Statement of Accounts 2012/13

September 2013

CROYDON COUNCIL
www.croydon.gov.uk

COMMUNITY LANGUAGES

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

Bengali

যদি ইংরাজী ছাড়া অন্য কোনো ভাষায় আপনার যোগাযোগ করতে সুবিধা হয় তাহলে দয়া করে তাই করুন। দোভাষী এবং অনুবাদকের [ট্রান্সলেটর] ব্যবস্থা করা যেতে পারে। টেলিফোন করুন 020 8726 6000.

Chinese

如果你覺得使用除英語以外的另一種語言能夠更容易溝通的話，可作這樣選擇的。首先需要，你可以得到安排傳譯員及翻譯員的幫助，請撥打電話號碼 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 ભાષાંતરકારની સગવડ તમને મળી શકે છે. આ માટે ટેલિફોન નંબર **020 8726 6000** ઉપયોગ કરો.

Hindi

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

Punjabi

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

Somali

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

Tamil

உங்களுக்கு ஆங்கிலம் தவிர வேறு மொழியில் பேசுவதற்கு எளிதாக இருந்தால், தயவு செய்து பேசவும். மொழி பெயர்ப்பாளர்கள் ஏற்பாடு செய்யப்படுவார்கள்.
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 چیت کرنے میں آسانی محسوس کرتے ہیں تو براہ مہربانی ایسا ہی کریں۔ ترجمان اور مترجم مہیا کئے جا سکتے ہیں۔ ٹیلیفون نمبر

020 8726 6000.

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STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance and Assets and Section 151 Officer;

- to approve the Statement of Accounts.

THE RESPONSIBILITIES OF THE DIRECTOR OF FINANCE AND ASSETS AND SECTION 151 OFFICER

The Director of Finance and Assets and Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2013.

In preparing the Statement of Accounts, the Director of Finance and Assets and Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Code of Practice;

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

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

CERTIFICATE OF THE DIRECTOR OF FINANCE AND ASSETS AND SECTION 151 OFFICER

LONDON BOROUGH OF CROYDON AND LONDON BOROUGH OF CROYDON PENSION FUND
FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013

CERTIFICATE OF THE DIRECTOR OF FINANCE AND ASSETS AND SECTION 151 OFFICER

I certify that this Statement of Accounts is an accurate summary of the accounts of the London Borough of Croydon and the London Borough of Croydon Pension Fund, for the financial year 2012/13 prepared in accordance with the accounting policies stated.

Richard Simpson, Director of Finance and Assets
and Section 151 Officer

25 September 2013

REPORT OF THE AUDITOR

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CROYDON COUNCIL

Opinion on the financial statements

We have audited the financial statements of Croydon Council for the year ended 31 March 2013 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 Statement, 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 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 2012/13.

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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and Assets and Section 151 Officer and auditor

As explained more fully in the Statement of the Director of Finance and Assets and Section 151 Officer Responsibilities, the Director of Finance and Assets and Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our 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 us 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 Director of Finance and Assets and Section 151 Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial review of 2012/13 by the Chief Financial Officer to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- ► give a true and fair view of the financial position of Croydon Council as at 31 March 2013 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 2013 and of its expenditure and income for the year then ended; and
- ► have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- ► in our 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;
- ► we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- ► we 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

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

- ► we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we 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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are 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 2013.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that these matters do not have a material effect on the financial statements or a significant impact on our value for money conclusion.

Paul Grady, Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
Melton Street
London. NW1 2EP

25 September 2013

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

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of London Borough of Croydon for the year ended 31 March 2013 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 2012/13.

This report is made solely to the Members of London Borough of Croydon in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and Assets and Section 151 Officer and the auditor

As explained more fully in the Statement of the Director of Finance and Assets and Section 151 Officer Responsibilities, the Director of Finance and Assets and Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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. Our 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 us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund 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 Director of Finance and Assets and Section 151 Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial review of 2012/13 by the Chief Financial Officer to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matters

In our opinion, the information given in the financial review of 2012/13 by the Chief Financial Officer for the financial year for which the financial statements are prepared is consistent with the financial statements.

Opinion on pension fund financial statements

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013 and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Susan M Exton, Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
Melton Street
London. NW1 2EP

25 September 2013

FINANCIAL REVIEW OF 2012/13 BY THE CHIEF FINANCIAL OFFICER

INTRODUCTION

I am pleased to introduce the Council's Statement of Accounts for 2012/13. This statement summarises the Council's financial performance during 2012/13 showing expenditure on all services during the year and the Council's financial position at 31 March 2013.

PERFORMANCE 2012/13

A strong financial performance in 2012/13 was evidenced by the Council's achievement of a break even position against budget, despite continued financial pressure due to reductions in Central Government grant and the harsh economic climate.

Due to technical accounting adjustments (that are reversed through the Movement in Reserves Statement (MIRS) and consequently have no impact on Council Tax) the Comprehensive income and Expenditure Statement (CI&E) shows a deficit
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on the CI&E is reflected in an equivalent reduction in net assets and reserves on the Balance Sheet.

STATEMENT OF ACCOUNTS

The Statement of Accounts for the year ended 31 March 2013 has been prepared and published in accordance with the Accounts and Audit Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (based on International Financial Reporting Standards). The Code of Practice has been jointly developed by the Chartered Institute of Public Finance and Accounting (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). The Statement of Accounts was approved by the Corporate Services Committee of the Council on 26 June 2013.

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.

GOING CONCERN

Accounts drawn up under the Code assume that a Local Authority's services will continue to operate for the foreseeable future. The Council achieved break-even against budget in 2012/13 whilst increasing earmarked reserves. A balanced budget has been set for 2013/14. Despite the tough economic climate the Council continues to deliver against its financial targets and will continue to do so in accordance with its medium term financial strategy.

GENERAL FUND OUTTURN 2012/13

The Council's revenue budget outturn for 2012/13 was a breakeven position. An overspend on our services of £3.017m, was offset by Non-departmental underspends. The use of budgeted contingency has allowed a contribution to be made to earmarked reserves. The General Fund balance carried forward to 2013/14 is £11.597m which represents 3.74% of the Council's net expenditure budget, compared to the 5.00% longer term target established under the new financial strategy.

Table 1 shows the Council's balances, reserves and provisions at 31 March 2013, compared with the previous two years.

Table 1 - Movement in Reserves and Balances

Reserves and Balances	2010/11 £m	2011/12 £m	2012/13 £m	Financial Strategy Target (5%) £m
General Fund Balances	11.6	11.6	11.6	15.5
Earmarked Reserves	38.6	46.5	60.0	60.0
General Fund Provisions	33.1	31.3	34.2	34.2
Total	**83.3**	**89.4**	**105.8**	**109.7**

The table excludes Schools reserves.

HOUSING REVENUE ACCOUNT (HRA)

Note 8 to the Core Financial Statements shows an HRA transfer to reserves of £6.015m, offset by a transfer from reserves of £3.363m, giving a net movement of £2.652m. £2.182m of the net movement is disclosed on the Movement on the HRA Statement. Additionally, there is a transfer of £0.470m to the Major Repairs Reserve (please see Note 3 to the HRA accounts).

To maintain financial stability the level of the HRA Contingency Reserve has been set at 5% of total income, identical to the General Fund, over the period of the financial strategy. This has been achieved in 2012/13 with a transfer of £3.769m to the reserve. In future years the balance held in all HRA reserves will continue to increase because of the need to accumulate a sufficient balance to repay the Self-Financing debt of £223.126m in 2042/43.

Table 2 below shows the HRA balances and reserves as at 31 March 2013 compared with previous years:

Table 2 - Housing Revenue Account Balances and Reserves

Balances and reserves	2010/11 £m	2011/12 £m	2012/13 £m
Working Balance	1.200	3.819	5.595
Housing Repairs Fund	4.937	3.363	0.000
Major Repairs Reserve	0.000	0.000	0.470
Contingency Reserve	0.000	0.000	3.769
Total	**6.137**	**7.182**	**9.834**

CAPITAL

The original approved General Fund Services capital programme (excluding the Housing Investment Programme) totalled £141.071m, which was increased during the year to £170.991m to reflect both programme slippage from 2011/12 and additional Government grants. Outturn capital spend was £123.007m, with the resultant underspend of £47.984m (28.06%) mainly attributable to slippage in the delivery of schemes.

Capital schemes in 2012/13 included the delivery of:

- ► Improvement works to the highways;
- ► Meeting the needs of the Education Estates Strategy;
- ► Continuing the drive to meet the Decent Homes Standard;
- ► Completion of the Waddon Leisure Centre;
- ► Bernard Weatherill House.

The original approved Housing Revenue Account Housing Investment Programme (HIP) capital budget was £27.871m, adjusted to £30.753m due to in-year approved changes to the budget. Expenditure of £24.735m was incurred during the year. The slippage compared to budget was mainly due to planned slippage on Phase 3 of the Council Housing new build programme (£3.065m), acquisition and refurbishment of former children's homes (£0.579m) and planned repairs and improvements (£0.623m).

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 2012/13:

Table 3 – Pension Fund Performance 2012/13

Detail of Composition of Net Assets	2011/12 £m	2012/13 £m	Net Increase / (Decrease) £m	Change %
Total Investments	619.797	668.067	48.270	8%
Other balances held by Fund Managers	4.234	0.001	(4.233)	(100%)
Debtors	0.886	1.544	0.658	74%
Cash Held by:				
Fund Managers	9.869	7.830	(2.039)	(21%)
London Borough of Croydon	6.983	33.736	26.753	383%
Creditors	(5.820)	(5.886)	(0.066)	1%
Net Assets at Year End	**635.949**	**705.292**	**69.343**	**11%**

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

The value of investments increased by 8.0% over the period characterised by a rally in equity markets during the second half of the year. The diversified nature of the investment strategy has ensured that the fund has been able to deliver growth throughout the year. The investment portfolio and subsequent investment managers are subject to continual review which resulted in the redemption of two investments. The majority of realised funds were held in cash at year end pending the implementation of the revised investment strategy.

A revised Asset Allocation Strategy was approved by the Pensions Committee on 5 March 2013. The strategy's objective is to stabilise returns and reduce portfolio volatility whilst closing the funding gap. In the long-term, this will allow the Fund to meet its current and future liabilities to pensioners and stabilise employer contribution rates. The economic outlook suggests sluggish growth within the developed world and further uncertainty in the euro zone.

COLLECTION FUND
The Collection Fund is a ring-fenced account into 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 £7.699m as at 31 March 2013, so the General Fund will benefit from £6.078m (Croydon's share). The January declared surplus of £5.752m (Croydon's share is £4.531m) will be redistributed in 2013/14.

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 (2012/13 debt collected in 2012/13). The target set for 2012/13 was 96.50% and the actual BVPI performance was confirmed at 96.22%, a shortfall of 0.28%.

The net collectable debt for Council Tax in 2012/13 was £161.1m. 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 2013/14.

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

	Target – 2012/13	Actual – 2012/13	Variance
Percentage	96.50%	96.22%	(0.28%)
Cash	£155.5m	£155.0m	(£0.5m)

NATIONAL NON-DOMESTIC RATE (NNDR) COLLECTION
The target set for 2012/13 was 98.50% and the actual BVPI performance was confirmed at 98.20%, a shortfall of 0.30%. The collectable debt for business rates in 2012/13 was £117.3m. Table 5 shows the impact of actual performance against the target in cash terms.

Table 5 – The BVPI target and performance for NNDR Collection

	Target – 2012/13	Actual – 2012/13	Variance
Percentage	98.50%	98.20%	(0.30%)
Cash	£115.6m	£115.2m	(£0.4m)

Business Rates collection performance is below target but ahead of last year; however, this is the best performance in the last 5 years. Whilst recovery action has not been as successful as last year it is satisfactory to note that the top 20 businesses in Croydon have all paid in full for the year. Given the problems businesses continue to face in the current economic climate, as well as the loss of both Allders and Nestle, this is a good result.

Conclusion

The report presented alongside these accounts to the Council's Audit Advisory Committee and Corporate Services Committee provides further details on the Council's financial performance and delivery against our Financial Strategy.

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

Richard Simpson
Director of Finance and Assets and Section 151 Officer

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 2013 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 within two categories:

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

Cash Flow Statement

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

MOVEMENT IN RESERVES STATEMENT 2012/13

	General Fund Balance £000	HRA Balance £000	Earmarked GF Reserves Balance £000	Capital Receipts Balance £000	Capital Grants Unapplied Balance £000	Major Repairs Reserve Balance £000	Total Usable Reserves Balance £000
Balances b/f at 1 April 2012	11,597	7,182	61,647	1,352	3,625	0	85,403
Movement in reserves during 2012/13							
Surplus or (deficit) on provision of services	(46,024)	8,381					(37,643)
Other Comprehensive Expenditure and Income							
Revaluation Gains							0
Revaluation losses (chargeable to revaluation reserve)							0
Impairment Losses Chargeable to Revaluation Reserve							0
General movement in available-for-sale FI's							0
Movement in pensions reserve							0
Total Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0
Total Comprehensive Expenditure and Income	(46,024)	8,381	0	0	0	0	(37,643)
Adjustments between accounting basis and funding basis under regulations							
Amounts included in CI&E to be removed for determining movement in General Fund							
Depreciation (excl HRA)	28,243						28,243
Amortisation of Intangible Assets	1,606	19					1,625
Excess of depreciation charged to HRA services over the MRA element of housing subsidy		(3,534)				3,534	0
Impairment charged to CI&E Statement	266						266
Revaluation losses charged to CI&E Statement	29,417	6,479					35,896
Revaluation gains reversing losses previously charged to the CI&E Statement	(1,063)	(6,479)					(7,542)
Movement in market value of investment property	(475)						(475)
Movement in value of held for sale assets							0
Capital grant and contributions	(56,065)	(996)			1,101		(55,960)
Donated assets fair value less consideration							0
Revenue expenditure funded from capital under statute	31,092	4,752					35,844
Profit/loss on sale of non-current assets	37,458	(2,194)		5,316			40,580
Items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	7,623	771					8,394
Lessor Leases - Regulation 4 Mitigation	671						671
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	114						114
HRA financing							0
Compensated absences	(755)	(13)					(768)
Amounts excluded from CI&E to be included for determining movement in General Fund							
Statutory provision for the repayment of debt	(12,100)						(12,100)
Amortisation of premiums and discounts	(86)	(379)					(465)
Contribution to disposal costs of capital sales							0
HRA capital receipts to housing central pool		1,444		(1,444)			0
Employer's pensions contributions	(4,168)	(421)					(4,589)
Capital expenditure charged to General Fund	(3,566)	(4,469)					(8,035)
Other adjustments							
Major Repairs Allowance credited to the HRA		12,971					12,971
Reversal of Major Repairs Allowance credited to the HRA		(12,971)				12,971	0
Use of capital receipts reserve to finance capital expenditure				(3,608)			(3,608)
Use of major repairs reserve to finance capital expenditure						(16,035)	(16,035)
Transfer of unapplied Capital Grants					(535)		(535)
Deferred Capital Receipts - cash received				29			29
Adjustment between CAA and revaluation reserve for depreciation that is related to the revaluation balance rather than the historic cost							0
Total adjustments between accounting basis and funding basis under regulations	58,212	(5,020)	0	293	566	470	54,521
Net increase/Decrease before Transfers to Earmarked Reserves	12,188	3,361	0	293	566	470	16,878
Transfers to/(from) Earmarked Reserves							
LMS reserves	1,372		(1,372)				0
Other movements in reserves	(13,560)	(1,179)	13,560				(1,179)
Total transfers to/(from) Earmarked Reserves	(12,188)	(1,179)	12,188	0	0	0	(1,179)
Net increase/(decrease) in reserves for the year	0	2,182	12,188	293	566	470	15,699
Balances c/f at 31 March 2013	11,597	9,364	73,835	1,645	4,191	470	101,102

MOVEMENT IN RESERVES STATEMENT 2012/13

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
229,004	650,299	(3,030)	(440,767)	184	6,192	(4,806)	437,076	522,479
							0	(37,643)
37,299							37,299	37,299
(36,486)							(36,486)	(36,486)
							0	0
							0	0
			(89,348)				(89,348)	(89,348)
813	0	0	(89,348)	0	0	0	(88,535)	(88,535)
813	0	0	(89,348)	0	0	0	(88,535)	(126,178)
	(28,243)						(28,243)	0
	(1,625)						(1,625)	0
							0	0
	(266)						(266)	0
	(35,896)						(35,896)	0
	7,542						7,542	0
	475						475	0
							0	0
	55,960						55,960	0
							0	0
	(35,844)						(35,844)	0
(12,958)	(27,622)						(40,580)	0
			(8,394)				(8,394)	0
	(671)						(671)	0
							0	0
					(114)		(114)	0
							0	0
						768	768	0
	12,100						12,100	0
		465					465	0
							0	0
							0	0
			4,589				4,589	0
	8,035						8,035	0
	(12,971)						(12,971)	0
							0	0
	3,608						3,608	0
	16,035						16,035	0
	535						535	0
				(29)			(29)	0
(847)	847						0	0
(13,805)	(38,001)	465	(3,805)	(29)	(114)	768	(54,521)	0
(12,992)	(38,001)	465	(93,153)	(29)	(114)	768	(143,056)	(126,178)
							0	0
	1,179						1,179	0
0	1,179	0	0	0	0	0	1,179	0
(12,992)	(36,822)	465	(93,153)	(29)	(114)	768	(141,877)	(126,178)
216,012	613,477	(2,565)	(533,920)	155	6,078	(4,038)	295,199	396,301

MOVEMENT IN RESERVES STATEMENT 2011/12

	General Fund Balance £000	HRA Balance £000	Earmarked GF Reserves Balance £000	Capital Receipts Balance £000	Capital Grants Unapplied Balance £000	Major Repairs Reserve Balance £000	Total Usable Reserves Balance £000
Restated Balances b/f at 1 April 2011	11,597	6,137	58,339	132	7,554	0	83,759
Movement in reserves during 2011/12							
Surplus or (deficit) on provision of services	(127,063)	(218,731)					(345,794)
Other Comprehensive Expenditure and Income							
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
Total Comprehensive Expenditure and Income	(127,063)	(218,731)	0	0	0	0	(345,794)
Adjustments between accounting basis and funding basis under regulations							
Amounts included in CI&E to be removed for determining movement in General Fund							
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)
Amounts excluded from CI&E to be included for determining movement in General Fund							
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
Employer's pensions contributions	(7,463)	(725)					(8,188)
Capital expenditure charged to General Fund	(3,990)	(1,300)					(5,290)
Other adjustments							
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
Total adjustments between accounting basis and funding basis under regulations	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
Transfers to/(from) Earmarked Reserves							
LMS reserves	4,605		(4,605)				0
Other movements in reserves	(7,913)	(1,574)	7,913				(1,574)
Total transfers to/(from) Earmarked Reserves	(3,308)	(1,574)	3,308	0	0	0	(1,574)
Net increase/(decrease) in reserves for the year	0	1,045	3,308	1,220	(3,929)	0	1,644
Balance c/f at 31 March 2012	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
							0	0
(433)							(433)	(433)
(1,400)							(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)	(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						8,905	0
		475					475	0
							0	0
			8,188				8,188	0
	5,290						5,290	0
	(12,494)						(12,494)	0
							0	0
	825						825	0
	12,042						12,042	0
				(60)			(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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR

	Note/Page No.	2012/13 Gross £000	2012/13 Income £000	2012/13 Net £000	2011/12 Net £000
Gross expenditure, income and net expenditure of continuing operations	Page 19				
Central Services to the Public		37,285	(24,579)	12,706	9,544
Cultural, Environmental, Regulatory and Planning Services		85,707	(20,425)	65,282	67,560
Education Services		274,999	(235,949)	39,050	71,716
Highways Transport Services		50,317	(25,474)	24,843	31,907
Local Authority Housing (HRA)		63,813	(83,949)	(20,136)	216,231
Other Housing Services		321,903	(300,416)	21,487	21,911
Social Care		208,549	(63,068)	145,481	141,869
Corporate and Democratic Core		23,748	(18,503)	5,245	5,498
Non-Distributed Costs		0	(7,473)	(7,473)	(2,829)
Net cost of services		1,066,321	(779,836)	286,485	563,407
Other operating expenditure					
Levies payable	9			1,538	1,691
Payments of Housing capital receipts to Government pool				1,444	1,018
(Gain)/loss on disposal of non-current assets				35,264	73,511
(Gain)/loss on revaluation of non-current assets				28,353	17,271
Financing and Investment Income and Expenditure					
Interest payable on debt				26,028	16,285
Interest payable on PFI unitary payments				2,934	2,789
Premium on early repayment of debt				159	187
Impairment of financial instruments				0	0
Pensions interest cost	47.1 & 47.2			49,784	52,540
Expected return on pension assets	47.1 & 47.2			(33,917)	(38,618)
Investment interest income				(10,483)	(7,671)
Interest received on finance leases (lessor)				(190)	(232)
Changes in fair value of investment properties				(475)	182
Rental income from investment properties				(1,226)	(552)
Net (surplus)/deficit - trading operations	31			210	841
Taxation and Non-Specific Grant Income					
Recognised capital grants and contributions				(35,084)	(19,504)
Council Tax				(151,586)	(152,793)
National Non-Domestic Rates (NNDR)	54			(113,800)	(94,221)
Revenue Support Grant				(2,206)	(29,124)
Non-service related Government grants	11			(45,589)	(41,213)
(Surplus) or Deficit on Provision of Services				37,643	345,794
(Surplus) or deficit on revaluation of non-current assets					
Revaluation gains				(37,299)	(8,347)
Write out assets reclassified as finance leases				0	0
Impairment losses (chargeable to revaluation reserve)				0	433
Revaluation losses (chargeable to revaluation reserve)				36,486	1,400
Properties - CI&E offset				0	0
Actuarial (gains)/losses on pension assets/liabilities				89,348	92,421
Other (gains)/losses required to be included in the Statement				0	0
Other Comprehensive Income and Expenditure				88,535	85,907
Total Comprehensive Income and Expenditure				126,178	431,701

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

ANALYSIS OF NET COST OF SERVICES

	2012/13 Gross £000	2012/13 Income £000	2012/13 Net £000	2011/12 Net £000
Corporate and democratic core	23,748	(18,503)	5,245	5,498
Total Corporate and Democratic Core	23,748	(18,503)	5,245	5,498
Local Tax collection	5,478	(3,175)	2,303	3,645
Registration of births, deaths and marriages	457	(610)	(153)	(88)
Elections	517	0	517	512
Emergency planning	0	0	0	103
Other operating expenditure	28,771	(19,955)	8,816	3,610
Local land charges	413	(839)	(426)	80
General grants, bequests and donations	1,396	0	1,396	1,457
Coroner's service	253	0	253	225
Total Central Services to the Public	37,285	(24,579)	12,706	9,544
Culture and related services	24,759	(5,158)	19,601	19,660
Environmental and regulatory services	46,446	(9,078)	37,368	37,679
Planning services	14,502	(6,189)	8,313	10,221
Total Cultural, Environmental and Planning Services	85,707	(20,425)	65,282	67,560
Highways and transport services	50,317	(25,474)	24,843	31,907
Total Highways, Roads and Transport Services	50,317	(25,474)	24,843	31,907
Early Years	19,182	(12,920)	6,262	19,040
Primary Education	114,321	(114,315)	6	(1,867)
Secondary Education	51,170	(51,169)	1	8,749
Other school related education functions	57,578	(33,335)	24,243	16,798
Special Education	15,537	(15,613)	(76)	22,730
Adult Education and Community Learning	7,758	(6,894)	864	1,723
Other services to Young people	9,453	(1,703)	7,750	4,543
Total Education Services	274,999	(235,949)	39,050	71,716
General Fund housing	321,903	(300,416)	21,487	21,911
Housing Revenue Account	63,813	(83,949)	(20,136)	216,231
Total Housing Services	385,716	(384,365)	1,351	238,142
Social care	208,549	(63,068)	145,481	141,869
Total Social Care	208,549	(63,068)	145,481	141,869
Non-distributed costs	0	(7,473)	(7,473)	(2,829)
Total Non-Distributed Costs	0	(7,473)	(7,473)	(2,829)
NET COST OF SERVICES	1,066,321	(779,836)	286,485	563,407

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.

BALANCE SHEET AS AT	Note/Page No.	31 March 2013 £000	31 March 2013 £000	31 March 2012 £000
Operational Assets (Property, Plant and Equipment)	12			
Council dwellings		579,994		548,187
Other land and buildings		674,651		755,952
Vehicles, plant, furniture and equipment		6,078		10,128
Infrastructure		92,827		90,290
Community assets		5,828		4,276
Total Operational Assets (Property, Plant and Equipment)			1,359,378	1,408,833
Non-Operational Assets (Property, Plant and Equipment)				
Assets under construction		147,243		113,681
Surplus assets not held for sale		11,942		2,797
Total Non-Operational Assets (Property, Plant and Equipment)			159,185	116,478
Heritage Assets	13		15,786	10,411
Investment property	14			
Investment property			24,234	24,527
Intangible Assets	15			
Software			4,043	2,533
Assets under construction			7,309	4,963
Long-term Investments				
Non-property investments	16		14,137	12,957
Investments in Associates and Joint Ventures				
Long-term Debtors	16		141,785	104,531
Long-term Assets			1,725,857	1,685,233
Short-term Investments				
Non-property investments excluding cash equivalents	16		147,641	128,708
Assets held for sale (< 1 year)			4,770	0
Inventories	17		219	254
Short-term Debtors	19		76,993	92,313
Cash and cash equivalents			20,618	22,523
Current Assets			250,241	243,798
Bank overdraft			(38,104)	(39,170)
Short-term borrowing	16		(66,470)	(73,146)
Short-term creditors and receipts in advance	22		(118,787)	(121,995)
Short-term provision	23		(424)	(411)
Current Liabilities			(223,785)	(234,722)
Long-term Creditors				
Provisions	23		(9,130)	(8,937)
Long-term borrowing	16		(801,585)	(696,245)
Deferred capital creditors			(7,508)	(7,281)
Other non-current liabilities				
Net pensions liability	47.2		(533,920)	(440,767)
Capital grants receipts in advance	11		(3,869)	(18,600)
Long-term Liabilities			(1,356,012)	(1,171,830)
Net Assets			396,301	522,479
Usable reserves				
General Fund	24.3	11,597		11,597
Housing Revenue Account	Page 89	9,364		7,182
Earmarked reserves	8	73,835		61,647
Capital receipts reserve	24.1	1,645		1,352
Capital grants unapplied		4,191		3,625
Major repairs reserve	24.2	470		0
			101,102	85,403
Unusable reserves				
Revaluation reserve	25.1	216,012		229,004
Capital adjustment account	25.2	613,477		650,299
Financial Instruments adjustment account	25.3	(2,565)		(3,030)
Pensions reserve	25.4	(533,920)		(440,767)
Deferred capital receipts	25.5	155		184
Collection Fund adjustment account	25.6	6,078		6,192
Short-term accumulating compensated absences account	25.7	(4,038)		(4,806)
			295,199	437,076
Total Reserves			396,301	522,479

CASH FLOW STATEMENT

	Note No.	2012/13 £000	2012/13 £000	2011/12 £000
OPERATING ACTIVITIES				
Net (surplus) or deficit on the provision of services		37,643		345,794
Adjustment for movement in Non-Cash Items	26	(115,170)		(176,414)
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities		5,316		3,003
Interest Paid	26	26,122		14,256
Interest Received	26	(1,237)		(2,028)
Net cash (inflow)/outflow from operating activities			(47,326)	184,611
INVESTING ACTIVITIES				
Purchase of property, plant and equipment, investment property and intangible assets		110,676		119,156
Purchase of short-term and long-term investments		19,750		23,000
Other payments for investing activities		33,651		48,976
Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(4,286)		(3,003)
Capital grants		(43,307)		(51,022)
Proceeds from short-term and long-term investments		(1,000)		(23,000)
Net cash (inflow)/outflow from investing activities	27		115,484	114,107
FINANCING ACTIVITIES				
Cash receipts from short-term and long-term borrowing		(75,000)		(317,126)
Other receipts from financing activities				0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts (Principal)		3,681		2,256
Repayments of short-term and long-term borrowing		4,000		24,000
Other payments for financing activities		0		0
Net cash (inflow)/outflow from financing activities	28		(67,319)	(290,870)
Net (increase)/decrease in cash and cash equivalents			839	7,848
Cash and cash equivalents at the beginning of the reporting period			16,647	8,799
Cash and cash equivalents at the end of the reporting period			17,486	16,647
Cash held	20		117	108
Bank current accounts	20		(31,559)	(31,571)
Short-term deposits with building societies and Money Market Funds	20		13,956	14,816
Cash and cash equivalents as at 31 March			(17,486)	(16,647)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1. BASIS OF PREPARATION - SINGLE ENTITY AND GROUP ACCOUNTS

Basis of Preparation

The financial statements have been prepared in accordance with the 2012/13 Code of Practice on Local Authority Accounting in the United Kingdom (the 2012/13 Code), and the Service Reporting Code of Practice (SeRCOP), both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The 2012/13 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 2012/13 Code is drawn from International Public Sector Accounting Standards (IPSAS), similarly, except to the extent that they conflict with statute.

The Statements Prepared

The Comprehensive Income and Expenditure (CI&E) Statement presents the results of the Council's activities measured under the rules set out in the 2012/13 Code. Different rules are applied to measure the results for the purpose of setting Council Tax. The accumulated amount of the differences are set out in the Movement in Reserves Statement (MIRS) and explained in the notes to the financial statements.

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

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

Single Entity Financial Statements

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

Group Accounts - Recognition of Group Entities and Basis of Consolidation

Group Accounts are the financial statements of an entity together with:

- ► its subsidiary undertakings,
- ► its investments in associates, and
- ► its interests in joint ventures (jointly controlled entities); presented as a single economic entity.

Subsidiary undertakings are accounted for in accordance with the implementation of IAS27 (International Accounting Standard 27) in the 2012/13 Code. The 2012/13 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.

Investments in associates are accounted for in accordance with the implementation of IAS28 in the 2012/13 Code. The 2012/13 Code requires the consolidation of an entity's interest in associates.

Joint ventures are accounted for in accordance with the implementation of IAS31 in the 2012/13 Code. The 2012/13 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.

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 2012/13 Code permits a choice of accounting policy the selection has been made to facilitate a true and fair presentation of the Authority's results.

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

Revenue Recognition

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth. It is measured at the fair value of the consideration received or receivable. In most cases, the consideration receivable is in the form of cash and cash equivalents and the amount of revenue is the amount of cash and cash equivalents receivable. However, if payment is on deferred terms (i.e. beyond normal credit terms), the consideration receivable is recognised initially at the cash price equivalent (that is, the discounted amount). The difference between this amount and the total payments received is recognised as interest revenue in Surplus or Deficit on the Provision of Services.

This policy applies to revenue arising from:

► the sale of goods;
► the provision of services;
► interest, royalties and dividends; and
► non exchange transactions (i.e. Council Tax).

It does not apply to revenue arising from:

► lease agreements (see 1.11)
► dividends from investments in associates (see 1.5.6)
► changes in the fair value of financial assets and liabilities or their disposal (see 1.13)
► changes in the fair value of investment properties (see 1.5.3).

Events after the Reporting Period

They are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

► those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the period), and

► those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

The financial statements are adjusted to reflect adjusting events recognised after the reporting period. Non adjusting events recognised after the reporting period are not reflected in the financial statements, but if sufficiently material are disclosed in a note to the accounts.

1.2. ACCOUNTING REQUIREMENTS

Financial Performance Reflected by Accrual Accounting

The Authority has prepared its financial statements, except for the Statement of Cash Flow, using the accruals basis of accounting, i.e. the Authority recognises items as assets, liabilities, income and expenses when they satisfy the definitions and recognition criteria for those elements in the 2012/13 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.

Underlying Assumption - Going Concern

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

1. ACCOUNTING POLICIES (continued)

1.3. ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

Accounting Policies

They are the specific principles, bases, conventions, rules and practices applied by the Authority in preparing and presenting financial statements.

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

Estimation in the preparation of financial statements involves judgments by the Authority based on the latest available, reliable information. The use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability.

The Authority makes a change to an accounting estimates to adjust the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments; they are accounted for prospectively and, accordingly, are not the correction of errors.

Errors

Prior period errors are omissions from, and misstatements in, the Authority's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information.

If the error is material the Authority corrects the prior period error retrospectively in the first set of financial statements authorised for issue after their discovery, by:

- ► restating the comparative amounts for prior period(s) presented in which the error occurred, or
- ► if the error occurred before the earliest prior period presented, by restating the opening balances of assets, liabilities and net worth for the earliest prior period presented.

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:

- ► the valuation of property, plant and equipment and the depreciation of those assets
- ► the differentiation between finance and operating leases
- ► the categorisation and consequent applicable accounting treatment for PFI & PPP schemes in accordance with the adaptation of IFRIC 12, Service Concession Arrangements, by the Government's Financial Reporting Manual
- ► distinguishing between accruing for a liability and those instances when a provision is required
- ► preparing estimates for contingent assets and contingent liabilities disclosed in notes to the accounts
- ► the actuarial determination of the net liability on the Pension Fund
- ► the status of schools and their consequent inclusion / exclusion from the financial statements.

1. ACCOUNTING POLICIES (continued) - POLICIES 1.5 to 1.9 RELATE TO THE BALANCE SHEET

1.5. NON-CURRENT ASSETS

1.5.1. Property, Plant and Equipment

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

Operational assets:

- **Council Dwellings** - this includes housing units, garages and parking spaces used by HRA resident lease holders. It excludes parking spaces used by all others and also excludes shops, sheltered housing, and related fixed equipment, furniture and plant that are accounted for within the HRA. These assets are recorded under the relevant non-dwelling headings, if material.

- **Other Land and Buildings** - this includes all land and operational buildings other than Council Dwellings.

- **Vehicles Plant, Furniture and Equipment** - includes all items that are not a fixture or fitting to a building.

- **Infrastructure Assets** - inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use; examples include highways, structural maintenance of highways, footpaths, bridges, permanent ways, coastal defences, water and drainage.

- **Community Assets** - are assets 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 open spaces.

Non operational assets:

- **Assets Under Construction** - these are assets that have not yet been completed.

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

Recognition

The cost of an item of property, plant and equipment is recognised on an accruals basis and capitalised as an asset of the Authority if:

- it is probable that the future economic benefits or service potential associated with the asset will flow to the Authority, and

- the cost of the item can be measured reliably.

Costs that meet the recognition principle include initial costs of acquisition and construction, and costs incurred subsequently to enhance, replace part of, or service the asset, (excluding day to day maintenance costs that do not add to the future economic benefits or service potential of the asset).

Schemes costing less than £10,000 are below the capitalisation minima and are not recognised as capital expenditure.

Initial 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 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.

1. ACCOUNTING POLICIES (continued) - POLICIES 1.5 to 1.9 RELATE TO THE BALANCE SHEET

1.5. NON-CURRENT ASSETS (continued)

1.5.1. Property, Plant and Equipment (continued)

Measurement after recognition

Infrastructure assets, community assets, and assets 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 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.

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.

Disposal and Derecognition

The carrying amount of an item of property, plant and equipment is derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

When an item of property, plant and equipment is derecognised, 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 either decrease or increase Council Tax. An adjustment is made through the Movement in Reserves Statement to transfer the gain or loss from the General Fund to the Capital Adjustment Account.

1. ACCOUNTING POLICIES (continued) - POLICIES 1.5 to 1.9 RELATE TO THE BALANCE SHEET

1.5. NON-CURRENT ASSETS (continued)

1.5.1. Property, Plant and Equipment (continued)

Proceeds from General Fund disposals in excess of £10,000 are categorised as capital receipts and credited to the Capital Receipts Reserve.

A proportion of the Housing Revenue Account receipts relating to right to buy disposals is payable to the Government. The balance of the receipts and any other HRA receipts are credited to the Capital Receipts Reserve.

The Capital Receipts Reserve can only be used for new capital expenditure or set aside to reduce the Authority's underlying need to borrow.

Depreciation

Operational assets:

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

- **Other Land and Buildings**
  Land is not depreciated.

  Operational buildings are depreciated over their useful economic life. Operational buildings are all buildings, other than Council dwellings accounted for in the Housing Revenue Account.

- **Vehicles, Plant, Furniture and Equipment** - they are depreciated over their useful life which is determined at the time of purchase. These assets include all items except fixtures and fittings to a building.

- **Infrastructure Assets** - they are depreciated over their useful life. Some expenditure on infrastructure assets prior to 2009/10 did not separately identify the specific asset. The Council has decided to depreciate the balance of these items over 10 years.

- **Community Assets** - depreciation is charged on community assets held at historic cost.

Non operational assets:

- **Assets Under Construction** - depreciation is not charged on an asset until it is brought into use.
- **Surplus Assets** - they are depreciated in accordance with the policy applicable to the asset category prior to its transfer to surplus assets.

Componentisation

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

The Authority's policy is to recognise three components:

- Structure
- Mechanical and electrical
- Outside space.

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

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.

1.5.1a. School Buildings

School buildings are included within the financial statements except for:

- those schools that have converted to an academy (academies are granted 125 year leases at a peppercorn rent)
- foundation schools where the assets are vested in the school's trustees.

1.5.2. Heritage Assets

A Heritage Asset is defined as either:

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

1. ACCOUNTING POLICIES (continued) - POLICIES 1.5 to 1.9 RELATE TO THE BALANCE SHEET

1.5. NON-CURRENT ASSETS (continued)

► 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.

1.5.3. 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. The gains and losses are not proper credits / charges to the General Fund and are transferred to the Capital Adjustment Account through the Movement in Reserves Statement. Depreciation is not charged on investment properties.

1.5.4. Intangible Assets

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

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

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

1.5.5. Long Term Non Property Investments

Please see Financial Instruments (1.13).

1.5.6. Investments in Associates

The Authority's single entity financial statements record the actual dividend received or receivable. The interest in associates is consolidated in the group accounts.

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

1.5.7. 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. ACCOUNTING POLICIES (continued) - POLICIES 1.5 to 1.9 RELATE TO THE BALANCE SHEET

1.6. CURRENT ASSETS

1.6.1. Short Term Non Property Investments

Please see Financial Instruments (1.13).

1.6.2. 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.

1.6.3. 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. An allowance for doubtful debts is estimated based upon past experience.

1.6.4. 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 a change in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

1.7. CURRENT LIABILITIES

1.7.1. Short Term Borrowing

Please see Financial Instruments (1.13).

1.7.2. Short Term 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.

1.7.3. Short Term Provision

Please see Provisions, Contingent Liabilities and Contingent Assets (1.16).

1.8. NON CURRENT LIABILITIES

1.8.1. Provisions

Please see Provisions, Contingent Liabilities and Contingent Assets (1.16).

1.8.2. Long Term Borrowing

Please see Financial Instruments (1.13).

1.8.3. Net Pensions Liability

Please see 'Pensions' within Employee Benefits (1.12).

1.8.4. Capital Grants Receipts in Advance

Please see Government Grants, Contributions and Donated Assets (1.10).

1. ACCOUNTING POLICIES (continued) - POLICIES 1.5 to 1.9 RELATE TO THE BALANCE SHEET

1.9. 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. ACCOUNTING POLICIES (continued) - POLICIES 1.10 ONWARDS RELATE TO THE OTHER STATEMENTS

1.10. 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.

Capital grants are not proper credits to the General Fund and are either:

- ► transferred through the Movement in Reserves Statement to the Capital Grant Unapplied balance if there is any balance of the grant that has not been used to finance capital expenditure; or

- ► applied in financing capital expenditure by a transfer through the Movement in Reserves Statement to the Capital Adjustment Account.

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.

The fair value of donated assets are not proper credits to the General Fund and are transferred through the Movement in Reserves Statement to the Capital Adjustment Account.

1.11. LEASES

1.11.1. 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. The rent received is split between repayment of the principal sum and the finance income.

1. ACCOUNTING POLICIES (continued) - POLICIES 1.10 ONWARDS RELATE TO THE OTHER STATEMENTS

1.11. LEASES (continued)

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.

1.11.2. 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.

1.12. 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.

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 2012/13 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;

1. ACCOUNTING POLICIES (continued) - POLICIES 1.10 ONWARDS RELATE TO THE OTHER STATEMENTS

1.12. EMPLOYEE BENEFITS (continued)

► 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.

1.13. 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.

1. ACCOUNTING POLICIES (continued) - POLICIES 1.10 ONWARDS RELATE TO THE OTHER STATEMENTS

1.13. FINANCIAL INSTRUMENTS (continued)

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.

1.14. 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 an infrastructure asset;

► the Authority controls what services the operator must provide with the asset, to whom they must be provided and at what price;

► the Authority 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 (principal and interest) 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 Revenue Provision in a way consistent with similarly financed non-current assets.

1.15. 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.

1.16. 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.

1. ACCOUNTING POLICIES (continued) - POLICIES 1.10 ONWARDS RELATE TO THE OTHER STATEMENTS

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

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.

1.17. VAT

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

1.18. 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.

1.19. 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.

1.20. STATUTORY PROVISION FOR THE REPAYMENT OF DEBT

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

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

► Regulatory Method, which is used for inherited debt 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) - POLICIES 1.10 ONWARDS RELATE TO THE OTHER STATEMENTS

1.21. 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 2012/13 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.

1.22. BORROWING COSTS

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

1.23. OVERHEADS

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

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.

1.24. SCHOOLS

The income earned and expenditure incurred by schools is accounted for within the financial statements.

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

Amendments to IAS19 Employee Benefits

The adoption of the amendments to IAS19 Employee Benefits (issued June 2011) will result in a change in accounting policy that requires disclosure. The amendments are intended to bring greater transparency to the financial statements. The main changes affecting the Pension Fund are:

The requirement to recognise all actuarial gains and losses immediately on the Balance Sheet. This will have no impact on the Authority as it already recognises all actuarial gains and losses on its Balance Sheet.

The interest cost and the expected return on assets elements of the CI&E Statement pension expense calculation will, in future, be combined. Net interest will be charged to the CI&E Statement and will be calculated by applying the AA corporate bond yield discount rate to the Balance Sheet asset or liability.

The CI&E Statement will be charged with a service cost and a net interest income or expense. The net interest income or expense is the product of the net Balance Sheet liability or asset and the discount rate used to measure the obligation - both as at the start of the year. This removes the current concept of expected return on plan assets - where income is credited with the expected long-term yield on the assets in the fund.

Remeasurements will be recorded in Other Comprehensive Income. These are all other movements in the Balance Sheet amount (essentially these are currently described as actuarial gains and losses and any effects of the restriction of a surplus to its recoverable amount).

Entities will no longer be allowed to recognise all movements in profit or loss.

The consequence of the changes is that:

Fund assets will now produce a credit to income based on bond yields irrespective of the actual composition of assets held. For cautiously invested plans, this could be earnings enhancing. For those plans with higher equity weightings, the change will reduce earnings. The effect for this Authority is a reduction in the credit to the CI&E Statement of £4.8m in the year ending 31 March 2013. This, however, will not result in an additional charge on the taxpayer:

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.

There is now no connection between the assets held by a Pension Fund and the return on assets in earnings. The difference between actual returns and amounts reported in earnings will permanently bypass earnings as an actuarial variance.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

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

Local Government Funding

The provision of funding for Local Government by Central Government has been reduced and will continue to 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 the levels of service provision.

PFI Contracts

In accordance with International Financial Reporting Interpretations Committee (IFRIC) 12, the Council is deemed to control the services provided under four PFI contracts. The assets and liabilities under these contracts (with the exception of one care home) are recorded in the Authority's Balance Sheet. Details of the PFI contracts can be found in Note 43.

Pension Liabilities

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. The actuaries Hymans Robertson LLP provide the Council with an estimation of the pension liability that considers these judgements.

Details of the Pension Fund liability are provided in a separate section (Pensions - IAS19 and Accounting Code of Practice disclosure notes).

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

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

The items in the Authority’s Balance Sheet at 31 March 2013 for which there is a risk of adjustment in the forthcoming financial year are as follows:

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

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

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 Capital Strategy will minimise the uncertainty.

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

5. MATERIAL ITEMS OF INCOME AND EXPENSE AND PRIOR PERIOD ADJUSTMENTS

Material Items of Income and Expense

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

Schools converting to academies
During 2012/13 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 £42m has been de-recognised from property, plant and equipment. This has resulted in a deficit of £42m in the Consolidated Income and Expenditure Statement.

Pensions
The net liability on the Pension Fund has increased by £93m. It should be noted that this is not an assessment of the cash value of the funding difference; it is a notional sum that is reversed out through the Local Government accounting mechanism.

Prior Period Adjustments

There are no prior period adjustments in this Statement of Accounts.

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Finance and Assets and Section 151 Officer on 25 June 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2012/13	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
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	28,509	(3,534)	0	0	3,534	(28,509)
Revaluation losses on Property, Plant and Equipment	28,353	0	0	0	0	(28,353)
Movements in the market value of Investment Properties	(474)	0	0	0	0	474
Amortisation of intangible assets	1,606	19	0	0	0	(1,625)
Capital grants and contributions applied	(56,065)	(996)	0	1,101	0	55,960
Revenue expenditure funded from capital under statute	31,092	4,752	0	0	0	(35,844)
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	38,788	1,792	0	0	0	(40,580)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(12,100)	0	0	0	0	12,100
Capital expenditure charged against the General Fund and HRA balances	(3,566)	(4,469)	0	0	0	8,035
	56,143	(2,436)	0	1,101	3,534	(58,342)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	(535)	0	535
	0	0	0	(535)	0	535
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,330)	(3,986)	5,316	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(3,608)	0	0	3,608
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0	1,444	(1,444)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	29	0	0	(29)
Lessor leases - Regulation 4 Mitigation	671	0	0	0	0	(671)
	(659)	(2,542)	293	0	0	2,908
Adjustments primarily involving the Major Repairs Reserve:						
Major Repairs Allowance credited to the HRA	0	12,971	0	0	0	(12,971)
Reversal of Major Repairs Allowance credited to the HRA	0	(12,971)	0	0	12,971	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	0	(16,035)	16,035
	0	0	0	0	(3,064)	3,064
Adjustments primarily involving the Financial Instruments Adjustment Account:						
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)	(379)	0	0	0	465
	(86)	(379)	0	0	0	465
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	7,623	771	0	0	0	(8,394)
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,168)	(421)	0	0	0	4,589
	3,455	350	0	0	0	(3,805)
Adjustments primarily involving the Collection Fund Adjustment Account:						
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	114	0	0	0	0	(114)
	114	0	0	0	0	(114)
Adjustments primarily involving the Accumulated Absences Account:						
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	(755)	(13)	0	0	0	768
	(755)	(13)	0	0	0	768
Total Adjustments	58,212	(5,020)	293	566	470	(54,521)

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
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
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)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
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)
Adjustments primarily involving the Capital Grants Unapplied Account:						
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
Adjustments primarily involving the Capital Receipts Reserve:						
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 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)
Adjustments primarily involving the Major Repairs Reserve:						
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)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
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
Adjustments primarily involving the Pensions Reserve:						
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)
Adjustments primarily involving the Collection Fund Adjustment Account:						
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
Adjustments primarily involving the Accumulated Absences Account:						
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
Total Adjustments	130,371	221,350	1,220	(3,929)	0	(349,012)

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 2012/13.

	Balance at 1 April 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31 March 2013 £000
General Fund:							
Balances held by schools under a scheme of delegation	19,765	(9,653)	5,048	15,160	(4,915)	3,544	13,789
ICT Strategic Improvements Reserve	1,500	(810)	250	940	0	0	940
ICT Contract Transition Reserve	0	0	1,000	1,000	0	0	1,000
Restructure Reserve	865	(3,374)	2,509	0	0	0	0
RELEASE Reserve 2009/10	915	(915)	0	0	0	0	0
Recession Impact Reserve	2,000	0	0	2,000	(947)	0	1,053
Transformation Reserve	0	0	2,096	2,096	0	2,016	4,112
Interest Rate Risk Reserve	2,441	(2,393)	2,155	2,203	0	0	2,203
PAYE Reserve	750	0	0	750	0	0	750
Taxation Reserve	586	0	0	586	0	0	586
Litigation Reserve	1,124	(24)	0	1,100	0	0	1,100
Housing Subsidy Benefits Reserve	2,044	(391)	0	1,653	0	0	1,653
LEGI Grant Reserve	2,559	(2,825)	266	0	0	0	0
Local Elections Reserve	498	0	163	661	0	75	736
STEP Change (Committed Funds)	3,213	(2,752)	6,838	7,299	(3,557)	0	3,742
LAA (LPSA Reward Grant - Revenue)	1,097	(1,097)	0	0	0	0	0
LAA (LPSA Reward Grant - Capital)	1,658	(1,658)	0	0	0	0	0
CCURV Affordability	7,704	(2,129)	5,717	11,292	0	6,881	18,173
Social Care Reform Grant	793	(793)	0	0	0	0	0
Asylum Grant	0	0	1,500	1,500	0	0	1,500
Homelessness	363	(415)	840	788	(427)	0	361
ICT Re-procurement	0	0	594	594	0	261	855
Economic Development	0	0	2,936	2,936	(628)	0	2,308
Re-enablement (NHS Investment)	0	0	1,602	1,602	(393)	800	2,009
Financial Risk Reserve	2,048	(2,092)	44	0	0	0	0
Welfare Reforms Reserve	0	0	0	0	0	790	790
New Housing Supply	0	0	0	0	0	750	750
Redundancy Reserve	0	0	0	0	0	3,005	3,005
Troubled Families Reserve	0	0	0	0	0	730	730
Street Lighting PFI Scheme	0	0	0	0	0	3,126	3,126
Other Reserves	6,416	(4,019)	5,090	7,487	(4,075)	5,152	8,564
Total	58,339	(35,340)	38,648	61,647	(14,942)	27,130	73,835

	Balance at 1 April 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31 March 2013 £000
HRA:							
Working Balance	1,200	0	2,619	3,819	0	1,776	5,595
Housing Repairs Fund	4,937	(1,574)	0	3,363	(3,363)	0	0
Major Repairs Reserve	0	0	0	0	0	470	470
Contingency Reserve	0	0	0	0	0	3,769	3,769
Total	6,137	(1,574)	2,619	7,182	(3,363)	6,015	9,834

An explanation of each reserve is given in Note 24.6 on pages 55 and 56

9. OTHER OPERATING EXPENDITURE

	2012/13 £000	2011/12 £000
Financial Reporting Council - Preparers Levy	2	2
London Councils - London Boroughs Grants Scheme Levy	508	710
Environment Agency Levy	252	252
Lee Valley Regional Park Authority Levy	340	378
London Pensions Fund Authority Levy	436	349
Payments of Housing capital receipts to Government pool	1,444	1,018
(Gain)/loss on disposal of non-current assets	35,264	73,511
(Gain)/loss on revaluation of non-current assets	28,353	17,271
Total	66,599	93,491

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.

	2012/13 £000	2011/12 £000
Interest payable and similar charges	28,962	19,074
Interest receivable and similar income	(10,483)	(7,671)
Premium on early repayment of debt	159	187
Changes in fair value of investment properties	(475)	182
Rent received from investment properties	(1,226)	(658)
Impairment of financial instruments	0	0
Pension Interest Cost	49,784	52,540
Expected Return on Pension Assets	(33,917)	(38,618)
Interest received on finance leases (lessor)	(190)	(232)
(Surplus) / deficit on trading undertakings	210	947
Total	32,824	25,751

11. TAXATION AND NON-SPECIFIC GRANT INCOME

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

	2012/13	2011/12
Credited to Taxation and Non-Specific Grant Income	**£000**	**£000**
Recognised capital grants and contributions	35,084	19,504
Council Tax income	151,586	152,793
National Non-Domestic Rates (NNDR)	113,800	94,221
Revenue Support Grant	2,206	29,124
Non-service related Government grants (page 67)	45,589	41,213
Taxation and Non-Specific Grants	348,265	336,855
Credited to Services		
Asylum Seekers	20,577	22,129
Communities and Local Government	1,428	345
Department for Education	13,192	0
Dedicated Schools Grant	212,049	232,147
Department of Health - Other	202	331
Department of Health - Social Care	64	64
Department for Work and Pensions	84	40
Home Office	344	0
Opportunity Area Planning Network	0	150
Skills Funding Agency	5,559	11,132
Greater London Authority	84	0
Learn Direct	90	0
London Development Agency	12	7
Private Finance Initiative (PFI)	11,797	5,270
Planning Delivery	607	496
Prevention Measures	0	379
School Standards	7,826	16,595
Transport for London	648	608
Youth Justice Board	901	723
Other Grants	205	0
Beacon Grant	8	139
Belwin recovery scheme	0	994
High street recovery scheme	0	1,494
Service Grants and Contributions	275,677	293,043
Total Grants Income	623,942	629,898

The Council has received a number of grants and contributions that have yet to be recognised as income because they have conditions attached to them. If the conditions are not fulfilled the monies or property will have to be returned to the grantor. The balances are:

	2012/13	2011/12
Capital Grants Receipts in Advance	**£000**	**£000**
Local Public Sector Agreement - Parks to be proud of	537	972
Harris Academy Purley	0	39
LA Maintained Capital Funding	0	5,351
Department for Education - BRIT School	0	875
Department for Education - Childrens Centres and Early Years	132	132
Basic Needs	376	9,008
Youth Capital Fund Programme	0	90
Aiming High for Disabled Children	145	60
Department of Health funded schemes	156	245
Westow Park	49	49
Waddon Waylands Leisure Centre	450	450
Council New Build Phase 2A	219	776
Thornton Heath Library	69	69
Transport for London (TfL)	557	476
Growth Area Funding (GAF) Capital Schemes	0	8
New Addington (Outer London Fund)	35	0
Quest Academy Selsdon	21	0
Wandle Park	414	0
Adult Services, Health & Housing - Operational & ICT Developments	68	0
Connect 2 Core Route	3	0
S106 Funded Projects	638	0
Total	3,869	18,600

12. PROPERTY, PLANT AND EQUIPMENT

2012/13	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total PPE £000	PFI Assets Included in PPE £000
Net Book Value at 1 April 2012	548,187	755,952	10,128	90,290	4,276	2,797	113,681	1,525,311	46,265
Gross Book Value at 1 April 2012	814,648	790,172	39,928	145,042	4,877	3,437	113,681	1,911,785	60,259
Additions	19,922	21,441	1,019	14,544	1,761	8,065	49,602	116,354	1,839
Revaluation increase/(decrease) recognised in the Revaluation Reserve	11,328	(32,187)	0	0	0	0	0	(20,859)	0
Revaluation increase/(decrease) recognised in the Surplus/Deficit on the Provision of Services	(12,031)	(41,276)	0	0	0	0	0	(53,307)	0
Derecognition - Disposals	(1,833)	0	(138)	0	0	(770)	0	(2,741)	0
Derecognition - Other	0	(43,816)	0	0	0	0	(765)	(44,581)	0
Assets reclassified (to)/from held for sale	0	(4,770)	0	0	0	0	0	(4,770)	0
Transfers/Reclassifications	2,390	11,191	0	0	314	1,378	(15,275)	(2)	0
Other Movements in cost or valuation	0	783	0	0	0	0	0	783	0
Gross book value 31 March 2013	834,424	701,538	40,809	159,586	6,952	12,110	147,243	1,902,662	62,098
Accumulated Depreciation and Impairment at 1 April 2012	266,461	34,220	29,800	54,752	601	639	0	386,473	13,994
Depreciation for year	12,501	11,109	5,036	12,007	475	85	0	41,213	3,436
Depreciation written out to the Revaluation reserve	(12,460)	(3,838)	0	0	0	0	0	(16,298)	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	(12,031)	(12,922)	0	0	0	0	0	(24,953)	0
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0	266	0	0	0	0	0	266	0
Derecognition - Disposals	(41)	0	(105)	0	0	(550)	0	(696)	0
Derecognition - Other	0	(1,906)	0	0	0	0	0	(1,906)	0
Transfers/Reclassifications	0	(42)	0	0	48	(6)	0	0	0
Other movements in Accumulated Depreciation and Impairment 31 March 2013	254,430	26,887	34,731	66,759	1,124	168	0	384,099	17,430
Net book value 31 March 2013	579,994	674,651	6,078	92,827	5,828	11,942	147,243	1,518,563	44,668

Council Dwellings
Council dwellings are valued at less than market value, as directed by Government. See HRA Note 2 (page 90) for more details.

Depreciation
The depreciation policy is set out under the Statement of Accounting Policies (page 27).

12. PROPERTY, PLANT AND EQUIPMENT

2011/12	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total PPE £000	PFI Assets Included in PPE £000
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
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
Gross book value 31 March 2012	814,648	790,172	39,928	145,042	4,877	3,437	113,681	1,911,785	60,259
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 Accumulated Depreciation and Impairment 31 March 2012	266,461	34,220	29,800	54,752	601	640	0	386,474	13,994
Net book value 31 March 2012	548,187	755,952	10,128	90,290	4,276	2,797	113,681	1,525,311	46,265

12. PROPERTY, PLANT AND EQUIPMENT (continued)

EFFECTS OF CHANGES IN ESTIMATES

In 2012/13, 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 that is required to be measured at fair value is revalued at least every five years.

There were five valuations of properties under the asset category Other Land and Buildings which were carried out internally. Three of these related to properties which were subsequently transferred to Assets held for Sale (Note 21). All other valuations of other 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 the Department for Communities and Local Government.

The value of Council dwellings was reviewed as at 31 March 2013. In order to reflect the increase in residential values, Council Dwellings were revalued in line with the Land Registry's House Price Index for Croydon.

CAPITAL COMMITMENTS

Capital schemes with significant contractual commitments for future capital expenditure:

Department	Capital Scheme	Estimated Total Cost £000
Adult Services, Health and Housing	Housing New Build	6,000
Children, Families and Learning	Primary Capital Programme	48,550
	Academies Programme	11,228
	Secondary Capital Programme	2,000
Planning and Environment	Public Realm Projects	12,517
	Total Cost	80,295

13. HERITAGE ASSETS

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
Assets at Valuation					
1 April 2012	10,249	162	0	0	10,411
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluations	5,375	0	0	0	5,375
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
31 March 2013	15,624	162	0	0	15,786

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 £10.25m. Individual objects in the collection ranged in value from £50 to £2,000,000.

In March 2013, twenty four of the most valuable items in the collection were sent to Sotheby's for valuation. The result was a net addition in value of £5.375m.

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.

Water Tower at Park Hill
The water tower at Park Hill Recreation Ground, built in 1867, was designed by Baldwin Latham the Borough Engineer, in a brick Norman style. It was awarded grade 2 listed status in 1970. It has not been valued, neither is it practical to provide a valuation at cost.

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 section in the Comprehensive Income and Expenditure Statement and through an adjustment in the Movement in Reserves Statement.

	2012/13 Total £000	2011/12 Total £000
Rental income from investment property		
Commercial rents - other than finance leases	1,226	552
Commercial rents - finance leases		
Interest received on finance leases	190	232
Regulation 4 mitigation on finance lease capital receipts	671	2,385
Direct operating expenses arising from investment property	0	0
Net gain/(loss)	2,087	3,169

Commercial rents - other than finance leases
These are rents earned from investments properties let under leases other than finance leases.

Commercial rents - finance leases
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:

- Interest received on finance leases;
- Regulation 4 mitigation on finance lease income.

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 debtor. 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.

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.

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:

	2012/13 Total £000	2011/12 Total £000
Balance at start of the year	24,527	15,404
Additions:		
Purchases	0	14,040
Construction	0	0
Subsequent expenditure	16	0
Disposals	0	(4,200)
Net gains/losses from fair value adjustments	475	(182)
Transfers:		
to/from Property, Plant and Equipment	(783)	(536)
Other changes	(1)	1
Balance at end of the year	24,234	24,527

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 £1,625,365 was charged to revenue in 2012/13 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	31
Education Services	91
Local Authority Housing (HRA)	19
Other Housing Services	0
Social Care	148
Corporate and Democratic Core	1,334
	1,625

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

	2012/13			2011/12		
	Internally Generated Assets £000	**Other Assets £000**	**Total £000**	**Internally Generated Assets £000**	**Other Assets £000**	**Total £000**
Balance at start of year:						
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)
Net carrying amount at start of year	0	7,496	7,496	0	5,180	5,180
Additions:						
Purchases	0	5,482	5,482	0	4,143	4,143
Amortisation for the period	0	(1,625)	(1,625)	0	(1,885)	(1,885)
Other changes - cost	0	(1)	(1)	0	58	58
Net carrying amount at end of year	0	11,352	11,352	0	7,496	7,496
Comprising:						
Gross carrying amounts	0	20,174	20,174	0	14,693	14,693
Accumulated amortisation	0	(8,822)	(8,822)	0	(7,197)	(7,197)
	0	11,352	11,352	0	7,496	7,496

There are no intangible assets that are individually material, over £10million gross carrying value, to the 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 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Borrowings				
Financial liabilities at amortised cost	630,241	555,241	66,173	69,831
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)	171,344	141,004	297	3,315
Total borrowings	801,585	696,245	66,470	73,146
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities carried at contract amount	0	0	99,700	103,519
Total Creditors	0	0	99,700	103,519
Financial liabilities at amortised cost - Cash and cash equivalents	0	0	38,104	39,170

Investments	Non-Current		Current	
Loans and debtors	0	0	147,641	128,708
Available-for-sale financial assets	0	0	0	0
Fair value through profit and loss	0	0	0	0
Unquoted equity available-for-sale	14,137	12,957	0	0
Total Investments	14,137	12,957	147,641	128,708
Loans and debtors	141,785	101,664	0	0
Financial assets carried at contract amounts	0	0	120,217	100,816
Total Debtors	141,785	101,664	120,217	100,816
Loans and debtors - Cash and cash equivalents	0	0	20,618	22,523

Notes

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

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

3. Total PFI and finance lease liabilities has decreased to £44.893m (£46.739m 2011/12).

4. Investments in CCURV LLP of £14.137m (£12.957m in 2011/12) 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.

Financial Instruments - Gains / Losses	Financial Liabilities	Financial Assets			2012/13
	Liabilities Measured at Amortised Cost £000	Loans and Debtors £000	Available -for-sale Assets £000	Fair Value Through P&L £000	Total £000
Interest expense	26,028	0	0	0	26,028
Losses on derecognition	0	0	0	0	0
Impairment losses	0	0	0	0	0
Interest payable and similar charges	26,028	0	0	0	26,028
Interest income	0	10,483	0	0	10,483
Gains on derecognition	0	0	0	0	0
Interest and investment income	0	10,483	0	0	10,483

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 2013, 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	31 March 2013		31 March 2012	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB - maturity	560,147	563,453	503,809	474,746
Lender Option Borrower Options (LOBOs)	130,914	131,731	120,922	119,003
Stock issues	318	281	318	271
Bank overdraft	38,104	38,104	39,170	39,170
Other borrowings	5,035	5,138	23	23
Non-current creditors	0	0	0	0
Financial Liabilities	734,518	738,707	664,242	633,213

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

FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST	31 March 2013		31 March 2012	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Cash	6,662	6,662	7,706	7,706
Money Market Loans	13,956	13,956	14,816	14,816
Short-term deposits with banks and other Local Authorities	147,641	147,810	128,708	128,796
Long-term debtors	141,785	141,785	101,397	103,372
Financial Assets	310,044	310,213	252,627	254,690

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.

17. INVENTORIES

	Consumable Stores		Maintenance Materials		Property Acquired or Constructed for Sale		Total	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
	£000	£000	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	242	299	12	126	0	0	254	425
Purchases	33	116	4	154	0	0	37	270
Recognised as an expense in the year	(72)	(173)	0	(268)	0	0	(72)	(441)
Balance outstanding at year-end	203	242	16	12	0	0	219	254

18. CONSTRUCTION CONTRACTS

The Authority was not directly undertaking any construction contracts at 31 March 2013.

19. DEBTORS, PAYMENTS IN ADVANCE (PIA) & ALLOWANCE FOR DOUBTFUL DEBTS (ADD)

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

	2012/13				2011/12
	Debtors	PIA	Doubtful Debt	Total	
	£000	£000	£000	£000	£000
Central Government bodies	19,651	0	0	19,651	19,402
Other Local Authorities	7,366	0	0	7,366	7,450
NHS bodies	2,022	10	0	2,032	2,935
Public corporations and trading funds	0	0	0	0	4
Other entities and individuals	91,178	10,631	(53,865)	47,944	62,522
Total	120,217	10,641	(53,865)	76,993	92,313

20. CASH AND CASH EQUIVALENTS

	2012/13	2011/12
	£000	£000
Cash held	117	108
Bank current accounts	(31,559)	(31,571)
Short-term deposits with building societies and Money Market Funds	13,956	14,816
Total	(17,486)	(16,647)

21. ASSETS HELD FOR SALE

During the financial year £4.77m of Property, Plant and Equipment assets were newly classified as Held for Sale. No assets were classified as Held for Sale in the previous financial year.

22. CREDITORS AND RECEIPTS IN ADVANCE (RIA)

	2012/13			2011/12
	Creditors	RIA	Total	£000
	£000	£000	£000	
Central Government bodies	9,847	11,239	21,086	22,490
Other Local Authorities	12,733	73	12,806	13,045
NHS bodies	1,303	209	1,512	2,125
Public corporations and trading funds	0	0	0	423
Other entities and individuals	75,817	7,566	83,383	83,912
Total	99,700	19,087	118,787	121,995

23. PROVISIONS

	Insurance £000	Other Provisions £000	Total £000
Balance at 1 April 2012	8,095	1,253	9,348
Additional provisions made in 2012/13	2,025	441	2,466
Amounts used in 2012/13	(1,848)	(412)	(2,260)
Balance at 31 March 2013	8,272	1,282	9,554

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.

24. USABLE RESERVES

24.1. Capital Receipts Reserve

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

	General Fund £000	Housing Revenue Account £000	2012/13 Total £000	2011/12 Total £000
Balance brought forward	1,352	0	1,352	132
Mortgage repayments	4	24	28	60
Other capital receipts	0	0	0	204
Net surplus for year	4	24	28	264
Receipts from sales of assets during the year	325	3,990	4,315	1,611
Lessor Leases	1,005	0	1,005	1,194
Cost of disposals	0	(3)	(3)	(6)
Transfer to Housing Capital Receipts Pool	0	(1,444)	(1,444)	(1,018)
Balance of receipts after transfer	1,330	2,543	3,873	1,781
Balance on account before application of receipts	2,686	2,567	5,253	2,177
Financing of capital expenditure	(1,677)	(1,931)	(3,608)	(825)
Balance carried forward	1,009	636	1,645	1,352

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.

	2012/13 £000	2011/12 £000
Balance brought forward	0	0
Depreciation charge to HRA	12,971	12,494
Transfer to finance capital expenditure during the year	(16,035)	(12,042)
Other reserve adjustments	3,534	(452)
Balance carried forward	470	0

24.3. General Fund

The General Fund Balance at 31 March 2013 is £11.597m (31 March 2012: £11.597m).

24.4. Housing Revenue Account

The Housing Revenue Account Balance at 31 March 2013 is £9.834m (31 March 2012: £7.182m). Page 89 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 Subsidy 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 grant is being carried forward to aid the transition period and allow services to be reduced gradually as the grant is reduced.

ICT Re-Procurement Reserve
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.

Welfare Reform Reserve
This reserve will support the management of the various welfare changes that became effective from April 2013.

24. USABLE RESERVES (continued)

24.6. Earmarked Reserves (continued)

New Housing Supply
This reserve is for the funding of new local housing supply.

Redundancy Reserve
This reserve will provide corporate funding to support the need to deliver further savings over future years.

Troubled Families Grant Reserve
The Troubled Families Grant Reserve is for a programme of assistance provided by the Local Authority for the purpose of engaging with households whose members have complex needs with a view to facilitating the funding, planning, monitoring or delivery of support services by the Council.

Street-Lighting PFI
This reserve will use the PFI credits to fund the smoothing of the costs of the PFI scheme over the 25-years of the contract.

School Balances
School reserves have decreased by £3.143m to £12.017m. 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.

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

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

25. UNUSABLE RESERVES

25.1. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- ► Revalued downwards or impaired and the gains are lost;
- ► Used in the provision of services and the gains are consumed through depreciation; or
- ► Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2012/13 £000	2012/13 £000	2011/12 £000
Balance at 1 April		229,004	240,386
Revaluations upward	37,299		8,347
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(36,486)		(1,833)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		813	6,514
The difference in depreciation arising from a revaluation gain and the depreciation charged on the historic cost	(847)		(767)
Accumulated gain or loss on assets sold or scrapped	(12,958)		(17,129)
Amount written off to the Capital Adjustment Account		(13,805)	(17,896)
Balance at 31 March		216,012	229,004

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 under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

	2012/13		2011/12
	£000	£000	£000
Balance at 1 April		650,299	980,903
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	(28,509)		(31,639)
Revaluation losses on Property, Plant and Equipment	(35,896)		(18,176)
Impairment/revaluation gains reversing losses previously charged to Comprehensive Expenditure and Income	7,542		904
Amortisation of intangible assets	(1,625)		(1,885)
Revenue expenditure funded from capital under statute	(31,703)		(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	(44,721)		(76,514)
		(134,912)	(201,575)
Adjusting amounts written out of the Revaluation Reserve		13,806	17,896
Net written out amount of the cost of non-current assets consumed in the year		(121,106)	(183,679)
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital expenditure	3,608		825
Use of the Major Repairs Reserve to finance new capital expenditure	16,035		12,042
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	55,960		59,061
Application of grants to capital financing from the Capital Grants Unapplied Account	535		3,565
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	12,100		8,905
Contributions from reserves	1,179		1,574
Capital expenditure charged against the General Fund and HRA balances	8,034		5,290
		97,451	
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		475	(182)
Lessor Leases - Regulation 4 Mitigation		(671)	(2,385)
Major Repairs Reserve (HRA depreciation charges)		(12,971)	(12,494)
HRA financing mitigation		0	(223,126)
Balance at 31 March		613,477	650,299

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 debtor. 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 2013 shows a balance of £2.6m (£3.0m in 2011/12) 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.

	2012/13		2011/12
	£000	£000	£000
Balance at 1 April		(3,030)	(3,505)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0		0
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	465		475
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		465	475
Balance at 31 March		(2,565)	(3,030)

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.

	2012/13	2011/12
	£000	£000
Balance at 1 April	(440,767)	(345,441)
Actuarial gains or losses on pensions assets and liabilities	(89,348)	(92,421)
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	(8,394)	(11,093)
Employer's pensions contributions and direct payments to pensioners payable in the year	4,589	8,188
Balance at 31 March	(533,920)	(440,767)

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.

	2012/13	2011/12
	£000	£000
Balance at 1 April	184	244
Transfer to the Capital Receipts Reserve upon receipt of cash	(29)	(60)
Balance at 31 March	155	184

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.

	2012/13 £000	2011/12 £000
Balance at 1 April	6,192	3,237
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	(114)	2,955
Balance at 31 March	6,078	6,192

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.

	2012/13 £000	2012/13 £000	2011/12 £000
Balance at 1 April		(4,806)	(5,403)
Settlement or cancellation of accrual made at the end of the preceding year	4,806		5,403
Amount accrued at the end of the current year	(4,038)		(4,806)
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		768	597
Balance at 31 March		(4,038)	(4,806)

26. OPERATING ACTIVITIES

	2012/13 £000	2011/12 £000
Interest Paid	26,122	14,256
Interest Received	(1,237)	(2,028)
Net cash flows from operating activities	24,885	12,228

Adjustment for movement in Non-Cash Items	2012/13 £000	2011/12 £000
Provisions and accounting basis transactions		
Depreciation	(24,709)	(32,055)
Impairment and downward valuations	(28,619)	(18,175)
Amortisations	(1,625)	(1,885)
Increase in impairment for allowance for bad debts	813	202
Pension liability - accounting basis	(30,117)	(29,938)
Carrying amount of non-current assets sold	(40,580)	(76,514)
Provisions	(207)	(539)
Movements in the value of investment properties	475	(174)
Other non-cash movements	(13,721)	1,199
Net interest	(16,063)	(10,246)
	(154,353)	(168,125)
Items included/excluded from net surplus or deficit on the provision of services:		
Decrease/(Increase) in creditors	10,147	(22,870)
Increase/(Decrease) in debtors	(18,359)	3,287
(Decrease)/Increase in inventory	(35)	(171)
Pension liability - paid	26,212	27,033
	17,965	7,279
Other non-service related items		
Grants applied to the financing of capital expenditure or received to meet the principal repayments on borrowing	57,062	58,697
Revenue expenditure funded from capital under statute	(35,844)	(74,265)
Total adjustment	(115,170)	(176,414)

27. INVESTING ACTIVITIES

	2012/13 £000	2011/12 £000
Purchase of property, plant and equipment, investment property and intangible assets	110,676	119,156
Purchase of short-term and long-term investments	19,750	23,000
Other payments for investing activities	33,651	48,976
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,286)	(3,003)
Capital grants	(43,307)	(51,022)
Proceeds from short-term and long-term investments	(1,000)	(23,000)
Net cash flows from investing activities	115,484	114,107

28. FINANCING ACTIVITIES

	2012/13 £000	2011/12 £000
Cash receipts from short-term and long-term borrowing	(75,000)	(317,126)
Cash payments for the reduction of the to finance leases and on-Balance Sheet PFI contracts (Principal)	3,681	2,256
Repayments of short-term and long-term borrowing	4,000	24,000
Net cash flows from financing activities	(67,319)	(290,870)

29. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

YEAR ENDING 31 MARCH 2013	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	(16,564)	(24,606)	(22,281)	(7,384)	(2,725)	(82,899)	(156,459)
Government grants	(245,489)	(9,199)	(10,155)	(292,537)	(27)	(1,049)	(558,456)
Total Income	(262,053)	(33,805)	(32,436)	(299,921)	(2,752)	(83,948)	(714,915)
Employee expenses	205,764	26,076	24,289	32,191	9,060	15,189	312,569
Other operating expenses	148,650	120,405	75,657	342,013	7,230	65,537	759,492
Support recharges	18,705	6,882	7,014	(43,256)	(8,605)	3,222	(16,038)
Total operating expenses	373,119	153,363	106,960	330,948	7,685	83,948	1,056,023
Net Cost of Services	111,066	119,558	74,524	31,027	4,933	0	341,108
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							(537)
Add amounts not reported to management (IAS19)							(12,062)
Remove amounts not in NCS							210
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement							41,814
Net Cost of Services in Comprehensive Income and Expenditure Statement							286,485

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	(156,459)	(2,391)			(158,850)		(158,850)
Interest and investment income						(10,483)	(10,483)
Interest received on finance leases (lessor)						(190)	(190)
Income from Council Tax						(151,586)	(151,586)
Government grants and contributions	(558,456)	(54)			(558,510)	(196,680)	(755,190)
IAS19			(12,062)		(12,062)		(12,062)
Total Income	(714,915)	(2,445)	(12,062)	0	(729,422)	(358,939)	(1,088,361)
Employee expenses	312,569	(648)			311,921		311,921
Other service expenses	759,492	2,557			762,049		762,049
Support service recharges	(16,038)				(16,038)		(16,038)
Premium and discount on early repayment of debt					0	159	159
Changes in fair value of investment properties					0	(1,701)	(1,701)
Interest payments			(1,000)		(1,000)	26,028	25,028
PFI interest liability			(2,934)		(2,934)	2,934	0
Precepts and levies					0	1,538	1,538
Payments to Housing Capital Receipts Pool					0	1,444	1,444
Gain or loss on disposal of non-current assets					0	35,264	35,264
Loss on revaluation of non-current assets					0	28,353	28,353
Trading Undertakings				(210)	(210)	210	0
Other adjustments			(7,583)	(30,297)	(37,880)		(37,880)
IAS19					0	15,867	15,867
Total operating expenses	1,056,023	1,909	(11,517)	(30,507)	1,015,908	110,096	1,126,004
Surplus or deficit on the provision of services	341,108	(536)	(23,579)	(30,507)	286,486	(248,843)	37,643

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.

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)
Total Income	(337,636)	(35,763)	(30,762)	(281,913)	(2,895)	(80,145)	(769,114)
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)
Total operating expenses	439,275	154,629	98,099	308,586	8,910	80,145	1,089,644
Net Cost of Services	101,639	118,866	67,337	26,673	6,015	0	320,530
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	(622,696)	(394)			(623,090)	(184,062)	(807,152)
IAS19			(11,017)		(11,017)		(11,017)
Total Income	(769,114)	(487)	(11,017)	0	(780,618)	(344,758)	(1,125,376)
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)
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	(219,656)		216,957	36,612	33,913		33,913
IAS19					0	13,922	13,922
Total operating expenses	1,089,644	1,653	216,116	36,612	1,344,025	127,145	1,471,170
Surplus or deficit on the provision of services	320,530	1,166	205,099	36,612	563,407	(217,613)	345,794

30. ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations during the financial year 2012/13.

31. TRADING OPERATIONS

Of the five original trading units, Street Lighting now operates under a PFI arrangement; Transport Maintenance and Highways & Sewers are both outsourced.

	2012/13			2011/12		
	Turnover £000	Expense £000	(Surplus)/ Deficit £000	Turnover £000	Expense £000	(Surplus)/ Deficit £000
Commercial Estates	(8)	(4)	(12)	(95)	24	(71)
Street Markets	(255)	481	226	(234)	467	233
Highways and Sewers	0	(4)	(4)	(760)	1,220	460
Transport Maintenance	0	0	0	(51)	264	213
Street Lighting	0	0	0	(232)	238	6
	(263)	473	210	(1,372)	2,213	841

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The loss is recorded under Financing and Investment Income and Expenditure.

32. AGENCY SERVICES

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

The Council currently acts as an agent for two bids. The Croydon Town Centre bid 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. The New Addington Business Improvement District (BID) is a private sector initiative led by the Central Parade Business Partnership. The New Addington BID is funded by local businesses; it was approved by ballot in December 2012 and commenced on 4 February 2013.

33. ROAD CHARGING SCHEMES

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

34. POOLED BUDGETS

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

	2012/13			2011/12		
	£000 Council	£000 Partner	£000 Total	£000 Council	£000 Partner	£000 Total
Croydon's Community Equipment Service						
Gross Income	(895)	(895)	(1,790)	(885)	(600)	(1,485)
Gross Expenditure	0	2,077	2,077	0	1,725	1,725
Net Expenditure	(895)	1,182	287	(885)	1,125	240
Croydon's Community Occupational Therapy Service						
Gross Income	(1,541)	(1,541)	(3,082)	(1,546)	(791)	(2,337)
Gross Expenditure	0	2,093	2,093	0	2,068	2,068
Net Expenditure	(1,541)	552	(989)	(1,546)	1,277	(269)

35. MEMBERS' ALLOWANCES

The total of allowances paid to the Members of the Council was £1.58m in 2012/13 (£1.57m in 2011/12).

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:

	2012/13		2011/12	
Remuneration Band	**Schools**	**Non-Schools**	**Schools**	**Non-Schools**
£210,000 - £214,999	0	0	0	1
£175,000 - £179,999	0	0	0	1
£160,000 - £164,999	1	1	0	1
£155,000 - £159,999	0	1	0	1
£150,000 - £154,999	0	1	0	2
£140,000 - £144,999	0	0	1	0
£135,000 - £139,999	1	1	1	2
£125,000 - £129,999	0	0	0	1
£120,000 - £124,999	0	0	0	1
£115,000 - £119,999	1	0	1	0
£110,000 - £114,999	0	2	0	2
£105,000 - £109,999	2	1	1	0
£100,000 - £104,999	3	8	3	9
£95,000 - £99,999	2	2	2	2
£90,000 - £94,999	1	4	5	5
£85,000 - £89,999	4	2	4	4
£80,000 - £84,999	12	3	7	3
£75,000 - £79,999	9	18	9	16
£70,000 - £74,999	13	29	15	13
£65,000 - £69,999	30	3	39	12
£60,000 - £64,999	20	23	31	28
£55,000 - £59,999	45	27	50	23
£50,000 - £54,999	73	62	100	75

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

36. OFFICERS' REMUNERATION (continued)

Corporate Management Team	Nathan Elvery Interim Chief Executive	Hannah Miller Deputy Chief Executive and Executive Director of Adult Services, Health and Housing	Paul Greenhalgh Executive Director of Children, Families & Learning	Paul Spooner * Interim Executive Director of Planning and Environment	Richard Simpson Director of Finance and Assets and Interim Section 151 Officer	Julie Belvir Director of Democratic Legal Services & Monitoring Officer	Pam Parkes Director of Workforce & Community Relations	Dr Mike Robinson ** Director of Public Health	Jon Rouse *** Chief Executive
2012/13									
Basic Salary	139,675	137,262	137,262	28,000	98,664	98,664	98,664	50,250	160,925
Chief Officer Allowance	5,964	6,321	0	0	6,321	6,321	6,321	0	0
Deputy Chief Executive's Allowance	9,435	10,564	0	0	0	0	0	0	0
Total Remuneration excluding Pension Contributions	**155,074**	**154,147**	**137,262**	**28,000**	**104,985**	**104,985**	**104,985**	**50,250**	**160,925**
Employer's Pension Contributions	35,977	0	31,845	0	24,488	25,545	24,357	0	37,335
Total Remuneration including Pension Contributions	**191,051**	**154,147**	**169,107**	**28,000**	**129,473**	**130,530**	**129,342**	**50,250**	**198,260**
2011/12									
Basic Salary	137,262	137,262	137,262	0	96,042	98,664	98,664	0	179,529
Chief Officer Allowance	6,321	6,321	0	0	6,321	6,321	6,321	0	0
Deputy Chief Executive's Allowance	10,000	10,000	0	0	0	0	0	0	0
Total Remuneration excluding Pension Contributions	**153,583**	**153,583**	**137,262**	**0**	**102,363**	**104,985**	**104,985**	**0**	**179,529**
Employer's Pension Contributions	35,631	35,631	31,845	0	23,748	25,545	24,357	0	41,651
Total Remuneration including Pension Contributions	**189,214**	**189,214**	**169,107**	**0**	**126,111**	**130,530**	**129,342**	**0**	**221,180**

* Paul Spooner joined the Council on 18 February 2013.
** Dr Mike Robinson joined the Council Management Team on 15 October 2012 but did not join the Council payroll until 1 April 2013. The Council has paid 2/3rds of his salary for this period through a recharge from NHS Croydon.
*** Jon Rouse left office on 10 March 2013.

Remuneration total is inclusive of all on-costs incurred by the Council.

36. OFFICERS' REMUNERATION (continued)

Exit Costs

This note discloses employee exit costs in rising bands of £20,000 up to £100,000 and bands of £50,000 thereafter. The costs included in the bands are those that have been agreed by the Authority, i.e. those costs for which the Authority is demonstrably committed. The costs include all relevant redundancy including compulsory and voluntary redundancy costs, pension contributions as a result of redundancy and the associated costs of early retirement and other departure costs.

2012/13	Total number of exit costs by cost band			Total cost of exit costs in each band		
	Compulsory Redundancies No.	Other Redundancies No.	Total No.	Compulsory Redundancies £	Other Redundancies £	Total £
£200,000 - £249,999	0	1	1	0	213,064	213,064
£80,000 - £99,999	1	0	1	84,842	0	84,842
£60,000 - £79,999	0	2	2	0	129,402	129,402
£40,000 - £59,999	5	1	6	237,637	48,540	286,177
£20,000 - £39,999	10	6	16	281,831	181,944	463,775
£0 - £19,999	63	30	93	438,957	262,954	701,911
Total	79	40	119	1,043,267	835,904	1,879,171

2011/12	Total number of exit costs by cost band			Total cost of exit costs in each band		
	Compulsory Redundancies No.	Other Redundancies No.	Total No.	Compulsory Redundancies £	Other Redundancies £	Total £
£100,000 - £149,999	3	0	3	387,053	0	387,053
£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
Total	218	55	273	2,366,259	574,486	2,940,745

37. EXTERNAL AUDIT COSTS

	2012/13 £000	2011/12 £000
Audit Commission fees payable:		
Audit of annual accounts	0	380
Certification of grant claims 2011-12	69	81
Rebate	(20)	(30)
Grant Thornton fees payable:		
Audit of annual accounts	228	0
Certification of grant claims 2012-13	46	0
Fees payable for other services	2	0
Total External Audit Fees	325	431

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 2012/13 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2012/13	31,704	180,345	212,049
Brought forward from 2011/12	989	4,998	5,987
DSG available for the year	32,693	185,343	218,036
Actual expenditure for the year	(32,614)	(176,745)	(209,359)
(Over)/underspend carried forward to 2013/14	79	8,598	8,677

39. GRANT INCOME

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

Grant	2012/13 £000
Formula Grant *	116,006
Core Grants:	
Preventing Homelessness	1,125
Housing and Council Tax Benefit Subsidy Admin	3,540
2012/13 Council Tax Freeze	3,713
Learning Disability and Health Reform	15,271
Early Intervention Grant	17,371
New Homes Bonus	4,255
Other Grants: **	
Lead Local Flood Authorities	254
New Burdens' Grants:	
Community Right to Challenge	9
NNDR Temporary Deferment	4
Assets of Community Value	5
Welfare Reform	132
Council Tax support	84
Public Health Transition	99
LACSEG Refund	523
Social Fund Admin	12
Extended Rights to Free Travel (Schools)	43
Total Core and Other Grants	46,440
Total Grants	162,446

* Includes 2011/12 Council Tax Freeze Grant

** Excludes PFI funding and Housing and Council Tax Benefits Subsidy

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 significantly influence the Council or to be controlled or significantly 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) and Croydon Care Solutions Ltd:
Further information regarding CCURV LLP and Croydon Care Solutions Ltd can be found in the notes to the Group Accounts on page 107.

During the year no Council Members, Executive Directors nor their close relations nor members of the same household have undertaken any material declarable transactions with the Council other than the individuals and transactions disclosed below. The Council compiled the existing declarations for Members from the Register of Members' Interests. The Council then issued standard letters to all seventy Members asking them to confirm the entries, and make any additional disclosures if necessary. The nine Members of the Corporate Management Team were issued with standard letters requesting disclosure of any potential 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. Only related party transactions totalling over £100,000 for any individual organisation are considered material and are detailed below:

Organisation	Related Party	Related Transaction 2012/13	£
CCURV LLP	Jon Rouse, Director (left 1 March 2013) Richard Simpson Director Paul Spooner, Director (joined 4 March 2013)	Croydon Council Urban Regeneration Vehicle (CCURV) is a limited liability partnership (LLP) between Croydon Council and John Laing Projects and Developments (Croydon) Ltd, which is a joint venture to develop and regenerate a number of sites in Croydon.	7,371,105
Croydon Care Solutions Ltd	Richard Simpson Director	Croydon Care Solutions Ltd is a wholly owned Local Authority Trading Company (LATC) which provides adult social care services.	5,019,450
NHS Croydon	Toni Letts, Vice Chair	Funding for various Public Health initiatives and services.	894,485
Fairfield (Croydon) Ltd	Tim Godfrey, Director David Fitze, Director Dudley Mead, Director	Grant funding, hire of premises and facilities use.	1,532,007
Croydon Town Centre BID	Simon Hoar Board Member Steve O'Connell Board Member	Croydon Council acts as an agent for Croydon Town Centre BID collecting levy payments on their behalf.	1,360,684
The Garwood Foundation	Dudley Mead Director	Operation of Rutherford Special School, funded by the LEA for care of statemented children.	682,697
Whitgift Foundation	Dudley Mead Member of the Court 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.	243,180
The Learning Tree Pre-School	Carole Bonner Chair of Trustee's	PVI Childminder funding payments.	199,099
Croydon Neighbourhood Care Association	Simon Hall Trustee	Umbrella organisation providing information, advice and support to neighbourhood groups for older people and PDSI.	138,682
Croydon College	Ian Parker Governor	Funding from the Local Education Authority for various educational activities.	123,920

The Pension Fund is a separate entity from the Council with it's own Statement of Accounts and Balance Sheet. The following material transactions took place between the Council and the Pension Fund:

	2012/13 £000	2011/12 £000
Receipts		
Pension Contributions - from the Council (employer's contributions)	25,708	26,395
Pension Contributions - from employees (deductions paid over)	7,380	7,647
Total Receipts	33,088	34,042

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	2012/13 Total £000	2011/12 Total £000
EXPENDITURE:				
Property, Plant and Equipment	94,593	19,922	114,515	117,874
Property, Plant and Equipment - PFI	1,839	0	1,839	4,380
Investment properties	16	0	16	14,040
Revenue expenditure funded from capital under statute	26,951	4,752	31,703	46,570
Redundancy - revenue expenditure funded from capital under statute	0	0	0	1,608
Intangible assets	5,421	61	5,482	4,143
	128,820	24,735	153,555	188,615
FINANCED BY:				
Borrowing approvals	66,271	93	66,364	101,878
PFI assets delivered by contractor (repaid through unitary charge)	1,839	0	1,839	4,380
Capital receipts	1,677	1,931	3,608	825
Government grants and other contributions	55,467	1,028	56,495	62,626
Direct revenue contributions	338	4,469	4,807	1,501
Contributions from reserves	0	1,179	1,179	1,574
Schools contributions	3,228	0	3,228	3,789
Major Repairs Reserve	0	16,035	16,035	12,042
	128,820	24,735	153,555	188,615

EXPLANATION OF MOVEMENTS IN YEAR:	General Fund £000	Housing Revenue Account £000	2012/13 Total £000	2011/12 Total £000
Opening Capital Financing Requirement	341,667	86,992	428,659	334,054
Increase in underlying need to borrow for the HRA Self Financing settlement sum paid to Government 28 March 2012	0	223,126	223,126	0
Increase in underlying need to borrow (unsupported by Government financial assistance)	66,271	93	66,364	101,878
MRP / Loans fund principal	(8,161)	0	(8,161)	(7,273)
Closing Capital Financing Requirement	399,777	310,211	709,988	428,659

42. LEASES

Authority as Lessee

Finance Leases
The Authority leases HRA properties, two multi-storey car parks both of which are sub-let, light industrial units, a pupil referral unit, a public library and public hall and a few miscellaneous properties 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:

	2012/13 £000	2011/12 £000
Council dwellings	429	424
Investment property	900	800
Other land and buildings	3,611	3,678
Total	4,940	4,902

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)
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	2012/13		2011/12	
	Gross £000	Principal £000	Gross £000	Principal £000
Not later than one year	12	4	12	3
Later than one year and not later than five years	46	16	46	15
Later than five years	314	195	325	199
Minimum lease payments	372		383	
Finance costs payable in future years		157		166
Minimum lease payments		372		383

The table below 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	2012/13		2011/12	
	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	97	22	98	22
Minimum lease payments	108	31	109	31

The minimum lease payments do not include rents that are contingent upon events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 £14,763 contingent rents were payable by the Authority (2011/12 £23,570).

42. LEASES (continued)

The Authority has sub-let 1 Community Centre, 1 Clubhouse, 2 Multi-Storey Car Parks and 17 HRA properties. No annual rental is receivable under any of the leases except minimal ground rent of £100 in 2012/13 for the HRA properties (2011/12 £100). No rental is charged for the Community Centre or the Clubhouse because the Authority is effecting service delivery through partners. A lease premium was received for the other properties except one of the multi-storey car parks.

Additionally the Authority sub-lets, under operating leases, the light industrial units in Enterprise Close. The annual rent received in 2012/13 was £98,100 (2011/12 £105,551).

Operating leases
At 31 March 2013 the Authority held 9 short term leases for office accommodation in 5 different buildings within the borough. Additionally there were two car parks and miscellaneous other properties.

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

	2012/13 £000	2011/12 £000
Not later than one year	2,211	2,911
Later than one year and not later than five years	2,450	5,022
Later than five years	192	241
	4,853	8,174

Five of the assets leased under operating leases were sub-let in 2012/13 (2011/12 Four)

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

	2012/13 £000	2011/12 £000
Minimum lease payments	2,758	3,074
Contingent rents	78	96
Sublease payments receivable	(27)	0
	2,809	3,170

Short Term Agreements and Post Contract Rents
Additionally, the Authority rents a number of properties on a short term basis and continues to occupy properties that were subject to a lease agreement that has now terminated, because either:
- the rent payable under the former lease was not significant and neither party wanted to incur legal fees in writing a new lease; or
- one or other party did not wish to make a commitment of a specific duration.

However, occupancy has continued under informal arrangements. The rent payable in 2012/13 under these arrangements was £661,825 (2011/12 £649,544).

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:

	2012/13 £000	2011/12 £000
Finance lease debtor (net present value of minimum lease payments):		
current	23	671
non-current	2,577	2,600
Unearned finance income	12,432	12,623
Unguaranteed residual value of property	0	0
Gross investment in the lease	15,032	15,894

42. LEASES (continued)

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	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
Not later than one year	199	861	199	861
Later than one year and not later than five years	995	945	995	945
Later than five years	13,838	14,088	13,838	14,088
	15,032	15,894	15,032	15,894

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 2012/13 £117,059 contingent rents were receivable by the Authority (2011/12 £224,496).

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

	2012/13 £000	2011/12 £000
Not later than one year	1,515	1,574
Later than one year and not later than five years	2,565	3,809
Later than five years	1,539	1,970
	5,619	7,353

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 2012/13 £122,642 contingent rents were receivable by the Authority (2011/12 £168,112).

Post Contract Rents
Additionally the Authority has a number of properties that were subject to a lease agreement that has now terminated, because either:

the rent receivable under the former lease was not significant and neither party wanted to incur legal fees in writing a new lease; or

one or other party did not wish to make a commitment of a specific duration,

However, occupancy has continued under informal arrangements. The rent received in 2012/13 under these arrangements was £666,975 (2011/12 £528,796).

School Leases
Schools lease equipment either directly or through the authorities contract arrangements. The contracts, with a few exceptions, are renewable annually. For this reason, and because each year schools convert to academies, the table below discloses only the data relating to the current period.

	2012/13 £000
Asset categories	
IT Equipment	326
Telecomms	109
Photocopiers	434
Other	165
Total	1,034

43. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

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

Adults Homes For The Future (formerly New4Old)
Two of the homes opened during 2010 and the other two homes opened during 2011. The care services to the users and residents of the facilities were outsourced to Care UK during 2011/12. The facilities, including management of all soft facilities, are fully maintained by Caring 4 Croydon, a subsidiary of Care UK. In 2012-13 the payment to Caring 4 Croydon was £4.279m, comprising £2.876m Annual Unitary Payment (AUP) and £1.402m lease payments; PFI credits of £2.869m were received. The annual payment to Caring 4 Croydon is index-linked to the Retail Price (RPI) index and consequently, will increase each year until contract expiration in 2038/39.

Ashburton Learning Village
The Ashburton Learning Village is the first Croydon School PFI. It incorporates an eight form entry (1,200 capacity) secondary school together with a new purpose built library and a headquarters for the Housebound Library service. The village also houses office and teaching space for the Music Service. The Authority's Community Strategy states the Council's commitment to make Croydon a learning place by recognising the importance of ensuring good education and lifelong learning opportunities for everyone living and working in Croydon. Ashburton Learning Village is an important part of the Community Strategy and fulfils a commitment within the strategy to rebuild Ashburton High School. The Authority has entered into a 30 year contract with Norwest Holst on a design, build and operate basis, that includes enhanced facilities, improved ICT and access to the National Grid for Learning. This is supported through the Government's PFI scheme. The PFI credits include £17.1m from the Department for Education and £4.7m from the Department for Culture, Media and Sport; depending on usage, the Council may pay £64m over the remaining 24 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 Council exercised its option for a three year extension from May 2010 to May 2013 with an estimated cost in the region of £48m. In March 2011, the parties agreed to enter into a one year contract extension in accordance with Clause 72 of the original agreement. This contract extension is separate to the original agreement, has a value of £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. The 25 year contract with Skanska-Laing started in August 2011. In 2012/13 the Annual Unitary Payment to Skanska-Laing was £4.4m; PFI credits of £6.0m were received. The PFI credits are in excess of the AUP, the excess is held in an equalisation account to offset charges in future years that will exceed the PFI credit. The PFI credit is fixed at £6.0m each year whereas the AUP is index linked to the RPI and consequently, will increase each year until contract expiration in 2036/37.

Value of Assets Held	**Ashburton Learning Village £000**	**Adult Homes For The Future £000**	**Customer Focus £000**	**Street Lighting £000**	**2012/13 Total £000**	**2011/12 Total £000**
Net book value as at 31 March 2012	18,267	20,693	3,071	4,234	46,265	46,468
Gross book value as at 31 March 2012	19,514	22,224	14,141	4,380	60,259	55,879
Additions				1,839	1,839	4,380
Revaluation					0	0
Gross book value as at 31 March 2013	19,514	22,224	14,141	6,219	62,098	60,259
Depreciation as at 1 April 2012	(1,247)	(1,531)	(11,070)	(146)	(13,994)	(9,411)
Depreciation for year	(390)	(645)	(2,194)	(207)	(3,436)	(4,583)
Net book value as at 31 March 2013	17,877	20,048	877	5,866	44,668	46,265

Value of Liabilities	**Ashburton Learning Village £000**	**Adult Homes For The Future £000**	**Customer Focus £000**	**Street Lighting £000**	**2012/13 Total £000**	**2011/12 Total £000**
Creditors as at 31 March 2012	(16,947)	(23,283)	(1,916)	(4,373)	(46,520)	(44,396)
"Drawdown" at start of operational period				(1,839)	(1,839)	(4,380)
Capital repayment	370	382	1,629	1,299	3,680	2,256
Lump sum contribution	0	0	0	0	0	0
Creditors as at 31 March 2013	(16,577)	(22,901)	(287)	(4,913)	(44,679)	(46,520)

43. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS (continued)

Repayment of Liabilities	Ashburton Learning Village £000	Adult Homes For The Future £000	Customer Focus £000	Street Lighting £000	2012/13 Total £000	2011/12 Total £000
Within one year	390	405	287	1,122	2,204	3,037
Within two to five years	1,781	1,881	0	2,072	5,734	5,612
Within six to ten years	2,817	3,063	0	7,052	12,932	12,341
Within 11 to 15 years	3,655	4,104	0	10,465	18,224	17,283
Within 16 to 20 years	4,743	8,190	0	15,530	28,463	24,275
Within 21 to 25 years	3,191	5,258	0	14,279	22,728	29,185
Within 26 to 30 years	0	0	0	0	0	2,233
Total	16,577	22,901	287	50,520	90,285	93,966

Interest Payments	Ashburton Learning Village £000	Adult Homes For The Future £000	Customer Focus £000	Street Lighting £000	2012/13 Total £000	2011/12 Total £000
Within one year	886	1,379	3	1,732	4,000	3,577
Within two to five years	3,325	5,258	0	14,898	23,481	21,663
Within six to ten years	3,565	5,860	0	18,370	27,795	28,387
Within 11 to 15 years	2,727	4,820	0	14,957	22,504	23,445
Within 16 to 20 years	1,640	4,305	0	9,892	15,837	16,453
Within 21 to 25 years	319	691	0	2,571	3,581	6,460
Within 26 to 30 years	0	0	0	0	0	146
Total	12,462	22,313	3	62,420	97,198	100,131

Service Charge Payments	Ashburton Learning Village £000	Adult Homes For The Future £000	Customer Focus £000	Street Lighting £000	2012/13 Total £000	2011/12 Total £000
Within one year	744	1,529	2,027	2,087	6,387	16,926
Within two to five years	3,274	6,612	0	7,679	17,565	19,925
Within six to ten years	4,817	9,477	0	7,961	22,255	21,536
Within 11 to 15 years	5,720	10,989	0	9,468	26,177	25,347
Within 16 to 20 years	6,742	18,307	0	11,261	36,310	29,745
Within 21 to 25 years	4,197	10,086	0	8,753	23,036	31,025
Within 26 to 30 years	0	0	0	0	0	4,154
Total	25,494	57,000	2,027	47,209	131,730	148,657

Lifecycle Payments	Ashburton Learning Village £000	Adult Homes For The Future £000	Customer Focus £000	Street Lighting £000	2012/13 Total £000	2011/12 Total £000
Within one year	411	405	0	0	816	816
Within two to five years	1,644	1,621	0	0	3,265	3,264
Within six to ten years	2,055	2,025	0	0	4,080	4,080
Within 11 to 15 years	2,055	2,025	0	0	4,080	4,080
Within 16 to 20 years	2,055	2,836	0	0	4,891	4,080
Within 21 to 25 years	1,130	1,351	0	0	2,481	3,566
Within 26 to 30 years	0	0	0	0	0	540
Total	9,350	10,263	0	0	19,613	20,426

Contingent Rent	Ashburton Learning Village £000	Adult Homes For The Future £000	Customer Focus £000	Street Lighting £000	2012/13 Total £000	2011/12 Total £000
Within one year	0	0	0	0	0	0
Within two to five years	0	0	0	90	90	14
Within six to ten years	0	0	0	488	488	457
Within 11 to 15 years	0	0	0	533	533	540
Within 16 to 20 years	0	0	0	363	363	416
Within 21 to 25 years	0	0	0	40	40	87
Within 26 to 30 years	0	0	0	0	0	0
Total	0	0	0	1,514	1,514	1,514

44. IMPAIRMENT LOSSES

It is a requirement of the Code of Practice on Local Authority Accounting 2012/13 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 Other Land and Buildings. These disclosures are consolidated in Note 12 reconciling the movement over the year in the Property, Plant and Equipment balances.

During 2012/13 following the annual impairment review, there was an impairment loss of £0.266m, which was charged to the Comprehensive Income and Expenditure Statement.

45. CAPITALISATION OF BORROWING COSTS

No borrowing costs were capitalised during 2012/13.

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 2012/13, the Council paid £11.2m (2011/12 £13.1m) to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% (2011/12 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 81.

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.

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 81. The table below discloses the pensions liability and the movements in that liability:

Pensions Liability	**2012/13 £000**	**2011/12 £000**
Present value of funded benefit obligation	(1,190,381)	(1,043,976)
Present value of unfunded benefit obligation	(9,935)	(10,192)
Total present value of benefit obligations	(1,200,316)	(1,054,168)
Fair value of fund assets	666,396	613,401
	(533,920)	(440,767)
Unrecognised past service cost	0	0
Net liability	(533,920)	(440,767)

Movements on Pensions Liability	**2012/13 £000**	**2011/12 £000**
Net liability brought forward	(440,767)	(345,441)
Current service cost	(21,623)	(18,845)
Past service cost	(36)	(39)
Curtailments and settlements	7,509	2,868
Employer's contributions	26,212	27,033
Interest on pension liabilities	(49,784)	(52,540)
Expected return on plan assets	33,917	38,618
Actuarial gains / (losses)	(89,348)	(92,421)
Net liability carried forward	(533,920)	(440,767)

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

Property Search
A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £1m plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh Local Authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

49. CONTINGENT ASSETS

There were no contingent assets at 31 March 2013.

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 polices and procedures covering specific areas such as credit risk, liquidity risk and market risk.

The annual Treasury Management Strategy for 2012/13 which incorporates the prudential indicators was approved by Full Council on 27 February 2012 and is available on the Council's website. The key issues within the strategy were:

1. The Authorised Borrowing Limit for 2012/13 was set at £782.560m. This is the maximum limit of external borrowings or other long term liabilities.
2. The Operational Boundary was set at £742.560m. 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 £742.560m 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	Amounts at 31 March 2013 £000	Historical Experience of Default %	Estimated Maximum Exposure to Default £000
Deposits with banks and other financial institutions	161,596	nil	0
Bonds and other securities	0	nil	0
Customers	0	nil	0
Total	161,596	nil	0

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 (£161.596m) excluding amounts due from customers and the CCURV investment are due to be paid in less than one year.

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 2013 £000	At 31 March 2012 £000
Loans outstanding:		
PWLB	554,926	498,926
Market debt / LOBOs	135,000	120,000
Temporary borrowing	0	0
Local bonds	0	0
Deferred purchase	0	0
Other	338	338
Total	690,264	619,264
Less than 1 year	60,023	64,023
Between 1 and 2 years	0	4,000
Between 2 and 5 years	81,000	0
Between 5 and 10 years	43,000	32,000
More than 10 years	506,241	519,241
Total	690,264	619,264

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 2013, if interest rates had been 1% higher, the financial effect would be:

	At 31 March 2013 £000	At 31 March 2012 £000
Increase in interest payable on variable rate borrowings	600	600
Increase in interest receivable on variable rate investments	(1,495)	(1,866)
Increase in Government grant receivable for financing costs	0	0
Impact on Comprehensive Income and Expenditure Statement	(895)	(1,266)
Share of overall impact debited to the HRA	0	137
Decrease in fair value of available-for-sale investment assets	0	0
Impact on CI&E Statement or Movement in Reserves Statement	0	137
Decrease in fair value of fixed rate borrowing liabilities	(105,025)	(88,830)
Impact on CI&E Statement or Movement in Reserves Statement	(105,025)	(88,830)

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. In 2012/13 it was revised and re-named as the 'Collections Development Policy' to meet the new requirements of Arts Council Englands' Accreditation Standard (October 2011). It has been submitted for approval by the governing body under its delegated powers as outlined in the Council's constitution.

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. TRUST FUNDS

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

The principal funds are two trust fund legacies:

- ► The Church Tenements Charity, which provides grants to young people for education purposes (£0.824m)
- ► The Frank Denning Memorial Charity, which provides travelling scholarships (£0.267m).

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

53. 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 can be found in the Group Accounts.

54. 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 (Department for Communities and Local Government)

	NNDR Pool £000	% of Formula Grant %
2011/12	94,221	82.9
2012/13	113,800	98.1

Croydon Council received from Central Government more than it contributed to the NNDR pool in 2012/13:

	£000
NNDR Collectable	106,792
Receipt from the NNDR Pool	(113,800)
Net Receipt	(7,008)

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

This Statement of Accounts was issued on 25 June 2013 by Richard Simpson, Director of Finance and Assets and Section 151 Officer.

PENSIONS - IAS19 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES

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

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

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

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

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

In 2012/13, the Council paid £11.2m (2011/12 £13.1m) to Capita Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% (2011/12 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 4.5% (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.

PENSIONS - IAS19 AND ACCOUNTING CODE OF PRACTICE DISCLOSURE NOTES

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 2012/13 was £26.2m at a contribution rate of 23.2% (£27.0m in 2011/12 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 £30.0m in 2012/13 (£29.9m in 2011/12).

Discretionary Benefits

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

Actuarial Assumptions	**31 March 2013**	**31 March 2012**
Financial assumptions		
Rate of inflation RPI	3.60%	3.40%
Rate of inflation CPI	2.80%	2.90%
Rate of increase in salaries *	4.60%	4.30%
Rate of increase of pensions	2.80%	2.50%
Discount rate	4.50%	4.80%
Expected rate of return on assets		
Equities	4.50%	6.40%
Bonds	4.50%	4.60%
Property	4.50%	4.40%
Cash / Liquidity	4.50%	3.50%
Split of assets between investment categories		
Equities	61.00%	59.00%
Bonds	29.00%	32.00%
Property	6.00%	7.00%
Cash / Liquidity	4.00%	2.00%
Life expectancy		
of a male (female) future pensioner aged 65 in 20 years time	24.9 (27.7) years	24.9 (27.7) years
of a male (female) current pensioner aged 65	22.9 (25.7) years	22.9 (25.7) years
Commutation of pension for lump sum at retirement	50% take maximum cash, 50% take 3/80ths cash	
Market value of total funds (£ millions)	700 as at 31 Mar 2013	625 as at 31 Mar 2012

* 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	**2012/13 £000**	**2011/12 £000**
Present value of funded benefit obligation	(1,190,381)	(1,043,976)
Present value of unfunded benefit obligation	(9,935)	(10,192)
Total present value of benefit obligations	(1,200,316)	(1,054,168)
Fair value of Fund assets	666,396	613,401
	(533,920)	(440,767)
Unrecognised past service cost	0	0
Net liability	(533,920)	(440,767)

Changes in the Present Value of Defined Benefit Obligations	**2012/13 £000**	**2011/12 £000**
Opening defined benefit obligation	(1,054,168)	(963,272)
Current service cost	(21,623)	(18,845)
Past service cost	(36)	(39)
Curtailments and settlements	(1,076)	(1,137)
Liabilities extinguished on settlements	13,860	4,302
Interest on pension liabilities	(49,784)	(52,540)
Members contributions	(6,943)	(7,455)
Actuarial (gains) / losses on liabilities	(118,655)	(53,007)
Benefits / transfers paid	38,109	37,825
Closing defined benefit obligation	(1,200,316)	(1,054,168)

Changes in the Fair Value of Fund Assets	**2012/13 £000**	**2011/12 £000**
Opening fair value of Fund assets	613,401	617,831
Expected return on Fund assets	33,917	38,618
Actuarial gains / (losses) on assets	29,307	(39,414)
Assets distributed on settlements	(5,275)	(297)
Employer contributions	26,212	27,033
Members contributions	6,943	7,455
Benefits / transfers paid	(38,109)	(37,825)
Closing fair value of Fund assets	666,396	613,401

Analysis of the Movement in the Net Liability	**2012/13 £000**	**2011/12 £000**
Net liability brought forward	(440,767)	(345,441)
Current service cost	(21,623)	(18,845)
Past service gain	(36)	(39)
Curtailments and settlements	7,509	2,868
Employer's contributions	26,212	27,033
Interest on pension liabilities	(49,784)	(52,540)
Expected return on plan assets	33,917	38,618
Actuarial gains / (losses)	(89,348)	(92,421)
Net liability carried forward	(533,920)	(440,767)

Analysis of the Fair Value of Fund Assets	Value at 31 March 2013 %	Value at 31 March 2013 £000	Value at 31 March 2012 %	Value at 31 March 2012 £000	Value at 31 March 2011 %	Value at 31 March 2011 £000
Equities	61.00%	406,501	59.00%	361,907	53.10%	328,069
Bonds	29.00%	193,255	32.00%	196,288	29.30%	181,024
Property	6.00%	39,984	7.00%	42,938	5.90%	36,452
Cash / Liquidity	4.00%	26,656	2.00%	12,268	0.60%	3,707
Other	0.00%	0	0.00%	0	11.10%	68,579
Fair value of Fund assets		666,396		613,401		617,831

Movements on Pensions Reserve	2012/13 £000	2011/12 £000
Net liability brought forward	(440,767)	(345,441)
Reduction of charge to actual payment into the Pension Fund (adjusted in the Movement in Reserves Statement - no entry in CI&E Statement)	(3,805)	(2,905)
Experience / Actuarial (gain) / loss (recognised in the Statement of Other Comprehensive Income)	(89,348)	(92,421)
Net liability carried forward	(533,920)	(440,767)

The valuation of employer assets used in this analysis differs from the figures presented in the Pension Fund Statements in that it uses an estimate of returns (-0.1%) because it has to be prepared in advance of the year end, whereas the Pension Fund Accounts are prepared on the basis of actual and not assumed figures after the year's end. Regardless of this detail the movement in the value of these assets reflects the stagnation of the financial markets over the reporting period and beyond, a consequence of the continued global financial crisis. The schedule shows a deterioration in the funding level; the net liability has grown from £441 million to £534 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	2012/13 £000	2011/12 £000
Amounts recognised in the Net Cost of Services		
Current service cost	(21,623)	(18,845)
Past service cost	(36)	(39)
Effect of curtailments or settlements	7,509	2,868
Amounts recognised in Financing and Investment Income and Expenditure		
Interest on pension liabilities	(49,784)	(52,540)
Expected return on Fund assets	33,917	38,618
Total recognised in the Comprehensive Income and Expenditure Statement	(30,017)	(29,938)
Amounts recognised in the Statement of Other Comprehensive Income		
Actuarial Gain / Loss	(89,348)	(92,421)
Amounts recognised in the Movement in Reserves Statement		
Transfer to Pension Reserve	3,805	2,905
Amounts recognised in the Financial Statements of the Council		
Employer contributions	(26,212)	(27,033)
Actual Return on Fund assets	63,341	(667)

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 2013 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Present value of benefit obligations	(1,200,316)	(1,054,168)	(963,272)	(1,064,961)	(777,690)
Fair value of Fund assets	666,396	613,401	617,831	548,173	389,684
Surplus / (Deficit) of the Fund	(533,920)	(440,767)	(345,441)	(516,788)	(388,006)
Experience adjustments on Fund liabilities	(118,655)	(53,007)	104,943	(238,976)	187,315
Expressed as a percentage	9.89%	5.03%	(10.89%)	22.44%	(24.09%)
Experience adjustments on Fund assets	29,307	(39,414)	27,903	127,836	(142,901)
Expressed as a percentage	4.40%	(6.43%)	4.52%	23.32%	(36.67%)

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 2012/13.

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 % p.a.	31 March 2010 % p.a. Real
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 has 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)

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £1,267m (2012: £1,065m). The assumptions underlying the figure are set out in Croydon Council's statutory accounts. The figure is only prepared for the purposes of IAS19 and has no validity in other circumstances. In particular, it is not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund.

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 2013

	Note No.	2012/13 £000	2011/12 £000
Income			
Dwelling rents	12	(69,669)	(64,581)
Non-dwelling rents	12	(1,418)	(1,383)
Charges for services and facilities	13	(11,812)	(12,231)
Contributions towards expenditure		(54)	(26)
Capital grants and contributions receivable		(996)	(1,924)
Total Income		(83,949)	(80,145)
Expenditure			
Repairs and maintenance		13,384	13,246
Supervision and management		28,063	25,510
Rents, rates, taxes and other charges	14	1,772	1,452
Negative subsidy payable to Communities and Local Government	7	0	16,329
Allowance for debtors	9	515	630
Depreciation of non-current assets		12,971	12,494
Impairment of non-current assets	5	0	0
Amortisation of intangible assets		19	7
Revenue expenditure funded from capital under statute		4,752	3,431
Self Financing settlement		0	223,126
Appropriation of Assets from the General Fund to the HRA		2,185	0
Total Expenditure		63,661	296,225
Net cost of HRA services as included in the whole-Authority Comprehensive Income and Expenditure Statement		(20,288)	216,080
HRA services share of Corporate and Democratic Core		152	152
HRA share of Pensions Reserve contributions not allocated to specific services	8	(686)	(250)
Net cost of HRA services		(20,822)	215,982
Gain or loss on sale of HRA non-current assets		(2,194)	(1,291)
Gain or loss on revaluation of non-current assets		0	(2,007)
Housing pooled capital receipt		1,444	1,018
Interest payable and similar charges		11,767	3,842
Self Financing interest payable		0	6
Interest and investment income		(34)	(50)
Pensions interest costs and expected return on pensions assets		1,457	1,232
(Surplus)/ deficit for the year on HRA services		(8,382)	218,732

THE MOVEMENT ON THE HRA STATEMENT

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

	Note No.	2012/13 £000	2011/12 £000
HRA surplus balance brought forward		(7,182)	(6,137)
(Surplus)/deficit for the year on the HRA Comprehensive Income and Expenditure Statement		(8,382)	218,732
Amounts included in the HRA Comprehensive Income and Expenditure Statement but are required by statute to be excluded when determining the movement on the HRA balance for the year			
Transfer to/(from) Major Repairs Reserve	3	3,534	(452)
Write down of intangible assets		(19)	(7)
Impairment charged to Income and Expenditure	2	0	0
Reversal of gain or loss on revaluation of non-current assets		0	2,007
Gain or loss on sale of HRA non-current assets		2,194	1,291
Capital grants and contributions		996	1,924
Write downs of revenue expenditure funded from capital under statute	3/6	(4,752)	(3,431)
Net charges made for retirement benefits in accordance with IAS19		(349)	(257)
Self Financing settlement		0	(223,126)
		1,604	(222,051)
Amounts excluded in the HRA Comprehensive Income and Expenditure Statement but are required by statute to be included when determining the movement on the HRA balance for the year			
Amortisation of premiums and discounts	16	379	389
Capital expenditure funded by the Housing Revenue Account		4,469	1,300
Housing pooled capital receipt		(1,444)	(1,018)
		3,404	671
Contributions to/from reserves			
Short-Term Accumulating Compensated Absences (STACA)		13	29
Transfer to/from HRA Balances		1,179	1,574
		1,192	1,603
Net additional amounts		6,200	(219,777)
(Increase)/decrease in HRA balance for the year		(2,182)	(1,045)
HRA balance carried forward		(9,364)	(7,182)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. NUMBER AND TYPE OF DWELLINGS IN THE HOUSING STOCK

Types of Property	2012/13	2011/12
Houses	5,439	5,460
Flats	8,589	8,603
Relocatable Homes	24	24
Total Dwellings	14,052	14,087

2. PROPERTY, PLANT AND EQUIPMENT ASSETS CATEGORY VALUES

2012/13	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant Furniture and Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Net book value as at 1 April 2012	548,187	13,047	27	0	687	561,948
Gross book value as at 1 April 2012	814,648	13,495	195	0	687	829,025
Additions	19,922	0	0	0	0	19,922
Revaluation increase/(decrease) recognised in the Revaluation Reserve	11,328	405	0	0	0	11,733
Revaluation increase/(decrease) recognised in Income and Expenditure	(12,031)	0	0	0	0	(12,031)
Derecognition - Disposals	(1,833)	0	0	0	0	(1,833)
Derecognition - Other	0	0	0	0	0	0
Transfers/Reclassifications	2,391	(114)	0	660	(687)	2,250
Gross book value as at 31 March 2013	834,425	13,786	195	660	0	849,066
Accumulated Depreciation and Impairment						
At 1 April 2012	266,461	448	168	0	0	267,077
Depreciation for year	12,501	428	27	15	0	12,971
Depreciation written out to the Revaluation Reserve	(12,460)	(405)	0	0	0	(12,865)
Depreciation written out to Income and Expenditure	(12,031)	0	0	0	0	(12,031)
Derecognition - Disposals	(41)	0	0	0	0	(41)
Transfers/Reclassifications	0	(10)	0	29	0	19
Accumulated Depreciation and Impairment at 31 March 2013	254,430	461	195	44	0	255,130
Net book value as at 31 March 2013	579,995	13,325	0	616	0	593,936

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

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

2. PROPERTY, PLANT AND EQUIPMENT ASSETS CATEGORY VALUES cont'd

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).

Authorities are required by the Accounts and Audit (England) Regulations 2011 to maintain the Major Repairs Reserve (MRR), which controls an element of the capital resources required to be used on HRA assets or for capital financing purposes. Under the new arrangements in the self-financing HRA there are two entries which primarily will establish the resources available on an annual basis in the Major Repairs Reserve:

the regulations require the MRR to be credited with an amount equivalent to the total depreciation charges for all HRA assets

if Authorities choose to adopt the transitional arrangements (Croydon has done so), the Item 8 Determination permits the authority to abate the amount they charge for depreciation on HRA dwellings down to a notional Major Repairs Allowance figure (thus effectively reducing the MRR by up to this amount).

The depreciation charge applicable to Croydon is lower than the MRA, consequently, an abatement is not applicable.
As part of the self-financing settlement, the Major Repairs Allowance (MRA) for Croydon was increased from £12.042m to £16.035m. The annual depreciation charge for dwellings properties was calculated as being £12.501m in 2012/13 (£12.971m including non dwellings depreciation of £0.470m). As per the terms of the transitional period of the self-financing settlement, the difference, either higher or lower, between the value of the dwellings depreciation charge and the MRA was transferred to the Major Repairs Reserve (MRR), in this case £3.534m - please see Note 3.

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

	31 March 2013	31 March 2012
Total Dwellings	14,052	14,087
Leaseholds	2,106	2,100
Garages	3,404	3,412
Parking Spaces	95	95
	19,657	19,694
Vacant possession value of dwellings at 31 March 2013	£2,243m	
Vacant possession value of dwellings at 1 April 2012	£2,166m	
Vacant possession value of dwellings at 1 April 2011		£2,133m

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 £2,166m x 25% = £542m as at 1 April 2012. However, due to the increase in market values, the vacant possession value was reviewed at 31 March 2013. This led to an increase in the vacant possession value of £77m to £2,243m. The EUV-SH value was £2,243m x 25% = £561m as at 31 March 2013. Changes during the year bring the net book value to £580m.

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

3. CAPITAL EXPENDITURE

	2012/13 £000	2011/12 £000
Expenditure		
Non-current assets (buildings)	19,922	17,281
Non-current assets (assets under construction)	0	0
Revenue expenditure funded from capital under statute	4,752	3,431
Intangible assets	61	5
	24,735	20,717
Financed By		
Borrowing approvals	93	1,684
Capital receipts	1,931	819
Government grants and other contributions	1,027	3,126
Grants relating to revenue expenditure funded from capital under statute	1	172
Direct revenue contributions	4,469	1,300
Major Repairs Reserve	16,035	12,042
Contributions from Reserves	1,179	1,574
	24,735	20,717

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

	2012/13 £000	2011/12 £000
Balance brought forward	0	0
Mortgage repayments	24	54
Other capital receipts	0	204
Net surplus for year	24	258
Receipts from sales of assets during the year	3,987	1,579
Transfer to Housing Capital Receipts Pool	(1,444)	(1,018)
Balance of receipts after transfer	2,543	561
Balance on account before application of receipts	2,567	819
Financing of capital expenditure	(1,931)	(819)
Balance carried forward	636	0

Major Repairs Reserve	2012/13 £000	2011/12 £000
Opening balance as at 1 April	0	0
Depreciation charge to HRA	12,971	12,494
Capital expenditure during the year	(16,035)	(12,042)
Other reserve adjustments	3,534	(452)
Closing balance as at 31 March	470	0

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 2012/13 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 Movement on the HRA Statement.

7. HRA SUBSIDY

The national HRA subsidy system was replaced with Self-Financing from the end of March 2012. The HRA is now fully self-sustaining and has to meet all it's costs from the income generated by its own stock.

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

	2012/13		2011/12	
	Debtors £000	Allowance for Doubtful Debt £000	Debtors £000	Allowance for Doubtful Debt £000
Housing Revenue Account rents	6,069	(4,201)	5,627	(3,998)
Housing Revenue Account lease holder service charges/major works	2,193	(185)	2,642	(193)
Housing Revenue Account other debtors	(8)	0	1	0
	8,254	(4,386)	8,270	(4,191)

10. SUMS DIRECTED BY THE SECRETARY OF STATE

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

11. EXCEPTIONAL AND PRIOR YEAR ADJUSTMENTS

There are no exceptional or prior year adjustments in 2012/13.

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:

	2012/13	2011/12
Average percentage of void property	0.8%	0.9%
Average weekly rental (based on a 50 week year)	£99.64	£92.22

The percentage of tenants in receipt of housing benefit was 72.03% in 2012/13 (71.64% in 2011/12) and the amount of gross rent and service charge met by housing benefit was £47.1m plus £1.7m in underpayments (£43.6m and £1.6m in underpayments in 2011/12).

13. CHARGES FOR SERVICES AND FACILITIES

This represents the income of the Authority for the year in respect of services or facilities provided by the Authority in connection with the provision of houses and other property within the account. It includes additional charges for such things as furniture, board and laundry facilities, but will exclude payments for welfare services that are outside the scope of the HRA.

14. RENTS, RATES, TAXES AND OTHER CHARGES

	2012/13 £000	2011/12 £000
Rents	3	11
Rates	41	34
Council Tax	20	0
Water rates	97	0
Insurance	1,347	1,272
Other charges	264	135
	1,772	1,452

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 2013 £000	31 March 2012 £000
Working Balance	5,595	3,819
Housing Repairs Fund	0	3,363
Contingency Reserve	3,769	0
HRA balance carried forward	9,364	7,182
Major Repairs Reserve (Note 3)	470	0
Total HRA Reserves	9,834	7,182

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 2012 AND 31 MARCH 2013

	2012/13 £000	2011/12 £000
Income		
Dwelling Rents and Service Charges	(79,917)	(74,445)
Garage Rents	(1,418)	(1,247)
Other Charges and Income	(1,647)	(3,023)
Interest on Council Mortgages	(5)	(8)
	(82,987)	(78,723)
Expenditure		
Management - General	18,355	15,425
Management - Special	12,030	12,388
Maintenance and Repairs	13,422	13,301
Depreciation	12,971	12,494
Capital Financing	12,146	4,237
Revenue Contribution to Capital Outlay	4,469	1,300
Provision for Doubtful Debts	515	630
Negative Subsidy Payable to Communities and Local Government	0	16,329
Transfer to Major Repairs Reserve	3,534	0
	77,442	76,104
(Deficit)/Surplus	(5,545)	(2,619)
Surplus at beginning of year	(7,182)	(6,137)
Surplus/(Deficit) for the year	(5,545)	(2,619)
Transfer to/from HRA Balances	3,363	1,574
Surplus at end of year	(9,364)	(7,182)

COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013

	Note No.	2012/13 £000	2012/13 £000	2011/12 £000
INCOME				
Council Tax collectable	2	160,688		159,252
Transfers from the General Fund				
- Council Tax benefits	4	36,024	196,712	36,260
National Non-Domestic Rates collectable	1(a)		106,792	106,631
Crossrail Business Rate Supplement collectable	1(b)		3,588	3,487
Total Income			307,092	305,630
EXPENDITURE				
Demands and precepts	3			
- London Borough of Croydon		148,534		147,124
- Greater London Authority		39,612		39,633
			188,146	186,757
National Non-Domestic Rates	1(a)			
- Payment to national pool		106,363		106,202
- Costs of collection		429		429
			106,792	106,631
Crossrail Business Rate Supplement collectable	1(b)			
- Payment to national pool		3,569		3,466
- Costs of collection		19		21
			3,588	3,487
Bad and doubtful debts				
- Write-offs		6,616		(248)
- Provisions		(1,909)		1,807
			4,707	1,559
Total Expenditure			303,233	298,434
(Surplus)/deficit for year			(3,858)	(7,196)
Fund balance brought forward			(3,841)	(664)
Fund balance carried forward			(7,699)	(7,860)
Allocation of surplus				
Surplus declared in the January Delegation report to be distributed in the following year:				
- LB Croydon			4,531	3,166
- GLA			1,221	853
Fund balance carried forward:				
- LB Croydon			1,547	3,026
- GLA			400	815
Total Fund balance			7,699	7,860

NOTES TO THE COLLECTION FUND

INTRODUCTION

This account summarises the transactions of the Collection Fund, the purpose of which is to receive Council Tax and National Non-Domestic Rates, collected on behalf of the Government, and apply the proceeds. The Council, together with the Greater London Authority, 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 2013 was £294.07m (£295.7m at 31 March 2012), and the 2012/13 Non-Domestic Rate multipliers were 45.8p (43.3p in 2011/12) and 45.0p for small businesses (42.6p in 2011/12).

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, £1,456.83 for 2012/13 (£1,459.93 for 2011/12) is multiplied by the proportion specified for the particular band to give an individual amount due.

2. COUNCIL TAX BASE (continued)

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

Council Tax Base 2012/13

Valuation Band	Number of Chargeable Dwellings	Band D Proportion	Band D Equivalent Dwellings	Council Tax £.pp	Council Tax Income £000
Band A	1,981	6/9	1,321	971.22	1,924
Band B	17,069	7/9	13,276	1,133.09	19,341
Band C	39,170	8/9	34,818	1,294.96	50,724
Band D	31,506	1	31,506	1,456.83	45,899
Band E	19,789	11/9	24,187	1,780.57	35,236
Band F	10,701	13/9	15,457	2,104.31	22,518
Band G	6,876	15/9	11,460	2,428.05	16,695
Band H	559	18/9	1,118	2,913.66	1,629
Total			133,142		193,966
Multiplied by estimated collection rate			97%		
Number of Band D equivalent dwellings			129,148		
Total of Demands/Precepts for year			188,147		
Adjustments during the year (including prior years)					2,746
Final collectable amount					196,712
Income per Collection Fund					
Council Tax collectable					160,688
Council Tax benefits					36,024
Final collectable amount					196,712

NOTES TO THE COLLECTION FUND

3. DEMANDS AND PRECEPTS

The Collection Fund is required to meet in full during the financial year the precepts and demands made on it by precepting Authorities and its own requirement as the billing Authority. Croydon Council's only precepting body is the Greater London Authority (GLA). The GLA requirement includes the budgets of its 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.

	2012/13 £.pp	2011/12 £.pp
Band D equivalent Council Tax charge	1,456.83	1,459.93
Split thereof:		
Croydon	1,150.11	1,150.11
Greater London Authority	306.72	309.82
Total	1,456.83	1,459.93
Payment to Croydon		
Share of Band D equivalent Council Tax charge	1,150.11	1,150.11
Number of Band D equivalent dwellings	129,148	127,922
Total	148,534,406.28	147,124,371.42
Rounded to £000's	148,534	147,124
Payment to the Greater London Authority		
Share of Band D equivalent Council Tax charge	306.72	309.82
Number of Band D equivalent dwellings	129,148	127,922
Total	39,612,274.56	39,632,794.04
Rounded to £000's	39,612	39,633

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 2012/13

	General Fund Balance £000	HRA Balance £000	Earmarked GF Reserves Balance £000	Capital Receipts Balance £000	Capital Grants Unapplied Balance £000	Major Repairs Reserve Balance £000	Group Interest Balance £000	Total Usable Reserves Balance £000
Balances b/f at 31 March 2012	11,597	7,182	61,647	1,352	3,625	0	(6,115)	79,288
Movement in reserves during 2012/13								
Surplus or (deficit) on provision of services	(50,088)	8,381						(41,707)
Other Comprehensive Expenditure and Income								
Revaluation Gains								0
Revaluation losses (chargeable to revaluation reserve)								0
Impairment Losses Chargeable to Revaluation Reserve								0
General movement in available-for-sale FI's								0
Movement in pensions reserve								0
Total Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0
Total Comprehensive Expenditure and Income	(50,088)	8,381	0	0	0	0	0	(41,707)
Adjustments between accounting basis and funding basis under regulations								
Amounts included in CI&E to be removed for determining movement in General Fund								
Depreciation (excl HRA)	28,243							28,243
Amortisation of Intangible Assets	1,606	19						1,625
Excess of depreciation charged to HRA services over the MRA element of housing subsidy		(3,534)				3,534		0
Impairment charged to CI&E Statement	266							266
Revaluation losses charged to CI&E Statement	29,417	6,479						35,896
Revaluation gains reversing losses previously charged to the CI&E Statement	(1,063)	(6,479)						(7,542)
Movement in market value of investment property	(475)							(475)
Movement in value of held for sale assets								0
Capital grant and contributions	(56,065)	(996)			1,101			(55,960)
Donated assets fair value less consideration								0
Revenue expenditure funded from capital under statute	31,092	4,752						35,844
Profit/loss on sale of non-current assets	37,458	(2,194)		5,316				40,580
Items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	7,623	771						8,394
Lessor Leases - Regulation 4 Mitigation	671							671
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	114							114
HRA financing								0
Compensated absences	(755)	(13)						(768)
Amounts excluded from CI&E to be included for determining movement in General Fund								
Statutory provision for the repayment of debt	(12,100)							(12,100)
Amortisation of premiums and discounts	(86)	(379)						(465)
Contribution to disposal costs of capital sales								0
HRA capital receipts to housing central pool		1,444		(1,444)				0
Employer's pensions contributions	(4,168)	(421)						(4,589)
Capital expenditure charged to General Fund	(3,566)	(4,469)						(8,035)
Other adjustments								
Major Repairs Allowance credited to the HRA		12,971						12,971
Reversal of Major Repairs Allowance credited to the HRA		(12,971)				12,971		0
Use of capital receipts reserve to finance capital expenditure				(3,608)				(3,608)
Use of major repairs reserve to finance capital expenditure						(16,035)		(16,035)
Transfer of unapplied Capital Grants					(535)			(535)
Deferred Capital Receipts - cash received				29				29
Adjustment between CAA and revaluation reserve for depreciation that is related to the revaluation balance rather than the historic cost								0
Total adjustments between accounting basis and funding basis under regulations	58,212	(5,020)	0	293	566	470	0	54,521
Net increase/Decrease before Transfers to Earmarked Reserves	8,124	3,361	0	293	566	470	0	12,814
Group contribution to / (from) Earmarked Reserves	4,064						(4,064)	0
Transfers to/(from) Earmarked Reserves								
LMS reserves	1,372		(1,372)					0
Other movements in reserves	(13,560)	(1,179)	13,560					(1,179)
Total transfers to/(from) Earmarked Reserves	(8,124)	(1,179)	12,188	0	0	0	(4,064)	(1,179)
Net increase/(decrease) in reserves for the year	0	2,182	12,188	293	566	470	(4,064)	11,635
Balances c/f at 31 March 2013	11,597	9,364	73,835	1,645	4,191	470	(10,179)	90,923

GROUP MOVEMENT IN RESERVES STATEMENT 2012/13

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
229,004	650,299	(3,030)	(440,767)	184	6,192	(4,806)	437,076	516,364
							0	(41,707)
37,299							37,299	37,299
(36,486)							(36,486)	(36,486)
							0	0
							0	0
			(89,348)				(89,348)	(89,348)
813	0	0	(89,348)	0	0	0	(88,535)	(88,535)
813	0	0	(89,348)	0	0	0	(88,535)	(130,242)
	(28,243)						(28,243)	0
	(1,625)						(1,625)	0
							0	0
	(266)						(266)	0
	(35,896)						(35,896)	0
	7,542						7,542	0
	475						475	0
							0	0
	55,960						55,960	0
							0	0
	(35,844)						(35,844)	0
(12,958)	(27,622)						(40,580)	0
			(8,394)				(8,394)	0
	(671)						(671)	0
							0	0
					(114)		(114)	0
							0	0
						768	768	0
							0	0
	12,100						12,100	0
		465					465	0
							0	0
							0	0
			4,589				4,589	0
	8,035						8,035	0
							0	0
	(12,971)						(12,971)	0
							0	0
	3,608						3,608	0
	16,035						16,035	0
	535						535	0
				(29)			(29)	0
(847)	847						0	0
(13,805)	(38,001)	465	(3,805)	(29)	(114)	768	(54,521)	0
(12,992)	(38,001)	465	(93,153)	(29)	(114)	768	(143,056)	(130,242)
							0	0
							0	0
	1,179						1,179	0
0	1,179	0	0	0	0	0	1,179	0
(12,992)	(36,822)	465	(93,153)	(29)	(114)	768	(141,877)	(130,242)
216,012	613,477	(2,565)	(533,920)	155	6,078	(4,038)	295,199	386,122

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
Restated Balances b/f at 31 March 2011	11,597	6,137	58,339	132	7,554	0	(2,593)	81,166
Movement in reserves during 2011/12								
Surplus or (deficit) on provision of services	(130,585)	(218,731)						(349,316)
Other Comprehensive Expenditure and Income								
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
Total Comprehensive Expenditure and Income	(130,585)	(218,731)	0	0	0	0	0	(349,316)
Adjustments between accounting basis and funding basis under regulations								
Amounts included in CI&E to be removed for determining movement in General Fund								
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)
Amounts excluded from CI&E to be included for determining movement in General Fund								
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
Employer's pensions contributions	(7,463)	(725)						(8,188)
Capital expenditure charged to General Fund	(3,990)	(1,300)						(5,290)
Other adjustments								
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
Total adjustments between accounting basis and funding basis under regulations	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)
Group contributions to/from Reserves - Group Interest	3,522						(3,522)	0
Transfers to/(from) Earmarked Reserves								
LMS reserves	4,605		(4,605)					0
Other movements in reserves	(7,913)	(1,574)	7,913					(1,574)
Total transfers to/(from) Earmarked Reserves	214	(1,574)	3,308	0	0	0	(3,522)	(1,574)
Net increase/(decrease) in reserves for the year	0	1,045	3,308	1,220	(3,929)	0	(3,522)	(1,878)
Balance c/f at 31 March 2012	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
							0	0
(433)							(433)	(433)
(1,400)							(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
	(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
	8,905						8,905	0
		475					475	0
							0	0
			8,188				8,188	0
	5,290						5,290	0
	(12,494)						(12,494)	0
							0	0
	825						825	0
	12,042						12,042	0
				(60)			(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 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	2012/13 Gross £000	2012/13 Income £000	2012/13 Net £000	2011/12 Net £000
Gross expenditure, gross income and net expenditure of continuing operations				
Central Services to the Public	37,285	(24,579)	12,706	9,544
Cultural, Environmental, Regulatory and Planning Services	85,707	(20,425)	65,282	67,560
Education Services	274,999	(235,949)	39,050	71,716
Highways Transport Services	50,317	(25,474)	24,843	31,907
Local Authority Housing (HRA)	63,813	(83,949)	(20,136)	216,231
Other Housing Services	321,903	(300,416)	21,487	21,911
Social Care	210,857	(63,832)	147,025	141,992
Corporate and Democratic Core	23,748	(18,503)	5,245	5,498
Non-Distributed Costs	0	(7,473)	(7,473)	(2,829)
Net cost of services	1,068,629	(780,600)	288,029	563,530
Other operating expenditure				
Levies payable			1,538	1,691
Payments of Housing capital receipts to Government pool			1,444	1,018
(Gain)/loss on disposal of non-current assets			35,264	73,511
Loss on revaluation of non-current assets			28,353	17,271
Financing and Investment Income and Expenditure				
Interest payable on debt			26,028	16,285
Interest payable on PFI unitary payments			2,934	2,789
Premium on early repayment of debt			159	187
Pensions interest cost			49,784	52,540
Expected return on pension assets			(33,917)	(38,618)
Investment interest income			(10,488)	(7,671)
Interest received on finance leases (lessor)			(190)	(232)
Changes in fair value of investment properties			(475)	182
Rental income from investment properties			(1,226)	(552)
Net (surplus)/deficit - trading undertakings			210	841
Taxation and Non-Specific Grant Income				
Recognised capital grants and contributions			(35,084)	(19,504)
Council Tax			(151,586)	(152,793)
National Non-Domestic Rates (NNDR)			(113,800)	(94,221)
Revenue Support Grant			(2,206)	(29,124)
Non-service related Government grants			(45,589)	(41,213)
(Surplus) or Deficit on Provision of Services			39,182	345,917
Share of (Surplus)/Deficit on Provision of Services by Joint Venture			2,525	3,399
Group (Surplus)/Deficit			41,707	349,316
(Surplus) or deficit on revaluation of non-current assets				
Revaluation gains			(37,299)	(8,347)
Impairment losses (chargeable to revaluation reserve)			0	433
Revaluation losses (chargeable to revaluation reserve)			36,486	1,400
Actuarial (gains)/losses on pension assets/liabilities - matching the entry to the pensions reserve			89,348	92,421
Other Comprehensive Income and Expenditure			88,535	85,907
Total Comprehensive Income and Expenditure			130,242	435,223

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.

GROUP BALANCE SHEET AS AT	31 March 2013 £000	31 March 2013 £000	31 March 2012 £000
Property, Plant and Equipment			
Council dwellings	579,994		548,187
Other land and buildings	674,651		755,952
Vehicles, plant, furniture and equipment	6,078		10,128
Infrastructure	92,827		90,290
Community assets	5,828		4,276
Assets under construction	147,243		113,681
Surplus assets not held for sale	11,942		2,797
		1,518,563	
Heritage Assets		15,786	10,411
Investment properties		24,234	24,527
Intangible Assets			
Software		4,043	2,533
Assets under construction		7,309	4,963
Long-term Investments			
Non-property investments		14,137	12,957
Non-Current Debtors		141,785	104,531
Non-Current Assets		1,725,857	1,685,233
Current Investments			
Non-property investments excluding cash equivalents		147,641	128,708
Assets held for sale (< 1 year)		4,770	0
Inventories		857	254
Short-term Debtors			
Debtors and payments in advance		77,015	92,321
Cash and cash equivalents		19,681	22,535
Current Assets		249,964	243,818
Bank overdraft		(38,104)	(39,170)
Short-term borrowing		(66,470)	(73,146)
Short-term creditors and receipts in advance		(119,532)	(122,138)
Short-term provision		(424)	(411)
Current Liabilities		(224,530)	(234,865)
Long-term Creditors			
Provisions		(9,768)	(8,937)
Long-term borrowing		(801,585)	(696,245)
Deferred capital creditors		(7,508)	(7,281)
Net Liability from interest in joint venture		(8,519)	(5,992)
Other non-current liabilities			
Pensions liability	(533,920)		(440,767)
Capital grants receipts in advance	(3,869)		(18,600)
		(537,789)	
Non-Current Liabilities		(1,365,169)	(1,177,822)
Net Assets		386,122	516,364
Usable reserves			
General Fund	11,597		11,597
Housing Revenue Account	9,364		7,182
Earmarked reserves	73,835		61,647
Capital receipts reserve	1,645		1,352
Capital grants unapplied	4,191		3,625
Major Repairs Reserve	470		0
Interest in Subsidiary	(1,660)		(123)
Share of Joint Venture	(8,519)		(5,992)
		90,923	79,288
Unusable reserves			
Revaluation reserve	216,012		229,004
Capital adjustment account	613,477		650,299
Financial Instruments adjustment account	(2,565)		(3,030)
Pensions reserve	(533,920)		(440,767)
Deferred capital receipts	155		184
Collection Fund adjustment account	6,078		6,192
Short-term accumulating compensated absences account	(4,038)		(4,806)
		295,199	437,076
Total Reserves		386,122	516,364

GROUP CASH FLOW STATEMENT

	2012/13 £000	2012/13 £000	2011/12 £000
OPERATING ACTIVITIES			
Net (surplus) or deficit on the provision of services	39,185		345,916
Adjustment for movement in Non-Cash Items	(115,758)		(176,548)
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	5,316		3,003
Interest Paid	26,122		14,256
Interest Received	(1,243)		(2,028)
Net cash (inflow)/outflow from operating activities		(46,378)	184,599
INVESTING ACTIVITIES			
Purchase of property, plant and equipment, investment property and intangible assets	110,676		119,156
Purchase of short-term and long-term investments	19,750		23,000
Other payments for investing activities	33,651		48,976
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,286)		(3,003)
Capital grants	(43,307)		(51,022)
Proceeds from short-term and long-term investments	(1,000)		(23,000)
Net cash (inflow)/outflow from investing activities		115,484	114,107
FINANCING ACTIVITIES			
Cash receipts from short-term and long-term borrowing	(75,000)		(317,126)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts (Principal)	3,681		2,256
Repayments of short-term and long-term borrowing	4,000		24,000
Net cash (inflow)/outflow from financing activities		(67,319)	(290,870)
Net (increase)/decrease in cash and cash equivalents		1,787	7,836
Cash and cash equivalents at the beginning of the reporting period		16,636	8,727
Cash and cash equivalents at the end of the reporting period		18,423	16,563
Cash held		117	108
Bank current accounts		(32,496)	(31,487)
Short-term deposits with building societies and Money Market Funds		13,956	14,816
		(18,423)	(16,563)

The Group Accounting Policies
The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2012/13 using the equity method for Joint Ventures under International Accounting Standard 31, Interests in Joint Ventures, and using the line-by-line consolidation method for subsidiaries under 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.

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 other 50% stake is held by John Laing Projects and Developments (Croydon) Limited (JLPD Ltd)

The Davis House Limited Liability Partnership (DH LLP) is a 100% owned subsidiary of CCURV LLP. These companies form the CCURV Group LLP which is included in the Council's Group Accounts using the equity method. Both parties have equal representation in the operation of the partnership (see below regarding voting rights). There are some powers of veto, limited to protecting the Council's overall interest in the partnership and its land commitments.

Croydon Care Solutions (Group) Limited is a group of Local Authority Trading Companies set up on 8 March 2011 comprising Croydon Care Solutions Limited, Croydon Day Opportunities Limited and Croydon Equipment Solutions Limited. The holding company is 100% owned by Croydon Council, and so is included in the Council's Group Accounts using the line-by-line consolidation method.

CCURV LLP - Nature of the Group
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.

The accounting period for CCURV LLP was the year ended 31 December 2012 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 2012, adjusting for the period to 31 March 2012 and adding the management accounts for the three months to 31 March 2013.

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 2013 the value of this pledge was £14,136,314 (£12,956,314 as at 31 March 2012) which is shown as a Financial Instrument under 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 annum, with the exception of that part relating to the Barclay Road Annex which attracts interest at 0.05% per annum. From the date of its inception to 31 March 2013 the total amount of interest payable by CCURV LLP in this way to Croydon Council was £2,250,488 (£2,031,612 to 31 March 2012).

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% per annum, calculated quarterly and compounded (i.e. added back) into the loan on a monthly basis (this is included under non-current receivables in Note 16 to the core financial statements).

From the date of its inception to 31 March 2013 the amount of interest payable by DH LLP to Croydon Council in respect of this loan was £1,150,618 (£861,431 to 31 March 2012).

On 26 January 2012, the Council made a further loan of £797,500 to DH LLP. The interest on the loan is at 6% per annum, calculated quarterly and compounded (i.e. added back) into the loan on a quarterly basis (this is included under non-current receivables in Note 16 to the core financial statements).

From the date of its inception to 31 March 2013 the amount of interest payable by DH LLP to Croydon Council on the further loan was £57,847 (£8,524 to 31 March 2012).

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 Accounting Standards.

Croydon Care Solutions Limited - Nature of the Group
The principle activities of the Croydon Care Solutions Limited Group of companies is to provide social care and associated products under contract with, and on behalf of, Croydon Council and other Local Authorities.

Its statutory accounts are co-terminus with that of the Council and have been consolidated for the year ended 31 March 2013.

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.

	2012/13 £000	2011/12 £000
Provisions and accounting basis transactions		
Depreciation	(24,709)	(32,055)
Impairment and downward valuations	(28,619)	(18,175)
Amortisations	(1,625)	(1,885)
Increase in impairment for allowance for debtors	813	202
Pension liability - accounting basis	(30,117)	(29,938)
Carrying amount of non-current assets sold	(40,580)	(76,514)
Provisions	(207)	(539)
Movements in the value of investment properties	475	(174)
Other non-cash movements	(13,721)	1,199
Net interest	(16,063)	(10,246)
	(154,353)	(168,125)
Items included/excluded from net surplus or deficit on the provision of services:		
Decrease/increase in creditors	8,907	(23,012)
Increase/decrease in debtors	(18,345)	3,295
Decrease/increase in inventory	603	(171)
Pension liability - paid	26,212	27,033
	17,377	7,145
Other non-service related items		
Grants applied to the financing of capital expenditure or received to meet the principal repayments on borrowing	57,062	58,697
Revenue expenditure funded from capital under statute	(35,844)	(74,265)
Total adjustment	(115,758)	(176,548)

2. CROYDON COUNCIL'S SHARE IN JOINT VENTURE COMPANIES WITHIN THE GROUP

This is as follows:

	2012/13		2011/12	
	CCURV £000	DHLLP £000	CCURV £000	DHLLP £000
Turnover and Operating Income	5,366	1,072	10,904	991
Profit/(loss) before and after tax	(299)	(2,226)	(482)	(2,917)
Non-Current Assets	0	5,612	0	7,638
Current Assets	404	1,090	2,451	298
Liabilities due within one year	(210)	(5,286)	(1,493)	(770)
Liabilities due after one year or more	(4,038)	(6,091)	(3,499)	(10,616)

Pension Fund Accounts 2012/13

September 2013

CROYDON
www.croydon.gov.uk

CROYDON'S ROLE AS A PENSION ADMINISTERING AUTHORITY

The Council as a Local Authority and a pension administering Authority is acting in two separate roles. As a Local Authority it is accountable to the residents of the London Borough of Croydon for its stewardship of public funds. As a pension administering Authority it is accountable 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, Churchill Services, 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, Veolia, Vinci Facilities, Wallington Cars and Courier Cars Ltd.

Scheduled:
Aerodrome Primary Academy, 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, Oasis Byron Academy, Pegasus Academy, Quest Academy, the Robert Fitzroy Academy, Shirley High School Performing Arts College, St Cyprians Academy, St James the Great Academy, St Josephs College Academy, St Thomas Becket RC Academy, West Thornton Primary Academy, Woodcote High 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.

STATEMENT OF ACCOUNTING POLICIES AND PRINCIPLES - PENSION FUND

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 2012/13 Code of Practice on Local Authority Accounting in the United Kingdom, 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.

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.

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

Transfers to and from other schemes
Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Investment income
- ► **Interest income**: Interest income is recognised in the fund account as it accrues.
- ► **Dividend income**: Dividend income is recognised by our fund managers on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.
- ► **Distributions from pooled funds**: Distributions from pooled funds are recognised by our fund managers at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a financial asset.
- ► **Movement in the net market value of investments**: Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Benefits payable
Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

Taxation
The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

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

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

Financial assets
Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised by the fund. The values of investments as shown in the Net Assets Statement have been determined in accordance with the valuation techniques described in Note 2.

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Financial liabilities
The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

Actuarial present value of promised retirement benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 23).

Additional voluntary contributions
The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 18).

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.

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013

CONTRIBUTIONS AND BENEFITS	Note No.	2012/13 £000	2011/12 £000
Employees' contributions:			
London Borough of Croydon		7,380	7,647
Scheduled bodies		1,095	864
Admitted bodies		468	487
Employers' contributions:			
London Borough of Croydon		25,708	26,395
Scheduled bodies		3,988	3,011
Admitted bodies		1,474	1,451
Transfer values received	15	4,076	4,868
Early retirement costs recovered	8	1,196	1,569
		45,385	46,292
Benefits - Pensions		34,086	31,806
- Lump sums	14	7,349	13,339
Payments to and on account of leavers - Refund of contributions		9	10
- Transfer values paid	15	2,678	3,209
Administrative expenses	11	1,093	1,762
		45,215	50,126
Net additions / (withdrawals) from dealings with members		170	(3,834)

RETURNS ON INVESTMENTS	Note No.	2012/13 £000	2011/12 £000
Investment income	13	6,543	5,795
Taxes on income	13	(579)	(272)
Net gains / (losses) on currency revaluations and underwriting commissions		112	182
Change in market value of investments:			
Unrealised	3	50,754	5,708
Realised	3	13,675	700
Investment management expenses	12	(1,332)	(1,669)
Net returns on investments		69,173	10,444
Net increase / (decrease) in the Fund during the year		69,343	6,610
Net assets at the start of the year		635,949	629,339
Net assets at the end of the year		705,292	635,949

NET ASSETS STATEMENT AS AT	Note No.	31 March 2013 £000	31 March 2012 £000
Investments held by the Fund Managers:			
Global equities - segregated funds	2 - 5	264,296	218,327
Global equities - pooled funds	2 - 5	102,649	84,221
Private equity	2 - 5	22,492	20,221
Infrastructure	2 - 5	22,403	15,840
Bonds	2 - 5	205,413	200,408
Hedge funds	2 - 5	13,334	23,755
Property	2 - 5	37,480	36,158
Global Tactical Asset Allocation	2 - 5	0	20,867
Total Investments held by the Fund Managers		668,067	619,797
Other Balances held by the Fund Managers			
Outstanding dividends and tax reclaimable	9	713	655
Outstanding trades for securities sold	9	2,570	5,973
Outstanding trades for securities purchased	10	(3,282)	(2,394)
Total Other Balances held by the Fund Managers		1	4,234
Cash held by the Fund Managers		7,830	9,869
Total Assets held by the Fund Managers		675,898	633,900
Net Current Assets:			
Debtors	9	1,544	886
Cash held by the London Borough of Croydon		11,752	169
Cash on deposit with Goldman Sachs		6,984	6,814
Short-term deposit at Lloyds Bank		15,000	0
Creditors	10	(5,886)	(5,820)
Net Assets at the End of the Year		705,292	635,949

Asset Classification

In 2012/13 the Pension Committee made the decision to report Infrastructure Funds separately, and the prior year comparatives have been changed to reflect this. Previously Infrastructure funds were aggregated with Private Equity Funds. This 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 2012/13 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	2012/13	2013/14
	% of pay	% of pay	£000	£000	£000
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)

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 £15,682,000. However, this sum was calculated as a proportion of the gross pensionable pay. As this figure fell during the current and previous 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 did not achieve £221k. This is because Age Concern (Croydon), Croydon Welcare, Croydon Meals Agency and Croydon Youth Development Trust all left the Fund in 2011/12.

All other contributions are as disclosed in the Schedule to the Rates and Adjustment Certificate.

2. INVESTMENTS

The Pension Committee agreed to authorise the then Executive Director of Finance and Resources, now the Interim Chief Executive, 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 2012/13 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% + / - 3%	50% + / - 3%
Bonds	18% Merrill Lynch Sterling non gilts all stocks index 12% Merrill Lynch Sterling Broad Market index	30% + / - 3%	25% + / - 3%
Property	IPD All Properties index	7% + / - 3%	10% + / - 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%	5.00%
Infrastructure	Absolute Return of 12%	0.00%	5.00%
Global Tactical Asset Allocation	3 month LIBOR plus 10%	4.00%	0.00%
Cash and Short Term Deposits		1.00%	1.00%
Total		100.00%	100.00%

2. INVESTMENTS (continued)

Asset Category	Fund Managers
Equities	DB Advisors, Fidelity and Franklin Templeton (segregated funds); and Sarasin (pooled funds)
Private equity	Knightsbridge and Pantheon
Infrastructure	Equitix *
Bonds	Standard Life and Wellington
Hedge Fund of Funds	Bluecrest and Fauchier **
Property	Henderson Global investors and Schroder Investment Management
Cash	Cash is invested by the in-house team

* In 2012/13 the Pension Committee agreed to report Infrastructure funds separately from Private Equity Funds.
** The fund fully redeemed its investment with Fauchier on 31 March 2013.

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 had been undertaken by the Bank of New York Mellon (BoNYM) since 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, Fidelity and Franklin Templeton)

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.

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 and Infrastructure 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

Pricing supplied by Globeopp.net. Net asset values are reconciled on a daily basis. The Fund fully redeemed its investment with Fauchier Partners on 31 March 2013.

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, bid prices are used where available.

Cash

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 a change in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Short Term Deposits

The Fund has a cash deposit with Lloyds Bank in a Term deposit account. The deposit is for a fixed term redeemable in August 2013.

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	218,327	157,813	(143,513)	8,563	23,106	264,296
Global equities - pooled funds	84,221	5,891	(2,171)	348	14,360	102,649
Private equity	20,221	3,216	(2,600)	1,608	47	22,492
Infrastructure	15,840	3,491	(985)	0	4,057	22,403
Bonds	200,408	86	(11,781)	2,826	13,874	205,413
Hedge funds	23,755	0	(11,755)	588	746	13,334
Property	36,158	8,828	(2,021)	(49)	(5,436)	37,480
Global Tactical Asset Allocation	20,867	0	(20,658)	(209)	0	0
	619,797	179,325	(195,484)	13,675	50,754	668,067

4. ANALYSIS OF INVESTMENTS

Investments are valued at the close of business on 31 March 2013 in accordance with the valuation methodologies detailed in Note 2.

	2013 Book £000	2013 Market £000	2013 Market %	2012 Book £000	2012 Market £000	2012 Market %
Global equities - segregated funds **(Quoted)**						
DB Advisors	73,877	81,287	12.2%	62,591	63,902	10.3%
Fidelity	79,555	99,779	14.9%	74,656	84,790	13.7%
Franklin Templeton	65,757	83,230	12.5%	59,416	69,635	11.2%
Total equities - segregated	219,189	264,296	39.6%	196,663	218,327	35.2%
Global equities - pooled funds **(Quoted)**						
Fidelity	13,617	15,496	2.3%	13,522	14,710	2.4%
Franklin Templeton	1,034	1,823	0.3%	1,207	1,656	0.3%
Sarasin	63,770	85,330	12.8%	59,620	67,855	10.9%
Total equities - pooled	78,421	102,649	15.4%	74,349	84,221	13.6%
Private Equity **(Unquoted)**						
Pantheon Ventures	12,442	16,974	2.5%	11,459	16,049	2.6%
MUST 2 (Mercury Unquoted Securities Trust)	0	0	0.0%	0	9	0.0%
Knightsbridge	5,212	5,518	0.8%	3,962	4,163	0.7%
Total private equity	17,654	22,492	3.3%	15,421	20,221	3.3%
Infrastructure **(Unquoted)**						
Equitix	13,813	22,403	3.4%	11,307	15,840	2.6%
Total Infrastructure	13,813	22,403	3.4%	11,307	15,840	2.6%
Bonds **(Quoted)**						
DB Advisors	0	0	0.0%	137	116	0.0%
Standard Life	108,711	126,549	18.9%	108,662	116,417	18.8%
Wellington	59,174	78,864	11.8%	67,976	83,875	13.5%
Total Bonds	167,885	205,413	30.7%	176,775	200,408	32.3%
Hedge Fund of Funds **(Quoted)**						
Bluecrest	11,230	13,334	2.0%	11,230	12,589	2.0%
Fauchier	0	0	0.0%	11,314	11,166	1.8%
Total Hedge Fund of Funds	11,230	13,334	2.0%	22,544	23,755	3.8%
Property **(Quoted)**						
Henderson Global Investors	17,655	11,189	1.7%	17,655	15,278	2.5%
Schroder	27,634	26,291	3.9%	20,881	20,880	3.4%
Total Property	45,289	37,480	5.6%	38,536	36,158	5.9%
Global Tactical Asset Allocation **(Quoted)**						
Nordea	0	0	0.0%	24,000	20,867	3.4%
Total investments	553,481	668,067	100.0%	559,595	619,797	100.0%

In the prior year, Infrastructure funds were reported together with Private Equity Funds. For 2012/13, the Pension Committee have requested that these are reported separately. The prior year comparatives have been amended to reflect this.

4. ANALYSIS OF INVESTMENTS (continued)

During the 2012/13 accounting period global equities recovered, especially in the last quarter, as stimulus measures introduced by central banks continued to support global growth. At the end of the account period the US region appeared stronger based on pro-growth policies and a recovery in the housing sector. Towards the end of the year Japanese equities experienced growth driven by a combination of a weaker yen and Government growth policies. The UK experienced a slow, steady growth during the final quarter as did the Eurozone although economic indicators for the region remain poor. The FTSE 100 started the year at 5,875 before experiencing a sharp drop to 5,260 in June and finished the year higher at 6,412.

5. GEOGRAPHICAL ANALYSIS OF INVESTMENTS

	2013			2012		
	UK £000	**Foreign £000**	**Total £000**	**UK £000**	**Foreign £000**	**Total £000**
Global equities - segregated funds **(Quoted)**						
DB Advisors	3,095	78,192	81,287	1,569	62,333	63,902
Fidelity	8,077	91,702	99,779	6,806	77,984	84,790
Franklin Templeton	6,598	76,632	83,230	7,537	62,098	69,635
Total equities	17,770	246,526	264,296	15,912	202,415	218,327
Global equities - pooled funds **(Quoted)**						
Fidelity	71	15,425	15,496	112	14,598	14,710
Franklin Templeton	0	1,823	1,823	0	1,656	1,656
Sarasin	0	85,330	85,330	0	67,855	67,855
Total pooled investments	71	102,578	102,649	112	84,109	84,221
Private Equity **(Unquoted)**						
Pantheon Ventures	0	16,974	16,974	0	16,049	16,049
MUST 2 (Mercury Unquoted Securities Trust)	0	0	0	9	0	9
Knightsbridge	0	5,518	5,518	0	4,163	4,163
Total private equity	0	22,492	22,492	9	20,212	20,221
Infrastructure **(Unquoted)**						
Equitix	22,403	0	22,403	15,840	0	15,840
Total Infrastructure	22,403	0	22,403	15,840	0	15,840
Bonds **(Quoted)**						
DB Advisors	0	0	0	0	116	116
Standard Life	126,549	0	126,549	116,417	0	116,417
Wellington	0	78,864	78,864	0	83,875	83,875
Total Bonds	126,549	78,864	205,413	116,417	83,991	200,408
Hedge Fund of Funds **(Quoted)**						
Bluecrest	13,334	0	13,334	12,589	0	12,589
Fauchier	0	0	0	11,166	0	11,166
Total Hedge Fund of Funds	13,334	0	13,334	23,755	0	23,755
Property **(Quoted)**						
Henderson Global Investors	0	11,189	11,189	0	15,278	15,278
Schroder	26,291	0	26,291	20,880	0	20,880
Total Property	26,291	11,189	37,480	20,880	15,278	36,158
Global Tactical Asset Allocation **(Quoted)**						
Nordea	0	0	0	20,867	0	20,867
Total investments	206,418	461,649	668,067	213,792	406,005	619,797

In the prior year, Infrastructure funds were reported together with Private Equity Funds. For 2012/13, the Pension Committee have requested that these are reported separately. The prior year comparatives have been amended to reflect this.

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 or actual 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 2012/13 the capitalised cost of early retirements (due to redundancy) requiring reimbursement to the Pension Fund was £0.8m of which £0.4m was reimbursed during 2012/13. From 2010/11 the entire capitalised cost of early retirement was due the year in which it was incurred.

At the commencement of the financial year 2012/13, £0.3m (2011/12 £0.9m) of capitalised early retirement costs relating to prior year redundancies were the subject of reimbursements to the Pension Fund by annual instalments. During 2012/13, £0.2m (2011/12 £0.6m) was reimbursed to the Pension Fund, the remaining amount to be reimbursed by instalments during the following two financial years.

9. DEBTORS

	2012/13 £000	2011/12 £000
Central Government Bodies	0	0
Other Local Authorities - Croydon Council	618	268
Other Local Authorities	15	34
NHS Bodies	0	0
Public Corporations and Trading Funds	0	0
Other Entities and Individuals:		
Investment Income	713	655
Investment Disposals	2,570	5,973
Sundry Debtors	911	584
	4,827	7,514

10. CREDITORS

	2012/13 £000	2011/12 £000
Other Local Authorities - Croydon Council	(4,550)	(4,572)
Other Local Authorities - LB Bromley	(17)	0
Public corporations and trading funds	0	(11)
Other entities and individuals		
Investment purchases	(3,282)	(2,394)
Sundry expenses	(1,319)	(1,237)
	(9,168)	(8,214)

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

	2012/13 £000	2011/12 £000
Pensions administration and payroll (see note below)	840	1,466
Audit Fees	21	34
Actuarial expenses and valuation fees	102	184
Other administrative expenses	130	78
	1,093	1,762

Croydon Council's Pensions and Treasury section officers' time and related on-costs have been recharged to the Pension Fund, totalling £666k (2011/12 £909k). These relate to Croydon Council's costs of pensions administration and the non investment accounting work.

12. INVESTMENT MANAGEMENT EXPENSES

	2012/13 £000	2011/12 £000
Fund managers' fees (see (a) below)	738	1,130
Investment advisors' fees	324	273
Direct salary and other related expenses (see (b) below)	270	266
	1,332	1,669

(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) Croydon Council's Pensions and Treasury section officers' time and related on costs totalling £270k (2011/12 £227k) have been recharged to the Pension Fund. These costs relate to all aspects of administering the investments of the Pension Fund, including investment monitoring.

13. INVESTMENT INCOME

	2012/13 £000	2011/12 £000
Distributions from global equity fund managers	4,653	4,559
Infrastructure Distribution	8	0
Henderson property funds	235	638
Schroder property funds	1,034	282
Interest on cash deposits	26	17
Other interests and adjustments	8	27
	5,964	5,523

The figures above show actual investment income received by the Pension Fund. Therefore, these figures are net of any irrecoverable withholding tax. Note 20 discloses amounts that were deducted at source for taxation and irrecoverable.

14. LUMP SUMS

	2012/13 £000	2011/12 £000
Lump sum retirement benefits	6,551	11,524
Ill health retirement grants	167	549
Death grants	631	1,266
	7,349	13,339

15. TRANSFERS VALUES PAID AND TRANSFERS VALUES RECEIVED

	Transfers paid 2012/13 £000	Transfers paid 2011/12 £000	Transfers received 2012/13 £000	Transfers received 2011/12 £000
Group transfers	0	0	0	78
Individual transfers	2,678	3,209	4,076	4,790
Total	2,678	3,209	4,076	4,868

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 2013. 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	$14,940	$1,211
USA IX Fund	$23,200	$4,692	$18,508
Asia III Fund	$1,997	$1,897	$100
Asia VI Fund	$12,000	$2,400	$9,600
Euro III Fund	€ 12,299	€ 11,315	€ 984
Euro VII Fund	€ 17,000	€ 3,485	€ 13,515
Equitix			
Fund I	£10,000	£9,674	£326
Fund II	£10,000	£5,406	£4,594
Knightsbridge	$13,000	$8,190	$4,810

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 £259k for 2012/13 (£408k in 2011/12), are sent directly to the relevant AVC provider.

The value at 31 March 2013 of separately invested additional voluntary contributions was £1.6m (£1.2m in 2011/12).

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. The amount of irrecoverable withholding tax paid in 2012/13 was £0.6m (£0.3m in 2011/12).

21. MEMBERSHIP

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

	2012/13	2011/12	% change
Contributing members	7,501	6,286	19.33%
Deferred pensioners	7,196	6,408	12.30%
Pensioners	6,366	6,205	2.59%
Total	21,063	18,899	11.45%

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:

Band	Range £	Contribution Rate %
1	0 -13,500	5.5%
2	13,501-15,800	5.8%
3	15,801-20,400	5.9%
4	20,401-34,000	6.5%
5	34,001-45,500	6.8%
6	45,501-85,300	7.2%
7	85,300+	7.5%

For the year ended 31 March 2013 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. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS

Introduction
CIPFA's Code of Practice on Local Authority Accounting 2012/13 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. There are three options for its disclosure in Pension Fund accounts:

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

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

I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Croydon Pension Fund, which is in the remainder of this note.

Balance Sheet

Year ended	31 Mar 2013 £m	31 Mar 2012 £m
Present value of Promised Retirement Benefits	1,267	1,065

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 2013 comprises £605m in respect of employee members, £253m in respect of deferred pensioners and £409m 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.

23. PENSION FUND ACCOUNTS REPORTING REQUIREMENTS (continued)

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

Assumptions
The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate that the impact of the change of assumptions to 31 March 2013 is to increase the actuarial present value by £131m.

Financial Assumptions
My recommended financial assumptions are summarised below:

Year ended	31 Mar 2013 %p.a.	31 Mar 2012 %p.a.
Inflation/Pensions Increase Rate	2.8%	2.5%
Salary Increase Rate *	4.6%	4.3%
Discount Rate	4.5%	4.8%

* Salary increases are 1% p.a. nominal until 31 March 2015 reverting to the long term rate thereafter

Longevity Assumption
As discussed in the accompanying report, the life expectancy assumption is based on standard "SAPS" tables with improvements from 2007 in line with the Medium Cohort and a 1% p.a. underpin. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.9 years	25.7 years
Future Pensioners *	24.9 years	27.7 years

* Future pensioners are assumed to be currently aged 45

This assumption is the same as at 31 March 2012.

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

Professional Notes
This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2013 for IAS19 purposes' dated April 2013. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Richard Warden

17 May 2013

For and on behalf of Hymans Robertson LLP

24. EVENTS AFTER THE REPORTING PERIOD

Global equity markets continued to display a high degree of volatility and rallied after the end of the financial year. At the end of July 2013, the Fund's investments had increased in value by £15m (2.2%). £11m of this was associated with market performance and £4m was due to cash drawn down by private equity managers. Fund managers have strictly monitored risk budgets and position their individual portfolios to maximise returns above movements in the markets within that appetite for risk.

The current Asset Allocation Strategy, introduced in 2009 and revised in March 2013, aims to close the funding deficit gap over a reasonable period of time by generating returns within a specified risk budget. Thus the Authority has exposure to a range of investments with a higher level of inherent risk than traditional asset classes such as equities and fixed income. These 'alternate' asset classes include private equity. This asset class returns cash to the investor over a fixed period and therefore unless additional investments are made, as a proportion of the overall investment portfolio, the percentage target allocation will fall. Consequently additional commitments to funds managed by Equitix, Pantheon and Knightsbridge have been made since year end. Further, cash returned by one the Fund's Fund of Hedge Fund managers has been allocated to BlueCrest to ensure the strategic allocation to this asset class is not underweight. Alternative assets tend to have a low correlation to traditional asset classes and therefore provide diversification across the Fund's investment portfolio.

25. 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 2012/13 the Pension Committee agreed a revised investment strategy.

Asset Class	Benchmark	Original Weighting	Revised Weighting
UK and Overseas Listed Equities	MSCI AC World Index	50% + / - 3%	50% + / - 3%
Bonds	18% Merrill Lynch Sterling non gilts all stocks index 12% Merrill Lynch Sterling Broad Market index	30% + / - 3%	25% + / - 3%
Property	IPD All Properties index	7% + / - 3%	10% + / - 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%	5.00%
Infrastructure	Absolute Return of 12%	0.00%	5.00%
Global Tactical Asset Allocation	3 month LIBOR plus 10%	4.00%	0.00%
Cash and Short Term Deposits		1.00%	1.00%
Total		100.00%	100.00%

There is a risk 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.

25. 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 derivates as a hedge against foreign currency exposure.

25. 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 £3.6m. 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. The Equitix Funds were reclassified from private equity to infrastructure during the period.

	Designated as fair value through profit and loss £000	Loans and Debtors £000	Financial liabilities at amortised cost £000
Financial Assets			
Fixed interest securities	205,413	0	0
Equities	264,296	0	0
Pooled investments	102,649	0	0
Pooled property investments	37,480	0	0
Hedge Funds	13,334	0	0
Private equity	22,492	0	0
Infrastructure	22,403	0	0
Cash	0	26,566	0
Short Term Deposits		15,000	
Other investment balances	3,283	0	0
Debtors	0	1,544	0
Total Financial Assets	671,350	43,110	0
Financial Liabilities			
Other investment balances	(3,282)	0	0
Creditors	0	0	(5,886)
Total Financial Liabilities	(3,282)	0	(5,886)
Net Assets	668,068	43,110	(5,886)

Net Gains and Losses on Financial Instruments	31 March 2013 £000
Financial assets	
Fair value through profit and loss	64,429
Loans and debtors	0
Financial liabilities measured at amortised cost	0
Financial liabilities	
Fair value through profit and loss	0
Loans and debtors	0
Financial liabilities measured at amortised cost	0
Total	64,429

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
Financial Assets		
Fair value through profit and loss	671,350	671,350
Loans and Debtors	43,110	43,110
Total Financial Assets	714,460	714,460
Financial Liabilities		
Fair value through profit and loss	(3,282)	(3,282)
Financial liabilities at amortised cost	(5,886)	(5,886)
Total Financial Liabilities	(9,168)	(9,168)

25. 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 values are derived from unadjusted quoted prices in active markets for identical assets and liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, 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.

Values at 31 March 2013	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial Assets				
Financial assets at fair value through profit and loss	575,641	37,480	58,229	671,350
Loans and debtors	43,110	0	0	43,110
Total financial assets	618,751	37,480	58,229	714,460
Financial Liabilities				
Financial Liabilities at fair value through profit and loss	(3,207)	(75)	0	(3,282)
Financial liabilities at amortised cost	(5,886)	0	0	(5,886)
Total financial liabilities	(9,093)	(75)	0	(9,168)
Net financial assets	609,658	37,405	58,229	705,292

26. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

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

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.

Asset type	Potential market movements (+/-)
Global Equities	12.80%
Total bonds plus index linked	4.70%
Alternatives	4.30%
Property	6.40%

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:

Asset type	Value £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Global Equities	366,945	12.80%	413,914	319,976
Total bonds plus index linked	205,413	4.70%	215,067	195,759
Alternatives	58,229	4.30%	60,733	55,725
Property	37,480	6.40%	39,879	35,081
Total Assets	668,067		729,593	606,541

26. 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 2013 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 2013
	£000
Cash and cash equivalents	7,830
Cash Balances	18,736
Short Term Deposit	15,000
Fixed interest securities	205,413
Total	246,979

Interest rate risk sensitivity analysis
The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100 basis points (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates.

Asset type	Carrying amount as at 31 March 2013	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
Cash and cash equivalents	7,830	78	(78)
Cash Balances	18,736	187	(187)
Short Term Deposit	15,000	150	(150)
Fixed interest securities	205,413	2,054	(2,054)
Total	246,979	2,470	(2,470)

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 2013.

Currency exposure - asset type	Asset Value as at 31 March 2013
	£000
Overseas quoted securities	246,526
Overseas quoted securities - pooled	102,578
Overseas un-quoted securities	22,492
Overseas property	11,189
Overseas bonds (quoted)	78,864
Total overseas assets	461,649

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 5.3% (as measured by one standard deviation).

A 5.3% 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.

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

A 5.3% 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 2013	Change in net assets available to pay benefits	
		+5.3%	-5.3%
	£000	£000	£000
Overseas quoted securities	246,526	259,592	233,460
Overseas quoted securities - pooled	102,578	108,015	97,141
Overseas un-quoted securities	22,492	23,684	21,300
Overseas property	11,189	11,782	10,596
Overseas bonds (quoted)	78,864	83,044	74,684
Total overseas assets	461,649	486,117	437,181

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 2013 was £33.74 million (£6.9 million at 31 March 2012). This was held with the following institutions:

Summary	Rating at 31 March 2013	Balances as at 31 March 2013
		£000
Money Market Funds		
Goldman Sachs	AAA	6,984
Short Term Deposit Account		
Lloyds TSB	A	15,000
Current Account		
Royal Bank of Scotland		11,752
Total		33,736

Liquidity risk
Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Council has immediate access to its Pension Fund cash holdings including cash invested in money market funds.

The Fund defines liquid assets as assets that can be converted to cash within three months. Non-liquid assets are those assets which will take longer than three months to convert into cash.

All financial liabilities at 31 March 2013 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.

GLOSSARY OF TERMS

ACCOUNTING POLICIES
Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements. Accounting polices define the process whereby transactions and other events are reflected in financial statements.

ACCRUALS
An accounting principle where income and expenditure are taken into account in the year in which they are earned or incurred, rather than when monies are received and/or invoices are actually paid.

ACTUARIAL VALUATION
The Actuary reviews the assets and liabilities of the Pension Fund every three years and reports to the Council on the Fund's financial position and recommended employers' contribution rates.

ACTUARY
An independent professional who advises on the financial position of a Pension Fund.

ALLOWANCE FOR DOUBTFUL DEBT
An amount set aside to cover money owed to the Council where it is considered doubtful that payment will be received.

AMORTISATION
The equivalent of depreciation for intangible assets.

BALANCES
The amount of money on the various funds of the Council left over at the end of the financial year after allowing for all expenditure and income that has taken place. These are also known as financial reserves.

BUDGET
A forecast of the Council's planned expenditure and income, either over a set period or for a specific project.

CAPITAL EXPENDITURE
Expenditure on the purchase, construction and enhancement of Council assets such as houses, offices, schools and roads. Expenditure can only be treated as 'capital' if it meets the statutory definitions and is in accordance with accounting practice and regulations.

CAPITAL RECEIPTS
Monies received from the sale of the Council's assets such as land and buildings. These receipts are used to pay for additional capital expenditure.

CIPFA
The Chartered Institute of Public Finance and Accountancy is the accountancy body which represents at national level the interests of Local Government and public service finance. The Institute produces advice, codes of practice and guidance to Local Authorities on best practice.

COLLECTION FUND
A Fund operated by the billing Authority into which all receipts of Council Tax and National Non-Domestic Rates are paid. The Fund must be maintained separately from the Authority's General Fund.

COMMUNITY ASSETS
Assets that the Authority intends to hold in perpetuity that have no determinable useful life and that may have restrictions on their disposal. Examples are parks and historic buildings.

CONTINGENT ASSETS
Contingent assets are possible assets arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

CONTINGENT LIABILITIES
Possible losses that arise from past events which will only be confirmed by one or more uncertain future events not wholly within the Council's control.

COUNCIL TAX
A system of local taxation on domestic property introduced from 1st April 1993, 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 REPORTING PERIOD
Events after the Reporting Period are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

FAIR VALUE
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 or transfer any surplus to 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
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.