	66,576
Depreciation for year	10,151	16,940	1,050	2,417	-	179	-	30,737
Depreciation on assets sold	-	-	(1,012)	-	-	-	-	(1,012)
Depreciation on revaluations	(10,320)	(4,566)	-	-	-	-	-	(14,886)
Balance as at 31 March 2007	10,151	47,266	2,490	20,526	2	980	-	81,415
<b>Net book value as at 31 March 2007</b>	<b>825,460</b>	<b>838,407</b>	<b>7,318</b>	<b>80,449</b>	<b>1,504</b>	<b>85,744</b>	<b>6,389</b>	<b>1,845,271</b>

### 29 | DEPRECIATION

The provision for depreciation is made on a straight line basis by allocating the cost (or revalued amount) less estimated residual value of the assets to the periods expected to benefit from their use. Consequently, there is no set depreciation rate for any particular class of assets. The depreciation rates are set for each individual asset or group of assets.

### 30 | INTANGIBLE ASSETS

Intangible fixed assets are defined as non-financial fixed assets that do not have physical substance but are identifiable and are controlled by an entity through custody or legal rights.

	Software Licences £000	Patents £000	Licences £000	Trademarks £000
Balance brought forward	-	-	-	-
Additions	2,475	-	-	-
Written off to Income and Expenditure Account	(495)	-	-	-
Balance carried forward	1,980	-	-	-

**31 | EFFECT OF CHANGES IN AMORTISATION METHODS FOR INTANGIBLE ASSETS**

Expenditure on intangible assets in 2006/07 will be written off to revenue over a period of five years (see note 30). Previously such expenditure was wholly written off in the year in which it was incurred. In 2005/06, expenditure on intangible assets amounted to £0.6m, all of which was written off in 2005/06.

**32 | NET ASSETS EMPLOYED**

	2006/07 £000	2005/06 £000
Trading Undertakings	17,714	15,156
Housing Revenue Account	832,156	999,054
General Fund	538,444	333,666
<b>Total</b>	<b>1,388,314</b>	<b>1,347,876</b>

**33 | ASSOCIATED COMPANIES**

There are no associates or joint ventures that fall within the relevant definition in FRS9.

**34 | CAPITAL INSTRUMENTS**

There are no capital instruments that fall within the relevant definition in FRS13.

**35 | LOANS OUTSTANDING**

These loans are raised to finance capital expenditure:

	2006/07 £000	2005/06 £000
Long-term loans	(197,117)	(162,317)
Short-term loans	(8,020)	(7,020)
<b>Total</b>	<b>(205,137)</b>	<b>(169,337)</b>

**Sources of loans:**

	Range of Interest Rates Payable (%)	2006/07 £000	2005/06 £000
Public Works Loans Board	3.70 - 7.75	(184,800)	(149,000)
Banks	4.08	(20,000)	(20,000)
Stock issues	3.50	(317)	(317)
Other	4.69	(20)	(20)
<b>Total</b>		<b>(205,137)</b>	<b>(169,337)</b>
Average rate of interest on external debt		4.95%	5.11%
External interest payable		9,513	7,898

### 35 | LOANS OUTSTANDING (continued)

The maturity schedule of long-term loans at 31 March 2007 is as follows:

	Total Debt £000	1 - 2 Years £000	2 - 5 Years £000	5 - 10 Years £000	Over 10 Years £000
Public Works Loans Board	(176,800)	-	-	(4,000)	(172,800)
Banks	(20,000)	-	-	-	(20,000)
Stock	(317)	-	-	-	(317)
	(197,117)	-	-	(4,000)	(193,117)
<b>2005/06</b>	<b>(162,317)</b>	<b>(8,000)</b>	<b>-</b>	<b>(4,000)</b>	<b>(150,317)</b>

### 36 | PROVISIONS

#### Section 117 Provision

Section 117 of the Mental Health Act 1983 imposed a duty upon Health and Social Service authorities to provide residential accommodation for persons who had been discharged from detention under Section 3 of the Act. Subsequent rulings in the Court of Appeal dismissed appeals by four local authorities against decisions that they were not entitled to charge for the provision of accommodation to mental patients on their release from hospital.

The Borough reviewed its charging policy in the light of this judgement and has refunded payments to those who were charged. The remaining provision is to cover any potential outstanding for the liabilities arising from Croydon's previous policy although it is believed that all outstanding monies have been refunded. This provision will be closed after 2007/08 should no other claimants present themselves.

#### Insurance Fund

The Insurance Fund underwrites a substantial proportion of the Council's insurable risks including consequential loss, theft, school contents, money, civic regalia, plate glass, boiler, and the first £250,000 of any claims for property liability with a maximum yearly exposure of £1.1m. Motor insurance is subject to an excess of £122,250.

Premiums are paid to the fund by services, the initial premiums having been based on commercial rates. The continued aim of the fund is to be self-insuring for all but catastrophe risks for which cover is purchased on the external insurance market.

#### Crosfield Industries Back Pay Provision

This provision reflected costs relating to the past operations of Crosfield Industries, including payments to comply fully with the requirements of the Disability Discrimination Act 1995. Payments have all been made and the remaining provision written back to the service revenue account.

#### Housing Benefits Subsidy Provision

Repayments of excess subsidy received during 2006/07 and earlier years are yet to be agreed with the Department for Work and Pensions (DWP). The estimated sum repayable is £576,000 for which a provision has been made in the accounts.

### Single Status Provision

This provision relates to the estimated cost of harmonisation in pay and conditions for comparable posts. This review is following the national single status agreement on local government conditions of service and pay scales in 1997. This provision has been increased as a result of a capital direction to fund the back pay elements of any agreement. The accounting for this transaction is in accordance with Local Authority Accounting Panel Bulletin 68.

Analysis of Provisions	Balance Brought Forward £000	Movement During Year £000	Balance Carried Forward £000
Section 117 Provision	52	-	52
Insurance Fund	6,206	930	7,136
Crosfield Industries Back Pay Provision	200	(200)	-
Housing Benefits Subsidy Provision	557	19	576
Single Status Provision	2,000	4,406	6,406
Other Minor Provisions	145	(145)	-
	9,160	5,010	14,170

## 37 | MOVEMENTS IN RESERVES

### 37.1 Other 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.

### 37.2 Fixed Assets Restatement Account

The system of capital accounting required the establishment of the fixed assets restatement account. The balance represents the difference between the valuation of assets under the previous system of capital accounting and revaluations since 1 April 1994. The account is written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future revaluations.

	2006/07 £000	2005/06 £000
Balance brought forward	1,506,934	1,684,267
Disposals of fixed assets	(10,432)	(7,197)
Revaluations of fixed assets	19,202	(170,136)
Other reserve adjustments	1	-
<b>Balance carried forward</b>	<b>1,515,705</b>	<b>1,506,934</b>

## Notes to the core financial statements

### 37.2 Fixed Assets Restatement Account (continued)

Disposals of Fixed Assets	General Fund		Housing Revenue Account £000	Total 2006/07 £000	Total 2005/06 £000
	Land and Buildings £000	VPFE £000			
Book value of assets sold during year	7,932	856	2,656	11,444	7,354
Accumulated depreciation on assets sold	-	(1,012)	-	(1,012)	(157)
Net book value of assets written off to Fixed Assets Restatement Account	<b>7,932</b>	<b>(156)</b>	<b>2,656</b>	<b>10,432</b>	<b>7,197</b>

### 37.3 Capital Financing Account

This account represents:

- (a) The reserved part of capital receipts (set aside compulsorily or voluntarily).
- (b) The Minimum Revenue Provision (MRP) plus voluntary set aside from revenue credited to the Capital Financing Account.
- (c) The excess of depreciation charged compared with the sum of MRP plus voluntary set aside debited to the Capital Financing Account.

Note - In the case of (b) and (c) the contra entry is to the Statement of Movement on the General Fund Balance

- (d) Credit cover for credit arrangement made from revenue or usable capital receipts before 1 April 2004.
- (e) Reserved amounts for notional capital receipts before 1 April 2004.
- (f) Government grants and other external capital contributions applied to identifiable fixed assets are taken first to the Government grants deferred account. There they are written off to the Capital Financing Account (via the Income and Expenditure Account) as the associated asset is depreciated.

## Notes to the core financial statements

	2006/07 £000	2005/06 £000
Balance brought forward	140,060	151,042
Minimum revenue provision (less depreciation provision)	(14,692)	(14,967)
Prior year adjustment	-	(314)
Deferred charges written down	(11,982)	(9,901)
Intangible assets written down	(495)	(46)
Major repairs reserve - amount transferred during year	(10,151)	(10,321)
Net deficit for year	(37,320)	(35,549)
Transfer (to) /from Usable Capital Receipts Reserve - earmarked capital receipts	(5,579)	(1,394)
Capital financing - capital receipts	9,441	8,709
- revenue	2,199	4,839
- major repairs reserve	10,151	12,413
Financing of fixed assets	21,791	25,961
Balance carried forward	118,952	140,060

### 37.4 Usable Capital Receipts Reserve

This represents receipts from the sale of land and other assets (net of the administrative costs of Right to Buy sales). Under the Local Government Act 2003 when the disposal relates to an HRA property, 75% of the proceeds of HRA dwellings and 50% of HRA land are transferred from the Usable Capital Receipts Reserve to the General Fund balance to compensate for the equivalent amount transferred to Government for inclusion in the national redistribution pool. The remaining balance is either used for the repayment of external loans, or transferred to the Capital Financing Account to finance capital expenditure. If there is a balance at year end it is included in the balance sheet as Usable Capital Receipts.

	General Fund £000	Housing Revenue Account £000	2006/07 Total £000	2005/06 Total £000
Balance brought forward	-	-	-	-
Mortgage repayments	5	175	180	186
Other capital receipts	514	-	514	1,512
Net surplus for year	519	175	694	1,698
Receipts from sales of assets during the year	1,535	5,965	7,500	9,018
Transfer to Housing Capital Receipts Pool	-	(4,332)	(4,332)	(3,401)
Balance of receipts after transfer	1,535	1,633	3,168	5,617
Balance on account before application of receipts	2,054	1,808	3,862	7,315
Financing of capital expenditure	(6,654)	(2,787)	(9,441)	(8,709)
Transfer (to)/from capital financing account	4,600	979	5,579	1,394
Balance carried forward	-	-	-	-

## Notes to the core financial statements

### 37.5 Major Repairs Reserve

The Major Repairs Reserve (MRR) records the unspent balance of HRA subsidy paid to the authority in the form of the major repairs allowance. The Major Repairs Allowance represents the estimated average annual cost of maintaining the condition of the Council's housing stock over a 30-year period, based on the authority's mix of dwelling archetypes.

	2006/07 £000	2005/06 £000
Balance brought forward	-	2,093
Major Repairs Allowance for the year	10,151	10,321
Transfer to finance capital expenditure during the year	(10,151)	(12,413)
Other reserve adjustments	-	(1)
<b>Balance carried forward</b>	<b>-</b>	<b>-</b>

### 37.6 Pensions Reserve

Under FRS17 the cost of retirement benefits is recognised in the Income and Expenditure Account when the entitlement is earned, irrespective of when the benefits are actually paid. However, the charge the Council is required to make against Council Tax is based on the actual payment into 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 the pensions reserve and has no impact on the Income and Expenditure Account.

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.

Movements on Pensions Reserve	2006/07 £000	2005/06 £000
Deficit brought forward	(328,554)	(338,116)
Movement in General Fund Balance	(9,817)	(64)
Experience/Actuarial (gain)/loss taken directly to the Statement of Total Recognised Gains and Losses (no entry in the Income and Expenditure Account)	47,288	9,626
Total Movement in Reserve recorded in the Statement of Total Recognised Gains and Losses	37,471	9,562
<b>Deficit carried forward</b>	<b>(291,083)</b>	<b>(328,554)</b>

### **37.7 Earmarked Reserves**

The Council has established various reserves for specific purposes. The purposes and objectives of these reserves are summarised below:

#### **Taxation Reserve**

The reserve is held for issues arising from reviews carried out by HM Revenues and Customs on indirect taxation.

#### **RELEASE Reserve**

The Council has developed a programme called RELEASE to enable it to become more efficient and meet one of the Council's key objectives of providing Value for Money. The RELEASE fund has been established to pump prime initiatives that will lead to efficiencies once a robust business case has been established.

#### **RELEASE - Costs Reserve**

This reserve has been created to ensure costs associated with the comprehensive and far ranging review programme can be accommodated.

#### **PAYE Reserve**

The reserve has been created to allow for issues arising from reviews carried out by HM Revenues and Customs on pay as you earn (PAYE) taxation.

#### **Treasury Reserve**

The Authority has a complex and high value cash flow that requires expert management to achieve value for money. This reserve has been created to allow for development and issues in this area.

#### **URV Reserve**

This reserve has been created because of the Authority's ambitious plans for the redevelopment of the Town Centre of Croydon using an Urban Regeneration Vehicle (URV).

#### **Litigation Reserve**

The Authority has created this reserve to counter any future litigation.

#### **Business Rates Credits Reserve**

This reserve has been established to set aside an element of National Non-Domestic Rate Credits. Whilst the vast majority of National Non Domestic Rate credits are either offset against other liabilities or refunded, there remains a relatively small number of closed accounts with credit balances where the payer has either not returned a completed refund form or has left the respective property without providing the Council with a forwarding address.

#### **Housing Benefits Reserve**

This reserve is maintained to allow for any changes to the Housing Subsidy claim as a result of a review of the Housing Benefit claims for 2004/05 and beyond.

#### **Other Balances**

Other balances, such as asset replacement reserves, are shown under this heading. No individual reserve in this category exceeds £0.5m.

## Notes to the core financial statements

### 37.7 Earmarked Reserves (continued)

Analysis of Reserves	Balance Brought Forward £000	Movement During Year £000	Balance Carried Forward £000
LPSA Reserve	843	(843)	-
Taxation Reserve	750	43	793
RELEASE Reserve	-	2,000	2,000
RELEASE - Costs Reserve	-	500	500
PAYE Reserve	-	1,500	1,500
Treasury Reserve	-	1,530	1,530
URV Reserve	-	1,100	1,100
Litigation Reserve	-	800	800
Business Rates Credits Reserve	1,208	-	1,208
Housing Benefits Reserve	900	1,400	2,300
Other Balances	4,759	(777)	3,982
	<b>8,460</b>	<b>7,253</b>	<b>15,713</b>

### 37.8 General Fund

Please consult the Income and Expenditure Account for the calculation of the account balance.

### 37.9 Housing Revenue Account

Please consult the HRA Income and Expenditure Account for the calculation of the account balance.

## 38 | DETAILS OF ANY CONTINGENT LIABILITY OR ASSET

There were no material contingent liabilities or contingent assets.

## 39 | DATE OF ACCOUNTS BEING AUTHORISED FOR ISSUE AND BY WHOM

This Statement of Accounts was issued on 27 June 2007 by Nathan Elvery, Director of Finance and Resources.

## 40 | POST BALANCE SHEET EVENTS

There were no material post balance sheet events.

## 41 | TRUST FUNDS

The Council administers 10 Trust Funds varying in nature but relating principally to legacies left by individuals over a period of many years.

The funds do not represent assets of the Council and have not been included in the Balance Sheet.

The total funds held by all the Trust Funds from the latest available accounts is approximately £1.2m of which £0.8m relates to Church Tenements Charity (grants to young people for education purposes) and £0.3m relates to Frank Denning Foundation (travelling scholarships). The balance relates to sundry small charities.

**42 | SCHOOLS BALANCES**

Schools are given guidance on the level of balances that they should keep, related to a percentage of their income. The guidance is issued by the Schools Forum, not by the Council. The balances have increased partly because of the payment of Formula Capital Grant direct to schools. There are 11 schools with overdrawn balances totalling £0.6m; the Council is working with these schools to ensure they return to a balanced position.

**43 | AMOUNTS DUE TO/FROM RELATED PARTIES**

Debtors and Payments in Advance	2006/07		2005/06	
	Debtors and PIAs	Doubtful Debt Provision	Debtors and PIAs	Doubtful Debt Provision
	£000	£000	£000	£000
<b>General Fund</b>				
Government				
HM Revenue and Customs	6,001	-	3,262	-
Other Government Departments	39,215	-	36,022	-
Local Authorities	2,389	-	1,985	-
<b>Total</b>	<b>47,605</b>	<b>-</b>	<b>41,269</b>	<b>-</b>

Creditors and Receipts in Advance	2006/07	2005/06
	£000	£000
<b>General Fund</b>		
Government		
HM Revenue and Customs	4,910	5,684
Other Government Departments	7,833	10,596
Local Authorities	7,277	5,084
<b>Total</b>	<b>20,020</b>	<b>21,364</b>

### 44.1 | PENSIONS INTEREST COST AND EXPECTED RETURN ON PENSIONS ASSETS

#### **Pensions Interest Cost**

The interest cost is based on the present value of the scheme liabilities at the beginning of the period and reflects changes in the scheme liabilities during the period.

#### **Expected Return on Pensions Assets**

The expected return on assets is based on long-term expectations at the beginning of the period and is expected to be reasonably stable.

For quoted corporate or Government bonds, the expected return is calculated by applying the current redemption yield at the beginning of the period to the market value of the bonds held by the scheme at the beginning of the period.

For quoted fixed and index-linked securities, the expected return can be observed from the market.

For other assets (e.g. equities), the expected return is calculated by applying the rate of return expected over the long term at the beginning of the period, given the value of the assets at that date, to the fair value of the assets held by the scheme at the beginning of the period. The rate of return expected over the long term will vary according to market conditions, but it is expected that the amount of the return will be reasonably stable. The expected rate of return is set by the authority after taking actuarial advice from Mercer Human Resource Consulting.

Additionally the expected return on assets reflects changes in the assets in the scheme during the period as a result of contributions paid into and benefits paid out of the scheme.

### 44.2 | PENSIONS RESERVE

The Council recognises the cost of retirement benefits in respect of the early payment of pensions and the lump sum element of added years when they are paid to employees, rather than when the benefits are eventually paid. Therefore the following amounts are charged in the Income and Expenditure Account.

The Net Cost of Services is charged with:

- the current service costs,
- any past service costs, and
- any curtailments and settlements costs.

The Net Operating Expenditure is charged with:

- pensions interest cost, and
- expected return on pensions assets.

## Notes to the core financial statements

However, the charge the Council is required to make against Council Tax is based on the actual payment into the Pension Fund payable in the year. Consequently a Pensions Reserve adjustment is made, the components of which are analysed below:

<b>Analysis of Pensions Reserve Adjustment</b>	<b>2006/07 £000</b>	<b>2005/06 £000</b>
Income and Expenditure Account entries during the year		
Current service costs	21,290	19,193
Past service costs	590	(12,547)
Curtailments and settlements	-	1,155
Interest cost	39,897	38,362
Expected return on scheme assets	(31,505)	(26,411)
<b>Total charged in CRA</b>	<b>30,272</b>	<b>19,752</b>
Less: Pensions reserve adjustment	(9,817)	(64)
<b>Employer's contribution to Fund charged against Council Tax</b>	<b>20,455</b>	<b>19,688</b>

For full details about the Council's obligations as an employing authority please see the separate section of notes before the Pension Fund Accounts.

#### 44.3 | PENSIONS LIABILITY AND PENSIONS RESERVE

##### Pensions Liability

The financial statements recognise the Council's pensions liability as an employing authority in accordance with the requirements of FRS17. A full set of FRS17 disclosure notes are provided before the Pension Fund Accounts. The tables below show the pensions liability and the movements in that liability:

Pensions Liability	2006/07 £000	2005/06 £000
Market value of assets	522,693	486,734
Estimated liabilities (see below)	(813,776)	(815,288)
<b>Net pensions liability (see below)</b>	<b>(291,083)</b>	<b>(328,554)</b>

Movements on Pensions Liability	2006/07 £000	2005/06 £000
Deficit brought forward	(328,554)	(338,116)
Current service costs	(21,290)	(19,193)
Past service costs (gain due to changes in scheme benefits)	(590)	12,547
Curtailments and settlements	-	(1,155)
Employer's contributions	20,455	19,688
Interest cost	(39,897)	(38,362)
Expected return on scheme assets	31,505	26,411
Actuarial gains/(losses)	47,288	9,626
<b>Deficit carried forward</b>	<b>(291,083)</b>	<b>(328,554)</b>

##### Pensions Reserve

See note 37.6.

#### 45 | MATERIAL PREPAID AND ACCRUED PENSION CONTRIBUTION IN RESPECT OF DEFINED BENEFIT SCHEMES

There are no material amounts in these categories.

#### 46 | INFORMATION ON TEACHERS PENSION SCHEMES

The Teachers Pension Agency provides retirement benefits for Teachers on behalf of the Department of Education and Skills.

The Teachers pension scheme is a defined benefits scheme however the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Authority. The scheme is therefore accounted for as if it were a defined contributions scheme. The Income and Expenditure Account (Education service) is charged with the employer's contributions payable to Teachers' Pensions in the year. In 2006/07 the Authority contributed a percentage of salary, 13.5% for April 2006 to December 2006 then 14.1% from January 2007 totalling £12.5million. The corresponding figures for 2005/06 were 13.5% and £12.1million.

**47 | RECONCILIATION OF NET SURPLUS/DEFICIT TO THE MOVEMENT IN CASH****Introduction**

This statement groups together revenue and capital, income and expenditure. It provides a link between the balance sheet at the beginning of the year, the revenue account for the year and the balance sheet at the end of the year. It summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

	2006/07		2005/06	
	£000	£000	£000	£000
<b>(Surplus)/Deficit for the year</b>				
General Fund	(4,627)		(3,625)	
HRA	(1,224)		1,014	
Collection Fund	-		-	
		(5,851)		(2,611)
<b>Adjustments</b>				
Contribution to/(from) other balances	8,956		(6,207)	
Minimum revenue provision	-		14,986	
Depreciation	(30,737)		(29,921)	
		(21,781)		(21,142)
<b>Movement in revenue assets and liabilities</b>				
Decrease in stock	(97)		(23)	
Decrease in revenue debtors (net of doubtful debts) *	(10,070)		36,103	
Increase in revenue creditors **	(13,313)		(22,092)	
Increase in provisions	(5,010)		(3,624)	
		(28,490)		10,364
<b>Items classified elsewhere on the cash flow statement</b>				
Capital expenditure met from revenue	(2,199)		(4,839)	
Net interest paid	(2,491)		(4,332)	
		(4,690)		(9,171)
<b>Net cash (inflow)/outflow from revenue activities</b>		<b>(60,812)</b>		<b>(22,560)</b>
<b>Total decrease in debtors</b>		<b>(7,639)</b>		<b>34,129</b>
Less increase in doubtful debts		(4,958)		(1,053)
Add decrease in non revenue debtors		2,527		3,027
<b>Total decrease in revenue debtors</b>		<b>(10,070)</b>		<b>36,103</b>
** Total increase in creditors		(13,748)		(20,351)
Add decrease in non revenue creditors		435		(1,741)
<b>Total increase in revenue creditors</b>		<b>(13,313)</b>		<b>(22,092)</b>

**48 | THE MOVEMENT IN CASH RECONCILED TO THE MOVEMENT IN NET DEBT**

	Balance 31 March 2007 £000	Cash Flow £000	Balance 31 March 2006 £000
<b>Cash and Cash Equivalents</b>			
Short-Term Investments	143,450	63,425	80,025
Cash and bank	3,981	(589)	4,570
Cash Overdrawn	(36,755)	(12,963)	(23,792)
	110,676	49,873	60,803
<b>Financing Activities</b>			
Long-Term Borrowing	(197,117)	(34,800)	(162,317)
Short-Term Borrowing	(8,020)	(1,000)	(7,020)
	(205,137)	(35,800)	(169,337)
<b>Management of Liquid Resources</b>			
Short-Term Investments			
<b>Total Net Debt</b>	<b>(94,461)</b>	<b>14,073</b>	<b>(108,534)</b>

## 49 | ANALYSIS OF GOVERNMENT GRANTS

	2006/07 £000	2005/06 £000
Aids support	185	366
Asylum seekers	19,926	14,713
Childcare	235	634
DOH access and systems capacity	-	3,070
DOH children's services (quality protects)	1,291	620
DOH delayed discharges	-	534
DOH human resource strategy	326	422
DOH information for social care	-	174
DOH mental health	-	1,742
DOH preserved rights	9,601	3,302
DOH carers	-	1,225
DOH national training strategy	-	621
DOH residential allowance	-	1,736
DOH substance abuse	262	384
DOH teenage pregnancy	134	275
DOH CAMHS grant	811	-
DFES grant	161	-
Dedicated Schools Grant	187,275	-
Community safety grant	140	424
Street wardens	-	239
Homelessness	-	675
Implementing electronic government	-	150
Estates recycling grant	49	568
SW London sub regional renewal monies	2,700	1,000
Learning and Development	577	-
Learning and Skills Council	7,883	13,443
Leaving care	-	1,231
LAA grant	7,294	-
LDA Strand	193	-
Lifetimes museum	-	934
Local enterprise growth initiative	-	120
Local public service agreements reward	1,953	1,726
Local authority business growth incentive reward	1,130	901
South London Partnership	116	-
New opportunities fund	16	391
Neighbourhood renewal fund	1,000	581
Planning delivery grant	494	763
School standards	34,817	37,115
Single regeneration budget	616	607
Supporting people	8,088	8,111
TSF Crystal Palace	468	-
TfL	6,479	-
Youth justice board	419	249
Customer focus grant	4,536	4,536
Waste disposal - DEFRA	712	-
Other	1,602	790
	<b>301,489</b>	<b>104,372</b>

## Notes to the core financial statements

### 50 | DEBT REDEMPTION PREMIUM

In 2003/04, the Council prematurely repaid £19.4m of long-term debt and restructured a further £20m of long-term loans. This was done to take advantage of discounts offered, low long-term interest rates and of favourable housing subsidy regulations. The restructuring exercise was undertaken with the assistance of the Council's treasury advisers. A net premium of £6.9m was paid as a result of these transactions.

Normally when a repurchase of debt occurs, any gain or loss resulting from the repurchase must be written off to the Income and Expenditure Account in the year during which it took place. An exception is permitted when the repurchase is made to effect a restructuring of debt.

The net premium has been apportioned between the General Fund (£2.2m) and the Housing Revenue Account (£4.7m). In accordance with the ACOP rules in force in 2003/04 the amount apportioned to the General Fund was written off to the Provision for Credit Liabilities (PCL) and the amount apportioned to the HRA will be written off over 10 years.

### 51 | LONG-TERM DEBTORS

These consist of the principal outstanding from sales of Council houses £0.5m (£0.7m in 2005/06), advances to housing associations £0.1m (£0.1m in 2005/06) and loans to voluntary organisations £0.7m (£0.7m in 2005/06).

### 52 | STOCKS AND WORKS IN PROGRESS

	2006/07 £000	2005/06 £000
Stocks and stores in hand	176	273
Total	176	273

## 53 | DEBTORS AND PROVISION FOR DOUBTFUL DEBTS

	2006/07		2005/06	
	Debtors and PIAs £000	Doubtful Debt Provision £000	Debtors and PIAs £000	Doubtful Debt Provision £000
<b>Collection Fund</b>				
Council Tax	39,376	(27,269)	35,340	(21,725)
National Non-Domestic Rates	4,459	(1,643)	10,118	(3,977)
	43,835	(28,912)	45,458	(25,702)
<b>General Fund</b>				
HM Revenue and Customs	6,001	-	3,262	-
Other Government Departments (see note below)	39,215	-	36,022	-
Other Local Authorities	2,389	-	1,985	-
Other sundry debtors	31,162	(8,731)	37,035	(7,824)
Housing - Bed and breakfast rents	1,236	(741)	1,409	(979)
Housing Benefits overpayments	9,104	(6,895)	12,350	(5,603)
Payments in advance	3,890	-	6,271	-
Capital debtors	774	-	3,181	-
Interest receivable	2,976	-	1,210	-
	96,747	(16,367)	102,725	(14,406)
<b>HRA</b>				
Housing Revenue Account rents	3,827	(2,683)	4,053	(2,831)
Housing Revenue Account service charges	809	(397)	621	(462)
	4,636	(3,080)	4,674	(3,293)
<b>Balance Sheet Total</b>	<b>145,218</b>	<b>(48,359)</b>	<b>152,857</b>	<b>(43,401)</b>

**Note:** Other Government Departments - the Home Office is examining the Council's arrangements for claiming expenditure incurred on asylum seeking children. This may result in some clawback of grant.

## 54 | SHORT-TERM INVESTMENTS

	2006/07 £000	2005/06 £000
Money Market Funds	200	525
Investments with banks	113,250	67,500
Investments with building societies	28,000	12,000
Investments with other Local Authorities	2,000	-
<b>Total</b>	<b>143,450</b>	<b>80,025</b>

## Notes to the core financial statements

### 55 | CREDITORS AND RECEIPTS IN ADVANCE

	2006/07 £000	2005/06 £000
HM Revenue and Customs	4,910	5,684
Other Government Departments	7,833	10,596
Council Tax receipts in advance	1,203	1,879
NNDR receipts in advance	1,657	1,412
Other receipts in advance	25,446	10,681
Local Authorities	7,277	5,084
Capital	10,788	10,353
Interest payable	4,944	2,302
Amounts owed for supplies and services and other credit balances	45,711	48,030
<b>Total</b>	<b>109,769</b>	<b>96,021</b>

### 56 | GOVERNMENT GRANTS DEFERRED

The Accounting Code of Practice requires fixed assets to be included in the balance sheet at their continuing value to the authority, even when grants or contributions have been received towards their financing. By definition, depreciation charges based upon balance sheet valuations similarly would ignore the influence of grants. Consequently, when a Government grant or any other contribution has been applied to the financing of capital expenditure on fixed assets, a balance is established representing a deferred credit to be released to revenue to set off the depreciation that might be charged on the assets.

	2006/07 £000	2005/06 £000
Balance brought forward	(40,651)	(33,831)
Grants and contributions applied	(12,882)	(10,652)
Transfer to Movement in General Fund Balance	3,045	2,933
Written out in respect of deferred charges	2,739	899
<b>Total</b>	<b>(47,749)</b>	<b>(40,651)</b>

# Housing income and expenditure account

## HOUSING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

	Note No.	2006/07 £000	2005/06 £000
<b>Income</b>			
Gross rental income - dwellings	12	53,673	52,167
- non-dwellings	12	1,483	1,371
Charges for services and facilities	13	8,872	9,259
<b>Total Income</b>		<b>64,028</b>	<b>62,797</b>
<b>Expenditure</b>			
Repairs and maintenance		(12,882)	(13,284)
Supervision and management		(17,358)	(15,884)
Rents, rates, taxes and other charges	14	(4,521)	(4,742)
Rent rebates	15	-	(457)
Negative Subsidy payable to the CLG	7	(12,169)	(10,028)
Provision for bad or doubtful debts	9	(206)	(413)
Depreciation	2	(10,151)	(10,321)
Deferred charges	6	(1,902)	(1,830)
Debt management expenses		(81)	(69)
Contributions towards expenditure		(104)	-
<b>Total expenditure</b>		<b>(59,374)</b>	<b>(57,028)</b>
<b>Net cost of HRA services per Authority Income and Expenditure Account</b>			
		<b>4,654</b>	<b>5,769</b>
HRA share of the amounts not allocated to specific services		-	(152)
<b>Net cost of HRA services</b>		<b>4,654</b>	<b>5,617</b>
Gain or loss on sale of HRA fixed assets		3,397	2,839
Interest payable and similar charges		(2,846)	(2,667)
Pensions interest costs and expected return on pensions assets		(565)	(693)
Interest and Investment Income		214	231
Amortised payments	16	(597)	(597)
<b>Surplus/(deficit) for the year</b>		<b>4,257</b>	<b>4,730</b>

## Housing income and expenditure account

### STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

	2006/07 £000	2005/06 £000
Surplus/(Deficit) for the year on the HRA Income and Expenditure Account	4,257	4,730
<b>Amounts included in the HRA Income and Expenditure Account but required by statute to be excluded when determining the Movement in the Housing Revenue Account Balance for the year</b>		
Gain or loss on sale of HRA fixed assets	(3,397)	(2,839)
Capital Expenditure funded by the Housing Revenue Account	(2,199)	(4,739)
Write downs of deferred charges to be financed from capital resources	1,902	1,830
	(3,694)	(5,748)
<b>Amounts not included in the HRA Income and Expenditure Account but required by statute to be included when determining the Movement in the Housing Revenue Account Balance for the year</b>		
HRA share of contributions to or from the Pensions Reserve	661	4
	661	4
Net additional amounts	(3,033)	(5,744)
Increase/(Decrease) in HRA Balance for the year	1,224	(1,014)
HRA balance brought forward	3,283	4,297
<b>HRA balance carried forward</b>	<b>4,507</b>	<b>3,283</b>

# Notes to the Housing Revenue Account

## 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 and 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.

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

Types of Property	2006/07	2005/06
Houses	5,437	5,455
Flats	8,609	8,682
Relocatable Homes	60	60
<b>Total Dwellings</b>	<b>14,106</b>	<b>14,197</b>

## Notes to the Housing Revenue Account

### 2 | FIXED ASSETS AND DEPRECIATION

2005/06	Council Dwellings £000	Other Operational Assets £000	Non- Operational Assets £000	Total £000
<b>Fixed Assets</b>				
Gross book value as at 31 March 2005	991,091	720	1,420	993,231
Additions	23,312	62	-	23,374
Disposals	(2,266)	-	-	(2,266)
Revaluations	(203,323)	-	-	(203,323)
Gross book value as at 31 March 2006	808,814	782	1,420	811,016
<b>Depreciation</b>				
Depreciation as at 31 March 2005	(10,486)	(27)	-	(10,513)
Depreciation for year	(10,321)	-	-	(10,321)
Depreciation on assets sold	1	-	-	1
Depreciation on revaluations	10,486	14	-	10,500
Balance as at 31 March 2006	(10,320)	(13)	-	(10,333)
Net book value as at 31 March 2006	798,494	769	1,420	800,683

2006/07	Council Dwellings £000	Other Operational Assets £000	Non- Operational Assets £000	Total £000
<b>Fixed Assets</b>				
Gross book value as at 1 April 2006	808,814	782	1,420	811,016
Additions	17,648	-	-	17,648
Disposals	(2,656)	-	-	(2,656)
Revaluations	11,805	-	-	11,805
Gross book value as at 31 March 2007	835,611	782	1,420	837,813
<b>Depreciation</b>				
Depreciation as at 1 April 2006	(10,320)	(13)	-	(10,333)
Depreciation for year	(10,151)	-	-	(10,151)
Depreciation on assets sold	-	-	-	-
Depreciation on revaluations	10,320	-	-	10,320
Balance as at 31 March 2007	(10,151)	(13)	-	(10,164)
Net book value as at 31 March 2007	825,460	769	1,420	827,649

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

### 2 | FIXED ASSETS AND DEPRECIATION (continued)

The estimation of depreciation for HRA properties has been considered in the context of the Major Repairs Allowance (MRA) which the Government has introduced. The MRA represents the estimated average annual cost of maintaining the condition of the Council's housing stock over a 30-year period, based on the authority's own mix of dwelling archetypes. Consequently, the MRA is considered to constitute a reasonable estimate of depreciation for HRA properties and is the figure used in the Council's accounts.

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 (except in the limited circumstances where the depreciation charge is higher than the MRA, in which case the difference is reversed out). It is funded within the HRA by the MRA.

All authorities are required by the Accounts and Audit Regulations 2003 to maintain a Major Repairs Reserve. The main credit to the Major Repairs Reserve is an amount equivalent to the total depreciation charge for all HRA assets. When depreciation charges for HRA dwellings are less than the MRA, an amount equal to the difference is transferred from the HRA to the Major Repairs Reserve. Where total HRA depreciation charges are greater than the MRA then an amount equal to the difference is transferred to the HRA from the Major Repairs Reserve. Through this mechanism the HRA is charged with an amount for depreciation equal to the MRA.

The balance held within the Major Repairs Reserve can be spent without it being charged to the HRA. Statute requires that the reserve is only used for capital expenditure on HRA assets.

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

	2006/07	2005/06
Houses	5,437	5,455
Flats	8,609	8,682
Relocatable homes	60	60
<b>Stock at 31 March</b>	<b>14,106</b>	<b>14,197</b>
Vacant possession value at 1 April 2006 and 2005	£812m	£765m

The vacant possession value is based on Existing Use Value for Social Housing and reflects the economic cost to the Government of providing Council housing at less than open market rents. The valuation was carried out in April 2006.

## Notes to the Housing Revenue Account

### 3 | CAPITAL EXPENDITURE

	2006/07 £000	2005/06 £000
<b>Expenditure</b>		
Fixed assets	17,648	23,374
Deferred charges	1,902	1,830
	<b>19,550</b>	<b>25,204</b>
<b>Financed By</b>		
Borrowing approvals	4,252	3,130
Capital receipts	2,793	4,559
Grants and other contributions	155	363
Revenue contributions	2,199	4,739
Major repairs reserve	10,151	12,413
	<b>19,550</b>	<b>25,204</b>

From 2004/05, HRA set-aside was abolished. However, authorities may decide to use revenue resources to reduce their HRA Capital Financing Requirement, i.e. to repay principal or to meet liabilities under credit arrangements. The revenue resources that can be used are revenue amounts from the HRA and the Major Repairs Reserve. HRA voluntary repayments of debt do not impact on the MRP requirement in relation to the General Fund.

Capital Receipts (not referenced to the HRA account)	Land £000	Houses £000	Other Property £000	Total 2006/07 £000	Total 2005/06 £000
Principal repaid on right to buy mortgages	-	175	-	175	185
Sale of right to buy dwellings	-	5,906	-	5,906	5,053
Repayment of discount	-	59	-	59	51
	-	<b>6,140</b>	-	<b>6,140</b>	<b>5,289</b>

Major Repairs Reserve (not referenced to the HRA account)	2006/07 £000	2005/06 £000
Opening balance as at 1 April	-	2,093
Amount transferred to the reserve during the year	10,151	10,321
Capital expenditure during the year	(10,151)	(12,413)
Other reserve adjustments	-	(1)
<b>Closing balance as at 31 March</b>	<b>-</b>	<b>-</b>

### 4 | ANALYSIS OF MOVEMENT ON THE HOUSING REPAIRS ACCOUNT

The account has increased due to the transfer of surplus on the HRA into the account.

### 5 | DETAILS OF ANY IMPAIRMENT CHARGES FOR THE FINANCIAL YEAR

There were no impairment charges for 2006/07.

### 6 | DEFERRED CHARGES

Deferred charges relate to expenditure on assets that do not belong to the Council; in this instance they relate to grants for the Assisted Private Purchase Scheme and the Special Transfers Scheme. The deferred charges are written out in the Statement of Movement on the Housing Revenue Account Balance.

### 7 | HRA SUBSIDY

HRA subsidy was paid to meet any shortfall between expenditure and income on a model of each authority's HRA (the notional HRA). The HRA subsidy calculation is based on annual assumptions covering the rents each authority will charge (guideline rents), allowances for management and maintenance, the HRA's share of debt financing and management costs, calculated in accordance with a formula, and other specific items of expenditure and income.

Since the transfer of Rent Rebate to the General Fund from 1 April 2004, Croydon no longer experiences a shortfall but instead a surplus. Rent Rebate was a major cost component in the calculation which has now been removed. Consequently, the Council is required to make a deduction from income and remit this to the Department for Communities and Local Government (CLG).

HRA Subsidy Account	2006/07 £000	2005/06 £000
<b>Notional Income</b>		
Notional rental income	51,360	48,196
Other reckonable income	46	65
Prior year adjustment for rent rebates	-	40
<b>Total Notional Income</b>	<b>51,406</b>	<b>48,301</b>
<b>Notional Expenditure</b>		
Management allowance	(8,615)	(8,182)
Maintenance allowance	(15,593)	(14,795)
Major repairs allowance	(10,151)	(10,321)
Charges for capital	(4,855)	(4,930)
Anti-social behaviour allowance	-	-
Admissible allowance	(23)	(45)
<b>Surplus payable to CLG</b>	<b>12,169</b>	<b>10,028</b>

## Notes to the Housing Revenue Account

### 8 | HRA SHARE OF CONTRIBUTIONS TO PENSIONS RESERVE

The HRA contribution to the pensions reserve is based on the employers' contributions for the HRA as a proportion of the total employers' contributions to the Pension Fund.

### 9 | DEBTORS AND PROVISION FOR DOUBTFUL DEBTS

	2006/07		2005/06	
	Debtors £000	Doubtful Debt Provision £000	Debtors £000	Doubtful Debt Provision £000
Housing Revenue Account rents	3,827	(2,683)	3,858	(2,831)
Housing Revenue Account service charges	809	(397)	967	(462)
	<b>4,636</b>	<b>(3,080)</b>	<b>4,825</b>	<b>(3,293)</b>

### 10 | SUMS DIRECTED BY THE SECRETARY OF STATE

There were no directions from the Secretary of State to transfer amounts to the General Fund.

### 11 | EXCEPTIONAL AND PRIOR YEAR ADJUSTMENTS

There were no exceptional or prior year adjustments.

### 12 | GROSS RENTAL INCOME

This item comprises the income of the authority for the year from rents and charges in respect of houses and other property within the account; it includes rent remitted by way of rebate. The following data is relevant to the Council's HRA properties:

	2006/07	2005/06
Average percentage of void property	1.2%	1.2%
Average weekly rental (based on a 50 week year)	£77.15	£73.30

### 13 | CHARGES FOR SERVICES AND FACILITIES

This represents the income of the authority in respect of services or facilities provided in conjunction with the provision of houses and other property:

- it includes income in respect of services and facilities provided under sections 10 and 11 of the Housing Act 1985 (power to provide furniture, board and laundry facilities), but
- does not include payments for the purchase of furniture or hire-purchase instalments for furniture or income in respect of services provided under section 11A of that Act (power to provide welfare services).

**14 | RENTS, RATES, TAXES AND OTHER CHARGES**

	2006/07 £000	2005/06 £000
Rents	368	962
Water Rates	3,755	3,534
Council Tax	-	-
Other Charges	398	246
	<b>4,521</b>	<b>4,742</b>

The percentage of tenants in receipt of rent rebates was 69.5% in 2006/07 (68.1% in 2005/06) and the amount of gross rent met by rent rebate was £40,783k in 2006/07 (£35,509k in 2005/06).

**15 | RENT REBATES - TRANSITIONAL PROTECTION**

Responsibility for meeting the costs of providing HRA Rent Rebate was transferred to the General Fund from 2004/05 onwards. The payment of transitional protection is to reimburse the General Fund for any subsidy shortfall it incurs from administering the new responsibility.

**16 | AMORTISED PREMIUMS AND DISCOUNTS**

Following a restructuring of debt to take advantage of:

- discounts offered,
- low long-term interest rates, and
- favourable housing subsidy regulations,

the Council undertook, in 2003/04, a debt restructuring exercise which resulted in the payment of a net premium of £6.9m. The charge to the Housing Revenue Account represents the amount of the debt redemption premium, attributed to the HRA, amortised in the period.

**17 | ACCUMULATED BALANCE**

	31 March 2007 £000	31 March 2006 £000
HRA working balance	800	800
Housing Repairs Account	3,707	2,483
	<b>4,507</b>	<b>3,283</b>

## Notes to the Housing Revenue Account

### 18 | ACCOUNTS IN ADDITIONAL FORMAT

This is an HRA summary in the same format as the Rent and Budget Setting annual report.

#### HOUSING REVENUE ACCOUNT - INCOME AND EXPENDITURE ACCOUNTS FOR THE YEARS ENDED 31 MARCH 2007 AND 31 MARCH 2006

	2006/07 £000	2005/06 £000
<b>Income</b>		
Dwelling Rents and Service Charges	55,432	53,262
Garage Rents	1,046	1,003
Other Charges	2,183	2,528
Interest on Council Mortgages	36	53
Housing Revenue Account Subsidy Grant	-	-
	58,697	56,846
<b>Expenditure</b>		
Management - General	(11,892)	(11,552)
Management - Special	(5,501)	(4,908)
Maintenance and Repairs	(11,831)	(12,110)
Major Repairs Allowance	(10,151)	(10,321)
Capital Financing	(3,524)	(3,332)
Revenue Contribution to Capital Outlay	(2,199)	(4,739)
Rent Rebates	-	(457)
Provision for Doubtful Debts	(206)	(413)
Negative Subsidy Payable to the CLG	(12,169)	(10,028)
	(57,473)	(57,860)
<b>(Deficit)/Surplus</b>	<b>1,224</b>	<b>(1,014)</b>
Surplus at beginning of year	3,283	4,297
Surplus/(Deficit) for the year	1,224	(1,014)
<b>Surplus at end of year</b>	<b>4,507</b>	<b>3,283</b>

# Collection Fund

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

	Note No.	2006/07 £000	2005/06 £000
<b>INCOME</b>			
Council Tax collectable	2	141,443	132,691
Transfers from the General Fund			
- Council Tax benefits	4	25,631	23,134
National Non-Domestic Rates collectable	1	88,727	90,381
<b>Total Income</b>		<b>255,801</b>	<b>246,206</b>
<b>EXPENDITURE</b>			
Precepts and demands	3		
- London Borough of Croydon		125,400	120,620
- Greater London Authority		35,715	31,654
		161,115	152,274
National Non-Domestic Rates	1		
- Payment to national pool		88,264	89,915
- Costs of collection		463	466
		88,727	90,381
Bad and doubtful debts			
- Write-offs		415	113
- Provisions		5,544	3,438
		5,959	3,551
<b>Total Expenditure</b>		<b>255,801</b>	<b>246,206</b>
(Surplus)/deficit for year		-	-
Fund balance brought forward		-	-
<b>Fund balance carried forward</b>		<b>-</b>	<b>-</b>

# Notes to the Collection Fund

## INTRODUCTION

This account summarises the transactions of the Collection Fund, the purpose of which is to receive Council Tax and National Non Domestic Rates, collected on behalf of the Government, and apply the proceeds. The Council, together with the Greater London Authority, precepts upon the fund to meet its expenditure. The amounts of the 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 | NATIONAL NON-DOMESTIC RATES COLLECTABLE

In accordance with the arrangements for uniform business rates, the Council collects National Non-Domestic Rates for the Borough of Croydon. The amount collected is based upon local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the National Non-Domestic Rate pool) managed by the Government. In return the Government makes payments to local authorities from the pool. For 2005/06 the share to which an authority was entitled was based on a standard amount per head of the local population. For Croydon this sum was based on a population of 336,688 multiplied by a standard amount of £333.24. For 2006/07 the Government changed the way this was calculated so that councils receive a fixed share of their Formula Grant as Redistributed Business Rate income based on the total of the Distributable Amount as a proportion of the total of Revenue Support Grant plus the Distributable Amount. The amount is disclosed as Contribution from National Non Domestic Rate Pool, under the Amount to be met from Government Grant and Local Tax in the Income and Expenditure Account.

The total non-domestic rateable value at 31 March 2007 was £275.4m (£281.0m at 31 March 2006), and the 2006/07 non-domestic rate multipliers were 43.3p (42.2p in 2005/06) and 42.6p for small businesses (41.5p in 2005/06).

## 2 | COUNCIL TAX BASE

Council Tax is a banded capital value based property tax with a 25% discount for single adult households. 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 8 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, £1,301.94 for 2006/07 (£1,224.87 for 2005/06) is multiplied by the proportion specified for the particular band to give an individual amount due.

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

## COUNCIL TAX BASE 2006/07

Valuation Band	Number of Chargeable Dwellings	Band D Proportion	Band D Equivalent Dwellings	Council Tax £.pp	Council Tax Income £000
Band A	1,499	6/9	1,000	867.96	1,301
Band B	14,951	7/9	11,629	1,012.62	15,140
Band C	35,006	8/9	31,116	1,157.28	40,512
Band D	31,881	1	31,881	1,301.94	41,507
Band E	19,592	11/9	23,946	1,591.26	31,176
Band F	10,673	13/9	15,417	1,880.58	20,071
Band G	6,886	15/9	11,477	2,169.90	14,942
Band H	555	18/9	1,110	2,603.88	1,445
Total			127,576		166,094
Multiplied by estimated collection rate			97%		97%
Number of band D equivalent dwellings			123,750		161,111
Adjustments during the year					5,963
<b>Final collectable amount</b>					<b>167,074</b>
Made up of:					
Council Tax collectable					141,443
Council Tax benefits					25,631
<b>Final collectable amount</b>					<b>167,074</b>

## BANDING VALUES

Valuation Band	Range of Property Values
Band A	Up to £40,000
Band B	£40,001 to £52,000
Band C	£52,001 to £68,000
Band D	£68,001 to £88,000
Band E	£88,001 to £120,000
Band F	£120,001 to £160,000
Band G	£160,001 to £320,000
Band H	Over £320,001

### 3 | PRECEPTS AND DEMANDS

The Collection Fund is required to meet in full during the financial year 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 four functional bodies i.e. the Metropolitan Police Authority, the London Fire and Emergency Planning Authority, Transport for London and the London Development Agency.

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.

	Note	2006/07 £.pp	2005/06 £.pp
Band D equivalent Council Tax charge		1,301.94	1,224.87
Split thereof:			
Croydon		1,013.33	970.25
Greater London Authority		288.61	254.62
<b>Total</b>		<b>1,301.94</b>	<b>1,224.87</b>
Payment to Croydon	a		
Share of Band D equivalent Council Tax charge		1,013.33	970.25
Number of Band D equivalent dwellings		123,750	124,318
<b>Total</b>		<b>125,399,587.50</b>	<b>120,619,539.50</b>
<b>Rounded to £000's</b>		<b>125,400</b>	<b>120,620</b>
Payment to the Greater London Authority			
Share of Band D equivalent Council Tax charge		288.61	254.62
Number of Band D equivalent dwellings		123,750	124,318
<b>Total</b>		<b>35,715,487.50</b>	<b>31,653,849.16</b>
<b>Rounded to £000's</b>		<b>35,715</b>	<b>31,654</b>

#### Note

a. This amount is disclosed as Precept Demanded from the Collection Fund, under the Amount to be met from Government Grant and Local Tax in the Income and Expenditure Account.

### 4 | TRANSFERS FROM THE GENERAL FUND - COUNCIL TAX BENEFITS

Council Tax benefit is determined in accordance with the Secretary of State's directions as to the total of individual entitlements to reductions in the amounts of Council Tax payable in the year (subject to adjustments for earlier years not accounted for and for accruals). Credits are made in the Collection Fund and matched by equal charges to the General Fund for Council Tax benefit granted. By this mechanism the Collection Fund is fully reimbursed for all reliefs provided. All other transactions in relation to reimbursement by the Government of benefits and reliefs granted and the costs of administration are accounted for in the General Fund. Consequently, any net cost is borne by the General Fund.

# Pensions - FRS17 and Accounting Code of Practice disclosure notes

Croydon Council makes contributions on behalf of its employees to two pension schemes:

- The Teachers Pension Agency (TPA), and
- The Local Government Pension Scheme (LGPS).

## The Teachers Pension Agency

The TPA provides retirement benefits for teachers on behalf of the Department for Education and Skills. The TPA is an unfunded scheme under which any liability for benefits is the responsibility of the Department for Education and Skills. The Council's responsibility is to contribute a percentage, in 2006/07 13.5% April 2006 to December 2006 and 14.1% from January 2007, amounting to £12.5m (13.5% in 2005/06 amounting to £12.1m), of its teaching staff's pensionable pay to the TPA. Because the Council has no further financial liability beyond this, FRS17 requires the scheme to be accounted for as a defined contribution scheme.

## The Local Government Pension Scheme

The Council's Pension Fund is classified as a defined benefits scheme into which the Council and employees pay contributions calculated at a level intended to balance the future pensions liabilities with investment assets. The employers' contributions are paid to the Fund at rates recommended by the actuary to enable the Fund to meet its existing and prospective liabilities.

Actuarial valuations are carried out every three years as required by legislation. The most recent valuation was undertaken by Mercer Human Resource Consulting as at 31 March 2004. This identified a deficit of £254m which the actuary recommended should be recovered over a 25 year period through increases in the employers' contributions to be phased in over a period of 6 years. The required annual increase in employers' contributions is approximately £1m each year which will result in an employers' contribution rate of 17.3% in 2005/06 increasing to 21.6% in 2010/11.

Croydon's employers' contributions for FRS17 purposes for the year amounted to £20.5m for the year at the rate of 18.1% (£19.7m in 2005/06 at a contribution rate of 17.5%). The capital cost of discretionary increases in pensions payments (e.g. discretionary added years/augmentation) agreed by the authority in 2006/07 was £2.0m. This coupled with the cumulative value agreed in earlier years, for which payments are still being made, is now £3.0m.

Tabulated below are the disclosures of material pension scheme data and explanatory notes required by FRS17:

Main financial assumptions	31 March 2007	31 March 2006	31 March 2005
Rate of increase in salaries	4.85%	4.65%	4.65%
Rate of increase of pensions in payment	3.10%	2.90%	2.90%
Discount rate	5.40%	4.90%	5.40%
Inflation assumption	3.10%	2.90%	2.90%

## Pensions - FRS17 and Accounting Code of Practice disclosure notes

These are the assumptions used by the actuaries in evaluating the assets and liabilities of the scheme:

Income and Expenditure Account entries	2006/07 £000	2005/06 £000
<b>Amounts charged to net cost of services</b>		
Current service cost	21,290	19,193
Past service costs	590	(12,547)
Curtailments and settlements	-	1,155
<b>Amounts charged/credited to net operating expenditure</b>		
Interest cost	39,897	38,362
Expected return on scheme assets	(31,505)	(26,411)
<b>Amount charged/credited to amounts to be met from Government Grants and local taxation</b>		
Movement on Pensions reserve	(9,817)	(64)
<b>Employers' contribution to the pension scheme charged against Council Tax</b>	<b>20,455</b>	<b>19,688</b>

### SCHEME ASSETS, EXPECTED RATE OF RETURN AND PENSIONS ASSET/(LIABILITY)

	Long-Term Rate of Return Expected at 31 March 2007	Value at 31 March 2007 £m	Long-Term Rate of Return Expected at 31 March 2006	Value at 31 March 2006 £m	Long-Term Rate of Return Expected at 31 March 2005	Value at 31 March 2005 £m
Equities	7.50%	475.7	7.00%	452.2	7.50%	360.1
Government bonds	4.70%	26.1	4.30%	24.3	4.70%	-
Cash/liquidity	5.25%	20.9	4.50%	10.2	4.75%	12.3
<b>Total Market Value of Assets</b>		<b>522.7</b>		<b>486.7</b>		<b>372.4</b>
<b>Present Value of Scheme Liabilities</b>		<b>(813.8)</b>		<b>(815.3)</b>		<b>(710.5)</b>
<b>Net Pensions Asset /(Liability)</b>		<b>(291.1)</b>		<b>(328.6)</b>		<b>(338.1)</b>

## Pensions - FRS17 and Accounting Code of Practice disclosure notes

Movements on Pensions Liability	2006/07 £000	2005/06 £000
Deficit brought forward	(328,554)	(338,116)
Current service costs	(21,290)	(19,193)
Past service costs (gain due to changes in scheme benefits)	(590)	12,547
Curtailments and settlements	-	(1,155)
Employer's contributions	20,455	19,688
Interest cost	(39,897)	(38,362)
Expected return on scheme assets	31,505	26,411
Actuarial gains/(losses)	47,288	9,626
<b>Deficit carried forward</b>	<b>(291,083)</b>	<b>(328,554)</b>

Movements on Pensions Reserve	2006/07 £000	2005/06 £000
Deficit brought forward	(328,554)	(338,116)
Income and Expenditure Account transfer to reduce the charge in the I&E to the actual payment into the Pension Fund made by the Council	(9,817)	(64)
Experience/Actuarial (gain)/loss taken directly to the Statement of Total Movements in Reserves (no entry in the Income and Expenditure Account)	47,288	9,626
Total Movements in Reserves recorded in the Statement of Total Movements in Reserves	37,471	9,562
<b>Deficit carried forward</b>	<b>(291,083)</b>	<b>(328,554)</b>

Under FRS17 the cost of retirement benefits is recognised in the Income and Expenditure Account when the entitlement is earned, irrespective of when the benefits are actually paid. However, the charge the Council is required to make against Council Tax is based on the actual payment into 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 the pensions reserve and has no impact on the Income and Expenditure Account.

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.

## Pensions - FRS17 and Accounting Code of Practice disclosure notes

### Experience Gains and Losses

These are the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with actuarial assumptions made for the last valuation (experience gains or losses), or
- (b) the actuarial assumptions have changed.

The gain or loss calculated is taken directly to the pensions reserve and has no impact on the Income and Expenditure Account.

### History of Experience/Actuarial Gains and Losses

	31 March 2007	31 March 2006	31 March 2005	31 March 2004
Difference between the expected and actual return on scheme assets:				
amount (£000)	7,420	87,662	17,982	49,333
percentage of scheme assets	1.40%	18.00%	4.80%	15.90%
Experience gains and losses on scheme liabilities:				
amount (£000)	-	(15,717)	(4,233)	-
percentage of the present value of the scheme liabilities	0.00%	1.90%	0.60%	0.00%
Change in assumptions:				
amount (£000)	39,868	(62,319)	(116,535)	-
percentage of the present value of the scheme liabilities	4.90%	7.60%	16.40%	0.00%
<b>Total Gain/(Loss) recognised:</b>				
amount (£000)	47,288	9,626	(102,786)	49,333
percentage of the present value of the scheme liabilities	5.80%	1.20%	14.50%	9.30%

### **FRS17 - Details Supporting the Actuary's Assumption of 50% Take-Up of the Lump Sum Commutation**

In his notes supporting the FRS17 calculations, the Actuary indicated that the provisions of LGPS were changed just before the end of the year, by the introduction of the Local Government Pension Scheme (Amendment) Regulations 2006. The change allows members to take a higher lump sum than the standard '3/80ths' basis by commuting part of their pension. The Actuary details that these changes to the regulations were introduced as part of the cost-saving measures following the revocation of the Rule of 85 changes in 2005.

The Actuary's note states that the commutation terms brought in by the new regulations are such that it is less costly for the scheme to provide the lump sum than the pension. Consequently, the extent that members take up the option will reduce the employers' pension costs. The Actuary then explains that he has made allowance for this on the assumption that 50% of members will take up the option to increase their lump sum to the maximum available. The Actuary stresses that, although the 50% assumption is purely an estimate, it is consistent with the basis on which the potential cost savings have so far been estimated.

The 50% assumption is based upon detailed work carried out by the ODPM who employed the leading actuaries Hymans Robertson to calculate potential savings/cost implications in respect of the then proposed changes to the LGPS regulation. The detailed work by Hymans Robertson estimated that some 50% of staff would take the option to convert part of their pension into a higher lump sum. The savings were based on members being able to take up to 25% of the value of their benefits as a (tax free) lump sum - subject to a commutation rate of 12.1% rather than the pension costs of 15.1%.

In view of the extensive work undertaken by Hymans Robertson on behalf of the ODPM, the Council's Actuary used the 50% as a 'standard' figure to calculate the savings resulting from the lump sum commutation in the FRS17 computations.

The actuaries have advised that this will reduce the value of the Council's pension liabilities by £10.7m, in respect of former employees, and this has been included within Non-Distributed Costs on the face of the Income and Expenditure Account.

# Croydon's role as a Pension Administering Authority

The Council as a local authority and a pension administering authority is acting in two separate roles. As a local authority it is accountable to the residents of the London Borough of Croydon for its stewardship of public funds. As a pension administering authority it is accountable to its employees who are members of the Pension Fund for its stewardship of pension assets. The two roles, and the relevant interest groups, are significantly different. Consequently, the Pension Fund accounts are presented in an appendix to clearly demonstrate the distinction.

# Statement of accounting policies and principles - Pension Fund

## 1 | GENERAL PRINCIPLES

The accounts have been prepared in accordance with the provisions of Chapter 2 (Recommended Accounting Practice) of the Pensions SORP as required by the 2006 Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

## 2 | STATEMENT OF INVESTMENT PRINCIPLES

This is published in the Croydon Pension Scheme Annual Report.

## 3 | FUND'S OPERATIONS AND MEMBERSHIP

The Fund operates a defined benefits scheme under the Superannuation Act 1972 as amended by subsequent regulations. Its purpose is to provide pensions to all of the Council's employees with the exception of teaching staff. Also included are the employees of admitted and scheduled bodies that have gained admittance to the Fund. Until 24 March 2007, the Fund was administered by Liberata UK Limited who collected contributions and paid benefits. The pensions administration was then taken over by Croydon Council from Liberata UK Limited and dealt with in-house. Investment management is the responsibility of the Council who have delegated most of this to two major fund managers.

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

### **Admitted:**

Age Concern, BRIT School, Catholic Children's Society, Croydon Citizens Advice Bureau, Croydon Community Mediation, Creative Environmental Network, Croydon Meals Agency, Croydon Voluntary Action, Croydon Welcare, Fairfield (Croydon) Limited, Harris City Technology College, Interserve, National Car Parks (NCP), New Addington Women's Centre and Veolia (formerly Cleanaway).

### **Scheduled:**

London Borough of Croydon, Coulsdon College, Croydon College, John Ruskin College and St. Joseph's College.

## 4 | CONTRIBUTIONS TO THE FUND

Employees in the scheme are required by the Local Government Pension Scheme Regulations 1997 to make contributions to the Fund by deductions from earnings at the rate of 6%, although some employees retain the right to contribute at 5%. For the year ended 31 March 2007 the employers' rate was 18.1% of pensionable pay for Croydon Council and the schools' non-teaching staff. Scheduled and admitted bodies rates varied depending upon the rates determined by the Actuary.

## Statement of accounting policies and principles - Pension Fund

### **5 | DEBTORS AND CREDITORS**

The accounts have been prepared on an accruals basis. All expenditure and income including the purchases and sales of investments and dividends due are charged or credited to the accounts during the year and any outstanding liabilities or debtors are included at the year end.

Transfer values receivable and payable at the year end that were not received by Croydon Council (acting on behalf of the Pension Fund) are not included in debtors and creditors at the year end in accordance with the accounting treatment required by the Pensions SORP (Statement of Recommended Practice).

### **6 | FOREIGN CURRENCY**

Investments designated in foreign currency and holdings of foreign currency are converted to sterling at the exchange rates ruling at 31 March. All transactions during the year are converted to sterling at the date of the transaction.

### **7 | EARLY RETIREMENT COSTS DUE TO REDUNDANCY**

Employees who are members of the Local Government Pension Scheme, aged 50 or over and take early retirement due to redundancy are entitled, under the regulations, to receive their pension early based on the number of years service without any actuarial deduction. This causes a strain on the Pension Fund which can be measured as a capital cost and is recovered from Croydon Council over a period of between one and five years. The amounts recoverable are credited against pensions payable in the year that they are due to be received by the Pension Fund.

# Pension Fund Accounts

## FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

	Note No.	2006/07 £000	2005/06 £000
<b>CONTRIBUTIONS</b>			
Employees' contributions:			
London Borough of Croydon		6,680	6,693
Scheduled bodies		385	403
Admitted bodies		401	361
Employers' contributions:			
London Borough of Croydon		19,711	18,859
Scheduled bodies		1,131	1,109
Admitted bodies		1,064	878
Transfer values received	16	3,702	4,417
		<b>33,074</b>	<b>32,720</b>
<b>PAYMENTS</b>			
Benefits - Pensions	5	20,958	20,227
- Lump sums	15	6,449	4,169
Payments to and on account of leavers			
- Refund of contributions		34	111
- Transfer values paid	16	4,317	3,872
Administrative expenses	13	950	825
		<b>32,708</b>	<b>29,204</b>
<b>Net additions from dealings with members</b>		<b>366</b>	<b>3,516</b>
<b>RETURNS ON INVESTMENTS</b>			
Investment income	10	13,195	10,793
Net losses/(gains) on currency revaluations and underwriting commissions		1	(28)
Change in market value of investments:			
Unrealised	2	17,519	83,462
Realised	2	12,838	14,468
Investment management expenses	14	(480)	(503)
<b>Net returns on investments</b>		<b>43,073</b>	<b>108,192</b>
Net increase in the Fund during the year		43,439	111,708
Net assets at the start of the year		501,214	389,506
<b>Net assets at the end of the year</b>		<b>544,653</b>	<b>501,214</b>

## Pension Fund Accounts

### NET ASSETS STATEMENT AS AT 31 MARCH 2007

	Note No.	2006/07 £000	2005/06 £000
<b>Investments:</b>			
Equities	2 & 3	495,458	464,542
Bonds	2 & 3	23,899	23,739
		519,357	488,281
<b>Net current assets:</b>			
Debtors	11	5,774	2,933
Cash held by			
- Custodians for the Fund Managers		1,000	1,973
- London Borough of Croydon	11	20,533	10,841
Creditors	11	(2,011)	(2,814)
<b>Net assets at the end of the year</b>		<b>544,653</b>	<b>501,214</b>

# Notes to the Pension Fund Accounts

## 1 | ACTUARIAL POSITION

The accounts summarise the transactions and net assets of the Fund and do not take account of liabilities to pay pensions and other benefits in the future. The adequacy of the Fund's investments and contributions in relation to its overall obligations was reviewed at the triennial actuarial valuation of the Fund as at 31 March 2004 in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). The employer contribution rates are as follows:

Croydon Council (including schools' non-teaching staff) for 2006/07 - 18.1%

Scheduled bodies for 2006/07 - 18.1%

Admitted bodies for 2006/07 - rates vary depending upon those determined by the Actuary.

Thereafter the Actuary recommended that employers' contribution rates for Croydon Council (including schools' non-teaching staff) and the scheduled bodies increase by an average of 0.8% year on year until they reach 21.6% in 2010/11.

The market value of the Fund's assets at the valuation date was £340.5m and the total accrued liabilities of the Fund were £594.4m. The Fund deficit was therefore £253.9m producing a funding level of 57%. The Pensions Sub-Committee has introduced a quarterly review of the Pension Fund's ongoing funding level since the actuarial valuation as at 31 March 2004.

This is not a formal actuarial review. However, it does show that as at 31 March 2007 the funding level had increased to 72% compared with the Actuary's estimated recovery position of 59%.

The Fund uses the market-related method of valuing assets which is based on average yields and market values in the period immediately prior to the valuation date. The accrued liabilities are calculated using the Projected Unit Method.

The actuarial assumptions used in preparing the valuation were:

	Past Service Nominal p.a.%	Future Service Nominal p.a.%
Investment returns (equities)	6.10	6.50
Pay increases (excluding increments)	4.55	4.25
Pensions increases	2.80	2.50

## Notes to the Pension Fund Accounts

### 2 | CHANGE IN MARKET VALUE OF INVESTMENTS

	Balance Brought Forward £000	Purchases £000	Sale Proceeds £000	Unrealised Gains/ (Losses) £000	Realised Gains/ (Losses) £000	Balance Carried Forward £000
<b>Equity Investments</b>						
UK equities	318,653	26,950	(26,375)	12,256	9,000	340,484
Managed funds	136,175	6,400	(6,400)	5,633	2,329	144,137
UK unquoted unit trust	116	-	(176)	(98)	176	18
Foreign unquoted limited partnerships	9,598	3,875	(3,531)	(432)	1,309	10,819
Foreign equities (see below)	-	-	(24)	-	24	-
	464,542	37,225	(36,506)	17,359	12,838	495,458
<b>Non Equity Investments</b>						
UK bonds	23,739	-	-	160	-	23,899
<b>Total Investments</b>	<b>488,281</b>	<b>37,225</b>	<b>(36,506)</b>	<b>17,519</b>	<b>12,838</b>	<b>519,357</b>

Gains on foreign equities are in respect of payments from the Courts regarding corporate actions relating to companies formally invested in.

### 3 | INVESTMENTS

Investments are stated at their market values. Listed securities are stated at mid-market values on 31 March 2007. An analysis of the cost and market values is set out below:

		2007			2006		
		Book £000	Market £000	Market %	Book £000	Market £000	Market %
UK equities	- Hermes FTSE 350 Fund	215,800	340,484	65.5	201,225	308,003	63.1
	- F & C Stewardship Fund	-	-	-	5,000	10,650	2.2
Managed funds	- UBS Global Asset Management	96,300	144,137	27.8	93,971	136,175	27.9
UK unquoted unit trust	- MUST 2 (Mercury Unquoted Securities Trust)	-	18	-	-	116	-
Foreign unquoted limited partnerships	- Pantheon Ventures	10,163	10,819	2.1	8,511	9,598	1.9
<b>Total equities</b>		<b>322,263</b>	<b>495,458</b>	<b>95.4</b>	<b>308,707</b>	<b>464,542</b>	<b>95.1</b>
UK bonds	- Hermes All Stock Gilts Index Tracker	24,000	23,899	4.6	24,000	23,739	4.9
<b>Total investments</b>		<b>346,263</b>	<b>519,357</b>	<b>100.0</b>	<b>332,707</b>	<b>488,281</b>	<b>100.0</b>

### **3 | INVESTMENTS (continued)**

Hermes Investment Management manages a portfolio of UK equities. Until June 2006 this passively tracked the FTSE 350 (excluding tobacco) index. Since June 2006 this now passively tracks the FTSE 350 (including tobacco) index. During 2005/06 the Pensions Sub-Committee decided to move from the policy of investments being 100% in equities to one of 75% in equities over a three year period with the balance being invested in bonds and property. UBS Global Asset Management manages unitised investments in four equity index-tracking funds comprising Asia-Pacific (excluding Japan), Europe (excluding UK), Japan, and United States and Canada. UBS Global Asset Management Limited is a company registered in the UK. During the year the Pensions Sub-Committee made the decision to withdraw the investment from the F & C Management Stewardship Fund which is an ethical UK equity actively managed fund. Pantheon Ventures manage a private equity fund of funds relating to Europe, Asia and USA holdings (see note 7 below).

### **4 | TOTAL CONTRIBUTIONS RECEIVABLE**

There were no special or additional contributions receivable in the year.

### **5 | INFORMATION IN RESPECT OF MATERIAL TRANSACTIONS WITH RELATED PARTIES**

As explained in Note 7 to the Statement of Accounting Policies and Principles, when employees who are members of the Local Government Pension Scheme and aged 50 or more take early retirement due to redundancy, there is a capital cost to the Pension Fund.

The 2006/07 early retirement cost (due to redundancy) borne by the Pension Fund was £2.9m (2005/06: NIL) of which £0.8m was recoverable in 2006/07 (2005/06: NIL), the balance being recoverable over the following four years. There is a further £1.0m (2005/06: £1.6m) of unrecovered early retirement costs on the Pension Fund relating to redundancies in earlier years of which £0.5m was recovered in 2006/07 (2005/06: £0.6m) with the balance being recoverable over 2007/08 and 2008/09.

For other Related Party transactions please see notes 11, 13 and 14 to these accounts.

### **6 | DETAILS OF STOCK RELEASED TO THIRD PARTIES UNDER STOCK LENDING ARRANGEMENT**

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

### **7 | CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS**

As at 31 March 2007 the Fund had a commitment to contribute £4.8m (31 March 2006: £9.3m) into foreign private equity partnerships held with Pantheon Ventures (see Note 3).

### **8 | STATEMENT OF INVESTMENT PRINCIPLES (SIP)**

The Statement of Investment Principles is included in the Croydon Pension Scheme Annual Report 2006/2007.

## Notes to the Pension Fund Accounts

### 9 | DETAILS OF ADDITIONAL CONTRIBUTIONS NOT INCLUDED IN PENSION FUND ACCOUNTS

In accordance with the Pension Scheme (Management and Investment of Funds) Regulations 1998, there were no additional contributions included in the Pension Fund Accounts since all Additional Voluntary Contributions (AVC's) are sent directly to the relevant AVC provider.

### 10 | INVESTMENT INCOME

	2006/07 £000	2005/06 £000
UK equities	12,267	10,194
UK unquoted unit trust	-	2
Cash balances	928	597
	<b>13,195</b>	<b>10,793</b>

### 11 | DEBTORS, CREDITORS AND CASH

#### Debtors:

An analysis of debtors is as follows:

	2006/07 £000	2005/06 £000
Fund manager's dividends and income due	2,575	2,253
Fund managers' unsettled sales	1,776	92
Contributions due in respect of:		
- Employers' contributions	378	275
- Employees' contributions	112	101
Other debtors	933	212
	<b>5,774</b>	<b>2,933</b>

The increase in the fund managers' unsettled sales was due to the timing of the Hermes and Pantheon transactions at the year end.

Included in debtors is £0.5m (2005/06: £0.4m) of outstanding contributions from employers. There were no material contributions due from employer bodies which remained unsettled after the due date of payment.

Included in other debtors there is £0.8m (2005/06: NIL) of early retirement costs (due to redundancy) borne by the Pension Fund which were recoverable in 2006/07 but not settled by Croydon Council as at 31 March 2007 (see Note 7 to the Statement of Accounting Policies and Principles).

#### Creditors and Cash:

Included in the creditors is £1.1m (2005/06: £1.3m) relating to transactions between the Fund and the Council all of which were settled through the Pension Fund bank account after the year end.

# Notes to the Pension Fund Accounts

## 12 | TAXATION

Investment income is subject to UK tax which the Fund cannot recover under current tax legislation. With respect to overseas tax, where a taxation agreement exists between this country and another whereby a proportion of withholding tax deducted from investment income can be recovered, this will be reclaimed, although the amount and timescales vary from one country to another.

## 13 | ADMINISTRATIVE EXPENSES

These comprise:

	2006/07 £000	2005/06 £000
Pensions administration and payroll (see note below)	848	775
Other administrative expenses	102	50
	<b>950</b>	<b>825</b>

In March 2007 the pensions administration function was taken back in-house from the pensions administration provider. £0.087m of Croydon Council's Pensions and Treasury section's payroll costs have been recharged to the Pension Fund in relation to in-house costs of the pensions administration and the Pension Fund monitoring and accountancy work.

## 14 | INVESTMENT MANAGEMENT EXPENSES

These comprise:

	2006/07 £000	2005/06 £000
Fund managers' fees (see a) below)	183	156
Direct salary and other related expenses (see b) below)	297	347
	<b>480</b>	<b>503</b>

- a) Fund managers' fees are based on the value of the funds under their control. This excludes fund managers' fees relating to Pantheon Ventures Fund and F & C Management Stewardship Fund as the fees were deducted at source from the market value of the investments held.
- b) £0.174m of Croydon Council's Pensions and Treasury section's payroll costs have been recharged to the Pension Fund in relation to all aspects of administering the investments of the Pension Fund including monitoring and accountancy work.

## 15 | LUMP SUMS

These comprise:

	2006/07 £000	2005/06 £000
Commutation of pensions and lump sum retirement benefits	6,024	3,432
Lump sum death benefits	425	737
	<b>6,449</b>	<b>4,169</b>

## Notes to the Pension Fund Accounts

### **16 | TRANSFER VALUES PAID AND TRANSFER VALUES RECEIVED**

There were no group transfers paid or received during the year.

### **17 | INVESTMENTS EXCEEDING 5% OF THE MARKET VALUE OF THE FUND**

There was no single investment greater than 5% of the total market value of the Fund.

### **18 | MEMBERSHIP**

Membership of the Fund consists of current and ex-employees not of pensionable age, retired employees and dependants. At 31 March 2007, the Fund had 6,451 contributing members, 5,428 pensioners and 3,928 deferred pensioners.

# Glossary of Terms

**Accounting policies**

Rules and practices adopted by the Council that dictate how transactions and events are shown or costed.

**Accrual**

An amount charged to the revenue accounts for goods or services received during the year for which payments have not yet been made and income due but not received.

**Actuary**

An independent professional who advises on the position of the pension fund.

**Balances**

The amounts remaining at the year-end, on the various funds of the Council.

**Capital expenditure**

Expenditure on new fixed assets which will give benefit for a number of years. It can be financed from borrowing, where as revenue expenditure is paid for out of the current year's income.

**Capital receipt**

A receipt from the sale of surplus fixed assets, e.g. land, buildings, etc.

**Collection fund account**

A fund operated by the billing authority into which all receipts of Council Tax and National non-domestic rates are paid.

**Community asset**

An asset that an authority intends to hold in perpetuity, and that has no determinable finite useful life.

**Contingent liability**

An expense that is likely to be incurred in the future.

**Council Tax**

A locally determined charge based on domestic property values levied by a local authority to enable it to provide its services.

**Creditor**

An amount owed by the authority for goods and services received where payment has not been made at the date of the balance sheet.

**Debtor**

An amount owed to the authority for goods and services provided at the date of the balance sheet.

**Depreciation**

The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

**Earmarked reserve**

An amount set aside for specific purposes falling outside the definition of provisions.

**Fixed asset**

A tangible asset that yields benefit to an authority and the services it provides for a period of more than one year.

**Fixed asset restatement account**

Balance of surpluses or deficits arising on periodic revaluation of fixed assets.

**General fund**

The account that summarises the revenue costs of providing services that are met by the Council's demand on the Collection Fund, specific government grants and other income.

**Gross expenditure**

Total expenditure before deducting income.

**Housing revenue account**

The Housing Revenue Account reflects a statutory obligation (section 75 of the 1989 act) to account separately for local authority housing provision. It identifies the major elements of housing revenue expenditure - maintenance, administration, rent rebates, and capital costs - and how these are met by rents, subsidy and other income.

**Infrastructure assets**

Fixed assets that cannot be easily disposed of, expenditure on which is only recovered by continued use of the asset e.g. highways and footpaths.

**Intangible asset**

A fixed asset that does not have physical substance, e.g. software licenses.

**Minimum revenue provision**

The minimum amount which must be charged to an authority's revenue account and set aside as provision for credit liabilities.

**National non-domestic rate**

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 paid into a central pool. This central pool is now redistributed as a proportion of Formula Grant.

**Non-operational assets**

Fixed assets held by the Council but not used or consumed in the delivery of services e.g. investment properties and assets that are surplus to requirements.

**Operating lease**

A lease under which the asset can never become the property of the lessee.

**Operational assets**

Fixed 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.

**Precept**

An amount charged to the Collection Fund to finance services provided by another authority, i.e. the Greater London Authority.

**Private Finance Initiative**

Government initiative under which the Council buys the services of a private sector to design, build, finance and operate a public facility.

**Provision**

Amounts set aside for any liability or loss that is likely to be incurred, but where the exact amount and date is uncertain.

**Revenue expenditure**

The regular day to day running costs incurred in providing services e.g. employee costs and purchase of materials.

**Revenue support grant**

A Government subsidy based on the needs and resources of an authority.

**SORP**

Statement of Recommended Practice. Its aims are to specify the principles and practices of accounting required to prepare a Statement of Accounts which 'presents fairly' 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.

**Trading undertaking**

An activity of a commercial nature that is financed substantially by charges to recipients of the service.