

# **Statement of Accounts 2011/12**

***September 2012***

## Community languages

**If you find it easier to read large print, use an audio tape or Braille or need to communicate in a language other than English, please let us know. ☎ 020 8726 6000.**

### Bengali

যদি ইংরাজী ছাড়া আর অন্য কোনো ভাষায় সহজে যোগাযোগ করতে পারেন তবে দয়া করে তাই করবেন। দোভাষীর এবং অনুবাদকের [ট্রান্সলোটারের] ব্যবস্থা করা যেতে পারে। টেলিফোন করুন **020887266000**।

### Chinese

如果你覺得說用除英語以外的另一種語言能夠更容易溝通的話，可作這樣選擇的。若是需要，你可以得到安排傳譯員及翻譯員的幫助。詳情請打電話號碼 **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 બીજી કોઈ એક ભાષામાં તમે આસાનીથી વાતચીત કરતા હો તો એવું કરવા વિનંતી છે. દુભાષિયાની અને ભાષાતરકારની સગવડ તમને પણ મળી શકે છે. આ માટે ટેલિફોન નંબર **020 8726 6000** ને ઉપયોગ કરવો.

### Hindi

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

### Punjabi

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

### Somali

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

### Tamil

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

### Turkish

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

### Urdu

اگر آپ انگریزی کے علاوہ کسی اور زبان میں بات کرنے میں آسانی محسوس کرتے ہیں تو ازراہ کر ہم ایسا ہی کیے۔ آپ کیلئے ترجمان اور تحریری ترجمہ کرنے والے فراہم کیے جاسکتے ہیں۔ ٹیلی فون نمبر: **020 8726 6000**.

## CONTENTS

	<b>PAGES</b>
<b>Community Languages</b>	1
<b>Contents</b>	2 - 4
<b>RESPONSIBILITIES AND CERTIFICATION OF THE STATEMENT OF ACCOUNTS:</b>	
<b>Statement of Responsibilities</b>	5
<b>Certificate of the Deputy Chief Executive and Executive Director of Corporate Resources and Customer Services (Chief Financial Officer)</b>	6
<b>Report of the Auditor</b>	7 - 9
<b>FINANCIAL REVIEW OF 2011/12 BY THE CHIEF FINANCIAL OFFICER</b>	10 - 17
<b>THE CORE FINANCIAL STATEMENTS:</b>	
<b>Explanation of the Accounting Statements</b>	18
<b>Movement in Reserves Statement 2011/12</b>	19 - 20
<b>Movement in Reserves Statement 2010/11</b>	21 - 22
<b>Comprehensive Income and Expenditure Statement and Service Expenditure Analysis</b>	23 - 24
<b>Balance Sheet</b>	25
<b>Cash Flow Statement</b>	26
<b>Notes to the Core Financial Statements:</b>	
1 Accounting Policies	27 - 38
2 Accounting Standards Issued, not Adopted	39
3 Critical Judgements in Applying Accounting Policies	40
4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	40
5 Material Items of Income and Expense and Prior Period Adjustments	41
6 Events After the Balance Sheet Date	41
7 Adjustments Between Accounting Basis and Funding Basis under Regulations 2011/12	42
7 Adjustments Between Accounting Basis and Funding Basis under Regulations 2010/11	43
8 Transfers to / from Earmarked Reserves	44
9 Other Operating Expenditure	45
10 Financing and Investment Income and Expenditure	45
11 Taxation and Non-Specific Grant Income	46
12 Property, Plant and Equipment	47
12 Property, Plant and Equipment (continued)	48
12 Property, Plant and Equipment (continued)	49
12 Property, Plant and Equipment (continued)	50
13 Heritage Assets	51
13 Heritage Assets (continued)	52
14 Investment Properties	52
15 Intangible Assets	53
16 Financial Instruments	54
16 Financial Instruments (continued)	55
17 Inventories	56
18 Construction Contracts	56
19 Debtors and Payments in Advance	57
20 Cash and Cash Equivalents	58
21 Assets Held for Sale	58
22 Creditors and Receipts in Advance	58
23 Provisions	59
24 Usable Reserves	60
24.1 Capital Receipts Reserve	60
24.2 Major Repairs Reserve	60
24.3 General Fund	60
24.4 Housing Revenue Account	60
24.5 Other Reserves	60
24.6 Earmarked Reserves	61
24.6 Earmarked Reserves (continued)	62
24.7 Capital Grants Unapplied	62
25 Unusable Reserves	63
25.1 Revaluation Reserve	63
25.2 Capital Adjustment Account	63
25.2 Capital Adjustment Account (continued)	64
25.3 Financial Instruments Adjustment Account	64
25.4 Pensions Reserve	64
25.5 Deferred Capital Receipts Reserve	64
25.6 Collection Fund Adjustment Account	65

## CONTENTS

	<b>PAGES</b>
25.7 Accumulated Absences Account	65
26 Operating Activities	66
27 Investing Activities	66
28 Financing Activities	66
29 Amounts Reported for Resource Allocation Decisions 31 March 2012	67
29 Amounts Reported for Resource Allocation Decisions 31 March 2011	68
30 Acquired and Discontinued Operations	69
31 Trading Operations	69
32 Agency Services	69
33 Road Charging Schemes	69
34 Pooled Budgets	70
35 Members' Allowances	70
36 Officers' Remuneration	70
36 Officers' Remuneration (continued)	71
36 Officers' Remuneration (continued)	72
37 External Audit Costs	73
38 Dedicated Schools Grant	73
39 Grant Income	73
40 Related Party Transactions	74
40 Related Party Transactions (continued)	75
40 Related Party Transactions (continued)	76
40 Related Party Transactions (continued)	77
41 Capital Expenditure and Capital Financing	78
42 Leases	79
42 Leases (continued)	80
43 Private Finance Initiatives and Similar Contracts	81
43 Private Finance Initiatives and Similar Contracts (continued)	82
44 Impairment Losses	83
45 Capitalisation of Borrowing Costs	83
46 Defined Benefit Pension Schemes	83
47 Pensions Assets and Liabilities	84
47.1 Pensions Interest Cost and Expected Return on Pensions Assets	84
47.2 Pensions Liability	85
47.3 Material Prepaid and Accrued Pension Contribution in Respect of Defined Benefit Schemes	85
48 Contingent Liabilities	85
49 Contingent Assets	85
50 Nature and Extent of Risks Arising from Financial Instruments	86
50 Nature and Extent of Risks Arising from Financial Instruments (continued)	87
51 Heritage Assets: Further Information on the Museum's Collections	88
52 Heritage Assets: Change in Accounting Policy	88
53 Trust Funds	89
54 Business Improvement District (BID) Schemes	89
55 Group Interests	89
56 Contribution from National Non-Domestic Rate Pool	90
57 Date of Accounts Being Authorised for Issue and by Whom	90
58 Opening restated Balance Sheet	91
59 Restated 2010/11 Balance Sheet	92
60 Restated 2010/11 Consolidated Income and Expenditure Statement	93
<b>PENSIONS - IAS19 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES</b>	<b>94 - 100</b>
<b>SUPPLEMENTARY STATEMENTS:</b>	
<b>Housing Revenue Account - Comprehensive Income and Expenditure Statement</b>	<b>101</b>
<b>Statement of Movement on the Housing Revenue Account Balance</b>	<b>102</b>
<b>Notes to the Housing Revenue Account:</b>	
1 Number and Type of Dwellings in the Housing Stock	103
2 Property, Plant and Equipment Assets Category Values	103
2 Non-Current Assets and Depreciation	104
3 Capital Expenditure	105
4 Analysis of Movement on the Housing Repairs Account	106
5 Details of any Impairment Charges for the Financial Year	106
6 Revenue Expenditure Funded from Capital Under Statute	106
7 HRA Subsidy	106
8 HRA Share of Contributions to the Pensions Reserve	106
9 Debtors and Allowance for Doubtful Debt	106
10 Sums Directed by the Secretary of State	106
11 Exceptional and Prior Year Adjustments	107
12 Gross Rental Income	107

## CONTENTS

	<b>PAGES</b>
13 Charges for Services and Facilities	107
14 Rents, Rates, Taxes and Other Charges	107
15 Rent Rebates - Transitional Protection	107
16 Amortised Premiums and Discounts	107
17 Accumulated Balance	107
18 Accounts in Additional Format	108
<b>Collection Fund</b>	<b>109</b>
<b>Notes to the Collection Fund:</b>	
1 National Non-Domestic Rates Collectable / Crossrail Business Rate Supplement	110
2 Council Tax Base	110
2 Council Tax Base (continued)	111
3 Demands and Precepts	112
4 Transfers from the General Fund - Council Tax Benefits	112
<b>GROUP ACCOUNTS:</b>	
<b>Group Movement in Reserves Statement 2011/12</b>	113 - 114
<b>Group Movement in Reserves Statement 2010/11</b>	115 - 116
<b>Group Comprehensive Income and Expenditure Statement</b>	117
<b>Group Balance Sheet</b>	118
<b>Group Cash Flow Statement</b>	119
<b>Notes to the Group Accounts</b>	120 - 121
<b>CROYDON PENSION FUND:</b>	
<b>Croydon's Role as a Pension Administering Authority</b>	123
<b>Statement of Accounting Policies and Principles - Pension Fund</b>	124
<b>Pension Fund Accounts and Net Assets Statement</b>	125 - 126
<b>Notes to the Pension Fund Accounts:</b>	
1 Actuarial Position	127
1 Actuarial Position (continued)	128
2 Investments	128
2 Investments (continued)	129
2 Investments (continued)	130
3 Change in Market Value of Investments	131
4 Analysis of Investments	131
4 Analysis of Investments (continued)	132
5 Geographical Analysis of Investments	132
6 Investments Exceeding 5% of the Market Value of the Fund	133
7 Information in Respect of Material Transactions with Related Parties	133
7 Information in Respect of Material Transactions with Related Parties (continued)	134
8 Cost of Early Retirement due to Redundancy	134
9 Debtors	134
10 Creditors	135
11 Administrative Expenses	135
12 Investment Management Expenses	135
13 Investment Income	135
14 Lump Sums	135
15 Transfers Values Paid and Transfers Values Received	136
16 Details of Stock Released to Third Parties Under a Stock Lending Arrangement	136
17 Contingent Liabilities and Contractual Commitments	136
18 Details of Additional Contributions not Included in Pension Fund Accounts	136
19 Total Contributions Receivable	136
20 Taxation	136
21 Membership	136
22 Contributions to the Fund	137
23 Public Sector Pension Increases	137
24 Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS26	137
25 Events After the Balance Sheet Date	138
26 Financial Instruments	138
26 Financial Instruments (continued)	139
26 Financial Instruments (continued)	140
26 Financial Instruments (continued)	141
27 Nature and Extent of Risks Arising from Financial Instruments	142
27 Nature and Extent of Risks Arising from Financial Instruments (continued)	143
27 Nature and Extent of Risks Arising from Financial Instruments (continued)	144
<b>GLOSSARY OF TERMS</b>	145 - 148

### 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 Deputy Chief Executive and Executive Director of Corporate Resources and Customer Services;
- ▶ to approve the Statement of Accounts.

### THE RESPONSIBILITIES OF THE DEPUTY CHIEF EXECUTIVE AND EXECUTIVE DIRECTOR OF CORPORATE RESOURCES AND CUSTOMER SERVICES

The Deputy Chief Executive and Executive Director of Corporate 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 the United Kingdom is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2012.

In preparing the Statement of Accounts, the Deputy Chief Executive and Executive Director of Corporate 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.

**LONDON BOROUGH OF CROYDON AND LONDON BOROUGH OF CROYDON PENSION FUND  
FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**CERTIFICATE OF THE DEPUTY CHIEF EXECUTIVE AND EXECUTIVE DIRECTOR OF CORPORATE 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 2011/12 prepared in accordance with the accounting policies stated.

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

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

30 September 2012

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CROYDON COUNCIL**

**Opinion on the financial statements**

I have audited the financial statements of Croydon Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework applied to their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Croydon Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

**Respective responsibilities of the Deputy Chief Executive and Executive Director of Corporate Resources and Customer Services and auditor**

As explained more fully in the Statement of the Deputy Chief Executive and Executive Director of Corporate Resources and Customer Services Responsibilities, the Deputy Chief Executive and Executive Director of Corporate Resources and Customer Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Deputy Chief Executive and Executive Director of Corporate Resources and Customer Services; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the financial review to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

**Opinion on financial statements**

In my opinion the financial statements:

- ▶ give a true and fair view of the financial position of Croydon Council as at 31 March 2012 and of its expenditure and income for the year then ended;
- ▶ give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended; and
- ▶ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

**Opinion on other matters**

In my opinion, the information given in the financial review for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I report by exception**

I report to you if:

- ▶ in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- ▶ I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- ▶ I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- ▶ I exercise any other special powers of the auditor under the Audit Commission Act 1998.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CROYDON COUNCIL (continued)**

I have nothing to report in these respects.

**Opinion on the pension fund financial statements**

I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Croydon Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

**Respective responsibilities of the Deputy Chief Executive and Executive Director of Corporate Resources and Customer Services and auditor**

As explained more fully in the Statement of the Deputy Chief Executive and Executive Director of Corporate Resources and Customer Services Responsibilities, the Deputy Chief Executive and Executive Director of Corporate Resources and Customer Services is responsible for the preparation of the Authority and Group's Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Deputy Chief Executive and Executive Director of Corporate Resources and Customer Services; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the financial review to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

**Opinion on financial statements**

In my opinion the pension fund's financial statements:

- ▶ give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- ▶ have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

**Opinion on other matters**

In my opinion, the information given in the financial review for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources****Respective responsibilities of the Authority and the auditor**

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Council has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CROYDON COUNCIL (continued)**

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- ▶ securing financial resilience; and
- ▶ challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Croydon Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

**Delay in certification of completion of the audit**

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

Philip Johnstone

District Auditor  
Audit Commission  
First Floor Millbank Tower  
Millbank  
London  
SW1P 4HQ

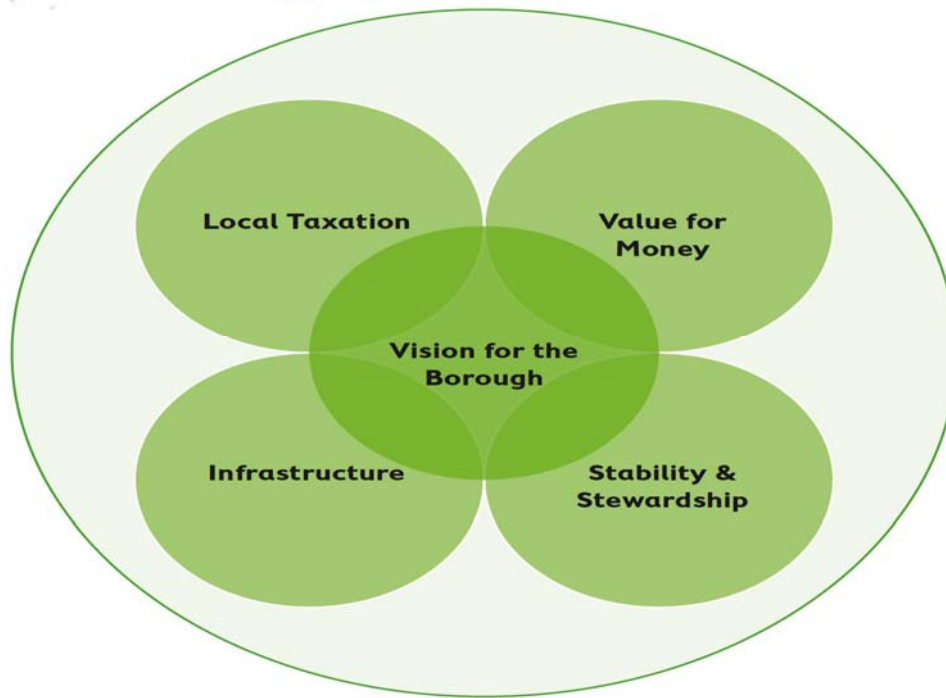
30 September 2012

**EXECUTIVE SUMMARY**

The Council manages its financial affairs within the framework of a four year financial strategy which currently covers the period 2010/14. The objectives framework and the 10 financial objectives are shown below.

**Diagram 1**

**Financial Strategy Objectives Framework**



**Financial Strategy Objectives**

The ten objectives of the financial strategy act as the key measurer for the success of the strategy ensuring sound governance, strong financial management and delivery for the residents of the Borough.

1. To work with our partners to enable the achievement of the Vision for the Borough
2. To ensure all resource allocation is policy led, based on the best evidence and strongly influenced by our residents' priorities
3. To keep local taxation increases to a minimum
4. To deliver a minimum of 20% efficiencies over the life of the strategy
5. To optimise income opportunities
6. To increase General Fund balances to 5% of net operating expenditure, maintaining a minimum of 3%, over the life of the strategy
7. To maintain an appropriate level of reserves and provisions
8. To provide strong financial services, systems and processes to deliver and support a balanced budget
9. To remain within prudential borrowing limits at all times
10. To prioritise future capital investment within the Borough to deliver our infrastructure needs.

The Budget for 2011/12 was funded by an average band D Council Tax of £1,150.11. The local taxation increase for Croydon in 2011/12 was 0.0% (with an overall increase inclusive of GLA of 0.0%), the lowest increase for ten years. This enabled additional investments in key local priorities of the new financial strategy.

The freezing of Croydon's Council Tax was achieved by delivering substantial levels of departmental and step-change efficiencies during the year (£23.6m) and building upon our efficiency achievements over the medium term (£92.4m), ensuring we continue to deliver improved value for money to our residents by improving our services and keeping local taxation increases to the minimum possible in line with the objective of the strategy.

2011/12 was the first year of the Local Government Finance Settlements arising from the 2010 Comprehensive Spending Review (CSR). Croydon's Formula Grant was reduced by 11.2% in the first year of the Spending Review Period, a four year period where the Council's Formula Grant is expected to reduce by 27% in total. Alongside this, CSR 2010 also reduced Croydon's Specific Revenue and Capital Grants. Despite the loss in funding, the Council's strong financial controls and strong budget management assured a balanced outturn position was achieved without a disruption to services or an impact on local taxation levels.

The level of Reserves and Balances remains vital in ensuring that we can continue to manage the Council's budget in the current challenging financial environment.

**STATEMENT OF ACCOUNTS**

The Statement of Accounts for the year ended 31 March 2012 has been prepared and published in accordance with the Accounts and Audit Regulations 2003 and the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (based on International Financial Reporting Standards). It has been jointly developed by the Chartered Institute of Public Finance and Accounting (CIPFA) / Local Authority (Scotland) Accounts Advisory Committee (LASAAC). The Statement was approved by the Corporate Services Committee of the Council on 27 June 2012.

The accounts comprise the following key statements:

- ▶ Movement in Reserves Statement - a statement that summarises the Surplus / Deficit on the Comprehensive Income and Expenditure Statement and the movement on the Balance Sheet;
- ▶ The Comprehensive Income and Expenditure Statement - a statement that brings together the income received and the expenditure incurred on all of the Authority's functions;
- ▶ Balance Sheet - this shows the Council's overall financial position at the end of the financial year;
- ▶ Cash Flow Statement - this shows a summary of the cash inflows and outflows of the Council arising from our transactions with third parties;
- ▶ Housing Revenue Account - this shows the revenue and Balance Sheet position for the Authority's own housing stock on the current ring-fenced basis;
- ▶ Collection Fund - this statement summarises the collection and application of proceeds from Council Tax and National Non-Domestic Rates (Business Rates) and Crossrail Business Rates Supplement;
- ▶ Group Accounts - this statement consolidates the accounts for the Authority and its material interest in other bodies over which it exercises control or joint control;
- ▶ Pension Fund Accounts - this statement presents the separate accounts of the Pension Fund.

The outturn position as reported in the Comprehensive Income and Expenditure Statement is significantly affected by the end of the HRA subsidy system, the amount of schools converting to academies and an increase in liabilities in the Pension Fund.

**GENERAL FUND OUTTURN 2011/12**

The Council's revenue budget outturn for 2011/12 was a breakeven position, with an underspend on our services of £2.263m offset by an equivalent net contribution to earmarked reserves. The General Fund balance carried forward to 2012/13 is £11.597m, which represents General Fund balances of 3.9% against the 5% longer-term target established under the new financial strategy.

Table 1 shows the Council's balances, reserves and provisions at 31 March 2012, compared with the previous three years.

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

<b>Reserves and Balances</b>	<b>2009/10 £m</b>	<b>2010/11 £m</b>	<b>2011/12 £m</b>	<b>Financial Strategy Target (5%) £m</b>
General Fund Balances	11.6	11.6	11.6	14.7
Earmarked Reserves	38.0	38.6	46.5	46.2
General Fund Provisions	30.2	33.1	31.3	31.3
<b>Total</b>	<b>79.8</b>	<b>83.3</b>	<b>89.4</b>	<b>92.2</b>

The table excludes Schools reserves.

**PROGRESS IN DELIVERING THE COUNCIL'S FINANCIAL STRATEGY**

**CONTRIBUTION OF 2011/12 RESULTS TO THE FINANCIAL STRATEGY**

The Council has made significant progress in the achievement of its strategic financial objectives set out in the Financial Strategy.

Progress in achievement of the Council's strategic objectives and service outcomes will be presented to our residents through our Annual Report which will be published in October 2012.

**1. TO WORK WITH OUR PARTNERS TO ENABLE THE ACHIEVEMENT OF THE VISION FOR THE BOROUGH**

A number of initiatives and plans are already in place with a number of partners in the Borough that seek to ensure that the Council works with its businesses and residents to achieve the Vision for the Borough.

By way of example it includes the following:

**Enterprising Borough**

The adoption of the East Croydon Masterplan in March and the West Croydon Masterplan in June 2011. The Council has also approved nearly three million sq ft of floor space around East Croydon Station sending a very strong signal to the market that Croydon is open for business.

**Learning Borough**

The Authority is also continuing to work closely with Croydon’s schools to further drive up performance, particularly at GCSE and A Level, and has seen sustained improvements particularly in the attainment of students of getting 5 A\*-C GCSE grades. In June 2011 the Council also announced a £60m investment in increasing school capacity. Also OFSTED’s assessments of Croydon’s offering improved from "adequate" to "performing well" during the year.

**Creative Borough**

Delivery of the Parks to be Proud of initiative is well underway in all nine parks within the scheme, with a number of improvements already completed. Enhancements will continue into 2012/13. The Fairfield Halls remodelling project is running on time and budget, with new designs for the building currently under consideration.

**Caring Borough**

The year has seen the launch of both Croydon Care Solutions Ltd and, following a very successful pilot, of Croydon’s new adult re-ablement service. Croydon’s fostering service along with the majority of the Borough’s children’s centres and both children’s homes, was judged as “good” by OFSTED, the external regulator.

**Sustainable Borough**

Croydon’s refuse service now recycles over a third of the rubbish that we collect from homes across the Borough. Work has been undertaken on energy efficiency through central heating installation, insulation and double glazing across Council housing stock.

**Connected Borough**

The Council has commenced operational delivery of the Joint Street Lighting Private Finance Initiative (PFI) with Lewisham. Also, Croydon commenced the new Transforming Highways contract which amalgamated a number of contracts into one.

**2. TO ENSURE ALL RESOURCE ALLOCATION IS POLICY LED, BASED ON THE BEST EVIDENCE AND STRONGLY INFLUENCED BY OUR RESIDENTS’ PRIORITIES**

During 2011/12 the Council developed its mechanisms aimed to improve overall understanding of resident satisfaction and service priorities in every area of our community. This feeds into the Council’s overall performance monitoring arrangements to ensure the organisation’s priorities are aligned to residents’ needs. The Council continues to use customer feedback and insight to inform specific projects such as the redesign of customer access and a review of street based services.

The Council continues to use a budget consultation simulator, developed over the last two years, to engage and consult with our residents to identify their priorities and choices and therefore in turn shapes the policy and budget framework of the Council. Through the consultation process our residents prioritised the following key core service areas:

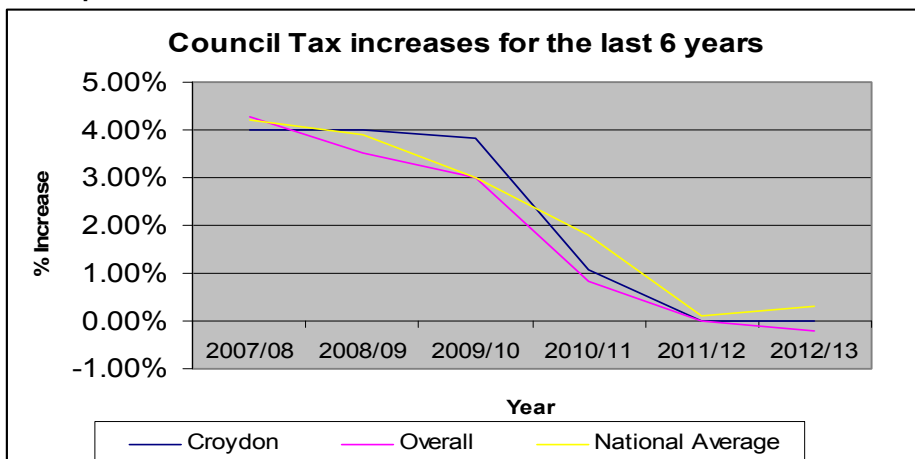
- ▶ School Education;
- ▶ Children’s Social Care;
- ▶ Support for Special Needs Education;
- ▶ Community Safety; and
- ▶ Adults Social Care.

Through our customer engagement, this has helped to shape the financial planning principles for the financial strategy period.

**3. TO KEEP LOCAL TAXATION INCREASES TO A MINIMUM**

The financial strategy aims to ensure that increases in Council Tax are kept to a minimum so that local taxation can be kept at an affordable level whilst balancing the spending priorities for the Borough and the reducing level of Central Government support. Graph 1 below shows how the Council has reduced local taxation over the last four years.

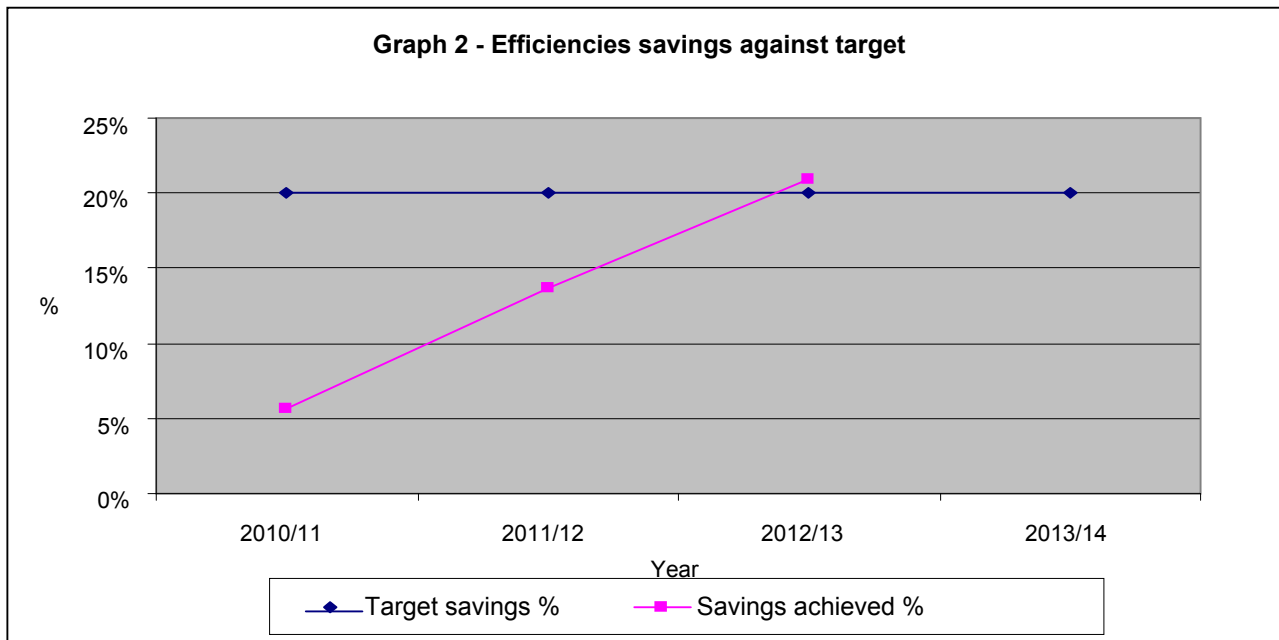
**Graph 1 - Local Taxation**



**4. TO DELIVER A MINIMUM OF 20% EFFICIENCIES OVER THE LIFE OF THE STRATEGY**

The requirement to ensure the delivery of the efficiency and transformation agenda is critical moving forward. As a consequence of this, the Council has developed the “Step Change Croydon” programme to enable it to balance the budget over the next financial strategy period aiming to achieve £10m per year in savings across Council services.

Graph 2 below gives the details of the efficiencies savings achieved over 2010/13 in comparison with target savings.



**5. TO OPTIMISE INCOME OPPORTUNITIES**

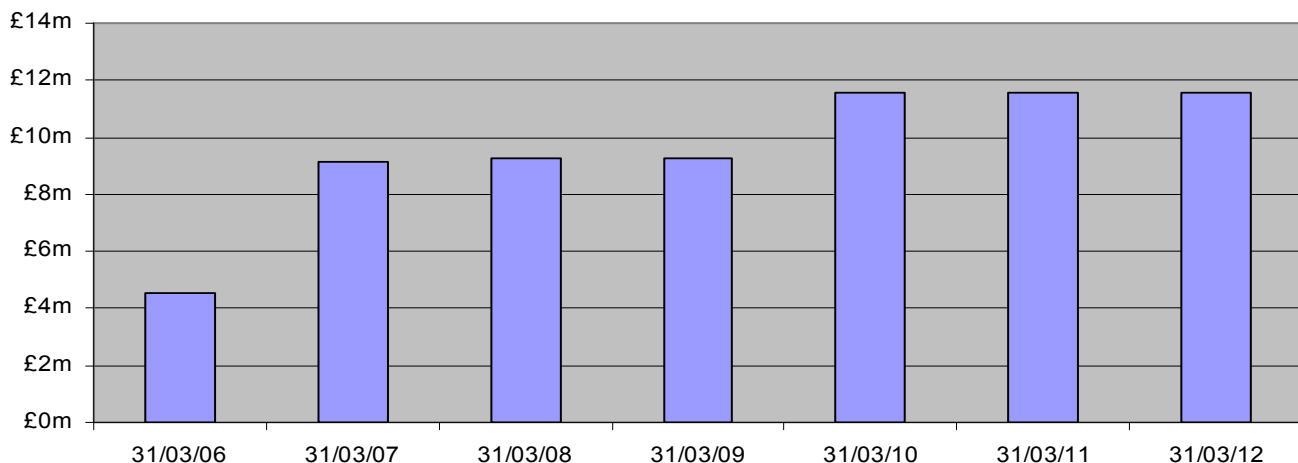
Income-optimising opportunities are continuously reviewed to ensure that the Council is recovering its costs on those services that are chargeable. This is achieved by:

- ▶ A deliberate move away from using historical prices to inform fees and charges;
- ▶ Understanding the true cost of providing services and to price accordingly recognising the service users for the services that are being charged;
- ▶ Developing a commercial/entrepreneurial culture within the Council;
- ▶ Maximising funding from Regional, National and European bodies.

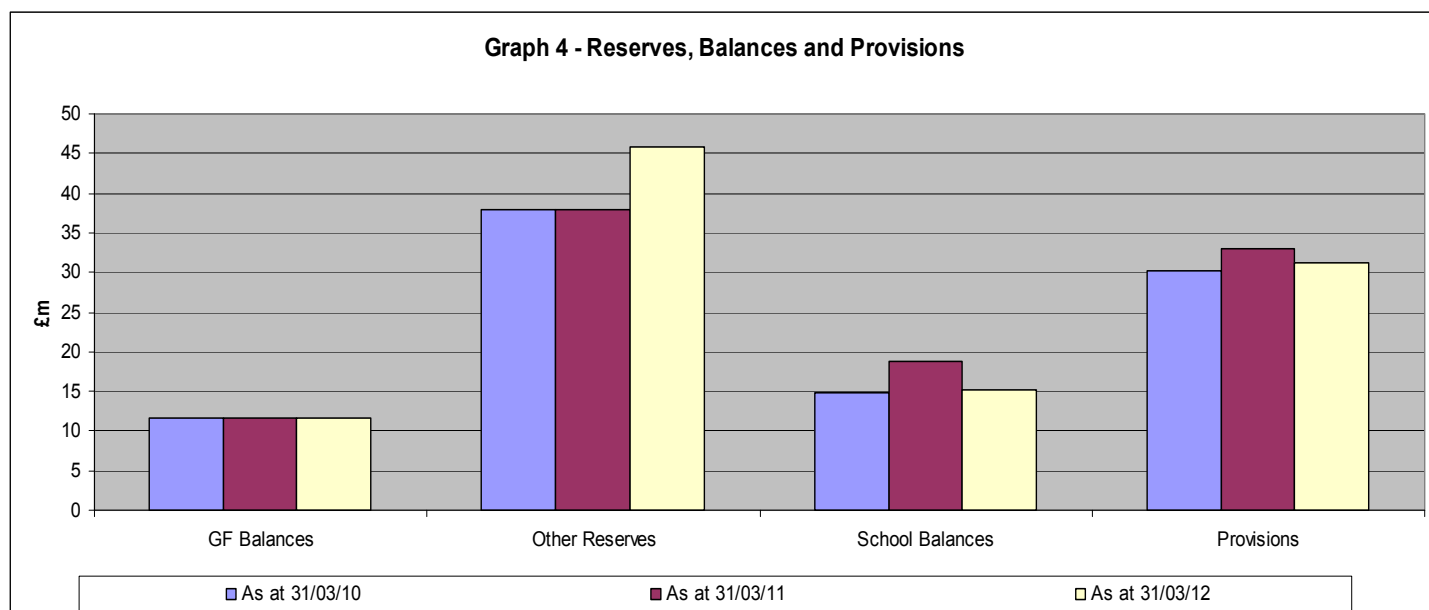
**6. TO INCREASE GENERAL FUND BALANCES TO 5% OF NET OPERATING EXPENDITURE, MAINTAINING A MINIMUM OF 3%, OVER THE LIFE OF THE STRATEGY**

The level of General Fund balances as at 31 March 2012 is £11.597m. This remains the same as the previous year and represents 3.9% of net service expenditure.

**Graph 3 - General Fund Balances**



**7. TO MAINTAIN AN APPROPRIATE LEVEL OF RESERVES AND PROVISIONS**



The Council has rebuilt the level of provisions and reserves in order for it to meet future liabilities and more importantly in order to enable the delivery of its future strategic ambitions and priorities in the current challenging financial environment.

The level of schools reserves decreased during the year. This was mainly due to a number of schools converting to academies, and a reduction in capital funding has meant schools have had to spend existing capital balances.

**8. TO PROVIDE STRONG FINANCIAL SERVICES, SYSTEMS AND PROCESSES TO DELIVER AND SUPPORT A BALANCED BUDGET**

The finance team has:

- ▶ delivered all aspects of the internal audit plan within the financial year;
- ▶ produced a balanced budget;
- ▶ kept Council Tax low;
- ▶ implemented International Financial Reporting Standards (IFRS) with a good audit opinion;
- ▶ provided strong financial controls to ensure outturn is within budget;
- ▶ carried out a budget consultation with our residents.

**9. TO REMAIN WITHIN PRUDENTIAL BORROWING LIMITS AT ALL TIMES**

To provide for the sustainable, affordable and prudent management of its capital investment strategy, the Council has agreed a set of Prudential Indicators for 2011/12.

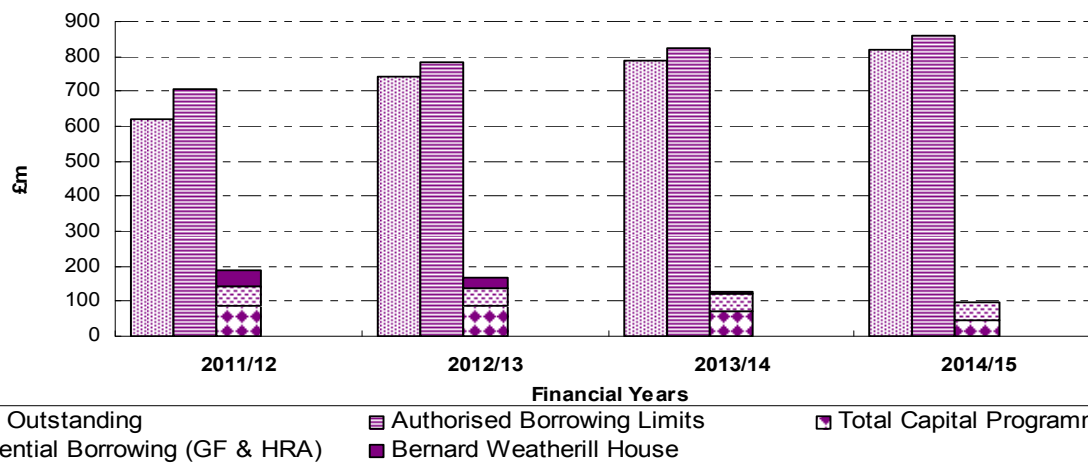
The Council's Authorised Borrowing Limit for the year is contained within these Prudential Indicators. Remaining within this limit is key to the effective management of the Council's capital expenditure. The Council's authorised borrowing limit was increased this year to accommodate the HRA self financing settlement payment.

The Borrowing Limit and the Council's performance against them are set out below:

Authorised Borrowing Limit 2011/12	£707.8m
Maximum Level of Debt during 2011/12	£667.4m



**Prudential Indicators for 2011/12 to 2014/15**



**10. TO PRIORITISE FUTURE CAPITAL INVESTMENT WITHIN THE BOROUGH TO DELIVER OUR INFRASTRUCTURE NEEDS**

The 20 year Capital Strategy 2010-30 was approved by Cabinet on 15 November 2010 (Minute A135/10). The Strategy sets out how Croydon will finance, allocate and manage investment in assets efficiently to achieve the Vision set out in "We Are Croydon".

The Strategy's objectives are to:

- ▶ Prioritise and coordinate funding to achieve the Council's vision;
- ▶ Invest in the most beneficial projects to meet Croydon's long-term requirements; and
- ▶ Manage investment efficiently and effectively.

**HOUSING REVENUE ACCOUNT (HRA)**

2011/12 was the last year of the HRA subsidy system, replaced with Self Financing from 2012/13. The final outturn shows a surplus of £2.619m which has been transferred to HRA reserves. This is the sixth year in succession where there was a surplus to transfer to reserves.

Capital expenditure totalled £20.717m. Expenditure was lower than the budget of £21.770m by £1.053m. This is mainly due to planned slippage on Phase 2 of the Council Housing new build programme (£0.393m) and creating larger homes (£0.128m).

The working balance has been increased by £2.619m as a result of the revenue under spend in 2011/12. This means the revenue reserves represent 4.7% of the total income. In line with the policy for the General Fund, in order to ensure that the HRA maintains an appropriate level of revenue balances to maintain financial stability, the level of reserves has been set at 5% over the period of the financial strategy.

Table 2 below shows the HRA balances and reserves as at 31 March 2012 compared with previous years:

**Table 2 - Housing Revenue Account Balances and Reserves**

Balances and reserves	2009/10	2010/11	2011/12
	£m	£m	£m
Working balance	0.800	1.200	3.819
Housing repairs fund	3.681	4.937	3.363
<b>Total</b>	<b>4.481</b>	<b>6.137</b>	<b>7.182</b>

**CAPITAL**

The original approved General Fund Services capital programme (excluding the Housing Investment Programme) totalled £158.907m and was increased during the year to £205.774m to reflect programme slippage from 2010/11 and additional Government grants. Outturn capital spending was £167.898m, with the underspending of £37.876m (18.4%) mainly attributable to slippage in the delivery of schemes.



Capital schemes in 2011/12 included the delivery of:

- ▶ Improvement works to the highways;
- ▶ Completion of Coulsdon Academy;
- ▶ Continuing the drive to meet the Decent Homes Standard;
- ▶ Fit out of the Integrated Children's Hub;
- ▶ Continued development of the Waddon Waylands scheme;
- ▶ Bernard Weatherill House

The original approved Housing Revenue Account Housing Investment Programme (HIP) capital budget was £16.842m, adjusted to £21.770m due to in-year approved changes to the budget. Expenditure of £20.717m was incurred during the year.

The total expenditure for capital schemes was £188.615m in 2011/12.

### **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 2011/12:

**Table 3 – Pension Fund Performance 2011/12**

<b>Detail of Composition of Net Assets</b>	<b>2010/11 £000</b>	<b>2011/12 £000</b>	<b>Net Increase / (Decrease) £000</b>	<b>Change %</b>
Total Investments	618,939	619,797	858	0.14%
Other balances held by Fund Managers	1,506	4,234	2,728	181.14%
Debtors	2,561	886	(1,675)	(65.40%)
Cash Held by:				
Fund Managers	4,602	9,869	5,267	114.45%
London Borough of Croydon	8,323	6,983	(1,340)	(16.10%)
Creditors	(6,592)	(5,820)	772	(11.71%)
<b>Net Assets at Year End</b>	<b>629,339</b>	<b>635,949</b>	<b>6,610</b>	<b>1.05%</b>

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

As a broad measure, although some segments of the markets open to the Pension Fund have performed well over the recent period, the equity markets, constituting half of the portfolio's investments, have not grown beyond their 2007 levels. Consequently the fact that the Fund has been able to demonstrate any growth over the last year is a measure of the success of the investment strategy. The strategy aims to generate returns within a restrictive risk budget by: spreading investments across a range of differentiated and complimentary investment styles; matching a significant part (30%) of the portfolio to the characteristics exhibited by the liabilities of the Fund; and focussed engagement with and challenge to fund managers. Readers of these statements will observe that cash balances held by the London Borough of Croydon have been substantially reduced. This is due to the Pension Scheme paying out higher than anticipated levels of benefits as a direct consequence of reductions to staffing levels. Fund Managers have been reluctant to carry large cash balances because of the minimal returns available from deposit-takers. The level of debtors simply reflects transactions by Fund Managers that are incomplete at 31 March 2012.

### **COLLECTION FUND**

The Collection Fund is a ring-fenced 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 surplus balance of £7.860m as at 31 March 2012, so the General Fund will benefit from £6.192m (Croydon's share). The January declared surplus of £4.019m (Croydon's share is £3.166m) will be redistributed in 2012/13. This surplus is included in the 2012/13 Budget.

### **COUNCIL TAX**

The surplus balance on the Collection Fund assumes an overall Council Tax collection rate of 97.4% of bills raised. 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 (2011/12 debt collected in 2011/12). The target set for 2011/12 was 96.25% and the actual BVPI performance confirmed at 96.12%, a shortfall of 0.13%. Although the year end performance is down on target, it reflects Croydon's best ever performance on record and is up 0.2% from last year. This has also been achieved whilst increasing the net collectable debt by proactively managing and reviewing our discounts.

The net collectable debit for Council Tax in 2011/12 was £159.8 million. Table 4 shows the impact of actual performance against the target in cash terms for in-year performance; any outstanding sums due will continue to be collected during 2012/13.

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

	<b>Target – 2011/12</b>	<b>Actual – 2011/12</b>	<b>Variance</b>
Percentage	96.25%	96.12%	(0.13%)
Cash	£159.0m	£159.9m	£0.9m

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

The target set for 2011/12 was 99% and the actual BVPI performance was confirmed at 97.38%, a shortfall of 1.62%. The collectable debit for business rates in 2011/12 was £115.0m. Table 5 shows the impact of actual performance against the target in cash terms.

**Table 5 – The BVPI target and performance for NNDR Collection**

	<b>Target – 2011/12</b>	<b>Actual – 2011/12</b>	<b>Variance</b>
Percentage	99.00%	97.38%	(1.62%)
Cash	£119.5m	£115.0m	(£4.5m)

Business Rates collection performance has ended up below target but ahead of last year; this is also the best performance in Business Rates for the last 4 years. Recovery action has been up on last year throughout the year and the top 20 businesses in Croydon (including Nestle, IKEA and Tesco) have all paid in full for the year. Given the problems businesses continue to face in the current economic climate, this is a good result.

**CONCLUSION**

Our strong financial progress continues to ensure that for every pound collected through local taxation from you, our residents, that the Council makes the best use of those resources in delivering the services in the Borough and that any additional Council Tax raised is spent directly on the priorities you set for the Council through our consultation and agreements.

I hope that you find the following accounts useful and informative in helping you to understand how the Council manages its finances on your behalf, and how we ensure your money is spent wisely.



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

### EXPLANATION OF THE ACCOUNTING STATEMENTS

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

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

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

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

#### **Comprehensive Income and Expenditure Statement**

This Statement shows the true economic cost of providing services, calculated in accordance with the requirements of International Financial Reporting Standards (IFRS) as applied by the Code of Practice on Local Authority Accounting in the United Kingdom 2011 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

#### **Balance Sheet**

The Balance Sheet shows, at the Balance Sheet date, the values of those assets and liabilities recognised by the Council.

The net assets of the Council, assets less liabilities, are represented by reserves that are reported in two categories:

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

#### **Cash Flow Statement**

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

**MOVEMENT IN RESERVES STATEMENT 2011/12**

	General Fund Balance £000	HRA Balance £000	Earmarked GF Reserves Balance £000	Capital Receipts Balance £000	Capital Grant Unapplied Balance £000	Major Repairs Reserve Balance £000	Total Usable Reserves Balance £000
<b>Restated Balances b/f at 31 March 2011</b>	11,597	6,137	58,339	132	7,554	0	83,759
<b>Movement in reserves during 2011/12</b>							
<b>Surplus or (deficit) on provision of services</b>	(127,063)	(218,731)					(345,794)
<b>Other Comprehensive Expenditure and Income</b>							
Revaluation Gains							0
Elimination of Revaluation Reserve for Investment							0
Impairment Losses Chargeable to Revaluation Reserve							0
Revaluation losses (chargeable to revaluation reserve)							0
Movement in pensions reserve							0
Total Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
<b>Total Comprehensive Expenditure and Income</b>	(127,063)	(218,731)	0	0	0	0	(345,794)
<b>Adjustments between accounting basis and funding basis under regulations</b>							
<b>Amounts included in CI&amp;E to be removed for determining movement in General Fund</b>							
Depreciation (excl HRA)	31,602						31,602
Amortisation of Intangibles	1,878	7					1,885
Excess of depreciation charged to HRA services over the MRA element of housing subsidy		452				(452)	0
Impairment/revaluation losses charged to CI&E Statement	20,224	(2,011)					18,213
Impairment/revaluation gains reversing losses previously charged to the CI&E Statement	(904)						(904)
Movement in market value of investment property	178	4					182
Elimination of revaluation reserve for investment properties							0
Capital grant and contributions	(56,773)	(1,924)			(3,929)		(62,626)
Revenue expenditure funded from capital under statute	70,835	3,430					74,265
Profit/loss on sale of non-current assets	74,802	(1,291)		3,003			76,514
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	10,111	982					11,093
Lessor Leases - Regulation 4 Mitigation	2,385						2,385
Gain/loss on revaluation of available-for-sale financial instruments							0
Amount by which Council Tax income and residual community charge adjustment included in the CI&E Statement is different from the amount taken to the General Fund in accordance with regulation	(2,955)						(2,955)
HRA Financing		223,126					223,126
Compensated absences	(568)	(29)					(597)
<b>Amounts excluded from CI&amp;E to be included for determining movement in General Fund</b>							
Statutory provision for the repayment of debt	(8,905)						(8,905)
Amortisation of premiums and discounts	(86)	(389)					(475)
HRA capital receipts to housing central pool		1,018		(1,018)			0
<b>Employer's pensions contributions</b>	(7,463)	(725)					(8,188)
Capital expenditure charged to General Fund	(3,990)	(1,300)					(5,290)
<b>Other adjustments</b>							
Major Repairs Allowance credited to the HRA		12,494					12,494
Reversal of Major Repairs Allowance credited to the HRA		(12,494)				12,494	0
Use of capital receipts reserve to finance capital expenditure				(825)			(825)
Use of major repairs reserve to finance capital expenditure						(12,042)	(12,042)
Deferred Capital Receipts - cash received				60			60
Adjustment between CAA and revaluation reserve for depreciation that is related to the revaluation balance rather than the historic cost							0
<b>Total adjustments between accounting basis and funding basis under regulations</b>	130,371	221,350	0	1,220	(3,929)	0	349,012
Net increase/Decrease before Transfers to Earmarked Reserves	3,308	2,619	0	1,220	(3,929)	0	3,218
<b>Transfers to/(from) Earmarked Reserves</b>							
LMS reserves	4,605		(4,605)				0
Other movements in reserves	(7,913)	(1,574)	7,913				(1,574)
<b>Total transfers to/(from) Earmarked Reserves</b>	(3,308)	(1,574)	3,308	0	0	0	(1,574)
<b>Net increase/(decrease) in reserves for the year</b>	0	1,045	3,308	1,220	(3,929)	0	1,644
<b>Balance c/f at 31 March 2012</b>	11,597	7,182	61,647	1,352	3,625	0	85,403

**MOVEMENT IN RESERVES STATEMENT 2011/12**

Revaluation Reserve Balance £000	CAA Balance £000	Financial Instruments Adjustment Account Balance £000	Pensions Reserve Balance £000	Deferred Capital Receipts Balance £000	Collection Fund Adjustment Account Balance £000	STACA Balance £000	Total Unusable Reserves Balance £000	Total Authority Reserves Balance £000
240,386	980,903	(3,505)	(345,441)	244	3,237	(5,403)	870,421	954,180
							0	(345,794)
8,347							8,347	8,347
(433)							0	0
(1,400)							(433)	(433)
			(92,421)				(1,400)	(1,400)
							(92,421)	(92,421)
6,514	0	0	(92,421)	0	0	0	(85,907)	(85,907)
6,514	0	0	(92,421)	0	0	0	(85,907)	(431,701)
	(31,602)						(31,602)	0
	(1,885)						(1,885)	0
							0	0
	(18,213)						(18,213)	0
	904						904	0
	(182)						(182)	0
							0	0
	62,626						62,626	0
	(74,265)						(74,265)	0
(17,129)	(59,385)						(76,514)	0
			(11,093)				(11,093)	0
	(2,385)						(2,385)	0
							0	0
					2,955		2,955	0
	(223,126)						(223,126)	0
						597	597	0
							0	0
	8,905	475					8,905	0
							475	0
			8,188				0	0
	5,290						8,188	0
	(12,494)						5,290	0
							(12,494)	0
							0	0
	825						825	0
							0	0
	12,042						12,042	0
							(60)	0
(767)	767						0	0
(17,896)	(332,178)	475	(2,905)	(60)	2,955	597	(349,012)	0
(11,382)	(332,178)	475	(95,326)	(60)	2,955	597	(434,919)	(431,701)
							0	0
	1,574						1,574	0
0	1,574	0	0	0	0	0	1,574	0
(11,382)	(330,604)	475	(95,326)	(60)	2,955	597	(433,345)	(431,701)
229,004	650,299	(3,030)	(440,767)	184	6,192	(4,806)	437,076	522,479

**MOVEMENT IN RESERVES STATEMENT 2010/11**

	General Fund Balance £000	HRA Balance £000	Earmarked GF Reserves Balance £000	Capital Receipts Balance £000	Capital Grant Unapplied Balance £000	Major Repairs Reserve Balance £000	Total Usable Reserves Balance £000
<b>Restated Balances b/f at 31 March 2010</b>	11,597	4,481	52,914	9,128	651	0	78,771
<b>Movement in reserves during 2010/11</b>							
<b>Surplus or (deficit) on provision of services</b>	(68,105)	(117,957)					(186,062)
<b>Other Comprehensive Expenditure and Income</b>							
Revaluation Gains							0
Elimination of Revaluation Reserve for Investment Properties - CI&E offset							0
Revaluation losses (chargeable to revaluation reserve)							0
Movement in pensions reserve							0
Total Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
<b>Total Comprehensive Expenditure and Income</b>	(68,105)	(117,957)	0	0	0	0	(186,062)
<b>Adjustments between accounting basis and funding basis under regulations</b>							
<b>Amounts included in CI&amp;E to be removed for determining movement in General Fund</b>							
Depreciation (excl HRA)	37,631						37,631
Amortisation of Intangibles	1,585	3					1,588
Excess of depreciation charged to HRA services over the MRA element of housing subsidy		476				(476)	0
Impairment/revaluation losses charged to CI&E Statement	21,190	243,553					264,743
Impairment/revaluation gains reversing losses previously charged to the CI&E Statement	(162)	(112,045)					(112,207)
Movement in market value of investment property	2,551						2,551
Elimination of revaluation reserve for investment properties							0
Capital grant and contributions	(47,836)	(8,353)			6,903		(49,286)
Revenue expenditure funded from capital under statute	17,032	287					17,319
Profit/loss on sale of non-current assets	103,802	(1,767)		2,687			104,722
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,622)	(504)					(6,126)
Lessor Leases - Regulation 4 Mitigation	2,345			(8,900)			(6,555)
Gain/loss on revaluation of available-for-sale financial instruments	(41)						(41)
Amount by which Council Tax income and residual community charge adjustment included in the CI&E Statement is different from the amount taken to the General Fund in accordance with regulation	(3,237)						(3,237)
Compensated absences	(18)	(26)					(44)
<b>Amounts excluded from CI&amp;E to be included for determining movement in General Fund</b>							
Statutory provision for the repayment of debt	(8,771)						(8,771)
Amortisation of premiums and discounts	(86)	(488)					(574)
HRA capital receipts to housing central pool		1,141		(1,141)			0
Employer's pensions contributions	(29,711)	(2,664)					(32,375)
Capital expenditure charged to General Fund	(17,122)						(17,122)
<b>Other adjustments</b>							
Major Repairs Allowance credited to the HRA		11,856					11,856
Reversal of Major Repairs Allowance credited to the HRA		(11,856)				11,856	0
Use of capital receipts reserve to finance capital expenditure				(1,689)			(1,689)
Use of major repairs reserve to finance capital expenditure						(11,380)	(11,380)
Deferred Capital Receipts - cash received				47			47
Adjustment between CAA and revaluation reserve for depreciation that is related to the revaluation balance rather than the historic cost							0
<b>Total adjustments between accounting basis and funding basis under regulations</b>	73,530	119,613	0	(8,996)	6,903	0	191,050
<b>Net increase/Decrease before Transfers to Earmarked Reserves</b>	5,425	1,656	0	(8,996)	6,903	0	4,988
<b>Transfers to/(from) Earmarked Reserves</b>							
LMS reserves	(4,849)		4,849				0
Other movements in reserves	(576)		576				0
<b>Total transfers to/(from) Earmarked Reserves</b>	(5,425)	0	5,425	0	0	0	0
<b>Net increase/(decrease) in reserves for the year</b>	0	1,656	5,425	(8,996)	6,903	0	4,988
<b>Restated Balance c/f at 31 March 2011</b>	11,597	6,137	58,339	132	7,554	0	83,759

**MOVEMENT IN RESERVES STATEMENT 2010/11**

Revaluation Reserve Balance £000	CAA Balance £000	Financial Instruments Adjustment Account Balance £000	Pensions Reserve Balance £000	Deferred Capital Receipts Balance £000	Collection Fund Adjustment Account Balance £000	STACA Balance £000	Total Unusable Reserves Balance £000	Total Authority Reserves Balance £000
219,603	1,199,117	(4,120)	(516,788)	291	0	(5,447)	892,656	971,427
							0	(186,062)
41,390							41,390	41,390
							0	0
(5,421)							0	0
			132,846				(5,421)	(5,421)
35,969	0	0	132,846	0	0	0	132,846	132,846
35,969	0	0	132,846	0	0	0	168,815	168,815
							168,815	(17,247)
	(37,631)						(37,631)	0
	(1,588)						(1,588)	0
							0	0
	(264,743)						(264,743)	0
	112,207						112,207	0
	(2,551)						(2,551)	0
							0	0
	49,286						49,286	0
	(17,319)						(17,319)	0
(14,232)	(90,490)						(104,722)	0
			6,126				6,126	0
	6,555						6,555	0
		41					41	0
					3,237		3,237	0
						44	44	0
	8,771						8,771	0
		574					574	0
							0	0
			32,375				32,375	0
	17,122						17,122	0
	(11,856)						(11,856)	0
							0	0
	1,689						1,689	0
	11,380						11,380	0
							(47)	0
(954)	954						0	0
(15,186)	(218,214)	615	38,501	(47)	3,237	44	(191,050)	0
20,783	(218,214)	615	171,347	(47)	3,237	44	(22,235)	(17,247)
							0	0
							0	0
0	0	0	0	0	0	0	0	0
20,783	(218,214)	615	171,347	(47)	3,237	44	(22,235)	(17,247)
240,386	980,903	(3,505)	(345,441)	244	3,237	(5,403)	870,421	954,180

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

### COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR

	Note/Page No.	Gross £000	2011/12 Income £000	Net £000	Restated 2010/11 Net £000
<b>Gross expenditure, gross income and net expenditure of continuing operations</b>					
	Page 24				
Central Services to the Public		13,457	(3,913)	9,544	8,325
Cultural, Environmental, Regulatory and Planning Services		91,367	(23,807)	67,560	71,650
Education Services		377,883	(306,167)	71,716	28,823
Highways Transport Services		51,094	(19,187)	31,907	27,648
Local Authority Housing (HRA)		297,101	(80,870)	216,231	224,945
Other Housing Services		303,850	(281,939)	21,911	18,815
Social Care		209,705	(67,836)	141,869	134,855
Corporate and Democratic Core		22,646	(17,148)	5,498	4,743
Non-Distributed Costs		0	(2,829)	(2,829)	(52,623)
<b>Net cost of services</b>		<b>1,367,103</b>	<b>(803,696)</b>	<b>563,407</b>	<b>467,181</b>
<b>Other operating expenditure</b>					
Levies payable	9			1,691	2,304
Payments of Housing capital receipts to Government pool				1,018	1,141
(Gain)/loss on disposal of non-current assets				73,511	102,035
(Gain)/loss on revaluation of non-current assets				17,271	(90,965)
<b>Financing and Investment Income and Expenditure</b>					
Interest payable on debt				16,285	13,412
Interest payable on PFI unitary payments				2,789	3,018
Premium on early repayment of debt				187	136
Impairment of financial instruments				0	181
Pensions interest cost	47.1 & 47.2			52,540	59,664
Expected return on pension assets	47.1 & 47.2			(38,618)	(33,309)
Investment interest income				(7,671)	(5,953)
Interest received on finance leases (lessor)				(232)	(272)
Changes in fair value of investment properties				182	2,551
Rental income from investment properties				(552)	(3,009)
Net (surplus)/deficit - trading operations	31			841	278
<b>Taxation and Non-Specific Grant Income</b>					
Recognised capital grants and contributions				(19,504)	(34,746)
Council Tax				(152,793)	(148,762)
National Non-Domestic Rates (NNDR)	56			(94,221)	(103,505)
Revenue Support Grant				(29,124)	(15,030)
Non-service related Government grants	11			(41,213)	(30,288)
<b>(Surplus) or Deficit on Provision of Services</b>				<b>345,794</b>	<b>186,062</b>
<b>(Surplus) or deficit on revaluation of non-current assets</b>					
Revaluation gains				(8,347)	(41,390)
Impairment losses (chargeable to revaluation reserve)				433	0
Revaluation losses (chargeable to revaluation reserve)				1,400	5,421
<b>Actuarial (gains)/losses on pension assets/liabilities - matching the entry to the pensions reserve</b>				<b>92,421</b>	<b>(132,846)</b>
<b>Other Comprehensive Income and Expenditure</b>				<b>85,907</b>	<b>(168,815)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>431,701</b>	<b>17,247</b>



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

### ANALYSIS OF NET COST OF SERVICES

	2011/12	2010/11		
	Gross £000	Income £000	Net £000	Net £000
Corporate and democratic core	22,646	(17,148)	5,498	4,743
<b>Total Corporate and Democratic Core</b>	<b>22,646</b>	<b>(17,148)</b>	<b>5,498</b>	<b>4,743</b>
Local Tax collection	6,124	(2,479)	3,645	4,266
Registration of births, deaths and marriages	483	(571)	(88)	268
Elections	554	(42)	512	1,155
Emergency planning	104	(1)	103	260
Other operating expenditure	3,610	0	3,610	0
Local land charges	900	(820)	80	(150)
General grants, bequests and donations	1,457	0	1,457	2,282
Coroner's service	225	0	225	244
<b>Total Central Services to the Public</b>	<b>13,457</b>	<b>(3,913)</b>	<b>9,544</b>	<b>8,325</b>
Other operating expenditure	0	0	0	42
Culture and related services	24,543	(4,883)	19,660	24,093
Environmental and regulatory services	47,359	(9,680)	37,679	37,700
Planning services	19,465	(9,244)	10,221	9,815
<b>Total Cultural, Environmental and Planning Services</b>	<b>91,367</b>	<b>(23,807)</b>	<b>67,560</b>	<b>71,650</b>
Highways and transport services	51,094	(19,187)	31,907	27,648
<b>Total Highways, Roads and Transport Services</b>	<b>51,094</b>	<b>(19,187)</b>	<b>31,907</b>	<b>27,648</b>
Pre-Primary Education	22,195	(3,155)	19,040	3,991
Primary Education	119,449	(121,316)	(1,867)	(567)
Secondary Education	88,139	(79,390)	8,749	(5,204)
Other school related education functions	94,292	(77,494)	16,798	10,052
Special Education	39,036	(16,306)	22,730	11,671
Adult Education and Community Learning	9,179	(7,456)	1,723	3,591
Other services to Young people	5,593	(1,050)	4,543	5,289
<b>Total Education Services</b>	<b>377,883</b>	<b>(306,167)</b>	<b>71,716</b>	<b>28,823</b>
General Fund housing	303,850	(281,939)	21,911	18,815
Housing Revenue Account	297,101	(80,870)	216,231	224,945
<b>Total Housing Services</b>	<b>600,951</b>	<b>(362,809)</b>	<b>238,142</b>	<b>243,760</b>
Social care	209,705	(67,836)	141,869	134,855
<b>Total Social Care</b>	<b>209,705</b>	<b>(67,836)</b>	<b>141,869</b>	<b>134,855</b>
Non-distributed costs	0	(2,829)	(2,829)	(52,623)
<b>Total Non-Distributed Costs</b>	<b>0</b>	<b>(2,829)</b>	<b>(2,829)</b>	<b>(52,623)</b>
<b>NET COST OF SERVICES</b>	<b>1,367,103</b>	<b>(803,696)</b>	<b>563,407</b>	<b>467,181</b>

## BALANCE SHEET

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

<b>BALANCE SHEET AS AT</b>	<b>Note/Page No.</b>	<b>31 March 2012</b>		<b>Restated 31 March 2011</b>	<b>1 April 2010</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Operational Assets (Property, Plant and Equipment)	12				
Council dwellings		548,187		532,026	663,171
Other land and buildings		755,952		841,311	901,178
Vehicles, plant, furniture and equipment		10,128		13,555	14,910
Infrastructure		90,290		85,671	84,764
Community assets		4,276		3,432	3,042
<b>Total Operational Assets (Property, Plant and Equipment)</b>			<b>1,408,833</b>		
Non-Operational Assets (Property, Plant and Equipment)					
Assets under construction		113,681		79,877	30,591
Surplus assets not held for sale		2,797		0	0
<b>Total Non-Operational Assets (Property, Plant and Equipment)</b>			<b>116,478</b>		
Heritage Assets	13		10,411	10,411	162
Investment property	14				
Investment property			24,527	15,404	17,954
Intangible Assets	15				
Software			2,533	2,894	3,574
Assets under construction			4,963	2,286	0
Long-term Investments					
Non-property investments	16		12,957	11,907	11,056
Investments in Associates and Joint Ventures					
Long-term Debtors	19		104,531	51,199	35,271
<b>Long-term Assets</b>			<b>1,685,233</b>	<b>1,649,973</b>	<b>1,765,673</b>
Short-term Investments					
Non-property investments excluding cash equivalents			128,708	128,848	99,255
Inventories	17		254	425	219
Short-term Debtors					
Debtors and payments in advance	19		146,991	142,409	164,894
Provision for doubtful debts	19		(54,678)	(54,881)	(52,733)
Cash and cash equivalents			22,523	14,338	28,985
<b>Current Assets</b>			<b>243,798</b>	<b>231,139</b>	<b>240,620</b>
Bank overdraft			(39,170)	(23,137)	(39,278)
Short-term borrowing	16		(73,146)	(75,652)	(116,080)
Short-term creditors and receipts in advance	22		(121,995)	(94,538)	(98,506)
Short-term provision	23		(411)	0	0
<b>Current Liabilities</b>			<b>(234,722)</b>	<b>(193,327)</b>	<b>(253,864)</b>
Long-term Creditors					
Provisions	23		(8,937)	(8,398)	(8,135)
Long-term borrowing	16		(696,245)	(347,387)	(230,212)
Deferred capital creditors			(7,281)	(7,511)	(7,065)
Other non-current liabilities					
Net pensions liability	47.2		(440,767)	(345,441)	(516,788)
Capital grants receipts in advance	11		(18,600)	(24,868)	(18,802)
<b>Long-term Liabilities</b>			<b>(1,171,830)</b>	<b>(733,605)</b>	<b>(781,002)</b>
<b>Net Assets</b>			<b>522,479</b>	<b>954,180</b>	<b>971,427</b>
<b>Usable reserves</b>					
General Fund	24.3	11,597		11,597	11,597
Housing Revenue Account	101	7,182		6,137	4,481
Earmarked reserves	8	61,647		58,339	52,914
Capital receipts reserve	24.1	1,352		132	9,128
Capital grants unapplied		3,625		7,554	651
Major repairs reserve	24.2				
			<b>85,403</b>	<b>83,759</b>	<b>78,771</b>
<b>Unusable reserves</b>					
Revaluation reserve	25.1	229,004		240,386	219,603
Capital adjustment account	25.2	650,299		980,903	1,199,117
Financial Instruments adjustment account	25.3	(3,030)		(3,505)	(4,120)
Pensions reserve	25.4	(440,767)		(345,441)	(516,788)
Deferred capital receipts	25.5	184		244	291
Collection Fund adjustment account	25.6	6,192		3,237	0
Short-term accumulating compensated absences account	25.7	(4,806)		(5,403)	(5,447)
			<b>437,076</b>	<b>870,421</b>	<b>892,656</b>
<b>Total Reserves</b>			<b>522,479</b>	<b>954,180</b>	<b>971,427</b>

## CASH FLOW STATEMENT

	Note No.	2011/12 £000		Restated 2010/11 £000
<b>OPERATING ACTIVITIES</b>				
Net (surplus) or deficit on the provision of services		345,794		186,062
Adjustment for movement in Non-Cash Items	26	(176,414)		(268,691)
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities		3,003		2,975
Interest Paid	26	14,256		11,925
Interest Received	26	(2,028)		(3,654)
Dividends Received	26	0		(375)
<b>Net cash (inflow)/outflow from operating activities</b>			184,611	(71,758)
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment, investment property and intangible assets		119,156		127,073
Purchase of short-term and long-term investments		23,000		37,640
Other payments for investing activities		48,976		16,185
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(3,003)		(2,975)
Capital grants		(51,022)		(43,872)
Proceeds from short-term and long-term investments		(23,000)		(6,986)
Other receipts from investing activities		0		(17,110)
<b>Net cash (inflow)/outflow from investing activities</b>	27		114,107	109,955
<b>FINANCING ACTIVITIES</b>				
Cash receipts from short-term and long-term borrowing		(317,126)		(110,000)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts (Principal)		2,256		7,709
Repayments of short-term and long-term borrowing		24,000		62,600
<b>Net cash (inflow)/outflow from financing activities</b>	28		(290,870)	(39,691)
<b>Net (increase)/decrease in cash and cash equivalents</b>			7,848	(1,494)
Cash and cash equivalents at the beginning of the reporting period			8,799	10,293
<b>Cash and cash equivalents at the end of the reporting period</b>			16,647	8,799
Cash held	20		108	112
Bank current accounts	20		(31,571)	(11,912)
Short-term deposits with building societies and Money Market Funds	20		14,816	3,001
<b>Cash and cash equivalents as at 31 March 2012</b>			(16,647)	(8,799)

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

The financial statements have been prepared in accordance with the 2011/12 Code of Practice on Local Authority Accounting in the United Kingdom (the 2011/12 Code), and the Best Value Accounting Code of Practice (BVACOP), both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The 2011/12 Code includes the statutory provisions for the preparation of financial statements and the requirements of existing IFRS pronouncements, except to the extent that they conflict with statute. Additional guidance within the 2011/12 Code is drawn from International Public Sector Accounting Standards (IPSAS), similarly, except to the extent that they conflict with statute.

**Group Accounts - Recognition of Group Entities and Basis of Consolidation**

Group Accounts are the financial statements of a group, plus the investments in associates and interests in joint ventures (jointly controlled entities), presented as a single economic entity.

Subsidiary undertakings have been accounted for in accordance with the implementation of IAS27 (International Accounting Standard 27) in the 2011/12 Code. The 2011/12 Code requires consolidation of subsidiaries. Consolidation is a method of accounting whereby an entity combines the financial statements of the parent and its subsidiaries line by line by adding together like items of assets, liabilities, reserves, income and expenses. In order that the consolidated financial statements present financial information about the group as that of a single economic entity, the following steps are then taken:

- ▶ the carrying amount of the parent's investment in each subsidiary and the parent's portion of reserves of each subsidiary are eliminated;
- ▶ any non controlling interest is identified and separately disclosed;
- ▶ intragroup balances and transactions, including income, expenses and dividends, are eliminated in full.

Joint ventures are accounted for in accordance with the implementation of IAS31 in the 2011/12 Code. The 2011/12 Code requires use of the "equity method" of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post acquisition change in the investor's share of the net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

**Events after the Reporting Period**

Where an event occurs, either favourable or unfavourable, after the reporting period but before the date the financial statements are authorised that is indicative of conditions that arose after the reporting date, then the financial statements will not be adjusted (a non-adjusting event). Material non-adjusting events will be disclosed in the notes to the financial statements.

**The Statements Prepared**

The Comprehensive Income and Expenditure (CI&E) Statement presents the results of the Council's activities measured under the rules set out in the 2011/12 Code. Different rules are applied to measure the results for the purpose of setting Council Tax. The accumulated amount of the differences are set out in the Movement in Reserves Statement (MIRS) and explained in the notes to the financial statements.

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by reserves held by the Authority.

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

**1. ACCOUNTING POLICIES (continued)****1.1. BASIS OF PREPARATION - SINGLE ENTITY AND GROUP ACCOUNTS (continued)****The Selection of Accounting Policies**

In those instances where the 2011/12 Code permits a choice of accounting policy the selection has been made to facilitate a true and fair presentation of the Authority's results.

An effect of the transition to the IFRS based Code has been a revision in accounting policies to those required under existing IFRS pronouncements, except to the extent that they conflict with statute.

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

**1.2. UNDERLYING ACCOUNTING ASSUMPTIONS**

The Accounts have been prepared based on the following underlying assumptions:

**Accruals**

The Authority has prepared its financial statements, except for the Statement of Cash Flow, using the accruals basis of accounting, i.e. the Authority recognises items as assets, liabilities, income and expenses when they satisfy the definitions and recognition criteria for those elements in the 2011/12 Code. The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

**Going Concern**

The Authority's financial statements have been prepared on a going concern basis; that is, the accounts have been prepared on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. Transfers of services under machinery of Government changes, such as Local Government reorganisation, do not negate the presumption of going concern.

**1.3. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS****Accounting Policies**

Changes in accounting policies are only made when required by:

- ▶ an amendment to the IFRS Code; or
- ▶ it is a statutory requirement; or
- ▶ the change provides more reliable information about the effect of transactions, other events and conditions relevant to the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

**Accounting Estimates**

Changes in accounting estimates are accounted for prospectively.

**Material Errors**

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

**1.4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Areas where critical estimates or judgements are applied are as follows:

- ▶ Property, Plant and Equipment and Depreciation
- ▶ Leases
- ▶ Service Concessions
- ▶ Provisions and Contingent Liabilities
- ▶ Pensions Liabilities.

**1. ACCOUNTING POLICIES (continued)****1.5. POLICIES RELATING TO TWO, OR MORE, ELEMENTS OF THE FINANCIAL STATEMENTS****1.5.1. VAT**

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

**1.5.2. FOREIGN CURRENCY TRANSLATION**

Transactions which are denominated in a foreign currency are translated to sterling at the exchange rate ruling on the date of each transaction.

**1.5.3. BUSINESS IMPROVEMENT DISTRICT (BID) SCHEMES**

BID schemes are projects for the benefit of a particular area that are financed by a BID levy paid by the non-domestic rate payers. The Authority acts as an agent to the scheme with only the following amounts included in the Comprehensive Income and Expenditure (CI&E) Statement:

- ▶ the contribution made by the Authority to the BID project (i.e. grant-in-aid), which is disclosed as service expenditure under the relevant service in the CI&E Statement;
- ▶ BID levy collection costs and associated (reimbursement) income, which are disclosed in Net Cost of Services under the relevant service in the CI&E Statement; and
- ▶ income from services supplied by the Authority to the BID scheme on a paid basis, are accounted for as a trading activity as part of Net Operating Costs in the CI&E Statement.

**1.5.4. LANDFILL ALLOWANCES TRADING SCHEME (LATS)**

The Landfill Allowances Trading Scheme gives rise to:

- ▶ an asset for allowances held;
- ▶ LATS grant income; and
- ▶ a liability for actual Biodegradable Municipal Waste (BMW) landfill usage.

LATS allowances held, however acquired, are upon recognition measured at fair value, and reported as assets within the classification of current assets. At the reporting date LATS allowances are remeasured at the lower of cost or net realisable value.

Landfill allowances are issued free by DEFRA. The fair value of the allowances issued to the Authority are accounted for as Government grant.

As landfill is used, a liability is recognised for actual BMW landfill usage. This is a liability that falls within the scope of Provisions, Contingent Liabilities and Contingent Assets. The liability is measured at the present market price, at the reporting date, of the number of allowances required to cover actual BMW landfill usage for the year.

LATS permits can also be traded between Waste Disposal Authorities. This will be at a price agreed between the two parties, and the average price traded throughout the year for all Waste Disposal Authorities is the recommended CIPFA method of valuing the LATS permits issued and used.

**1.5.5. OPERATING SEGMENTS**

Segmental information is provided to enable users of the financial statements to evaluate the nature and financial effects of the activities in which the Authority engages and the environments in which it operates. This is achieved by providing financial performance data according to how the Authority has been managed, with information corresponding to that used by management in making decisions. A reconciliation is provided between the financial information reported to management and the financial results in the Comprehensive Income and Expenditure Statement.

**1.5.6. MINIMUM REVENUE PROVISION**

The Minimum Revenue Provision (MRP) is a charge to the General Fund, which reflects the setting aside of revenue funds to repay debts incurred in the financing of the Council's fixed assets. The recognition of the fixed assets in the Comprehensive Income and Expenditure Statement is in the form of a Depreciation Charge under accounting regulations, but the MRP replaces this charge in the General Fund as the Council is required under statute to ensure a certain level of funding of its debts is provided for. This movement between reserves is analysed in the relevant note to these accounts.

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

Regulatory Method, which is used for inherited debt and is a uniform rate of 4% of the Council's Capital Financing Requirement.  
Asset Life Method, where the MRP is recognised over the useful economic life of the funded asset.  
Depreciation Method, where the MRP is in line with the accounting rules for depreciation of the funded asset.

**1. ACCOUNTING POLICIES (continued)**

**1.6. NON-CURRENT ASSETS**

**1.6.1. Property, Plant and Equipment**

Property, plant and equipment are assets that have physical substance and are held by the Authority in the provision of services or for administrative purposes on a continuing basis.

Assets in this category include:

- ▶ **Council Dwellings** - this includes housing units, garages and parking spaces used by HRA resident lease holders but excludes non-residential items such as car park spaces used by non-HRA resident lease holders, shops, sheltered housing, and related fixed equipment, furniture and plant which should be accounted for under the relevant non-dwelling heading if material.
- ▶ **Assets Under Construction** - these are assets that have not yet been completed.
- ▶ **Other Land and Buildings** - this includes all land and buildings accounted for, other than Council Dwellings.
- ▶ **Vehicles Plant, Furniture and Equipment** - includes all items that are not a fixture or fitting to a building.
- ▶ **Infrastructure Assets** - includes facilities required to enable other developments to take place (eg roads and street lighting).
- ▶ **Community Assets** - are assets the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal (e.g. parks and historic buildings not used in the direct provision of services).

**Recognition**

All expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis. Expenditure on the acquisition of an item of property, plant and equipment which adds to, and not merely maintains, the value of an existing asset, is capitalised.

Schemes which cost less than £10,000 are considered de minimis and are not recognised as capital expenditure.

**Measurement**

Property, plant and equipment upon recognition are measured at cost, which comprises:

- ▶ purchase price;
- ▶ any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- ▶ the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

**Measurement after recognition**

Infrastructure assets, community assets, and assets under construction (excluding investment property under construction) are measured at historical cost.

All other classes of asset are measured at fair value.

If there is no market-based evidence of fair value because of the specialist nature of the asset, Depreciated Replacement Cost (DRC) is used as an approximation of fair value.

The fair value of Council houses is their Existing Use Value multiplied by the Social Housing Factor (EUV-SH).

Property, plant and equipment included in the Balance Sheet at fair value, and subject to depreciation, are formally revalued on a five year rolling programme and the revised amount included in the Balance Sheet.

Property, plant and equipment included in the Balance Sheet at fair value, and not subject to depreciation, are formally reviewed at the end of each financial year for evidence of revaluation loss or impairment.

Council dwellings are revalued annually using the "beacon" method, at the beginning of the financial year and reviewed at the end of the financial year using the Land Registry Index. If values have changed by more than £10m and 10% an adjustment is made.



**1. ACCOUNTING POLICIES (continued)****1.6. NON-CURRENT ASSETS (continued)****1.6.1. Property, Plant and Equipment (continued)****Revaluation**

A revaluation gain is first used to reverse a previous revaluation decrease recognised in the CI&E Statement on the same asset; any further gain above that required to eliminate the previously recognised decrease is credited to the Revaluation Reserve.

A revaluation decrease which represents a significant decline in an asset's carrying amount during the period that is not specific to the asset, as opposed to an impairment which is, is recognised in the Revaluation Reserve to the extent of any balance existing for that asset and thereafter in the CI&E Statement.

Revaluation losses and the reversal of revaluation losses are not proper charges to the General Fund. Such amounts are transferred to the Capital Adjustment Account through the Movement in Reserves Statement.

**Impairment**

An impairment occurs when the carrying value of an asset in the Balance Sheet exceeds its recoverable amount. The recoverable amount of an asset is the higher of:

- ▶ the fair value less costs to sell; and
- ▶ the value in use - the present value of the asset's remaining service potential.

An impairment loss is first recognised in the Revaluation Reserve to the extent of any balance existing for that asset and thereafter in the CI&E Statement. An impairment loss recognised in the CI&E Statement is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss. Impairment losses recognised in the Revaluation Reserve are not reversed.

Impairment losses and the reversal of impairment losses are not proper charges to the General Fund. Such amounts are transferred to the Capital Adjustment Account through the Movement in Reserves Statement.

**Disposals**

Where an item of property, plant and equipment is disposed of, the gain or loss is credited or debited to the Comprehensive Income and Expenditure Statement.

Under statute, gains and losses from the sale of assets (or revaluation gains or losses) cannot be used to lower Council Tax. Proceeds from disposals 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. The balance of receipts is credited to the Usable Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow.

An adjustment is made in the Movement in Reserves Statement for the differences between surpluses that can be recognised in the Comprehensive Income and Expenditure Statement and the amounts that can be taken into account as a consequence of statute.

**Depreciation**

Land is not depreciated.

Operational buildings used within the Authority's operations are depreciated over their useful economic life. Operational buildings are all buildings, other than those accounted for in the Housing Revenue Account, including residential units, and equipment, furniture and plant fixed to those buildings.

Depreciation, that equates to the Major Repairs Allowance as specified by Communities and Local Government, is charged on Council dwellings. Council dwellings includes housing units, but excludes non-residential items such as car parking spaces and shops that are accounted for in the Housing Revenue Account (HRA). Sheltered housing and related fixed equipment, and any furniture and plant used within the HRA is accounted for under the relevant non-dwelling headings if material.

Vehicle, plant, furniture and equipment are depreciated over their useful life which is determined at the time of purchase. These assets include all such items that are not a fixture or fitting to a building.

Infrastructure assets are depreciated over their useful life and include roads and street lighting. Due to some expenditure on infrastructure assets prior to 2009/10 not separately identifying specific assets within the infrastructure, the Council has decided to depreciate the balance of these items over 10 years.



**1. ACCOUNTING POLICIES (continued)****1.6. NON-CURRENT ASSETS (continued)****1.6.1. Property, Plant and Equipment (continued)**

Depreciation is charged on community assets that are held at historic cost. Community assets are those assets that the Council intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal. Examples of assets that fall into this category include parks and historic buildings not used in the direct provision of the Council's services.

Assets under construction are assets that are still being developed and are not complete. Depreciation is not charged on such assets until they are complete and brought into use.

**Componentisation**

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

The Authority's policy is to recognise three components. These are:

- ▶ Structure
- ▶ Mechanical and electrical
- ▶ Outside space.

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

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

**1.6.2. Investment Property**

The Authority's investment properties are those that the Authority holds to earn rentals or for capital appreciation or both rather than for use in service delivery.

The Authority's investment properties are measured at cost on initial recognition and subsequently measured at their fair value on an annual basis. Gains and losses arising on revaluation are recognised in the Comprehensive Income and Expenditure Statement in the period in which they arise and are disclosed separately. Depreciation is not charged on investment properties.

**1.6.3. Finance Leases**

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

When the Authority is the lessee of an asset and assumes substantially all the risks and rewards of ownership, the asset is included within non-current assets, and depreciated if appropriate, in exactly the same way as a purchased asset. The leasing commitment is disclosed as a long-term liability, 'Obligations Under Finance Leases', and the rent payable is split between repayment of the principal sum and the finance charge.

When the Authority is the lessor of an asset and transfers to the counterparty substantially all the risks and rewards of ownership, that asset is written out of the Balance Sheet and replaced by a long-term debtor at an amount equal to the net investment in the lease. The rent received is split between repayment of the principal sum and the finance income.

**Leases of Land****Lessor Leases:**

The treatment adopted in the London Borough of Croydon accounts for all long-term leases of land, in accordance with the amendment to IAS17, is to account for them as finance leases. As a consequence, any lease premium received will continue to be regarded as a capital receipt and, in the absence of any rental, it will not be necessary to set up a long-term debtor.

**Lessee Leases:**

The treatment adopted in the London Borough of Croydon accounts for all long-term leases of land, in accordance with the amendment to IAS17, is to account for them as finance leases. As a consequence, any lease premium paid will continue to be regarded as a capital payment and, in the absence of any rental, it will not be necessary to set up a long-term creditor.

**1. ACCOUNTING POLICIES (continued)**

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

**1.6.4. Operating Leases**

All leases other than finance leases are operating leases. Rental received / paid is credited / debited to the Comprehensive Income and Expenditure Statement on a straight line basis over the duration of the lease, irrespective of whether it is received or paid that way, unless in a specific instance a different allocation better represents the economic reality of the circumstances.

**Lease Premia:**

In those instances where a premium is paid / received for granting an operating lease of a significant duration, unless the sum paid is material to the consideration of the accounts, it will be treated as a capital payment / capital receipt in the year the lease is granted. This will eliminate the onerous requirement for successive annual transfers to the Comprehensive Income and Expenditure Statement of equal instalments of the lease premia for many years into the future.

**1.6.5. Private Finance Initiative (PFI) Contracts**

PFI contracts typically involve a private sector entity (the operator) constructing or enhancing an asset used in the provision of a public service, and operating and maintaining that asset for a specified period of time in return for payments made by the Council (the grantor).

The Council accounts for its PFI contracts in accordance with the requirements of IFRIC 12 as interpreted in the HM Treasury issued Financial Reporting Manual (FReM). The Council as the grantor recognises a PFI asset on its Balance Sheet if:

- ▶ the asset meets the FReM's definition of infrastructure asset;
- ▶ the Council controls what services the operator must provide with the asset, to whom and at what price;
- ▶ the Council controls any significant residual interest in the asset at the end of the arrangement's term.

Subsequently, the annual unitary payment paid by the Authority to the operator is accounted for in the financial statements of the Authority as a mixture of debt service (interest and principal) and current expenditure on services, that are delivered by the operator in addition to the underlying asset. Further, the Council records depreciation and makes a Minimum Repayment Provision in a way consistent with similarly financed non-current assets.

**1.6.6. Intangible Assets**

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

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

The Authority's intangible assets are its purchased software licences. These are measured on initial recognition at cost and subsequently at cost less accumulated amortisation and any impairment loss. Intangible assets are amortised on a straight-line basis over their useful economic lives. The useful economic lives of intangible assets are reviewed at the end of each reporting period and revised if necessary.

**1.6.7. Non-Current Assets Held for Sale**

The Authority's non-current assets held for sale are those assets declared surplus to requirements whose carrying value will be recovered principally through sale rather than through continuing use. The assets are:

- ▶ available-for-sale in their present condition;
- ▶ are being actively marketed; and
- ▶ their sale is highly probable within the next twelve months.

Non-current assets held for sale by the Council are measured at the lower of their carrying amount or their fair value less costs to sell. Depreciation is not charged on assets classified as held for sale.

**1.6.8. Non Operational Assets**

The Authority's non-operational assets are:

- ▶ surplus assets; and
- ▶ assets under construction

Surplus assets are those assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale.

Surplus assets are measured at the existing use value of the asset in its last operational use, and assets under construction are measured at historical cost.

### 1. ACCOUNTING POLICIES (continued)

#### 1.6. NON-CURRENT ASSETS (continued)

##### 1.6.9. Financial Instruments

The Authority's financial assets are classified into the following categories:

- ▶ fair value through profit or loss
- ▶ loans and debtors
- ▶ available-for-sale.

Fair value through profit or loss financial assets include derivative instruments that have not been designated as effective hedging instruments with any change in the fair value recognised in the surplus or deficit on the provision of services.

Loans and debtors are those financial assets that have fixed or determinable payments and that are not quoted in an active market. Loans and debtors are measured at amortised cost using the 'effective interest rate'. 'Amortised cost' is the amount at which a financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between the initial amount and the maturity amount less any reduction for impairment.

The Authority's available-for-sale financial assets are measured at fair value, with fair value gains and losses recognised in Other Comprehensive Income and Expenditure and taken to the Available-for-Sale Reserve. When the Authority derecognises an available-for-sale financial asset, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Available-for-Sale Reserve and recognised in the surplus or deficit on the provision of services.

#### 1.7. CURRENT ASSETS

##### 1.7.1. Inventories

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

- ▶ the lower of cost and net realisable value, except where inventories are acquired through a non-exchange transaction in which case their cost is deemed to be their fair value at the date of acquisition; or
- ▶ the lower of cost and current replacement cost where they are held for distribution at no charge or for a nominal charge, or consumption in the production process of goods to be distributed at no charge or for a nominal charge.

##### 1.7.2. Cash and Cash Equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 30 days or less, that had a short maturity when acquired, are convertible to known amounts of cash with insignificant risk of change in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

##### 1.7.3. Debtors

Debtors are recognised when the ordered goods have been delivered or the services rendered, and are measured at the fair value of the consideration to be received.

#### 1.8. FINANCIAL INSTRUMENTS

The Authority's financial liabilities are classified into the following categories:

- ▶ fair value through profit or loss
- ▶ amortised cost.

Fair value through profit or loss financial liabilities include derivative instruments that have not been designated as effective hedging instruments with any change in the fair value recognised in the surplus or deficit on the provision of services.

Financial liabilities at amortised cost constitute the residual category. All liabilities other than liabilities held for trading are classified automatically into this category.

#### 1.9. CURRENT LIABILITIES

##### 1.9.1. Creditors

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

**1. ACCOUNTING POLICIES (continued)****1.9. CURRENT LIABILITIES (continued)****1.9.2. Provisions, Contingent Liabilities and Contingent Assets****Provisions**

A provision is a liability of uncertain timing or amount. Provisions are recognised in the Authority's accounts when:

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

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

**Contingent Liabilities**

A contingent liability is:

- ▶ a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority;
- ▶ a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- ▶ the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised within the financial statements, but are disclosed in the notes to the accounts.

**Contingent Assets**

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised within the financial statements, but are disclosed in the notes to the accounts.

**1.10. USABLE AND UNUSABLE RESERVES**

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

**Usable Reserves**

These are reserves created by the Authority and earmarked for future policy purposes or to provide for contingencies. The reserves are created and employed by transfers through the Movement in Reserves Statement.

**Unusable Reserves**

These are established by the impact of accounting and statutory arrangements and are kept to manage the accounting process; they do not represent usable resources for the Authority.

**1.11. REVENUE RECOGNITION**

Revenue is measured at the fair value of the consideration received or receivable. Consideration is in the form of cash and cash equivalents. The amount of revenue is the amount of cash and cash equivalents received.

**1.12. GOVERNMENT GRANTS, CONTRIBUTIONS AND DONATED ASSETS**

Government grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis, and recognised in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition(s) that the Authority has not satisfied.

Where a capital grant or contribution has been received by the Authority, and conditions remain outstanding at the Authority's Balance Sheet date, the grant or contribution is recognised as part of the Capital Grants Receipts in Advance.

**1. ACCOUNTING POLICIES (continued)****1.12. GOVERNMENT GRANTS, CONTRIBUTIONS AND DONATED ASSETS (continued)****Core Grants**

In 2011/12 the Government introduced new regulations for funding outside of the Formula Grant. The new regulations end the 'ring fencing' of particular grants, fulfilling the Government's intention to give Local Authorities greater discretion over their expenditure.

Area Based Grants and Specific Grants were either:

- ▶ assimilated within the Formula Grant or the Dedicated Schools Grant;
- ▶ discontinued; or
- ▶ replaced by new grants, including Core Grants.

**Donated Assets**

Where a donated asset is transferred to the Council for nil consideration it is recognised immediately at its fair value as an asset on the Authority's Balance Sheet. The asset is recognised in the Comprehensive Income and Expenditure Statement as income except to the extent that the transfer has a condition(s) that the Authority is yet to satisfy. In this case the asset is credited to the Donated Assets Account and is recognised in the Comprehensive Income and Expenditure Statement once the condition(s) has been satisfied.

**1.13. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

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

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

Expenditure of this kind is charged to the Comprehensive Income and Expenditure Statement in accordance with the general requirements of the 2011/12 Code. Any statutory provision that allows capital resources to meet the expenditure is accounted for by charging it to the Capital Adjustment Account and crediting the General Fund Balance and showing it as a reconciling item in the Movement in Reserves Statement.

**1.14. BORROWING COSTS**

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

**1.15. OVERHEADS**

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

Expenditure on the Corporate and Democratic Core and costs which by their nature are not distributable (Non-Distributed Costs) are recognised separately in the accounts.

**1.16. EMPLOYEE BENEFITS****Benefits Payable During Employment**

Salaries, wages and employment related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

**Termination Benefits**

Termination benefits are employee benefits payable as a result of either:

- ▶ the Authority's decision to terminate an employee's employment before the normal retirement date; or
- ▶ an employee's decision to accept voluntary redundancy in exchange for those benefits.

**1. ACCOUNTING POLICIES (continued)**

**1.16. EMPLOYEE BENEFITS (continued)**

Termination benefits do not provide the Authority with future economic benefits and are recognised in the Comprehensive Income and Expenditure Statement immediately the liability arises; this occurs when, and only when, the Authority is demonstrably committed to either:

- ▶ terminate the employment of an employee or group of employees before the normal retirement date; or
- ▶ provide termination benefits under voluntary termination of employment.

**Pensions**

The pension related entries that appear in the Authority's financial statements relate to the Authority's financial obligations as an employing Authority within the Local Government Pension Scheme (LGPS). The Authority has employees who are members of the LGPS and teachers who are members of the Teachers Pension Scheme. Different accounting policies are adopted in respect of these schemes based on the application of the 2011/12 Code.

The LGPS is a defined benefit scheme and is recognised in the Balance Sheet, Comprehensive Income and Expenditure Statement and Movement in Reserves Statement.

The Balance Sheet recognises the full liability that the Authority has for meeting the future cost of retirement benefits that will arise from years of service earned by employees up to the Balance Sheet date; net of the asset values generated from the investment of members contributions paid into the Fund. The measurement rules applied to assets and liabilities are:

- ▶ the scheme's assets are measured at fair value;
- ▶ the scheme's liabilities are measured using the projected unit credit method;
- ▶ the liabilities are discounted using the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities i.e. GB pounds sterling;

The Comprehensive Income and Expenditure Statement recognises the cost of retirement benefits as they are earned by employees, rather than when the benefits are paid, therefore the following amounts are charged or credited to the Comprehensive Income and Expenditure Statement:

- ▶ 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 earlier years' service 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 (Surplus) or Deficit on Provision of Services;
- ▶ 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 (Surplus) or Deficit on Provision of Services;
- ▶ gains and losses on settlements and curtailments: the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to Net Cost of Services as part of Non-Distributed Costs;
- ▶ actuarial gains and losses 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 Other Comprehensive Income;
- ▶ contributions paid to the Authority's Pension Fund: cash paid as employers' contributions to the Pension Fund.

The Movement in Reserves Statement removes the charges and credits listed below, which form part of the Pension Fund liability, because statutory provision prohibits them from being chargeable to Council Tax.

- ▶ current service cost;
- ▶ past service cost;
- ▶ interest on pension liabilities;
- ▶ expected return on fund assets;
- ▶ curtailments and settlements.

The actuaries undertake a full valuation of the Fund at intervals not exceeding three years, and update the valuation at each Balance Sheet date.

For detailed information of the LGPS, a separate set of Pension Fund accounts are prepared by the Authority in discharging its function as a Pensions Administering Authority.

The Teachers' Pension Scheme is a defined benefit scheme. However, the arrangements for this scheme mean that liabilities for the benefits cannot be identified by the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme.

**1. ACCOUNTING POLICIES (continued)**

**1.17. HERITAGE ASSETS**

A Heritage Asset is defined as either:

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

The Authority presents Heritage Assets as a separate line item within the Balance Sheet. Wherever possible the assets are carried at a valuation; in those instances where this is not possible they are carried at cost.

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

Asset valuations are not undertaken at regular intervals but with sufficient frequency to report realistic values in the Balance Sheet.

Assets values are reviewed immediately if there is any evidence of impairment. Impairment can arise due to physical deterioration or doubts about an asset's authenticity.

**2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED**

Amendments to IFRS7 Financial Instruments:

The adoption of amendments to IFRS 7 Financial Instruments: Disclosures (issued October 2010) will result in a change in accounting policy that requires disclosure. The amendments are intended to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including the possible effects of any risks that may remain with the entity that transferred the assets. The effective date of the standard was 1 July 2011 but we are not required by the CIPFA Code of Practice to implement this amended disclosure requirement until 1 April 2012. Following a review of the Authority's financial assets and liabilities at 31 March 2012, it is considered unlikely that the IFRS 7 accounting standard will have a material impact on the financial statements of the Council.



**3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in pages 27 to 38, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are as follows:

The provision of funding for Local Government by Central Government will reduce in future years. The extent of the reduction is uncertain, being dependent upon economic progress and the consequent extent of the austerity measures that will be implemented by Central Government. The Authority has determined that the known level of funding reductions is not sufficient to necessitate impairment testing of assets because of a need to reduce levels of service provision.

The Council has four PFI contracts which are assessed under International Financial Reporting Interpretations Committee (IFRIC) 12, details of which can be found in Note 43.

The Authority has reviewed all leases as required under the adoption of IFRS, details of which can be found in Note 42.

The Authority has reviewed all schools and removed schools that acquired academy status by transferring ownership to private organisations, details of which can be found in Note 5.

**4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY****Pension Fund Net Liability**

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

Liabilities are discounted to their present value, using a discount rate of 4.8% (based on the indicative rate of return on high quality corporate bonds).

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

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

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

**Property, Plant and Equipment**

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

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

**5. MATERIAL ITEMS OF INCOME AND EXPENSE AND PRIOR PERIOD ADJUSTMENTS****Material Items of Income and Expense**

Material items of income and expense during the year are highlighted to help the reader understand movements in the Consolidated Income and Expenditure Statement.

**Settlement payments determination for Housing Revenue Account**

At the end of March 2012 Croydon's HRA borrowed £223m from the Public Works Loan Board. This was paid to the Government as Croydon's share of the Self-Financing settlement which involved the redistribution of national housing debt in return for the end of the Housing Subsidy system. Prior to the settlement Croydon was a net contributor to the subsidy system. This transaction has added a significant liability to accounts. The liability will be funded through future cash receipts from Council house rents and has been reversed out of the Comprehensive Income and Expenditure Statement through the Movement in Reserves Statement. This resulted in a deficit in the Consolidated Income and Expenditure Statement of £223m.

**Schools converting to academies**

During 2011/12 various schools transferred from London Borough of Croydon ownership to academies owned by private organisations. These schools were transferred as finance leases and as a result their net book value of £76m has been removed from property, plant and equipment. This has resulted in a deficit of £76m in the Consolidated Income and Expenditure Statement.

**Prior period adjustments**

The Council made a number of prior period adjustments (PPAs) during 2011/12 for material items relating to the previous period. The 2010/11 statements have been restated in these accounts for the PPAs below. Note 58 to the accounts shows the restatement of the 1 April 2010 Balance Sheet. Note 59 shows the restatement of the 1 April 2011 Balance Sheet. Note 60 shows the movement on the Comprehensive Income and Expenditure Statement as a result of these PPAs.

**Heritage Assets**

The adoption of Financial Reporting Standard 30 (FRS30) requires the recognition of Heritage Assets onto the Council's Balance Sheet. As the value at the Balance Sheet date of 31 March 2011 was £10.4m it was viewed as material and a prior period adjustment was made.

**Foundation Schools**

The accounting treatment of Foundation Schools and Voluntary Aided Schools was also reviewed in 2011/12. As a result, it was determined that the risks and rewards of running these schools was held by the private organisations owning the schools, rather than by the London Borough of Croydon. Due to this, their net book value of £91m has been removed as a prior period adjustment from property, plant and equipment.

**Assets under construction**

A review of the accounting treatment of the work completed on Bernard Weatherill House indicated that the Council should include the work completed to date as an asset on its Balance Sheet. The value of this work at 31 March 2011 was £37m. The 2010/11 statements were restated as a prior period adjustment as the amount was material.

**6. EVENTS AFTER THE BALANCE SHEET DATE**

The Statement of Accounts was authorised for issue by the Deputy Chief Executive and Executive Director of Corporate Resources and Customer Services on 27 June 2012. Events taking place after this date are not reflected in the financial statements or notes. There have not been any events taking place before this date that have required any material adjustment to the information included within the Statement of Accounts.

Events taking place after this date are not reflected in the financial statements or notes.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2011/12

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Major Repairs Reserve £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	31,639	452	0	0	(452)	(31,639)
Revaluation losses on Property, Plant and Equipment	19,284	(2,011)	0	0	0	(17,273)
Movements in the market value of Investment Properties	178	4	0	0	0	(182)
Amortisation of intangible assets	1,878	7	0	0	0	(1,885)
Capital grants and contributions applied	(56,773)	(1,924)	0	(364)	0	59,061
Revenue expenditure funded from capital under statute	70,834	3,431	0	0	0	(74,265)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	73,583	(2,870)	5,800	0	0	(76,513)
HRA Self Financing settlement	0	223,126	0	0	0	(223,126)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	(8,905)	0	0	0	0	8,905
Capital expenditure charged against the General Fund and HRA balances	(3,990)	(1,300)	0	0	0	5,290
	127,728	218,915	5,800	(364)	(452)	(351,627)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	(3,565)	0	3,565
	0	0	0	(3,565)	0	3,565
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,219	1,578	(2,797)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(825)	0	0	825
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0	1,018	(1,018)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	60	0	0	(60)
Lessor leases - Regulation 4 Mitigation	2,385	0	0	0	0	(2,385)
	3,604	2,596	(4,580)	0	0	(1,620)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Major Repairs Allowance credited to the HRA	0	12,494	0	0	0	(12,494)
Reversal of Major Repairs Allowance credited to the HRA	0	(12,494)	0	0	12,494	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	0	(12,042)	12,042
	0	0	0	0	452	(452)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(86)	(389)	0	0	0	475
	(86)	(389)	0	0	0	475
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	10,111	982	0	0	0	(11,093)
Employer's pensions contributions and direct payments to pensioners payable in the year	(7,463)	(725)	0	0	0	8,188
	2,648	257	0	0	0	(2,905)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(2,955)	0	0	0	0	2,955
	(2,955)	0	0	0	0	2,955
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(568)	(29)	0	0	0	597
	(568)	(29)	0	0	0	597
<b>Total Adjustments</b>	<b>130,371</b>	<b>221,350</b>	<b>1,220</b>	<b>(3,929)</b>	<b>0</b>	<b>(349,012)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (continued)

2010/11	Restated General Fund Balance £000	Restated Housing Revenue Account £000	Restated Capital Receipts Reserve £000	Restated Capital Grants Unapplied £000	Restated Major Repairs Reserve £000	Restated Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	37,631	243,977	0	0	(476)	(281,132)
Revaluation losses on Property, Plant and Equipment	21,028	(111,993)	0	0	0	90,965
Movements in the market value of Investment Properties	2,551	0	0	0	0	(2,551)
Amortisation of intangible assets	1,585	3	0	0	0	(1,588)
Capital grants and contributions applied	(47,836)	(8,353)	0	6,903	0	49,286
Revenue expenditure funded from capital under statute	17,032	287	0	0	0	(17,319)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	103,688	(3,878)	4,912	0	0	(104,722)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	(8,771)	0	0	0	0	8,771
Capital expenditure charged against the General Fund and HRA balances	(17,122)	0	0	0	0	17,122
	109,786	120,043	4,912	6,903	(476)	(241,168)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	0
	0	0	0	0	0	0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	118	2,119	(2,237)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(1,689)	0	0	1,689
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(4)	(8)	12	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0	1,141	(1,141)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	47	0	0	(47)
Lessor leases - Regulation 4 Mitigation	2,345	0	(8,900)	0	0	6,555
	2,459	3,252	(13,908)	0	0	8,197
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Major Repairs Allowance credited to the HRA	0	11,856	0	0	0	(11,856)
Reversal of Major Repairs Allowance credited to the HRA	0	(11,856)	0	0	11,856	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	0	(11,380)	11,380
	0	0	0	0	476	(476)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(127)	(488)	0	0	0	615
	(127)	(488)	0	0	0	615
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	(5,622)	(504)	0	0	0	6,126
Employer's pensions contributions and direct payments to pensioners payable in the year	(29,711)	(2,664)	0	0	0	32,375
	(35,333)	(3,168)	0	0	0	38,501
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(3,237)	0	0	0	0	3,237
	(3,237)	0	0	0	0	3,237
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(18)	(26)	0	0	0	44
	(18)	(26)	0	0	0	44
<b>Total Adjustments</b>	73,530	119,613	(8,996)	6,903	0	(191,050)

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**8. TRANSFERS TO / FROM EARMARKED RESERVES**

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

	<b>Balance at 1 April 2010 £000</b>	<b>Transfers Out 2010/11 £000</b>	<b>Transfers In 2010/11 £000</b>	<b>Balance at 31 March 2011 £000</b>	<b>Transfers Out 2011/12 £000</b>	<b>Transfers In 2011/12 £000</b>	<b>Balance at 31 March 2012 £000</b>
<b>General Fund:</b>							
Balances held by schools under a scheme of delegation	14,916	(4,052)	8,901	19,765	(9,653)	5,048	15,160
Parks and Sports Improvements Reserve	569	(243)	0	326	(156)	0	170
ICT Strategic Improvements Reserve	940	(120)	680	1,500	(810)	250	940
ICT Contract Transition Reserve	0	0	0	0	0	1,000	1,000
Park Place Reserve	948	(631)	0	317	(317)	0	0
Restructure Reserve	800	0	65	865	(3,374)	2,509	0
RELEASE Reserve 2009/10	1,563	(676)	28	915	(915)	0	0
Recession Impact Reserve	1,772	0	228	2,000	0	0	2,000
Transformation Reserve	0	0	0	0	0	2,096	2,096
Interest Rate Risk Reserve	2,950	(1,082)	573	2,441	(2,393)	2,155	2,203
PAYE Reserve	750	0	0	750	0	0	750
Taxation Reserve	586	0	0	586	0	0	586
Litigation Reserve	1,207	(83)	0	1,124	(24)	0	1,100
Housing Benefits Reserve	1,821	0	223	2,044	(391)	0	1,653
LEGI Grant Reserve	1,539	0	1,020	2,559	(2,825)	266	0
Local Elections Reserve	650	(152)	0	498	0	163	661
STEP Change (Committed Funds)	4,114	(1,875)	974	3,213	(2,752)	6,838	7,299
LAA (LPSA Reward Grant - Revenue)	1,448	(351)	0	1,097	(1,097)	0	0
LAA (LPSA Reward Grant - Capital)	1,535	0	123	1,658	(1,658)	0	0
CCURV Affordability	4,441	0	3,263	7,704	(2,129)	5,717	11,292
Social Care Reform Grant	542	0	251	793	(793)	0	0
Asylum Grant	0	0	0	0	0	1,500	1,500
Homelessness	0	0	363	363	(415)	840	788
School Improvement Partners - Special ICT procurement	0	0	0	0	0	594	594
Economic Development	0	0	0	0	0	2,936	2,936
Re-enablement (NHS Investment)	0	0	0	0	0	1,602	1,602
Financial Risk Reserve	0	(243)	2,291	2,048	(2,092)	44	0
Other Reserves	9,823	(7,932)	3,882	5,773	(3,546)	5,090	7,317
<b>Total</b>	<b>52,914</b>	<b>(17,440)</b>	<b>22,865</b>	<b>58,339</b>	<b>(35,340)</b>	<b>38,648</b>	<b>61,647</b>

	<b>Balance at 1 April 2010 £000</b>	<b>Transfers Out 2010/11 £000</b>	<b>Transfers In 2010/11 £000</b>	<b>Balance at 31 March 2011 £000</b>	<b>Transfers Out 2011/12 £000</b>	<b>Transfers In 2011/12 £000</b>	<b>Balance at 31 March 2012 £000</b>
<b>HRA:</b>							
Housing Repairs Account	3,681	0	1,256	4,937	(1,574)	0	3,363
Working Balance	800	0	400	1,200	0	2,619	3,819
<b>Total</b>	<b>4,481</b>	<b>0</b>	<b>1,656</b>	<b>6,137</b>	<b>(1,574)</b>	<b>2,619</b>	<b>7,182</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 9. OTHER OPERATING EXPENDITURE

	2011/12 £000	Restated 2010/11 £000
Financial Reporting Council - Preparers Levy	2	2
London Councils - London Boroughs Grants Scheme Levy	710	1,181
Environment Agency Levy	252	252
Lee Valley Regional Park Authority Levy	378	386
London Pensions Fund Authority Levy	349	483
Payments of Housing capital receipts to Government pool	1,018	1,141
(Gain)/loss on disposal of non-current assets	73,511	102,035
(Gain)/loss on revaluation of non-current assets	17,271	(90,965)
	93,491	14,515

#### Financial Reporting Council - Preparers Levy

The Financial Reporting Council raises an annual levy on preparers of accounts as part of the arrangements for funding its regulatory responsibilities.

#### 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, poverty and promoting equality and reducing 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 (LPFA) 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.

### 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

	2011/12 £000	2010/11 £000
Interest payable and similar charges	19,074	16,470
Interest receivable and similar income	(7,671)	(5,994)
Premium on early repayment of debt	187	137
Discount on early repayment of debt	0	0
Changes in fair value of investment properties	182	2,551
Rent received from investment properties	(658)	(3,009)
Impairment of financial instruments	0	181
Pension Interest Cost	52,540	59,664
Expected Return on Pension Assets	(38,618)	(33,309)
Amortised Premiums and Discounts	0	0
Interest received on finance lease lessor	(232)	(272)
(Surplus) / deficit on trading undertakings	947	278
Total	25,751	36,697



## NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

	2011/12 £000	2010/11 £000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
Recognised capital grants and contributions	19,504	34,746
Council Tax income	152,793	148,762
National Non-Domestic Rates (NNDR)	94,221	103,505
Revenue Support Grant	29,124	15,030
Non-service related Government grants (page 73)	41,213	30,288
<b>Taxation and Non-Specific Grants</b>	336,855	332,331
<b>Credited to Services</b>		
Asylum Seekers	22,129	26,375
Communities and Local Government	345	34
Department for Education	0	525
Department for Transport	0	422
Dedicated Schools Grant	232,147	205,664
Department of Health - Other	331	2,263
Department of Health - Social Care	64	1,313
Department for Work and Pensions	40	3,996
European Social Fund	0	116
Opportunity Area Planning Network	150	0
Learning and Skills Council	11,132	26,183
Local Enterprise Growth Initiative	0	208
Local Public Service Agreement Performance Reward	0	410
London Development Agency	7	232
Private Finance Initiative (PFI)	5,270	3,436
Planning Delivery	496	131
Prevention Measures	379	0
School Standards	16,595	74,365
Transport for London	608	332
Welfare Milk Subsidy	0	70
Youth Justice Board	723	1,120
Other Grants	0	992
Beacon Grant	139	0
Belwin recovery scheme	994	0
High street recovery scheme	1,494	0
<b>Service Grants and Contributions</b>	293,043	348,188
<b>Total Grants Income</b>	629,898	680,519

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

	2011/12 £000	2010/11 £000
<b>Capital Grants Receipts in Advance</b>		
Local Public Sector Agreement - Parks to be proud of	972	0
Capital Fund for Kitchens	0	252
Ashburton Environmental Improvement Grant	0	48
Harris Academy Purley	39	218
Oasis Shirley Park ICT Funding	0	949
Primary Capital Programme	0	6,104
LA Maintained Capital Funding	5,351	0
Department for Education - BRIT School	875	0
Department for Education - Childrens Centres and Early Years	132	0
Capital Modernisation Grant	0	505
Post 16 and Special Education Needs	0	4,609
Basic Needs	9,008	10,033
Practical Cooking Spaces	0	64
Youth Capital Fund Programme	90	90
Aiming High for Disabled Children	60	0
Department of Health funded schemes	245	0
Westow Park	49	0
Waddon Waylands Leisure Centre	450	0
Building of Coulsdon Academy	0	69
Council New Build Phase 2A	776	0
Thornton Heath Library	69	0
Transport for London (TfL)	476	1,919
Growth Area Funding (GAF) Capital Schemes	8	8
<b>Total</b>	18,600	24,868



**NOTES TO THE CORE FINANCIAL STATEMENTS**

**12. PROPERTY, PLANT AND EQUIPMENT**

**2011/12**

	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture and Equipment £000</b>	<b>Infra-structure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets under Construction £000</b>	<b>Total PPE £000</b>	<b>PFI Assets Included in PPE £000</b>
Restated Net Book Value at 1 April 2011	532,026	841,311	13,555	85,671	3,432	0	79,877	1,555,872	46,468
Restated Gross Book Value at 1 April 2011	797,820	884,368	35,973	128,904	3,692	0	79,877	1,930,634	55,879
Additions	17,281	17,769	4,164	16,138	1,131	5	65,766	122,254	4,380
Donations	0	0	0	0	0	0	0	0	0
Revaluation increase/(decrease) recognised in the Revaluation Reserve	0	5,027	251	0	0	0	0	5,278	0
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	(9,352)	(27,020)	0	0	0	0	0	(36,372)	0
Derecognition - Disposals	(503)	0	(460)	0	0	0	0	(963)	0
Derecognition - Other	0	(91,086)	0	0	0	0	(18,438)	(109,524)	0
Assets reclassified (to)/from held for sale	0	0	0	0	0	0	0	0	0
Transfers/Reclassifications	9,402	656	0	0	54	3,354	(13,466)	0	0
Other Movements in cost or valuation	0	458	0	0	0	78	(58)	478	0
<b>Gross book value 31 March 2012</b>	<b>814,648</b>	<b>790,172</b>	<b>39,928</b>	<b>145,042</b>	<b>4,877</b>	<b>3,437</b>	<b>113,681</b>	<b>1,911,785</b>	<b>60,259</b>
Restated Accumulated Depreciation and Impairment at 1 April 2011	265,794	43,058	22,418	43,234	260	0	0	374,764	9,411
Depreciation for year	12,041	12,366	7,774	11,518	338	59	0	44,096	4,583
Depreciation written out to the Revaluation reserve	0	(1,669)	0	0	0	0	0	(1,669)	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	(11,363)	(7,737)	0	0	0	0	0	(19,100)	0
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0	0	0	0	0	433	0	433	0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	37	0	37	0
Derecognition - Disposals	(11)	0	(392)	0	0	0	0	(403)	0
Derecognition - Other	0	(11,684)	0	0	0	0	0	(11,684)	0
Transfers/Reclassifications	0	(114)	0	0	3	111	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
<b>Accumulated Depreciation and Impairment 31 March 2012</b>	<b>266,461</b>	<b>34,220</b>	<b>29,800</b>	<b>54,752</b>	<b>601</b>	<b>640</b>	<b>0</b>	<b>386,474</b>	<b>13,994</b>
<b>Net book value 31 March 2012</b>	<b>548,187</b>	<b>755,952</b>	<b>10,128</b>	<b>90,290</b>	<b>4,276</b>	<b>2,797</b>	<b>113,681</b>	<b>1,525,311</b>	<b>46,265</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2010/11

	Restated Council Dwellings £000	Restated Other Land and Buildings £000	Restated Vehicles, Plant, Furniture and Equipment £000	Restated Infra- structure Assets £000	Restated Community Assets £000	Restated Surplus Assets £000	Restated Assets under Construction £000	Restated Total PPE £000	Restated PFI Assets Included in PPE £000
Net Book Value at 1 April 2010	663,171	901,179	14,910	84,764	3,042	0	9,778	1,676,844	32,736
Gross Book Value at 1 April 2010	674,100	942,839	30,181	117,021	3,044	0	9,778	1,776,963	37,792
Additions	18,655	48,722	6,060	11,937	617	0	74,692	160,683	22,122
Donations	0	0	0	0	0	0	0	0	0
Revaluation increase/(decrease) recognised in the Revaluation Reserve	0	13,043	0	0	0	0	0	13,043	0
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	111,969	(31,513)	0	0	0	0	0	80,456	(3,045)
Derecognition - Disposals	(761)	(13,257)	(268)	0	0	0	0	(14,286)	0
Derecognition - Other	0	(86,159)	0	(53)	(12)	0	0	(86,224)	(990)
Assets reclassified (to)/from held for sale	0	0	0	0	0	0	0	0	0
Transfers/Reclassifications	(6,143)	10,693	0	0	43	0	(4,593)	0	0
Other Movements in cost or valuation	0	0	0	0	0	0	0	0	0
<b>Gross book value 31 March 2011</b>	<b>797,820</b>	<b>884,368</b>	<b>35,973</b>	<b>128,905</b>	<b>3,692</b>	<b>0</b>	<b>79,877</b>	<b>1,930,635</b>	<b>55,879</b>
Accumulated Depreciation and Impairment at 1 April 2010	10,929	41,660	15,271	32,257	2	0	0	100,119	4,864
Depreciation for year	11,380	19,469	7,399	10,980	258	0	0	49,486	4,570
Depreciation written out to the Revaluation reserve	0	(2,481)	0	0	0	0	0	(2,481)	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(10,508)	0	0	0	0	0	(10,508)	967
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	243,501	0	0	0	0	0	0	243,501	0
Derecognition - Disposals	(16)	(326)	(252)	0	0	0	0	(594)	0
Derecognition - Other	0	(4,757)	0	(3)	0	0	0	(4,760)	(990)
Transfers/Reclassifications	0	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
<b>Accumulated Depreciation and Impairment 31 March 2011</b>	<b>265,794</b>	<b>43,057</b>	<b>22,418</b>	<b>43,234</b>	<b>260</b>	<b>0</b>	<b>0</b>	<b>374,763</b>	<b>9,411</b>
<b>Net book value 31 March 2011</b>	<b>532,026</b>	<b>841,311</b>	<b>13,555</b>	<b>85,671</b>	<b>3,432</b>	<b>0</b>	<b>79,877</b>	<b>1,555,872</b>	<b>46,468</b>

#### Council Dwellings

Council dwellings are valued at less than market value, as directed by Government. See HRA Note 3 (page 105) for more details.

#### Depreciation

The depreciation policy is set out under the Statement of Accounting Policies (page 31).

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

**EFFECTS OF CHANGES IN ESTIMATES**

In 2011/12, the Authority made no material changes to its accounting estimates for Property, Plant and Equipment.

**REVALUATIONS**

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

There were four valuations of properties under the asset category land and buildings which were carried out internally. All other valuations of land and buildings were undertaken by external valuers - Mouchel. All valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The valuations of Council dwellings were undertaken internally. These valuations were carried out in accordance with the methodologies and bases for estimation set out in:

- ▶ the professional standards of the Royal Institution of Chartered Surveyors; and
- ▶ the Stock Valuation for Resource Accounting Guidance for Valuers 2010 from Communities and Local Government.

Revaluation of Gross Book Values by Year:

	Operational Assets					Surplus Assets not held for Disposal £000	Total £000
	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infra-structure Assets £000	Community Assets £000		
Carried at historical cost	542,208	555,196	39,393	145,042	4,877	1,618	1,288,334
Valued at fair value at:							
31 March 2012	0	30,292	0	0	0	0	30,292
1 April 2011	534,038	89,157	251	0	0	0	623,446
1 April 2010	531,639	125,374	0	0	0	0	657,013
1 April 2009	652,245	199,306	5,365	1,133	0	0	858,049
1 April 2008	645,350	493,005	0	0	0	0	1,138,355
1 April 2007	853,620	2,756	0	0	30	0	856,406
<b>Total Cost or Valuation</b>	<b>3,216,892</b>	<b>939,890</b>	<b>5,616</b>	<b>1,133</b>	<b>30</b>	<b>0</b>	<b>4,163,561</b>

Revaluation Notes:

- ▶ assets are revalued with an effective date of the first day of the financial year, except where stated above.
- ▶ with the exception of Council dwellings, where assets have been revalued more than once during the five year rolling programme, only the most recent valuation has been included. Council dwellings are revalued annually.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

#### CAPITAL COMMITMENTS

Capital schemes with significant contractual commitments for future capital expenditure:

Department	Capital Scheme	Expenditure to 31 March 2012 £000	Estimated Total Cost £000
Adult Services, Health and Housing	Housing New Build	13,013	41,168
Children, Families and Learning	Primary Capital Programme	62,523	167,234
	Academies Programme	37,494	63,376
	Secondary Capital Programme	0	41,500
Planning and Environment	Waddon Waylands Regeneration Scheme	15,527	19,646
	Bernard Weatherill House	86,238	112,593
	Connected Croydon	7,916	46,521
		222,711	492,038

**13. HERITAGE ASSETS**

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority:

	Riesco Collection £000	Art Collection £000	Art in Public Buildings £000	Other Assets £000	Total Assets £000
<b>Assets at Valuation</b>					
1 April 2010	0	162	0	0	162
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluations	10,249	0	0	0	10,249
Impairment Losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0
Depreciation	0	0	0	0	0
<b>31 March 2011</b>	<b>10,249</b>	<b>162</b>	<b>0</b>	<b>0</b>	<b>10,411</b>
<b>Assets at Valuation</b>					
1 April 2011	10,249	162	0	0	10,411
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluations	0	0	0	0	0
Impairment Losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0
Depreciation	0	0	0	0	0
<b>31 March 2012</b>	<b>10,249</b>	<b>162</b>	<b>0</b>	<b>0</b>	<b>10,411</b>

**The Riesco Collection**

233 individual Chinese ceramic objects are on display in the Riesco Gallery in Croydon Clocktower. These date from 2500BC to the 19th century, and were originally left to Croydon Council by local businessman Raymond Riesco. The collection was valued by Bonhams in June 2010 at mid auction estimate; their valuation was £10.2m. Individual objects in the collection ranged in value from £50 to £2,000,000.

**Croydon Art Collection**

Approximately 2,500 framed and unframed artworks are held in the secure Museum Store at Croydon Clocktower. No recent valuation is available for the entire collection. However, a valuation of 22 selected works was conducted in October 2009 when they were placed on display. They were valued at £162,000 with valuations ranging from £100 to £40,000.

**Artwork in Public Buildings**

There are a number of works of art displayed in the Town Hall and other Council buildings. At present there is neither an inventory or a valuation for this collection.

**Other Assets**

**Other Museum Collections**

The collections in store, which are owned by the Borough, are of low financial value and form part of the collections on display due to their cultural value.

**The Borough Archive**

This is an irreplaceable historical and cultural asset that due to its unique nature would be very difficult to value. It is located in the Local Studies Library, which is part of the Central Library.

**Shirley Windmill**

Shirley Windmill, is a Tower Mill, built by Richard Alwen in 1854, to replace the first mill on the site built by his grandfather, William Alwen, in 1808 after it was burnt by fire in 1854. The windmill was valued by DTZ using existing use value in 2001/02 at de minimis value. It is not practicable to provide a revised valuation at a cost which is commensurate to users of the financial statements; the assets are therefore held on the Balance Sheet at the 2001/02 existing use value. Shirley Windmill, whilst owned by Croydon Council, is staffed and managed by the Friends of Shirley Windmill.

**13. HERITAGE ASSETS (continued)**

**Water Tower at Park Hill**

The water tower at Park Hill Recreation Ground was built in 1867 and designed by Baldwin Latham, Borough Engineer, in a brick Norman style. It became a grade 2 listed building in 1970. The water tower at Park Hill has not been valued. However, it is not practicable to provide a valuation at a cost which is commensurate to users of the financial statements.

**Additions of Heritage Assets**

Additions to the Museum collection and the Borough archives are received, mainly by donation, every year. These are typically of little or no financial value.

**Disposals of Heritage Assets**

There were no disposals during the year.

**14. INVESTMENT PROPERTIES**

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	<b>2011/12</b>	<b>2010/11</b>
	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
Rental income from investment property	552	3,009
Direct operating expenses arising from investment property	0	0
<b>Net gain/(loss)</b>	<b>552</b>	<b>3,009</b>

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal except for the properties in Imperial Way. The properties in Imperial Way were transferred to the London Borough of Croydon (LBC) from the London Borough of Sutton (LBS) due to a boundary change in 1994. Following an application to the High Court by LBS, the High Court decided that Sutton was entitled to all the rental from the rent levels prevailing at the date of the boundary change and half from any subsequent increase. Consequently, LBC's only entitlement from its freehold interest in Imperial Way is one half of the rental produced from any increase in rental subsequent to the boundary change.

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

The majority of the investment property income is provided by Whitgift Car Park - NIL in 2011/12 (£2,708k in 2010/11). This income ceased at the end of the financial year 2010/11.

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

The following table summarises the movement in the fair value of investment properties over the year:

	<b>2011/12</b>	<b>2010/11</b>
	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
Balance at start of the year	15,404	17,954
Additions:		
Purchases	14,040	0
Construction	0	0
Subsequent expenditure	0	0
Disposals	(4,200)	0
Net gains/losses from fair value adjustments	(182)	(2,551)
Transfers:		
to/from Inventories	0	0
to/from Property, Plant and Equipment	(536)	0
Other changes	1	1
<b>Balance at end of the year</b>	<b>24,527</b>	<b>15,404</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15. INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. Currently this is set at five years for every intangible asset.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1,884,616 was charged to revenue in 2011/12 and absorbed as an overhead across the following service headings in the Net Expenditure of Services:

Service	Amortisation £000
Central Services to the Public	2
Cultural, Environmental, Regulatory and Planning Services	54
Education Services	91
Highways Transport Services	23
Local Authority Housing (HRA)	7
Other Housing Services	0
Social Care	149
Corporate and Democratic Core	1,559
Non-Distributed Costs	0
	1,885

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

	2011/12			2010/11		
	Internally Generated Assets £000	Other Assets £000	Total £000	Internally Generated Assets £000	Other Assets £000	Total £000
<b>Balance at start of year:</b>						
Gross carrying amounts	0	10,492	10,492	0	6,957	6,957
Accumulated amortisation	0	(5,312)	(5,312)	0	(3,383)	(3,383)
<b>Net carrying amount at start of year</b>	0	5,180	5,180	0	3,574	3,574
<b>Additions:</b>						
Purchases	0	4,143	4,143	0	3,194	3,194
Other disposals - cost	0	0	0	0	(19)	(19)
Other disposals - amortisation	0	0	0	0	11	11
Amortisation for the period	0	(1,885)	(1,885)	0	(1,580)	(1,580)
Other changes - cost	0	58	58	0	360	360
Other changes - amortisation	0	0	0	0	(360)	(360)
<b>Net carrying amount at end of year</b>	0	7,496	7,496	0	5,180	5,180
<b>Comprising:</b>						
Gross carrying amounts	0	14,693	14,693	0	10,492	10,492
Accumulated amortisation	0	(7,197)	(7,197)	0	(5,312)	(5,312)
	0	7,496	7,496	0	5,180	5,180

There are no intangible assets that are individually material, over £10million gross carrying value, to the financial statements.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 16. 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

	Non-Current		Current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
<b>Borrowings</b>				
Financial liabilities at amortised cost	555,241	256,117	69,831	73,400
Financial liabilities at fair value through profit and loss	0	0	0	0
Fair value through profit and loss	0	0	0	0
Other borrowing (finance lease and PFI)	141,004	91,270	3,315	2,252
<b>Total borrowings</b>	<b>696,245</b>	<b>347,387</b>	<b>73,146</b>	<b>75,652</b>
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities carried at contract amount	0	0	103,519	82,773
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>103,519</b>	<b>82,773</b>
Financial liabilities at amortised cost - Cash and cash equivalents	0	0	39,170	23,137

#### Investments

	Non-Current		Current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Loans and debtors	0	0	128,708	128,848
Available-for-sale financial assets	0	0	0	0
Fair value through profit and loss	0	0	0	0
Unquoted equity available-for-sale	12,957	11,907	0	0
<b>Total Investments</b>	<b>12,957</b>	<b>11,907</b>	<b>128,708</b>	<b>128,848</b>
Loans and debtors	101,664	47,685	0	0
Financial assets carried at contract amounts	0	0	100,816	103,938
<b>Total Debtors</b>	<b>101,664</b>	<b>47,685</b>	<b>100,816</b>	<b>103,938</b>
Loans and debtors - Cash and cash equivalents	0	0	22,523	14,338

#### Notes

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

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

3. Total PFI and finance lease liabilities has increased to £46.739m (£44.396m 2010/11).

4. Investments in CCURV LLP of £12.957m (£11.907m in 2010/11) are included within the unquoted equity available-for-sale financial assets. The nature of the investment cannot be deemed as a loan and debtor or fair value through profit or loss financial asset therefore the default category for this investment is as an available-for-sale asset.

5. A review of financial liabilities resulted in the opening balance for financial liabilities being restated (see Notes 58 and 59).

#### Financial Instruments - Gains / Losses

	Financial Liabilities		Financial Assets		2011/12  Total £000
	Measured at Amortised Cost £000	Loans and Debtors £000	Available -for-sale Assets £000	Fair Value Through P&L £000	
Interest expense	16,285	0	0	0	16,285
Losses on derecognition	0	0	0	0	0
Impairment losses	0	0	0	0	0
<b>Interest payable and similar charges</b>	<b>16,285</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,285</b>
Interest income	0	7,671	0	0	7,671
Gains on derecognition	0	0	0	0	0
<b>Interest and investment income</b>	<b>0</b>	<b>7,671</b>	<b>0</b>	<b>0</b>	<b>7,671</b>

**16. FINANCIAL INSTRUMENTS (continued)**

**FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST**

The fair value of each class 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 (NPV) of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

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

The rates quoted in this valuation were obtained by the Council's Treasury Management consultants, Sector, from the Money Markets on 31 March 2012, using bid prices where applicable. The calculations are made with the following assumptions:

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

The fair values are calculated as follows:

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

	<b>31 March 2012</b>		<b>31 March 2011</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
PWLB - maturity	503,809	474,746	268,665	238,717
Lender Option Borrower Options (LOBOs)	120,922	119,003	60,511	68,329
Stock issues	318	271	319	253
Bank overdraft	39,170	39,170	23,137	23,137
Other borrowings	23	23	21	20
Non-current creditors	0	0	0	0
<b>Financial Liabilities</b>	<b>664,242</b>	<b>633,213</b>	<b>352,653</b>	<b>330,456</b>

Fair value is lower 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.

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

	<b>31 March 2012</b>		<b>31 March 2011</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash	7,706	7,706	11,337	11,337
Money Market Loans	14,816	14,816	3,001	3,001
Short-term deposits with banks and other Local Authorities	128,708	128,796	128,848	128,922
Long-term debtors	101,397	103,372	47,685	47,685
<b>Financial Assets</b>	<b>252,627</b>	<b>254,690</b>	<b>190,871</b>	<b>190,945</b>

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

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 17. INVENTORIES

	Consumable Stores		Maintenance Materials		Property Acquired or Constructed for Sale		Total	
	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000
Balance outstanding at start of year	299	88	126	131	0	0	425	219
Purchases	116	490	154	420	0	0	270	910
Recognised as an expense in the year	(173)	(279)	(268)	(425)	0	0	(441)	(704)
Written off balances	0	0	0	0	0	0	0	0
Reversal of write-offs in previous years	0	0	0	0	0	0	0	0
<b>Balance outstanding at year-end</b>	<b>242</b>	<b>299</b>	<b>12</b>	<b>126</b>	<b>0</b>	<b>0</b>	<b>254</b>	<b>425</b>

### 18. CONSTRUCTION CONTRACTS

There were no construction contracts at 31 March 2012.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 19. DEBTORS AND PAYMENTS IN ADVANCE (PIA)

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

	2011/12			2010/11
	Debtors £000	PIA £000	Total £000	£000
Central Government bodies	16,648	2,754	19,402	27,899
Other Local Authorities	7,449	1	7,450	7,894
NHS bodies	2,905	30	2,935	4,118
Public corporations and trading funds	4	0	4	21
Other entities and individuals	105,392	11,808	117,200	102,477
<b>Total</b>	<b>132,398</b>	<b>14,593</b>	<b>146,991</b>	<b>142,409</b>

### NON-CURRENT DEBTORS

	2011/12 £000	2010/11 £000
Principal outstanding from sales of Council houses	184	244
Loans to employees	685	993
Prepayments in respect of PFI schemes	0	0
Loan to Davis House LLP to support the purchase of Davis House	5,592	4,507
Loan to support the construction of Bernard Weatherill House	93,302	40,456
Interest on CCURV A loan	2,032	1,555
Long-term liabilities in respect of leases	2,600	3,270
Loans to voluntary organisations	136	174
	<b>104,531</b>	<b>51,199</b>

### DEBTORS AND ALLOWANCE FOR DOUBTFUL DEBT

	2011/12		2010/11	
	Debtors and PIAs £000	Allowance for Doubtful Debt £000	Debtors and PIAs £000	Allowance for Doubtful Debt £000
<b>Collection Fund</b>				
Council Tax	31,582	(28,105)	29,891	(26,298)
	<b>31,582</b>	<b>(28,105)</b>	<b>29,891</b>	<b>(26,298)</b>
<b>General Fund</b>				
Central Government bodies	16,648	0	27,878	0
Other Local Authorities	7,449	0	7,893	0
NHS bodies	2,905	0	4,001	0
Public corporations and trading funds	4	0	21	0
General Fund rents	3,530	(2,286)	2,340	(1,708)
Housing Benefits overpayments	16,486	(11,639)	15,483	(11,924)
Other entities and individuals	45,525	(8,457)	38,973	(11,033)
Payments in advance	14,593	0	8,580	0
	<b>107,140</b>	<b>(22,382)</b>	<b>105,169</b>	<b>(24,665)</b>
<b>HRA</b>				
Central Government bodies	0	0	21	0
Housing Revenue Account rents and service charges	7,069	(4,191)	6,188	(3,918)
Other entities and individuals	1,200	0	1,140	0
	<b>8,269</b>	<b>(4,191)</b>	<b>7,349</b>	<b>(3,918)</b>
<b>Total</b>	<b>146,991</b>	<b>(54,678)</b>	<b>142,409</b>	<b>(54,881)</b>
	<b>100,816</b>	<b>(26,573)</b>	<b>103,938</b>	<b>(28,583)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 20. CASH AND CASH EQUIVALENTS

	2011/12 £000	2010/11 £000
Cash held	108	112
Bank current accounts	(31,571)	(11,912)
Short-term deposits with building societies and Money Market Funds	14,816	3,001
	(16,647)	(8,799)

### 21. ASSETS HELD FOR SALE

There are currently no assets which meet the held for sale criteria.

The criteria that needs to be met is as follows:

1. The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
2. The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;
3. The asset must be actively marketed for a sale at a price that is reasonable in relation to its current fair value;
4. The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

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

	2011/12			2010/11
	Creditors £000	RIA £000	Total £000	£000
Central Government bodies	12,176	10,314	22,490	11,820
Other Local Authorities	12,947	98	13,045	13,407
NHS bodies	1,633	492	2,125	1,581
Public corporations and trading funds	423	0	423	347
Other entities and individuals	76,340	7,572	83,912	67,383
<b>Total</b>	103,519	18,476	121,995	94,538

#### Restatement - Short-term accumulating compensated absences

A review of creditors resulted in the opening balance for creditors being restated; see Notes 58 and 59 for more details.

**23. PROVISIONS**

	<b>Insurance</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>Provisions</b>	<b>£000</b>
		<b>£000</b>	
Balance at 1 April 2011	8,120	278	8,398
Additional provisions made in 2011/12	2,635	975	3,610
Amounts used in 2011/12	(2,660)	0	(2,660)
Unused amounts reversed in 2011/12	0	0	0
Unwinding of discounting in 2011/12	0	0	0
<b>Balance at 31 March 2012</b>	<b>8,095</b>	<b>1,253</b>	<b>9,348</b>

**Insurance Provision**

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

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

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

In addition, the Council is a founder member of the Insurance London Consortium, a group of nine London Boroughs working to a shared agenda. Through the sharing of risk management information and associated policies and procedures, the Consortium is creating best practice in this area. As a result, we have experienced increased competitiveness with regards to our external insurance premiums.

**Other Provisions**

Other provisions are shown under this heading. No individual provision in this category exceeds £0.5m.

**Restatement**

A review of provisions resulted in provisions previously held for CCURV A Loan and short-term accumulating absences being reclassified as liabilities. The opening balance figures in the table above have been restated by moving the following amounts:

Short-term accumulating absences - £5.403m to short-term liabilities

CCURV A Loan - £11.906m to long-term liabilities.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 24. USABLE RESERVES

#### 24.1. 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 the year end it is included in the Balance Sheet as Usable Capital Receipts.

	General Fund £000	Housing Revenue Account £000	2011/12 Total £000	2010/11 Total £000
Balance brought forward	132	0	132	9,128
Mortgage repayments	6	54	60	47
Other capital receipts	0	204	204	465
Net surplus for year	6	258	264	512
Receipts from sales of assets during the year	26	1,585	1,611	2,234
Lessor Leases	1,194	0	1,194	(8,900)
Cost of disposals	0	(6)	(6)	(12)
Transfer to Housing Capital Receipts Pool	0	(1,018)	(1,018)	(1,141)
Balance of receipts after transfer	1,220	561	1,781	(7,819)
Balance on account before application of receipts	1,358	819	2,177	1,821
Financing of capital expenditure	(6)	(819)	(825)	(1,689)
<b>Balance carried forward</b>	<b>1,352</b>	<b>0</b>	<b>1,352</b>	<b>132</b>

#### 24.2. 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.

	2011/12 £000	2010/11 £000
Balance brought forward	0	0
Depreciation charge to HRA	12,494	11,856
Transfer to finance capital expenditure during the year	(12,042)	(11,380)
Other reserve adjustments	(452)	(476)
<b>Balance carried forward</b>	<b>0</b>	<b>0</b>

#### 24.3. General Fund

The General Fund Balance at 31 March 2012 is £11.597m (31 March 2011: £11.597m).

#### 24.4. Housing Revenue Account

The Housing Revenue Account Balance at 31 March 2012 is £7.182m (31 March 2011: £6.137m). Page 102 shows the movement in the balance.

#### 24.5. 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.



**24. USABLE RESERVES (continued)****24.6. Earmarked Reserves**

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

**CCURV Affordability**

The Council is assessing the affordability of Bernard Weatherill House over the life of the building and want to bear the cost and recognise the income over this life. This reserve is used to transfer income receivable and costs during the construction period which will then be released over the life of the project (see Notes to the Group Accounts).

**Housing Benefits Reserve**

This reserve is maintained to allow for any changes to the Housing Subsidy claim as a result of a review of Housing Benefit claims in previous years.

**ICT Strategic Improvements Reserve**

To improve ICT infrastructure improving operational efficiency and service support.

**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.

**Litigation Reserve**

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

**Local Elections Reserve**

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

**PAYE Reserve**

This 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.

**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.

**STEP Change Reserve**

Step Change Croydon will focus on the delivery of an organisation wide 'One Council' transformation programme to deliver the efficiencies and improvements required to balance the budgetary gap. This reserve will provide the funding of projects in the programme to make the necessary changes and efficiencies to deliver those savings.

**Taxation Reserve**

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

**ICT Contract Transition Reserve**

This reserve is used to ensure that the costs of transition from the current ICT contract to the new contract are managed.

**Transformation Reserve**

This reserve supports the future transformation programme that will be needed to deliver the level of savings required.

**Unaccompanied Asylum Seekers Reserve**

This is grant being carried forward to aid the transition period and allow services to be reduced gradually as the grant is reduced.

**Homelessness**

This reserve is held to cover future pressures on homelessness.

**Schools Improvement Partners Grant**

This reserve will be used to manage the costs associated with the ICT procurement.

**Economic Development Reserve**

This reserve will fund a number of key strategic and project based initiatives, all of which contribute to the delivery of a clear economic development plan for Croydon.

**Re-enablement Reserve (NHS Investment)**

This reserve will fund a number of projects under the re-enablement banner which started late in 2011/12. Hence the balance of funds is being carried forward for committed spend during 2012/13.

**24. USABLE RESERVES (continued)**

**24.6. Earmarked Reserves (continued)**

**School Balances**

School reserves have decreased by £4.605m to £15.160m. The Schools Forum has issued guidance on the level of balances that should be held by schools, advising a maximum 6% of budget for Primary, Nursery and Special Schools and 4% for Secondary Schools budget.

The decrease in reserves is largely due to a number of schools converting to academies and schools using capital balances due to a reduction in capital funds. There are nine schools with a revenue deficit. Action plans are agreed with schools in deficit to ensure that they return to a balanced position.

**Other Reserves**

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

**24.7. Capital Grants Unapplied**

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 25. UNUSABLE RESERVES

#### 25.1. Revaluation Reserve

This reserve holds the gains on upward revaluation of non-current assets (excluding investment properties). Any upward valuation in 2011/12 is added to the reserve, unless it reverses a previous revaluation loss. Any loss is first charged to the Revaluation Reserve, where applicable. The remainder is charged to the Comprehensive Income and Expenditure Statement. The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2011/12 £000	Restated 2010/11 £000
<b>Balance at 1 April</b>	240,386	219,441
The difference in depreciation arising from a revaluation gain and the depreciation charged on the historic cost	(767)	(954)
Revaluations upward	8,347	31,141
Heritage Assets	0	10,411
Revaluations downward	(1,400)	(5,421)
Impairment losses	(433)	0
Accumulated gain or loss on assets sold or scrapped	(17,129)	(14,232)
<b>Balance at 31 March</b>	229,004	240,386

#### 25.2. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets to a historical cost basis. The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2011/12 £000	£000	Restated 2010/11 £000
<b>Balance at 1 April</b>		980,903	1,199,117
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Charges for depreciation and impairment of non-current assets	(31,639)		(281,132)
Revaluation losses on Property, Plant and Equipment	(18,176)		(21,242)
Impairment/revaluation gains reversing losses previously charged to Comprehensive Expenditure and Income	904		112,207
Amortisation of intangible assets	(1,885)		(1,588)
Revenue expenditure funded from capital under statute	(74,265)		(17,319)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(76,514)		(104,722)
		(201,575)	(313,796)
Adjusting amounts written out of the Revaluation Reserve		17,896	15,186
Net written out amount of the cost of non-current assets consumed in the year		(183,679)	(298,610)
<b>Capital financing applied in the year:</b>			
Use of the Capital Receipts Reserve to finance new capital expenditure	825		1,689
Use of the Major Repairs Reserve to finance new capital expenditure	12,042		11,380
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	59,061		48,712
Application of grants to capital financing from the Capital Grants Unapplied Account	3,565		574
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	8,905		8,771
Contributions from reserves	1,574		0
Capital expenditure charged against the General Fund and HRA balances	5,290		17,122
		91,262	
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(182)	(2,551)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		0	0
Lessor Leases - Regulation 4 Mitigation		(2,385)	6,555
Major repairs reserve funding		(12,494)	(11,856)
HRA financing mitigation		(223,126)	0
Other movements		0	0
<b>Balance at 31 March</b>		650,299	980,903

**25. UNUSABLE RESERVES (continued)**

**25.2. Capital Adjustment Account (continued)**

**Lessor Leases - Regulation 4 Mitigation**

The effect of converting an operating lease to a finance lease means that some of what was accounted for as revenue would now become a capital receipt, as it pays off the creditor. However, mitigation for circumstances such as this is provided by a statutory instrument; Local Authorities (Capital and Finance Accounting) (England) (Amendment) Regulations 2010. The regulation requires receipts which have previously been accounted for as revenue to continue to be accounted for as revenue for the duration of the agreement. This is achieved by an entry in the Movement In Reserves Statement that re-instates to the General Fund that element of the receipt treated as capital; the Capital Adjustment Account is the opposite entry.

**25.3. 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 2012 shows a balance of £3.0m (£3.5m in 2010/11) representing the remaining premiums paid in respect of debt restructuring exercises carried out in 2003/04 and 2009/10. This balance is made up of General Fund and Housing Revenue Account provisions which will be written down in accordance with the guidance which was in force at the time the debt was repaid.

	<b>2011/12</b>		<b>2010/11</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>		<b>(3,505)</b>	<b>(4,120)</b>
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0		41
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	475		574
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		475	615
<b>Balance at 31 March</b>		<b>(3,030)</b>	<b>(3,505)</b>

**25.4. Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service and updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to Pension Funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	<b>2011/12</b>		<b>2010/11</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>		<b>(345,441)</b>	<b>(516,788)</b>
Actuarial gains or losses on pensions assets and liabilities		(92,421)	132,846
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement		(11,093)	6,126
Employer's pensions contributions and direct payments to pensioners payable in the year		8,188	32,375
<b>Balance at 31 March</b>		<b>(440,767)</b>	<b>(345,441)</b>

**25.5. Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	<b>2011/12</b>		<b>2010/11</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>		244	291
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0		0
Transfer to the Capital Receipts Reserve upon receipt of cash	(60)		(47)
<b>Balance at 31 March</b>		<b>184</b>	<b>244</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 25. UNUSABLE RESERVES (continued)

#### 25.6. Collection Fund Adjustment Account

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

	2011/12 £000	2010/11 £000
<b>Balance at 1 April</b>	3,237	0
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	2,955	3,237
<b>Balance at 31 March</b>	6,192	3,237

#### 25.7. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2011/12 £000      £000		2010/11 £000
<b>Balance at 1 April</b>	5,403	(5,403)	(5,447)
Settlement or cancellation of accrual made at the end of the preceding year	(4,806)		5,447
Amount accrued at the end of the current year			(5,403)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		597	44
<b>Balance at 31 March</b>	(4,806)		(5,403)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 26. OPERATING ACTIVITIES

	2011/12 £000	Restated 2010/11 £000
Interest Paid	14,256	11,925
Interest Received	(2,028)	(3,654)
Dividend Received	0	(375)
<b>Net cash flows from operating activities</b>	12,228	7,896

### Adjustment for movement in Non-Cash Items

	2011/12 £000	Restated 2010/11 £000
<b>Provisions and accounting basis transactions</b>		
Depreciation	(32,055)	(38,107)
Impairment and downward valuations	(18,175)	(152,496)
Amortisations	(1,885)	(1,588)
Increase in impairment for allowance for bad debts	202	(2,148)
Pension liability - accounting basis	(29,938)	6,126
Carrying amount of non-current assets sold	(76,514)	(105,008)
Provisions	(539)	(219)
Movements in the value of investment properties	(174)	(2,551)
Amounts posted from the Donated Assets Account	0	0
Other non-cash movements	1,199	(21,419)
Net interest	(10,246)	(7,223)
	(168,125)	(324,633)
<b>Items included/excluded from net surplus or deficit on the provision of services:</b>		
Decrease/(Increase) in creditors	(22,870)	7,139
Increase/(Decrease) in debtors	3,287	(22,646)
(Decrease)/Increase in inventory	(171)	206
Pension liability - paid	27,033	32,375
	7,279	17,074
<b>Other non-service related items</b>		
Grants applied to the financing of capital expenditure or received to meet the principal repayments on borrowing	58,697	56,188
Revenue expenditure funded from capital under statute	(74,265)	(17,320)
<b>Total adjustment</b>	(176,414)	(268,691)

### 27. INVESTING ACTIVITIES

	2011/12 £000	2010/11 £000
Purchase of property, plant and equipment, investment property and intangible assets	119,156	127,073
Purchase of short-term and long-term investments	23,000	37,640
Other payments for investing activities	48,976	16,185
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,003)	(2,975)
Capital grants	(51,022)	(43,872)
Proceeds from short-term and long-term investments	(23,000)	(6,986)
Other receipts from investing activities	0	(17,110)
<b>Net cash flows from investing activities</b>	114,107	109,955

### 28. FINANCING ACTIVITIES

	2011/12 £000	2010/11 £000
Cash receipts from short-term and long-term borrowing	(317,126)	(110,000)
Other receipts from financing activities	0	0
Cash payments for the reduction of the to finance leases and on-Balance Sheet PFI contracts (Principal)	2,256	7,709
Repayments of short-term and long-term borrowing	24,000	62,600
Other payments for financing activities	0	0
<b>Net cash flows from financing activities</b>	(290,870)	(39,691)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 29. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

YEAR ENDING 31 MARCH 2012

	Children, Families and Learning £000	Department of Adult Services, Health and Housing £000	Planning and Environment £000	Corporate Resources and Customer Services £000	Chief Executive's Office £000	HRA £000	Total £000
Fees, charges and other service income	(15,811)	(19,893)	(22,607)	(7,202)	(2,710)	(78,195)	(146,418)
Government grants	(321,825)	(15,870)	(8,155)	(274,711)	(185)	(1,950)	(622,696)
<b>Total Income</b>	<b>(337,636)</b>	<b>(35,763)</b>	<b>(30,762)</b>	<b>(281,913)</b>	<b>(2,895)</b>	<b>(80,145)</b>	<b>(769,114)</b>
Employee expenses	229,004	27,614	27,953	29,827	9,591	153	324,142
Other operating expenses	188,785	120,701	63,307	320,012	8,845	80,045	781,695
Support recharges	21,486	6,314	6,839	(41,253)	(9,526)	(53)	(16,193)
<b>Total operating expenses</b>	<b>439,275</b>	<b>154,629</b>	<b>98,099</b>	<b>308,586</b>	<b>8,910</b>	<b>80,145</b>	<b>1,089,644</b>
<b>Net Cost of Services</b>	<b>101,639</b>	<b>118,866</b>	<b>67,337</b>	<b>26,673</b>	<b>6,015</b>	<b>0</b>	<b>320,530</b>

#### Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

Cost of Services in Service Analysis:

Add services not included in main analysis	325
Add amounts not reported to management (IAS19)	(11,017)
Add amounts reported to management not included in Comprehensive Income and Expenditure Statement	253,569

#### Net Cost of Services in Comprehensive Income and Expenditure Statement

563,407

#### Reconciliation to Subjective Analysis (Single Entity)

	Service Analysis £000	Services not in Analysis £000	Not reported to management £000	Not included in CI&E £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(146,418)	(93)			(146,511)		(146,511)
Interest and investment income						(7,671)	(7,671)
Interest received on finance leases (lessor)						(232)	(232)
Income from Council Tax						(152,793)	(152,793)
Government grants and contributions IAS19	(622,696)	(394)			(623,090)	(184,062)	(807,152)
<b>Total Income</b>	<b>(769,114)</b>	<b>(487)</b>	<b>(11,017)</b>	<b>0</b>	<b>(780,618)</b>	<b>(344,758)</b>	<b>(1,125,376)</b>
Employee expenses	324,142	(1,477)			322,665		322,665
Other service expenses	917,187	1,522			918,709		918,709
Support service recharges	(16,193)	1,608			(14,585)		(14,585)
Depreciation, amortisation and impairment	84,164				84,164		84,164
Premium and discount on early repayment of debt					0	187	187
Changes in fair value of investment properties					0	182	182
Rental income from investment properties					0	(552)	(552)
Impairment of financial instruments					0		0
Interest payments					0	16,285	16,285
PFI interest liability					0	2,789	2,789
Precepts and levies					0	1,691	1,691
Payments to Housing Capital Receipts Pool					0	1,018	1,018
Gain or loss on disposal of non-current assets					0	73,511	73,511
Loss on revaluation of non-current assets					0	17,271	17,271
Trading Undertakings			(841)		(841)	841	0
Other adjustments IAS19	(219,656)		216,957	36,612	33,913		33,913
<b>Total operating expenses</b>	<b>1,089,644</b>	<b>1,653</b>	<b>216,116</b>	<b>36,612</b>	<b>1,344,025</b>	<b>127,145</b>	<b>1,471,170</b>
<b>Surplus or deficit on the provision of services</b>	<b>320,530</b>	<b>1,166</b>	<b>205,099</b>	<b>36,612</b>	<b>563,407</b>	<b>(217,613)</b>	<b>345,794</b>

The aim of segment reporting is to disclose information to enable users of the Council's financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates. The Council presents its information on reportable segments within the notes. Reportable segments are based on an Authority's internal management reporting. The Council's internal arrangements include items that do not form part of the Comprehensive Income and Expenditure Statement (for example, statutory provisions for the repayment of debt) and excludes items that do not form part of the Comprehensive Income and Expenditure Statement (for example, depreciation). The Council has produced a reconciliation between the segment reporting analysis and the net cost of services in the Comprehensive Income and Expenditure Statement.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 29. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (continued)

YEAR ENDING 31 MARCH 2011	Restated Children, Families and Learning £000	Restated Department of Adult Services, Health and Housing £000	Restated Planning and Environment £000	Restated Corporate Resources and Customer Services £000	Restated Chief Executive's Office £000	Restated HRA £000	Restated Total £000
Fees, charges and other service income	(17,149)	(18,242)	(27,766)	(6,734)	(2,711)	(80,084)	(152,686)
Government grants	(341,291)	(26,812)	(2,283)	(263,378)	(183)	(61)	(634,008)
<b>Total Income</b>	<b>(358,440)</b>	<b>(45,054)</b>	<b>(30,049)</b>	<b>(270,112)</b>	<b>(2,894)</b>	<b>(80,145)</b>	<b>(786,694)</b>
Employee expenses	241,692	39,808	32,211	31,306	10,776	14,542	370,335
Other operating expenses	196,694	106,939	57,660	300,311	9,324	65,231	736,159
Support recharges	21,842	6,008	3,441	(40,724)	(8,115)	372	(17,176)
<b>Total operating expenses</b>	<b>460,228</b>	<b>152,755</b>	<b>93,312</b>	<b>290,893</b>	<b>11,985</b>	<b>80,145</b>	<b>1,089,318</b>
<b>Net Cost of Services</b>	<b>101,788</b>	<b>107,701</b>	<b>63,263</b>	<b>20,781</b>	<b>9,091</b>	<b>0</b>	<b>302,624</b>

#### Reconciliation to Net Cost of

#### Services in Comprehensive Income and Expenditure Statement

Cost of Services in Service Analysis:

Add services not included in main analysis	(1,369)
Add amounts not reported to management (IAS19)	(64,856)
Add amounts reported to management not included in Comprehensive Income and Expenditure Statement	230,782

#### Net Cost of Services in Comprehensive Income and Expenditure Statement

467,181

#### Reconciliation to Subjective Analysis (Single Entity)

	Service Analysis £000	Services not in Analysis £000	Not reported to management £000	Not included in CI&E £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(146,331)	(42)	3,009		(143,364)		(143,364)
Surplus or deficit on associates and joint ventures					0		0
Interest and investment income					0	(5,953)	(5,953)
Interest received on finance leases (lessor)					0	(272)	(272)
Income from Council Tax					0	(148,762)	(148,762)
Government grants and contributions	(634,008)	(1,368)			(635,376)	(183,570)	(818,946)
IAS19			(64,856)		(64,856)		(64,856)
<b>Total Income</b>	<b>(780,339)</b>	<b>(1,410)</b>	<b>(61,847)</b>	<b>0</b>	<b>(843,596)</b>	<b>(338,557)</b>	<b>(1,182,153)</b>
Employee expenses	370,334	(204)			370,130		370,130
Other service expenses	652,983	26			653,009		653,009
Support service recharges	(17,176)				(17,176)		(17,176)
Depreciation, amortisation and impairment	58,022	497			58,519		58,519
Premium and discount on early repayment of debt					0	136	136
Changes in fair value of investment properties					0	2,551	2,551
Rental income from investment properties					0	(3,009)	(3,009)
Impairment of financial instruments					0	181	181
Interest payments					0	13,412	13,412
PFI interest liability					0	3,018	3,018
Precepts and levies					0	2,304	2,304
Payments to Housing Capital Receipts Pool					0	1,141	1,141
Gain or loss on disposal of non-current assets					0	102,035	102,035
Loss on revaluation of non-current assets					0	(90,965)	(90,965)
Trading Undertakings					0	278	278
Other adjustments	18,800	(277)	230,281	(2,508)	246,296		246,296
IAS19					0	26,355	26,355
<b>Total operating expenses</b>	<b>1,082,963</b>	<b>42</b>	<b>230,281</b>	<b>(2,508)</b>	<b>1,310,778</b>	<b>57,437</b>	<b>1,368,215</b>
<b>Surplus or deficit on the provision of services</b>	<b>302,624</b>	<b>(1,368)</b>	<b>168,434</b>	<b>(2,508)</b>	<b>467,182</b>	<b>(281,120)</b>	<b>186,062</b>

This note has been restated for the prior period adjustments mentioned in Note 5. Note 60 shows a reconciliation of the I & E movement.

Following the restructure in 2011/12 the 2010/11 figures have been restated and the following department names were changed during the reporting period:

Children, Young People and Learners became Children, Families and Learning;

Resources and Customer Services became Corporate Resources and Customer Services;

Planning, Regeneration and Conservation combined with Community Services to become Planning and Environment;

Adult Services and Housing became Adult Services, Health and Housing.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 30. ACQUIRED AND DISCONTINUED OPERATIONS

A Local Authority Trading Company, Croydon Care Solutions Ltd, was set up on 7 March 2011. This Company is 100% owned by Croydon Council and so is a subsidiary of the Council. The transactions of Croydon Care Solutions Ltd were not material in 2010/11 and so the Company was not including in Croydon's group accounts for that financial year. The subsidiary, in its first year of full trading in 2011/12, has been included in Croydon's group accounts for the first time this year.

### 31. TRADING OPERATIONS

The Authority has established the following five trading units where the service manager is required to operate in a commercial environment and balance their budgets by generating income from other parts of the Authority or other organisations:

	2011/12			2010/11	
	(Surplus)/ Deficit £000	Expense £000	Turnover £000	(Surplus)/ Deficit £000	Turnover £000
	Commercial Estates	(71)	24	(95)	(20)
Street Markets	233	467	(234)	232	(234)
Highways and Sewers	460	1,220	(760)	(68)	(179)
Transport Maintenance	213	264	(51)	166	97
Street Lighting	6	238	(232)	(32)	0
	841	2,213	(1,372)	278	(422)

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Authority's services to the public (e.g. refuse collection), whilst others are support services to the Authority's services to the public (e.g. schools catering). The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. Only a residual amount of the net surplus on trading operations is charged as Financing and Investment Income and Expenditure:

	2011/12 £000	2010/11 £000
Net surplus on trading operations	233	232
Services to the public included in Expenditure of Continuing Operations	608	46
<b>Net surplus credited to Other Operating Expenditure</b>	841	278

### 32. AGENCY SERVICES

Croydon acts as an agent for Business Improvement District (BID) schemes, collecting a levy on its behalf. Details of BID accounts are shown in Note 54.

### 33. ROAD CHARGING SCHEMES

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 34. POOLED BUDGETS

The Council has entered into two agreements for pooled budgets under Section 75 of the National Health Service Act 2006 (previously Section 31 of the Health Act 1999). 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.

	2011/12			2010/11		
	£000 Council	£000 Partner	£000 Total	£000 Council	£000 Partner	£000 Total
<b>Croydon's Community Equipment Service</b>						
Gross Income	(885)	(600)	(1,485)	(902)	(590)	(1,492)
Gross Expenditure	0	1,725	1,725	0	1,603	1,603
Net Expenditure	<u>(885)</u>	<u>1,125</u>	<u>240</u>	<u>(902)</u>	<u>1,013</u>	<u>111</u>
<b>Croydon's Community Occupational Therapy Service</b>						
Gross Income	(1,546)	(791)	(2,337)	(1,549)	(893)	(2,442)
Gross Expenditure	0	2,068	2,068	0	2,226	2,226
Net Expenditure	<u>(1,546)</u>	<u>1,277</u>	<u>(269)</u>	<u>(1,549)</u>	<u>1,333</u>	<u>(216)</u>

### 35. MEMBERS' ALLOWANCES

The total of allowances paid to the Members of the Council was £1.57m in 2011/12 (£1.58m in 2010/11).

### 36. OFFICERS' REMUNERATION

Out of more than 6,000 employees, the number whose remuneration, excluding pension contributions was £50,000 or more in bands of £5,000 was:

Remuneration Band	2011/12		2010/11	
	Schools	Non-Schools	Schools	Non-Schools
£210,000 - £214,999	0	1	0	0
£205,000 - £209,999	0	0	0	0
£200,000 - £204,999	0	0	0	0
£195,000 - £199,999	0	0	0	0
£190,000 - £194,999	0	0	0	0
£185,000 - £189,999	0	0	0	1
£180,000 - £184,999	0	0	0	0
£175,000 - £179,999	0	1	0	0
£170,000 - £174,999	0	0	0	0
£165,000 - £169,999	0	0	0	1
£160,000 - £164,999	0	1	0	1
£155,000 - £159,999	0	1	0	0
£150,000 - £154,999	0	2	0	1
£145,000 - £149,999	0	0	0	0
£140,000 - £144,999	1	0	0	1
£135,000 - £139,999	1	2	2	1
£130,000 - £134,999	0	0	0	0
£125,000 - £129,999	0	1	0	0
£120,000 - £124,999	0	1	0	2
£115,000 - £119,999	1	0	0	0
£110,000 - £114,999	0	2	1	3
£105,000 - £109,999	1	0	2	5
£100,000 - £104,999	3	9	2	4
£95,000 - £99,999	2	2	6	7
£90,000 - £94,999	5	5	4	6
£85,000 - £89,999	4	4	3	7
£80,000 - £84,999	7	3	4	6
£75,000 - £79,999	9	16	19	17
£70,000 - £74,999	15	13	15	9
£65,000 - £69,999	39	12	33	20
£60,000 - £64,999	31	28	41	30
£55,000 - £59,999	50	23	56	41
£50,000 - £54,999	100	75	78	92

The table above includes the members of the Corporate Management Team listed on the following page.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 36. OFFICERS' REMUNERATION (continued)

Corporate Management Team	Jon Rouse Chief Executive	Hannah Miller Deputy Chief Executive & Executive Director of Adult Services, Health & Housing	Nathan Elvery Deputy Chief Executive & Executive Director of Corporate Resources & Customer Services	Paul Greenhalgh * Executive Director of Children, Families & Learning	Pam Parkes Director of Workforce & Community Relations	Julie Belvir Director of Democratic Legal Services & Monitoring Officer	Tom Jeffrey ** Executive Director of Planning & Environment	Emma Peters *** Executive Director of Planning & Environment	Stephen McDonald **** Executive Director of Planning & Environment	Damian Roberts ***** Director Step Change Croydon
<b>2011/12</b>										
Basic Salary	179,529	137,262	137,262	137,262	98,664	98,664	66,785	46,348	81,594	107,203
Chief Officer Allowance	0	6,321	6,321	0	6,321	6,321	2,950	527	0	0
Deputy Chief Executive's Allowance	0	10,000	10,000	0	0	0	0	0	0	0
Additional Allowance	0	0	0	0	0	0	0	0	0	0
<b>Salary (including Fees and Allowances)</b>	<b>179,529</b>	<b>153,583</b>	<b>153,583</b>	<b>137,262</b>	<b>104,985</b>	<b>104,985</b>	<b>69,735</b>	<b>46,874</b>	<b>81,594</b>	<b>107,203</b>
Performance Related Pay	0	0	0	0	0	0	0	0	0	0
Expense Allowances	0	0	0	0	0	0	0	0	0	0
Compensation for Loss of Office	0	0	0	0	0	0	141,847	111,223	46,385	48,288
Benefits in Kind	0	0	0	0	0	0	0	0	0	0
<b>Total Remuneration excluding Pension Contributions</b>	<b>179,529</b>	<b>153,583</b>	<b>153,583</b>	<b>137,262</b>	<b>104,985</b>	<b>104,985</b>	<b>211,582</b>	<b>158,097</b>	<b>127,979</b>	<b>155,491</b>
Employer's Pension Contributions	41,651	35,631	35,631	31,845	24,357	25,545	16,179	2,776	10,969	19,150
<b>Total Remuneration including Pension Contributions</b>	<b>221,180</b>	<b>189,214</b>	<b>189,214</b>	<b>169,107</b>	<b>129,342</b>	<b>130,530</b>	<b>227,761</b>	<b>160,873</b>	<b>138,948</b>	<b>174,641</b>
<b>2010/11</b>										
Basic Salary	188,976	137,262	137,262	11,439	98,664	98,664	127,017	137,262	0	102,034
Chief Officer Allowance	0	6,321	6,321	0	6,321	6,321	6,321	6,321	0	4,452
Deputy Chief Executive's Allowance	0	10,000	10,000	0	0	0	0	0	0	0
Additional Allowance	0	0	0	0	0	5,123	0	0	0	0
<b>Salary (including Fees and Allowances)</b>	<b>188,976</b>	<b>153,583</b>	<b>153,583</b>	<b>11,439</b>	<b>104,985</b>	<b>110,108</b>	<b>133,338</b>	<b>143,583</b>	<b>0</b>	<b>106,486</b>
Performance Related Pay	0	13,726	6,863	0	0	0	6,351	6,863	0	0
Expense Allowances	0	0	0	0	0	0	0	0	0	0
Compensation for Loss of Office	0	0	0	0	0	0	0	0	0	0
Benefits in Kind	0	0	0	0	0	0	0	0	0	0
<b>Total Remuneration excluding Pension Contributions</b>	<b>188,976</b>	<b>167,309</b>	<b>160,446</b>	<b>11,439</b>	<b>104,985</b>	<b>110,108</b>	<b>139,689</b>	<b>150,446</b>	<b>0</b>	<b>106,486</b>
Employer's Pension Contributions	43,842	35,631	35,631	2,654	24,357	25,545	30,934	33,311	0	24,705
<b>Total Remuneration including Pension Contributions</b>	<b>232,818</b>	<b>202,940</b>	<b>196,077</b>	<b>14,093</b>	<b>129,342</b>	<b>135,653</b>	<b>170,623</b>	<b>183,757</b>	<b>0</b>	<b>131,191</b>

\* Paul Greenhalgh took up office on 01 March 2011

\*\* Tom Jeffrey left office on 18 September 2011

\*\*\* Emma Peters left office on 30 April 2011

\*\*\*\* Stephen McDonald left office on 31 January 2012

\*\*\*\*\* Damian Roberts left office on 31 December 2011

Returning Officer disclosure is no longer required. The 2010/11 accounts have been restated accordingly. During 2010 the Council as part of the Employee Based Cost Review reviewed senior management pay. This was frozen in 2010/11 and for the subsequent 2 years. Additionally it has been agreed that performance related pay for Executive Directors will not apply for the next year and the Chief Executive will be taking a pay reduction in 2012/13 of £8,976.

The following Department names were changed during the reporting period.

Children, Young People and Learners became Children, Families and Learning

Resources and Customer Services became Corporate Resources and Customer Services

Planning, Regeneration and Conservation combined with Community Services to become Planning and Environment

Adult Services and Housing became Adult Services, Health and Housing

**NOTES TO THE CORE FINANCIAL STATEMENTS**

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

**Exit Packages**

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

2011/12	Total number of exit packages by cost band			Total cost of exit packages in each band		
	Compulsory Redundancies No.	Other Redundancies No.	Total No.	Compulsory Redundancies £	Other Redundancies £	Total £
	£100,000 - £149,999	3	0	3	387,053	0
£80,000 - £99,999	0	1	1	0	80,700	80,700
£60,000 - £79,999	2	0	2	135,994	0	135,994
£40,000 - £59,999	7	1	8	320,390	43,647	364,037
£20,000 - £39,999	21	6	27	576,124	154,901	731,025
£0 - £19,999	185	47	232	946,698	295,238	1,241,936
<b>Total</b>	<b>218</b>	<b>55</b>	<b>273</b>	<b>2,366,259</b>	<b>574,486</b>	<b>2,940,745</b>

2010/11	Total number of exit packages by cost band			Total cost of exit packages in each band		
	Compulsory Redundancies No.	Other Redundancies No.	Total No.	Compulsory Redundancies £	Other Redundancies £	Total £
	£100,000 - £149,999	2	2	4	254,091	240,647
£80,000 - £99,999	2	1	3	183,106	90,396	273,502
£60,000 - £79,999	1	3	4	75,437	199,061	274,498
£40,000 - £59,999	3	12	15	139,831	589,296	729,127
£20,000 - £39,999	20	32	52	601,017	910,848	1,511,865
£0 - £19,999	90	80	170	596,759	689,900	1,286,659
<b>Total</b>	<b>118</b>	<b>130</b>	<b>248</b>	<b>1,850,241</b>	<b>2,720,148</b>	<b>4,570,389</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 37. EXTERNAL AUDIT COSTS

	2011/12 £000	2010/11 £000
Audit Commission fees payable:		
Audit of annual accounts	380	422
Inspection	0	0
Certification of grant claims	101	92
Rebate	(30)	(28)
Fees payable for other services	0	0
	451	486

### 38. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. 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 2011/12 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2011/12	28,353	203,794	232,147
London Pay Award Grant	0	0	0
Brought forward from 2010/11	315	(769)	(454)
DSG receivable for the year	28,668	203,025	231,693
Actual expenditure for the year	(27,679)	(198,027)	(225,706)
(Over)/underspend for the year	989	4,998	5,987
<b>(Over)/underspend carried forward to 2012/13</b>	989	4,998	5,987

### 39. GRANT INCOME

#### Core Grants

The Government in 2011/12 introduced a new regime for funding streams outside of Formula Grant as part of its intention to give Local Authorities greater flexibilities by ending the ring-fencing of particular grants. Previous Area Based Grants and Specific Grants were either rolled into Formula Grant or the Dedicated Schools Grant, were discontinued or were replaced by new grant funding streams including Core Grants.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 40. 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 International Accounting Standard 31 and as a consequence group accounts have been prepared.

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 compiled the existing declarations for Members from the Register of Members' Interests. The Council then issued standard letters to 70 Members asking them to confirm the entries, and make any additional disclosures if necessary. The ten Members of the Corporate Management Team were issued with standard letters requesting disclosure of any potential related party transactions. 70 Members and 2 Executive Directors had related party transactions.

This note has been prepared on a cash basis through the accounts payable system as it is believed that any accruals are not of a material value.

Organisation	Related Party	Related Transaction 2011/12	£
CCURV LLP	Jon Rouse Director Nathan Elvery Director (left 30/06/11) Tom Jeffrey Director (left 18/09/11)	Croydon Council Regeneration Vehicle (CCURV) is a limited liability partnership (LLP) between Croydon Council which is a joint venture between John Laing Projects and Development (Croydon) Ltd to develop and regenerate a number of sites in Croydon	9,756,374
Croydon Primary Care Trust/Croydon NHS	Toni Letts Vice Chair	Teenage Pregnancy Strategy, Carers grant, Speech and language therapy packages for SEN, Mental health services, Public Health funding	2,862,195
South London YMCA	David Fitze Member	<b>Housing</b> Support in shared hostels for young people, single homeless people and people with drug and alcohol problems, a drug resettlement service <b>Discretionary Rate Relief</b>	1,856,530
Oasis Academy Coulsdon	Chris Wright Governor	Early Years Funding, Statements and Ad Hoc Grants	1,758,688
Harris Academy Purley	Simon Hoar Governor	Early Years Funding, Statements and Ad Hoc Grants	1,392,167
Fairfield Halls	Helen Pollard Director Timothy Godfrey Director Dudley Mead Director and chairman	Capital funding and Premises Hire charges	1,248,613
Garwood Foundation	Dudley Mead Chairman	<b>Children's Fund</b> Creative Arts workshops Operation of the Rutherford Special School, funded by the LEA for care of statemented children PMLD children and disabled adults at Bramley Hill Centre	1,148,108
Gonville Academy	Bernadette Khan Governor	Early Years Funding	553,893
BT Group Plc	Raj Rajendran Employee	Corporate Utility Charges	538,480



**NOTES TO THE CORE FINANCIAL STATEMENTS**

**40. RELATED PARTY TRANSACTIONS (continued)**

<b>Organisation</b>	<b>Related Party</b>	<b>Related Transaction 2011/12</b>	<b>£</b>
Metropolitan Police Authority	Steve O'Connell Member	Contributions towards jointly run projects such as Youth Crime Action Plan and Pathways	533,213
Children's Trust	Manju Shahul-Hameed Member	The School for Profound Education for pupils with profound and multiple learning difficulties, short breaks, transitional, palliative and long-term nursing care	489,658
Shirley High School	Jason Cummings Governor	Early Years Funding, Statements and Ad Hoc Grants	326,030
Croydon Neighbourhood Care Association	Simon Hall Trustee	<b>Older people and PDSI</b> Umbrella organisation providing information, advice, support to neighbourhood care groups	239,382
Croydon College	Bernadette Khan Governor Ian Parker Governor	Funding from the Local Education Authority for various educational activities	227,687
Croydon Youth Development Trust	Maggie Mansell Trustee	Funding for youth projects including Croydon Community bus, Croydon Auto and Bike Scheme (CABS), Education Provisions and supporting work in the Family Resilience Service	216,302
Whitgift Foundation	Dudley Mead Member of the court Lynne Hale Member Margaret Mead Member of the court Toni Letts Member of the court	Operation of the John Whitgift school which receives LEA funding for early years activity	175,186
The Learning Tree Pre-School	Carole Bonner Chair of Trustees	PVI Childminder funding payments	167,592
Quest Academy	Helen Pollard Governor Janet Marshall Governor Steven Hollands (spouse) Employee	Fund statemented children with special educational needs	147,474
Ecclesbourne Primary	Adam Kelleff (Spouse) Employee	Early Years Funding, Statements and Ad Hoc Grants	108,773
Bangladesh Welfare Association Croydon	Badsha Quadir President Sherwan Chowdhury Trustee	<b>Carer's Support</b> Carers grant and youth opportunity funding	101,535
Croydon Hearing Resource Centre	Pat Clouder Trustee	Funding for the Partnership for Older People (POP) bus service	92,275
Local Government Association	Mike Fisher Board Member	LGA Subscription fees, professional service fees and conference fees	80,921
Compass	Sean Fitzsimons Member	Funding for the operation of the Drug, Alcohol and Action Team service	78,407
Croydon Housing Aid Society	Alisa Flemming Board Member Alison Butler Board Member	<b>Homeless People</b> To Provide an independent housing advice service to local residents.	75,000
Surrey Clubs For Young People	Tony Harris Trustee	Sport and Youth Projects Transition funding	70,599
Mott Macdonald Ltd	Vidhi Mohan Employee Chris Wright (Daughter) Employee	Engineering and Development Consultancy fees for projects including Mid Croydon planning	63,666
Age Concern	Pat Clouder Member	<b>Project Funding</b> Funding for the Partnership for Older People (POP) Project Funding for piloting brokerage of self-directed support	46,939

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**40. RELATED PARTY TRANSACTIONS (continued)**

<b>Organisation</b>	<b>Related Party</b>	<b>Related Transaction 2011/12</b>	<b>£</b>
South Norwood And Woodside Community Association	Jane Avis (Spouse) Employee Simon Hall Trustee Simon Hall (Partner) Trustee Karen Jewitt Manager	<b>Older People and PDSI</b> Lunch clubs, activities and shopping trips for older people	39,974
Central Parade Business Partnership	Carole Bonner Member Simon Hall Member	<b>BID Project</b> Funding for set-up of Central Parade Business Partnership to represent the views and interests of the shops in Parade. <b>Infrastructure Work</b> Fee for purchase and installation of light fittings	40,800
South London Business	Lynne Hale (Husband) Member	Funding from the Local Education Authority for various educational activities	33,911
Timebridge Management Company	Simon Hoar Director	Funding to run a junior club was received late last year and rent payment from the Youth service for use of the facility <b>Rent Subsidy</b>	32,330
London And Quadrant Housing Association	Sean Fitzsimons Employee	L and Q homelessness initiative leasing scheme	27,368
London Fire And Emergency Planning Authority	Mike Fisher Borough Member	Contribution to 'Operation Crossfire' scheme to educate children about the danger of fire	26,458
Croydon Magistrates Court	Lynne Hale Magistrate Margaret Mead Magistrate	Fees for processing Council Tax and NNDR Summonses at £3.00 per Summonses	26,367
Mushkil Aasaan	Bernadette Khan Consultant	Community care for Asian families in crisis across South London, and has received funds as part of Croydon's children with disabilities family support programme	24,485
Shirley Community Centre	Richard Chatterjee Member Mike Fisher Member	<b>Youth Work</b> Rental costs for hiring of space to carry out Youth projects for young people <b>Rent Subsidy</b> <b>Discretionary Rate Relief</b>	16,006
New Ruskin House	Simon Hall Member George Ayres Member Carole Bonner Member	Property Hire Fees	17,842
Sir Philip Game Centre	Mark Watson Trustee	<b>Youth Work</b> Rental costs for hiring of space to carry out Youth projects for young people <b>Discretionary rate relief</b>	16,700
Crystal Palace Football Club	Anthony Pearson Employee	Contribution to 'Football in the Community' scheme	13,161
South West London Law Centre	Carole Bonner Member	Legal services for the HRA	10,974
Coulsdon Community Centre Association	Terry Lenton Member	<b>Youth Work</b> Rental costs for hiring of space to carry out Youth projects for young people <b>Discretionary Rate Relief</b>	10,110
Whitehorse Manor Junior School	Raj Rajendran Governor	Early Years Funding, Statements and Ad Hoc Grants	7,991
Addiscombe Boys And Girls Club	Eddy Arram Chairman	<b>Youth Work</b> Rental costs for hiring of space to carry out Youth projects for young people <b>Discretionary Rate Relief</b>	5,136
Old Town Youth Club	Tony Harris Employee	Hire of Premises and Equipment and utilities allowances	4,291
Care Quality Commission	Jeet Bains Head of Regulatory Development Programmes	Statutory registration of adult social care services including shared lives scheme Langley Oaks and Heather Way respite centre.	2,300

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**40. RELATED PARTY TRANSACTIONS (continued)**

Organisation	Related Party	Related Transaction 2011/12	£
Woodcote High School	Ian Parker Governor	Early Years Funding, Statements and Ad Hoc Grants	1,510
Croydon, Merton And Sutton Credit Union	Jon Rouse Member Sean Fitzsimons Member Mike Fisher Member Carole Bonner Member Simon Hall Member Matthew Kyeremeh Member	<b>Corporate funding</b>	1,460
Croydon Scouting	Lynne Hale Member	Premises hiring fees	801
Royal Tandoori Restaurant	Badsha Quadir Director	Mayor's Charity Event costs	730
Woodside Bereavement Service	Richard Chatterjee Trustee	Funding for services for 11/12	660
Friends Of Beaulieu Heights	Kathy Bee Member	<b>Nature Conservation Insurance</b>	591
London Mayors Association	Margaret Mead Member of Executive Committee	Membership and event fees	500
Friends Of Foxley Woods	Jan Buttinger (Husband) Member	<b>Nature Conservation Insurance</b>	458
BIFM	Eddy Arram Member Patricia Hay-Justice Member	Professional Membership Subscription	328
Friends Of Bradmore Green Pond	Chris Wright Member	<b>Nature Conservation Insurance</b>	248
Friends Of Selsdon Wood	Sara Bashford Member	<b>Nature Conservation Insurance</b>	241
Friends Of Croham Hurst Woods	Maria Gatland Chairman	<b>Nature Conservation Insurance</b>	233
Croydon Natural History And Scientific Society	Susan Winborn Member	<b>Rent Subsidy</b>	199
Coloma Convent Girls	Governor Janet Marshall	Premises Hire fees	150
Woodside Baptist Church	Richard Chatterjee Member	Fees for hire of hall for statutory elections	102
Old Palace School Of John Whitgift	Dudley Mead Governor	Pool Hire costs Cherry Orchard Day centre activities	90
South Croydon Sports Club	Simon Hoar Member	London Youth Games facility hire charges	83
St Mary's Church	Lynne Hale Member	Fees for officiating at marriages	6

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:

	<b>2011/12 £000</b>	<b>2010/11 £000</b>
<b>Receipts</b>		
Pension Contributions - from the Council (employer's contributions)	26,395	29,303
Pension Contributions - from employees (deductions paid over)	7,647	8,567
<b>Total Receipts</b>	<b>34,042</b>	<b>37,870</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 41. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	General Fund £000	Housing Revenue Account £000	2011/12 Total £000	Restated 2010/11 Total £000
<b>EXPENDITURE:</b>				
Property, Plant and Equipment	100,593	17,281	117,874	117,748
Property, Plant and Equipment - PFI	4,380	0	4,380	22,122
Bullet Payment - Homes PFI	0	0	0	6,100
Investment properties	14,040	0	14,040	0
Revenue expenditure funded from capital under statute	43,139	3,431	46,570	14,712
Redundancy - revenue expenditure funded from capital under statute	1,608	0	1,608	1,976
Intangible assets	4,138	5	4,143	3,194
Repayment of loans	0	0	0	3,601
Bernard Weatherill House Prior Period Adjustment	0	0	0	20,813
	167,898	20,717	188,615	190,266
<b>FINANCED BY:</b>				
Borrowing approvals	100,194	1,684	101,878	67,857
Bernard Weatherill House - Prior Period Adjustment financed in previous period	0	0	0	20,813
PFI assets delivered by contractor (repaid through unitary charge)	4,380	0	4,380	22,122
Capital receipts	6	819	825	1,689
Government grants and other contributions	59,328	3,298	62,626	49,283
Direct revenue contributions	201	1,300	1,501	12
Contributions from reserves	0	1,574	1,574	0
Schools contributions	3,789	0	3,789	17,110
Major Repairs Reserve	0	12,042	12,042	11,380
	167,898	20,717	188,615	190,266
<b>EXPLANATION OF MOVEMENTS IN YEAR:</b>				
Opening Capital Financing Requirement	248,746	85,308	334,054	272,150
Increase in underlying need to borrow (supported by Government financial assistance)	0	0	0	3,256
Increase in underlying need to borrow (unsupported by Government financial assistance)	100,194	1,684	101,878	64,601
Assets acquired under finance leases	0	0	0	0
MRP / Loans fund principal	(7,273)	0	(7,273)	(5,953)
Closing Capital Financing Requirement	341,667	86,992	428,659	334,054

**42. LEASES**

**Authority as Lessee**

**Finance Leases**

The Authority leases HRA properties, a multi-storey car park, light industrial units and a few miscellaneous assets under finance leases. Every finance lease apart from the light industrial units at Enterprise Close has been acquired either through payment of a lease premium or by donation, with only a minimal annual rental payable in some instances.

The assets acquired under these leases are carried in the Balance Sheet at the following net amounts:

	2011/12 £000	2010/11 £000
Council dwellings	424	419
Investment property	800	5,200
Community assets	0	0
Other land and buildings	110	113
<b>Total</b>	<b>1,334</b>	<b>5,732</b>

The Authority is committed to making minimum payments under these leases comprising:  
 settlement of the long-term liability for the interest acquired in the property; and  
 finance costs that will be payable in future years while the liability remains outstanding.

Disclosed below is a disaggregated analysis of the minimum lease payments. Two disclosures are presented:  
 the total cash payment (gross payment); and  
 the repayment of principal represented by that cash payment.

The note relates to Enterprise Close, being the only finance lease with a significant annual rental. The minimal annual rental for the other properties recognised as held under finance leases is expensed as incurred.

**Enterprise Close**

	2011/12		2010/11	
	Gross £000	Principal £000	Gross £000	Principal £000
Not later than one year	12	3	12	3
Later than one year and not later than five years	46	15	46	15
Later than five years	325	199	337	203
<b>Minimum lease payments</b>	<b>383</b>		<b>395</b>	
Finance costs payable in future years		166		174
<b>Minimum lease payments</b>		<b>383</b>		<b>395</b>

This table details all other payments, (gross), and their NPV equivalent made under finance leases. Some of the HRA properties are leased for 999 years. Consequently, the analysis is limited to a 99 year period to provide meaningful figures.

**All other finance leases**

	2011/12		2010/11	
	Gross £000	NPV £000	Gross £000	NPV £000
Not later than one year	2	2	2	2
Later than one year and not later than five years	9	7	9	7
Later than five years	98	22	101	23
<b>Minimum lease payments</b>	<b>109</b>	<b>31</b>	<b>112</b>	<b>32</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £23,387 contingent rents were payable by the Authority (2010/11 £23,387).

The Authority has sub-let 1 Community Centre, 1 Car Park and 6 HRA properties. No annual rental is received under any of the leases. No rental is charged for the Community Centre because the Authority is effecting service delivery through a partner organisation. A lease premium was received for the other properties. Additionally the Authority sub-lets, under operating leases, the light industrial units in Enterprise Close. The annual rent receivable in 2011/12 was £106,200 (2010/11 £105,390).

**Operating leases**

At 31 March 2012 the Authority held 13 short-term leases for office accommodation in 8 different buildings within the Borough. Additionally there were four car parks and miscellaneous other properties.

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

	2011/12 £000	2010/11 £000
Not later than one year	3,011	3,088
Later than one year and not later than five years	5,364	6,741
Later than five years	241	259
	<b>8,616</b>	<b>10,088</b>

Two of the assets leased under operating leases were sub-let in 2011/12 (2010/11 none).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 42. LEASES (continued)

The following lease and sub lease payments were recognised during the period:

	2011/12 £000	2010/11 £000
Minimum lease payments	3,203	3,197
Contingent rents	109	115
Sublease payments receivable	(16)	0
	3,296	3,312

#### Authority as Lessor

##### Finance Leases

The Authority has let six properties under finance leases for which it receives an annual rental. Numerous other properties have been let under finance leases where the Authority has received a lease premium and there is either no, or a de-minimis, annual rental. Any de-minimis rentals are excluded from the following analysis.

The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term of the lease and the residual value, if any, anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is comprised of the following amounts:

	2011/12 £000	2010/11 £000
Finance lease debtor (net present value of minimum lease payments):		
current	671	2,385
non-current	2,600	3,271
Unearned finance income	12,623	12,854
Unguaranteed residual value of property	0	0
<b>Gross investment in the lease</b>	<b>15,894</b>	<b>18,510</b>

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000
Not later than one year	861	2,617	861	2,617
Later than one year and not later than five years	945	1,557	945	1,557
Later than five years	14,088	14,336	14,088	14,336
	15,894	18,510	15,894	18,510

The unguaranteed residual value is assumed to be nil for all six properties, because of the duration of the leases. As a consequence the gross investment in the leases and the minimum lease payments are equivalent. The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £147,764 contingent rents were receivable by the Authority (2010/11 £127,845).

##### Operating Leases

The Authority leases property for the following purposes:

Investment properties are let for the purpose of revenue generation and are also held in anticipation of capital appreciation.

For the provision of community services, sports facilities, office space to community organisations and clubhouses for social groups.

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

	2011/12 £000	2010/11 £000
Not later than one year	1,819	813
Later than one year and not later than five years	4,137	1,908
Later than five years	1,941	1,864
	7,897	4,585

The significant increase in income is due to one new car park lease attracting a rental in excess of £1m per annum for the next four years. The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £102,597 contingent rents were receivable by the Authority (2010/11 £123,028).



**43. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS**

The Authority has four current Private Finance Initiative (PFI) contracts. A review of the accounting treatment of three of these PFI contracts under International Financial Reporting Interpretations Committee (IFRIC) 12 - Service Concessions was carried out in 2009/10. Streetlighting PFI scheme only started in August 2011. This resulted in assets for the Customer Focus, Ashburton Learning Village, Street Lighting and three of the four Adults Homes for the Future PFI schemes coming on-Balance Sheet. One Adults Homes for the Future building was assessed as remaining off-Balance Sheet.

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

In 2010/11 the Authority made payment of £4.3m for four new care facilities, two of which opened during 2010 and two in 2011. The payments for these facilities for older people, which are fully maintained with all soft facilities management included, were made to Caring 4 Croydon. The annual payment for a full year has risen to £4.678m in 2011/12 as all four homes were open for a full year. These payments are index-linked so will increase year on year until contract expiration in 2038/39. During 2011/12 the care services to the users and residents of the facilities were outsourced to Care UK.

**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. 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 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 Authority has entered into a 30 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 PFI. The PFI grant includes £17.1m from the Department for Education (formerly Children, Schools and Families) and £4.7m from the Department for Culture, Media and Sport; depending on usage, the Council may pay £66.2m over the remaining 25 years of the contract.

**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 and the contract expires in May 2013. In March 2011, the parties agreed to enter into a new one year contract extension for the provision of the services in accordance with Clause 72 of the original agreement. This contract extension is separate to the original agreement and whose value is £13m and runs from May 2013 to May 2014.

**Street Lighting**

The Croydon and Lewisham Street Lighting PFI is a joint procurement project that has been developed to replace the ageing street lighting stock of both London Boroughs. This is a 25 year contract with Skanska-Laing which started in August 2011. The index linked unitary charge payable to Skanska-Laing is partly financed through the PFI credits receivable from the Department for Transport and the remainder by the Partner Authorities. The split is 64:36 between Croydon and Lewisham respectively and is based on the road network length. The PFI credits received from the Department for Transport is £3.7m in 2011/12 and expected to be £6.0m in 2012/13.

Value of Assets Held	Ashburton	Adult Homes	Customer	Street	2011/12	2010/11
	Learning Village	For The Future	Focus	Lighting	Total	Total
	£000	£000	£000	£000	£000	£000
Net book value as at 31 March 2011	18,657	21,337	6,474	0	46,468	32,736
Gross book value as at 31 March 2011	19,514	22,224	14,141	0	55,879	37,792
Additions	0	0	0	4,380	4,380	22,122
Revaluation	0	0	0	0	0	(4,035)
Gross book value as at 31 March 2012	19,514	22,224	14,141	4,380	60,259	55,879
Depreciation as at 1 April 2011	(857)	(887)	(7,667)	0	(9,411)	(4,864)
Depreciation for year	(390)	(644)	(3,403)	(146)	(4,583)	(4,547)
<b>Net book value as at 31 March 2012</b>	<b>18,267</b>	<b>20,693</b>	<b>3,071</b>	<b>4,234</b>	<b>46,265</b>	<b>46,468</b>

Value of Liabilities	Ashburton	Adult Homes	Customer	Street	2011/12	2010/11
	Learning Village	For The Future	Focus	Lighting	Total	Total
	£000	£000	£000	£000	£000	£000
Creditors as at 31 March 2011	(17,299)	(23,644)	(3,453)	0	(44,396)	(33,574)
"Drawdown" at start of operational period	0	0	0	(4,380)	(4,380)	(18,531)
Capital repayment	352	361	1,537	7	2,256	1,609
Lump sum contribution	0	0	0	0	0	6,100
<b>Creditors as at 31 March 2012</b>	<b>(16,947)</b>	<b>(23,283)</b>	<b>(1,916)</b>	<b>(4,373)</b>	<b>(46,520)</b>	<b>(44,396)</b>



**NOTES TO THE CORE FINANCIAL STATEMENTS**

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

<b>Repayment of Liabilities</b>	<b>Ashburton Learning Village £000</b>	<b>Adult Homes For The Future £000</b>	<b>Customer Focus £000</b>	<b>Street Lighting £000</b>	<b>2011/12 Total £000</b>	<b>2010/11 Total £000</b>
Within one year	370	382	1,629	655	3,037	2,250
Within two to five years	1,691	1,774	288	1,859	5,612	5,195
Within six to ten years	2,674	2,889	0	6,777	12,341	5,263
Within 11 to 15 years	3,470	3,871	0	9,943	17,283	6,944
Within 16 to 20 years	4,502	5,186	0	14,587	24,275	9,164
Within 21 to 25 years	4,241	6,947	0	17,997	29,185	11,790
Within 26 to 30 years	0	2,233	0	0	2,233	3,790
<b>Total</b>	<b>16,947</b>	<b>23,283</b>	<b>1,917</b>	<b>51,819</b>	<b>93,966</b>	<b>44,396</b>

<b>Interest Payments</b>	<b>Ashburton Learning Village £000</b>	<b>Adult Homes For The Future £000</b>	<b>Customer Focus £000</b>	<b>Street Lighting £000</b>	<b>2011/12 Total £000</b>	<b>2010/11 Total £000</b>
Within one year	906	1,402	115	1,154	3,577	2,556
Within two to five years	3,415	5,365	3	12,880	21,663	9,084
Within six to ten years	3,708	6,034	0	18,645	28,387	10,042
Within 11 to 15 years	2,913	5,053	0	15,479	23,445	8,362
Within 16 to 20 years	1,881	3,738	0	10,834	16,453	6,142
Within 21 to 25 years	546	1,977	0	3,937	6,460	3,197
Within 26 to 30 years	0	146	0	0	146	374
<b>Total</b>	<b>13,368</b>	<b>23,715</b>	<b>118</b>	<b>62,930</b>	<b>100,131</b>	<b>39,757</b>

<b>Service Charge Payments</b>	<b>Ashburton Learning Village £000</b>	<b>Adult Homes For The Future £000</b>	<b>Customer Focus £000</b>	<b>Street Lighting £000</b>	<b>2011/12 Total £000</b>	<b>2010/11 Total £000</b>
Within one year	716	1,482	12,098	2,629	16,926	14,167
Within two to five years	3,154	6,411	2,027	8,333	19,925	23,377
Within six to ten years	4,649	9,197	0	7,690	21,536	13,408
Within 11 to 15 years	5,530	10,671	0	9,145	25,347	15,707
Within 16 to 20 years	6,528	12,340	0	10,877	29,745	18,307
Within 21 to 25 years	5,633	14,228	0	11,165	31,025	20,856
Within 26 to 30 years	0	4,154	0	0	4,154	7,162
<b>Total</b>	<b>26,210</b>	<b>58,482</b>	<b>14,125</b>	<b>49,839</b>	<b>148,657</b>	<b>112,984</b>

<b>Lifecycle Payments</b>	<b>Ashburton Learning Village £000</b>	<b>Adult Homes For The Future £000</b>	<b>Customer Focus £000</b>	<b>Street Lighting £000</b>	<b>2011/12 Total £000</b>	<b>2010/11 Total £000</b>
Within one year	411	405	0	0	816	816
Within two to five years	1,643	1,621	0	0	3,264	3,265
Within six to ten years	2,054	2,026	0	0	4,080	4,080
Within 11 to 15 years	2,054	2,026	0	0	4,080	4,080
Within 16 to 20 years	2,054	2,026	0	0	4,080	4,080
Within 21 to 25 years	1,541	2,026	0	0	3,566	3,977
Within 26 to 30 years	0	540	0	0	540	945
<b>Total</b>	<b>9,757</b>	<b>10,669</b>	<b>0</b>	<b>0</b>	<b>20,426</b>	<b>21,243</b>

<b>Contingent Rent</b>	<b>Ashburton Learning Village £000</b>	<b>Adult Homes For The Future £000</b>	<b>Customer Focus £000</b>	<b>Street Lighting £000</b>	<b>2011/12 Total £000</b>	<b>2010/11 Total £000</b>
Within one year	0	0	0	0	0	0
Within two to five years	0	0	0	14	14	0
Within six to ten years	0	0	0	457	457	0
Within 11 to 15 years	0	0	0	540	540	0
Within 16 to 20 years	0	0	0	416	416	0
Within 21 to 25 years	0	0	0	87	87	0
Within 26 to 30 years	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,514</b>	<b>1,514</b>	<b>0</b>

**44. IMPAIRMENT LOSSES**

It is a requirement of the Code of Practice on Local Authority Accounting 2011/12 that impairment losses and reversals are disclosed by class of asset. The only asset class incurring an impairment loss during the current financial year was Surplus Assets Not Held For Sale.

This impairment is due to unforeseen planning constraints. The property was impaired by £0.47m, of which £0.43m reversed previous gains reflected in the Revaluation Reserve. £0.04m was charged to the Social Care line in the Comprehensive Income and Expenditure Statement.

**45. CAPITALISATION OF BORROWING COSTS**

No borrowing costs were capitalised during 2011/12.

**46. DEFINED BENEFIT PENSION SCHEMES****Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although the commitment will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

**The Authority participates in two post employment schemes**

**The Local Government Pension Scheme**, administered by the London Borough of Croydon. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund calculated at a level intended to balance the pensions liabilities with investment assets.

**The Teachers' Pension Scheme**, administered by Capita Teachers' Pensions on behalf of the Department for Education, provides retirement benefits for Teachers. Although it is a defined benefits scheme, the arrangements for the Teachers' Pension Scheme mean that liabilities for the 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. The Children, Families and Learning revenue account is charged with the employer's contributions payable to the Teachers' Pension Scheme during the year.

In 2011/12, the Council paid £13.1m (2010/11 £13.8m) to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% (2010/11 14.1%) of pensionable pay.

**Transactions Relating to Post Employment Benefits**

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against Council Tax is based on the cash payable in the year. Consequently, the real cost of post employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. The transactions that have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year are detailed in a separate IAS19 section of these Statements (International Accounting Standard 19) starting on page 94.

**47. PENSIONS ASSETS AND LIABILITIES****47.1. PENSIONS INTEREST COST AND EXPECTED RETURN ON PENSIONS ASSETS****Pensions Interest Cost**

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

**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 Hymans Robertson LLP.

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 47. DEFINED BENEFIT PENSION SCHEMES (continued)

#### 47.2. PENSIONS LIABILITY

The financial statements recognise the Council's pensions liability as an employing Authority in accordance with the requirements of International Accounting Standard 19 (IAS19). A full set of IAS19 disclosure notes are provided in this document, starting on page 94. The table below discloses the pensions liability and the movements in that liability:

<b>Pensions Liability</b>	<b>2011/12 £000</b>	<b>2010/11 £000</b>
Present value of funded benefit obligation	(1,043,976)	(953,683)
Present value of unfunded benefit obligation	(10,192)	(9,589)
<b>Total present value of benefit obligations</b>	<b>(1,054,168)</b>	<b>(963,272)</b>
Fair value of fund assets	613,401	617,831
	<b>(440,767)</b>	<b>(345,441)</b>
Unrecognised past service cost	0	0
<b>Net liability</b>	<b>(440,767)</b>	<b>(345,441)</b>

<b>Movements on Pensions Liability</b>	<b>2011/12 £000</b>	<b>2010/11 £000</b>
Net liability brought forward	(345,441)	(516,788)
Current service cost	(18,845)	(24,860)
Past service cost	(39)	58,077
Curtailments and settlements	2,868	(736)
Employer's contributions	27,033	32,375
Interest on pension liabilities	(52,540)	(59,664)
Expected return on plan assets	38,618	33,309
Actuarial gains / (losses)	(92,421)	132,846
<b>Net liability carried forward</b>	<b>(440,767)</b>	<b>(345,441)</b>

In his budget statement on 22 June 2010, the Chancellor announced that the Government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past.

In the previous year's accounts (2010/11), the actuaries allowed for this change, by assuming that over the long term CPI will be less than RPI by 0.5% p.a. The effect of this is to reduce the calculated value of an employer's liabilities for accounting purposes normally by about 5-8%. The reduction for the London Borough of Croydon is £59.98m. The adjustment is disclosed as a negative "past service cost" (i.e. past service gain) in the accounting figures. The actuaries' approach is consistent with CIPFA's (LAAP) Bulletin 89.

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

There are no material amounts in these categories.

#### 48. CONTINGENT LIABILITIES

##### Social Care Change

The contingent liability of £1.4m relates to the potential costs of the delay of the 'Social Care Change' programme. The care for clients affected by this scheme was originally funded by the NHS; this responsibility was transferred to Local Authorities in 2009/10. As was common for most Authorities, the negotiations with the local PCT were somewhat protracted, the value of the funds transfer was not agreed until very late in 2009/10. The provider for this care has subsequently attempted to charge the Council based on the terms and conditions agreed with NHS, this includes payments for empty beds, whereas the Council maintains that it will only pay for placements as and when they occur and at the rate the Council had previously agreed with the provider.

##### Connexions

A legal challenge by former employees of a former supplier regarding employer's liability for approximately 40 staff. The Council contests the claims. The worst case financial scenario would be responsibility for employers' liability in respect of the staff and litigation costs.

#### 49. CONTINGENT ASSETS

There were no contingent assets at 31 March 2012.

**50. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

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

The annual Treasury Management Strategy which incorporates the prudential indicators was approved by Full Council on 28 February 2011 and is available on the Council's website. The key issues within the strategy were:

1. The Authorised Borrowing Limit for 2011/12 was set at £478.8m. This limit was increased to £707.812m by Corporate Services Committee on 23 November 2011, to take account of the HRA self financing settlement payment made to Communities and Local Government on 28 March 2012 to exit the national HRA subsidy system. This is the maximum limit of external borrowings or other long-term liabilities.
2. The Operational Boundary was also increased to £667.812m. This is the expected level of debt and other long-term liabilities during the year.
3. The maximum amounts of fixed and variable interest rate exposure were set at £667.812m and £40.0m based on the Council's net debt.

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

**Credit Risk**

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

**CREDIT RISK**

	<b>Amounts at 31 March 2012 £000</b>	<b>Historical Experience of Default %</b>	<b>Estimated Maximum Exposure to Default £000</b>
Deposits with banks and other financial institutions	143,524	nil	0
Bonds and other securities	0	nil	0
Customers	0	nil	0
<b>Total</b>	<b>143,524</b>	<b>nil</b>	<b>0</b>

**Liquidity Risk**

The Council has access to a facility to borrow from the Public Works Loans Board (PWLB). 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.

All sums owing (£143.524m) excluding amounts due from customers and the CCURV investment are due to be paid in less than one year.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

#### Refinancing and Maturity Risk

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

	At 31 March 2012 £000	At 31 March 2011 £000
<b>Loans outstanding:</b>		
PWLB	498,926	265,800
Market debt / LOBOs	120,000	60,000
Temporary borrowing	0	0
Local bonds	0	0
Deferred purchase	0	0
Other	338	337
<b>Total</b>	619,264	326,137
Less than 1 year	64,023	70,020
Between 1 and 2 years	4,000	4,000
Between 2 and 5 years	0	0
Between 5 and 10 years	32,000	12,000
More than 10 years	519,241	240,117
<b>Total</b>	619,264	326,137

#### Interest Rate Risk

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

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

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

According to this assessment strategy, at 31 March 2012, if interest rates had been 1% higher, the financial effect would be:

	At 31 March 2012 £000	At 31 March 2011 £000
Increase in interest payable on variable rate borrowings	600	500
Increase in interest receivable on variable rate investments	(1,866)	(1,593)
Increase in Government grant receivable for financing costs	0	0
<b>Impact on Comprehensive Income and Expenditure Statement</b>	(1,266)	(1,093)
<b>Share of overall impact debited to the HRA</b>	137	128
Decrease in fair value of available-for-sale investment assets	0	0
<b>Impact on CI&amp;E Statement or Movement in Reserves Statement</b>	137	128
Decrease in fair value of fixed rate borrowing liabilities	(88,830)	(42,222)
<b>Impact on CI&amp;E Statement or Movement in Reserves Statement</b>	(88,830)	(42,222)

#### Price Risk

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

#### Foreign Exchange Risk

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

**51. HERITAGE ASSETS: FURTHER INFORMATION ON THE MUSEUM'S COLLECTIONS**

**Heritage Policy**

Separate policy documents exist for the museum collections and the archive collections outlining their respective collecting remits: The Museum Service's 'Acquisitions and Disposals Policy' is the key document for the museum (object) collections. This document is required for the Authority's Museum Accreditation standard and is approved by Cabinet. The policy outlines the collections the Authority holds, which collections are closed and open and the criteria for acquiring and disposing of objects. The Acquisitions and Disposal Policy was last approved by Cabinet on 15 October 2007. It will be revised to meet the new Accreditation Standard 2011 and re-submitted for Cabinet approval in autumn / winter 2012. The longer than usual timescale between revision and approval is due to the transition to Arts Council England (ACE) and roll-out of the new Accreditation Standard, 2011-2014.

**Access Policy**

In terms of an Access Policy, there is at present no single document, although the Authority clearly communicates to customers how they can access the collections. In practice there are three ways of accessing the collections

1. Visiting public spaces: the Museum of Croydon, Riesco Gallery and the Local Studies Library and Archives (LSL&A) all at the Croydon Clocktower;
2. By prior appointment for collections held in store: including the Borough Archive, Croydon Art Collection, Oral History Collection and pre-1800 social-history collection;
3. Through the website: www.museumofcroydon.com provides virtual access to the collections on display in the Museum of Croydon gallery, although it should be noted that many of the items on display in this gallery are on loan from other institutions and individual donors and therefore are not formally owned by the Borough

Opening hours for the Museum's galleries and LSL&A and access arrangements for viewing the stored collections are advertised through www.museumofcroydon.com; the Council website and hard copy promotional material

**52. HERITAGE ASSETS: CHANGE IN ACCOUNTING POLICY**

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the accounting treatment for Heritage Assets held by a Local Authority.

From the Financial Year 2011/12 onwards, the Authority is required to change its accounting policy for Heritage Assets to recognise them within the Statement of Accounts. Previously, Heritage Assets were not recognised within the Statement of Accounts.

The Authority's accounting policy for the recognition and measurement of its Heritage Assets is set out in the Accounting Policies.

In applying the new accounting policy, the Authority has recognised £10.4m of Heritage Assets, this increase is also recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have therefore been restated in the 2011/12 Statement of Accounts to apply the new policy

The effect of the restatement is as follows:

At 1 April 2010 the carrying amount of Heritage Assets is presented at its valuation of £10.4m. The Revaluation Reserve has increased by the same amount.

**Effect on the Opening Balance Sheet at 1 April 2010**

The adjustments that have been made to that Balance Sheet compared to the version published in the 2010/11 Statement of Accounts due to the change in accounting policy for Heritage Assets are shown in Note 58

**Comprehensive Income and Expenditure Statement 2010/11**

The adjustments that have been made to that Consolidated Income and Expenditure Statement compared to the version published in the 2010/11 Statement of Accounts due to the change in accounting policy for Heritage Assets are shown in note 60.

**Movement in Reserves Statement – Unusable Reserves 2010/11**

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy is shown in Note 59

**Effect on the Balance Sheet at 31 March 2011**



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 53. TRUST FUNDS

The Council acts as trustee for various funds of varying nature with a total value of approximately £4.3m.

The principal funds include funds held on behalf of:

- ▶ The Mansell Project to provide a new learning disability home to serve a number of London Boroughs (£1.732m)
- ▶ South West London Sub-Regional Renewal monies for housing (£0.049m)
- ▶ Individuals for whom the Council is Appointee for savings (£0.699m)
- ▶ The Church Tenements Charity, which provides grants to young people for education purposes (£0.821m)
- ▶ The Frank Denning Memorial Charity, which provides travelling scholarships (£0.284m).

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.

### 54. 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 was incorporated as under Croydon Town Centre BID Ltd from 1 April 2007 for five years and after a successful ballot in November 2011, its tenure was extended for a further 5 years until 31 March 2017.

Croydon BID provides 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.

From October 2010, the Council provided facilities and management support services in addition to the levy collection service.

The most up to date figures from the BID Company are shown below:

	2011/12		2010/11
	£000	£000	£000
BID levy income		(1,155)	(1,264)
Interest receivable and similar income		(7)	0
		(1,162)	(1,264)
Costs of collecting levy	15		15
Payment for services provided by other parties	909		584
Administrative expenses and tax	443		431
		1,367	1,030
(Surplus)/Deficit for the year		205	(234)
Surplus brought forward		(313)	(79)
<b>Surplus carried forward</b>		(108)	(313)

### 55. GROUP INTERESTS

Croydon Council has a 50% equity stake in a limited liability partnership (LLP), Croydon Council Urban Regeneration Vehicle (CCURV LLP). The other 50% equity stake is held by John Laing Projects and Development (Croydon) Limited. CCURV LLP was set up specifically to develop and regenerate a number of sites owned by the Council. Under International Accounting Standard (IAS) 31 CCURV LLP is considered to be a Joint Venture, and consequently Group Accounts have been prepared.

Croydon Council owns a 100% stake in Croydon Care Solutions Limited (CCS). CCS is therefore a subsidiary of Croydon Council. The Company began operations on 8 March 2011. Croydon Care Solution Ltd's accounts have been incorporated in the group accounts which can be found starting on page 113.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 56. CONTRIBUTION FROM NATIONAL NON-DOMESTIC RATE POOL

In accordance with the arrangements for uniform business rates, the Council collects National Non-Domestic Rates (NNDR) 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 Comprehensive Income and Expenditure Statement.

#### Figures from Final Settlements (Communities and Local Government)

	NNDR Pool £000	% of Formula Grant %
2010/11	103,505	98.5
2011/12	94,221	82.9

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

	£000
NNDR Collectable	106,631
Receipt from the NNDR Pool	(94,221)
Net Contribution	12,410

### 57. DATE OF ACCOUNTS BEING AUTHORISED FOR ISSUE AND BY WHOM

This Statement of Accounts was issued on 27 June 2012 by Nathan Elvery, Deputy Chief Executive and Executive Director of Corporate Resources and Customer Services.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 58. RESTATED BALANCE SHEET 1 APRIL 2010

	1 April 2010	Adjustments			1 April 2010
	Published £000	Assets Under Construction £000	Heritage Assets £000	Provisions £000	Restated £000
Operational Assets (Property, Plant and Equipment)					
Council dwellings	663,171				663,171
Other land and buildings	901,178				901,178
Vehicles, plant, furniture and equipment	14,910				14,910
Infrastructure	84,764				84,764
Community assets	3,042				3,042
Total Operational Assets (Property, Plant and Equipment)	1,667,065	0	0	0	1,667,065
Non-Operational Assets (Property, Plant and Equipment)					
Assets under construction	9,778	20,813			30,591
Total Non-Operational Assets (Property, Plant and Equipment)	9,778	20,813	0	0	30,591
<b>Heritage Assets</b>	0		162		162
Investment property	17,954				17,954
Intangible Assets					
Software	3,574				3,574
Long-term Investments					
<b>Non-property investments</b>	11,056				11,056
Long-term Debtors	35,271				35,271
Long-term Assets	1,744,698	20,813	162	0	1,765,673
Short-term Investments					
Non-property investments excluding cash equivalents	99,255				99,255
<b>Inventories</b>	219				219
Short-term Debtors					
Debtors and payments in advance	164,894				164,894
Provision for doubtful debts	(52,733)				(52,733)
Cash and cash equivalents	28,985				28,985
Current Assets	240,620	0	0	0	240,620
Bank overdraft	(39,278)				(39,278)
Short-term borrowing	(116,080)				(116,080)
Short-term creditors and receipts in advance	(93,059)			(5,447)	(98,506)
<b>Short-term provision</b>					
<b>Current Liabilities</b>	(248,417)	0	0	(5,447)	(253,864)
Long-term Creditors					
Provisions	(24,678)			16,544	(8,135)
Long-term borrowing	(198,303)	(20,813)		(11,097)	(230,212)
Deferred capital creditors	(7,065)				(7,065)
Net pensions liability	(516,788)				(516,788)
Capital grants receipts in advance	(18,802)				(18,802)
Long-term Liabilities	(765,636)	(20,813)	0	5,447	(781,002)
<b>Net Assets</b>	971,265	0	162	0	971,427
Usable reserves					
General Fund	11,597				11,597
Housing Revenue Account	4,481				4,481
Earmarked reserves	52,914				52,914
Capital receipts reserve	9,128				9,128
Capital grants unapplied	651				651
	78,771	0	0	0	78,771
Unusable reserves					
Revaluation reserve	219,441		162		219,603
Capital adjustment account	1,199,117				1,199,117
Financial Instruments adjustment account	(4,120)				(4,120)
Pensions reserve	(516,788)				(516,788)
Deferred capital receipts	291				291
Short-term accumulating compensated absences account	(5,447)				(5,447)
	892,494	0	162	0	892,656
<b>Total Reserves</b>	971,265	0	162	0	971,427

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 59. RESTATED 2010/11 BALANCE SHEET

	31 March 2011	Prior Period Adjustments			31 March 2011	
	Published £000	Assets Under Construction £000	Heritage Assets £000	Provisions £000	Foundation Schools £000	Restated £000
Operational Assets (Property, Plant and Equipment)						
Council dwellings	532,026					532,026
Other land and buildings	932,340				(91,029)	841,311
Vehicles, plant, furniture and equipment	13,555					13,555
Infrastructure	85,671					85,671
Community assets	3,432					3,432
<b>Total Operational Assets (Property, Plant and Equipment)</b>	<b>1,567,024</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(91,029)</b>	<b>1,475,995</b>
Non-Operational Assets (Property, Plant and Equipment)						
Assets under construction	42,879	36,998				79,877
<b>Total Non-Operational Assets (Property, Plant and Equipment)</b>	<b>42,879</b>	<b>36,998</b>				<b>79,877</b>
<b>Heritage Assets</b>	<b>0</b>		<b>10,411</b>			<b>10,411</b>
Investment property	15,404					15,404
Intangible Assets						
Software	2,894					2,894
Assets under construction	2,286					2,286
Long-term Investments						
<b>Non-property investments</b>	<b>11,907</b>					<b>11,907</b>
Long-term Debtors	51,199					51,199
<b>Long-term Assets</b>	<b>1,693,593</b>	<b>36,998</b>	<b>10,411</b>	<b>0</b>	<b>(91,029)</b>	<b>1,649,973</b>
Short-term Investments						
Non-property investments excluding cash equivalents	128,848					128,848
<b>Inventories</b>	<b>425</b>					<b>425</b>
Short-term Debtors						
Debtors and payments in advance	142,409					142,409
Provision for doubtful debts	(54,881)					(54,881)
Cash and cash equivalents	14,338					14,338
<b>Current Assets</b>	<b>231,139</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>231,139</b>
Bank overdraft	(23,137)					(23,137)
Short-term borrowing	(75,652)					(75,652)
Short-term creditors and receipts in advance	(89,136)			(5,402)		(94,538)
<b>Current Liabilities</b>	<b>(187,925)</b>	<b>0</b>	<b>0</b>	<b>(5,402)</b>	<b>0</b>	<b>(193,327)</b>
Long-term Creditors						
Provisions	(25,707)			17,309		(8,398)
Long-term borrowing	(298,482)	(36,998)		(11,907)		(347,387)
Deferred capital creditors	(7,511)					(7,511)
Net pensions liability	(345,441)					(345,441)
Capital grants receipts in advance	(24,868)					(24,868)
<b>Long-term Liabilities</b>	<b>(702,009)</b>	<b>(36,998)</b>	<b>0</b>	<b>5,402</b>	<b>0</b>	<b>(733,605)</b>
<b>Net Assets</b>	<b>1,034,798</b>	<b>0</b>	<b>10,411</b>	<b>0</b>	<b>(91,029)</b>	<b>954,180</b>
Usable reserves						
General Fund	11,597					11,597
Housing Revenue Account	6,137					6,137
Earmarked reserves	58,339					58,339
Capital receipts reserve	132					132
Capital grants unapplied	7,554					7,554
	83,759	0	0	0	0	83,759
Unusable reserves						
Revaluation reserve	240,171		10,411		(10,196)	240,386
Capital adjustment account	1,061,736				(80,833)	980,903
Financial Instruments adjustment account	(3,505)					(3,505)
Pensions reserve	(345,441)					(345,441)
Deferred capital receipts	244					244
Collection Fund adjustment account	3,237					3,237
Short-term accumulating compensated absences account	(5,403)					(5,403)
	951,039	0	10,411	0	(91,029)	870,421
<b>Total Reserves</b>	<b>1,034,798</b>	<b>0</b>	<b>10,411</b>	<b>0</b>	<b>(91,029)</b>	<b>954,180</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**60. RESTATED 2010/11 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

	31 March 2011		31 March 2011	
	Published	Heritage	Foundation	Restated
	£000	Assets	Schools	£000
<b>Gross expenditure, gross income and net expenditure of continuing operations</b>				
Central Services to the Public	8,325			8,325
Cultural, Environmental, Regulatory and Planning Services	61,835			61,835
Education Services	28,823			28,823
Highways Transport Services	37,463			37,463
Local Authority Housing (HRA)	224,945			224,945
Other Housing Services	18,815			18,815
Social Care	134,855			134,855
Corporate and Democratic Core	4,743			4,743
Non-Distributed Costs	(52,623)			(52,623)
<b>Net cost of services</b>	<b>467,181</b>	<b>0</b>	<b>0</b>	<b>467,181</b>
<b>Other operating expenditure</b>				
Levies payable	2,304			2,304
Payments of Housing capital receipts to Government pool	1,141			1,141
(Gain)/loss on disposal of non-current assets	11,006		91,029	102,035
Loss on revaluation of non-current assets	(90,965)			(90,965)
<b>Financing and Investment Income and Expenditure</b>				
Interest payable on debt	13,412			13,412
Interest payable on PFI unitary payments	3,018			3,018
Premium on early repayment of debt	136			136
Impairment of financial instruments	181			181
Pensions interest cost	59,664			59,664
Expected return on pension assets	(33,309)			(33,309)
Investment interest income	(5,953)			(5,953)
Interest received on finance leases (lessor)	(272)			(272)
Changes in fair value of investment properties	2,551			2,551
Rental income from investment properties	(3,009)			(3,009)
Net (surplus)/deficit - trading operations	278			278
<b>Taxation and Non-Specific Grant Income</b>				
Recognised capital grants and contributions	(34,746)			(34,746)
Council Tax	(148,762)			(148,762)
National Non-Domestic Rates (NNDR)	(103,505)			(103,505)
Revenue Support Grant	(15,030)			(15,030)
Non-service related Government grants	(30,288)			(30,288)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>95,033</b>	<b>0</b>	<b>91,029</b>	<b>186,062</b>
<b>(Surplus) or deficit on revaluation of non-current assets</b>				
Revaluation gains	(31,141)	(10,249)		(41,390)
Revaluation losses (chargeable to revaluation reserve)	5,421			5,421
<b>Actuarial (gains)/losses on pension assets/liabilities - matching the entry to the pensions reserve</b>	<b>(132,846)</b>			<b>(132,846)</b>
<b>Other Comprehensive Income and Expenditure</b>	<b>(158,566)</b>	<b>(10,249)</b>	<b>0</b>	<b>(168,815)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(63,533)</b>	<b>(10,249)</b>	<b>91,029</b>	<b>17,247</b>

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

The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education.

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

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

However, the arrangements for the Teachers' Pension 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, Families and Learning revenue account is charged with the employer's contributions payable to the Teachers' Pension Scheme during the year.

In 2011/12, the Council paid £13.1m (2010/11 £13.8m) to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% (2010/11 14.1%) of pensionable pay.

#### **The Local Government Pension Scheme**

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

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

Liabilities are discounted to their present value, using a discount rate of 4.8% (based on the indicative rate of return on high quality corporate bonds).

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

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

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

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

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

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

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

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

#### **Actuarial gains and losses comprise:**

- experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
- the effects of changes in actuarial assumptions - are recognised in Other Comprehensive Income

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

Actuarial valuations are carried out every three years as required by legislation. The most recent valuation was undertaken by Mercer Human Resource Consulting as at 31 March 2010. This identified a deficit of £301m which the actuary recommended should be recovered over a 24 year period through an average employer's contribution of 23.0% of pensionable pay.

Statutory provisions require the General Fund balance to be charged with the amount of retirement benefit contributions payable by the Council to the Pension Fund in the year, not the amount calculated according to the relevant accounting standards. Consequently, in Other Comprehensive Income 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 2011/12 was £27.0m at a contribution rate of 23.2% (£32.4m in 2010/11 at a contribution rate of 23.2%). The IAS19 determined charge to the General Fund, the amount exclusive of any appropriations to and from the Pensions Reserve, is £29.9m in 2011/12 (£6.1m in 2010/11). The credit in 2010/11 arose because of the change from Retail Price Index (RPI) to Consumer Price Index (CPI) in uprating pension benefits, which caused the Fund to experience a significant £(59.98m) Past Service Gain.

#### **Discretionary Benefits**

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

<b>Actuarial Assumptions</b>	<b>31 March 2012</b>	<b>31 March 2011</b>
<b>Financial assumptions</b>		
Rate of inflation RPI	3.40%	3.40%
Rate of inflation CPI	2.90%	2.90%
Rate of increase in salaries *	4.30%	4.65%
Rate of increase of pensions	2.50%	2.90%
Discount rate	4.80%	5.50%
<b>Expected rate of return on assets</b>		
Equities	6.40%	7.50%
Bonds	4.60%	4.80%
Property	4.40%	6.50%
Cash / Liquidity	3.50%	0.50%
<b>Split of assets between investment categories</b>		
Equities	59.00%	64.00%
Bonds	32.00%	29.00%
Property	7.00%	6.00%
Cash / Liquidity	2.00%	1.00%
<b>Life expectancy</b>		
of a male (female) future pensioner aged 65 in 20 years time	24.9 (27.7) years	23.0 (25.8) years
of a male (female) current pensioner aged 65	22.9 (25.7) years	21.6 (24.2) years
<b>Commutation of pension for lump sum at retirement</b>	50% take maximum cash, 50% take 3/80ths cash	
<b>Market value of total funds (£ millions)</b>	625	621
	as at 31 Mar 2012	as at 31 Dec 2010

\* Salary increases are assumed to be 1% until 31 March 2015 reverting to the long-term assumption shown thereafter.



**PENSIONS - IAS19 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES**

**The amounts recognised in the Balance Sheet**

	2011/12 £000	2010/11 £000
Present value of funded benefit obligation	(1,043,976)	(953,683)
Present value of unfunded benefit obligation	(10,192)	(9,589)
Total present value of benefit obligations	(1,054,168)	(963,272)
Fair value of Fund assets	613,401	617,831
	(440,767)	(345,441)
Unrecognised past service cost	0	0
<b>Net liability</b>	<b>(440,767)</b>	<b>(345,441)</b>

**Changes in the Present Value of Defined Benefit Obligations**

	2011/12 £000	2010/11 £000
Opening defined benefit obligation	(963,272)	(1,064,961)
Current service cost	(18,845)	(24,860)
Past service gain / (cost)	(39)	58,077
Curtailments and settlements	(1,137)	(736)
Liabilities extinguished on settlements	4,302	0
Interest on pension liabilities	(52,540)	(59,664)
Members contributions	(7,455)	(8,559)
Actuarial (gains) / losses on liabilities	(53,007)	104,943
Benefits / transfers paid	37,825	32,488
<b>Closing defined benefit obligation</b>	<b>(1,054,168)</b>	<b>(963,272)</b>

**Changes in the Fair Value of Fund Assets**

	2011/12 £000	2010/11 £000
Opening fair value of Fund assets	617,831	548,173
Expected return on Fund assets	38,618	33,309
Actuarial gains / (losses) on assets	(39,414)	27,903
Assets distributed on settlements	(297)	0
Employer contributions	27,033	32,375
Members contributions	7,455	8,559
Benefits / transfers paid	(37,825)	(32,488)
<b>Closing fair value of Fund assets</b>	<b>613,401</b>	<b>617,831</b>

**Analysis of the Movement in the Net Liability**

	2011/12 £000	2010/11 £000
Net liability brought forward	(345,441)	(516,788)
Current service cost	(18,845)	(24,860)
Past service gain / (cost)	(39)	58,077
Curtailments and settlements	2,868	(736)
Employer's contributions	27,033	32,375
Interest on pension liabilities	(52,540)	(59,664)
Expected return on plan assets	38,618	33,309
Actuarial gains / (losses)	(92,421)	132,846
<b>Net liability carried forward</b>	<b>(440,767)</b>	<b>(345,441)</b>

In his budget statement on 22 June 2010, the Chancellor announced that the Government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past.

In the previous year's accounts (2010/11), the actuaries allowed for this change, by assuming that over the long term CPI will be less than RPI by 0.5% p.a. The effect of this is to reduce the calculated value of an employer's liabilities for accounting purposes normally by about 5-8%. The reduction for the London Borough of Croydon is £59.98m. The adjustment is disclosed as a negative "past service cost" (i.e. past service gain) and is the principal component of the £58.077m disclosed above. The actuaries' approach is consistent with CIPFA's LAAP Bulletin 89.

**PENSIONS - IAS19 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES**

Analysis of the Fair Value of Fund Assets	Value at 31 March 2012		Value at 31 March 2011		Value at 31 March 2010	
	%	£000	%	£000	%	£000
Equities	59.00%	361,907	53.10%	328,069	55.00%	301,496
Bonds	32.00%	196,288	29.30%	181,024	34.00%	186,379
Property	7.00%	42,938	5.90%	36,452	3.00%	16,445
Cash / Liquidity	2.00%	12,268	0.60%	3,707	2.00%	10,963
Other	0.00%	0	11.10%	68,579	6.00%	32,890
<b>Fair value of Fund assets</b>		<b>613,401</b>		<b>617,831</b>		<b>548,173</b>

Movements on Pensions Reserve	2011/12 £000	2010/11 £000
Net liability brought forward	(345,441)	(516,788)
Reduction of charge to actual payment into the Pension Fund (adjusted in the Movement in Reserves Statement - no entry in CI&E Statement)	(2,905)	38,501
Experience / Actuarial (gain) / loss (recognised in the Statement of Other Comprehensive Income)	(92,421)	132,846
<b>Net liability carried forward</b>	<b>(440,767)</b>	<b>(345,441)</b>

The valuation of employer assets used in this analysis differs from the figures presented in the Pension Fund Statements in that it uses an estimate of returns (-0.1%) because it has to be prepared in advance of the year end, whereas the Pension Fund Accounts are prepared on the basis of actual and not assumed figures after the years end. Regardless of this detail the movement in the value of these assets reflects the stagnation of the financial markets over the reporting period and beyond, a consequence of the continued global financial crisis. The schedule shows a deterioration in the funding level; the net liability has grown from £345 million to £441 million. The principle driver for this movement is the increase in the present value of funded liabilities, relating to employee members of the scheme, deferred pensioners and pensioners. The main drivers behind this movement are an increase in actuarial losses and past service costs.

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

Amounts recognised in the Comprehensive Income and Expenditure Statement	2011/12 £000	2010/11 £000
<b>Amounts recognised in the Net Cost of Services</b>		
Current service cost	(18,845)	(24,860)
Past service cost	(39)	58,077
Effect of curtailments or settlements	2,868	(736)
<b>Amounts recognised in Financing and Investment Income and Expenditure</b>		
Interest on pension liabilities	(52,540)	(59,664)
Expected return on Fund assets	38,618	33,309
<b>Amount recognised in the Comprehensive Income and Expenditure Statement</b>	<b>(29,938)</b>	<b>6,126</b>
<b>Amounts recognised in the Statement of Other Comprehensive Income</b>		
Actuarial Gain / Loss	(92,421)	132,846
<b>Amounts recognised in the Movement in Reserves Statement</b>		
Transfer to Pension Reserve	2,905	(38,501)
<b>Amounts recognised in the Financial Statements of the Council</b>		
Employer contributions	(27,033)	(32,375)
<b>Actual Return on Fund assets</b>	<b>(667)</b>	<b>62,532</b>

## PENSIONS - IAS19 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES

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

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

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

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

	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000	31 March 2008 £000
Present value of benefit obligations	(1,054,168)	(963,272)	(1,064,961)	(777,690)	(905,471)
Fair value of Fund assets	613,401	617,831	548,173	389,684	492,661
Surplus / (Deficit) of the Fund	(440,767)	(345,441)	(516,788)	(388,006)	(412,810)
Experience adjustments on Fund liabilities	(53,007)	104,943	(238,976)	187,315	(42,056)
Expressed as a percentage	5.03%	(10.89%)	22.44%	(24.09%)	4.64%
Experience adjustments on Fund assets	(39,414)	27,903	127,836	(142,901)	(66,935)
Expressed as a percentage	(6.43%)	4.52%	23.32%	(36.67%)	(13.59%)

**ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS FOR THE PURPOSES OF IAS26**

This statement has been prepared in accordance with Regulation 34(1)(d) of the Local Government Pension Scheme (Administration) Regulations 2008, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2011/12.

**Description of Funding Policy**

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS). The FSS sets out how the administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

**Funding Position as at the last formal funding valuation**

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2010. This valuation revealed that the Fund's assets, which at 31 March 2010 were valued at £583 million, were sufficient to meet 66% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2010 valuation was £301 million.

Individual employers' contributions for the period 1 April 2011 to 31 March 2014 were set in accordance with the Fund's funding policy as set out in its FSS.

**Principal Actuarial Assumptions and Method used to value the liabilities**

Full details of the methods and assumptions adopted by Mercer for the formal valuation are described in the report dated 31 March 2011.

**METHOD**

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

**ASSUMPTIONS**

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

The key financial assumptions used to assess the past service liabilities for the 2010 valuation were as follows:

Financial assumptions	31 March 2010		Real
	% p.a.	% p.a.	
Discount rate	6.00%	3.00%	
Pay increases *	4.75%	1.75%	
Price inflation/Pension increases	3.00%	-	

\*Those employers for which the public-sector short term pay restraints have been taken into account in the assessment of the Past Service Funding Position are Croydon Council, BRIT School and the Academies.

The key demographic assumption was the allowance made for longevity. The baseline longevity assumptions adopted at this valuation were in line with SAPS mortality tables with an allowance for long-term improvements of 1% per annum (in line with the mortality projections model published in November 2009 by the CMI) and member category specific adjustments. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.5 years	24.1 years
Future Pensioners*	22.8 years	25.9 years

\*Figures assume members aged 45 at the last formal valuation date.

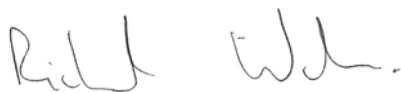
Copies of the 2010 valuation report and Funding Strategy Statement are available on request from Croydon Council, the administering authority to the Fund.

**ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS FOR THE PURPOSES OF IAS26 (continued)**

**Experience over the period since April 2010**

The Administering Authority monitors the funding position on a regular basis as part of its risk management programme. The most recent funding update was produced as at 31 March 2012. It showed that the funding level (excluding the effect of any membership movements) has worsened since the 2010 valuation due to falling real bond yields and lower asset returns than expected. The next actuarial valuation will be carried out as at 31 March 2013. The Funding Strategy Statement will also be reviewed at that time.

The next actuarial valuation will be carried out as at 31 March 2013. The Funding Strategy Statement will also be reviewed at that time.



**Richard Warden**

Fellow of the Institute and Faculty of Actuaries  
For and on behalf of Hymans Robertson LLP  
1st June 2012

**Hymans Robertson LLP**

20 Waterloo Street  
Glasgow  
G2 6DB

## HOUSING REVENUE ACCOUNT - COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

### INTRODUCTION

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

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

### HRA COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

	Note No.	2011/12 £000	2010/11 £000
<b>Income</b>			
Dwelling rents	12	(64,581)	(61,684)
Non-dwelling rents	12	(1,383)	(1,462)
Charges for services and facilities	13	(12,231)	(9,559)
Contributions towards expenditure		(26)	(70)
Capital grants and contributions receivable		(1,924)	(8,354)
<b>Total Income</b>		<b>(80,145)</b>	<b>(81,129)</b>
<b>Expenditure</b>			
Repairs and maintenance		13,246	13,038
Supervision and management		25,510	24,079
Rents, rates, taxes and other charges	14	1,452	1,343
Negative subsidy payable to Communities and Local Government	7	16,329	16,016
Allowance for debtors	9	630	517
Depreciation of non-current assets		12,494	11,856
Impairment of non-current assets	5	0	243,501
Amortisation of intangible assets		7	3
Revenue expenditure funded from capital under statute		3,431	287
Self Financing settlement		223,126	0
<b>Total Expenditure</b>		<b>296,225</b>	<b>310,640</b>
<b>Net cost of HRA services as included in the whole-Authority Comprehensive Income and Expenditure Statement</b>		<b>216,080</b>	<b>229,511</b>
<b>HRA services share of Corporate and Democratic Core</b>		<b>152</b>	<b>152</b>
<b>HRA share of Pensions Reserve contributions not allocated to specific services</b>		<b>(250)</b>	<b>(4,718)</b>
<b>Net cost of HRA services</b>		<b>215,982</b>	<b>224,945</b>
Gain or loss on sale of HRA non-current assets		(1,291)	(1,767)
Gain or loss on revaluation of non-current assets		(2,007)	(111,993)
Housing pooled capital receipt		1,018	1,141
Interest payable and similar charges		3,842	3,493
Self Financing interest payable		6	0
Interest and investment income		(50)	(31)
Pensions interest costs and expected return on pensions assets		1,232	2,169
<b>(Surplus)/ deficit for the year on HRA services</b>		<b>218,732</b>	<b>117,957</b>

## STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

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

	Note No.	2011/12 £000	2010/11 £000
<b>HRA surplus balance brought forward</b>		(6,137)	(4,481)
<b>(Surplus)/deficit for the year on the HRA Comprehensive Income and Expenditure Statement</b>		218,732	117,957
<b>Amounts included in the HRA Comprehensive Income and Expenditure Statement but are required by statute to be excluded when determining the movement on the HRA balance for the year</b>			
Transfer to/(from) Major Repairs Reserve	3	(452)	(476)
Write down of intangible assets		(7)	(3)
Impairment charged to Income and Expenditure	2	0	(243,501)
Reversal of gain or loss on revaluation of non-current assets		2,007	111,992
Gain or loss on sale of HRA non-current assets		1,291	1,767
Capital grants and contributions		1,924	8,354
Write downs of revenue expenditure funded from capital under statute	3/6	(3,431)	(287)
Premiums paid on early redemption of debt		0	0
Net charges made for retirement benefits in accordance with IAS19		(257)	3,168
Self Financing settlement		(223,126)	0
		(222,051)	(118,986)
<b>Amounts excluded in the HRA Comprehensive Income and Expenditure Statement but are required by statute to be included when determining the movement on the HRA balance for the year</b>			
Amortisation of premiums and discounts	16	389	488
Transfer to/(from) Capital Adjustment Account		0	0
Capital expenditure funded by the Housing Revenue Account		1,300	0
Housing pooled capital receipt		(1,018)	(1,141)
		671	(653)
<b>Contributions to/from reserves</b>			
Short-Term Accumulating Compensated Absences (STACA)		29	26
Transfer to/from HRA Balances		1,574	0
		1,603	26
Net additional amounts		(219,777)	(119,613)
(Increase)/decrease in HRA balance for the year		(1,045)	(1,656)
<b>HRA balance carried forward</b>		(7,182)	(6,137)



## NOTES TO THE HOUSING REVENUE ACCOUNT

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

Types of Property	2011/12	2010/11
Houses	5,460	5,423
Flats	8,603	8,583
Relocatable Homes	24	24
<b>Total Dwellings</b>	<b>14,087</b>	<b>14,030</b>

### 2. PROPERTY, PLANT AND EQUIPMENT ASSETS CATEGORY VALUES

2011/12	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant Furniture and Equipment £000	Assets Under Construction £000	Total £000
Net book value as at 1 April 2011	532,026	13,481	54	10,104	555,665
Gross book value as at 1 April 2011	797,820	13,921	195	10,104	822,040
Additions	17,281	0	0	0	17,281
Donations	0	0	0	0	0
Revaluation increase/(decrease) recognised in the Revaluation Reserve	0	(426)	0	0	(426)
Revaluation increase/(decrease) recognised in Income and Expenditure	(9,352)	0	0	0	(9,352)
Derecognition - Disposals	(503)	0	0	0	(503)
Derecognition - Other	0	0	0	0	0
Transfers/Reclassifications	9,402	0	0	(9,417)	(15)
Gross book value as at 31 March 2012	814,648	13,495	195	687	829,025
<b>Accumulated Depreciation and Impairment</b>					
At 1 April 2011	265,794	440	141	0	266,375
Depreciation for year	12,041	425	27	0	12,493
Depreciation written out to the Revaluation Reserve	0	(417)	0	0	(417)
Depreciation written out to Income and Expenditure	(11,363)	0	0	0	(11,363)
Impairment Losses charged to Income and Expenditure	0	0	0	0	0
Derecognition - Disposals	(11)	0	0	0	(11)
Derecognition - Other	0	0	0	0	0
Accumulated Depreciation and Impairment at 31 March 2012	266,461	448	168	0	267,077
<b>Net book value as at 31 March 2012</b>	<b>548,187</b>	<b>13,047</b>	<b>27</b>	<b>687</b>	<b>561,948</b>

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.

**2. NON-CURRENT 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:

	<b>31 March 2012</b>	<b>31 March 2011</b>
Total Dwellings	14,087	14,030
Leaseholds	2,100	2,098
Garages	3,412	3,457
Parking Spaces	95	96
	19,694	19,681
Vacant possession value of dwellings at 1 April 2011	£2,133m	
Vacant possession value of dwellings at 1 April 2010		£2,124m

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

For the Balance Sheet, Council dwellings are required, by the Housing Revenue Account (Accounting Practices) Directions 2007, to be valued in a way that reflects their occupation by sitting tenants enjoying rents at less than open market rents and tenants' rights including the Right to Buy. This reduction from vacant possession values is achieved by the application of an adjustment, known as Economic Use Value - Social Housing (EUV-SH) factor. It is calculated by the Government at 25% giving a value of £2,133m x 25% = £533m. Changes during the year bring the net book value to £548m.

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

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 3. CAPITAL EXPENDITURE

	2011/12 £000	2010/11 £000
<b>Expenditure</b>		
Non-current assets (buildings)	17,281	18,655
Non-current assets (assets under construction)	0	9,484
Revenue expenditure funded from capital under statute	3,431	287
Intangible assets	5	0
Equipment	0	0
	20,717	28,426
<b>Financed By</b>		
Borrowing approvals	1,684	8,569
Capital receipts	819	1,684
Government grants and other contributions	3,126	6,687
Grants relating to revenue expenditure funded from capital under statute	172	106
Direct revenue contributions	1,300	0
Major Repairs Reserve	12,042	11,380
Contributions from Reserves	1,574	0
	20,717	28,426

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

	2011/12 £000	2010/11 £000
Balance brought forward	0	206
Mortgage repayments	54	43
Other capital receipts	204	465
Net surplus for year	258	508
Receipts from sales of assets during the year	1,579	2,111
Transfer to Housing Capital Receipts Pool	(1,018)	(1,141)
Balance of receipts after transfer	561	970
Balance on account before application of receipts	819	1,684
Financing of capital expenditure	(819)	(1,684)
<b>Balance carried forward</b>	0	0

#### Major Repairs Reserve

	2011/12 £000	2010/11 £000
Opening balance as at 1 April	0	0
Depreciation charge to HRA	12,494	11,856
Capital expenditure during the year	(12,042)	(11,380)
Other reserve adjustments	(452)	(476)
<b>Closing balance as at 31 March</b>	0	0

## NOTES TO THE HOUSING REVENUE ACCOUNT

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

The London Borough of Croydon does not operate a Housing Repairs Account for its HRA.

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

There has been no impairment during 2011/12 of any HRA properties.

### 6. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue expenditure funded from capital under statute relates to expenditure on assets that do not belong to the Council; in this instance it relates 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.

### 7. HRA SUBSIDY

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

Since the transfer of Rent Rebate to the General Fund from 1 April 2004, Croydon now has a surplus instead of a shortfall. 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	2011/12 £000	2010/11 £000
<b>Notional Income</b>		
Notional rental income	(63,290)	(59,887)
Other reckonable income	(8)	(10)
<b>Total Notional Income</b>	<b>(63,298)</b>	<b>(59,897)</b>
<b>Notional Expenditure</b>		
Management and maintenance allowance	29,891	27,724
Major repairs allowance	12,042	11,380
Charges for capital	5,036	5,037
Admissible allowance	0	0
<b>Surplus payable to CLG</b>	<b>46,969</b>	<b>44,141</b>
<b>Adjustments from previous years</b>	<b>0</b>	<b>(260)</b>
<b>Net surplus payable</b>	<b>(16,329)</b>	<b>(16,016)</b>

### 8. HRA SHARE OF CONTRIBUTIONS TO THE PENSIONS RESERVE

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

### 9. DEBTORS AND ALLOWANCE FOR DOUBTFUL DEBT

	2011/12		2010/11	
	Debtors £000	Allowance for Doubtful Debt £000	Debtors £000	Allowance for Doubtful Debt £000
Housing Revenue Account rents	5,627	(3,998)	5,278	(3,720)
Housing Revenue Account lease holder service charges/major works	2,642	(193)	2,054	(198)
Housing Revenue Account other debtors	1	0	17	0
	<b>8,270</b>	<b>(4,191)</b>	<b>7,349</b>	<b>(3,918)</b>

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

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

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 11. EXCEPTIONAL AND PRIOR YEAR ADJUSTMENTS

#### Settlement payments determination for Housing Revenue Account

At the end of March 2012 Croydon's HRA borrowed £223.126m from the Public Works Loan Board. This was paid to the Government as Croydon's share of the Self-Financing settlement which involved the redistribution of national housing debt in return for the end of the Housing Subsidy system. Prior to the settlement Croydon was a net contributor to the subsidy system. This transaction has added a significant liability to accounts. The liability will be funded through future cash receipts from Council house rents and has been reversed out of the Comprehensive Income and Expenditure Statement through the Movement in Reserves Statement.

There has been a restatement in relation to the classification of water charges which have been moved from Rents, rates, taxes and other charges to Supervision and management; see Note 14 below.

### 12. GROSS RENTAL INCOME

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

	2011/12	2010/11
Average percentage of void property	0.9%	0.7%
Average weekly rental (based on a 50 week year)	£92.22	£87.75

### 13. CHARGES FOR SERVICES AND FACILITIES

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

- ▶ it includes income in respect of services and facilities provided under sections 10 and 11 of the Housing Act 1985 (power to provide furniture, board and laundry facilities); but
- ▶ it 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).

The percentage of tenants in receipt of housing benefit was 71.64% in 2011/12 (70.57% in 2010/11) and the amount of gross rent and service charge met by housing benefit was £43.6m (£41.0m in 2010/11).

### 14. RENTS, RATES, TAXES AND OTHER CHARGES

	2011/12 £000	2010/11 £000
Rents	11	17
Water rates	0	0
Council Tax	0	26
Other charges	1,441	1,300
	1,452	1,343

### 15. RENT REBATES - TRANSITIONAL PROTECTION

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

### 16. AMORTISED PREMIUMS AND DISCOUNTS

Following a restructuring of debt to take advantage of discounts offered, low long-term interest rates, and favourable housing subsidy regulations, the Council undertook, in 2003/04, a debt restructuring exercise which resulted in the payment of a net premium of £6.9m, of which £4.7m was apportioned to the HRA. In 2009/10 further restructuring took place resulting in a premium of £3.0m, of which £1.0m 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.

### 17. HRA ACCUMULATED BALANCE

	31 March 2012 £000	31 March 2011 £000
HRA General Reserve	3,363	1,200
Housing Repairs Account	3,819	4,937
HRA accumulated balance carried forward	7,182	6,137

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 18. ACCOUNTS IN ADDITIONAL FORMAT

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

#### HOUSING REVENUE ACCOUNT - INCOME AND EXPENDITURE ACCOUNTS FOR THE YEARS ENDED 31 MARCH 2011 AND 31 MARCH 2012

	2011/12 £000	2010/11 £000
<b>Income</b>		
Dwelling Rents and Service Charges	(72,993)	(68,691)
Garage Rents	(1,247)	(1,230)
Other Charges and Income	(3,023)	(2,009)
Interest on Council Mortgages	(8)	(10)
	<u>(77,271)</u>	<u>(71,940)</u>
<b>Expenditure</b>		
Management - General	13,984	12,707
Management - Special	12,379	12,139
Maintenance and Repairs	13,299	13,067
Depreciation	12,494	11,856
Government Grants Deferred	0	0
Capital Financing	4,237	3,982
Revenue Contribution to Capital Outlay	1,300	0
Provision for Doubtful Debts	630	517
Negative Subsidy Payable to Communities and Local Government	16,329	16,016
	<u>74,652</u>	<u>70,284</u>
<b>(Deficit)/Surplus</b>	<b>(2,619)</b>	<b>(1,656)</b>
Surplus at beginning of year	(6,137)	(4,481)
Surplus/(Deficit) for the year	(2,619)	(1,656)
Transfer to/from HRA Balances	1,574	0
<b>Surplus at end of year</b>	<b>(7,182)</b>	<b>(6,137)</b>

**COLLECTION FUND**

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012**

	Note No.	2011/12		2010/11
		£000	£000	£000
<b>INCOME</b>				
Council Tax collectable	2	159,252		158,407
Transfers from the General Fund				
- Council Tax benefits	4	36,260	195,512	35,509
National Non-Domestic Rates collectable	1(a)		106,631	105,095
Crossrail Business Rate Supplement collectable	1(b)		3,487	3,548
<b>Total Income</b>			<b>305,630</b>	<b>302,559</b>
<b>EXPENDITURE</b>				
Demands and precepts	3			
- London Borough of Croydon		147,124		145,525
- Greater London Authority		39,633		39,202
			186,757	184,727
National Non-Domestic Rates	1			
- Payment to national pool		106,202		104,660
- Costs of collection		429		435
			106,631	105,095
Crossrail Business Rate Supplement collectable				
- Payment to national pool		3,466		3,505
- Costs of collection		21		43
			3,487	3,548
Bad and doubtful debts				
- Write-offs		(248)		5,754
- Provisions		1,807		(674)
			1,559	5,080
<b>Total Expenditure</b>			<b>298,434</b>	<b>298,450</b>
(Surplus)/deficit for year			(7,196)	(4,109)
Fund balance brought forward			(664)	0
<b>Fund balance carried forward</b>			<b>(7,860)</b>	<b>(4,109)</b>
<b>Allocation of surplus</b>				
Surplus declared in the January Delegation report to be distributed in the following year:				
- LB Croydon			3,166	2,714
- GLA			853	731
Fund balance carried forward:				
- LB Croydon			3,026	523
- GLA			815	141
<b>Total Fund balance</b>			<b>7,860</b>	<b>4,109</b>



**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 (a) 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 Comprehensive Income and Expenditure Statement.

The total Non-Domestic Rateable value at 31 March 2012 was £295.7m (£296.9m at 31 March 2011), and the 2011/12 Non-Domestic Rate multipliers were 43.3p (41.4p in 2010/11) and 42.6p for small businesses (40.7p in 2010/11).

**1 (b) CROSSRAIL BUSINESS RATE SUPPLEMENT**

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

**2. COUNCIL TAX BASE**

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

Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting Authorities and the Council for the forthcoming year and dividing this by the Council Tax Base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent). The basic amount of Council Tax so calculated for a Band D property, £1,459.93 for 2011/12 (£1,459.93 for 2010/11) 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 2011/12**

Valuation Band	Number of Chargeable Dwellings	Band D Proportion	Band D Equivalent Dwellings	Council Tax £.pp	Council Tax Income £000
Band A	1,864	6/9	1,243	973.29	1,814
Band B	16,674	7/9	12,969	1,135.50	18,933
Band C	38,579	8/9	34,293	1,297.72	50,065
Band D	31,339	1	31,339	1,459.93	45,752
Band E	19,654	11/9	24,022	1,784.36	35,070
Band F	10,701	13/9	15,456	2,108.79	22,565
Band G	6,865	15/9	11,441	2,433.22	16,703
Band H	558	18/9	1,116	2,919.86	1,629
<b>Total</b>			<b>131,878</b>		<b>192,531</b>
Multiplied by estimated collection rate			<u>97%</u>		
Number of Band D equivalent dwellings			127,922		
Total of Demands/Precepts for year			<span style="border: 1px solid black;">186,757</span>		
Adjustments during the year (including prior years)					2,981
<b>Final collectable amount</b>					<b>195,512</b>
Income per Collection Fund					
Council Tax collectable					159,252
Council Tax benefits					36,260
<b>Final collectable amount</b>					<b>195,512</b>

## NOTES TO THE COLLECTION FUND

### 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.

	2011/12 £.pp	2010/11 £.pp
Band D equivalent Council Tax charge	1,459.93	1,459.93
Split thereof:		
Croydon	1,150.11	1,150.11
Greater London Authority	309.82	309.82
<b>Total</b>	<b>1,459.93</b>	<b>1,459.93</b>
Payment to Croydon		
Share of Band D equivalent Council Tax charge	1,150.11	1,150.11
Number of Band D equivalent dwellings	127,922	126,531
<b>Total</b>	<b>147,124,371.42</b>	<b>145,524,568.41</b>
Rounded to £000's	147,124	145,525
Payment to the Greater London Authority		
Share of Band D equivalent Council Tax charge	309.82	309.82
Number of Band D equivalent dwellings	127,922	126,531
<b>Total</b>	<b>39,632,794.04</b>	<b>39,201,834.42</b>
Rounded to £000's	39,633	39,202

#### 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 Comprehensive Income and Expenditure Statement.

### 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.

**GROUP MOVEMENT IN RESERVES STATEMENT 2011/12**

	General Fund Balance £000	HRA Balance £000	Earmarked GF Reserves Balance £000	Capital Receipts Balance £000	Capital Grant Unapplied Balance £000	Major Repairs Reserve Balance £000	Group Interest £000	Total Usable Reserves Balance £000
<b>Restated Balances b/f at 31 March 2011</b>	11,597	6,137	58,339	132	7,554	0	(2,593)	81,166
<b>Movement in reserves during 2011/12</b>								
<b>Surplus or (deficit) on provision of services</b>	(130,585)	(218,731)						(349,316)
<b>Other Comprehensive Expenditure and Income</b>								
Revaluation Gains								0
Elimination of Revaluation Reserve for Investment								0
Properties - CI&E offset								0
Revaluation losses (chargeable to revaluation reserve)								0
Movement in pensions reserve								0
Total Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0
<b>Total Comprehensive Expenditure and Income</b>	(130,585)	(218,731)	0	0	0	0	0	(349,316)
<b>Adjustments between accounting basis and funding basis under regulations</b>								
<b>Amounts included in CI&amp;E to be removed for determining movement in General Fund</b>								
Depreciation (excl HRA)	31,602							31,602
Amortisation of Intangibles	1,878	7						1,885
Excess of depreciation charged to HRA services over the MRA element of housing subsidy		452				(452)		0
Impairment/revaluation losses charged to CI&E Statement	20,224	(2,011)						18,213
Impairment/revaluation gains reversing losses previously charged to the CI&E Statement	(904)	0						(904)
Movement in market value of investment property	178	4						182
Elimination of revaluation reserve for investment properties								0
Capital grant and contributions	(56,773)	(1,924)			(3,929)			(62,626)
Revenue expenditure funded from capital under statute	70,835	3,430						74,265
Profit/loss on sale of non-current assets	74,802	(1,291)		3,003				76,514
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	10,111	982						11,093
Lessor Leases - Regulation 4 Mitigation	2,385			0				2,385
Gain/loss on revaluation of available-for-sale financial instruments	0							0
Amount by which Council Tax income and residual community charge adjustment included in the CI&E Statement is different from the amount taken to the General Fund in accordance with regulation	(2,955)							(2,955)
HRA Financing		223,126						223,126
Compensated absences	(568)	(29)						(597)
<b>Amounts excluded from CI&amp;E to be included for determining movement in General Fund</b>								
Statutory provision for the repayment of debt	(8,905)							(8,905)
Amortisation of premiums and discounts	(86)	(389)						(475)
HRA capital receipts to housing central pool		1,018		(1,018)				0
<b>Employer's pensions contributions</b>	(7,463)	(725)						(8,188)
Capital expenditure charged to General Fund	(3,990)	(1,300)						(5,290)
<b>Other adjustments</b>								
Major Repairs Allowance credited to the HRA		12,494						12,494
Reversal of Major Repairs Allowance credited to the HRA		(12,494)				12,494		0
Use of capital receipts reserve to finance capital expenditure				(825)				(825)
Use of major repairs reserve to finance capital expenditure						(12,042)		(12,042)
Deferred Capital Receipts - cash received				60				60
Adjustment between CAA and revaluation reserve for depreciation that is related to the revaluation balance rather than the historic cost								0
<b>Total adjustments between accounting basis and funding basis under regulations</b>	130,371	221,350	0	1,220	(3,929)	0	0	349,012
Net increase/Decrease before Transfers to Earmarked Reserves	(214)	2,619	0	1,220	(3,929)	0	0	(304)
<b>Group contributions to/from Reserves - Group Interest</b>	3,522						(3,522)	0
<b>Transfers to/(from) Earmarked Reserves</b>								
LMS reserves	4,605		(4,605)					0
<b>Other movements in reserves</b>	(7,913)	(1,574)	7,913					(1,574)
<b>Total transfers to/(from) Earmarked Reserves</b>	214	(1,574)	3,308	0	0	0	(3,522)	(1,574)
<b>Net increase/(decrease) in reserves for the year</b>	0	1,045	3,308	1,220	(3,929)	0	(3,522)	(1,878)
<b>Balance c/f at 31 March 2012</b>	11,597	7,182	61,647	1,352	3,625	0	(6,115)	79,288

**GROUP MOVEMENT IN RESERVES STATEMENT 2011/12**

Revaluation Reserve Balance £000	CAA Balance £000	Financial Instruments Adjustment Account Balance £000	Pensions Reserve Balance £000	Deferred Capital Receipts Balance £000	Collection Fund Adjustment Account Balance £000	STACA Balance £000	Total Unusable Reserves Balance £000	Total Authority Reserves Balance £000
240,386	980,903	(3,505)	(345,441)	244	3,237	(5,403)	870,421	951,587
							0	(349,316)
8,347							8,347	8,347
(433)							0	0
(1,400)							(433)	(433)
			(92,421)				(1,400)	(1,400)
			(92,421)				(92,421)	(92,421)
6,514	0	0	(92,421)	0	0	0	(85,907)	(85,907)
6,514	0	0	(92,421)	0	0	0	(85,907)	(435,223)
	(31,602)						(31,602)	0
	(1,885)						(1,885)	0
							0	0
	(18,213)						(18,213)	0
	904						904	0
	(182)						(182)	0
							0	0
	62,626						62,626	0
	(74,265)						(74,265)	0
(17,129)	(59,385)		(11,093)				(76,514)	0
							(11,093)	0
	(2,385)						(2,385)	0
							0	0
					2,955		2,955	0
	(223,126)						(223,126)	0
						597	597	0
	8,905	475					8,905	0
							475	0
			8,188				0	0
	5,290						8,188	0
	(12,494)						5,290	0
							(12,494)	0
	825						0	0
	12,042						825	0
							12,042	0
							(60)	0
(767)	767						0	0
(17,896)	(332,178)	475	(2,905)	(60)	2,955	597	(349,012)	0
(11,382)	(332,178)	475	(95,326)	(60)	2,955	597	(434,919)	(435,223)
							0	0
							0	0
0	1,574	0	0	0	0	0	1,574	0
0	1,574	0	0	0	0	0	1,574	0
(11,382)	(330,604)	475	(95,326)	(60)	2,955	597	(433,345)	(435,223)
229,004	650,299	(3,030)	(440,767)	184	6,192	(4,806)	437,076	516,364

**GROUP MOVEMENT IN RESERVES STATEMENT 2010/11**

	General Fund Balance £000	HRA Balance £000	Earmarked GF Reserves Balance £000	Capital Receipts Balance £000	Capital Grant Unapplied Balance £000	Major Repairs Reserve Balance £000	Joint Venture £000	Total Usable Reserves Balance £000
<b>Restated Balances b/f at 31 March 2010</b>	11,597	4,481	52,914	9,128	651	0	(2,008)	76,763
<b>Movement in reserves during 2010/11</b>								
<b>Surplus or (deficit) on provision of services</b>	(68,690)	(117,957)						(186,647)
<b>Other Comprehensive Expenditure and Income</b>								
Revaluation Gains								0
Elimination of Revaluation Reserve for Investment								0
Properties - CI&E offset								0
Revaluation losses (chargeable to revaluation reserve)								0
Movement in pensions reserve								0
Total Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0
<b>Total Comprehensive Expenditure and Income</b>	(68,690)	(117,957)	0	0	0	0	0	(186,647)
<b>Adjustments between accounting basis and funding basis under regulations</b>								
<b>Amounts included in CI&amp;E to be removed for determining movement in General Fund</b>								
Depreciation (excl HRA)	37,631							37,631
Amortisation of Intangibles	1,585	3						1,588
Excess of depreciation charged to HRA services over the MRA element of housing subsidy		476				(476)		0
Impairment/revaluation losses charged to CI&E Statement	21,190	243,553						264,743
Impairment/revaluation gains reversing losses previously charged to the CI&E Statement	(162)	(112,045)						(112,207)
Movement in market value of investment property	2,551							2,551
Elimination of revaluation reserve for investment properties								0
Capital grant and contributions	(47,836)	(8,353)			6,903			(49,286)
Revenue expenditure funded from capital under statute	17,032	287						17,319
Profit/loss on sale of non-current assets	103,802	(1,767)		2,687				104,722
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,622)	(504)						(6,126)
Lessor Leases - Regulation 4 Mitigation	2,345			(8,900)				(6,555)
Gain/loss on revaluation of available-for-sale financial instruments	(41)							(41)
Amount by which Council Tax income and residual community charge adjustment included in the CI&E Statement is different from the amount taken to the General Fund in accordance with regulation	(3,237)							(3,237)
Compensated absences	(18)	(26)						(44)
<b>Amounts excluded from CI&amp;E to be included for determining movement in General Fund</b>								
Statutory provision for the repayment of debt	(8,771)							(8,771)
Amortisation of premiums and discounts	(86)	(488)						(574)
HRA capital receipts to housing central pool		1,141		(1,141)				0
Employer's pensions contributions	(29,711)	(2,664)						(32,375)
Capital expenditure charged to General Fund	(17,122)							(17,122)
<b>Other adjustments</b>								
Major Repairs Allowance credited to the HRA		11,856						11,856
Reversal of Major Repairs Allowance credited to the HRA		(11,856)				11,856		0
Use of capital receipts reserve to finance capital expenditure				(1,689)				(1,689)
Use of major repairs reserve to finance capital expenditure						(11,380)		(11,380)
Deferred Capital Receipts - cash received				47				47
Adjustment between CAA and revaluation reserve for depreciation that is related to the revaluation balance rather than the historic cost								0
<b>Total adjustments between accounting basis and funding basis under regulations</b>	73,530	119,613	0	(8,996)	6,903	0	0	191,050
<b>Net increase/Decrease before Transfers to Earmarked Reserves</b>	4,840	1,656	0	(8,996)	6,903	0	0	4,403
<b>Group contributions to/from Reserves - Group Interest</b>	585						(585)	0
<b>Transfers to/(from) Earmarked Reserves</b>								
LMS reserves	(4,849)		4,849					0
Other movements in reserves	(576)		576					0
<b>Total transfers to/(from) Earmarked Reserves</b>	(4,840)	0	5,425	0	0	0	(585)	0
<b>Net increase/(decrease) in reserves for the year</b>	0	1,656	5,425	(8,996)	6,903	0	(585)	4,403
<b>Restated Balance c/f at 31 March 2011</b>	11,597	6,137	58,339	132	7,554	0	(2,593)	81,166

**GROUP MOVEMENT IN RESERVES STATEMENT 2010/11**

Revaluation Reserve Balance £000	CAA Balance £000	Financial Instruments Adjustment Account Balance £000	Pensions Reserve Balance £000	Deferred Capital Receipts Balance £000	Collection Fund Adjustment Account Balance £000	STACA Balance £000	Total Unusable Reserves Balance £000	Total Authority Reserves Balance £000
219,603	1,199,117	(4,120)	(516,788)	291	0	(5,447)	892,656	969,419
							0	(186,647)
41,390							41,390	41,390
							0	0
(5,421)							0	0
			132,846				(5,421)	(5,421)
35,969	0	0	132,846	0	0	0	132,846	132,846
35,969	0	0	132,846	0	0	0	168,815	168,815
							168,815	(17,832)
	(37,631)						(37,631)	0
	(1,588)						(1,588)	0
							0	0
	(264,743)						(264,743)	0
	112,207						112,207	0
	(2,551)						(2,551)	0
							0	0
	49,286						49,286	0
	(17,319)						(17,319)	0
(14,232)	(90,490)						(104,722)	0
			6,126				6,126	0
	6,555						6,555	0
		41					41	0
					3,237		3,237	0
						44	44	0
	8,771						8,771	0
		574					574	0
							0	0
			32,375				32,375	0
	17,122						17,122	0
	(11,856)						(11,856)	0
							0	0
	1,689						1,689	0
	11,380						11,380	0
					(47)		(47)	0
(954)	954						0	0
(15,186)	(218,214)	615	38,501	(47)	3,237	44	(191,050)	0
20,783	(218,214)	615	171,347	(47)	3,237	44	(22,235)	(17,832)
							0	0
							0	0
							0	0
0	0	0	0	0	0	0	0	0
20,783	(218,214)	615	171,347	(47)	3,237	44	(22,235)	(17,832)
240,386	980,903	(3,505)	(345,441)	244	3,237	(5,403)	870,421	951,587



**GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

**GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2012**

	Gross £000	2011/12 Income £000	Net £000	Restated 2010/11 Net £000
<b>Gross expenditure, gross income and net expenditure of continuing operations</b>				
Central Services to the Public	13,457	(3,913)	9,544	8,325
Cultural, Environmental, Regulatory and Planning Services	91,367	(23,807)	67,560	71,650
Education Services	377,883	(306,167)	71,716	28,823
Highways Transport Services	51,094	(19,187)	31,907	27,648
Local Authority Housing (HRA)	297,101	(80,870)	216,231	224,945
Other Housing Services	303,850	(281,939)	21,911	18,815
Social Care	209,913	(67,921)	141,992	134,855
Corporate and Democratic Core	22,646	(17,148)	5,498	4,743
Non-Distributed Costs	0	(2,829)	(2,829)	(52,623)
<b>Net cost of services</b>	<b>1,367,311</b>	<b>(803,781)</b>	<b>563,530</b>	<b>467,181</b>
<b>Other operating expenditure</b>				
Levies payable			1,691	2,304
Payments of Housing capital receipts to Government pool			1,018	1,141
(Gain)/loss on disposal of non-current assets			73,511	102,035
Loss on revaluation of non-current assets			17,271	(90,965)
<b>Financing and Investment Income and Expenditure</b>				
Interest payable on debt			16,285	13,412
Interest payable on PFI unitary payments			2,789	3,018
Premium on early repayment of debt			187	136
Impairment of financial instruments			0	181
Pensions interest cost			52,540	59,664
Expected return on pension assets			(38,618)	(33,309)
Investment interest income			(7,671)	(5,953)
Interest received on finance leases (lessor)			(232)	(272)
Changes in fair value of investment properties			182	2,551
Rental income from investment properties			(552)	(3,009)
Net (surplus)/deficit - trading undertakings			841	278
<b>Taxation and Non-Specific Grant Income</b>				
Recognised capital grants and contributions			(19,504)	(34,746)
Council Tax			(152,793)	(148,762)
National Non-Domestic Rates (NNDR)			(94,221)	(103,505)
Revenue Support Grant			(29,124)	(15,030)
Non-service related Government grants			(41,213)	(30,288)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>345,917</b>	<b>186,062</b>
<b>Share of (Surplus)/Deficit on Provision of Services by Joint Venture</b>			<b>3,399</b>	<b>585</b>
<b>Group (Surplus)/Deficit</b>			<b>349,316</b>	<b>186,647</b>
<b>(Surplus) or deficit on revaluation of non-current assets</b>				
Revaluation gains			(8,347)	(41,390)
Impairment losses (chargeable to revaluation reserve)			433	0
Revaluation losses (chargeable to revaluation reserve)			1,400	5,421
<b>Actuarial (gains)/losses on pension assets/liabilities - matching the entry to the pensions reserve</b>			<b>92,421</b>	<b>(132,846)</b>
<b>Other Comprehensive Income and Expenditure</b>			<b>85,907</b>	<b>(168,815)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>435,223</b>	<b>17,832</b>

## GROUP BALANCE SHEET

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

<b>GROUP BALANCE SHEET AS AT</b>	<b>31 March 2012</b>		<b>Restated 31 March 2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Property, Plant and Equipment			
Council dwellings	548,187		532,026
Other land and buildings	755,952		841,311
Vehicles, plant, furniture and equipment	10,128		13,555
Infrastructure	90,290		85,671
Community assets	4,276		3,432
Assets under construction	113,681		79,877
Surplus assets not held for sale	2,797		0
		1,525,311	
Heritage Assets		10,411	10,411
Investment properties		24,527	15,404
Intangible Assets			
Software		2,533	2,894
Assets under construction		4,963	2,286
Long-term Investments			
Non-property investments		12,957	11,907
Non-Current Debtors		104,531	51,199
<b>Non-Current Assets</b>		1,685,233	1,649,973
Current Investments			
Non-property investments excluding cash equivalents		128,708	128,848
Inventories		254	425
Short-term Debtors			
Debtors and payments in advance	146,999		142,409
Provision for bad debt	(54,678)		(54,881)
		92,321	
Cash and cash equivalents		22,535	14,338
<b>Current Assets</b>		243,818	231,139
Bank overdraft		(39,170)	(23,137)
Short-term borrowing		(73,146)	(75,652)
Short-term creditors and receipts in advance		(122,138)	(94,538)
Short-term provision		(411)	0
<b>Current Liabilities</b>		(234,865)	(193,327)
Long-term Creditors			
Provisions		(8,937)	(8,398)
Long-term borrowing		(696,245)	(347,387)
Deferred capital creditors		(7,281)	(7,511)
Net Liability from interest in joint venture		(5,992)	(2,593)
Other non-current liabilities			
Pensions liability	(440,767)		(345,441)
Capital grants receipts in advance	(18,600)		(24,868)
		(459,367)	
<b>Non-Current Liabilities</b>		(1,177,822)	(736,198)
<b>Net Assets</b>		516,364	951,587
<b>Usable reserves</b>			
General Fund	11,597		11,597
Housing Revenue Account	7,182		6,137
Earmarked reserves	61,647		58,339
Capital receipts reserve	1,352		132
Capital grants unapplied	3,625		7,554
Interest in Subsidiary	(123)		0
Share of Joint Venture	(5,992)		(2,593)
		79,288	81,166
<b>Unusable reserves</b>			
Revaluation reserve	229,004		240,386
Capital adjustment account	650,299		980,903
Financial Instruments adjustment account	(3,030)		(3,505)
Pensions reserve	(440,767)		(345,441)
Deferred capital receipts	184		244
Collection Fund adjustment account	6,192		3,237
Short-term accumulating compensated absences account	(4,806)		(5,403)
		437,076	870,421
<b>Total Reserves</b>		516,364	951,587

## GROUP CASH FLOW STATEMENT

	2011/12		Restated 2010/11
	£000	£000	£000
<b>OPERATING ACTIVITIES</b>			
Net (surplus) or deficit on the provision of services	345,916		186,062
Adjustment for movement in Non-Cash Items	(176,548)		(267,994)
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	3,003		2,975
Adjustment for intra group dividend paid	0		375
Interest Paid	14,256		11,925
Interest Received	(2,028)		(3,654)
Dividend Received	0		(375)
<b>Net cash (inflow)/outflow from operating activities</b>		184,599	(70,686)
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment, investment property and intangible assets	119,156		127,073
Purchase of short-term and long-term investments	23,000		37,640
Other payments for investing activities	48,976		16,185
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,003)		(2,975)
Capital grants	(51,022)		(43,872)
Proceeds from short-term and long-term investments	(23,000)		(6,986)
Other receipts from investing activities	0		(17,110)
<b>Net cash (inflow)/outflow from investing activities</b>		114,107	109,955
<b>FINANCING ACTIVITIES</b>			
Cash receipts from short-term and long-term borrowing	(317,126)		(111,444)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts (Principal)	2,256		7,709
Repayments of short-term and long-term borrowing	24,000		62,900
<b>Net cash (inflow)/outflow from financing activities</b>		(290,870)	(40,835)
<b>Net (increase)/decrease in cash and cash equivalents</b>		7,836	(1,566)
Cash and cash equivalents at the beginning of the reporting period		8,727	10,293
<b>Cash and cash equivalents at the end of the reporting period</b>		16,563	8,727
Cash held		108	112
Bank current accounts		(31,487)	(11,840)
Short-term deposits with building societies and Money Market Funds		14,816	3,001
		(16,563)	(8,727)

**The Group Accounting Policies**

The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2011/12 using the equity method for Joint Ventures and International Accounting Standard 31, Interests in Joint Ventures, and using the line-by-line consolidation method for subsidiaries in accordance with International Accounting Standard 27, Consolidated and Separate Financial Statements. There are no material subsidiaries or associated organisations excluded from the Group Accounts. There are no material differences in the accounting policies of the Council or any of the companies or organisations forming part of the Group Accounts.

**CCURV LLP - Nature of the Group and basis of consolidation**

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

These two limited liability partnerships were specifically formed by Croydon Council and John Laing Projects and Development (Croydon) Limited (JLPD Ltd), who took the other 50% stake, for the regeneration of Council properties.

The Council holds a Capital Subscription representing 50% of the total of CCURV LLP. 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 LLP was the year ended 31 December 2011 and is therefore not co-terminus with that of the Council. The Group Accounts have been prepared to include the CCURV LLP statutory accounts for the year ended 31 December 2011, adjusting for the period to 31 March 2011 and adding the management accounts for the three months to 31 March 2012.

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, Bernard Weatherill House.

**CCURV LLP - Voting rights**

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

**CCURV LLP - Loans between the parties**

The Council has pledged land to CCURV LLP. The value of this is matched by JLPD Ltd's cash investment in CCURV LLP. As at 31 March 2012 the value of this pledge was £12,956,314 (£11,906,814 as at 31 March 2011). The Council has provided in full for this commitment (see Note 16 to the core financial statements). The total value of the land that the Council will eventually pledge is £24.428m. The difference between this figure and what has been matched by JLPD Ltd attracts interest which is payable by CCURV LLP to Croydon Council at 4.75% per year, with the exception of that part relating to the Barclay Road Annex which attracts interest at 0.05%. From the date of its inception to 31 March 2012 the total amount of interest payable by CCURV LLP in this way to Croydon Council was £2,031,612 (£1,555,392 to 31 March 2011).

**DH LLP**

The Council made a loan to DH LLP to support the purchase of Davis House. The interest on the loan is at 6% each year, calculated monthly and compounded (i.e. added back) into the loan on a monthly basis (this is included under non-current debtors in Note 19 to the core financial statements).

From the date of its inception to 31 March 2012 the amount of interest payable by DH LLP to Croydon Council in respect of this loan was £861,431 (£582,870 to 31 March 2011).

On 26 January 2012, the Council made a further loan of £797,500 to DH LLP. The interest on the loan is at 6% each year, calculated monthly and compounded (i.e. added back) into the loan on a quarterly basis (this is included under non-current debtors in Note 19 to the core financial statements).

From the date of its inception to 31 March 2012 the amount of interest payable by DH LLP to Croydon Council on the further loan was £8,524.

**Interest from CCURV LLP and DH LLP**

Intra-group interest receivable by the Council from CCURV LLP and from DH LLP is not eliminated in preparing the Group Accounts as elimination is not required under International Financial Reporting Standards.

**Croydon Care Solutions Limited**

A Local Authority Trading Company, Croydon Care Solutions Limited, was set up on 8 March 2011. The Company is 100% owned by Croydon Council, and is therefore a subsidiary of Croydon for Group Account purposes. Its statutory accounts are co-terminus with that of the Council and have been consolidated for the year ended 31 March 2012.

## NOTES TO THE GROUP ACCOUNTS

### 1. 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.

	2011/12 £000	Restated 2010/11 £000
<b>Provisions and accounting basis transactions</b>		
Depreciation	(32,055)	(38,400)
Impairment and downward valuations	(18,175)	(152,496)
Amortisations	(1,885)	(1,588)
Increase in impairment for allowance for debtors	202	(2,227)
Pension liability - accounting basis	(29,938)	6,126
Carrying amount of non-current assets sold	(76,514)	(105,008)
Provisions	(539)	(219)
Movements in the value of investment properties	(174)	(2,551)
Other non-cash movements	1,199	(21,419)
Net interest	(10,246)	(7,223)
	(168,125)	(325,005)
<b>Items included/excluded from net surplus or deficit on the provision of services:</b>		
Decrease/increase in creditors	(23,012)	7,673
Increase/decrease in debtors	3,295	(22,111)
Decrease/increase in inventory	(171)	206
Pension liability - paid	27,033	32,375
	7,145	18,143
<b>Other non-service related items</b>		
Grants applied to the financing of capital expenditure or received to meet the principal repayments on borrowing	58,697	56,188
Revenue expenditure funded from capital under statute	(74,265)	(17,320)
	(176,548)	(267,994)
<b>Total adjustment</b>		<b>(267,994)</b>

### 2. CROYDON COUNCIL'S SHARE IN JOINT VENTURE COMPANIES WITHIN THE GROUP

This is as follows:

	2011/12		2010/11	
	CCURV £000	DHLLP £000	CCURV £000	DHLLP £000
Turnover	10,904	991	2,398	907
Profit/(loss) before and after tax	(482)	(2,917)	(353)	(233)
Non-Current Assets	0	7,638	0	9,571
Current Assets	2,451	298	1,414	295
Liabilities due within one year	(1,493)	(770)	(627)	(679)
Liabilities due after one year or more	(3,499)	(10,616)	(2,735)	(9,832)

# **Pension Fund Accounts 2011/12**

***September 2012***

**CROYDON**  
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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 both to its employees who are members of the Pension Fund, and to past employees in receipt of a pension for its stewardship of pension assets. The two roles, and the relevant interest groups, are significantly different. Consequently, the Pension Fund accounts are presented in an appendix to clearly demonstrate the distinction.

### FUND'S OPERATIONS AND MEMBERSHIP

The London Borough of Croydon Pension Fund (the Fund) operates a defined benefit scheme whose purpose is to provide pensions to all of the Council's employees, with the exception of teaching staff, and to the employees of admitted and scheduled bodies who are members of the Fund.

The Local Government Pension Scheme (LGPS) is a statutory pension scheme, whose rules are governed by Parliament in accordance with the Superannuation Act 1972. The rules of the scheme are laid down in two separate sets of regulations; the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008, both of which came into force on 1 April 2008, and provide the statutory basis within which the Fund can operate. Separate transitional regulations provide the link between the old and new scheme provisions.

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

#### Admitted:

Apetito, BRIT School, Cabrini Children's Society, Courier Cars, Creative Environmental Networks, Croydon Citizen's Advice Bureau, Croydon Community Mediation, Croydon Voluntary Action, Eden Foodservice, Eldon Housing Association, EnterpriseMouchel, Fairfield, Fusion, Impact Group, Interserve, Kier, London Hire, Mayday Travel, Olympic (South) Ltd., Ruskin Private Hire, Skanska Construction, Sodexo, Sutton Community Transport, Veolia, Vinci Facilities, Wallington Cars and Courier Cars Ltd.

#### Scheduled:

ARK Oval Primary Academy, Coulsdon College, Croydon College, David Livingstone Academy, Gonville Academy, Harris Academy (Purley), Harris Academy (South Norwood), Harris City Academy (Crystal Palace), John Ruskin College, Norbury Manor Business and Enterprise College for Girls, Oasis Academy Coulsdon, Oasis Academy Shirley Park, Pegasus Academy, Quest Academy, Shirley High School Performing Arts College, West Thornton Primary Academy.

### Management of the Fund

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

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



**1. GENERAL PRINCIPLES**

The financial statements have been prepared in accordance with the provisions of Sections 6.5.1 to 6.5.5 of the 2011/12 Code of Practice on Local Authority Accounting in the United Kingdom 2011, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

**2. STATEMENT OF INVESTMENT PRINCIPLES**

This is published on the Croydon Pension Scheme web page <http://www.croydon.gov.uk/democracy/budgets/pensions/policies>

**3. BASIS OF PREPARATION****Accruals**

The financial statements, apart from transfer values received and paid (see below), 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.

**Transfer Values**

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

**AVCs**

Additional voluntary contributions, which are separately invested, are not included in the Pension Fund Accounts in accordance with Regulation 5(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No.1831).

**Valuation of Investments**

All investments are valued at fair value within the accounts. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The implementation of this principle is explained in detail for each class of asset in the notes to the accounts.

**Investment Management and Administration Costs**

Paragraph 42 of the Local Government Pension Scheme (Administration) Regulations 2008 permits the Council to charge the scheme's administration and investment management costs to the Fund. A proportion of relevant Council officers' salaries including related on-costs (these consist mainly of employer's National Insurance Contributions and employer's pension contributions) have been charged to the Fund on the basis of actual time spent on scheme administration and investment related business. The fees of professional advisors and administrators are also charged to the Fund.

**Returns on Investments**

The returns on investments include; investment income, the net gain or loss on currency transactions, the realised and unrealised gain or loss on investments.

**Acquisition Costs**

The cost of acquiring property and securities includes brokerage commission, legal fees and stamp duty.

**Going Concern**

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

**4. EARLY RETIREMENT COSTS DUE TO REDUNDANCY**

Employees, who are members of the Local Government Pension Scheme, aged 55 or over and take early retirement due to redundancy are entitled, under the regulations, to receive their pension from the date their employment ceases, based on the number of years of their service without any actuarial reduction. This causes a 'strain' on the Pension Fund that is measured as a capitalised cost, and recovered from the London Borough of Croydon in the year in which it arises.

**PENSION FUND ACCOUNTS**

**FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012**

**CONTRIBUTIONS AND BENEFITS**

	Note No.	2011/12 £000	2010/11 £000
Employees' contributions:			
London Borough of Croydon		7,647	8,567
Scheduled bodies		864	687
Admitted bodies		487	473
Employers' contributions:			
London Borough of Croydon		26,395	29,303
Scheduled bodies		3,011	2,381
Admitted bodies		1,451	1,169
Employers' deficit funding contributions		0	146
Transfer values received	15	4,868	8,324
Early retirement costs recovered	8	1,569	2,996
		46,292	54,046
Benefits - Pensions		31,806	29,035
- Lump sums	14	13,339	8,314
Payments to and on account of leavers - Refund of contributions		10	7
- Transfer values paid	15	3,209	5,376
Administrative expenses	11	1,762	1,728
		50,126	44,460
		(3,834)	9,586

**RETURNS ON INVESTMENTS**

	Note No.	2011/12 £000	2010/11 £000
Investment income	13	5,795	5,975
Taxes on income		(272)	(192)
Net gains / (losses) on currency revaluations and underwriting commissions		182	76
Change in market value of investments:			
Unrealised	3	5,708	22,093
Realised	3	700	10,212
Investment management expenses	12	(1,669)	(1,872)
<b>Net returns on investments</b>		10,444	36,292
		6,610	45,878
<b>Net assets at the start of the year</b>		629,339	583,461
<b>Net assets at the end of the year</b>		635,949	629,339

**PENSION FUND ACCOUNTS - NET ASSETS STATEMENT**

**NET ASSETS STATEMENT AS AT**

	<b>Note No.</b>	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>	<b>1 April 2010 £000</b>
<b>Investments held by the Fund Managers:</b>				
Global equities - segregated funds	2 - 5	218,327	204,626	203,374
Global equities - pooled funds	2 - 5	84,221	124,243	105,867
Private equity	2 - 5	36,061	23,453	16,483
Bonds	2 - 5	200,408	183,151	178,269
Hedge funds	2 - 5	23,755	23,975	23,017
Property	2 - 5	36,158	37,586	25,254
Global Tactical Asset Allocation	2 - 5	20,867	21,883	22,283
Transition account	2 - 5	0	22	21
<b>Total Investments held by the Fund Managers</b>		<b>619,797</b>	<b>618,939</b>	<b>574,568</b>
<b>Other Balances held by the Fund Managers</b>				
Outstanding dividends and tax reclaimable	9	655	934	630
Outstanding trades for securities sold	9	5,973	1,167	2,047
Outstanding trades for securities purchased	10	(2,394)	(595)	(2,248)
<b>Total Other Balances held by the Fund Managers</b>		<b>4,234</b>	<b>1,506</b>	<b>429</b>
Cash held by the Fund Managers		9,869	4,602	7,587
<b>Total Assets held by the Fund Managers</b>		<b>633,900</b>	<b>625,047</b>	<b>582,584</b>
<b>Net Current Assets:</b>				
Debtors	9	886	2,561	717
Cash held by the London Borough of Croydon		169	28	7,052
Cash on deposit with Goldman Sachs		6,814	8,295	0
Creditors	10	(5,820)	(6,592)	(6,892)
<b>Net Assets at the End of the Year</b>		<b>635,949</b>	<b>629,339</b>	<b>583,461</b>

In the past, segregated and pooled global equity funds have been aggregated; they are now shown separately in accordance with recognised best practice; the prior year comparatives have been changed to reflect this. The change is also reflected in Notes 3, 4 and 5.

**Critical Judgements**

**Investment Decisions:**

Judgement is exercised by the fund managers in assembling the portfolio within their investment mandate. Their effectiveness in making investment decisions, in particular in the present difficult economic circumstance, determines the returns, both in income and capital growth, enjoyed by the Fund.

## NOTES TO THE PENSION FUND ACCOUNTS

### 1. ACTUARIAL POSITION

The accounts summarise the transactions and net assets of the Fund and do not take account of liabilities to pay pensions and other benefits in the future. The adequacy of the Fund's investments and contributions in relation to its overall obligations was reviewed at the triennial actuarial valuation of the Fund as at 31 March 2010 in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). The employers' contribution rates for 2011/12 are as follows:

- ▶ Croydon Council (including schools' non-teaching staff) - 23.2%
- ▶ Scheduled bodies - 23.2%
- ▶ Admitted bodies - rates vary depending upon those determined by the Actuary.

During 2010/11 the Actuary completed his triennial Actuarial Valuation as at 31 March 2010 which calculated the total accrued liabilities to be £884m. The market value of the Fund's assets at the valuation date was £583m. The Fund deficit was therefore £301m producing a funding level of 66%. This compares with a deficit of £264m and a funding level of 68% as at the 31 March 2007 Actuarial Valuation. The next triennial Actuarial Valuation will be prepared as at 31 March 2013.

The 2010 Actuarial Valuation recommends that recovery of the deficit be spread over 24 years as from 1 April 2011 and that the employers' contribution rates for Croydon Council (including schools' non-teaching staff) and the scheduled bodies is an average of 23.0% over that 24 year period. The rate for admitted bodies will vary depending upon 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)	6.00	6.75
Pay increases (excluding increments)	4.75	4.75
Pensions increases	3.00	3.00
Consumer Price Index (CPI) price inflation	3.00	3.00

The employers normal contributions include deficit funding payments. The amounts that the actuary recommended should be paid are detailed in Appendix 1 to the Actuarial Report, the 'Schedule to the Rates and Adjustment Certificate dated 31 March 2011'. The Schedule is reproduced below, as it appears in Appendix 1, together with some explanatory notes.

Schedule to the Rates and Adjustment Certificate dated 31 March 2011:

	2011-14		Additional Payment (surplus adjustment)		
	Individual Adjustment	Total Contribution Rate	2011/12 £000	2012/13 £000	2013/14 £000
	% of pay	% of pay			
Other Grouped Bodies (see Table 1)	1.0	14.1	211	221	231
London Borough of Croydon and Grouped Scheduled Bodies (see Table 2 and Note 1)	0.0	13.1	14,971	15,682	16,427
BRIT School	(0.8)	12.3	8	8	8
Harris City Academy (Crystal Palace)	(1.7)	11.4	(9)	(9)	(9)
Fairfield	3.9	17.0	169	177	185
Veolia	2.3	15.4	1	1	1
Interserve	3.2	16.3	19	20	21
Fusion	0.5	13.6	2	2	2
Harris Academy (South Norwood)	(2.1)	11.0	7	7	7
Oasis Academy Coulsdon	1.2	14.3	45	47	49
Eldon Housing PFI	1.3	14.4	(1)	(1)	(1)
Oasis Academy Shirley Park	(0.5)	12.6	86	90	94
Harris Academy (Purley)	0.2	13.3	38	40	42
Olympic South Ltd	4.9	18.0	(3)	(3)	(3)
Apetito	3.4	16.5	(1)	(1)	(1)
Wallington Cars	3.6	16.7	(1)	(1)	(1)
Courier Cars Ltd	3.7	16.8	(1)	(1)	(1)

## NOTES TO THE PENSION FUND ACCOUNTS

### 1. ACTUARIAL POSITION (continued)

Table 1 - Other Grouped Bodies

Age Concern (Croydon), Croydon Voluntary Action, Cabrini, Croydon Citizens Advice Bureau, Croydon Community Mediation, Croydon Environmental Networks, Croydon Welcare, Croydon Meals Agency, Croydon Youth Development Trust

Table 2 - Grouped Scheduled Bodies

Croydon College, Coulsdon College, John Ruskin College, St Joseph's College.

#### Notes

1. Includes the former Grant Maintained Schools
2. In cases where an element of an existing Scheme employer's deficit is transferred to a new employer on its inception, the Scheme employer's deficit recovery contributions shown in the table may be reallocated between the Scheme employer and the new employer to reflect this, on advice of the Actuary and as agreed by the Administering Authority
3. The total annual contributions payable by each employer will be subject to a minimum of zero.

The employers' contribution due from the London Borough of Croydon and grouped Scheduled Bodies was £14,971,000. However, this sum was calculated as a proportion of the gross pensionable pay. As this figure fell during the period, largely as a result of redundancies in response to a reduction in the level of central government support, the sum contributed fell short of the target figure.

The contribution by Other Grouped Bodies was £4,000 less. This is because Age Concern (Croydon), Croydon Welcare, Croydon Meals Agency and Croydon Youth Development Trust have all left the Fund.

All other contributions are as disclosed in the Schedule to the Rates and Adjustment Certificate.

### 2. INVESTMENTS

The Pension Fund Committee agreed to authorise the then Executive Director of Finance and Resources, now the Deputy Chief Executive and Executive Director of Corporate Resources and Customer Services, to exercise delegated powers to vary the Pension Fund's target asset allocation between UK and Overseas equities, Property, Bonds, Cash and alternative asset classes as is deemed necessary and switch investments between existing and other fund managers, as required. The dynamics which drove this process from late 2007 were the volatility in equity markets and the availability of investment opportunities tied into temporary market inefficiencies. The objective was to achieve a more consistent level of return aligned with the (then) 25 year recovery plan for the Fund but with a much lower aggregate level of risk.

During 2010/11 the Pension Committee agreed modifications to the original allocations.

Asset Class	Benchmark	Original Weighting	Revised Weighting
UK and Overseas Listed Equities	MSCI AC World Index	50.00%	50% <sup>+</sup> / - 3%
Bonds	18% Merrill Lynch Sterling non gilts all stocks index 12% Merrill Lynch Sterling Broad Market index	30.00%	30% <sup>+</sup> / - 3%
Property	IPD All Properties index	7.00%	7% <sup>+</sup> / - 3%
Funds of Hedge Funds	3 month LIBOR plus 5% / plus 10%	4.00%	4.00%
Private Equity	MSCI AC World Index / Absolute Return of 12%	4.00%	4.00%
Global Tactical Asset Allocation	3 month LIBOR plus 10%	4.00%	4.00%
Cash		1.00%	1.00%
Total		100.00%	

**2. INVESTMENTS (continued)**

Asset Category	Fund Managers
Equities	DB Advisors, Fidelity and Franklin Templeton (segregated funds); Edinburgh Partners * and Sarasin (pooled funds)
Private equity	Equitix, Knightsbridge and Pantheon
Bonds	Standard Life and Wellington
Hedge Fund of Funds	Bluecrest and Fauchier
Property	Henderson Global investors and Schroder Investment Management **
Global Tactical Asset Allocation	Nordea ***
Cash	Cash is invested by the in-house team

\* The assets managed by Edinburgh Partners were fully redeemed on 15 September 2011

\*\* Henderson have surrendered the UK portion of their property mandate and Schroder now manager the UK property portion of the Fund (effective from 15 August 2011).

\*\*\* The Nordea Investment will be fully redeemed in June 2012. Please see Note 25, Events after the Balance Sheet date.

**VALUATION OF INVESTMENTS**

The assets of the Pension Fund are included in the Net Asset Statement at their fair value. The fair value for the following asset classes is:

**Segregated Global Equities (Fidelity, Franklin Templeton, Deutsche Bank)**

Investment accounting was outsourced to Bank of New York Mellon (BoNYM) with effect from 1 April 2009. The BoNYM pricing unit (Global Pricing) uses its prices to reprice the investments held by the segregated fund managers to achieve consistent pricing across the entire segregated portfolio.

The BoNYM pricing unit operates under the following pricing guidelines:

***Designation of a primary source***

All pricing vendors are external. Where available, BoNYM uses more than one vendor for securities of each asset type, class or issue. At the time of acquisition, each security is automatically assigned a primary pricing source, based on its characteristics. The price received from a primary source is used in portfolio valuation reports, unless a tolerance check, or price challenge results in the use of a price from a secondary vendor, or BoNYM are directed as to a price or source as described below:

***Use of Secondary Pricing Sources; Client / Manager Price Direction***

**Missing Prices**

BoNYM monitors prices supplied by vendors and may use a secondary vendor or change a primary vendor designation if a price for a particular security is not received from the primary vendor or the vendor no longer prices a particular asset type, class or issue. When a vendor does not send a price for a particular asset, it may indicate an inactive, delisted, bankrupt or suspended equity or bond for which BoNYM vendors no longer have enough data to provide a price. In such cases, Global Pricing would use a secondary vendor, if available. If a secondary vendor source is not available, BoNYM will reflect the last available price. In daily, weekly or monthly valued accounts, the client or their investment manager(s) may direct the use of an alternative price or source for any position not priced by BoNYM pricing vendors.

**Tolerance Checks**

Vendor-provided prices are subjected to automated tolerance checks to identify and avoid, where possible, the use of inaccurate prices. Questionable prices identified by either of the tests noted below, are reported to the vendor that provided the price. Pricing Specialists then follow-up with the vendors. If the prices are validated, the primary price source is used. If not, a secondary source price which has passed the applicable tolerance check is used (or queried with the vendor if it is out of tolerance), resulting in either the use of a secondary price, where validated, or the last reported default price, as in the case of a missing price. For monthly valued accounts, where secondary price sources are available, an automated inter source, tolerance report identifies prices with an inter-vendor pricing variance of over 2% at an asset class level.

For daily valued accounts, each security is assigned, where possible, an indicative major market index, against which daily price movements are automatically compared. Tolerance thresholds are established by asset class. Prices found to be outside of the applicable tolerance threshold are reported and queried with vendors as described above.

**2. INVESTMENTS (continued)****Pooled Global Equity Funds (Sarasin and Edinburgh Partners)*****Sarasin***

The investment with Sarasin is in their Global Thematic Fund. The price of shares in the Fund is published daily in the Financial Times. The share price at 31 March is provided to BoNYM.

***Edinburgh Partners***

The investment with Edinburgh Partners is in their Global Opportunities Fund. The price of shares in the Fund is published daily in the Financial Times. The share price at 31 March is provided to BoNYM. The Fund fully redeemed its investment with Edinburgh Partners on 15 September 2011.

**Bonds*****Standard Life - Trustee Investment plan***

Investments in the Trustee Investment Plan are valued each working day and a unit price is set. The pricing basis depends on the overall cash flow of the Fund, and more specifically, whether the cash flows result in the Fund having to purchase, sell or transfer stock. This gives rise to three pricing bases; offer, bid and mid. Generally, if there is a positive cash flow into the Fund the offer basis is used. This basis takes account of the cost of buying investments. However, if there is an overall outflow of funds the pricing basis may be switched to a bid basis. This means that a lower price will apply, reflecting the cost of selling the underlying investments. This is in accordance with the accounting rules for pooled investment vehicles required by the 2007 Pensions SORP.

***Wellington - Sterling Core Bond Plus***

Multiple pricing sources are used: a tolerance of 5% is accepted between prices. Outside of that range there is a manual review of each price.

**Private Equity Investments**

Fund investments are carried at fair value as determined quarterly by the General Partner in its discretion. The Partnership's fund investments are generally carried at the valuations provided by the general partners or managers of such investments. The valuations provided by the general partners or managers typically reflect the fair value of the Partnership's capital account balance of each fund investment, including unrealised gains and losses, as reported in the audited financial statements of the respective fund. In reviewing these underlying valuations, the General Partner is advised by the Investment Advisor, who reviews the capital account balances and may adjust the value of each fund investment. The General Partner uses the market approach to estimate the fair value of private investments. The market approach utilises prices and other relevant information generated by market transactions, type of security, size of the position, degree of liquidity, restrictions on the disposition, latest round of financing data, current financial position and operating results, among other factors. In circumstances where fair values are not provided in respect of any of the Company's fund investments, the Investment Advisor will seek to determine the fair value of such investments based upon information provided by the general partners or managers of such funds or from other sources. Notwithstanding the above, the variety of valuation bases adopted and quality of management data of the ultimate underlying Investee companies means that there are inherent difficulties in determining the value of these investments. Amounts realised on the sale of these investments may differ from the values reflected in these financial statements and the difference could be significant.

**Hedge Funds and Global Tactical Asset Allocation**

Pricing supplied by Globeopp.net. Net asset values are reconciled on a daily basis.

**Property**

The Fund does not have any direct investments in property but invests indirectly through the property fund managers Henderson Global Investors and Schroder Investment Management, who invest in several property funds. The valuations presented in the accounts are those provided by the fund managers and are all at market value. Although bid prices are available in some instances it is considered inconsistent to present a mixture of bid and market prices.



## NOTES TO THE PENSION FUND ACCOUNTS

### 3. CHANGE IN MARKET VALUE OF INVESTMENTS

	Balance Brought Forward £000	Purchases £000	Sale Proceeds £000	Realised Gains/ (Losses) £000	Unrealised Gains/ (Losses) £000	Balance Carried Forward £000
Global equities - segregated funds	204,626	167,954	(150,645)	(1,395)	(2,213)	218,327
Global equities - pooled funds	124,243	16,709	(46,591)	(7,792)	(2,348)	84,221
Private equity	23,453	14,817	(7,380)	2,011	3,160	36,061
Bonds	183,151	60,553	(60,934)	6,492	11,146	200,408
Hedge funds	23,975	0	0	0	(220)	23,755
Property	37,586	5,789	(5,800)	1,384	(2,801)	36,158
Global Tactical Asset Allocation	21,883	0	0	0	(1,016)	20,867
Transition account	22	0	(22)	0	0	0
	618,939	265,822	(271,372)	700	5,708	619,797

### 4. ANALYSIS OF INVESTMENTS

Investments are valued at the close of business on 31 March 2012 in accordance with the valuation methodologies detailed in Note 2.

	2012			2011		
	Book £000	Market £000	Market %	Book £000	Market £000	Market %
<b>Global equities - segregated funds (Quoted)</b>						
DB Advisors	62,591	63,902	10.3%	52,454	55,038	8.9%
Fidelity	74,656	84,790	13.7%	79,744	92,940	15.0%
Franklin Templeton	59,416	69,635	11.2%	48,643	56,648	9.2%
<b>Total equities - segregated</b>	196,663	218,327	35.2%	180,841	204,626	33.1%
<b>Global equities - pooled funds (Quoted)</b>						
Edinburgh Partners	0	0	0.0%	48,255	52,442	8.5%
Fidelity	13,522	14,710	2.4%	12,528	15,356	2.5%
Franklin Templeton	1,207	1,656	0.3%	0	0	0.0%
Sarasin	59,620	67,855	10.9%	46,848	56,445	9.1%
<b>Total equities - pooled</b>	74,349	84,221	13.6%	107,631	124,243	20.1%
<b>Private Equity (Unquoted)</b>						
Pantheon Ventures	11,459	16,049	2.6%	7,258	12,887	2.1%
MUST 2 (Mercury Unquoted Securities Trust)	0	9	0.0%	0	8	0.0%
Equitix	11,307	15,840	2.6%	7,360	8,210	1.3%
Knightsbridge	3,962	4,163	0.7%	2,662	2,348	0.4%
<b>Total private equity</b>	26,728	36,061	5.9%	17,280	23,453	3.8%
<b>Bonds (Quoted)</b>						
DB Advisors	137	116	0.0%	709	720	0.1%
Standard Life	108,662	116,417	18.8%	102,010	109,594	17.7%
Wellington	67,976	83,875	13.5%	67,946	72,837	11.8%
<b>Total Bonds</b>	176,775	200,408	32.3%	170,665	183,151	29.6%
<b>Hedge Fund of Funds (Quoted)</b>						
Bluecrest	11,230	12,589	2.0%	11,230	12,390	2.0%
Fauchier	11,314	11,166	1.8%	11,314	11,585	1.9%
<b>Total Hedge Fund of Funds</b>	22,544	23,755	3.8%	22,544	23,975	3.9%
<b>Property (Quoted)</b>						
Henderson Global Investors	17,655	15,278	2.5%	37,586	37,586	6.1%
Schroder	20,881	20,880	3.4%	0	0	0.0%
<b>Total Property</b>	38,536	36,158	5.9%	37,586	37,586	6.1%
<b>Global Tactical Asset Allocation (Quoted)</b>						
Nordea	24,000	20,867	3.4%	24,000	21,883	3.5%
<b>Bank of New York Mellon</b>						
Other investment balances *	0	0	0.0%	22	22	0.0%
<b>Total investments</b>	559,595	619,797	100.0%	560,569	618,939	100.0%

In the past, segregated and pooled global equity funds have been aggregated; they are now shown separately in accordance with recognised best practice; the prior year comparatives have been changed to reflect this.

## NOTES TO THE PENSION FUND ACCOUNTS

### 4. ANALYSIS OF INVESTMENTS (continued)

At the close of the 2011/12 accounting period the recovery for the UK economy was uncertain, particular concerns related to the continuing crisis in the Eurozone. This is reflected in the volatility of the FTSE 100 which varied between a low of 4,944.40 and a high of 6,082.90 during the financial year. The value of the Pension Fund's assets remained virtually static.

### 5. GEOGRAPHICAL ANALYSIS OF INVESTMENTS

	2012			2011		
	UK £000	Foreign £000	Total £000	UK £000	Foreign £000	Total £000
<b>Global equities - segregated funds (Quoted)</b>						
DB Advisors	1,569	62,333	63,902	2,997	52,041	55,038
Fidelity	6,806	77,984	84,790	7,106	85,834	92,940
Franklin Templeton	7,537	62,098	69,635	5,954	50,694	56,648
<b>Total equities</b>	<b>15,912</b>	<b>202,415</b>	<b>218,327</b>	<b>16,057</b>	<b>188,569</b>	<b>204,626</b>
<b>Global equities - pooled funds (Quoted)</b>						
Edinburgh Partners	0	0	0	0	52,442	52,442
Fidelity	112	14,598	14,710	126	15,230	15,356
Franklin Templeton	0	1,656	1,656	0	0	0
Sarasin	0	67,855	67,855	0	56,445	56,445
<b>Total pooled investments</b>	<b>112</b>	<b>84,109</b>	<b>84,221</b>	<b>126</b>	<b>124,117</b>	<b>124,243</b>
<b>Private Equity (Unquoted)</b>						
Pantheon Ventures	0	16,049	16,049	0	12,887	12,887
MUST 2 (Mercury Unquoted Securities Trust)	9	0	9	8	0	8
Equitix	15,840	0	15,840	8,210	0	8,210
Knightsbridge	0	4,163	4,163	0	2,348	2,348
<b>Total private equity</b>	<b>15,849</b>	<b>20,212</b>	<b>36,061</b>	<b>8,218</b>	<b>15,235</b>	<b>23,453</b>
<b>Bonds (Quoted)</b>						
DB Advisors	0	116	116	0	720	720
Standard Life	116,417	0	116,417	109,594	0	109,594
Wellington	0	83,875	83,875	0	72,837	72,837
<b>Total Bonds</b>	<b>116,417</b>	<b>83,991</b>	<b>200,408</b>	<b>109,594</b>	<b>73,557</b>	<b>183,151</b>
<b>Hedge Fund of Funds (Quoted)</b>						
Bluecrest	12,589	0	12,589	12,390	0	12,390
Fauchier	11,166	0	11,166	11,585	0	11,585
<b>Total Hedge Fund of Funds</b>	<b>23,755</b>	<b>0</b>	<b>23,755</b>	<b>23,975</b>	<b>0</b>	<b>23,975</b>
<b>Property (Quoted)</b>						
Henderson Global Investors	0	15,278	15,278	24,369	13,217	37,586
Schroder	20,880	0	20,880	0	0	0
<b>Total Property</b>	<b>20,880</b>	<b>15,278</b>	<b>36,158</b>	<b>24,369</b>	<b>13,217</b>	<b>37,586</b>
<b>Global Tactical Asset Allocation (Quoted)</b>						
Nordea	20,867	0	20,867	21,883	0	21,883
Bank of New York Mellon						
Other investment balances *	0	0	0	22	0	22
<b>Total investments</b>	<b>213,792</b>	<b>406,005</b>	<b>619,797</b>	<b>204,244</b>	<b>414,695</b>	<b>618,939</b>

All investments held by the Pension Fund, apart from Private Equity, are quoted.

In the past, segregated and pooled global equity funds have been aggregated; they are now shown separately in accordance with recognised best practice; the prior year comparatives have been changed to reflect this.

## NOTES TO THE PENSION FUND ACCOUNTS

### 6. 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.

### 7. INFORMATION IN RESPECT OF MATERIAL TRANSACTIONS WITH RELATED PARTIES

Related party disclosures are regulated by International Accounting Standard (IAS) 24 the purpose of which is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

In broad terms parties are related for the purposes of IAS24 when one has control or significant influence over the other, or they are subject to common control or influence.

- ▶ Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- ▶ Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.

The related parties of pension schemes fall into three main categories:

- ▶ Employer related;
- ▶ Trustee related; and
- ▶ Officers and managers.

#### Employer Related Parties

The relationship between an employer and a pension scheme set up for its employees is by its nature very close. The table below details the nature of the related party relationships. It should be appreciated that no improper influence attaches to any of these relationships and at no time has the Pension Fund been inhibited from its responsibility to serve the best interests of its members.

Transaction	Description of its Financial Effect
Cost of early retirement due to redundancy - Note 8	As explained in Note 4 of the Statement of Accounting Principles and Policies, when employees who are members of the Local Government Pension Scheme take early retirement due to redundancy, there is a capitalised cost to the Pension Fund. This cost is re-imbursed by the employer granting early retirement.
Debtors - Note 9	Amounts due in respect of employers' and employees' contributions.
Creditors - Note 10	Payments are made by the Council's bank account on behalf of the Pension Fund. The Pension Fund reimburses the Council's bank account on a monthly basis.
Administration expenses - Note 11	The administration of the Pension Fund is undertaken by officers of the Council. The cost of their time is recharged to the Pension Fund as permitted by Paragraph 42 of the Local Government Pension Scheme (Administration) Regulations 2008.
Investment management expenses - Note 12	Council officers also provide investment monitoring services to the Pension Fund. It is also permitted under Paragraph 42 to recharge these costs to the Pension Fund.

The amounts involved in each of the above relationships are stated in their separate disclosure notes.

**7. INFORMATION IN RESPECT OF MATERIAL TRANSACTIONS WITH RELATED PARTIES (continued)**

**Trustee Related Parties**

Trustee related parties include:

- a. trustees and their close families
- b. key management (that is the directors and any senior officer) of a corporate trustee and their close families
- c. entities controlled by, and associates and joint ventures of, the scheme itself
- d. companies and businesses controlled by the trustees or their close families
- e. companies and businesses controlled by the key management of a corporate trustee, or their close families.

There were no transactions between any of the categories of trustees listed above and the Pension Fund.

**Officers and Managers**

Related parties under this heading include:

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

There were no transactions between officers and managers of the Pension Fund and the Pension Fund.

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

**8. COST OF EARLY RETIREMENT DUE TO REDUNDANCY**

The following note only applies to the London Borough of Croydon:

During the financial year 2011/12 the capitalised cost of early retirements (due to redundancy) requiring reimbursement to the Pension Fund was £0.7m (2010/11 £1.8m) of which £0.7m was reimbursed during 2011/12 (2010/11 £1.8m). From 2010/11 onwards the entire capitalised cost of early retirement was/will be reimbursed in the year in which it is incurred.

At the commencement of the financial year 2011/12, £0.9m (2010/11 £2.0m) of capitalised early retirement costs relating to prior year redundancies were the subject of reimbursements to the Pension Fund by annual instalments. During 2011/12 £0.6m (2010/11 £1.1m) was reimbursed to the Pension Fund, the remaining amount to be reimbursed by instalments during the following two financial years.

**9. DEBTORS**

	<b>2011/12 £000</b>	<b>2010/11 £000</b>
Central Government Bodies	0	0
Other Local Authorities - Croydon Council	268	2,133
Other Local Authorities	34	4
NHS Bodies	0	0
Public Corporations and Trading Funds	0	0
Other Entities and Individuals:		
Investment Income	655	940
Investment Disposals	5,973	1,167
Sundry Debtors	584	418
	<b>7,514</b>	<b>4,662</b>

The presentation of this note, (9), and the following note, (10), have both been amended to comply with the disclosure requirements of the 2011-12 Code of Practice on Local Authority Accounting, based upon International Financial Reporting Standards.

## NOTES TO THE PENSION FUND ACCOUNTS

### 10. CREDITORS

	2011/12 £000	2010/11 £000
Other Local Authorities - Croydon Council	(4,572)	(5,335)
Public corporations and trading funds - Audit Commission	(11)	(69)
Other entities and individuals		
Investment purchases	(2,394)	(595)
Sundry expenses	(1,237)	(1,188)
	(8,214)	(7,187)

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.

### 11. ADMINISTRATIVE EXPENSES

	2011/12 £000	2010/11 £000
Pensions administration and payroll (see note below)	1,466	1,450
Audit Fees	34	69
Actuarial expenses and valuation fees	184	112
Other administrative expenses	78	97
	1,762	1,728

£909k (2010/11 £732k) of Croydon Council's Pensions and Treasury section officers' time and related on-costs has been recharged to the Pension Fund. These relate to Croydon Council's costs of pensions administration and the non-investment accounting work.

### 12. INVESTMENT MANAGEMENT EXPENSES

	2011/12 £000	2010/11 £000
Fund managers' fees (see (a) below)	1,130	1,526
Investment advisors' fees	273	195
Direct salary and other related expenses (see (b) below)	266	151
	1,669	1,872

(a) Fund managers' fees for segregated funds are based on the value of the funds under their control. The charges for pooled funds are deducted at source from the investments held.

(b) £227k (2010/11 £114k) of Croydon Council's Pensions and Treasury section officers' time and related on-costs has been recharged to the Pension Fund in relation to all aspects of administering the investments of the Pension Fund including investment monitoring.

### 13. INVESTMENT INCOME

	2011/12 £000	2010/11 £000
Final distribution from the terminated UBS FTSE350 investment	0	103
Distributions from global equity fund managers	4,559	4,490
Henderson property funds	638	954
Schroder property funds	282	0
Interest on cash deposits	17	11
Other interests and adjustments	27	225
	5,523	5,783

### 14. LUMP SUMS

	2011/12 £000	2010/11 £000
Lump sum retirement benefits	11,524	6,547
Ill health retirement grants	549	1,135
Death grants	1,266	632
	13,339	8,314

## NOTES TO THE PENSION FUND ACCOUNTS

### 15. TRANSFERS VALUES PAID AND TRANSFERS VALUES RECEIVED

	Transfers paid		Transfers received	
	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000
Group transfers	0	0	78	0
Individual transfers	3,209	5,376	4,790	8,324
<b>Total</b>	3,209	5,376	4,868	8,324

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

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

### 17. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

There were no contingent liabilities at 31 March 2012. The Fund had the following contractual commitments denominated in Sterling, Euros and Dollars.

Fund Manager	Committed 000s	Drawn 000s	Due 000s
Pantheon			
USA IV Fund	\$16,151	\$14,778	\$1,373
USA IX Fund	\$23,200	\$2,349	\$20,851
Asia III Fund	\$1,997	\$1,858	\$139
Asia VI Fund	\$12,000	\$2,400	\$9,600
Euro III Fund	€ 12,299	€ 11,069	€ 1,230
Euro VII Fund	€ 17,000	€ 2,040	€ 14,960
Equitix			
Fund I	£10,000	£8,766	£1,234
Fund II	£10,000	£3,190	£6,810
Knightsbridge	\$13,000	\$6,240	\$6,760

### 18. DETAILS OF ADDITIONAL CONTRIBUTIONS NOT INCLUDED IN PENSION FUND ACCOUNTS

In accordance with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No 3093), there were no additional contributions included in the Pension Fund Accounts since all Additional Voluntary Contributions (AVCs), in total £408k for 2011/12 (£298k in 2010/11), are sent directly to the relevant AVC provider.

The value at 31 March 2012 of separately invested additional voluntary contributions was £1.2m (£1.0m in 2010/11).

### 19. TOTAL CONTRIBUTIONS RECEIVABLE

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

### 20. 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. In 2011/12, £0.3m (£0.2m in 2010/11) tax has been paid that is irrecoverable.

### 21. MEMBERSHIP

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

	2011/12	2010/11	% change
Contributing members	6,286	6,766	(7.09%)
Deferred pensioners	6,408	5,841	9.71%
Pensioners	6,205	5,995	3.50%
<b>Total</b>	18,899	18,602	1.60%

**22. 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. The contribution rate payable is determined by the pay band applicable to each individual employee. The pay bands are detailed below:

<b>Band</b>	<b>Range £</b>	<b>Contribution Rate</b>
1	0 -12,900	5.5%
2	12,901-15,100	5.8%
3	15,101-19,400	5.9%
4	19,401-32,400	6.5%
5	32,401-43,300	6.8%
6	43,301-81,100	7.2%
7	81,100+	7.5%

**Manual Workers Banding - Year Commencing**

1 April 2008	5.25%	Note. 2010/11 is the final year of phasing in for manual workers.
1 April 2009	5.50%	From 2011/12 onwards they will pay contributions within the same
1 April 2010	6.50%	bands and rates as all other employees.

For the year ended 31 March 2012 the employers' rate was 23.2% 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.

**23. PUBLIC SECTOR PENSION INCREASES**

In his budget statement on 22 June 2010, the Chancellor announced that the Government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past.

In the previous year's accounts (2010/11), the actuaries allowed for this change, by assuming that over the long term CPI will be less than RPI by 0.5% p.a. The effect of this is to reduce the calculated value of an employer's liabilities for accounting purposes normally by about 5-8%. The reduction for the London Borough of Croydon is £59.98m. The adjustment is disclosed as a negative "past service cost" (i.e. past service gain) in the accounting figures. The actuaries approach is consistent with CIPFA's Local Authority Accounting Practice (LAAP) Bulletin 89.

**24. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS FOR THE PURPOSES OF IAS26**

CIPFA's Code of Practice on Local Authority Accounting 2011/12 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19.

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

On this basis the present value of promised retirement benefits as at 31 March 2012 is £1,065m. Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2010. I estimate this liability at 31 March 2012 comprises £459m in respect of employee members, £211m in respect of deferred pensioners and £395m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.



**Richard Warden**  
Fellow of the Institute and Faculty of Actuaries  
For and on behalf of Hymans Robertson LLP  
30 May 2012

**Hymans Robertson LLP**  
20 Waterloo Street  
Glasgow  
G2 6DB



**25. EVENTS AFTER THE BALANCE SHEET DATE**

Market volatility continues despite the efforts of EU leaders to achieve stability. The value of the Fund varies on a daily basis with the fluctuations in the market. By the end of August the value of the Fund's investments had reduced by approximately £4m (0.65%), having been lower by £12m (1.9%) at the end of May. To minimise volatility within the Fund, managers have worked to reduce their funds' exposure in those markets and market sectors most affected by the present economic instability.

The current Asset Allocation Strategy, introduced in 2009, has been structured to meet the twin goals of closing the deficit gap over a reasonable period of time and generating returns within a limited risk budget. Thus the Authority has exposure to a range of investments with a higher level of inherent risk than found with investments in the equity or bond markets. In extraordinary circumstances these investments may not perform as intended. One such example is the Global Tactical Allocation Fund. As this Fund has not met the performance target set for a three year period, 2009 - 2012 it has been decided to withdraw from this Fund. The Fund's allocation was liquidated in July 2012.

**26. FINANCIAL INSTRUMENTS**

**Credit Risk**

This is the risk that parties in whom the Fund invests may fail to pay amounts that are due to the Pension Fund. An example of this would be the failure of an entity in which the Pension Fund had an investment. To minimise this risk the Fund invests via specialist fund managers in UK and overseas equities, Property, Bonds, Cash and alternative asset classes, the purpose is to achieve a consistent level of return at a low level of aggregate risk.

During 2010/11 the Pension Committee agreed modifications to the original allocations.

<b>Asset Class</b>	<b>Benchmark</b>	<b>Original Weighting</b>	<b>Revised Weighting</b>
UK and Overseas Listed Equities	MSCI AC World Index	50.00%	50% <sup>+</sup> / - 3%
Bonds	18% Merrill Lynch Sterling non gilts all stocks index 12% Merrill Lynch Sterling Broad Market index	30.00%	30% <sup>+</sup> / - 3%
Property	IPD All Properties index	7.00%	7% <sup>+</sup> / - 3%
Funds of Hedge Funds	3 month LIBOR plus 5% / plus 10%	4.00%	4.00%
Private Equity	MSCI AC World Index / Absolute Return of 12%	4.00%	4.00%
Global Tactical Asset Allocation	3 month LIBOR plus 10%	4.00%	4.00%
Cash		1.00%	1.00%
<b>Total</b>		<b>100.00%</b>	

Private equity has a higher credit risk, consequently the low level target allocation to cap this risk.

Additionally the risk arises that an admitted body may experience financial difficulty and be unable to meet its contributions. Contributions are payable monthly, consequently, it would become apparent at a month end if one or more admitted bodies was in difficulty. Immediate action could be taken and the maximum loss involved would be one month's contributions.

**Liquidity Risk**

This is the risk that the Fund may not possess sufficient resources to meet its financial obligations as they fall due, in particular this relates to the monthly pensioner payroll. In recent years contributions have exceeded benefits ensuring that there are sufficient funds. To address a future where this may not be the case the Fund prepares an annual budget and cash flow forecast. This will highlight occasions when funds may be insufficient and allow the orderly liquidation of assets. The Fund has its own bank account and utilises a money market fund for the short-term deposit of surplus funds.

**Refinancing Risk**

This is the risk that investments need to be sold at a time when prices are less than that which they were purchased for, resulting in a loss being made. To minimise exposure to this risk the investment managers trade their holdings at a steady rate.

**26. FINANCIAL INSTRUMENTS (Continued)**

**Market Risk**

This is the risk that financial loss could arise as a result of changes in such measures as interest rates and stock market movements. The Fund attempts to minimise these risks as follows:

Interest rate risk - to mitigate this risk the Fund holds a fixed interest portfolio.

Price risk - this is the risk that security prices fall, potentially resulting in a loss to the Fund. To mitigate this risk the Fund's investments are managed by a number of different fund managers investing across the globe in various market sectors according to their investment mandate. Fund managers may use derivatives and 'shorting' in their management of fund assets. Under normal circumstances this should ensure that any reversals are only experienced by a small part of the Fund. However, it cannot prevent losses when there is a general retreat in prices across all major world stock markets.

Foreign exchange risk - this is the risk that exchange rate movements cause a reduction in the sterling equivalent of overseas holdings. To mitigate this risk the Fund has holdings in numerous currencies. Fund managers may also use derivatives as a hedge against foreign currency exposure.

## NOTES TO THE PENSION FUND ACCOUNTS

### 26. FINANCIAL INSTRUMENTS (Continued)

#### Sensitivity Analysis

A movement of 1% in the value of equities would cause a change in the asset value of the Fund of £3.3m. A 1% change in the value of bonds would have a £2.0m effect.

#### Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and Net Assets Statement heading. No financial assets were reclassified during the period.

	Designated as fair value through profit and loss £000	Loans and Debtors £000	Financial liabilities at amortised cost £000
<b>Financial Assets</b>			
Fixed interest securities	200,408	0	0
Equities	218,327	0	0
Pooled investments	84,221	0	0
Pooled property investments	36,158	0	0
Hedge Funds	23,755	0	0
Private equity/infrastructure	36,061	0	0
Global Tactical Asset Allocation	20,867	0	0
Cash	0	16,852	0
Other investment balances	6,628	0	0
Debtors	0	886	0
<b>Total Financial Assets</b>	<b>626,425</b>	<b>17,738</b>	<b>0</b>
<b>Financial Liabilities</b>			
Other investment balances	(2,394)	0	0
Creditors	0	0	(5,820)
<b>Total Financial Liabilities</b>	<b>(2,394)</b>	<b>0</b>	<b>(5,820)</b>
<b>Net Assets</b>	<b>624,031</b>	<b>17,738</b>	<b>(5,820)</b>

#### Net Gains and Losses on Financial Instruments

**31 March 2012**  
**£000**

<b>Financial assets</b>		
Fair value through profit and loss		6,408
Loans and debtors		0
Financial liabilities measured at amortised cost		0
<b>Financial liabilities</b>		
Fair value through profit and loss		0
Loans and debtors		0
Financial liabilities measured at amortised cost		0
<b>Total</b>		<b>6,408</b>

#### Fair Value of Financial Instruments and Liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values

	Carrying Amount £000	Fair Value £000
<b>Financial Assets</b>		
Fair value through profit and loss	626,425	626,425
Loans and Debtors	17,738	17,738
<b>Total Financial Assets</b>	<b>644,163</b>	<b>644,163</b>
<b>Financial Liabilities</b>		
Fair value through profit and loss	(2,394)	(2,394)
Financial liabilities at amortised cost	(5,820)	(5,820)
<b>Total Financial Liabilities</b>	<b>(8,214)</b>	<b>(8,214)</b>

**26. FINANCIAL INSTRUMENTS (Continued)**

**Valuation of financial instruments carried at fair value**

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

**Level One**

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

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

**Level Two**

Financial instruments at Level 2 are those whose quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques use inputs that are based significantly on observable market data.

**Level Three**

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

These instruments include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

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

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

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

<b>Values at 31 March 2012</b>	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>	<b>Total £000</b>
<b>Financial Assets</b>				
Financial assets at fair value through profit and loss	509,584	36,158	80,683	626,425
Loans and debtors	17,738	0	0	17,738
<b>Total financial assets</b>	<b>527,322</b>	<b>36,158</b>	<b>80,683</b>	<b>644,163</b>
<b>Financial Liabilities</b>				
Financial Liabilities at fair value through profit and loss	0	(2,394)	0	(2,394)
Financial liabilities at amortised cost	(5,820)	0	0	(5,820)
<b>Total financial liabilities</b>	<b>(5,820)</b>	<b>(2,394)</b>	<b>0</b>	<b>(8,214)</b>
<b>Net financial assets</b>	<b>521,502</b>	<b>33,764</b>	<b>80,683</b>	<b>635,949</b>

**27. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

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

**Market Risk**

This is the risk that financial loss could arise as a result of fluctuations in interest rates, foreign exchange rates, credit spreads and equity and commodity prices. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

**Other price risk**

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuers or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by fair value of the financial instruments. Possible losses from shares sold short is unlimited.

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

**Other price risk - sensitivity analysis**

Potential price changes are determined based on the observed historical volatility of asset class returns. "Riskier" assets such as equities will display greater potential volatility than bonds, so the overall outcome will depend largely on the funds' asset allocation. An example is provided below.

<b>Asset type</b>	<b>Potential market movements (+/-)</b>
Global Equities	15.30%
Total bonds plus index linked	4.93%
Cash	0.02%
Alternatives	7.21%
Property	6.16%

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix as follows:

<b>Asset type</b>	<b>Value</b>	<b>Percentage</b>	<b>Value on</b>	<b>Value on</b>
	<b>£000</b>	<b>Change</b>	<b>Increase</b>	<b>Decrease</b>
		<b>%</b>	<b>£000</b>	<b>£000</b>
Global Equities	302,548	15.30%	348,838	256,258
Total bonds plus index linked	200,408	4.93%	210,288	190,528
Cash	0	0.02%	0	0
Alternatives	80,683	7.21%	86,500	74,866
Property	36,158	6.16%	38,385	33,931
<b>Total Assets</b>	<b>619,797</b>		<b>684,011</b>	<b>555,583</b>

## NOTES TO THE PENSION FUND ACCOUNTS

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

#### Interest rate risk

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2012 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	As at 31 March 2012 £000
Cash and cash equivalents	9,869
Cash Balances	6,983
Fixed interest securities	200,408
Total	217,260

#### Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates.

Asset type	Carrying amount as at 31 March 2012 £000	Change in year in the net assets available to pay benefits	
		+100 BPS £000	-100 BPS £000
Cash and cash equivalents	9,869	99	(99)
Cash Balances	6,983	70	(70)
Fixed interest securities	200,408	2,004	(2,004)
Total	217,260	2,173	(2,173)

#### Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than pounds sterling (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the Fund's currency exposure as at 31 March 2012.

Currency exposure - asset type	Asset Value as at 31 March 2012 £000
Overseas quoted securities	202,415
Overseas quoted securities - pooled	84,109
Overseas un-quoted securities	20,212
Overseas property	15,278
Overseas bonds (quoted)	83,991
Total overseas assets	406,005

#### Currency risk - sensitivity analysis

Following analysis of historical data in consultation with the Fund's performance management provider (WM Company), the Council considers the likely volatility associated with foreign exchange rate movements to be 14% (as measured by one standard deviation).

A 14% fluctuation in the currency is considered reasonable based on the WM Company's analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period.

This analysis assumes that all other variables, in particular interest rates, remain constant.

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

A 14% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Asset Value as at 31 March 2012	Change in net assets available to pay benefits	
		+14%	-14%
	£000	£000	£000
Overseas quoted securities	202,415	230,753	174,077
Overseas quoted securities - pooled	84,109	95,884	72,334
Overseas un-quoted securities	20,212	23,042	17,382
Overseas property	15,278	17,417	13,139
Overseas bonds (quoted)	83,991	95,750	72,232
Total overseas assets	406,005	462,846	349,164

**Credit risk**

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council investments in money market funds with a AAA rating from a leading rating agency.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2012 was £6.9 million (£8.3 million at 31 March 2011). This was held with the following institutions:

Summary	Rating at 31 March 2012	Balances as at 31 March 2012 -100 BPS * £000
Money Market Funds		
Goldman Sachs	AAA	6,814
Bank deposit Account		
Royal Bank of Scotland		169
Total		6,983

\* BPS - Basis Points, 100BPS = 1%

**Liquidity risk**

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Council has immediate access to its Pension Fund cash holdings including cash invested in money market funds.

The Fund defines liquid assets as assets that can be converted to cash within three months. Liquid assets are those assets which will take longer than three months to convert into cash.

All financial liabilities at 31 March 2012 are due within one year.

**Refinancing risk**

The key risk is that the Council will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.



### **ACCOUNTING POLICIES**

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements. Accounting policies define the process whereby transactions and other events are reflected in financial statements.

### **ACCRUALS**

An accounting principle where income and expenditure are taken into account in the year in which they are earned or incurred, rather than when monies are received and/or invoices are actually paid.

### **ACTUARIAL VALUATION**

The Actuary reviews the assets and liabilities of the Pension Fund every three years and reports to the Council on the Fund's financial position and recommended employers' contribution rates.

### **ACTUARY**

An independent professional who advises on the financial position of a Pension Fund.

### **ALLOWANCE FOR DOUBTFUL DEBT**

An amount set aside to cover money owed to the Council where it is considered doubtful that payment will be received.

### **AMORTISATION**

The equivalent of depreciation for intangible assets.

### **BALANCES**

The amount of money on the various funds of the Council left over at the end of the financial year after allowing for all expenditure and income that has taken place. These are also known as financial reserves.

### **BUDGET**

A forecast of the Council's planned expenditure and income, either over a set period or for a specific project.

### **CAPITAL EXPENDITURE**

Expenditure on the purchase, construction and enhancement of Council assets such as houses, offices, schools and roads. Expenditure can only be treated as 'capital' if it meets the statutory definitions and is in accordance with accounting practice and regulations.

### **CAPITAL RECEIPTS**

Monies received from the sale of the Council's assets such as land and buildings. These receipts are used to pay for additional capital expenditure.

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy is the accountancy body which represents at national level the interests of Local Government and public service finance. The Institute produces advice, codes of practice and guidance to Local Authorities on best practice.

### **COLLECTION FUND**

A Fund operated by the billing Authority into which all receipts of Council Tax and National Non-Domestic Rates are paid. The Fund must be maintained separately from the Authority's General Fund.

### **COMMUNITY ASSETS**

Assets that the Authority intends to hold in perpetuity that have no determinable useful life and that may have restrictions on their disposal. Examples are parks and historic buildings.

### **CONTINGENT ASSETS**

Contingent assets are possible assets arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

### **CONTINGENT LIABILITIES**

Possible losses that arise from past events which will only be confirmed by one or more uncertain future events not wholly within the Council's control.

### **COUNCIL TAX**

A system of local taxation on domestic property introduced from 1st April 1993, as a replacement for the Community Charge (Poll Tax). It is set by both the billing and precepting Authorities at a level determined by the Council Tax base for the area.

### **COUNCIL TAX BASE**

An amount calculated by the billing Authority, by applying the band proportions to the total properties in each band in order to ascertain the number of band D equivalent properties in the Authority's area. The Tax base is also used by the precepting and some levying bodies in determining their charge to the area.

**CREDITORS**

Amounts owed by the Authority for goods and services received where payment has not been made at the date of the Balance Sheet.

**DEBTORS**

Amounts owed to the Authority for goods and services provided at the date of the Balance Sheet.

**DEDICATED SCHOOLS GRANT (DSG)**

There was a change in the funding of specific and formula grants in 2006/07 largely due to changes in the way that expenditure on schools is funded. From then, Local Authorities received DSG within specific grant rather than funding previously included in formula grant.

**DEPRECIATION**

A provision made in the accounts to reflect the value of assets used during the year. Depreciation forms part of the capital charge made to service revenue accounts and is covered by International Financial Reporting Standard (IFRS) 16.

**EARMARKED RESERVES**

Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish a provision.

**EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

**FAIR VALUE**

The fair value of a non-current asset is the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**FINANCE AND OPERATING LEASES**

A finance lease is one that transfers a substantial proportion of the risks and rewards of a non-current asset to the lessee. With a finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset. For an operating lease a rental payment is payable to the lessor for the use of the asset and the ownership reverts to the owner when the lease is terminated.

**FINANCIAL INSTRUMENT**

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**FORMULA GRANT**

The main channel of Government funding which includes re-distributed National Non-Domestic Rates and Revenue Support Grant. There are no restrictions on what Local Authorities can spend it on.

**GENERAL FUND (GF)**

The Council's main revenue account that covers the net cost of all services other than the provision of Council housing for rent.

**GOVERNMENT GRANTS**

Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

**GROSS EXPENDITURE, GROSS INCOME AND NET EXPENDITURE**

Gross Expenditure and Gross Income arise from the provision of services as shown in the General Fund and exclude the Direct Services/Labour Organisation accounts. Net Expenditure is the cost of service provision after the income is taken into account.

**HERITAGE ASSETS**

These are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

**HOUSING REVENUE ACCOUNT (HRA)**

A statutory account that contains all expenditure and income on the provision of Council housing for rent. The HRA must be kept entirely separate from the General Fund and the account must balance. Local Authorities are not allowed to make up any deficit on the HRA from the General Fund.

**HOUSING SUBSIDY**

The grant payable by Central Government to Local Authorities to subsidise the cost of providing Council housing and the management and maintenance of that housing. The grant is paid into the Housing Revenue Account.

### **IAS19 (FORMERLY FRS17)**

This International Accounting Standard is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

### **IMPAIRMENT**

This is where the value of an asset falls below the carrying value in the accounts and so to reflect the commercial reality of the situation a charge is made in the running costs.

### **INFRASTRUCTURE ASSETS**

Non-current assets that cannot be easily disposed of, expenditure on which is only recovered by continued use of the asset. Examples include highways and footpaths.

### **INTANGIBLE ASSETS**

Non-current assets, which do not have a physical form but provide an economic benefit for a period of more than one year. Examples include software licences.

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

International Financial Reporting Standards (IFRS) is a set of accounting standards, developed by the International Accounting Standards Board (IASB). Local Authorities moved to accounting on an IFRS basis in 2010/11, a year after Central Government and the National Health Service.

### **INVESTMENT PROPERTIES**

Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential, with any rental income being negotiated at arm's length.

### **LEVIES**

Payments to London-wide bodies such as the London Pension Fund Authority. The cost of these bodies is borne by Local Authorities in the area concerned, based on their Council Tax base and is met from the General Fund.

### **MINIMUM REVENUE PROVISION (MRP)**

The minimum amount that the Council must charge to the revenue account in the year in respect of the repayment of principal of borrowing for capital purposes. In the accounts the MRP is included within capital financing charges.

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

The charge payable on all business premises, calculated by multiplying the rateable value of the property by a nationally set rate multiplier. The Tax is collected by Croydon and paid into a central pool. This central pool is redistributed as a proportion of Formula Grant.

### **NET BOOK VALUE**

The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

### **NET REALISABLE VALUE**

The open market value of an asset less the expenses to be incurred in realising the asset.

### **NON-CURRENT ASSETS**

These are tangible and intangible assets that yield benefit to the Council and the services it provides for a period of more than a year.

### **NON-OPERATIONAL ASSETS**

Non-current assets held by the Council but not used or consumed in the delivery of services. Examples include investment properties and assets that are surplus to requirements.

### **OPERATIONAL ASSETS**

Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

### **OUTTURN**

Actual income and expenditure for a financial year.

### **PAST SERVICE COST**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

### **PRECEPT**

A charge raised by another Authority to meet its net expenditure. The precepting Authority for this Council is the Greater London Authority (GLA). The GLA calculates its total spending needs for the year and sets its own Council Tax in the same way as a London Borough. Croydon then collects the Tax for them.

### **PRIVATE FINANCE INITIATIVE (PFI)**

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

### **PROVISIONS**

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

### **PUBLIC WORKS LOAN BOARD (PWLB)**

A Central Government agency which provides long and medium-term loans to Local Authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local Authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

### **RELATED PARTIES**

Related Parties are those individuals and entities that the Council either has the ability to influence, or to be influenced by. Related parties include the Government, subsidiary and associated companies, the Pension Fund, Councillors and senior officers.

### **RESERVES**

The amounts held by way of balances and funds that are free from specific liabilities or commitments. The Council is able to earmark some of its reserves towards specific projects, whilst leaving some free to act as a working balance.

### **REVENUE EXPENDITURE**

The regular day to day running costs incurred in providing services. Examples include salaries, wages and running costs.

### **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)**

Expenditure that is treated by the regulations as capital expenditure but which does not meet the definition of capital expenditure in the Statement of Recommended Practice.

### **REVENUE SUPPORT GRANT (RSG)**

The main grant payable to support Local Authorities' revenue expenditure. A Local Authority's RSG entitlement is intended to make up the difference between expenditure and income from the NNDR pool and Council Tax. Revenue Support Grant is distributed as part of Formula Grant.

### **RIGHT TO BUY**

The Council is legally required to sell Council homes to tenants, at a discount, where the tenant wishes to buy their home. The money received from the sale is a capital receipt of which only 25% can be spent on capital expenditure. The remaining 75% must be paid over to Communities and Local Government (CLG) under pooling arrangements.

### **SORP**

The Statement of Recommended Practice. Its aims are to specify the principles and practices of accounting required to prepare a Statement of Accounts which represents a 'true and fair view' of the financial position and transactions of a Local Authority.

### **SUPPORTED CAPITAL EXPENDITURE**

This is capital expenditure funded by Government, either as a one-off capital grant or as part of the annual RSG settlement to cover the financing costs of monies borrowed.

### **SUPPORT SERVICES**

Activities of a professional, technical and administrative nature, which are not Local Authority services in their own right, but support front line services.

### **TANGIBLE ASSETS**

Physical assets such as land, buildings and equipment that provide an economic benefit for a period of more than one year.

### **TRADING OPERATION**

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