

Statement of Accounts 2008/09

COMMUNITY LANGUAGES

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

Bengali

যদি বড় ছাপ বা ব্রাইল বা অন্য কোনো ভাষায় সংলাপ সহজ করতে পারেন তবে
সহায়তা করে প্রতি ০২০৮৭২৬৬০০০। এছাড়াও প্রকৃত অনুবাদকার (ইন্টারপ্রেটার) ব্যবস্থা করা
ওতে পারে। টেলিফোন নম্বর 020 8726 6000.

Chinese

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

Francais

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

Gujarati

અંગ્રેજી સિવાયની કોઈ કોઈ એક ભાષા માં તમે આસાનીથી વાતચીત કરવા ઈ.તી બેસું કરવા
ચિત્તી છે. હુદાવિવાની અને વ્યાખ્યાનકરની સહાયતા માને પણ પણ શકે છે. આ માટે ટેલિફોન
નંબર 020 8726 6000 કિયથી. કરવે.

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। टेलिफोन : 020 8726 6000.

Punjabi

ਜੇਕਰ ਤੁਹਾਨੂੰ ਅੰਗਰੇਜ਼ੀ ਤੋਂ ਇਲਾਵਾ, ਕਿਸੇ ਹੋਰ ਸੋਲੀ 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 வேறுநிலில் பேசுவதற்கு வசதிடாக இந்ருந்தால்,
தயவு செய்து பேசவும். வேறுநி மொழி மொழி மொழிகள் வந்துகொடுக்கப்படும்.
தொ. 020 8726 6000.

Turkish

İri yazılmış harfleri okumayı, ses kaseti veya Braille (kör) alfabeti kullanmayı
daha kolay buluyorsanız, veya bizimle iletişmeden başka bir şekilde iletişim kurmak
istiyorsanız bu hizmet 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 براہ کرم
الہامی کیجئے۔ آپ ہر زبان اور انگریزی ترجمہ کرنے والے افراد کے ساتھ بات چیت میں آسانی محسوس
کریں گے۔

020 8726 6000.

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THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

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

THE RESPONSIBILITIES OF THE EXECUTIVE DIRECTOR OF RESOURCES AND CUSTOMER SERVICES

The Executive Director of Resources and Customer Services 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 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 2009.

In preparing the statement of accounts, the Executive Director of Resources and Customer Services has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice;
- kept proper accounting records which are up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE OF THE EXECUTIVE DIRECTOR OF RESOURCES AND CUSTOMER SERVICES

**LONDON BOROUGH OF CROYDON AND LONDON BOROUGH OF CROYDON PENSION FUND
FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009**

CERTIFICATE OF THE EXECUTIVE DIRECTOR OF RESOURCES AND CUSTOMER SERVICES

I certify that this statement of accounts is an accurate summary of the accounts of the London Borough of Croydon and the London Borough of Croydon Pension Fund, for the financial year 2008/09 prepared in accordance with the accounting policies stated.

These financial statements replace the unaudited financial statements authorised at the meeting of the Corporate Services Committee on 29 June 2009.

A handwritten signature in black ink, appearing to read 'N/E', with a long horizontal flourish extending to the right.

Nathan Elvery, Executive Director of Resources
and Customer Services

25 September 2009

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF CROYDON**Opinion on the Authority accounting statements**

I have audited the Authority and Group accounting statements and related notes of the London Borough of Croydon for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account the Collection Fund and the related notes. The Authority and Group accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the London Borough of Croydon in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Financial Officer and the auditor

The Chief Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Authority and Group accounting statements and related notes 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 Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE 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 governance statement covers all risks and controls. Neither am I 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 Authority and Group accounting statements and related notes and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Financial Review. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements and related notes. 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 Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, 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 Authority and Group accounting statements and related notes 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 Authority and Group accounting statements and related notes.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF CROYDON**Opinion**

In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Group as at 31 March 2009 and its income and expenditure for the year then ended.

Opinion on the pension fund accounts

I have audited the pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of London Borough of Croydon in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Financial Officer and auditor

The Chief Financial Officer's responsibilities for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounts and related notes 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 pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the 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 read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword published in the financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. 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 pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, 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 pension fund accounts and related notes 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 pension fund accounts and related notes.

Opinion

In my opinion the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

PM Johnstone
District Auditor
Audit Commission
1st Floor
Millbank Tower
Millbank
London SW1P 4HQ

25 September 2009

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 regularly to review the adequacy and effectiveness of these arrangements.

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.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, I am satisfied that, in all significant respects, the London Borough of Croydon made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Delay in certification of completion of the audit

I am required to give an opinion on the financial statements of the pension fund included in the Pension Fund Annual Report of London Borough of Croydon. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December 2009. As the authority has not yet prepared the Annual Report I have not yet been able to read the other information to be published with those financial statements and I have not issued my report on those financial statements. Until I have done so, I am unable to certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

The audit cannot be formally concluded and an audit certificate issued until the appointed auditor responsible for an issue brought to the attention of my predecessor by a local authority elector has completed his consideration of matters. I am satisfied that these matters do not have a material effect on the financial statements.

PM Johnstone
District Auditor
Audit Commission
1st Floor
Millbank Tower
Millbank
London SW1P 4HQ

25 September 2009

EXECUTIVE SUMMARY

The Council manages its financial affairs within the framework of a four year financial strategy which currently covers the period 2007/11.

The Council's Financial Strategy Objectives are:

1. To maintain an affordable Council Tax;
2. To ensure that the efficiency culture is embedded within the Council to systematically challenge and secure Value for Money for our residents;
3. To ensure that the Council's resources are expended on meeting the Council's Vision for Croydon and achieving the key corporate priorities for our residents;
4. To ensure that the Borough's infrastructure is fit for purpose and that new capital needs are identified and met; and
5. To ensure that the Council's core ongoing financial position remains stable and continues to support the Council's key objectives for our residents.

The Budget for 2008/09 was funded by an average band D Council Tax of £1,095.81. The Tax increase for Croydon in 2008/09 was 3.99% with a headline increase of 3.53%, the lowest increase for six years and below the outer London average of £1,097.30. This enabled additional investments in key local priorities including crime reduction, education improvement and environmental improvements. Our capital budget invested additional resources into such areas as improvements to highways, Thornton Heath library refurbishment, continued expansion of recycling and investment to meet the Decent Homes Standard to deliver quality homes for our tenants.

The Central Government 2007 Comprehensive Spending Review set future increases in funding for the Council of only 2% for 2008/09 and 1.75% and 1.5% for the following two years. This under funding from central Government presents a significant financial challenge and our efforts remain focused on securing a 'Fair Deal for Croydon'. The Council receives the minimum increase in funding support from central Government, a position known as a 'floor Authority', shared with 28 Boroughs in London.

Croydon has the **9th lowest** level of Council Tax of Outer London floor authorities. This has been achieved by delivering substantial levels of efficiencies during the year (£11.3m) and building upon our efficiency achievements over the medium term (£34.5m), ensuring we continue to deliver improved value for money for you, our residents.

The financial environment changed dramatically during 2008/09 with the onset of global recession, a collapse in confidence in the banking system and volatile inflation. While these events have had a significant impact on the Council and the residents of Croydon the strength of the Council's financial standing and our active budget management has assured a satisfactory final outturn for the year, without disruption to services or impact on Council Tax levels. During the year, the Council also responded to the recession through introducing a package of measures to assist local businesses and residents including advice and support services, a freeze on parking charges and earlier payment of invoices for small and medium enterprises within the Borough.

The following pages demonstrate that progress continues to be made against each of our strategic objectives as the Council continues to improve services and value for money for our residents.

STATEMENT OF ACCOUNTS

The Statement of Accounts for the year ended 31 March 2009 has been prepared and published in accordance with the Accounts and Audit Regulations 2003 and the 2008 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 29 June 2009.

The accounts comprise the following key statements:

- Income and Expenditure Account - this statement brings together the income received and the expenditure spent on all the Authority's functions
- Statement of Movement on the General Fund Balance - this statement summarises the differences between the Surplus / Deficit on the Income and Expenditure Account and the General Fund
- Statement of Total Recognised Gains and Losses - this statement brings together all recognised gains and losses of the Authority during the year
- Balance Sheet - this shows the Council's financial position at the end of the financial year
- Cash Flow Statement - this shows a summary of the cash flowing in and out of the Council arising from transactions with third parties
- Housing Revenue Account - this shows the revenue and balance sheet position for the Authority's own housing stock on a ring-fenced basis
- Collection Fund - this statement summarises the collection and application of proceeds from Council Tax and National Non-Domestic Rates
- Group Accounts - this statement consolidates the accounts for the Authority and its material interest in other bodies over which it exercises control
- Pension Fund Accounts - this statement presents the separate accounts of the Pension Fund.

The outturn position as reported in the Income and Expenditure Account is significantly affected by the combination of a fall in property values as a result of the recession and changes in accounting practice introduced in 2007/08. The fall in property values amounting to £225.6m would normally be written off against the Revaluation Reserve, but as this reserve was only established on 1 April 2007 £197.3m has had to be written off against the Income and Expenditure account for the year. The resultant large deficit on the Income and Expenditure account however is essentially academic and has no significant impact on the local tax payer. The real revenue impact of the year's activities is reflected in spend against budget and movements on reserves and the General Fund balance.

GENERAL FUND OUTTURN 2008/09

The Council's revenue budget outturn for 2008/09 was a minor underspend of £0.014m, after contributing £6.6m to earmarked reserves. The General Fund balance carried forward to 2009/10 is £9.300m which exceeds the target for balances for 2008/09 and ensures delivery of that financial strategy target for the period.

Table 1 shows the Council's balances, reserves and provisions at 31 March 2009, compared with the previous three years.

Table 1 - Movement in Reserves and Balances

Reserves and Balances	2005/06 £m	2006/07 £m	2007/08 £m	2008/09 £m	Financial Strategy Target £m
General Fund Balances	4.530	9.157	9.286	9.300	9.300
Earmarked Reserves	8.461	15.713	19.033	25.641	25.641
General Fund Provisions	23.221	30.537	28.988	32.528	32.528
Total	36.212	55.407	57.307	67.469	67.469

The table excludes LMS reserves.

PROGRESS IN DELIVERING THE COUNCIL'S FINANCIAL STRATEGY

CONTRIBUTION OF 2008/09 TO THE FINANCIAL STRATEGY

The Council has made significant progress in the achievement of its strategic financial objectives set out in the Financial Strategy. This has been recognised by the Comprehensive Performance Assessment (CPA) Use of Resources (UoR) with level 4 achievements in the key areas of financial strategy, financial performance and financial governance.

Progress in achievement of the Council's strategic objectives will be presented to our residents through the Annual Report.

The underlying challenge for the future delivery of the Financial Strategy remains the level of funding received from Central Government. The Council is pursuing its Fair Deal for Croydon campaign and continuously reviews its engagement strategy with Central Government. During 2009 the Council will develop a new Financial Strategy for 2010/15.

MAINTAINING AN AFFORDABLE COUNCIL TAX

The Budget for 2008/09 was funded by an average band D Council Tax of £1,095.81. The Tax increase for Croydon in 2008/09 was 3.99% with a headline increase of 3.53%, the lowest increase for six years and below the outer London average of £1,097.30.

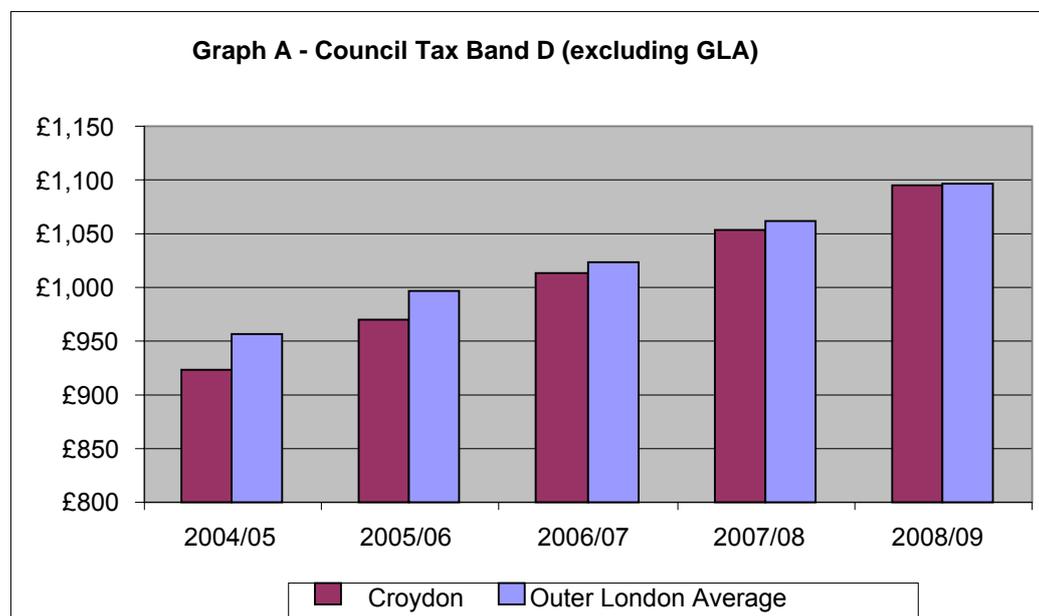


Table 2 - Local Taxation Policy comparisons for Outer London 'grant floor' Authorities

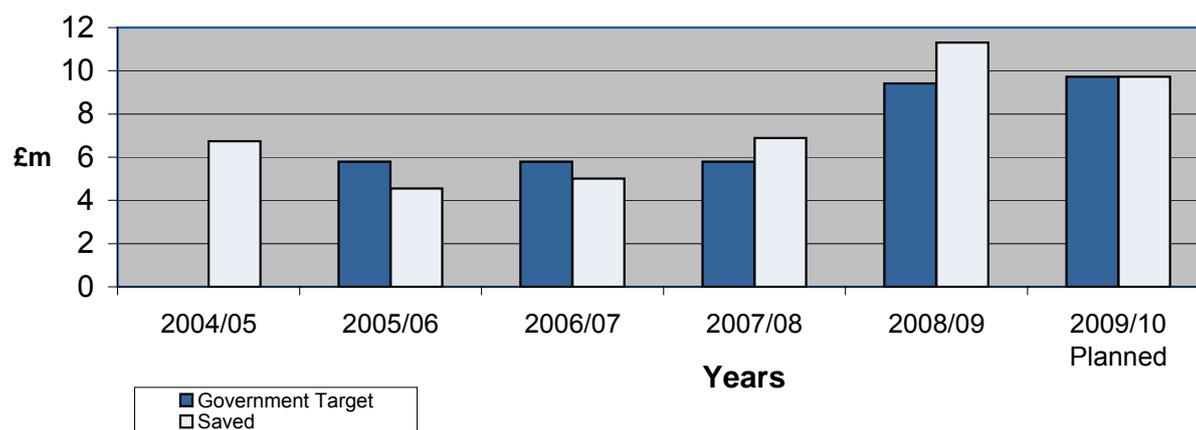
Borough	Council Tax - Band D £.pp	Ranking
Bromley	953.33	1
Brent	1,033.11	2
Ealing	1,059.93	3
Redbridge	1,066.32	4
Barnet	1,082.75	5
Bexley	1,089.54	6
Hounslow	1,090.65	7
Merton	1,094.88	8
Croydon	1,095.81	9
Sutton	1,108.76	10
Outer London Average	1,112.34	-
Waltham Forest	1,130.73	11
Harrow	1,152.55	12
Haringey	1,161.66	13
Havering	1,173.18	14
Richmond-upon-Thames	1,233.94	15
Kingston-upon-Thames	1,270.26	16

ENSURING THAT THE EFFICIENCY CULTURE IS EMBEDDED WITHIN THE COUNCIL TO SYSTEMATICALLY CHALLENGE AND SECURE VALUE FOR MONEY FOR OUR RESIDENTS

The Council has continued to embed our value for money challenge into all our services delivered through our RELEASE and DELIVER programme. This platform enables the Council to draw together all the extensive work it is doing in making services more efficient: smarter procurement; service transformation; better use of assets; working with others and looking to others for guidance to ensure that the Council's financial challenges can be met whilst delivering improvement in our services.

Cumulative efficiency savings over the past five years have risen to £34.5m per annum; this equates to 13.6% of the overall budget.

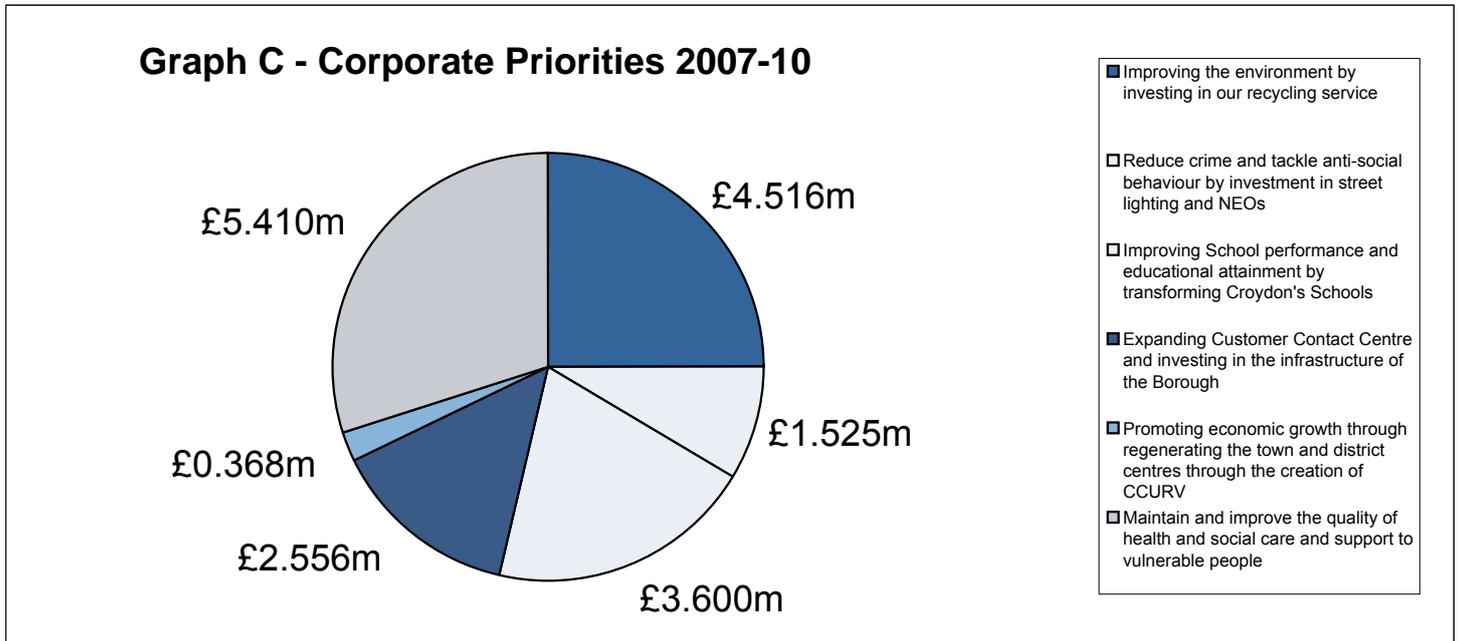
Graph B - Annual Efficiency Savings



ENSURING THAT OUR RESOURCES ARE EXPENDED ON MEETING THE COUNCIL'S VISION FOR CROYDON AND ACHIEVING THE KEY CORPORATE PRIORITIES FOR OUR RESIDENTS

The Council has ensured through its detailed budget setting and service planning processes known as 'Challenge' that existing resources are directed towards achieving the Council's key priorities.

Over the last three years additional resources of £18m per annum have been made in key priorities of the Council.

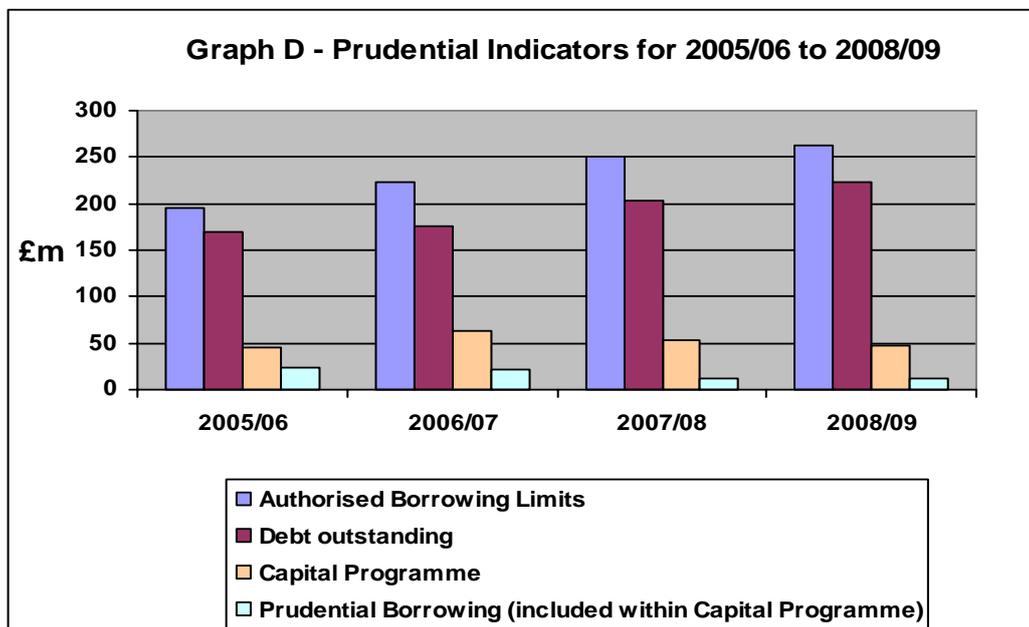


ENSURING THAT THE BOROUGH'S INFRASTRUCTURE IS FIT FOR PURPOSE AND THAT NEW CAPITAL NEEDS ARE IDENTIFIED AND MET

The Council funds investment in the Borough's infrastructure through external borrowing, government grants, other external contributions, disposal of existing assets and an element of revenue funding for the HRA. Investment is also secured through PFI schemes and the Croydon Council Urban Regeneration Vehicle has been established to lever further private capital for infrastructure improvement.

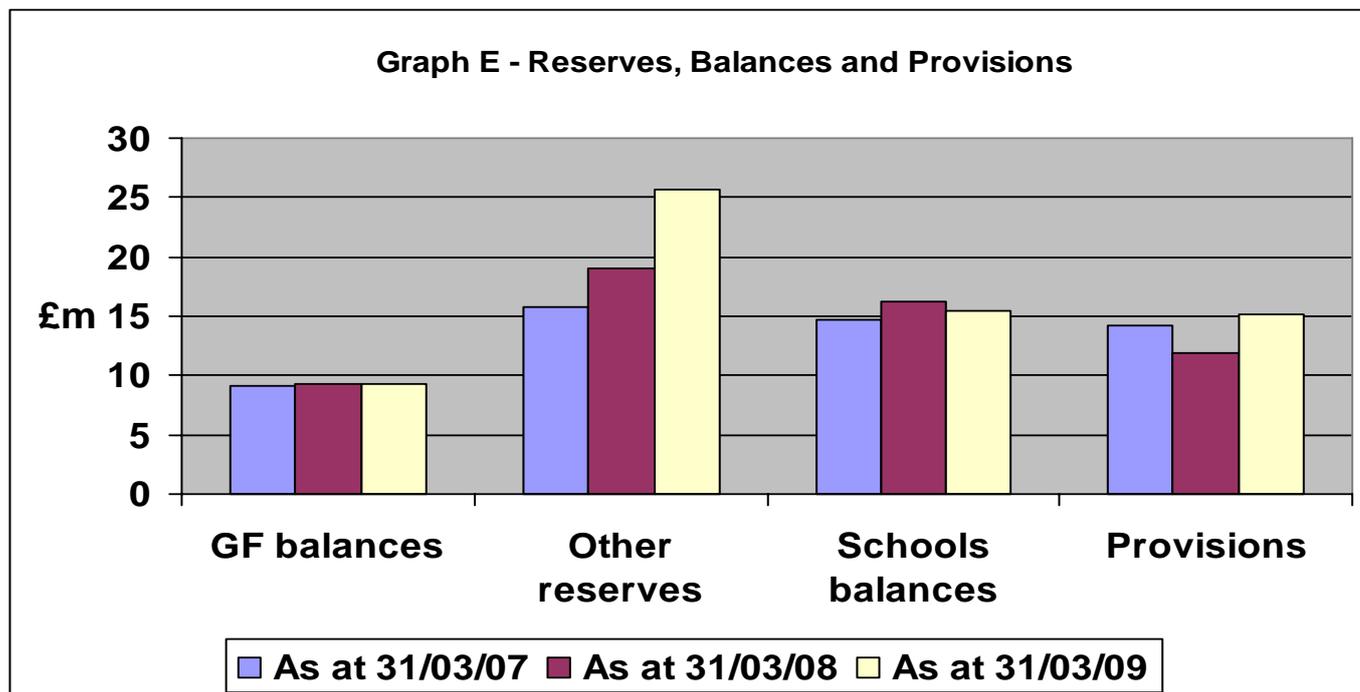
As part of its Treasury management framework the Council agreed a set of Prudential Indicators covering 2008/09 and the next three years on a rolling programme. These indicators relate to capital investment and the treasury function to provide a level of assurance that investment and borrowing decisions are sustainable, affordable and prudent.

The Council kept within the limits of its prudential indicators for 2008/09.



ENSURING THAT THE COUNCIL'S CORE ONGOING FINANCIAL POSITION REMAINS STABLE AND CONTINUES TO SUPPORT THE COUNCIL'S KEY OBJECTIVES FOR OUR RESIDENTS

The Council has achieved its target of General Fund balances of 3% of net operating expenditure over the medium term which underpins stability in delivery of the Financial Strategy objectives.



HOUSING REVENUE ACCOUNT (HRA)

The 2008/09 Housing Revenue Account shows a net withdrawal from reserves of £1.372m which reflects additional support for capital expenditure. Operational activity contributed an under spend against budget of £3,000. This was the 3rd year in succession that there was a surplus to transfer into reserves.

CAPITAL

The original approved General Fund Services capital programme (excluding the Housing Investment Programme) totalled **£29.5m** and was increased during the year to **£58.0m** to reflect programme slippage from 2007/08, additional Government grants and S106 funds. Outturn capital spending was **£42.0m**, with the underspending of £16m (28%) mainly attributable to slippage in the delivery of schemes.

Capital schemes in 2008/09 included the delivery of:

- Improvement works to the highways (spend in 2008/09 - £2.402m)
- Thornton Heath Library refurbishment (£0.310m)
- Continuing the Recycling expansion (£1.146m)
- Continuing the drive to meet the Decent Homes Standard (£4.070m)

The original approved Housing Investment Programme (HIP) capital budget was **£29.1m**, adjusted to **£31.9m** due to in-year approved changes to the budget. Expenditure of **£29.6m** was incurred.

The total expenditure for capital schemes was **£71.6m** in 2008/09.

PENSION FUND

The accounts for the Pension Fund are included in the overall Accounts. Table 3 below shows the change in the value of the Council's Pension Fund in 2008/09:

Table 3 – Pension Fund Performance 2008/09

Detail of Composition of Net Assets	2007/08 £000	2008/09 £000	Net Increase / (Decrease) £000	% Change
Total Investments	497,096	374,923	(122,173)	(24.5)
Debtors	5,787	5,935	148	2.5
Cash Held by:				
Fund Managers	5,561	9,406	3,845	69.1
London Borough of Croydon	21,458	34,011	12,553	58.5
Creditors	(2,283)	(8,746)	(6,463)	(283.1)
Net Assets at Year End	527,619	415,529	(112,090)	(21.2)

The 21% fall in net assets value shown in the table reflects the impact of the downturn of the equity markets on the Pension Fund during 2008/09.

The Pension Committee have reviewed the Fund's Investment Strategy. Key to their considerations was to understand the Fund's exposure to market risk and the impact of the above changes on the recovery strategy already in place, for a stepped increase in contributions from the employer to allow the Fund to meet its current and future liabilities to pensioners at the end of a 25-year period. Clearly the significant fall in the markets has the potential to impact upon this strategy. With this risk in mind and with a view to fixing returns with the lowest level of market risk going forward, the Committee agreed upon a revised Asset Allocation Strategy. This looks to a more diversified spread of assets, geographic regions and investment styles. This diversification will generate returns at a lower level of risk. The revised strategy is being introduced at present. The equity markets have shown signs of marginal recovery, and when the new revised allocation is put into place Fund growth is anticipated in line with the recovery strategy.

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.

The Collection Fund had a nil balance as at 31 March 2009, so the General Fund does not have to repay sums to the Collection Fund. This was forecast in the 2008/09 Budget where the Council's General Fund budget contains neither a surplus nor a deficit statement.

COUNCIL TAX

The nil balance on the Collection Fund assumes an overall Council Tax collection rate of 97% of 2008/09 debts. Collection will take place over several years as various recovery methods are used to maximise cash income.

The Best Value Performance Indicator (BVPI) target relates to the amount of debt collected in the initial year of billing (2008/09 debt collected in 2008/09). The target set for 2008/09 was 96.75% and the actual BVPI performance was confirmed at 95.35%, a shortfall of 1.40%. This performance level was 0.49% up on the performance for 2007/08.

The net collectable debit for Council Tax in 2008/09 was £154 million. Table 4 shows the impact of actual performance against the target in cash terms.

Table 4 – The BVPI target and performance for Council Tax Collection

	Target – 2008/09	Actual – 2008/09	Variance
Percentage	96.75%	95.35%	1.40%
Cash	£149.4m	£147.2m	£2.2m

These figures relate to amounts collectable for 2008/09 only; the amounts shown in the Collection Fund include variations to the debit for all past years up to and including 2008/09.

NATIONAL NON-DOMESTIC RATE (NNDR) COLLECTION

The target set for 2008/09 was 99.25% and the actual BVPI performance was confirmed at 97.31%, a shortfall of 1.94%. The collectable debit for business rates in 2008/09 was £111 million. Table 5 shows the impact of actual performance against the target in cash terms.

Table 5 – The BVPI target and performance for NNDR Collection

	Target – 2008/09	Actual – 2008/09	Variance
Percentage	99.25%	97.31%	1.94%
Cash	£110.7m	£108.5m	£2.2m

Collection rates for this year have been hit by the down turn in the economic climate, with a number of businesses closing leaving large debts outstanding when trading ceased. This year also saw a change in regulations where all empty properties previously zero rated became due for a full demand, customers being billed where previously they had nothing to pay.

CONCLUSION

Our financial progress continues ensuring that for every pound collected through Council Tax we make the best use of resources in delivering our services in the borough and that any additional Council Tax raised is spent on the priorities of the residents of our Borough.

I hope that you find the accounts useful and informative in helping to understand how the Council manages it's finances on your behalf.



Nathan Elvery
 Deputy Chief Executive and Executive Director of Resources and Customer Services
 Croydon Council

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 economically, efficiently and effectively. 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 responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Croydon Council has adopted strategies, policies and practices that are consistent with the principles of the CIPFA/SOLACE Framework *Good Governance in Local Government*. This statement explains how Croydon Council meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement of internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes for the direction and control of the Authority and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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.

The governance framework has been in place at Croydon Council for the year ended 31 March 2009 and up to the date of approval of the annual report and statement of accounts.

3. THE GOVERNANCE FRAMEWORK

- Croydon's Sustainable Community Strategy outlines the Council's purpose, vision and aims. This is supported by the Corporate plan and service plans for each Department, Division and Team. These are reviewed and updated annually. In addition, the Council launched its Vision and Values statement during 2007/08 after extensive consultation amongst the staff.
- 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, 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 Director of Democratic & Legal Services 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 Executive Director of Resources & Customer Services as the Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a 2007/11 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 executive Director of Resources & Customer Services has reviewed the effectiveness of the Internal Audit service and reported this to the Audit Advisory Committee which has concluded that the internal audit service is satisfactory and fit for purpose.
- Croydon Council has adopted strategies, policies and practices that are consistent with the principles of the CIPFA/SOLACE Framework *Good Governance in Local Government*.
- 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 those of its key strategic partnerships. The risk management process includes a risk management policy statement, corporate and departmental risk registers, risk management steering group, and appropriate staff training. The Cabinet Member for Resources and Customer Services champions risk management at the heart of the Council's decision making, with each cabinet member having access to the on-line system. In addition, each Council department has a designated risk management champion. Key corporate risks are regularly reviewed by the Corporate Management Team and by the Audit Advisory Committee. The risk management process was awarded satisfactory assurance by Internal Audit.
- The Council has adopted codes of conduct for its staff and its Members. These are introduced to all staff and Members as they are inducted into the organisation and they are given their own copies. They are available for reference at all times and reminders and training are provided as necessary.
- To ensure that concerns or complaints from the public can be raised, the Council has adopted a formal complaints policy which sets out how complaints can be made, what should be expected and how to appeal. The application of the policy is overseen by the Council's Standards Committee. In addition, the Council has adopted a fraud hotline which is advertised around the borough.
- A whistleblowing policy has been adopted to enable staff, partners and contractors to raise concerns of crime or maladministration confidentially. This has been designed to enable referrals to be made without fear of being identified.
- Many of the Council's services are delivered in partnership with commercial organisations. Where this is the case, the Council ensures that proper governance is maintained by closely following procurement procedures when letting contracts and then robustly monitoring them. Increasingly, Council services are delivered in partnership with other local public sector organisations. The most significant arrangements are grouped under the umbrella of the Local Strategic Partnership (LSP) which is led by a board made up of relevant Chief Executives. Each of the themes within the LSP is overseen by its own board. The Council's Risk Management service has carried out extensive work with these boards to ensure that common objectives are agreed by the participants and that the risk to achieving those objectives are identified, understood and responsibility for addressing them is allocated.
- The Strategic Partnership seeks to address community engagement by, amongst other methods, seeking involvement with neighbourhood partnerships, business development partnerships and the community network. Neighbourhood Partnership meetings across the Borough affords the community an opportunity to meet and interrogate decision makers in the Borough on diverse issues from health, crime, transport and environmental issues. In addition, the Council operates a citizen's panel, TalkAbout, which is a panel of 1,500 representative residents who provide the Council with reliable feedback on important Croydon issues. This information feeds back into service and policy development. The LSP has also launched the Imagine Croydon consultation exercise enabling all residents and customers to contribute and shape the vision for Croydon over the next twenty years.
- Members' induction training is undertaken after each local election. In addition, an on-going programme of training and awareness is available for Members with formal and informal events each year, including all major changes in legislation and governance issues.
- A corporate induction programme, 'Inspire', is delivered to all new staff joining the Council, supplemented by department specific elements. In addition, further developmental needs are identified through the Council's Performance, Development & Competency Scheme. The Council's HR&OD service delivers its own suite of courses covering core personal competencies. Other training solutions are provided as required. The Council has also developed a Leadership Academy and Management Development Programme to improve leadership and management competencies across the organisation.

4. REVIEW OF EFFECTIVENESS

Croydon Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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 Executive Director of Resources & Customer Services.
- 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 an audit committee, including reviewing the risk management process, the performance of Internal Audit and agreeing the external audit plan.

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- 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 Executive Directors and 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 Executive Director of Resources & Customer Services has reviewed the effectiveness of the Internal Audit service and reported this to the Audit Advisory Committee which has concluded that the internal audit service is satisfactory and fit for purpose.
- 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 Care Quality Commission and Ofsted.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Audit Advisory Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. SIGNIFICANT GOVERNANCE ISSUES 2008/09

Based on the review the following key risks have been identified:

Key Risks	Action	Responsible Officer
<p>The continued economic recession places additional burdens and pressure across the Council and impacts on many of the Council's services as well as the expectations and requirements of the Council's customers and residents. This includes significant impact on public sector funding in terms of:</p> <ul style="list-style-type: none"> ● <input type="checkbox"/> Reductions in grant settlement to local Government ● <input type="checkbox"/> Reduced income ● <input type="checkbox"/> Reduced capital receipts ● <input type="checkbox"/> Increasing efficiency targets 	<p>The Council in partnership with the LSP has developed a borough-wide response to managing the diverse impacts of the recession on the partner organisations and the residents, customers and businesses we serve. This includes</p> <ul style="list-style-type: none"> ● <input type="checkbox"/> Economic Recovery Plan ● <input type="checkbox"/> A dedicated website to support residents, customers and businesses: Croydon Crunch ● <input type="checkbox"/> More flexible payment terms on business rates ● <input type="checkbox"/> Target payment of invoices in 10 days ● <input type="checkbox"/> Risk Register capturing all risks impacts and mitigation for management by the CMT ● <input type="checkbox"/> Revision and refreshing of the financial strategy and budget setting model to ensure recession impacts are appropriately planned for and managed. This is reflected in the 2009/12 budget. <p>The Council continues to develop its RELEASE and DELIVER programme, a platform to co-ordinate the efficiency activity across the organisation and ensure that resources deliver real results for residents. This includes the development of a number of key strategic initiatives which will drive out efficiencies and improve service design and delivery across the Council</p>	Chief Executive
<p>The Council's ability to increase its funding from central Government continues to remain limited ensuring that the Council will continue to face a challenging financial position to manage whilst continuing to improve service delivery.</p>	<p>The Council has a robust budget system to identify potential issues early and challenge growth effectively and this is fully integrated into a performance challenge process. This includes the RELEASE and DELIVER programme detailed above.</p>	
<p>Impact and changes required to children social services in light of Baby Peter case with difficulties in retaining and recruiting social workers and increased levels of referral.</p>	<p>The Council has reduced the number of temporary staff working in children's social care since Baby Peter. Proactive plans are being made to improve the situation further. Social work posts have been increased by 12 to deal with increased demand from referrals</p>	Executive Director of Children, Young People and Learners
<p>Unable to secure Building Schools for the Future funding delaying the Transforming Our Schools programme reducing the rate of improvement in education services.</p>	<p>Readiness to deliver statement has been submitted to central Government. Project on target to deliver.</p>	Executive Director of Resources and Customer Services

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Key Risks	Action	Responsible Officer
Delays to consultation and subsequent objectives and potential call-in preventing the opening of new academies at Haling and Ashburton schools resulting in disruption to services provision and additional expenditure.	The process has been very straight forward. Final agreement is due shortly and the timescales have allowed for the possibility of any legal challenge.	Executive Director of Children, Young People and Learners

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

ISSUES RAISED IN THE 2007/08 STATEMENT AND OUR PROGRESS TO DATE

Key Risks	Action Agreed	Outcome	Responsible Officer
During 2007/08 and continuing into 2008/09 the Council will complete a significant organisational restructure. This will impact on how services are delivered and the roles of individual senior managers. The Change programme needs detailed, careful management to mitigate the risk of service disruption and any negative effect on staff morale and motivation.	A Restructure Project Board has been formed which is sponsored and chaired by the Chief Executive, and managed by the Director of Human Resources and Organisational Development. The Project Initiation Document outlines the key work streams in place that will minimise the negative impact of the restructure upon service provision. These work streams include the HR & OD support being offered to departments in the form of 121 coaching; design and facilitation of launch events; team building events; occupational health support and advice. An evaluation exercise is also being undertaken on the restructure that will incorporate an Equalities Impact Assessment. Phase one evaluation will be used to inform the roll out of phase two. A comprehensive communications strategy underpins the whole of the restructure programme and ensures that staff feel informed and engaged in the restructure and understand the positive impact this will ultimately have upon service users. The sequence and pace of the departmental restructures has been specifically designed with the intention of minimising the risk of service disruption.	<p>The Chief Executive has completed phase 1 of the Council wide department restructure started in February 2008 within the specified project timescales and within budget. There are now five Council departments:</p> <ol style="list-style-type: none"> 1. Resources & Customer Services 2. Community Services 3. Planning, Regeneration & Conservation 4. Adult Social Services & Housing 5. Children Young People & Learners <p>In addition to the five departments there is a newly established Chief Executive's Office, comprised of the following 3 corporate divisional activities:</p> <ol style="list-style-type: none"> 1. Strategy & Communications, 2. Legal & Democratic Services, 3. Human Resources & Organisational Development. <p>Schemes of delegation to reflect the new Council structure have been agreed and implemented accordingly. All staffing at tiers 1 & 2 (Executive Director and Director) in the new Departments & Chief Executive's Office have been recruited through elected member appointments and assimilation, 15 appointments were made with 2 vacancies remaining to be recruited in early 2009. 7 senior staff exited the organisation through voluntary redundancy or early retirement with no recourse to litigation. Throughout the phase 1 restructure significant emphasis was placed on frequent, timely and open communications and consultation with staff directly affected and wider staff groups regarding the proposed changes and implementation. The arising independent Equality Impact Assessment report indicates successful transition from the old to the new structure and minimal impact on the Council's work programmes over the last 9 months.</p> <p>In September 2008 the Council initiated phase 2 of the Council restructure to realign roles and responsibilities of 3rd and 4th tier managers reporting into new Executive Directors and Directors.</p>	Chief Executive

ANNUAL GOVERNANCE STATEMENT

Key Risks	Action Agreed	Outcome	Responsible Officer
		<p>Adopting the same project management principles of the phase 1 restructure and in compliance with Council agreed re-organisation policy and procedures all five Departments were required to complete this review by 31 March 2009. Three Departments, (Resources & Customer Services, Community Services & Adult Social Services & Housing) and the Chief Executive's Office are already in stages of staff consultation and/or implementation and on track to completed within timescale. The Department of Planning, Regeneration & Conservation commenced in early 2009 as its new Executive Director came into post on 1 December 2008. Whilst the formation of the department of Children Young People & Learners had already been established in February 2007, the new Executive Director (in post from September 2008), is undertaking some further review of his departmental structures throughout the course of 2009 responding to recent changes to delivery and policy at local and national level.</p> <p>The Chief Executive remains responsible for overseeing delivery of Phase 2 through Executive Directors who are regularly reporting activity and progress to the officer Senior Management team Restructure Project Board chaired by the Chief Executive. The Board has commissioned a full equality impact assessment to be carried out at the later stages of the project.</p>	
<p>Children's and Young people's services face a challenging period tackling issues in relation to attainment performance, responding to the recent Joint Area Review of the service, delivering the Secondary Schools Review and harnessing the opportunities presented by the Building Schools for the Future programme.</p>	<p>CYPL has targeted project plans in critical areas and a comprehensive business/departmental plan. A number of key issues have been progressed successfully including transforming Croydon schools, BSF and a re-structure of a range of key service areas</p>	<p>There has been consolidated progress.</p> <ul style="list-style-type: none"> ● <input type="checkbox"/> The Secondary School Review has now made very significant progress ● <input type="checkbox"/> BSF 'readiness to deliver' has now been submitted to Government ● <input type="checkbox"/> Review and re-structure of social care ● <input type="checkbox"/> Re-structure of Strategy, performance and commissioning division being progressed 	<p>Executive Director of Children, Young People and Learners</p>

ANNUAL GOVERNANCE STATEMENT

Key Risks	Action Agreed	Outcome	Responsible Officer
During the Parking Services procurement process a number of posts within the structure became vacant. Following the termination of that process the loss of key staff increased the risk of gaps in internal control. In addition the failure to deliver the service recovery plan presents financial risk to the Council budget performance.	The recovery plan is currently in phase 2 of 3, with phase 1 completed. Phase 1 has seen a new vision and mission developed, with a new performance framework and organisational pillars being strengthened. The vacancies caused by the loss of key internal staff have been appropriately filled to mitigate the gaps in internal control. Furthermore the service is moving towards a reorganisation/restructure in the near future and reviewing process and procedures to meet the objectives of recent audit.	Following the collapse of the outsourcing Parking Services have recovered and stabilised the business significantly, and the reorganisation of the Business Unit is complete. The Business Unit has fully recovered in terms of its financial stability but will face challenges like other Local Authorities in terms of Parking Services due to economical downturn and industry specific issues (new Act - TMA).	Executive Director of Community Services
The Council's ability to increase its funding from central Government continues to remain limited ensuring that the Council will continue to face a challenging financial position to manage whilst continuing to improve service delivery.	The Council has a robust budget system to identify potential issues early and challenge growth effectively and this is fully integrated into a performance challenge process. The Council continues to develop its RELEASE and DELIVER programme, a platform to co-ordinate the efficiency activity across the organisation and ensure that resources deliver real results for residents. The platform enables the Council to draw together all the extensive work already underway to make services more efficient including smarter procurement, service transformation, asset management and the work to improve the customer experience and customer satisfaction. This will generate savings and release capacity to meet the financial challenges and improve services for all our stakeholders.	The actions and processes identified are all still in place and working well with the in-year budget delivered for 2008/09 and a balanced budget set for 2009/10. This continues to remain a significant risk for the Council in relation to 2010/13 and is repeated in the issues for this years annual governance statement above.	Executive Director of Resources & Customer Services
Ensuring the delivery of the East Croydon Station and surrounding area regeneration project.	Options appraisal undertaken pending the results of the public enquiry which is due in the summer of 2008.	Following a six week CPO and Call in inquiry in autumn 2007 into the Arrowcroft arena-led mixed-use scheme for the Gateway site, the Secretary of State gave her verdict at the end July 2008. She endorsed the recommendation of the Inspector which was to refuse Arrowcroft's planning application and not to confirm the CPO. As the Council backed the Arrowcroft scheme, this was a big disappointment as an arena would have had substantial regenerative benefits for Croydon. In fact the Inspector, in her report, expressed her conviction of the ability of the arena-led scheme to regenerate, rebrand and change perceptions of Croydon and was convinced of the viability of the arena itself. However, she was not convinced of the deliverability of the whole scheme due to concerns about the ability of the non arena elements to cross fund part of the capital costs of the arena.	Executive Director of Planning, Regeneration & Conservation

ANNUAL GOVERNANCE STATEMENT

Key Risks	Action Agreed	Outcome	Responsible Officer
		<p>However, Stanhope Schroders have planning permission for their Ruskin Square scheme for the whole site which will make a major contribution contribute to the regeneration of central Croydon. Stanhope Schroders were granted planning permission for their scheme for the northern site following an appeal inquiry in early August, which the Council did not contest. They already had permission for a mixed use scheme for the southern site.</p> <p>The Council has been working in partnership with Stanhope Schroders to bring forward a revised scheme for their site as part of a wider integrated masterplan for the East Croydon station area. Both parties have forged a close working relationship and are actively promoting the new scheme in order to bring forward a revised planning application as soon as possible.</p> <p>A working group has also been established with all adjoining landowners represented including Network Rail, in order to progress the joint masterplan, which will also cover the site to the West of the station owned by Menta.</p>	
<p>Ensuring the delivery of the benefits of the Park Place regeneration programme.</p>		<p>The Council has terminated its development agreement with Minerva due to the lapse of the planning application for the site and the fact that no viable scheme was brought forward. The Council has confirmed its commitment to re-appraising the options for the current economic climate, with a view to other uses, whilst consolidating the retail activity to the North of George Street. Officers will be commissioning an update to the town centre retail capacity study in light of the economic climate. A development brief will be prepared for the site in concert with the emerging LDF Core Strategy. The Council has confirmed its commitment to ultimately use Compulsory Purchase powers to bring forward a scheme for Park Place and surrounds.</p>	<p>Executive Director of Planning, Regeneration & Conservation</p>



Nathan Elvery
Deputy Chief Executive and Executive
Director of Resources and Customer Services



Jon Rouse
Chief Executive



Mike Fisher
Leader of the Council

INCOME AND EXPENDITURE ACCOUNT

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	Note No.	Gross £000	2008/09 Income £000	Net £000	2007/08 Net £000
Expenditure on services	Page 23				
Corporate and Democratic Core		17,690	(14,582)	3,108	9,186
Central Services to the Public		10,311	(4,531)	5,780	5,669
Cultural, Environmental and Planning Services		71,729	(12,931)	58,798	52,563
Highways, Roads and Transport Services		56,100	(28,920)	27,180	18,254
Education		328,111	(290,279)	37,832	27,844
Housing		308,493	(302,914)	5,579	3,458
Social Services		214,017	(77,712)	136,305	125,380
Non-Distributed Costs		2,229	-	2,229	7,541
Net cost of services		1,008,680	(731,869)	276,811	249,895
Other operating expenditure and income					
(Profit)/Loss on sale of fixed assets				(2,392)	(10,096)
Impairment of fixed assets				212,498	1,482
Levies paid to other bodies	5			2,352	2,188
Net (surplus)/deficit from trading undertakings not included in net cost of services	4			150	288
Interest payable and similar charges				11,316	9,577
Pensions interest cost and expected return on pension assets	46.1 & 46.2			20,552	7,286
Amortised premiums and discounts				-	-
Contribution to Housing pooled capital receipts				446	4,766
Interest and investment income				(9,197)	(7,555)
Net operating expenditure				512,536	257,831
Amount to be met from Government grant and local tax				512,536	257,831
Precept demanded from the Collection Fund	Page 67			(138,081)	(130,941)
Revenue Support Grant				(14,043)	(16,859)
Contribution from National Non-Domestic Rate Pool	20			(100,874)	(91,635)
Area Based Grant	15			(23,559)	-
Local Authority Business Growth Incentive				(438)	-
Collection Fund (surplus)/deficit	Page 67			-	-
Deficit for the year				235,541	18,396

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

See note 21 for further details.

	2008/09 £000	2007/08 £000
Deficit for the year on the Income and Expenditure Account	235,541	18,396
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(234,706)	(20,148)
Decrease/(Increase) in General Fund Balance for the year	835	(1,752)
General Fund Balance brought forward	(25,597)	(23,845)
General Fund Balance carried forward	(24,762)	(25,597)
Amount of General Fund Balance held by schools under local management schemes	(15,462)	(16,311)
Amount of General Fund Balance generally available	(9,300)	(9,286)
	(24,762)	(25,597)

INCOME AND EXPENDITURE ACCOUNT

ANALYSIS OF NET COST OF SERVICES

	2008/09			2007/08
	Gross £000	Income £000	Net £000	Net £000
Corporate and democratic core	17,690	(14,582)	3,108	9,186
Total Corporate and Democratic Core	17,690	(14,582)	3,108	9,186
Local tax collection	4,891	(3,154)	1,737	3,019
Registration of births, deaths and marriages	682	(494)	188	91
Elections	577	(5)	572	516
Emergency planning	657	(178)	479	354
Local land charges	570	(632)	(62)	(919)
General grants, bequests and donations	2,723	(68)	2,655	2,386
Coroner's service	211	-	211	222
Total Central Services to the Public	10,311	(4,531)	5,780	5,669
Other operating expenditure	1,913	(1,784)	129	64
Culture and related services	25,277	(2,441)	22,836	20,151
Environmental services	44,539	(8,706)	35,833	32,348
Total Cultural, Environmental and Planning Services	71,729	(12,931)	58,798	52,563
Planning and development services	16,730	(6,325)	10,405	6,651
Highways and transport services	39,370	(22,595)	16,775	11,603
Total Highways, Roads and Transport Services	56,100	(28,920)	27,180	18,254
Pre-Primary Education	4,403	(2,118)	2,285	2,407
Primary Education	118,681	(23,125)	95,556	94,383
Secondary Education	115,099	(35,804)	79,295	78,637
LEA Centrally held schools fund	50,880	(211,305)	(160,425)	(166,535)
Special Education	23,357	(7,044)	16,313	15,621
Adult Education and Community Learning	11,032	(10,066)	966	(293)
Youth Education	4,659	(817)	3,842	3,624
Total Education Services	328,111	(290,279)	37,832	27,844
General Fund housing	233,888	(222,562)	11,326	8,808
Housing Revenue Account	74,605	(80,352)	(5,747)	(5,350)
Total Housing Services	308,493	(302,914)	5,579	3,458
Social services	214,017	(77,712)	136,305	125,380
Total Social Services	214,017	(77,712)	136,305	125,380
Non-distributed costs	2,229	-	2,229	7,541
Total Non-Distributed Costs	2,229	-	2,229	7,541
NET COST OF SERVICES	1,008,680	(731,869)	276,811	249,895

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2008/09 £000	2007/08 £000
Deficit for the year on the Income and Expenditure Account	235,541	18,396
(Surplus)/deficit arising on revaluation of fixed assets	(162,824)	(29,618)
Actuarial (gains)/losses arising on pension fund assets and liabilities	(44,414)	108,991
Other (gains)/losses required to be included in the statement	-	(103)
Total recognised (gains)/losses for the year	28,303	97,666
Prior period adjustment (see note "Movements on Pensions Reserve" on page 74)	985	
Total (gains)/losses recognised since published Statement of Accounts for 2007/08	29,288	

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

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.	2008/09		2007/08
		£000	£000	£000
Fixed assets				
Intangible fixed assets	31		3,462	3,674
Tangible fixed assets	29			
Operational assets				
Council dwellings		659,252		860,631
Other land and buildings		921,091		748,919
Vehicles, plant, furniture and equipment		8,238		7,018
Infrastructure assets		91,090		83,403
Community assets		3,544		2,042
Non-operational assets				
Investment and miscellaneous assets		82,115		85,182
Surplus assets held for disposal		2,840		-
Works in progress		10,151		11,570
			1,778,321	1,798,765
Total fixed assets			1,781,783	1,802,439
Long-term investments	56		23,324	47,924
Long-term debtors	53		7,840	3,103
Total long-term assets			1,812,947	1,853,466
Current assets				
Stocks and works in progress	54	291		224
Debtors and payments in advance	55	116,870		129,991
Less provision for doubtful debts	55	(46,341)		(55,482)
Short-term investments	56	161,895		130,395
Cash and bank		10,614		6,062
			243,329	211,190
Current liabilities				
Short-term borrowing	36	(20)		(20)
Creditors and receipts in advance	57	(106,674)		(118,534)
Bank overdraft		(44,973)		(42,577)
			(151,667)	(161,131)
Net current assets			91,662	50,059
Total assets less current liabilities			1,904,609	1,903,525
Long-term borrowing	36		(259,303)	(218,838)
Deferred capital creditors			(5,842)	(4,681)
Pensions liability	46.2		(388,006)	(411,825)
Government grants deferred	58		(64,888)	(55,705)
Provisions	38		(15,246)	(11,864)
Total assets less liabilities	33		1,171,324	1,200,612
Funds and balances				
Revaluation reserve	39.2		191,987	29,618
Capital adjustment account	39.3		1,311,646	1,529,909
Financial Instruments adjustment account	39.4		(1,534)	(2,336)
Usable capital receipts reserve	39.5		2,732	5,045
Deferred capital receipts			360	463
Major repairs reserve	39.6		-	-
Pensions reserve	39.7 & 46.2		(388,006)	(411,825)
Earmarked reserves	39.8		25,641	19,033
Balances				
General Fund (schools balances)	44		15,462	16,311
General Fund (other)			9,300	9,286
Collection Fund	Page 67		-	-
Housing Revenue Account	Page 59		3,736	5,108
Total funds and balances			1,171,324	1,200,612

CASH FLOW STATEMENT

	Note No.	2008/09 £000	2007/08 £000
REVENUE ACTIVITIES			
Cash outflows			
Cash paid to and on behalf of employees		334,720	317,665
Other operating cash payments		419,399	391,867
Housing benefits paid out		122,332	105,641
National Non-Domestic Rates paid out		100,883	98,633
Precepts paid		39,040	37,760
Revenue expenditure funded from capital under statute		4,648	7,784
Single Status		1,629	-
		1,022,651	959,350
Cash inflows			
Rents (after rebates)		(27,631)	(25,086)
Council Tax income		(150,016)	(97,648)
National Non-Domestic Rate receipts from national pool		(100,874)	(91,635)
National Non-Domestic Rate receipts		(109,038)	(104,578)
Revenue Support Grant		(14,043)	(16,859)
DWP grants for benefits		(195,406)	(182,959)
Other Government grants	51	(377,976)	(339,094)
Cash received for goods and services		(83,730)	(149,834)
		(1,058,714)	(1,007,693)
Net cash (inflow)/outflow from revenue activities	49		(36,063) (48,343)
SERVICING OF FINANCE AND RETURNS ON INVESTMENTS			
Cash outflows			
Interest paid		12,145	13,294
Cash inflows			
Interest received		(12,523)	(7,472)
Net cash (inflow)/outflow from servicing of finance			(378) 5,822
CAPITAL ACTIVITIES			
Cash outflows			
Purchase of fixed assets		58,982	55,990
Other capital payments		3,924	-
		62,906	55,990
Cash inflows			
Sale of fixed assets		(2,697)	(14,971)
Capital grants received		(17,424)	(15,718)
		(20,121)	(30,689)
Net cash (inflow)/outflow from capital activities			42,785 25,301
Net cash (inflow)/outflow before financing	50		6,344 (17,220)
FINANCING			
Cash outflows			
Repayments of amounts borrowed		20,000	28,000
Cash inflows			
New loans raised		(60,000)	(40,000)
Net cash (inflow)/outflow from financing	50		(40,000) (12,000)
(Increase)/decrease in cash			(33,656) (29,220)

1. ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations during the year.

2. EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR PERIOD ADJUSTMENTS

There were no exceptional or extraordinary items for 2008/09.

There has been a change in the policy regarding the use of market data for the calculation of the pensions investments. These are discussed in detail in the Notes to the Accounts for Pensions - FRS17, starting on page 71.

3. LONG-TERM CONTRACTS UNDER THE PRIVATE FINANCE INITIATIVE**Customer Focus**

In 2003, the Authority appointed CapGemini under the Customer Focus Contract as its ICT partner. Early in 2008, the option of a 3 year extension was exercised with the estimated cost in the region of £48m. However, the actual level of payments will depend on the degree of new infrastructure and transformation that takes place. The contract expires in May 2013.

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 Children, Schools and Families and £4.7m from the Department for Culture, Media and Sport; depending on usage, the Council may pay £79.9m over the remaining 27 years of the contract.

Adults Homes For The Future (formerly New4Old)

In 2008/09 the Authority has made payment of £2.039m for two brand new facilities which opened late in 2008. The payments for these facilities for older people, which are fully maintained with all soft facilities management included, were made to Caring4Croydon. Local Authority staff provide the care services to the users and residents of the facilities.

The annual payment for a full year will rise to £4.571m in 2011/12 when all four homes are due for completion. These payments are index-linked so will increase year on year until contract expiration in 2038/39.

4. TRADING UNDERTAKINGS

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

	2008/09		2007/08	
	(Surplus)/ Deficit £000	Turnover £000	(Surplus)/ Deficit £000	Turnover £000
Commercial Estates	3	113	15	93
Surrey Street Market	159	224	117	214
Highways and Sewers	(59)	186	136	254
Transport Maintenance	47	111	20	106
	150	634	288	667

5. LEVIES PAID TO OTHER BODIES

Levies were paid to the following Authorities:

	2008/09 £000	2007/08 £000
London Councils - London Boroughs Grants Scheme	1,182	1,212
Environment Agency	254	228
Lee Valley Regional Park Authority	385	377
London Pensions Fund Authority	531	371
	2,352	2,188

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 grant 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 boroughs 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 sold under the Right to Buy and 50% of land sales are transferred to the Government for inclusion in the national redistribution pool.

100% of receipts for dwellings sold under the Social Home Buy scheme may be retained by the Authority and 100% of all non RTB sales may be retained if the receipts are used for regeneration or affordable housing projects and there is sufficient Capital Allowance.

The current Code of Practice on Local Authority Accounting 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 (note 21).

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 £1.870m under this power in 2008/09 (£1.854m in 2007/08). Actual expenditure was £0.065m on donations to voluntary bodies working in the local area (£0.064m in 2007/08).

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.

	2008/09 £000	2007/08 £000
Other advertising	500	691
Press and publicity office	613	495
Total publicity expenditure	1,113	1,186

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 2008/09 £000	Non-Chargeable 2008/09 £000	Total 2008/09 £000	Total 2007/08 £000
Expenditure				
Employee expenses	800	496	1,296	1,115
Transport	19	10	29	16
Supplies and services	86	7	93	279
Central and support services	120	70	190	210
Total Expenditure	1,025	583	1,608	1,620
Income				
Building regulation charges	(993)	-	(993)	(1,066)
Miscellaneous income	-	-	-	(103)
Total Income	(993)	-	(993)	(1,169)
(Surplus)/Deficit for the year	32	583	615	451

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
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)
2005/06 - 2007/08	(84)	(100)	67	(117)
2006/07 - 2008/09	(100)	67	33	(0)

10. AGENCY INCOME AND EXPENDITURE

There is no agency income or expenditure during 2008/09.

11. TRANSPORT ACT 2000

The Council has no schemes under section 12 of the Transport Act 2000 for road charging or workplace charging levies.

12. BUSINESS IMPROVEMENT DISTRICT (BID) SCHEMES

The Croydon Business Improvement District (BID) is funded by local businesses and was approved by ballot on 1 March 2007. It operated from 1 April 2007, for five years, and will provide additional services and improvements on existing services within the Town Centre independently from the Council. It is funded by a 1.038% 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. The only service the BID Company buy from the Council is the levy collection service. The most up to date figures from the BID Company are shown below:

	2008/09 £000	£000
BID levy income		(1,082)
Interest receivable and similar income		(15)
		(1,097)
Costs of collecting levy	15	
Council expenditure on providing services	-	
Payment for services provided by other parties	629	
Administrative expenses and tax	140	
		784
Surplus for the year		(313)
Surplus brought forward		-
Surplus carried forward		(313)

13. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council is empowered by this Act to provide goods and services to other public bodies. There are no arrangements made under this Act.

14. 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 is hosted by the Council and the CCOTS agreement is hosted by the PCT.

	2008/09 £000	2007/08 £000
Croydon's Community Equipment Service		
Gross Income	(1,376)	(1,253)
Gross Expenditure	1,519	1,320
Net Expenditure	143	67
Croydon Council Contribution	(805)	(673)
Croydon's Community Occupational Therapy Service		
Gross Income	(2,117)	(1,927)
Gross Expenditure	2,062	1,857
Net Expenditure	(55)	(70)
Croydon Council Contribution	(1,383)	(1,230)

15. AREA BASED GRANT

From the 2008/09 financial year Local Area Agreement Grant was replaced by Area Based Grant (ABG). ABG is a non-ringfenced general grant, without conditions on use imposed by its grant determination, thereby ensuring full local control over how the funding can be used. This means that, unlike LAA Grant, its use is not restricted to supporting the achievement of LAA targets. Also, unlike LAA Grant, ABG is paid directly to the Authority that benefits from the grant, rather than being paid to the upper-tier Authority for the area in the capacity of 'accountable body' for onward distribution.

The total amount of ABG received in 2008/09 was £23.559m.

16. MEMBERS ALLOWANCES

The total of allowances paid to the Members of the Council was £1.62m in 2008/09 (£1.59m in 2007/08).

17. EMPLOYEES' EMOLUMENTS

Out of more than 6,000 employees, the number whose remuneration, excluding pension contributions was £50,000 or more in bands of £10,000 was:

Remuneration Band	2008/09	2007/08
£50,000 - £59,999	247	182
£60,000 - £69,999	116	86
£70,000 - £79,999	37	38
£80,000 - £89,999	19	23
£90,000 - £99,999	14	8
£100,000 - £109,999	8	9
£110,000 - £119,999	6	1
£120,000 - £129,999	-	-
£130,000 - £139,999	-	-
£140,000 - £149,999	3	5
£150,000 - £159,999	1	1
£160,000 - £169,999	-	1
£170,000 - £179,999	-	-
£180,000 - £189,999	-	-
£190,000 - £199,999	-	-
£200,000 - £209,999	1	-

Chief Officers	Salary	Additional Payments	Compensation and Ex Gratia Payments
	£	£	£
Jon Rouse, Chief Executive	207,725	-	-
Hannah Miller, Deputy Chief Executive and Executive Director of Adult Services and Housing	150,034	-	-
Dave Hill, Executive Director of Children, Young People and Learning	69,999	-	-
Tom Jeffrey, Executive Director of Community Services	111,115	-	-
Emma Peters, Executive Director of Planning, Regeneration and Conservation	47,861	-	-
Nathan Elvery, Deputy Chief Executive and Executive Director of Resources and Customer Services	149,998	-	-
Mike Davis, former Director of Housing	66,164	40,170	31,700
Phillip Goodwin, former Director of Planning	102,362	45,541	-

None of the above officers received any bonuses or benefits in kind.

Dave Hill, Executive Director of Children, Young People and Learning, started on 29 September 2008

Tom Jeffrey, Executive Director of Community Services, started on 2 June 2008

Emma Peters, Executive Director of Planning, Regeneration and Conservation, started on 1 December 2008

Mike Davis, former Director of Housing, retired on 30 September 2008

Phillip Goodwin, former Director of Planning, retired on 31 December 2008

18. 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 National Non-Domestic Rates, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).

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

Croydon Council Urban Regeneration Vehicle: CCURV was formed in 2008, a limited liability partnership between the Council and John Laing for the development of parts of the Council's estate and the regeneration of the Borough. CCURV is a Joint Venture under financial Reporting Standard 9 and as a consequence group accounts have been prepared.

London Authorities Mutual Limited (LAML): At the Balance Sheet date this was a company limited by guarantee. Formed in 2007 its purpose was to provide insurance services to Croydon Council and those other London boroughs that were guarantors of the Company. The Executive Director of Resources and Customer Services, Nathan Elvery, was a non-remunerated director of LAML.

As a result of a Court of Appeal decision, LAML has stopped trading and its business is being "run off". Alternative cover has been arranged.

(see Note 34, page 42)

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.

During the year no Council Members, Executive Directors 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 76 standard letters to Members (70) and Executive Directors (6) and responses were received from all Members and all Executive Directors. There were 25 declared related party transactions concerned with voluntary groups within the Borough, from the following 23 Members and 2 Executive Directors:

NOTES TO THE CORE FINANCIAL STATEMENTS

18. RELATED PARTY TRANSACTIONS (continued)

Name	Declaration
Jane Avis	Her husband is employed part-time at the South Norwood and Woodside Community Centre
Carole Bonner	Employee, South West London Law Centres
Alison Butler	Board Member, Croydon Housing Aid Society; Board Member/Chair, Together-in-Waddon Community Project
Brian Cakebread	Management Committee Member, Coulsdon Community Centre
Richard Chatterjee	General Committee Member, Shirley Community Centre Association; Management Committee Member, Woodside Bereavement Service
George Filbey	Chair, Socco Cheta Youth Service
David Fitze	Non-Executive Member, Croydon Primary Care Trust; Chairman, South London YMCA
Lindsay Frost	Member, Council of South London and Maudsley Foundation Trust
Maria Garcia	Committee Member, Sir Philip Game Youth Centre
Maria Gatland	Director, Gatland Garden Services; Chair, Friends of Croham Hurst Woods
Simon Hall	Committee Member, Timebridge Community Centre; Treasurer, Pavilion Project Management Committee; Financial Advisor, Community Server Ltd; Member, People's Day New Addington; Treasurer and Trustee, S Norwood & Woodside Community Association; Director, Croydon Neighbourhood Care Association
Bernadette Khan	Member, Board of Fairfield (Croydon) Ltd
Brenda Kirby	Trustee, Croydon Neighbourhood Care Association; Trustee, Octagon Cyber Café, New Addington; Member, New Addington Groups working for Peoples Day, New Addington Peoples' Carnival and Pavilion Group
Terry Lenton	Trustee, Coulsdon Community Centre
Toni Letts	Chief Executive, South London YMCA (Apr to May 2008); Chair of Board of NHS Croydon, Primary Care Trust
Maggie Mansell	Trustee, Croydon Youth Development Trust
Janet Marshall	Vice Chair, Age Concern, Croydon; Life Vice President, Croydon Rugby Club
Dudley Mead	Director and Chairman, Garwood Foundation Ltd; Director and Chairman, London Mozart Players Ltd; Director and Chairman, Fairfield (Croydon) Ltd
Margaret Mead	Trustee, Forestdale Residents Association
Jason Perry	Trustee, Forestdale Residents Association; Trustee, Forum Community Centre
Helen Pollard	Member, Board of Fairfield (Croydon) Ltd; Married to Deputy Leader of Croydon Council
Greta Sohoye	Trustee, Community Mediation Project; Member, GDCA; Chair, AGNAP, B.M.C Action Group, Coulsdon Nursery Charity
Chris Wright	Chair of Friends of Bradmore Green Pond
Nathan Elvery	Chairman, London Authorities' Mutual Ltd; Director, Croydon Enterprise Loans Fund Ltd; Director, CCURV Ltd
Jon Rouse	Director, Croydon Business Venture; Director, CCURV Ltd; Member, Heathfield Ecology Centre; Member, Croydon Savers; Member, London Resettlement Board

Members of the Council, with the exception of those listed above, and Senior officers of the Council, with the exception of Mr Jon Rouse, Chief Executive and Mr Nathan Elvery, Executive Director of Resources and Customer Services, 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:

	2008/09 £000	2007/08 £000
Receipts		
Pension Contributions - from the Council (employer's contributions)	25,085	21,397
Pension Contributions - from employees (deductions paid over)	8,259	6,947
Total Receipts	33,344	28,344

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

	2008/09 £000	2007/08 £000
Support to Voluntary Organisations		
Revenue grants	2,638	2,623
Service level agreements	12,141	4,006
London Boroughs Grants Committee	1,182	1,212
Payments to foster parents	4,468	4,452
Environment Agency Levy	254	228

NOTES TO THE CORE FINANCIAL STATEMENTS

18. RELATED PARTY TRANSACTIONS (continued)

Assisted Organisations Receiving Grants in Excess of £50,000 during Financial Year 2008/09

Organisation	Funding Programme	Purpose of Funding 2008/09	£
Croydon Churches Housing Association (CCHA)	Housing plus CLG Homelessness Grant; Housing (Supporting People Programme)	Croydon Rent in Advance Scheme; Support in shared houses and independent flats for single homeless people, young people, people with mental health problems or learning disabilities; Support in sheltered flats for elderly people; floating support for people with mental health problems, care leavers, young people, teenage parents and vulnerable families and single people who are homeless or at risk of homelessness, and resettlement support for rough sleepers	1,285,327
Croydon Association for the Young Single Homeless (CAYSH)	Housing plus CLG Homelessness Grant; Housing (Supporting People Programme); Children, Young People & Families Programme	Hostel placement co-ordinator to make best use of hostel places and ensure Council can place priority need single homeless; Staff and running costs to provide a housing advice service at an assessment and advice centre for young people (additional funding from Children Young People & Learners); Support in shared houses for young single homeless people and care leavers; support for young people at risk of offending; supported lodgings for young people; PVE (CPeip extended project)	1,140,579
South London YMCA Housing Association	Housing (Supporting People Programme)	Support in shared hostels for young people, single homeless people and people with drug and alcohol problems; a drug resettlement service	833,183
Barnardos	Rate Relief; CYPL - Early Education and Childcare; Children, Young People & Families Programme	Discretionary Rate Relief; Children's Centre Services Upper Norwood; Children & Families - Ind/Fam/Grp Therapy, Contact (Heshima); Peepul Family Resource Centre; Barnardos- Heshima family support Centre; Strengthening Families (People project (One Off)); Heshima - PVE (CPeip extended project); Peepul - PVE (CPeip extended project)	691,110
CASA Support	Housing (Supporting People Programme)	Floating support and supported houses for people with epilepsy, learning disabilities or mental health problems; support in registered care homes for people with learning disabilities; tenancy support for vulnerable adults	628,151
Croydon Voluntary Action	Corporate Funding; Older people & PDSI; Mental Health (PCT funded only); Rate Relief; Nature Conservation; Youth; Children, Young People & Families Programme	Infrastructure - Core Cost; Older people - SLA for older people network; Older people - SLA for Community Involvement; Market Rents - Core Cost; Working Neighbourhood Fund - A Voice for my Community; Community Cohesion - Faiths Together in Croydon; Working Neighbourhood Fund - Talk2Croydon; Working Neighbourhood Fund - Community Network; Community Cohesion - Equalities and Cohesion; Mental Health stakeholders forum; Discretionary Rate Relief; Waterside Centre - Event support; Admin Support for MV; Parenting network forums	621,649
Croydon Citizens Advice Bureau	Corporate Funding; Rate Relief	Market Rents; Legal Advice; Discretionary Rate Relief	487,702
MIND in Croydon	Corporate Funding; Mental Health (Joint funding with PCT-Council contribution); Adult Community Care; Rate Relief; Arts Project Grants	Market Rents - Core Cost; Counselling Services; Enterprise House Employment - Employment support services; Fairfield Club Drop in Advice Services; Furniture Service - Furniture recycling service to facilitate resettlement; Information Service - Maintenance of online mental health service directory, and occasional production of hard copy mental health service directory; Welfare Benefits Advice Service; Discretionary Rate Relief; Digital art and filmmaking workshops with adults with mental health issues leading towards screenings and mini film festival.	484,158
ARP Charitable Services	Housing (Supporting People Programme)	Support in hostel for rough sleepers; support for recovering alcoholics	312,638
Croydon Crossroads Limited	Carers Grant DOH/Parent Carers	Saturday Club; Short Breaks; Carers Support Service; Carers of people with Mental Health Needs	300,745
Croydon Playcare Company	Children, Young People & Families Programme; CYPL -Early Education and Childcare; Rate Relief	Integrated Services Strand 3; Children's centre funding - Childcare sustainability; Children's Centre Services; Discretionary Rate Relief	267,944

NOTES TO THE CORE FINANCIAL STATEMENTS

18. RELATED PARTY TRANSACTIONS (continued)

Assisted Organisations Receiving Grants in Excess of £50,000 during Financial Year 2008/09 (continued)

Organisation	Funding Programme	Purpose of Funding 2008/09	£
Croydon Homestart	CYPL - Early Education and Childcare; Children, Young People & Families Programme	To provide Outreach service linked to Children's Centres; Face to face support for disabled children and families; Emergency bridge payment to prevent service reduction parenting fund unsuccessful; Parenting Fund Transitional project 2008/09	263,375
Eldon Housing Association	Housing (Supporting People Programme)	Support for elderly people and frail elderly people in sheltered flats and extra sheltered flats	261,870
Leaf House (Shrublands Family Centre)	Children, Young People & Families Programme; CYPL -Early Education and Childcare	Integrated Services Strand 3; CPeip; Children's Centre Services	239,668
Oasis Trust	Housing (Supporting People Programme)	Support in a Foyer for young people with support and educational needs	227,405
Pre-school Learning Alliance - Croydon Branch	CYPL - Early Education and Childcare	Core grant to support Organisation to assist pre-schools; Supporting delivery of EYFS in Day Care Settings; Providing Mobile Toy Library (linked to Children's Centres)	214,413
Walsingham	Housing (Supporting People Programme)	A hostel with floating support for people	214,069
Knights Millennium	Housing (Supporting People Programme)	Support in a hostel for young people with support needs	211,859
Stonham Housing Association	Housing (Supporting People Programme)	Support in a hostel for people leaving prison	204,021
St. Mary's Family Centre	Children, Young People & Families Programme	Childrens & Families - Family Assess; Childrens & Families - Childcare/Nursery	184,020
InTouch Support	Housing (Supporting People Programme)	Support for elderly people in sheltered flats and own homes, in shared houses for young people and people with learning disabilities; outreach floating support for people with learning difficulties	175,570
Disability Croydon	Corporate Funding; Older people & PDSI	Legal Advice; Older people - SLA	163,602
Fieldway Family Centre	Rate Relief; Children, Young People & Families Programme	Discretionary Rate Relief; Integrated Services Strand 3; CPeip	158,610
NCH (National Children's Homes)	Children, Young People & Families Programme		146,072
Croydon Mencap	Children, Young People & Families Programme; Learning Disability Commissioning (LDDF); Rate Relief; Carers Grant	Integrated services Strand 3; Children's Fund Transitional Project 08/09; Learning Disability; Discretionary Rate Relief; Young persons youth club; Older peoples project	139,985
Drop-In Counselling and Information Service (CYICS)	Rate Relief; Youth Work	Discretionary Rate Relief; SLA Agreement	126,993
Croydon African Caribbean Family Organisation	Corporate Funding; Older people & PDSI; Rate Relief; CYPL - Education	Market Rents - Core Cost; Other Organisation Core costs - non rent; Discretionary Rate Relief; Supplementary Education grants	116,050
Together In Waddon Community Project	Children, Young People & Families Programme; Corporate Funding; Older people & PDSI	Integrated Services Strand 3; Children's Fund Transitional Project 08/09; Infrastructure - Core Cost; Advice; Trips, health forums, general issue debates Drama. Working together with local people to promote community spirit, identity through a community	111,007
Victim Support Croydon	Corporate Funding; Rate Relief; Crime Support	Crime and Disorder - Core Cost; Discretionary Rate Relief; Hate Crime	104,820
Christian Family Concern	Housing (Supporting People Programme)	Support in a mother and baby home and in a shared house for young single homeless people	104,330
Tabernacle of Praise (Topcare)	Carers Grant; Older people & PDSI	Support for carers; Provide outreach service to the BME communities and individuals	99,147
Croydon Neighbourhood Care Association	Older people & PDSI; Rate Relief	Older people, people with disabilities and sensory impairment; Discretionary Rate Relief	94,452
Croydon Welcare	Corporate Funding; Children, Young People & Families Programme; Rate Relief	Market Rents - Core Cost; Integrated Services Strand 3; PVE (CPeip extended project); Discretionary Rate Relief	94,128

NOTES TO THE CORE FINANCIAL STATEMENTS

18. RELATED PARTY TRANSACTIONS (continued)

Assisted Organisations Receiving Grants in Excess of £50,000 during Financial Year 2008/09 (continued)

Organisation	Funding Programme	Purpose of Funding 2008/09	£
Play Place	Housing (Community Involvement)	Youth activities for a Funday, term time play and youth sessions on housing estates and summer play scheme	91,438
Parchmore Methodist Church	Older people & PDSI	Older people, people with disabilities and sensory impairment	89,525
BME Forum	Corporate Funding	Infrastructure and capacity building	88,748
Westbury Community Project	Older people & PDSI	Older people, people with disabilities and sensory impairment - Westbury Senior Citizens	86,090
Welmede Housing Association	Housing (Supporting People Programme)	Floating support for learning disability	78,007
Refugee Housing Association	Housing (Supporting People Programme)	Floating support for refugees	77,191
Croydon Supplementary Education Project	CYPL - Education; Rate Relief; Arts Project Grants; Children, Young People & Families Programme	Mentoring Grants; Discretionary Rate Relief; Supplementary Education grants; 10 week stilt dancing project targeting BME young people to celebrate black heritage through performance art and dance; PVE (CPeip extended project)	76,998
Croydon Community Mediation	Corporate Funding; Housing; Rate Relief;	Legal Advice; For office and operating costs of a mediation service; Discretionary Rate Relief; Market Rents - Core Cost	75,936
Bangladesh Welfare Association	CYPL - Education; Corporate Funding; Carers Grant	Community Languages; Advice; Short breaks for carers in the Bangladeshi community	75,779
Hear Us	Mental Health (Joint funding with PCT-Council contribution)	Mental Health Service User Group	74,540
Croydon Youth Development Trust	Rate Relief; Youth Work; CYPL - Youth Offending Team	Discretionary Rate Relief; Youth work projects for young people; Groupwork programme for young people; To provide CABs groupwork programme for young people aged 13 to 17	74,246
Croydon Housing Aid Society	Housing	To provide an independent housing advice service to local residents	73,434
Alzheimers	Older people & PDSI	Older people, people with disabilities and sensory impairment	70,729
Upper Norwood Association for Community Care	Older people & PDSI	Older people SLA	68,172
Croydon Hearing Resource Centre	Older people & PDSI	Older people, people with disabilities and sensory impairment	67,637
Parentline Plus	Children, Young People & Families Programme; CYPL - Youth Offending Team	Integrated Services Strand 3; CPeip Parenting Project; Parenting support to parents whose children are at risk of offending	65,410
South West London Law Centre	Rate Relief; Corporate Funding	Discretionary Rate Relief; Advice	64,348
Status Employment	Mental Health (PCT funded only); Rate Relief	Employment support services; Discretionary Rate Relief	62,190
SOVA Croydon Young People	CYPL - Youth Offending Team; Leaving Care; Children, Young People & Families Programme	Mentoring project for young people aged 10 to 17; Children's Fund Transitional Project 08/09	60,216
South London Family HA (SLFHA)	Housing (Supporting People Programme)	Support for elderly people in sheltered flats	59,231
Stepping Stones Trust	Housing (Supporting People Programme)	Support in a shared house for Christian men with mental health problems leaving prison	59,113
Croydon Resource Centre	Corporate Funding; Mental Health (Joint funding with PCT-Council contribution)	Other organisations - Core Cost; Drop in and Advice Service	57,858
Turkish Youth & Community Association	Children, Young People & Families Programme; Corporate Funding; CYPL - Education	Integrated Services Strand 3; CPeip; PVE (CPeip extended project); Small Grants for core costs; Community Languages	55,517
Keyring	Housing (Supporting People Programme)	Floating support for people with learning disabilities living in their own flats	50,697
RAP Academy	Crime Support		50,000

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 2008/09 which accounts for the majority of grant provided.

NOTES TO THE CORE FINANCIAL STATEMENTS

19. AUDIT FEES PAID DURING THE YEAR

	2008/09 £000	2007/08 £000
Audit Commission fees payable		
Audit of annual accounts	429	655
Certification of grant claims	104	113
Fees payable for other services	-	9
	533	777

20. CONTRIBUTION FROM NATIONAL NON-DOMESTIC RATE POOL

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.

From 2006/07 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 Distributional 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.

Figures from Final Settlements (Communities and Local Government)

	NNDR Pool £000	% of Formula Grant %
2007/08	91,635	85.6
2008/09	100,874	87.8

Croydon Council contributes more to the NNDR pool than it receives back from central Government:

	£000
NNDR Collectable	108,075
Receipt from the NNDR Pool	100,874

21. STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	2008/09 £000	2007/08 £000
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		
Amortisation of intangible fixed assets	(729)	(289)
Depreciation and impairment of fixed assets	(20,016)	(26,097)
Government grants deferred amortisation	5,355	4,999
Revenue expenditure funded from capital under statute	(4,506)	(5,058)
Other finance adjustments	229	1,977
Net gain/(loss) on disposal of fixed assets	2,392	10,096
Net gain/(loss) on revaluation of fixed assets	(212,498)	(1,483)
Net charges made for retirement benefits in accordance with FRS17	(19,610)	(11,751)
	(249,383)	(27,606)
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		
Amortisation of premiums and discounts	573	-
Transfer from Usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool	(446)	(4,766)
Capital expenditure charged in the year to the General Fund	4,678	4,230
Statutory provision for the repayment of debt for capital financing (MRP)	4,636	4,073
	9,441	3,537
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		
Housing Revenue Account balance	(1,372)	601
Net transfer to or from earmarked reserves	6,608	3,320
	5,236	3,921
Net additional amount required to be credited to the General Fund Balance for the year	(234,706)	(20,148)

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.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

22. DISPOSALS OF FIXED ASSETS

	General Fund Land and Buildings £000	Vehicles, Plant, Furniture, and Equipment £000	Housing Revenue Account £000	Total £000
Book value of assets sold during year	4,800	387	407	5,594
Accumulated depreciation on assets sold	(4,303)	(370)	(5)	(4,678)
Net book value of assets written off to the Capital Adjustment Account	497	17	402	916

23. 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	2008/09 Total £000	2007/08 Total £000
EXPENDITURE:				
Fixed assets	35,593	24,880	60,473	53,874
Revenue expenditure funded from capital under statute	4,611	37	4,648	7,784
Intangible assets	883	-	883	2,116
Single Status	1,629	-	1,629	-
Loan for Davis House	3,924	-	3,924	-
Ashburton PFI Residual Value	685	-	685	-
Homes for the Future PFI Residual Value	320	-	320	-
	47,645	24,917	72,562	63,774
FINANCED BY:				
Borrowing approvals	28,807	6,456	35,263	23,443
Capital receipts	1,521	3,975	5,496	9,952
Grants and other contributions	16,312	500	16,812	15,814
Revenue contributions	-	3,673	3,673	4,230
Major repairs reserve	-	10,313	10,313	10,335
Revenue Contributions - Ashburton	685	-	685	-
Revenue Contributions - Homes for the Future	320	-	320	-
	47,645	24,917	72,562	63,774

24. CAPITAL COMMITMENTS

Capital schemes with significant contractual commitments for future capital expenditure

Department	Capital Scheme	Expenditure to 31 March 2009 £000	Estimated Total Cost £000
Community services	Thornton Heath library refurbishment	1,892	2,288
Children, young people and learners	Waddon and Duppas schools replacement	502	6,600
	Schools access initiative	519	1,119
	Extended schools project	-	600
Adult services and housing	Council housing new build phase 1	3,170	6,387
	Council housing new build phase 2	266	13,740
Planning, regeneration and conservation			
	Coulsdon town centre	1,019	3,000
		7,368	33,734

NOTES TO THE CORE FINANCIAL STATEMENTS

25. INFORMATION ON ASSETS HELD

Fixed assets owned by the Council include the following:

COUNCIL DWELLINGS (HRA and General Fund)

OPERATIONAL BUILDINGS

Town Hall	1
Other offices	8
Social services homes, hostels and day care centres	31
Sports centres and swimming pools	9
Libraries (including 1 shared with London Borough of Lambeth)	14
Nursery schools	4
Primary schools	77
Secondary schools	11
Special schools	6
Pupil Referral Units	6
Depots	10
Refuse transfer station	1
Multi-storey car park	1
Surface car parks	21
Cemeteries (including 1 shared with London Borough of Sutton)	4
Halls	3
Other operational property	75

OPERATIONAL EQUIPMENT

Vehicles and plant

INFRASTRUCTURE ASSETS

Highways (kilometres)

Bridges

COMMUNITY ASSETS

Parks and open spaces (hectares)

INVESTMENT PROPERTIES

SURPLUS ASSETS HELD FOR DISPOSAL

	Number as at 31 March 2009	Number as at 31 March 2008
	14,033	14,128
	1	1
	8	8
	31	33
	9	5
	14	14
	4	4
	77	77
	11	11
	6	6
	6	-
	10	7
	1	1
	1	1
	21	16
	4	3
	3	2
	75	84
	50	56
	726	719
	78	78
	1,093	1,093
	125	136
	5	-

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

26. LEASED ASSETS RENTALS

Total rentals paid in 2007/08

Total rentals paid in 2008/09

Outstanding undischarged leasing obligations

- 2009/10
- 2010/11
- 2011/12
- 2012/13
- 2013/14

	Finance Leases	Operating Leases	
	£000	Vehicles, Plant, Furniture and Equipment £000	Other £000
Total rentals paid in 2007/08	-	952	-
Total rentals paid in 2008/09	-	735	-
Outstanding undischarged leasing obligations			
- 2009/10	-	400	-
- 2010/11	-	292	-
- 2011/12	-	291	-
- 2012/13	-	278	-
- 2013/14	-	143	-

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.

27. PFI ARRANGEMENTS

The Authority has three current PFI contracts. All, having applied the appropriate accounting policy, are treated as "off Balance Sheet".

In the case of the Ashburton Learning Village PFI (see Note 3) the Council has revised its estimate of residual value of the fixed assets once the contract terminates. Accordingly a proportion of the Unitary Charge has been charged to the Statement of Movement on the General Fund Balance, an estimate of the annual proportion of the residual value and included on the Balance Sheet as a long term debtor.

28. 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 2008/09 this factor remained 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 year's expenditure. Upon completion the assets are transferred from WIP to their appropriate classification.

A rolling programme of valuations is being undertaken by Mouchel, 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. Council dwellings are revalued each year.

29. 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	Surplus Assets held for Disposal £000	Work in Progress £000	
Net Book Value as at 1 April 2008	860,631	748,919	7,018	83,403	2,042	85,182	-	11,570	1,798,765
Gross book value as at 1 April 2008	870,908	810,023	13,878	106,441	2,045	86,360	-	11,570	1,901,225
Additions	24,614	11,486	3,326	9,800	1,097	-	-	10,150	60,473
Donations	-	-	-	-	-	-	-	-	-
Disposals	(407)	(4,800)	(387)	-	-	-	-	-	(5,594)
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers	-	11,164	-	-	405	(2,840)	2,840	(11,569)	-
Revaluations	(225,555)	138,326	-	-	-	-	-	-	(87,229)
Gross book value as at 31 March 2009	669,560	966,199	16,817	116,241	3,547	83,520	2,840	10,151	1,868,875
Depreciation as at 1 April 2008	10,277	61,104	6,860	23,038	3	1,178	-	-	102,460
Depreciation for year	10,313	15,587	2,089	2,113	-	227	-	-	30,329
Depreciation on assets sold	(5)	(4,303)	(370)	-	-	-	-	-	(4,678)
Reclassifications	-	-	-	-	-	-	-	-	-
Depreciation on revaluations	(10,277)	(27,280)	-	-	-	-	-	-	(37,557)
Balance as at 31 March 2009	10,308	45,108	8,579	25,151	3	1,405	-	-	90,554
Net book value as at 31 March 2009	659,252	921,091	8,238	91,090	3,544	82,115	2,840	10,151	1,778,321

Council Dwellings

Council dwellings are valued at less than market value, as directed by Government. See HRA Note 3 (page 62) for more details.

30. 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.

31. 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	3,674	-	-	-
Additions	883	-	-	-
Written off to Income and Expenditure Account	(729)	-	-	-
Written off to grants	(366)	-	-	-
Balance carried forward	3,462	-	-	-

32. EFFECT OF CHANGES IN AMORTISATION METHODS FOR INTANGIBLE ASSETS

Expenditure on intangible assets in 2008/09 will be written off to revenue over a period of five years (see note 31). In 2008/09 expenditure on intangible assets amounted to £0.883m, of which £0.177m was written off, together with £0.918m relating to previous years' expenditure.

33. NET ASSETS EMPLOYED

	2008/09 £000	2007/08 £000
Trading Undertakings	16,919	17,392
Housing Revenue Account	629,237	868,858
General Fund	525,168	314,362
	1,171,324	1,200,612

34. ASSOCIATED COMPANIES

Croydon Council has a £260,000 investment in London Authorities Mutual Limited (LAML) which falls within the definition of a "Joint Arrangement that is Not an Entity" under FRS9. LAML was a mutual arrangement between a number of London Authorities for the provision of insurance cover.

The Court of Appeal, on 9 June 2009 ruled LAML to be "Ultra Vires" and as a consequence has ceased trading and its business is being "run off". Alternative cover has been arranged and the Council expects to realise its investment in full. (see Note 18, page 32)

Croydon Council has a 50% stake in a limited liability partnership, the Croydon Council Urban Regeneration Vehicle (CCURV). CCURV was set up specifically to develop and regenerate a number of sites owned by the Council. Under FRS9 CCURV is considered a Joint Venture and consequently Group Accounts have been prepared.

35. CAPITAL INSTRUMENTS

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

36. FINANCIAL INSTRUMENTS

Accounting regulations require the “financial instruments” (investment, lending and borrowing of the Council) shown on the Balance Sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the Balance Sheet are made up of the following categories of “financial instruments”.

Financial Instruments Balances

	Long Term		Short Term	
	31 March 2009 £000	31 March 2008 £000	31 March 2009 £000	31 March 2008 £000
Assets				
Cash and bank	-	-	10,614	6,062
Debtors and payments in advance, net of doubtful debt provisions	7,840	3,103	70,529	74,509
Less PFI residual values held as debtors	(2,375)	(1,370)	-	-
Less payments in advance	-	-	(5,159)	(4,002)
Investments	16,856	47,924	161,895	130,135
Available-for-sale financial assets	6,238	-	-	260
Fair value through profit and loss	230	-	-	-
Total assets	28,789	49,657	237,879	206,964
Liabilities				
Bank overdraft	-	-	44,973	42,577
Creditors and receipts in advance	-	-	106,674	118,534
Less receipts in advance	-	-	(22,435)	(39,447)
Financial liabilities at amortised cost	259,303	218,838	20	20
Total liabilities	259,303	218,838	129,232	121,684

Notes

1. Lender’s Option Borrower’s Option (LOBOs) loans of £40m plus accrued interest have been included in long term borrowing as at 31 March 2009 and as at 31 March 2008.
2. Investments in CCURV of £5.978m (nil in 2007/08) and in London Authorities Mutual Limited of £0.26m (£0.26m in 2007/08) are included within the Available-for-sale financial assets.
3. A gain of £0.23m derived from a treasury transaction involving a forward agreed loan is included within the Fair value through profit and loss assets.

FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

The fair value of each class of financial assets and liabilities which are carried in the Balance Sheet at amortised cost is disclosed below.

Methods and Assumptions in Valuation Technique

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

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

The rates quoted in this valuation were obtained by the Council’s Treasury Management consultants, Sector, from the Money Markets on 31 March, using bid prices where applicable. The calculations are made with the following assumptions:

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

36. FINANCIAL INSTRUMENTS (continued)

The fair values are calculated as follows:

Fair value of assets carried at amortised cost

	31 March 2009		31 March 2008	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Cash and bank	10,614	10,614	6,062	6,062
Debtors	70,835	70,835	72,240	72,240
Long term deposits with banks and building societies	16,856	17,987	47,664	47,860
Short term deposits with banks and building societies	161,895	162,585	130,395	130,363
Available-for-sale financial assets	6,238	6,238	260	260
Fair value through profit and loss	230	230	-	-
Financial Assets	266,668	268,489	256,621	256,785

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

Fair value of liabilities carried at amortised cost

	31 March 2009		31 March 2008	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Bank overdraft	44,973	44,973	42,577	42,577
Creditors	84,239	84,239	79,087	79,087
PWLB - maturity	218,719	228,321	178,256	180,905
LOBOs	40,264	41,721	40,262	42,369
Stock issues	320	320	320	320
Short term borrowing	20	20	20	20
Financial Liabilities	388,535	399,594	340,522	345,278

Fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

Credit Risk

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

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

36. FINANCIAL INSTRUMENTS (continued)

Credit Risk

	Amounts at 31 March 2009 £000	Historical Experience of Default %	Estimated Maximum Exposure to Default £000
Deposits with banks and other financial institutions	178,751	nil	-
Bonds and other securities	-	nil	-
Customers	-	nil	-
Total	178,751	nil	-

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 15% of loans are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

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

Liquidity Risk

	At 31 March 2009 £000	At 31 March 2008 £000
Loans outstanding:		
PWLB	216,800	176,800
Market debt / LOBOs	40,000	40,000
Temporary borrowing	-	-
Local bonds	317	317
Deferred purchase	-	-
Other	20	20
Total	257,137	217,137
Less than 1 year	20	20
Between 1 and 2 years	-	-
Between 2 and 5 years	24,000	4,000
Between 5 and 10 years	12,000	6,000
More than 10 years	221,117	207,117
Total	257,137	217,137

36. FINANCIAL INSTRUMENTS (continued)**Interest Rate Risk**

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

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

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.
- The net effect on the Income and Expenditure Account of a 1% increase in interest rates is a surplus of £1.3m.

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

Foreign Exchange Risk

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

37. INSURANCE PROVISIONS

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 £1.2m. Motor insurance is subject to an excess of £125,000.

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.

The self insurance fund is reviewed in full each year by an actuary to ensure that it has sufficient balances within the Fund to cover the existing and potential future liabilities.

38. OTHER PROVISIONS

CCURV Land Pledge

The Council has pledged parcels of its estate to Croydon Council Urban Regeneration Vehicle (CCURV). This pledge represents its investment in CCURV for which it holds an asset on the Balance Sheet. However should the development fail to progress the Council would be obliged to honour the asset. As a consequence a provision is held.

Single Status Provision

This provision relates to the cost of harmonisation in pay and conditions for comparable posts. The review of pay followed the national single status agreement on Local Government conditions of service and pay scales in 1997. The vast majority of these claims has now been settled. Government directions have allowed costs to be charged to capital and an earlier provision from revenue has been reversed in 2008/09.

Analysis of Provisions

	Balance Brought Forward £000	Costs Incurred £000	Contribution /Reduction £000	Balance Carried Forward £000
CCURV Land Pledge Provision	-	-	(5,977)	(5,977)
Insurance Fund	(7,419)	1,147	(2,502)	(8,774)
Single Status Provision	(4,345)	2,618	1,505	(222)
Other Minor Provisions	(100)	100	(273)	(273)
	(11,864)	3,865	(7,247)	(15,246)

39. MOVEMENTS IN RESERVES

39.1 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.

39.2 Revaluation Reserve

This reserve holds the gains on upward revaluation of fixed assets. Any upward valuation in 2008/09 is added to the reserve, and any loss is first charged to the Revaluation Reserve, where applicable. The remainder is charged to the Income and Expenditure Account.

	2008/09 £000
Balance brought forward	(29,618)
The difference in depreciation arising from a revaluation gain and the depreciation charged on the historic cost	455
Revaluations upward	(187,106)
Depreciation on revaluations	(4,004)
Impairments charged to Revaluation Reserve	28,286
Balance carried forward	(191,987)

39.3 Capital Adjustment Account

The 2007 SORP required the establishment of the Capital Adjustment Account to act as the reconciliation between the statutory requirements and accountancy practice.

	2008/09 £000
Balance brought forward	(1,529,909)
Amortisation of intangible fixed assets	729
Depreciation and impairment of fixed assets	232,059
Government grants deferred amortisation	(5,355)
Revenue expenditure funded from capital under statute	4,506
Carrying value of assets disposed of	1,134
Statutory provision for the repayment of debt for capital financing (MRP)	(4,636)
Capital expenditure charged in the year to the General Fund	(4,678)
Capital expenditure financed from usable capital receipts	(5,496)
Balance Carried Forward	(1,311,646)

39.4 Financial Instruments Adjustment Account

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

The Balance Sheet at 31 March 2009 shows a balance of £1.5m (£2.3m in 2007/08) representing the remaining premiums paid in respect of a debt restructuring exercise carried out in 2003/04. This balance was being written off over a period of ten years. The transition to the 2008 SORP in respect of Financial Instruments requires this balance to be written off to the General Fund balance in the restated opening Balance Sheet for 2007/08. However, to ameliorate the impact of this, separate regulations and statutory guidance have been put in place to allow this balance to be transferred to the Financial Instruments Adjustment Account, from where it will continue to be written off over the remainder of the original ten year period.

39. MOVEMENTS IN RESERVES (continued)

39.5 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 Adjustment 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	2008/09 Total £000	2007/08 Total £000
Balance brought forward	-	5,045	5,045	-
Mortgage repayments	-	103	103	163
Other capital receipts	(661)	1,490	829	-
Net surplus for year	(661)	1,593	932	163
Receipts from sales of assets during the year	2,208	489	2,697	14,968
Transfer to Housing Capital Receipts Pool	-	(446)	(446)	(4,766)
Balance of receipts after transfer	2,208	43	2,251	10,202
Balance on account before application of receipts	1,547	6,681	8,228	10,365
Financing of capital expenditure	(1,521)	(3,975)	(5,496)	(9,952)
Transfer (to)/from capital adjustment account	-	-	-	4,632
Balance carried forward	26	2,706	2,732	5,045

39.6 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.

	2008/09 £000	2007/08 £000
Balance brought forward	-	-
Major Repairs Allowance for the year	10,358	10,335
Transfer to finance capital expenditure during the year	(10,313)	(10,335)
Other reserve adjustments	(45)	-
Balance carried forward	-	-

39.7 Pensions Reserve

Financial Reporting Standard 17 (FRS17) requires that the cost of retirement benefits is recognised in the Income and Expenditure Account when entitlement is earned, irrespective of when the benefits are actually paid. However, the charge the Council is required to make in its financial statements is equal to the actual payment to the Pension Fund payable in the year. Consequently, a transfer is made to, or from, the Pensions Reserve to achieve this.

The other adjustment to the Pensions Reserve during the year represents the Experience/Actuarial gain or loss recognised during the year. The gain or loss calculated is taken directly to the Statement of Total Recognised Gains and Losses 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

	2008/09 £000	2007/08 £000
Net liability brought forward	(411,825)	(291,083)
Adjustment of asset valuation to revised FRS17 requirements	(985)	-
Restated net liability brought forward	(412,810)	(291,083)
Reduction of charge to actual payment into the Pension Fund (adjusted in the Statement of Movement on the General Fund balance - no entry in I&E account)	(19,610)	(11,751)
Experience/Actuarial (gain)/loss (entered directly in the Statement of Total Recognised Gains and Losses - no entry in the I&E account)	44,414	(108,991)
Net liability carried forward	(388,006)	(411,825)

39. MOVEMENTS IN RESERVES (continued)

39.8 Earmarked Reserves

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

Building Schools for the Future Reserve

The Council's ambitious programme of school improvement will require significant programme management.

CCURV Reserve

This reserve relates to the Croydon Council Urban Regeneration Vehicle.

Parks and Sports Improvements Reserve

To support the major improvements of Croydon's parks.

ICT Strategic Improvements Reserve

To improve ICT infrastructure improving operational efficiency and service support.

Park Place Reserve

To provide for risks associated with the planned redevelopment of Park Place that did not proceed.

Restructure Reserve

To ensure the successful implementation of a reorganisational restructure.

RELEASE Reserve 2008/09

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 Reserve 2009/10

Following the success of the programme the same approach is being replicated.

Recession Impact Reserve

The Council, along with the rest of the world, faces difficult times during the current economic climate. Consequently this sum has been put by to act as a contingency.

Interest Rate Risk Reserve

The Council has a complex and high value cash flow that requires expert management to achieve value for money. Recent volatility in the money markets could pose a threat to the Council and so this reserve has been established to protect against the economic climate.

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.

Taxation Reserve

This reserve is maintained to allow for any issues arising from tax audits, in particular VAT.

Litigation Reserve

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

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 2007/08 and beyond.

LEGI Grant Reserve

This represents the unspent Local Enterprise Growth Initiative (LEGI) grant to enable the completion of the programmes.

Telephony Reserve

This reserve is planned to support the modernisation of the Council's telephony, specifically the deployment of VIOP.

Local Elections Reserve

This reserve is used to anticipate and smooth the costs of running the local elections in the Borough.

Other Reserves

Other reserves are shown under this heading. No individual reserve in this category exceeds £0.5m.

39. MOVEMENTS IN RESERVES (continued)

39.8 Earmarked Reserves (continued)

Analysis of Reserves

Analysis of Reserves	Balance Brought Forward £000	Costs Incurred £000	Contribution /Reduction £000	Balance Carried Forward £000
Building Schools for the Future Reserve	(1,000)	375	(1,000)	(1,625)
CCURV Reserve	-	-	(601)	(601)
Parks and Sports Improvements Reserve	-	-	(750)	(750)
ICT Strategic Improvements Reserve	-	-	(1,000)	(1,000)
Park Place Reserve	-	-	(1,000)	(1,000)
Restructure Reserve	(1,800)	1,830	(1,030)	(1,000)
RELEASE Reserve 2007/08	(1,708)	641	1,067	-
RELEASE Reserve 2008/09	(2,195)	139	308	(1,748)
RELEASE Reserve 2009/10	-	-	(1,505)	(1,505)
Recession Impact Reserve	-	-	(2,440)	(2,440)
Interest Rate Risk Reserve	(1,950)	-	(1,000)	(2,950)
PAYE Reserve	(1,500)	217	533	(750)
Business Rates Credits Reserve	(1,208)	-	1,208	-
Taxation Reserve	(666)	-	-	(666)
Litigation Reserve	(800)	-	(533)	(1,333)
Housing Benefits Reserve	(2,300)	-	-	(2,300)
LEGI Grant Reserve	-	-	(935)	(935)
CapGemini Telephony Reserve	-	-	(1,674)	(1,674)
Planning Delivery Grant Reserve	(579)	579	-	-
Local Elections Reserve	(524)	-	(63)	(587)
Other Reserves	(2,803)	1,487	(1,461)	(2,777)
	(19,033)	5,268	(11,876)	(25,641)

39.9 General Fund

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

39.10 Housing Revenue Account

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

40. DETAILS OF ANY CONTINGENT LIABILITY OR ASSET

Gateway Development

The Council had previously, in partnership with Arrowcroft, contested the development of the "Gateway" site now known as Ruskin Square at East Croydon railway station. The Secretary of State finally selected the alternative development proposal. As a result the successful developers are pursuing the Council for legal costs in excess of £2million incurred during the planning process. The Council has an agreement with Arrowcroft that it will settle these costs on the Council's behalf. This is additionally secured by a call on property owned by Arrowcroft.

CCURV

The Council has entered into a limited liability partnership with property company John Laing to develop various Council owned sites in the town. To facilitate the development opportunities the partnership has purchased Davis House, an office block off Croydon High Street. The purchase was made using credit, predominately from Royal Bank of Scotland for which the Council has guaranteed. The debt is in the region of £16million however the Council has security over the property itself worth over £20million.

The Council has accrued income, £300,000 in 2008/09, from the pledge it has made to make its property available for redevelopment. Should the property fail to be developed the Council will have to return the income. As a consequence the income has been placed in an earmarked reserve.

Kenley Aerodrome

In its role as planning Authority the Council has refused planning permission for the Ministry of Defence to erect a fence around Kenley Aerodrome. The application followed a decision that the public, who are permitted to roam across the land, should be protected from aircraft using the facility.

The Ministry had purchased a fence which was not deemed acceptable to the Council's planning process. The Council wishes to see a less intrusive barrier for an attractive area of countryside. As a result the Ministry of Defence has indicated that it will pursue the Council to recover costs the Ministry has incurred in purchasing fencing that it is unable to erect as a result of the Council refusing planning permission. The Ministry of Defence has indicated that it would seek compensation of £113,000.

Others

The Council submits a number of returns to the Government where sums are owed to or from the Council. These sums have been accrued in the accounts. However, many of these returns are subject to external audit and/or department scrutiny and this may result in a reduction in the amounts received by the Council. Whilst some reserves have been established to cover this situation, there is the potential that the reductions may exceed the amount in reserves. This Contingent Liability cannot be estimated.

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

This Statement of Accounts was issued on 29 June 2009 by Nathan Elvery, Executive Director of Resources and Customer Services.

42. EVENTS AFTER THE BALANCE SHEET DATE

The Court of Appeal ruled on 9 June 2009 that the participation of local authorities in the London Authorities' Mutual Limited (LAML) was beyond their statutory powers. As a consequence LAML has ceased underwriting with immediate effect and gone into "run-off" mode. Insurance cover has been provided with other brokers.

The Council's participation in LAML required provision of a cash deposit of £260,000 and letters of guarantee to satisfy the Individual Capital Assessment required by the Financial Services Authority. It is very unlikely that the guarantees will be called upon as LAML was fully solvent when wound up and no additional costs are expected, other than foregoing the future savings in insurance rates that LAML would have achieved. No adjustment has been made to the 2008/09 financial statements.

43. TRUST FUNDS

The Council acts as trustee for various funds of varying nature with a total value of approximately £7.2m.

The principal funds include funds held on behalf of:

- The Mansel Project to provide a new learning disability home to serve a number of London boroughs (£1.8m)
- South West London Sub-Regional Renewal monies for housing (£1.4m)
- Individuals for whom the Council is Appointee for savings (£2.3m)
- The Church Tenements Charity, which provides grants to young people for education purposes (£0.8m)
- The Frank Denning Memorial Charity, which provides travelling scholarships (£0.3m).

Other accounts include prize funds, amenity funds of establishments, trust fund legacies and charity appeal funds.

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

44. SCHOOLS BALANCES

School reserves have decreased by £0.849m to £15.462m. The Department for Children, Schools and Families (DCSF) have issued guidance on the level of balances that should be held by schools, advising a maximum 8% of budget for Primary, Nursery and Special Schools and 5% for Secondary Schools budget.

The reduction in reserves is due to schools spending more to improve performance, particularly on capital, and being aware that if balances get too high they can be recovered. There are also more schools with deficits or lower balances and a number of schools have closed or converted to academies, which has reduced overall balances. There are 15 schools that have a revenue deficit. The Council is working with these schools to ensure that they return to a balanced position.

45. AMOUNTS DUE TO/FROM RELATED PARTIES

Debtors and Payments in Advance

	2008/09		2007/08	
	Debtors and PIAs £000	Doubtful Debt Provision £000	Debtors and PIAs £000	Doubtful Debt Provision £000
General Fund				
Government				
HM Revenue and Customs	3,156	-	6,955	-
Other Government Departments	20,563	-	24,239	-
Other public bodies	4,176	-	2,082	-
Total	27,895	-	33,276	-

Creditors and Receipts in Advance

	2008/09 £000	2007/08 £000
General Fund		
Government		
HM Revenue and Customs	6,183	4,857
Other Government Departments	7,337	5,047
Other public bodies	9,124	6,149
Total	22,644	16,053

46.1 PENSIONS INTEREST COST AND EXPECTED RETURN ON PENSIONS ASSETS

Pensions Interest Cost

The expected increase in the present value of liabilities during the year. This is incurred by the unwinding of the present value of the liabilities as they move one year closer to being paid.

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.

46.2 PENSIONS LIABILITY

The financial statements recognise the Council's pensions liability as an employing Authority in accordance with the requirements of Financial Reporting Standard 17 (FRS17). A full set of FRS17 disclosure notes are provided in this document. The table below discloses the pensions liability and the movements in that liability:

Pensions Liability	2008/09 £000	2007/08 £000
Present value of funded benefit obligation	(768,268)	(894,393)
Present value of unfunded benefit obligation	(9,422)	(11,078)
Total present value of benefit obligations	(777,690)	(905,471)
Fair value of fund assets (2007/08 value restated for revised FRS17 requirements)	389,684	493,646
	(388,006)	(411,825)
Unrecognised past service cost	-	-
Net liability	(388,006)	(411,825)
Movements on Pensions Liability	2008/09 £000	2007/08 £000
Net liability brought forward	(411,825)	(291,083)
Adjustment of asset valuation to revised FRS17 requirements	(985)	-
Restated net liability brought forward	(412,810)	(291,083)
Current service cost	(23,605)	(18,790)
Past service cost	(879)	(6,354)
Curtailments and settlements	(1,566)	(2,217)
Employer's contributions	26,992	22,896
Interest on pension liabilities	(55,289)	(43,868)
Expected return on plan assets	34,737	36,582
Actuarial gains / (losses)	44,414	(108,991)
Net liability carried forward	(388,006)	(411,825)

47. MATERIAL PREPAID AND ACCRUED PENSION CONTRIBUTION IN RESPECT OF DEFINED BENEFIT SCHEMES

There are no material amounts in these categories.

48. TEACHERS' PENSION SCHEME

The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF), provides retirement benefits for Teachers. Although it is a defined benefits scheme, the arrangements for the teachers' scheme mean that liabilities for the benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme - no liability for future payments of benefits is recognised in the Council's balance sheet. The Children, Young People and Learners revenue account is charged with the employer's contributions payable to the teachers' pension scheme during the year.

In 2008/09, the Council paid £13.5m (2007/08 £13.2m) to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% (2007/08 14.1%) of pensionable pay.

NOTES TO THE CORE FINANCIAL STATEMENTS

49. 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.

	2008/09		2007/08	
	£000	£000	£000	£000
(Surplus)/Deficit for the year				
General Fund	14		(173)	
HRA	(1,372)		(601)	
LMS	(849)		-	
Collection Fund	-		-	
		(2,207)		(774)
Adjustments				
Contribution to/(from) other balances	2,408		5,247	
Minimum revenue provision	(4,635)		-	
Depreciation	(25,651)		(22,666)	
		(27,878)		(17,419)
Movement in revenue assets and liabilities				
Increase in stock	67		48	
Decrease in revenue debtors (net of doubtful debts) *	(3,640)		(8,087)	
Increase in revenue creditors **	5,713		(13,880)	
Decrease/(Increase) in provisions	(3,382)		2,306	
		(1,242)		(19,613)
Items classified elsewhere on the cash flow statement				
Capital expenditure met from revenue	(4,358)		(4,715)	
Net interest paid	(378)		(5,822)	
		(4,736)		(10,537)
Net cash (inflow)/outflow from revenue activities		(36,063)		(48,343)
* Total decrease in debtors		(13,121)		(1,364)
Add decrease in doubtful debts		9,141		(7,123)
Add decrease in non revenue debtors		340		400
Total decrease in revenue debtors		(3,640)		(8,087)
** Total decrease in creditors		8,787		(13,664)
Deduct increase in non revenue creditors		(3,074)		(216)
Total increase in revenue creditors		5,713		(13,880)

50. THE MOVEMENT IN CASH RECONCILED TO THE MOVEMENT IN NET DEBT

	Balance 31 March 2009 £000	Cash Flow £000	Balance 31 March 2008 £000
Cash and Cash Equivalents			
Short-Term Investments	161,895	31,500	130,395
Cash and bank	10,614	4,552	6,062
Cash Overdrawn	(44,973)	(2,396)	(42,577)
	127,536	33,656	93,880
Financing Activities			
Long-Term Borrowing	(257,117)	(40,000)	(217,117)
Short-Term Borrowing	(20)	-	(20)
	(257,137)	(40,000)	(217,137)
Management of Liquid Resources			
Short-Term Investments	-	-	-
Total Net Debt	(129,601)	(6,344)	(123,257)

NOTES TO THE CORE FINANCIAL STATEMENTS

51. ANALYSIS OF GOVERNMENT GRANTS

	2008/09	2007/08
	£000	£000
AIDS Support	-	341
Area Based Grant	23,559	-
Asylum Seekers	30,607	37,843
Beacon Award	53	-
CLG - Other	95	610
Connexions	148	-
ContactPoint	-	-
Croydon Music Service	315	-
Customer Focus	-	4,536
DCSF/DIUS - Teenage Pregnancy	-	273
DCSF/DIUS Grant	4,144	5,080
Dedicated Schools Grant	201,226	196,967
DOH - Access and Systems Capacity	-	2,639
DOH - Carers	-	602
DOH - Delayed Discharges	-	506
DOH - Mental Health	-	897
DOH - Other	828	4,456
DOH - Preserved Rights	-	2,607
DOH - Social Care	457	-
DWP	3,604	-
European Social Fund	579	-
Home Office - Other	-	391
Homelessness	-	168
Housing Development	150	-
Learning and Skills Council	15,942	17,057
Local Area Agreements Reward	-	13,303
Local Authority Business Growth Incentives Scheme	438	220
Local Enterprise Growth Initiative	341	-
Local Public Service Agreement Performance Reward	516	363
London Development Agency	658	1,226
Neighbourhood Renewal Fund	317	-
Parenting and Family Support	-	-
Partnerships For Older People Projects (POPPs)	267	-
PFI	6,567	1,349
Planning Delivery	139	508
Prevention Measures	974	-
Safer and Stronger Communities Fund	181	-
School Standards	70,892	41,241
South London Partnership	-	116
Supporting People	12,478	-
SW London Sub Regional Renewal Monies	-	2,700
Transport for London	550	2,941
Waste Disposal	-	154
Welfare Milk Subsidy	279	-
Youth Justice Board	1,242	-
Other Grants	430	-
	377,976	339,094

52. DEBT REDEMPTION PREMIUM

In 2003/04, the Council prematurely repaid £15m of long-term debt and restructured a further £24m 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.

The net premium was apportioned between the General Fund (£2.2m) and the Housing Revenue Account (£4.7m). In accordance with guidance in force in 2003/04, the amount apportioned to the HRA will be written off over 10 years or the remaining life of the loan.

53. LONG-TERM DEBTORS

These consist of the residual interest value in Ashburton School £2.1m (£1.4m in 2007/08), Homes for the Future £0.3m (nil in 2007/08), principal outstanding from sales of Council houses £0.4m (£0.4m in 2007/08), loans to voluntary organisations £0.4m (£0.4m in 2007/08), a loan to CCURV to support the purchase of Davis House £3.9m (nil in 2007/08), and loans to employees £0.8m (£0.8m in 2007/08).

54. STOCKS AND WORKS IN PROGRESS

	2008/09 £000	2007/08 £000
Stocks and stores in hand	291	224
Total	291	224

55. DEBTORS AND PROVISION FOR DOUBTFUL DEBTS

	2008/09		2007/08	
	Debtors and PIAs £000	Doubtful Debt Provision £000	Debtors and PIAs £000	Doubtful Debt Provision £000
Collection Fund				
Council Tax	32,798	(22,355)	43,858	(33,480)
National Non-Domestic Rates	5,632	(3,477)	3,552	(1,523)
	38,430	(25,832)	47,410	(35,003)
General Fund				
HM Revenue and Customs	3,156	-	6,955	-
Other Government Departments	20,563	-	24,239	-
Other public bodies	4,176	-	2,082	-
Other sundry debtors	29,513	(9,827)	28,845	(9,276)
General Fund rents	2,023	(1,276)	4,282	(1,137)
Housing Benefits overpayments	6,945	(6,178)	7,293	(6,711)
Payments in advance	5,159	-	4,002	-
Interest receivable	356	-	-	-
	71,891	(17,281)	77,698	(17,124)
HRA				
Housing Revenue Account rents and service charges	6,549	(3,228)	4,883	(3,355)
	6,549	(3,228)	4,883	(3,355)
Balance Sheet Total	116,870	(46,341)	129,991	(55,482)

NOTES TO THE CORE FINANCIAL STATEMENTS

56. INVESTMENTS

	Short Term		Long Term	
	2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000
Money Market Funds	41,487	9,267	-	-
Investments with banks	65,162	87,334	16,856	47,664
Investments with building societies	13,069	33,794	-	-
Investments with other Local Authorities	42,177	-	-	-
Investment in CCURV	-	-	5,978	-
Investment in London Authorities Mutual Limited	-	-	260	260
Investment in Forward Derivative	-	-	230	-
Total	161,895	130,395	23,324	47,924

57. CREDITORS AND RECEIPTS IN ADVANCE

	2008/09 £000	2007/08 £000
HM Revenue and Customs	6,183	4,857
Other Government Departments	7,337	5,047
Council Tax receipts in advance	1,796	1,253
NNDR receipts in advance	1,429	455
Other receipts in advance	19,210	37,739
Other public bodies	9,124	6,149
Amounts owed for supplies and services and other credit balances	61,595	63,034
Total	106,674	118,534

58. GOVERNMENT GRANTS DEFERRED

The SORP guidance 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.

	2008/09 £000	2007/08 £000
Balance brought forward	(55,705)	(47,749)
Grants and contributions applied	(16,812)	(15,814)
Transfer to Statement of Movement on General Fund Balance	5,355	4,999
Written out in respect of revenue expenditure funded from capital under statute	1,908	2,726
Written out in respect of intangible assets	366	133
Total	(64,888)	(55,705)

59. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an Authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over- and under-spends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2008/09 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Original grant allocation to schools	27,966	175,966	203,932
Adjustment to finalised grant allocation	(64)	(2,642)	(2,706)
DSG receivable for the year	27,902	173,324	201,226
Actual expenditure for the year	28,810	173,981	202,791
(Over)/Underspend for the year	(908)	(657)	(1,565)
Planned top up funding of ISB from Council resources	-	-	-
Use of school balances brought forward	-	-	-
(Over)/Underspend from prior year	908	360	1,268
(Over)/Underspend carried forward to 2009/10	-	(297)	(297)

HOUSING INCOME AND EXPENDITURE ACCOUNT

HOUSING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	Note No.	2008/09 £000	2007/08 £000
Income			
Gross rental income			
- dwellings	13	(58,753)	(57,445)
- non-dwellings	13	(1,368)	(1,478)
Charges for services and facilities	14	(9,617)	(8,379)
Major Repairs Allowance ***	8	(10,313)	(10,335)
Contributions towards expenditure		(219)	-
FRS17 adjustment		(83)	-
Total income		(80,353)	(77,637)
Expenditure			
Repairs and maintenance		13,807	14,056
Supervision and management		18,506	19,343
Rents, rates, taxes and other charges	15	5,546	3,938
Negative subsidy payable to Communities and Local Government	8	26,326	23,475
Provision for bad or doubtful debts	10	104	(907)
Depreciation of fixed assets		10,227	10,334
Revenue expenditure funded from capital under statute	4/7	37	2,049
Debt management expenses		52	75
Total expenditure		74,605	72,363
Net cost of HRA services per Authority Income and Expenditure Account		(5,748)	(5,274)
Gain or loss on sale of HRA fixed assets		(698)	(9,336)
Loss on revaluation	3	186,993	-
Interest payable and similar charges		3,007	2,618
Pensions interest costs and expected return on pensions assets		1,818	538
Interest and investment income		(135)	(393)
(Surplus)/deficit for the year		185,237	(11,847)

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE (NOTE 1)

(Surplus)/deficit for the year on the HRA Income and Expenditure Account	185,237	(11,847)
Net additional amount required by statute to be debited or (credited) to HRA balance for the year	(183,865)	11,246
(Increase)/decrease in HRA balance for the year	1,372	(601)
HRA balance brought forward	(5,108)	(4,507)
HRA balance carried forward	(3,736)	(5,108)

*** The major repairs allowance has been disaggregated from negative subsidy amount for both 2008/09 and 2007/08

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. STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

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

	Note No.	2008/09 £000	2007/08 £000
(Surplus)/deficit for the year on the HRA Income and Expenditure Account		185,237	(11,847)
Amounts included in the HRA Income and Expenditure Account but required by statute to be excluded when determining the Movement on the Housing Revenue Account Balance for the year			
Gain or loss on sale of HRA fixed assets		698	9,336
Loss on revaluation	3	(186,993)	-
Write downs of revenue expenditure funded from capital under statute	4/7	(37)	(2,049)
HRA share of contributions to or from the Pensions Reserve - Interest Costs		(1,818)	(868)
HRA share of contributions to or from the Pensions Reserve - Contribution		84	-
		(188,066)	6,419
Amounts not included in the HRA Income and Expenditure Account but required by statute to be included when determining the Movement on the Housing Revenue Account Balance for the year			
Amortisation of premiums and discounts	17	573	597
Transfer to/(from) Major Repairs Reserve	4	(45)	-
Housing pooled capital receipts		3,673	4,230
Capital expenditure funded by the Housing Revenue Account		4,201	4,827
Net additional amounts		(183,865)	11,246
(Increase)/decrease in HRA balance for the year		1,372	(601)
HRA balance brought forward		(5,108)	(4,507)
HRA balance carried forward		(3,736)	(5,108)

NOTES TO THE HOUSING REVENUE ACCOUNT

2. NUMBER AND TYPE OF DWELLINGS IN THE HOUSING STOCK

Types of Property	2008/09	2007/08
Houses	5,405	5,409
Flats	8,587	8,591
Relocatable Homes	41	47
Total Dwellings	14,033	14,047

3. FIXED ASSETS AND DEPRECIATION

2008/09	Council Dwellings £000	Other Operational Assets £000	Non- Operational Assets £000	Total £000
Fixed Assets				
Net book value as at 1 April 2008	860,631	1,244	1,875	863,750
Gross book value as at 1 April 2008	870,908	1,257	1,875	874,040
Additions	24,614	-	47	24,661
Donations	-	-	-	-
Disposals	(407)	-	-	(407)
Reclassifications	-	-	-	-
Transfers	-	-	-	-
Revaluations	(186,993)	-	-	(186,993)
Gross book value as at 31 March 2009	708,122	1,257	1,922	711,301
Depreciation as at 1 April 2008	(10,277)	(13)	-	(10,290)
Depreciation for year	(10,313)	(11)	(34)	(10,358)
Depreciation on assets sold	5	-	-	5
Reclassifications	-	-	-	-
Depreciation on revaluations	-	-	-	-
Balance as at 31 March 2009	(20,585)	(24)	(34)	(20,643)
Net book value as at 31 March 2009	687,537	1,233	1,888	690,658

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

The estimation of depreciation for HRA properties has been considered in the context of the Major Repairs Allowance (MRA). 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.

3. FIXED ASSETS AND DEPRECIATION (continued)

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:

	1 April 2008	1 April 2007
Houses	5,405	5,409
Flats	8,587	8,591
Relocatable homes	41	47
Stock at 31 March	14,033	14,047
Vacant possession value at 1 April 2008 and 2007	£2,131m	£2,298m
Updated vacant possession valuation as at 31 March 2009	£1,685m	

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

Valuation Adjustment

For the Balance Sheet, Council dwellings are required, by the Housing Revenue Account (Accounting Practices) Directions 2007, to be valued in a way that reflects their occupation by sitting tenants enjoying rents at less than open market rents and tenants' rights including the Right to Buy. This reduction from open market values is achieved by the application of an adjustment factor, calculated by the Government. In 2008/09 this factor remained at 37%, therefore the vacant possession value of £1,685m is reduced to the Balance Sheet value of £622m.

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

NOTES TO THE HOUSING REVENUE ACCOUNT

4. CAPITAL EXPENDITURE

	2008/09 £000	2007/08 £000
Expenditure		
Fixed assets (Buildings)	24,880	22,661
Revenue expenditure funded from capital under statute	37	455
Equipment	-	-
	24,917	23,116
Financed By		
Borrowing approvals	6,456	3,256
Borrowing approvals from General Fund	-	275
Capital receipts	3,975	3,859
Grants and other contributions	500	1,162
Revenue contributions	3,673	4,230
Major Repairs Reserve	10,313	10,334
	24,917	23,116

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	Land £000	Houses £000	Other Property £000	Total 2008/09 £000	Total 2007/08 £000
Principal repaid on right to buy mortgages	-	103	-	103	163
Sale of right to buy dwellings	-	484	-	484	13,496
Social Homebuy sales	-	609	-	609	-
Repayment of discount	-	5	-	5	11
	-	1,201	-	1,201	13,670

	2008/09 £000	2007/08 £000
Major Repairs Reserve		
Opening balance as at 1 April	-	-
Amount transferred to the Reserve during the year	10,358	10,335
Capital expenditure during the year	(10,313)	(10,335)
Other Reserve adjustments	(45)	-
Closing balance as at 31 March	-	-

5. ANALYSIS OF MOVEMENT ON THE HOUSING REPAIRS ACCOUNT

The account has reduced due to the use of some of the resources to fund part of the capital programme.

6. DETAILS OF ANY IMPAIRMENT CHARGES FOR THE FINANCIAL YEAR

The value of council dwellings was impaired by £186.993m reflecting changes in the property market to 31 March 2009.

7. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue expenditure funded from capital under statute relate to expenditure on assets that do not belong to the Council; in this instance they relate to a cash incentive scheme to assist the release of larger properties. The amounts are written out in the Statement of Movement on the Housing Revenue Account Balance.

8. 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 Communities and Local Government (CLG).

HRA Subsidy Account	2008/09 £000	2007/08 £000
Notional Income		
Notional rental income	(57,072)	(53,785)
Other reckonable income	(29)	(31)
Total Notional Income	(57,101)	(53,816)
Notional Expenditure		
Management and maintenance allowance	25,463	24,929
Major repairs allowance	10,313	10,335
Charges for capital	5,247	5,173
Admissible allowance	-	-
Surplus payable to CLG	(16,078)	(13,379)
Reimbursement from previous years	65	239
Net surplus payable	(16,013)	(13,140)

9. HRA SHARE OF CONTRIBUTIONS TO PENSIONS RESERVE

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

10. DEBTORS AND PROVISION FOR DOUBTFUL DEBTS

	2008/09		2007/08	
	Debtors £000	Doubtful Debt Provision £000	Debtors £000	Doubtful Debt Provision £000
Housing Revenue Account rents	4,292	(2,960)	4,128	(3,102)
Housing Revenue Account service charges	2,257	(268)	755	(253)
	6,549	(3,228)	4,883	(3,355)

11. SUMS DIRECTED BY THE SECRETARY OF STATE

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

12. EXCEPTIONAL AND PRIOR YEAR ADJUSTMENTS

There were no exceptional or prior year adjustments.

13. 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:

	2008/09	2007/08
Average percentage of void property	0.8%	0.8%
Average weekly rental (based on a 50 week year)	£84.83	£82.59

14. 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:

(a) 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

(b) 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).

15. RENTS, RATES, TAXES AND OTHER CHARGES

	2008/09 £000	2007/08 £000
Rents	2	-
Water rates	4,150	3,938
Council Tax	122	-
Other charges	1,272	-
	5,546	3,938

The percentage of tenants in receipt of rent rebates was 69.2% in 2008/09 (68.0% in 2007/08) and the amount of gross rent met by rent rebate was £37,796k in 2008/09 (£37,178k in 2007/08).

16. 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.

17. 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, of which £4.7m was apportioned to the HRA. The charge to the HRA represents the amount of the debt redemption premium, attributed to the HRA, amortised in the period.

18. ACCUMULATED BALANCE

	31 March 2009 £000	31 March 2008 £000
HRA working balance	800	800
Housing Repairs Account	2,936	4,308
	3,736	5,108

NOTES TO THE HOUSING REVENUE ACCOUNT

19. 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 2009 AND 31 MARCH 2008

	2008/09 £000	2007/08 £000
Income		
Dwelling Rents and Service Charges	(60,864)	(61,071)
Garage Rents	(1,149)	(1,478)
Other Charges	(2,552)	(815)
Interest on Council Mortgages	(26)	(34)
	(64,591)	(63,398)
Expenditure		
Management - General	11,643	13,155
Management - Special	6,947	6,188
Maintenance and Repairs	13,724	14,055
Depreciation	10,227	10,334
Capital Financing	3,632	2,601
Revenue Contribution to Capital Outlay	3,673	4,230
Provision for Doubtful Debts	104	(907)
Negative Subsidy Payable to Communities and Local Government	16,013	13,140
	65,963	62,796
(Deficit)/Surplus	1,372	(602)
Surplus at beginning of year	(5,108)	(4,507)
Surplus/(Deficit) for the year	1,372	(601)
Surplus at end of year	(3,736)	(5,108)

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	Note No.	2008/09		2007/08
		£000	£000	£000
INCOME				
Council Tax collectable	2	152,356		148,065
Transfers from the General Fund				
- Council Tax benefits	4	29,013	181,369	26,848
National Non-Domestic Rates collectable	1		108,075	99,008
Total Income			289,444	273,921
EXPENDITURE				
Demands and precepts	3			
- London Borough of Croydon		138,081		130,941
- Greater London Authority		39,040		37,760
National Non-Domestic Rates	1		177,121	168,701
- Payment to national pool		107,626		98,557
- Costs of collection		449		452
Bad and doubtful debts			108,075	99,009
- Write-offs		-		-
- Provisions		4,248		6,211
			4,248	6,211
Total Expenditure			289,444	273,921
(Surplus)/deficit for year			-	-
Fund balance brought forward			-	-
Fund balance carried forward			-	-

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, demands/precepts upon the fund to meet its expenditure. The amounts of the demands/precepts are set at the beginning of the year and cannot vary.

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

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

1. 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. 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 2009 was £268.0m (£272.0m at 31 March 2008), and the 2008/09 Non-Domestic Rate multipliers were 46.2p (44.4p in 2007/08) and 45.8p for small businesses (44.1p in 2007/08).

2. COUNCIL TAX BASE

Council Tax is a banded capital value based property tax with a 25% discount where only one adult is liable. Under the arrangements for Council Tax, each domestic property within the Council's area was assigned to one of eight valuation bands based on the estimated market value at 1 April 1991. The income derives from the tax levied according to which of the 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, £1,405.63 for 2008/09 (£1,357.64 for 2007/08) is multiplied by the proportion specified for the particular band to give an individual amount due.

NOTES TO THE COLLECTION FUND

2. COUNCIL TAX BASE (continued)

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

Council Tax Base 2008/09

Valuation Band	Number of Chargeable Dwellings	Band D Proportion	Band D Equivalent Dwellings	Council Tax £.pp	Council Tax Income £000
Band A	1,551	6/9	1,034	937.09	1,453
Band B	15,449	7/9	12,016	1,093.27	16,890
Band C	36,023	8/9	32,020	1,249.45	45,009
Band D	32,845	1	32,845	1,405.63	46,168
Band E	19,550	11/9	23,894	1,717.99	33,587
Band F	10,706	13/9	15,464	2,030.35	21,737
Band G	6,919	15/9	11,532	2,342.72	16,209
Band H	550	18/9	1,100	2,811.26	1,546
Total			129,905		182,599
Multiplied by estimated collection rate			<u>97%</u>		
Number of band D equivalent dwellings			126,008		
Total of Demands/Precepts for year			177,121		
Adjustments during the year (including prior years)					(1,230)
Final collectable amount					181,369
Income per Collection Fund					
Council Tax collectable					152,356
Council Tax benefits					29,013
Final collectable amount					181,369

3. DEMANDS AND PRECEPTS

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	2008/09 £.pp	2007/08 £.pp
Band D equivalent Council Tax charge		1,405.63	1,357.64
Split thereof:			
Croydon		1,095.81	1,053.76
Greater London Authority		309.82	303.88
Total		1,405.63	1,357.64
Payment to Croydon	a		
Share of Band D equivalent Council Tax charge		1,095.81	1,053.76
Number of Band D equivalent dwellings		126,008	124,261
Total		138,080,826.48	130,941,271.36
Rounded to £000's		138,081	130,941
Payment to the Greater London Authority			
Share of Band D equivalent Council Tax charge		309.82	303.88
Number of Band D equivalent dwellings		126,008	124,261
Total		39,039,798.56	37,760,432.68
Rounded to £000's		39,040	37,760

Note

a. This amount is disclosed as 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.

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

The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF).

The Local Government Pensions Scheme, administered by the London Borough of Croydon.

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

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

In 2008/09, the Council paid £13.5m (2007/08 £13.2m) to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% (2007/08 14.1%) of pensionable pay.

The Local Government Pension Scheme

There has been a change in accounting policy necessitated by an amendment to Financial Reporting Standard 17 (FRS17) Retirement Benefits. This standard now requires quoted securities held as scheme assets to be valued at bid price, or the last traded price depending upon the convention of the market. The effect of the change is to reduce the value of scheme assets at 31 March 2008 by £985k. The Statement of Accounts has not been re-stated to reflect the change in accounting policy; the effect is immaterial to the appreciation of the revenue account for 2007/08 and the financial position as at 31 March 2008.

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

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

Liabilities are discounted to their present value, using a discount rate of 7.1% (based on the indicative rate of return on high quality corporate bonds).

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

quoted securities – current bid price or the last trade price depending upon the convention of the market
unquoted securities – professional estimate
unlisted securities – current bid price
property – market value.

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

current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employee worked

past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs

interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account

expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account

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

actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Statement of Total Recognised Gains and Losses

contributions paid to the pension fund – cash paid as employer's contributions to the pension fund.

Actuarial valuations are carried out every three years as required by legislation. The most recent valuation was undertaken by Mercer Human Resource Consulting as at 31 March 2007. This identified a deficit of £264m which the actuary recommended should be recovered over a 25 year period through increases in the employer's contributions to be phased in over a period of three years. The required annual increase in employers' contributions is approximately £0.8m each year over and above that already approved in the 2004 Actuarial Valuation. This has resulted in an employers' contribution rate of 20.5% in 2008/09, a contribution rate of 22.1% in 2009/10 and 23.2% for 2010/11 onwards.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and any amounts payable to the Fund but unpaid at the year end. On this basis the London Borough of Croydon's cash contribution to the Pension Fund in 2008/09 was £27.0m at a contribution rate of 20.5% (£22.7m in 2007/08 at a contribution rate of 18.9%). The FRS17 determined charge to the General Fund, the amount exclusive of any appropriations to and from the Pensions Reserve, is £46.6m in 2008/09 (£34.7m in 2007/08).

Discretionary Benefits

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

Actuarial Assumptions	31 March 2009	31 March 2008
Financial assumptions		
Rate of inflation	3.30%	3.60%
Rate of increase in salaries	5.05%	5.35%
Rate of increase of pensions	3.30%	3.60%
Discount rate	7.10%	6.10%
Expected rate of return on assets		
Equities	7.50%	7.50%
Government bonds	4.00%	4.60%
Property	6.50%	N/A
Cash / Liquidity	0.50%	5.25%
Split of assets between investment categories		
Equities	85.00%	92.00%
Government bonds	6.00%	4.00%
Property	1.00%	0.00%
Cash / Liquidity	8.00%	4.00%
Life expectancy		
of a male (female) future pensioner aged 65 in 20 years time	22.2 (25.0) years	22.2 (25.0) years
of a male (female) current pensioner aged 65	21.2 (24.0) years	21.1 (24.0) years
Commutation of pension for lump sum at retirement	50% take maximum cash, 50% take 3/80ths cash	
Market value of total funds (millions)	456 as at 31 Dec 2008	572 as at 31 Dec 2007

PENSIONS - FRS17 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES

The amounts recognised in the Balance Sheet	31 March 2009 £000	31 March 2008 £000
Present value of funded benefit obligation	(768,268)	(894,393)
Present value of unfunded benefit obligation	(9,422)	(11,078)
Total present value of benefit obligations	<u>(777,690)</u>	<u>(905,471)</u>
Fair value of plan assets	389,684	493,646
	<u>(388,006)</u>	<u>(411,825)</u>
Unrecognised past service cost	-	-
Net liability	<u>(388,006)</u>	<u>(411,825)</u>

Changes in the Present Value of Defined Benefit Obligations	31 March 2009 £000	31 March 2008 £000
Opening defined benefit obligation	(905,471)	(813,776)
Current service cost	(23,605)	(18,790)
Past service cost	(879)	(6,354)
Curtailements and settlements	(1,566)	(2,217)
Interest on pension liabilities	(55,289)	(43,868)
Members contributions	(8,125)	(6,873)
Actuarial (gains) / losses on liabilities	187,315	(42,056)
Benefits / transfers paid	29,930	28,463
Closing defined benefit obligation	<u>(777,690)</u>	<u>(905,471)</u>

Changes in the Fair Value of Plan Assets	31 March 2009 £000	31 March 2008 £000
Opening fair value of plan assets	493,646	522,693
Adjustment of asset valuation to revised FRS17 requirements	(985)	-
Expected return on plan assets	34,737	36,582
Actuarial gains / (losses) on assets	(142,901)	(66,935)
Employer contributions	26,992	22,896
Members contributions	8,125	6,873
Benefits / transfers paid	(29,930)	(28,463)
Closing fair value of plan assets	<u>389,684</u>	<u>493,646</u>

Analysis of the Movement in the Net Liability	2008/09 £000	2007/08 £000
Net liability brought forward	(411,825)	(291,083)
Adjustment of asset valuation to revised FRS17 requirements	(985)	-
Restated net liability brought forward	<u>(412,810)</u>	<u>(291,083)</u>
Current service cost	(23,605)	(18,790)
Past service cost	(879)	(6,354)
Curtailements and settlements	(1,566)	(2,217)
Employer's contributions	26,992	22,896
Interest on pension liabilities	(55,289)	(43,868)
Expected return on plan assets	34,737	36,582
Actuarial gains / (losses)	44,414	(108,991)
Net liability carried forward	<u>(388,006)</u>	<u>(411,825)</u>

PENSIONS - FRS17 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES

Analysis of the Fair Value of Plan Assets	Value at 31 March 2009		Value at 31 March 2008		Value at 31 March 2007	
	%	£000	%	£000	%	£000
Equities	85.00%	331,231	92.00%	454,154	91.00%	475,650
Government bonds	6.00%	23,381	4.00%	19,746	5.00%	26,135
Property	1.00%	3,897	0.00%	-	0.00%	-
Cash/liquidity	8.00%	31,175	4.00%	19,746	4.00%	20,908
Fair value of plan assets		<u>389,684</u>		<u>493,646</u>		<u>522,693</u>

Movements on Pensions Reserve	2008/09 £000	2007/08 £000
Net liability brought forward	(411,825)	(291,083)
Adjustment of asset valuation to revised FRS17 requirements	(985)	-
Reduction of charge to actual payment into the Pension Fund (adjusted in the Statement of Movement on the General Fund Balance - no entry in I&E account)	(19,610)	(11,751)
Experience/Actuarial (gain)/loss (entered directly to the Statement of Total Recognised Gains and Losses - no entry in the I&E account)	44,414	(108,991)
Net liability carried forward	<u>(388,006)</u>	<u>(411,825)</u>

Despite the fall in investment markets during the year, the deficit measured under FRS17 reduced from £413m at the start of the year to £388m at the end of the year. The main reason for this was the change in FRS17 actuarial assumptions between 31 March 2008 and 31 March 2009, driven by a reduction in inflation expectations and a substantial increase in redemption yields on AA rated corporate bonds. The effect of the change in assumptions is to produce the counter intuitive result of a reduction in the net deficit of the plan at a time when stock prices have reduced significantly.

The amounts recognised in the Income and Expenditure Account	2008/09 £000	2007/08 £000
Amounts recognised in the net cost of services		
Current service cost	(23,605)	(18,790)
Past service cost	(879)	(6,354)
Effect of curtailments or settlements	(1,566)	(2,217)
Amounts recognised in net operating expenditure		
Interest on pension liabilities	(55,289)	(43,868)
Expected return on plan assets	34,737	36,582
Amount recognised in the Income and Expenditure Account	<u>(46,602)</u>	<u>(34,647)</u>
The amounts recognised in the Statement of Movement on the General Fund Balance		
Transfer to Pension Reserve	<u>19,610</u>	<u>11,751</u>
The amount recognised in the Financial Statements of the Council		
Employer contributions	<u>(26,992)</u>	<u>(22,896)</u>
Actual Return on plan assets	<u>(108,164)</u>	<u>(23,085)</u>

FRS17 requires that 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 in its financial statements is equal to the actual payment to the Pension Fund payable in the year. Consequently, a transfer is made to, or from, the Pensions Reserve to achieve this.

The other adjustment to the Pensions Reserve during the year represents the Experience/Actuarial gain or loss recognised during the year. The gain or loss calculated is taken directly to the Statement of Total Recognised Gains and Losses 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

Key Financial Data Relating to the Current and Four Previous Periods

	31 March 2009	31 March 2008	31 March 2007	31 March 2006	31 March 2005
Present value of benefit obligations	(777,690)	(905,471)	(813,776)	(815,288)	(710,551)
Fair value of plan assets	389,684	493,646	522,693	486,734	372,435
Surplus / (Deficit) of the plan	(388,006)	(411,825)	(291,083)	(328,554)	(338,116)
Experience adjustments on plan liabilities	187,315	(42,056)	39,868	(78,036)	(120,768)
Experience adjustments on plan assets	(142,901)	(66,935)	7,420	87,662	17,982

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 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 CLG (Communities and Local Government) 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 pensioner costs of 15.1%.

In view of the extensive work undertaken by Hymans Robertson on behalf of the DCLG, 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 impact of this has been taken into account in the 2007 Actuarial Valuation

1. INTRODUCTION

Accounting Policies

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

- The appropriate accounting policies have been adopted, given the Council's circumstances to ensure the Accounts present fairly the financial position of the Council;
- 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; and
- 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 Council 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 Council 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 2008 Code of Practice on Local Authority Accounting (the SORP) and the Best Value Accounting Code of Practice both published by CIPFA. The 2008 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 Council 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.

Going Concern

The Council's Statement of Accounts has been prepared on a going concern basis. That is the accounts assume that the Council 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. AREA BASED GRANT

For the 2008/09 financial year, Local Area Agreement Grant is replaced by Area Based Grant (ABG). ABG is a non-ringfenced general grant; no conditions on use is imposed ensuring a full local control over how funding can be used. ABG is paid directly to the Council. It is a general grant and therefore is included in the Income and Expenditure Account with other general income sources.

4. BUSINESS IMPROVEMENT DISTRICT (BID) SCHEMES

The Town Centre BID scheme is a private sector led improvement initiative financed by a BID levy paid by the Non-Domestic Ratepayers. Croydon Council acts as an agent for collection of the levy. The following amounts are included in the Income and Expenditure Account: a contribution is made to the BID project by the Council as a ratepayer and this is shown as service expenditure; BID levy collection costs and income associated with the operation of the billing service are shown in service expenditure; income from services supplied by the billing Authority to the Bid project on a paid basis would usually be accounted for as a trading activity as part of Net Operating Costs.

5. CONTINGENT ASSETS AND LIABILITIES

In accordance with FRS12 the Council 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 Council's control. They are disclosed by way of notes if the inflow of a receipt or economic benefit is probable .
- 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 Council'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.

6. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's Council Tax. These items are generally grants and expenditure on property not owned by the Council, and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003.

Such expenditure is charged to the Income and Expenditure Account in accordance with the general provisions of the SORP. Any statutory provision that allows capital resources to meet the expenditure should be accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance and showing as a reconciling item in the Statement of Movement on the General Fund Balance.

7. 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.

8. GOVERNMENT GRANTS AND CONTRIBUTIONS

Government grants and 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.

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.

9. 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 Council, through either custody or legal rights.

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

10. INVESTMENTS

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

11. LANDFILL ALLOWANCE TRADING SCHEME (LATS)

The Council accounts for LATS in accordance with the 2008 SORP and the Local Authority Accounting Panel Bulletin 64.

LATS allowances held are treated as a current asset, the biodegradable municipal waste landfill usage as a liability and LATS as grant income. The unused allowances, valued at the published rate available at the Balance Sheet date, are included as a current asset in the Balance Sheet. The fair value of allowances issued to waste disposal Authorities is a Government grant that should be accounted for under *SSAP 4 Accounting for Government Grants*.

12. LEASES**Operating Leases**

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

13. PROVISIONS

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

- the Council 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.

Provisions are charged to appropriate revenue accounts and are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate.

14. STOCKS

Stocks should be included in the Balance Sheet at the total of lower of cost and net realisable value of the separate items of stocks or group of similar items.

15. 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.

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 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.

Revaluation and Impairment

The values of 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. Council dwellings are revalued annually using the "beacon" method.

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 firstly offset against any prior upward revaluation for the asset, held in the Revaluation Reserve, secondly as a loss to the Income and Expenditure Account. Any loss, by statute, has no impact on the General Fund balances.

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. Revaluation of a fixed asset at the point of disposal is not permitted.

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 Council's underlying need to borrow (capital financing requirement).

Depreciation

Operational assets are tangible fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either statutory or discretionary responsibility.

- *depreciated over the useful economic life of the asset.*

Non operational investment assets and non-operational fixed assets are tangible fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment. Assets should not be included in this balance where they are contributing to the achievement of one of the Council's policy objectives for a service. Consequently, such assets as residential homes whose management has been contracted out to the private sector will remain operational assets. Investment properties are those held by the Council (and not the pension fund) for investment purposes only and which cannot be classified as any other type of asset.

- *no depreciation charged.*

Assets under construction are not depreciated until they are brought into use.

Vehicles, plant, furniture and equipment includes all such items that are not a fixture or fitting to a building.

- *depreciated over the useful life of the asset, which is determined at the time of purchase.*

Council dwellings includes housing units, but excludes non-residential items such as car parking spaces and shops accounted for in the HRA, sheltered housing, and related fixed equipment, furniture and plant, which should be accounted for under the relevant non-dwelling heading if material.

- *depreciation equates to the Major Repairs Allowance as recommended by CLG.*

Infrastructure assets includes facilities required to enable other developments to take place (e.g. roads, street lighting) together with coast defences and similar environmental structural works. Community assets are assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings not used in the direct provision of services.

- *are valued at historic cost, and no depreciation is currently applied.*

Other land and buildings includes all land and buildings accounted for other than in the HRA, including residential units, and equipment, furniture and plant fixed to those buildings.

- *depreciated over their useful economic life.*

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.

16. FINANCIAL INSTRUMENTS

With effect from 1 April 2007, local Authorities have had to adopt a major change of accounting policy in order to comply with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom – the Statement of Recommended Practice 2007, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) / LASAAC Joint Committee. This has been based on major changes in international accounting standards which have resulted in the introduction of new U.K. accounting standards for financial instruments - FRS 25, 26 and 29.

This has caused major changes in the accounting treatment of financial instruments, soft loans and guarantees, which have been designed to present a higher quality of information on financial instruments, in line with the private sector. In addition, in order to help identify, quantify and inform on the exposure to and management of risk, new "fair value" disclosure requirements have been introduced.

Amortised Cost

This change in accounting standards has meant that most financial instruments (whether borrowing or investment) are valued on an amortised costs basis.

Fair Value

In these disclosure notes, financial instruments are also required to be shown at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Compliance

Croydon Council has complied with the following:

- The adoption of CIPFA's Treasury Management in the Public Services Code of Practice.
- Set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

17. RESERVES

The Council 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 Council.

18. 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 Council considers each contract in turn as to whether the assets should appear on the Council'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.

Any residual interest in fixed assets is included in the relevant asset category of the Council's Balance Sheet.

19. PENSIONS

For detailed information of the Pension Fund a separate set of Pension Fund accounts is included in the 2008/09 Statement of Accounts. The Pension Fund accounts are prepared by the Council in discharging its function as a Pensions Administering Authority.

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

The Council has followed the provisions of FRS17 in accounting for its financial obligations as an employing Authority under the Local Government Pension Scheme. This requires the Council 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 Council 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.

STATEMENT OF ACCOUNTING POLICIES AND PRINCIPLES

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 Council 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 Council 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;
- contributions paid to the Council'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 Council from raising Council Tax to cover the charges to the Council 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.

20. VAT

Income and expenditure excludes any amounts related to VAT as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them. The rate of VAT has reduced from 17.5% to 15% effective from 1 December 2008. It is due to last until 31 December 2009, reverting back to 17.5% on 1 January 2010.

21. GROUP ACCOUNTS

Basis of Consolidation

Croydon Council Urban Regeneration Vehicle LLP has been incorporated as a joint venture using the gross equity method – a similar basis to the equity method, but requiring the disclosure of the Council's share of the gross assets and liabilities and gross turnover and operating costs of the LLP.

Accounting Policies

The financial statements in the Group Accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 76 to 81, with the following additions and exceptions:

a) Value Added Tax

VAT paid by other group entities is accounted for in the Group Income and Expenditure Account to the extent that it is irrecoverable from HM Revenue and Customs.

GROUP INCOME AND EXPENDITURE ACCOUNT

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	2008/09	2007/08
	Gross £000	Net £000
	Income £000	Net £000
Expenditure on services		
Corporate and Democratic Core	17,690	(14,582)
Central Services to the Public	10,311	(4,531)
Cultural, Environmental and Planning Services	71,729	(12,931)
Highways, Roads and Transport Services	56,100	(28,920)
Education	328,111	(290,279)
Housing	308,493	(302,914)
Social Services	214,017	(77,712)
Non-Distributed Costs	2,229	-
Share of Operating Results of Joint Venture	3,263	(306)
Net cost of services	1,011,943	(732,175)
Other operating expenditure and income		
(Profit)/Loss on sale of fixed assets		(2,390)
(Profit)/Loss on revaluation of fixed assets		212,496
Levies paid to other bodies		2,352
Net (surplus)/deficit from trading undertakings not included in net cost of services		150
Interest payable and similar charges		11,316
Share of Interest Payable by Joint Venture		343
Pensions interest cost and expected return on pension assets		20,552
Amortised premiums and discounts		-
Contribution to Housing pooled capital receipts		446
Interest and investment income		(9,197)
Share of Interest Receivable by Joint Venture		-
Net operating expenditure		515,836
Surplus London Residuary Body balances		-
Amount to be met from Government grant and local tax		515,836
Precept demanded from the Collection Fund		(138,081)
Revenue Support Grant		(14,043)
Contribution from National Non-Domestic Rate Pool		(100,874)
Area Based Grant		(23,559)
Local Authority Business Growth Incentive		(438)
Collection Fund (surplus)/deficit		-
Deficit for the year		238,841
		18,469

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	2008/09 £000	2007/08 £000
Deficit for the year on the Income and Expenditure Account	238,841	18,469
(Surplus)/deficit arising on revaluation of fixed assets	(162,824)	(29,618)
Actuarial (gains)/losses arising on pension fund assets and liabilities	(44,414)	108,858
Other (gains)/losses required to be included in the statement	-	(103)
Total recognised (gains)/losses for the year	31,603	97,606

GROUP BALANCE SHEET

GROUP BALANCE SHEET

	2008/09		2007/08
	£000	£000	£000
Fixed assets			
Intangible fixed assets		3,462	3,674
Tangible fixed assets			
Operational assets			
Council dwellings	659,252		860,631
Other land and buildings	921,091		748,919
Vehicles, plant, furniture and equipment	8,238		7,018
Infrastructure assets	91,090		83,403
Community assets	3,544		2,042
Non-operational assets			
Investment and miscellaneous assets	82,115		85,182
Surplus assets held for disposal	2,840		-
Works in progress	10,151		11,570
		1,778,321	1,798,765
Total fixed assets		1,781,783	1,802,439
Long-term investments		23,324	47,924
Investment in Joint Venture			
- Share of Gross Assets	11,024		-
- Share of Gross Liabilities	(14,324)	(3,300)	-
Long-term debtors		7,840	3,103
Total long-term assets		1,809,647	1,853,466
Current assets			
Stocks and works in progress	291		224
Debtors and payments in advance	116,870		129,991
Less provision for doubtful debts	(46,341)		(55,482)
Short-term investments	161,895		130,395
Cash and bank	10,614		6,062
		243,329	211,190
Current liabilities			
Short-term borrowing		(20)	(20)
Creditors and receipts in advance		(106,674)	(118,534)
Bank overdraft		(44,973)	(42,577)
		(151,667)	(161,131)
Net current assets		91,662	50,059
Total assets less current liabilities		1,901,309	1,903,525
Long-term borrowing		(259,303)	(218,838)
Deferred capital creditors		(5,842)	(4,681)
Pensions liability		(388,006)	(411,825)
Government grants deferred		(64,888)	(55,705)
Provisions		(15,246)	(11,864)
Total assets less liabilities		1,168,024	1,200,612
Funds and balances			
Revaluation reserve		191,987	29,618
Capital adjustment account		1,311,646	1,529,909
Financial Instruments adjustment account		(1,534)	(2,336)
Usable capital receipts reserve		2,732	5,045
Deferred capital receipts		360	463
Major repairs reserve		-	-
Pensions reserve		(388,006)	(411,825)
Earmarked reserves		25,641	19,033
Balances			
General Fund (schools balances)		15,462	16,311
General Fund (other)		9,300	9,286
Collection Fund		-	-
Housing Revenue Account		3,736	5,108
Share of Joint Venture		(3,300)	-
Total funds and balances		1,168,024	1,200,612

GROUP CASH FLOW STATEMENT

	2008/09		2007/08
	£000	£000	
REVENUE ACTIVITIES			
Cash outflows			
Cash flows relating to investments in the Joint Venture	-		
Dividends from the Joint Venture	-		
Cash flows from sales and purchases between the Group	(2,000)		
Cash flows relating to acquisitions and disposals	-		
Financing cash flows to or from Joint Venture	3,924		
	-	1,924	-
Cash inflows			
Rents (after rebates)			
Council Tax income			
National Non-Domestic Rate receipts from national pool			
National Non-Domestic Rate receipts			
Revenue Support Grant			
DWP grants for benefits			
Other Government grants			
Cash received for goods and services			
		-	-
Net cash (inflow)/outflow from revenue activities		1,924	-
SERVICING OF FINANCE AND RETURNS ON INVESTMENTS			
Cash outflows			
Interest paid			
Cash inflows			
Interest received			
Net cash (inflow)/outflow from servicing of finance		-	-
CAPITAL ACTIVITIES			
Cash outflows			
Purchase of fixed assets			
Revenue expenditure funded from capital under statute			
		-	-
Cash inflows			
Sale of fixed assets			
Capital grants received			
		-	-
Net cash (inflow)/outflow from capital activities		-	-
Net cash (inflow)/outflow before financing		1,924	-
FINANCING			
Cash outflows			
Repayments of amounts borrowed			
Cash inflows			
New loans raised			
Net cash (inflow)/outflow from financing		-	-
(Increase)/decrease in cash		1,924	-

This Statement shows the cash transactions between the Council and the Joint Venture in accordance with the Statement of Recommended Practice and Financial Reporting Standard 9.

RECONCILIATION OF THE SINGLE ENTITY SURPLUS/DEFICIT TO THE GROUP SURPLUS/DEFICIT

RECONCILIATION OF THE SINGLE ENTITY SURPLUS/DEFICIT TO THE GROUP SURPLUS/DEFICIT

	2008/09 £000	2007/08 £000
(Surplus)/Deficit for the year on the Authority Income and Expenditure Account	235,541	18,469
Adjustments for transactions with other group entities	-	-
	235,541	18,469
Surplus in the Group Income and Expenditure Account attributable to the Authority	235,541	18,469
(Surplus)/deficit in the Group Income and Expenditure Account attributable to group entities (adjusted for intra-group transactions):		
Subsidiaries	-	-
Associates	-	-
Joint ventures	3,300	-
(Surplus)/deficit for the year on the Group Income and Expenditure Account	238,841	18,469

The Group

At the end of 2008 the Council took a 50% stake in the Croydon Council Urban Regeneration Vehicle (CCURV). The Davis House Urban Regeneration Vehicle (DHURV) is a 100% owned subsidiary of CCURV.

These two limited liability partnerships were specifically formed by Croydon Council and John Laing, who took the other 50% stake, for the regeneration of Council properties.

Basis of consolidation

The Group Accounts have been prepared on the basis of the Gross Equity method for Joint Ventures in accordance with the CIPFA Statement of Recommended Practice and Financial Reporting Standard 9, Associates and Joint Ventures. There are no subsidiaries excluded from the Group Accounts.

Nature of the Group

The Council holds a Capital Subscription representing 50% of the total of CCURV. The remaining 50% is held by John Laing and this gives both parties equal representation in the operation of the partnership. There are some powers of veto, limited to protecting the Council's overall interest in the partnership and its land commitments.

The accounting period for CCURV ends 31 December 2009 and is therefore not co-terminous with the Council's. The CCURV is yet to reach the end of its first accounting period and interim accounts to 31 March 2009 have been used for this consolidation.

The partnership has been specifically formed to act as a vehicle for the development and regeneration of various Council owned sites and specifically the construction of a new headquarters building on the Fell Road site, the Public Service Delivery Hub.

Accounting Policies

There are no material differences in the accounting policies of the Council, CCURV and DHURV.

Voting rights

The Council has joint control with John Laing as to the distribution of the CCURV reserves, with power of veto on certain decisions to protect its land interests.

Loans between the parties

The Council has pledged land to CCURV. The value of this is equal to John Laing's cash investment in CCURV. As at 31 March 2009 the value of this pledge was £5,976,980. The Council has provided in full for this commitment.

The Council has deposited cash with CCURV/DHURV to support the purchase of Davis House, a 7 storey office block just off Croydon High Street. The value of this loan was £3,924,000 as at 31 March 2009.

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.

	2008/09		2007/08	
	£000	£000	£000	£000
(Surplus)/Deficit for the year				
General Fund	14			
HRA	(1,372)			
LMS	(849)			
Share of Joint Venture	(3,300)			
		(5,507)		-
Adjustments				
Contribution to/(from) other balances	5,708			
Minimum revenue provision	(4,635)			
Depreciation	(25,651)			
		(24,578)		-
Movement in revenue assets and liabilities				
Increase in stock	67			
Decrease in revenue debtors (net of doubtful debts)	(3,640)			
Increase in revenue creditors	5,713			
Decrease/(Increase) in provisions	(3,382)			
		(1,242)		-
Items classified elsewhere on the cash flow statement				
Capital expenditure met from revenue	(4,358)			
Net interest paid	(378)			
		(4,736)		-
Net cash (inflow)/outflow from revenue activities		(36,063)		-

Pension Fund Accounts 2008/09

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.

1. GENERAL PRINCIPLES

The accounts have been prepared in accordance with the provisions of Chapter 2 (Recommended Accounting Practice) of the 2007 Pension Statement of Recommended Practice (SORP) as required by the Code of Practice on Local Authority Accounting in the United Kingdom 2008, 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 one major fund manager.

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

Admitted:

Age Concern, BRIT School, Cabrini Children's Society, Croydon Citizens Advice Bureau, Croydon Community Mediation, Creative Environmental Network, Oasis Academy Coulsdon, Croydon Voluntary Action, Croydon Youth Development Trust, Apetito, Fairfield (Croydon) Limited, Fusion, Harris City Academy Crystal Palace, Interserve, Harris City Academy South Norwood, R M Education and Veolia.

Scheduled:

London Borough of Croydon, Coulsdon College, Croydon College, and John Ruskin College.

4. CONTRIBUTIONS TO THE FUND

Employees in the scheme are required by the Local Government Pension Scheme Regulations 1997 as amended in April 2007 to make contributions to the fund by deductions from earnings by a Pay Contributions Banding as detailed below

Band	Range £	Contribution Rate
1	0-12,000	5.5%
2	12,001-14,000	5.8%
3	14,001-18,000	5.9%
4	18,001-30,000	6.5%
5	30,001-40,000	6.8%
6	40,001-75,000	7.2%
7	75,000+	7.5%

Manual Workers Banding - Year Commencing

1 April 2008	5.25%
1 April 2009	5.50%
1 April 2010	6.50%

For the year ended 31 March 2009 the employers' rate was 20.5% of pensionable pay for Croydon Council, the schools' non-teaching staff and scheduled bodies. Admitted bodies rates varied depending upon the rates determined by the Actuary.

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 Pension SORP (Statement of Recommended Practice).

6. FOREIGN CURRENCY

Investments designated in foreign currency and holdings of foreign currency are valued in sterling at the exchange rates ruling at 31 March. All transactions during the year are valued in 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 (55 or over from 2010-11 onwards) 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 the London Borough of Croydon over a period of between one and five years. The amounts recoverable are credited against pensions payable in the year that they are due.

PENSION FUND ACCOUNTS

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

CONTRIBUTIONS

	Note No.	2008/09 £000	2007/08 £000
Employees' contributions:			
London Borough of Croydon		8,259	6,947
Scheduled bodies		436	400
Admitted bodies		511	414
Employers' contributions:			
London Borough of Croydon		25,085	21,397
Scheduled bodies		1,343	1,232
Admitted bodies		1,413	1,184
Transfer values received	17	5,697	4,742
		42,744	36,316
PAYMENTS			
Benefits - Pensions payable	5	22,908	22,207
- Lump sums	16	7,302	6,313
Payments to and on account of leavers - Refund of contributions		4	9
- Transfer values paid	17	5,834	3,553
Administrative expenses	14	1,059	1,004
		37,107	33,086
Net additions from dealings with members		5,637	3,230
RETURNS ON INVESTMENTS			
Investment income	10	12,691	13,978
Net losses/(gains) on currency revaluations and underwriting commissions		15	9
Change in market value of investments:			
Unrealised	2	(126,770)	(44,982)
Realised	2	(1,474)	11,245
Investment management expenses	15	(674)	(514)
Net returns on investments		(116,212)	(20,264)
Net increase in the Fund during the year		(110,575)	(17,034)
Net assets at the start of the year		527,619	544,653
Net assets at the end of the year		417,044	527,619

NET ASSETS STATEMENT AS AT 31 MARCH 2009

Investments:

	Note No.	2008/09 £000	2007/08 £000
Equities	2 & 3	342,829	466,416
Bonds	2 & 3	28,325	25,680
Property	2 & 3	5,284	-
Cash Deposits	2 & 3	-	5,000
		376,438	497,096
Net current assets:			
Debtors	11	5,935	5,787
Cash held by			
- Custodians for the Fund Managers		9,406	5,561
- London Borough of Croydon		34,011	21,458
Creditors	12	(8,746)	(2,283)
Net assets at the end of the year		417,044	527,619

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 2007 in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). The employers' contribution rates for 2008/09 are as follows:

Croydon Council (including schools' non-teaching staff) - 20.5%
 Scheduled bodies - 20.5%
 Admitted bodies - rates vary depending upon those determined by the Actuary.

During the previous year the actuary completed his triennial Actuarial Valuation as at 31 March 2007 which calculated the total accrued liabilities to be £808m. The market value of the Fund's assets at the valuation date was £544m. The Fund deficit was therefore £264m producing a Funding Level of 68%. This compares with a deficit of £254m and a Funding Level of 57% as at the 31 March 2004 Actuarial Valuation.

The 2007 Actuarial Valuation recommends that the deficit be spread over 25 years as from 1 April 2008 and that the employer's contribution rates for Croydon Council (including schools' non-teaching staff) and the scheduled bodies increase to 20.5% for 2008/09, 22.1% for 2009/10 and 23.2% for 2010/11 onwards. The employers' contribution rates for the admitted bodies will vary depending on those determined by the Actuary.

The actuarial assumptions used in preparing the valuation were:

	Past Service Nominal p.a. %	Future Service Nominal p.a. %
Investment returns (equities)	5.90	6.50
Pay increases (excluding increments)	4.70	4.50
Pensions increases	2.95	2.75
Retail Price Index (RPI) price inflation	N/A	2.75

The assets of the pension fund are included in the Balance Sheet at their fair value. For the following asset classes fair value is:

quoted securities – current bid price or the last trade price depending upon the convention of the market
 unquoted securities – professional estimate
 unlisted securities – current bid price
 property – market value.

The liabilities of the pension fund are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earning for current employees

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
Equity Investments						
UK equities	311,709	34,339	(29,453)	(96,610)	(3,127)	216,858
Managed funds	141,714	9,500	(9,500)	(30,333)	1,546	112,927
UK unquoted unit trust	19	-	-	1	-	20
Foreign unquoted limited partnerships	12,974	435	(718)	226	107	13,024
Foreign equities (see below)	-	-	-	-	-	-
	466,416	44,274	(39,671)	(126,716)	(1,474)	342,829
Non Equity Investments						
UK bonds	25,680	-	-	2,645	-	28,325
Property	-	7,983	-	(2,699)	-	5,284
Cash deposit	5,000	-	(5,000)	-	-	-
	497,096	52,257	(44,671)	(126,770)	(1,474)	376,438

3. INVESTMENTS

Investments are stated at their market values. Listed securities are stated at bid values on 31 March 2009. An analysis of the cost and market values is set out below:

		2009			2008		
		Book £000	Market £000	Market %	Book £000	Market £000	Market %
UK equities	- UBS FTSE 350 Fund	233,067	216,858	58.0	231,304	311,709	62.7
Managed funds	- UBS Global Asset Management	100,798	112,927	30.0	99,251	141,714	28.5
UK unquoted unit trust	- MUST 2 (Mercury Unquoted Securities Trust)	-	21	-	-	19	-
Foreign unquoted limited partnerships	- Pantheon Ventures	8,775	13,023	3.0	8,952	12,974	2.6
Total equities		342,640	342,829	91.0	339,507	466,416	93.8
UK bonds	- UBS Life UK Fixed Interest Tracker Fund "A" Units	24,477	28,325	8.0	24,477	25,680	5.2
Property	- Henderson Global Investors	7,983	5,284	1.0	-	-	-
Cash deposits	- Henderson Global Investors	-	-	-	5,000	5,000	1.0
Total investments		375,100	376,438	100.0	368,984	497,096	100.0

The portfolio of UK equities was managed by Hermes Investment Management Limited until 31 October 2007. From 1 November 2007 this was managed by UBS Global Asset Management (UK) Limited (UBS). 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 also manage: unlisted investments in four equity index-tracking accumulation 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. Pantheon Ventures manage a private equity fund of funds relating to Europe, Asia and USA holdings (see also note 7 below). As at 31 March 2009 £14.0m has been advanced to Henderson Global Investors Limited with the intention that this is invested in UK property.

At the close of the accounting period 2008/2009 the UK economy was experiencing its fourth consecutive quarter of negative GDP growth and the global economy was in recession. The impact of this is reflected in the valuation of the Pension Fund's assets. Since this date the world's exchanges have recorded an increase in the value of most shares but it is unclear whether this is the preface to a global recovery or a temporary rally. Commentators suggest that it will be Q4 2009 before the picture becomes clearer. Thus although the value of assets have gone up it is not possible to accurately assess the financial effect of this event.

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

The 2008/09 early retirement cost (due to redundancy) borne by the Pension Fund was £2.3m (2007/08: £2.0m) of which £1.8m was recoverable in 2008/09 (2007/08: £0.6m), the balance being recoverable over the following four years. There is a further £3.0m (2007/08: £2.6m) of unrecovered early retirement costs on the Pension Fund relating to redundancies in earlier years of which £1.0m was recoverable in 2008/09 and was recovered during the year (in 2007/08 £0.9m was recovered in the year) with the balance being recoverable over 2009/10, 2010/11, 2011/12 and 2012/13

For other Related Party transactions please see notes 11, 12, 14 and 15 to these accounts

NOTES TO THE PENSION FUND 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 2009 the Fund had no commitment to contribute (31 March 2008: £3.8m) 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 2008/2009.

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. The total AVCs for the year was £228k

10. INVESTMENT INCOME

	2008/09 £000	2007/08 £000
UK equities	11,405	12,586
UK unquoted unit trust	-	1
Interest on cash balances	1,286	1,391
	12,691	13,978

There is no direct investment income received in respect of the UK Gilts and Foreign equities holdings with UBS as these are held as accumulation units and any income received is reinvested.

11. DEBTORS

	2008/09 £000	2007/08 £000
Fund managers' dividends and outstanding tax due	1,430	3,043
Fund managers' unsettled sales	2,018	500
Contributions due in respect of:		
- Employers' contributions	434	509
- Employees' contributions	144	113
Other debtors	1,909	1,622
	5,935	5,787

The unsettled sales related to three outstanding trades all conducted by UBS.

Included in debtors is £578k (2007/08: £622k) of outstanding employers' and employees' contributions from various employer bodies. There were no material contributions due from employer bodies which were paid late.

Included in other debtors is £1.8m (2007/08: £1.5m) of early retirement costs (due to redundancy) borne by the Pension Fund which were recoverable in 2008/09 but not settled by Croydon Council and other bodies as at 31 March 2009 (see Note 7 of the Statement of Accounting Policies and Principles).

12. CREDITORS

	2008/09 £000	2007/08 £000
Croydon Council	(4,380)	(1,545)
Fund managers' unsettled purchases	(2,087)	(500)
Unpaid benefits	(607)	(128)
Accrued expenses	(157)	(110)
FTSE 100 Index Futures	(1,515)	-
	(8,746)	(2,283)

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

NOTES TO THE PENSION FUND ACCOUNTS

13. TAXATION

Investment income is subject to UK tax which the Fund cannot recover under current tax legislation except for tax deducted at source from Real Estate Investment Trusts (REIT's). 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.

14. ADMINISTRATIVE EXPENSES

	2008/09 £000	2007/08 £000
Pensions administration and payroll (see note below)	810	810
Actuarial expenses and valuation fees	51	58
Other administrative expenses	198	136
	1,059	1,004

In March 2007 the pensions administration function was taken back in-house from the pensions administration provider. £0.453m of Croydon Council's Pensions and Treasury section's payroll costs have been recharged to the Pension Fund. These relate to in-house costs of the pensions administration, the non-investment accountancy work and monitoring of expenses.

15. INVESTMENT MANAGEMENT EXPENSES

	2008/09 £000	2007/08 £000
Fund managers' fees (see (a) below)	282	212
Investment advisors' fees	97	68
Direct salary and other related expenses (see (b) below)	295	234
	674	514

(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 as the fees were deducted at source from the market value of the investments held.

(b) £0.253m 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 investment monitoring and accountancy work.

16. LUMP SUMS

	2008/09 £000	2007/08 £000
Commutation of pensions, lump sum retirement benefits and ill health retirement grants	6,824	6,121
Lump sum death benefits	478	192
	7,302	6,313

17. TRANSFERS VALUES PAID AND TRANSFERS VALUES RECEIVED

	Transfers paid		Transfers received	
	2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000
Group transfers	1,243	-	-	-
Individual transfers	4,591	3,553	5,697	4,742
Total	5,834	3,553	5,697	4,742

One group transfer was paid during the year to the Greater London Magistrates Court. The amount of the transfer was £1,243,266.

18. 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.

19. MEMBERSHIP

Membership of the Fund consists of current and ex-employees not of pensionable age, retired employees and dependants. At 31 March 2009, the Fund had 6,636 contributing members, 5,557 pensioners and 5,151 deferred pensioners.

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 a 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 may 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 consumption of the 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.

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 in respect of repayment of debt.

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 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, eg. 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.